

Guardian of Image: Evaluating Corporate Reputation as a Shield Against COVID-19 Fallout on Firm Performance

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ABSTRACT

The COVID-19 pandemic has wreaked havoc on the global economy and posed a significant challenge for companies to survive. This research provides empirical evidence on how the pandemic can adversely affect company performance. Furthermore, the study also unravels how a company's reputation can act as a shield amid the onslaught of the pandemic, thereby moderating the negative relationship between COVID-19 and company performance. The research utilizes 2,847 firm-year observations from non-financial companies listed on the Indonesia Stock Exchange from 2017 to 2022. The analysis employed in this study uses moderated regression analysis (MRA) with STATA software. The results indicate that a company's reputation can moderate, weakening the negative relationship between COVID-19 and company performance. These findings are reinforced by robustness testing using Coarsened Exact Matching (CEM) and alternative performance measurements. This information is highly valuable for companies and stakeholders, indicating that the risks arising from the COVID-19 pandemic can be mitigated by strengthening the company's reputation.

ABSTRAK

Pandemi COVID-19 telah memporak-porandakan perekonomian dunia dan menjadi tantangan yang hebat bagi perusahaan untuk tetap bertahan. Penelitian ini memberikan bukti empiris bagaimana pandemi ini dapat menurunkan kinerja perusahaan. Lebih lanjut, penelitian ini juga mengungkap bagaimana reputasi yang dimiliki perusahaan dapat menjadi pelindung di tengah gempuran pandemi yang terjadi sehingga memoderasi hubungan negatif antara COVID-19 dengan kinerja perusahaan. Penelitian ini menggunakan 2,847 firm-year observation dari perusahaan-perusahaan non-keuangan yang terdaftar di Bursa Efek Indonesia pada periode tahun 2017-2022. Analisis yang digunakan penelitian ini menggunakan moderated regression analysis (MRA) dengan software STATA. Hasilnya menunjukkan bahwa reputasi yang dimiliki perusahaan dapat memoderasi, yaitu memperlemah hubungan negatif antara COVID-19 dengan kinerja perusahaan. Hasil ini juga diperkuat dengan pengujian robustness menggunakan Coarsened Exact Matching (CEM) dan juga pengukuran alternatif dalam mengukur kinerja perusahaan. Informasi ini sangat berguna bagi perusahaan dan pemegang saham bahwa risiko yang terjadi karena pandemi COVID-19 dapat dimitigasi dengan memperkuat reputasi perusahaan.

1. INTRODUCTION

The onset of the COVID-19 pandemic has marked a pivotal moment in recent history (Marinković & Major, 2020), reshaping the global landscape and imposing unprecedented challenges that reverberate across economies and industries on a worldwide scale. This crisis has transcended traditional boundaries, disrupting established norms and compelling organizations to confront a myriad of unforeseen challenges and uncertainties. The multifaceted impact of the pandemic extends beyond the immediate health concerns, infiltrating the very fabric of economic structures and industrial ecosystems (Siddique et al., 2021). As a result, companies find themselves navigating uncharted territory, compelled to adapt swiftly to a rapidly changing landscape fraught with complexities. The study aims to dissect the intricate dynamics that unfold at the intersection of the pandemic and corporate performance, acknowledging the potential of COVID-19 to wield

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a profound influence capable of impeding the economic prosperity of companies operating in diverse sectors. The study at hand not only aims to dissect the intricate dynamics that unfold at the intersection of the pandemic and corporate performance but also sheds light on the novel concept of corporate reputation as a strategic asset amid the challenges posed by COVID-19. By recognizing corporate reputation as a tangible and influential resource in mitigating the adverse effects of the crisis, this research contributes to advancing existing frameworks and enriching our understanding of reputation management within the context of a global health crisis.

As nations and businesses grapple with the enduring repercussions of the pandemic, a critical imperative emerges, namely a nuanced comprehension of the intricate ways in which corporate performance is shaped in the wake of this global crisis (Boin et al., 2021; Hartwell & Devinney, 2021). Beyond merely recognizing the challenges posed, it becomes imperative to identify and understand potential mitigating factors that could serve as strategic tools to alleviate the pandemic's detrimental effects. The resilience and adaptability of businesses in the face of such adversity hinge on their capacity to decipher the nuanced interplay of variables shaping their performance trajectories (Sahi et al., 2023). This study seeks to contribute to this understanding by probing into the underlying dynamics, aiming to unravel not only the challenges but also the potential pathways to resilience in the face of a crisis that has left an indelible mark on the global economic landscape.

In the context of the ongoing global pandemic, the examination of corporate reputation emerges as a central focus, unveiling its pivotal role as a strategic asset amid the tumultuous terrain shaped by COVID-19 (Al Frijat et al., 2023; Shepherd & Williams, 2023). Corporate reputation is positioned as a protective shield, capable of mitigating the adverse consequences of the pandemic on businesses (García-Sánchez et al., 2020). As companies navigate the complexities of the current crisis, their reputations transcend being mere symbolic representations; instead, they function as tangible assets with tangible impacts. Recognizing companies as both economic entities and essential contributors to the broader social fabric, this study delves into the intricate dynamics of corporate reputation within a globally interconnected ecosystem. The reputation cultivated by a company becomes a valuable resource, wielding influence over key elements such as consumer trust, investor confidence, and the perceptions of stakeholders. This research aims to unravel the symbiotic relationship between the disruptive forces unleashed by the pandemic and the inherent resilience encapsulated in corporate reputation, offering empirical insights into the strategic role it plays in safeguarding companies against the challenges posed by the current global health crisis.

Against the backdrop of economic uncertainty and unprecedented disruptions, the significance of corporate reputation becomes magnified as a tangible bulwark against the multifaceted challenges posed by the COVID-19 pandemic (Jokela et al., 2023; Tocci, 2022). Businesses are not only economic entities but integral components of a complex social and economic ecosystem, where their reputation becomes a currency with real-world implications (Peshev, 2020). The research seeks to explore the intricate interplay between the disruptive forces of the pandemic and the mitigating potential inherent in corporate reputation. By delving into empirical insights, the study seeks to uncover how, in times of crisis, corporate reputation acts as a resilient factor, influencing not only the financial aspects of the business but also shaping the perceptions and trust of various stakeholders. Through a detailed examination of these dynamics, the research contributes valuable knowledge for businesses and stakeholders alike, offering strategic insights into how cultivating and preserving a positive corporate reputation can serve as a crucial mechanism for navigating and overcoming the challenges precipitated by the current global health crisis (Fragouli, 2020).

This study makes significant contributions both theoretically and practically. Theoretically, it advances existing frameworks by illuminating the protective function of corporate reputation as a strategic asset during the unprecedented challenges of the COVID-19 pandemic. Going beyond traditional crisis management theories, the research enriches our understanding of reputation management within the context of a global health crisis, conceptualizing corporate reputation as a tangible and influential resource (Arslan et al., 2021; Money et al., 2017). Moreover, by exploring the moderating role of corporate reputation in the relationship between COVID-19 and firm performance, the study contributes to the broader literature on crisis resilience, offering theoretical insights into how reputational strength can mitigate the impact of external shocks. On a practical level, the findings offer actionable insights for businesses navigating the complexities of the pandemic. The research provides guidance for companies seeking strategies to safeguard their performance and maintain stakeholder trust, emphasizing the strategic importance of proactively managing reputational capital. Practical implications extend to reputation-building efforts, crisis

communication strategies, and overall risk management practices. The study equips decision-makers with evidence-based approaches to enhance resilience by fortifying reputational defenses, offering practical guidance that addresses immediate challenges and contributes to the long-term sustainability of organizations.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

2.1. Crisis Management Theory

Crisis management theories constitute an indispensable body of knowledge that provides organizations with essential tools to navigate and effectively respond to unexpected and disruptive events (Roux-Dufort, 2007; Sellnow & Seeger, 2021; Williams et al., 2017). These theories are founded on the fundamental understanding that crises can originate from various sources, encompassing natural disasters, economic downturns, and technological failures. The study under consideration specifically highlights their applicability to global health crises, exemplified by the unprecedented challenges posed by the COVID-19 pandemic (Chatzipanagiotou & Katsarou, 2023).

These theories serve as strategic frameworks for offering guidelines for organizations to comprehend, anticipate, and proactively address crises (Chatzipanagiotou & Katsarou, 2023; Roux-Dufort, 2007; Williams et al., 2017). Their relevance becomes especially pronounced in the case of the COVID-19 pandemic, where the complex interplay of health-related challenges, economic disruptions, and societal shifts necessitates nuanced and adaptive approaches. From crisis communication strategies to resource allocation and adaptive leadership, these theories provide a comprehensive toolkit for organizations seeking to navigate the intricate dynamics of a crisis (Sellnow & Seeger, 2021). In essence, they represent a reservoir of knowledge drawn from past crises, enabling organizations not only to weather the storm but also to emerge resilient and fortified in the face of unforeseen disruptions (Chatzipanagiotou & Katsarou, 2023; Roux-Dufort, 2007).

2.2. Corporate Reputation

Corporate reputation is a complex amalgamation of perceptions held by diverse stakeholders that encapsulates how a company's actions in the past and its envisioned trajectory in the future are evaluated in comparison to similar entities (Fragouli, 2020). This comprehensive assessment extends beyond mere financial performance and delves into intangible qualities, encompassing the company's character, reliability, and overall standing in the eyes of its customers, investors, employees, and the broader public (Sehgal et al., 2023). It serves as a dynamic reflection of the collective sentiment surrounding a company, shaping its relationships, trustworthiness, and market position.

Corporate reputation could be reflected in the firm market capitalization (Arora et al., 2021). It is a quantitative metric that offers more than a numerical representation of a company's financial worth—it functions as a tangible manifestation of the market's perception of the company. With higher market capitalization, a company is often deemed reputable due to implicit support derived from attributes such as sustained growth, financial stability, heightened liquidity, favorable returns on investment, and reduced associated risks (Arora et al., 2021). Market capitalization extends beyond its financial implications to become a symbolic indicator of a company's image, showcasing its allure and competitiveness within the market landscape. This interplay between market capitalization and corporate reputation is fortified by the recognition that higher market capitalization signifies not only financial prowess but also exceptional qualitative traits that distinguish a company in its capacity to navigate uncertainties and surpass its competitors. Essentially, a company's market capitalization serves as a dual metric, reflecting both its financial resilience and the intangible elements that bolster its perceived reputation among investors and the broader market. It embodies investor confidence in the company's ability to weather challenges, innovate, and sustain growth, thus solidifying its position as a formidable player in the market.

2.3. Firm Performance

Analyzing a company's performance is a multifaceted endeavor that involves a thorough assessment across various dimensions, with firm performance being the focal point. Drawing on the categorization framework introduced by Bozkurt & Kaya (2023), this evaluation is structured around three principal categories: operational performance, quantified by return on assets (ROA); financial performance, represented by return on equity (ROE); and market performance, assessed through Tobin's Q. In alignment with the research

emphasis outlined by Prekazi et al. (2023), the current study concentrates its investigative lens, specifically on return on equity, as the primary benchmark for assessing firm performance.

Return on equity (ROE) stands as a crucial financial metric that measures a company's profitability concerning the equity held by its shareholders. The ROE calculation divides the company's net income by its shareholder equity, offering insights into how efficiently the company generates returns on the capital its shareholders invest. In essence, ROE serves as a pivotal gauge for evaluating the company's ability to deliver profitability in relation to the financial stake of its shareholders. By focusing on ROE as the primary indicator for firm performance, this research aims to capture the nuanced dynamics of how efficiently a company utilizes shareholder equity to generate profits and, in turn, provides a deeper understanding of its financial health and strategic effectiveness within the broader landscape of corporate performance.

2.4. Pandemic COVID-19 and Firm Performance

The COVID-19 pandemic has cast a substantial shadow over firm performance, ushering in a multitude of challenges that have predominantly veered toward the negative spectrum (Kumar & Zbib, 2022; Ren et al., 2021; Shen et al., 2020). Operational disruptions have rippled through global supply chains (Hosseini & Ivanov, 2022; Orlando et al., 2022), leading to delays in production and distribution, while mandatory closures and restrictions have crippled the productivity of businesses, particularly those deemed non-essential. Financially, the pandemic has dealt a blow to firms as reduced consumer spending, economic uncertainties, and unforeseen costs associated with health and safety measures have taken a toll (Ren et al., 2021; Shen et al., 2020). Industries highly sensitive to consumer mobility, such as travel, tourism, and traditional retail, have been especially hard-hit, facing revenue declines and existential threats. Many companies have even faced bankruptcy due to decreased performance during the economic crisis of the COVID-19 pandemic (Bozkurt & Kaya, 2023; Crespi-Cladera et al., 2021; Dörr et al., 2022; Zhao et al., 2023).

The volatility induced by the pandemic extended to financial markets, influencing stock prices and dampening investor confidence (Tan et al., 2021). The pervasive uncertainty prompted a risk-averse environment, causing companies to defer investments and expansion plans. Moreover, the sudden and necessary shift to remote work came with its own set of challenges, including increased technology costs, workforce reductions, and difficulties in maintaining effective team collaboration. These combined factors have created a landscape where firms across various sectors find themselves grappling with an intricate web of obstacles, emphasizing the imperative for adaptability and strategic resilience in the face of unprecedented adversities.

H1. The COVID-19 pandemic has a negative relationship with firm performance.

2.5. Moderating Role Corporate Reputation in Relationship between Pandemic COVID-19 and Firm Performance

In the tumultuous landscape shaped by the COVID-19 pandemic, the moderating role of corporate reputation emerges as a crucial determinant in the relationship between the crisis and firm performance (Al Frijat et al., 2023; Shee et al., 2023). A positive corporate reputation serves as a formidable shield, deflecting negative perceptions that may arise during challenging times. Stakeholder trust, a cornerstone of reputation, becomes a stabilizing force, instilling confidence among customers, investors, and the public in the company's ability to navigate the uncertainties introduced by the pandemic (Foley & Kendrick, 2006; Larmond, 2023). This reservoir of trust, fostered by a positive reputation, contributes to the resilience of companies, enabling them to maintain operational continuity and strategic focus even in the face of adversity.

Beyond mere survival, a positive corporate reputation can confer a competitive advantage (Fragouli, 2020). Companies with a sterling reputation are positioned favorably in the eyes of consumers and investors, potentially thriving amid the challenges posed by the pandemic. This advantageous positioning is rooted in the perception that reputable companies are not only trustworthy but also adept at adapting and innovating in response to changing circumstances. Effective crisis communication, facilitated by a positive reputation, becomes a linchpin in managing stakeholder expectations and mitigating the negative impact of the pandemic on firm performance (J. Y. Lee et al., 2022; Men et al., 2022). In essence, corporate reputation emerges as a strategic asset, a moderating force that not only cushions companies from the harsh effects of the pandemic but also positions them for resilience, adaptation, and potential growth in the aftermath of unprecedented challenges.

H2. Corporate reputation weakens the negative impact of the COVID-19 pandemic on firm performance.

3. RESEARCH METHOD

3.1. Data Sources and Sample Selection

The initial sample for this research includes all publicly listed companies on the Indonesia Stock Exchange (excluding companies in SIC category 6) during the period from 2017 to 2022. The selection of this research period aims to facilitate an apple-to-apple comparison of company performance before and after the occurrence of COVID-19. The initial observation of publicly listed companies on the IDX during the period from 2017 to 2022 consists of 5,286 year-firm observations. The study then excluded 1,080 observations from SIC category 6 due to specific regulatory requirements (Guizani & Abdalkrim, 2023), aiming for a more comparable sample (Ngelo et al., 2022). Additionally, 1,359 year-firm observations were excluded due to missing data. As a result, the final sample for this research comprises 2,847 firm-year observations. All data were collected from each company's financial reports. Table 1 provides the sampling procedure used in this study.

3.2. Sample Distribution

Table 2 presents the distribution of samples based on industry and year. This research utilizes samples from the entire non-financial industry, classified based on primary one-digit Standard Industrial Classification (SIC) codes. The study's sample period spans from 2017 to 2022. According to Table 2, it is evident that the largest sample comes from the manufacturing industry, specifically food, chemicals, and petroleum refining (SIC 2), totaling 723 firm-year observations. This aligns with the statement from the Ministry of Industry of the Republic of Indonesia in Arif (2022), which asserts that the manufacturing sector contributes the most to the Gross Domestic Product (GDP). Conversely, the smallest sample in the study is from the health services industry (SIC 8), with a total of 97 firm-year observations. Examining the sample size for each period reveals a consistent upward trend from 2017 to 2022, indicating an annual increase in the number of samples. Furthermore, because this research utilizes samples from various industries, it incorporates industry-fixed effects into the empirical model to control industry-specific effects (Pant et al., 2023).

3.3. Variable Definition and Measurement

The dependent variable in this study is firm performance. Boshnak et al. (2023) categorized firm performance into three dimensions: operational performance, proxied by return on assets (ROA); financial performance, proxied by return on equity (ROE); and market performance, proxied by Tobin's Q. Following the approach of Prekazi et al. (2023), this study focuses on return on equity (ROE) as the primary proxy for firm performance. ROE is calculated by dividing net income by total equity. Additionally, this study uses ROA as another proxy for firm performance to conduct robustness tests. ROA is obtained by dividing net income by total assets.

The independent variable in this study is COVID-19 (COVID). COVID-19 is a disease caused by the novel coronavirus, SARS-CoV-2, first detected in Wuhan, China, at the end of 2019. On March 11, 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. Therefore, the COVID variable in this study is measured using a dummy variable, assigned a value of 1 for the post-COVID-19 pandemic research period (2020 – 2022) and a value of 0 for the pre-COVID-19 pandemic research period (2017-2019). The moderating variable in this study is corporate reputation (REPU). Reputation is fundamentally defined as stakeholders' perceptions of a company's past actions and prospective rankings in the future compared to similar companies in delivering valuable outcomes (Sehgal et al., 2023). Market capitalization reflects a company's ability to absorb market fluctuations and illustrates investor perceptions and the company's image (Arora et al., 2021). Therefore, companies with high market capitalization are considered reputable due to their stable growth, better stability, liquidity, returns, and lower risks. In this study, corporate reputation is proxied using the natural logarithm of market capitalization.

To mitigate potential omitted variable bias, several control variables are included in the regression model (Pant et al., 2023). These include leverage (DAR), cash-to-asset ratio (CASTA), current ratio (CURRENT), and asset tangibility (TANG). Leverage is measured as total liabilities divided by total assets. The cash-to-asset ratio is measured as cash and cash equivalent divided by total assets. The current ratio is measured as current assets divided by current liabilities. Asset tangibility is measured by tangible fixed assets divided by total assets. Definitions and measurements for each variable are provided in Table 3.

Table 1. Summary of the sample selection procedure

Descriptions	Sample size
The total observed population of the research (2017 to 2022)	5,286
(-) Financial firms with SIC 6	(1,080)
(-) Missing data: ROE	(394)
(-) Missing data: REPU	(748)
(-) Missing data: Controls	(217)
Total data final sample size (N)	2,847

Table 2. Sample distribution by industry and year

SIC	Year						Total
	2017	2018	2019	2020	2021	2022	
SIC 0: Agriculture, forestry, fishing	14	14	16	19	24	31	118
SIC 1: Mining & Construction	58	63	69	72	78	79	419
SIC 2: Manufacturing (Food, chemicals, petroleum refining)	100	111	119	126	131	136	723
SIC 3: Manufacturing (Stone, glass, primary metal, electronic, equipment)	63	67	71	69	74	82	426
SIC 4: Transportation & public utilities	63	74	78	77	80	83	455
SIC 5: Wholesale & retail trade	40	44	48	53	59	67	311
SIC 7: Business Services	34	42	50	54	57	61	298
SIC 8: Health Services	10	12	14	16	21	24	97
Total	382	427	465	486	524	563	2,847

Table 3. Operational definitions and measurement of variables

Variables	Definitions	Measurement	Sources
Dependent variable			
ROE	Return on equity	Net income divided by total equity (Aqabna et al., 2023; Prekazi et al., 2023)	Financial report
ROA	Return on assets	Net income divided by total assets (Aqabna et al., 2023; Prekazi et al., 2023)	Financial report
Independent variable			
COVID	COVID-19	The binary variable equals 1 for a year after the COVID-19 pandemic, while 0 for a year before the COVID-19 pandemic (Aqabna et al., 2023)	Financial report
Moderator variable			
REPU	Corporate reputation	Natural logarithm of market capitalization (Arora et al., 2021)	Financial report
Controls variable			
DAR	Financial leverage	Total liabilities divided by total assets (Aboagye-Otchere & Boateng, 2023; Aqabna et al., 2023)	Financial report
CASTA	Cash to asset ratio (Prasetyantoko & Parmono, 2012)	Cash and cash equivalent divided by total assets	Financial report
CURRENT	Current ratio (Kapaya & Raphael, 2016)	Current assets divided by current liabilities	Financial report
TANG	Asset tangibility	Tangible fixed assets divided by total assets (Kassi et al., 2019)	Financial report

3.4. Empirical Models

After cleaning the observations by removing firms with missing information on each variable data, this study winsorized all continuous variables to the 1st and 99th percentiles to avoid the influence of outliers (He et al., 2023). Then, this study employs the Moderated Regression Analysis (MRA) technique. Regression analysis using the MRA method is a specific application of multiple linear regression where the regression equation includes interaction terms (multiplication of two or more independent variables) (Ngatno et al., 2021). Referring to (Umamah, 2019), the moderation regression analysis with the MRA method is conducted with the following steps:

1. Regression of Independent and Moderation Variables on the Dependent Variable: Regressing the independent variable (COVID-19) and the moderation variable (corporate reputation) on the dependent variable (firm performance), resulting in the empirical equation:
 Model 1: Relationship between COVID-19 and Firm Performance

$$ROE_{i,t} = \alpha_1 + \beta_1 COVID_{i,t} + \beta_2 REPU_{i,t} + \beta_3 DAR_{i,t} + \beta_4 CASTA_{i,t} + \beta_5 CURRENT_{i,t} + \beta_6 TANG_{i,t} + Industry FE_{i,t} + \varepsilon_{i,t} \dots (1)$$
2. Creation of Interaction Variable: Multiplying the independent variable (COVID-19) by the moderation variable (corporate reputation) to obtain a new variable:

$$COV_REPU = COVID * REPU \dots \dots \dots (2)$$
3. Regression of Independent, Moderation, and Interaction Variables on the Dependent Variable: Regressing the independent variable (COVID-19), the moderation variable (corporate reputation), and the interaction variable (COVID-19 * corporate reputation) on the dependent variable (firm performance), resulting in the empirical equation:
 Model 2: Corporate Reputation Moderates the Relationship between COVID-19 and Firm Performance

$$ROE_{i,t} = \alpha_2 + \beta_7 COV_REPU_{i,t} + \beta_8 COVID_{i,t} + \beta_9 REPU_{i,t} + \beta_{10} DAR_{i,t} + \beta_{11} CASTA_{i,t} + \beta_{12} CURRENT_{i,t} + \beta_{13} TANG_{i,t} + Industry FE_{i,t} + \varepsilon_{i,t} \dots \dots \dots (3)$$

4. DATA ANALYSIS AND DISCUSSION

4.1. Descriptive Statistics

Descriptive statistics is a data analysis technique used to elucidate general patterns in data by calculating minimum values, maximum values, mean values, and standard deviation values. The outcomes of the descriptive statistics are presented in Table 4. The lowest ROE and ROA values being negative suggest that some firms are encountering losses, reflected in negative net income. However, the overall mean values are positive, indicating that most cases demonstrate profitability.

4.2. Spearman Correlation

The results of the Spearman’s correlation test are presented in Table 5. Spearman’s correlation is a univariate test aimed at assessing the strength and direction of the relationship between two variables (Al-Hameed, 2022). The Spearman correlation test is employed when the tested variables consist of ordinal data. Based on Table 5, it is observed that COVID-19 exhibits a negative and significant correlation with ROE at a 5% significance level. This result indicates that the firm’s performance is lower during the COVID-19 period. Conversely, REPU shows a positive and significant correlation with ROE at a 99% confidence level. This outcome suggests that a better corporate reputation can drive higher firm performance.

4.3. Independent t-test

This study also conducts another univariate analysis, namely the independent t-test. The Independent t-test aims to compare the means of two independent or unrelated groups. In this research, the independent t-test is employed to compare the means of each variable before and after the occurrence of COVID-19. The results of the independent t-test are presented in Table 6. Based on Table 6, it is evident that the average values of ROE and REPU before COVID-19 are higher than those after the occurrence of COVID-19. This outcome can be interpreted as the economic crisis caused by COVID-19 leading to a decline in both firm performance and reputation. Univariate analysis can serve as an initial indication of the relationship between independent and dependent variables. However, univariate results can be deceptive because they do not account for confounding variables (Pant et al., 2023). Additionally, univariate analysis cannot test the moderating role. Therefore, testing using multivariate analysis, specifically moderated regression analysis, is necessary to substantiate the research hypotheses.

Table 4. Descriptive statistics

	Mean	Standard Deviations	Minimum	Maximum
ROE	0.005	0.362	-2.252	1.686
ROA	0.025	0.103	-0.659	0.447
COVID	0.553	0.497	0.000	1.000
REPU	28.045	1.848	24.267	32.532
DAR	0.445	0.225	0.025	0.997
CASTA	0.120	0.135	0.000	0.667
CURRENT	2.915	4.496	0.049	32.215
TANG	0.550	0.245	0.024	0.977

Table 5. Spearman correlation

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
[1]	ROE	1.0000						
[2]	COVID	-0.0414** (0.0270)	1.0000					
[3]	REPU	0.4173*** (0.0000)	-0.0441** (0.0187)	1.0000				
[4]	DAR	-0.1400*** (0.0000)	-0.0573*** (0.0022)	0.0284 (0.1294)	1.0000			
[5]	CASTA	0.3527*** (0.0000)	0.0497*** (0.0080)	0.2705*** (0.0000)	-0.2864*** (0.0000)	1.0000		
[6]	CURRENT	0.2107*** (0.0000)	0.0525*** (0.0051)	-0.0009 (0.9623)	-0.6875*** (0.0000)	0.4621*** (0.0000)	1.0000	
[7]	TANG	-0.2424*** (0.0000)	-0.0038 (0.8403)	0.1145*** (0.0000)	0.0655*** (0.0005)	-0.3959*** (0.0000)	-0.4693*** (0.0000)	1.0000

Notes: This table reports the Spearman correlation test result on 2,847 firm-year observations. This test was done after minorizing the data for 1 and 99%. p -values in parentheses $*p < 0.100$, $**p < 0.050$, $***p < 0.010$. $*p < 0.100$ indicates significance at the 90% confidence level. $**p < 0.050$ indicates significance at the 95% confidence level. $***p < 0.010$ indicates significance at the 99% confidence level.

Table 6. Independent t-test

	MEAN		Coef	t-value
	COVID	NON-COVID		
ROE	-0.011	0.025	-0.036***	-2.656
REPU	27.983	28.121	-0.138**	-1.977
DAR	0.434	0.458	-0.024***	-2.786
CASTA	0.129	0.109	0.020***	3.969
CURRENT	3.111	2.673	0.438***	2.585
TANG	0.549	0.552	-0.002	-0.222

Notes: This table reports the independent t-test result on 2,847 firm-year observations. This test was done after winsorizing the data for 1 and 99%. p -values in parentheses $*p < 0.100$, $**p < 0.050$, $***p < 0.010$. $*p < 0.100$ indicates significance at the 90% confidence level. $**p < 0.050$ indicates significance at the 95% confidence level. $***p < 0.010$ indicates significance at the 99% confidence level.

4.4. Moderated Regression Analysis (MRA)

This study employs MRA to address the research questions and substantiate the research hypotheses. MRA accepts the hypothesis if the p -value is less than 0.100. Table 7 presents the results of the MRA. Column (1) of Table 7 represents the testing to answer hypothesis 1 (H1). The results indicate that COVID has a negative and significant relationship with ROE at a 5% significance level (coeff. is -0.036, t -value is -2.99). In other words, the occurrence of the crisis due to the COVID-19 pandemic decreases firm performance. Thus, H1 is accepted. Furthermore, in Table 7 column (2), the testing is to answer hypothesis 2 (H2). The results show that COV_REPU has a positive and significant relationship with ROE at a 10% significance level (coeff. is 0.011, t -value is 1.65). This outcome suggests that the negative impact of the economic crisis caused by the COVID-19 pandemic on firm performance can be minimized in companies with a good reputation. Thus, H2 is accepted.

4.5. Robustness Test

4.5.1. Coarsened Exact Matching (CEM) Regression

One perspective related to endogeneity argues that the observed sample can only be partially compared, potentially introducing bias if observations do not adequately represent each other's characteristics, leading to what is known as the sample selection bias problem (Harymawan et al., 2022). In business and management studies, a common method used to address this issue is matching techniques, including Coarsened Exact Matching (CEM) regression (Nasih et al., 2022). In this research, to implement CEM, the sample is divided into two groups, namely the treatment group and the control group, based on the interesting variable (COVID). Each observation within these groups is then matched against observations in the other group using all the control variables across three strata. The results of the CEM regression test are presented in Table 8.

Table 7. The result of moderated regression analysis

	(1) ROE	(2) ROE
COV_REPU		0.011*
		(1.65)
COVID	-0.036*** (-2.99)	-0.348* (-1.82)
REPU	0.054*** (14.55)	0.048*** (9.59)
DAR	-0.584*** (-9.85)	-0.586*** (-9.86)
CASTA	-0.024 (-0.48)	-0.030 (-0.59)
CURRENT	-0.012*** (-6.67)	-0.012*** (-6.62)
TANG	-0.279*** (-7.09)	-0.280*** (-7.10)
_cons	-1.010*** (-10.00)	-0.833*** (-5.93)
Industry FE	Yes	Yes
R ²	0.203	0.203
R ² _adjusted	0.199	0.200
N	2847	2847

Notes: This table reports the regression result on 2,847 firm-year observations. This test was done after winsorizing the data for 1 and 99%. *p*-values in parentheses **p* < 0.100, ***p* < 0.050, ****p* < 0.010. **p* < 0.100 indicates significance at the 90% confidence level. ***p* < 0.050 indicates significance at the 95% confidence level. ****p* < 0.010 indicates significance at the 99% confidence level.

Overall, this study found results similar to the main regression in Table 7. These findings confirm that even when including observations with a degree of similarity, COVID is negatively and significantly associated with ROE (coeff. is -0.038, *t*-value is -3.10). In other words, COVID-19 decreases firm performance. Additionally, the CEM testing results also found that COV_REPU is positively and significantly associated with ROE (coeff. is 0.012, *t*-value is 1.86), indicating that a better corporate reputation can minimize the negative impact of COVID-19 on firm performance. In conclusion, these findings suggest that the results of this research are not affected by endogeneity issues.

4.5.2. Alternative Measurement

This study aims to ensure the consistency of its findings by testing them using an alternative measure of firm performance. Return on Asset (ROA) is employed as an alternative proxy for firm performance (Boachie, 2023). ROA is obtained by dividing net income by the total assets of the company. The results of the test using ROA as the dependent variable are presented in Table 9. This study seeks to explain that the main dependent variable in our study is ROE. This research has considered ROA as an alternative variable to replace ROE to check the robustness of the results of our main research model. Therefore, ROA was not included in the research model, but it is still included in the descriptive statistics to inform readers about the descriptive value of ROA.

Based on Table 9, this study still documents consistent results with the main testing, where COVID is negatively and significantly associated with ROA at a 10% significance level (coeff. is -0.006, *t*-value is -1.88). Furthermore, REPU proves to weaken the relationship between COVID and ROA at a 10% significance level (coeff. is 0.003, *t*-value is 1.69). The only difference between Table 7 and Table 9 is the influence of firm size on firm performance. Firm size does not significantly affect ROE but shows a significant positive influence on ROA. One possible reason is that larger companies can leverage larger economies of scale, thus improving operational efficiency and asset performance (ROA). However, this effect only sometimes directly impacts ROE, depending on how efficiently the company utilizes its equity capital. Nevertheless, these findings suggest that corporate reputation is beneficial in mitigating the negative impact of COVID-19 on the company's operational and financial performance.

Table 8. The result of CEM regression

	0	1
All	1274	1573
Matched	1270	1568
Unmatched	4	5
	(1)	(2)
	ROE	ROE
COV_REPU		0.012*
		(1.86)
COVID	-0.038***	-0.381**
	(-3.10)	(-2.04)
REPU	0.054***	0.047***
	(14.48)	(9.61)
DAR	-0.577***	-0.579***
	(-9.79)	(-9.81)
CASTA	-0.025	-0.031
	(-0.49)	(-0.62)
CURRENT	-0.011***	-0.011***
	(-8.26)	(-8.22)
TANG	-0.274***	-0.274***
	(-7.01)	(-7.03)
_cons	-1.011***	-0.817***
	(-9.96)	(-5.86)
Industry FE	Yes	Yes
R ²	0.199	0.200
R ² _Adjusted	0.195	0.196
N	2838	2838

Notes: This table reports the CEM regression results on 2,838 firm-year observations. This test was done after winsorizing the data for 1 and 99%. *p*-values in parentheses **p* < 0.100, ***p* < 0.050, ****p* < 0.010. **p* < 0.100 indicates significance at the 90% confidence level. ***p* < 0.050 indicates significance at the 95% confidence level. ****p* < 0.010 indicates significance at the 99% confidence level.

Table 9. Regression result of alternative measurement

	(1)	(2)
	ROA	ROA
COV_REPU		0.003*
		(1.69)
COVID	-0.006*	-0.102*
	(-1.88)	(-1.79)
REPU	0.020***	0.018***
	(18.21)	(12.01)
DAR	-0.148***	-0.149***
	(-13.99)	(-14.00)
CASTA	0.052***	0.050***
	(2.67)	(2.59)
CURRENT	-0.004***	-0.004***
	(-6.06)	(-6.05)
TANG	-0.094***	-0.094***
	(-9.88)	(-9.90)
_cons	-0.402***	-0.348***
	(-13.29)	(-8.32)
Industry FE	Yes	Yes
R ²	0.283	0.284
R ² _Adjusted	0.280	0.280
N	2847	2847

Notes: This table reports the additional regression result on 2,847 firm-year observations. This test was done after winsorizing the data for 1 and 99%. *p*-values in parentheses **p* < 0.100, ***p* < 0.050, ****p* < 0.010. **p* < 0.100 indicates significance at the 90% confidence level. ***p* < 0.050 indicates significance at the 95% confidence level. ****p* < 0.010 indicates significance at the 99% confidence level.

4.6. Discussions

4.6.1. Pandemic COVID-19 and Firm Performance

The findings of this study underscore a robust and statistically significant negative relationship between the COVID-19 pandemic and firm performance. The evidence indicates that the unprecedented challenges posed by the global health crisis have substantially hampered the economic prosperity of companies across various sectors. As the pandemic swept through the global landscape, causing widespread disruptions to supply chains (Hosseini & Ivanov, 2022; Orlando et al., 2022) and triggering economic crises (Khan, 2022), the adverse effects on corporate performance became increasingly pronounced. The observed negative correlation, as supported by Spearman correlation analysis and Independent T-Test results, highlights the severity of the economic impact induced by the pandemic.

The detrimental effects of the COVID-19 pandemic on firm performance are further emphasized in the analysis of Return on Equity (ROE) and Return on Assets (ROA), which are key indicators of financial and operational performance, respectively. The statistically significant negative coefficients for COVID-19 in both ROE and ROA models confirm the adverse consequences of the pandemic on companies' financial and operational well-being. This aligns with the broader literature suggesting that economic recessions and crises often lead to reduced consumer spending, disrupted production processes, and financial instability, all of which contribute to a decline in firm performance (Bozkurt & Kaya, 2023; Crespí-Cladera et al., 2021; Zhao et al., 2023).

The findings resonate with the ongoing discourse about the profound and multifaceted challenges that the COVID-19 pandemic has imposed on businesses worldwide. As companies grapple with the fallout of the crisis, the documented negative relationship underscores the urgency for strategic interventions and adaptive measures to navigate the turbulent economic landscape (Kumar & Zbib, 2022; Ren et al., 2021; Shen et al., 2020). It also reinforces the significance of crisis management and resilience strategies in mitigating the adverse effects of external shocks, such as the global pandemic, on firm performance. In the subsequent sections, this research delves into the moderating role of corporate reputation in alleviating the negative impact of the pandemic on firm performance, offering insights into potential avenues for corporate strategies and risk mitigation.

4.6.2. Corporate Reputation, Pandemic COVID-19, and Firm Performance

The examination of the moderating role of corporate reputation in the relationship between the COVID-19 pandemic and firm performance unveils intriguing insights into the potential resilience mechanisms adopted by companies facing unprecedented disruptions. The empirical results suggest that corporate reputation serves as a crucial mitigating factor, weakening the adverse impact of the pandemic on firm performance. This finding aligns with the theoretical underpinnings that posit corporate reputation as a strategic asset capable of influencing stakeholder perceptions and fostering trust, even in the face of external shocks (Kaur & Singh, 2020; J. Lee & Jungbae Roh, 2012).

The study explores the protective function of corporate reputation amidst the global health crisis, asserting that it acts as a shield, offering companies resilience against disruptive forces (Money et al., 2017). Companies with strong reputations, having fostered positive relationships with stakeholders, are better equipped to navigate pandemic-induced uncertainties. This notion is supported by the positive and significant coefficient of the interaction term (COV_REPU) in moderated regression analysis, indicating reputation's potential to mitigate pandemic effects.

Corporate reputation also wields significant influence over stakeholder trust and confidence (Arora et al., 2021). Even amid the pandemic, the positive correlation between reputation and firm performance underscores the enduring trust capital established by reputable companies. This trust is pivotal for maintaining customer loyalty, attracting investment, and garnering support from various stakeholders. The study's empirical insights illuminate how reputation operates as a resilience factor, shaping stakeholder perceptions even in crises. For practitioners and corporate leaders, the findings highlight the strategic importance of investing in and safeguarding corporate reputation (Kaur & Singh, 2020; Lee & Roh, 2012). Companies with well-established positive reputations are better positioned to weather crises, as their built trust and credibility serve as buffers against economic downturns and uncertainties like the COVID-19 pandemic. Proactive reputation management, transparent communication, and ethical business practices emerge as critical elements in fortifying a company's resilience to external shocks.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

In the face of the unprecedented challenges brought forth by the COVID-19 pandemic, this research significantly contributes to our understanding of how companies can navigate the turbulent waters and mitigate the adverse effects on their performance. The study affirms the widely acknowledged disruption caused by the COVID-19 pandemic on the global economy. The empirical findings reveal a negative relationship between the pandemic and company performance, highlighting the economic fallout and challenges companies face in sustaining growth and stability during such unforeseen crises. Crucially, the research unveils the protective function of corporate reputation amid the pandemic's onslaught. Corporate reputation emerges as a resilient shield that can weaken the pandemic's negative impact on company performance. The moderated regression analysis (MRA) results underscore that companies with a positive and robust reputation are better equipped to navigate the uncertainties and adversities associated with the global health crisis.

For companies and stakeholders, the implications are profound. The study emphasizes the strategic importance of actively managing and enhancing corporate reputation. This strategic asset acts not only as a source of competitive advantage during normal business conditions but also as a crucial mitigating factor in times of crisis. The information provided by this research serves as a guiding light for companies seeking to fortify their resilience and reduce vulnerabilities in the face of external shocks. The robustness testing, employing Coarsened Exact Matching (CEM) and alternative performance measurements such as return on assets (ROA), further bolsters the credibility of the findings. The consistent results across different methodologies underscore the reliability of the conclusion that a positive reputation serves as a mitigating factor against the negative repercussions of the pandemic.

The research findings provide crucial insights for policymakers amidst the disruptive impact of the COVID-19 pandemic on the global economy and corporate landscape. By empirically demonstrating how the pandemic can negatively affect company performance, policymakers gain a clearer understanding of the challenges faced by businesses in maintaining stability and growth during such unprecedented times. Overall, this research underscores the critical role of corporate reputation management in navigating the challenges posed by the COVID-19 pandemic and offers valuable insights for policymakers seeking to support companies in adapting and thriving in the face of adversity.

This study not only presents valuable insights but also highlights avenues for future exploration. Delving into reputation dynamics across various industries and regions could yield a more nuanced understanding of its complexities. Moreover, longitudinal studies tracking the evolution of reputation, particularly in the aftermath of the COVID-19 pandemic, could provide deeper insights into its lasting effects. In essence, this research not only sheds light on the challenges posed by the pandemic but also offers a roadmap for resilience. Corporate reputation emerges as a beacon of strength, equipping companies with the resilience needed to withstand adversities and maintain their performance. As companies and stakeholders navigate ongoing uncertainties, the study offers actionable insights, emphasizing the crucial role of reputation management in ensuring long-term sustainability and success. By recognizing reputation as a strategic asset, organizations can proactively safeguard their position in the market and fortify their resilience against future disruptions.

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