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THE INTERPLAY OF ESG, ENTERPRISE RISK MANAGEMENT AND CORPORATE REPUTATION IN ENHANCING FIRM VALUE: A SYSTEMATIC LITERATURE REVIEW

Disya Yuke Farhana[1]*, Sri Rahayu[2], Wirmie Eka Putra[3]
[1,2,3]University of Jambi, Indonesia
Corresponding Author:
disyayukef@gmail.com

Abstract
This study conducts a systematic literature review of 37 articles to analyze the influence of Environmental, Social, and Governance (ESG) and Enterprise Risk Management (ERM) on firm value, with corporate reputation as a mediating variable. Using Stakeholder Theory and Signalling Theory frameworks, this systematic review identifies that good ESG practices enhance corporate reputation through stakeholder expectation fulfillment and positive market signals. Similarly, effective ERM implementation strengthens reputation through transparent risk management and demonstrates management quality. Corporate reputation serves as a strategic asset mediating the relationship between ESG and ERM with firm value, enhancing trust and market valuation. The integration of ESG and ERM with strengthened reputation becomes the key to creating sustainable firm value. The research recommends consistent implementation of ESG and ERM with transparent disclosure, as well as further exploration of the interaction between both variables across various industry sectors.

Keywords: Environmental Social Governance, Enterprise Risk Management, Corporate Reputation, Firm Value, Systematic Literature Review

1. Introduction

Corporate value serves as a paramount indicator of a firm's competitiveness and long-term sustainability within an increasingly complex global economic landscape (Rosalina et al., 2025). Companies demonstrating high value are inherently more attractive to investors, owing to their perceived stability and robust growth potential (Zheng et al., 2022). Beyond financial metrics, contemporary stakeholders including investors, consumers, and regulators increasingly demand tangible positive contributions to environmental preservation and social welfare. Consequently, robust Environmental, Social, and Governance (ESG) practices have evolved from optional initiatives to critical determinants in investment decision-making processes (Gillan et al., 2021).

Parallel to ESG, Enterprise Risk Management (ERM) has emerged as a holistic strategic framework designed to systematically identify, assess, and manage risks across all organizational levels, thereby ensuring alignment with corporate objectives and performance (COSO, 2017). An effective ERM implementation empowers companies to proactively navigate uncertainties, optimize resource allocation, and achieve strategic goals. This organizational resilience ultimately translates into enhanced access to capital, reduced cost of capital, and improved market valuation (Nian & Said, 2024).

The Indonesian corporate sector presents a pertinent context for this discourse, as firms within the archipelago grapple with multifaceted environmental, social, and governance risks that can severely impact their reputation and intrinsic value. Incidents such as factory fires, environmental pollution from waste spills, and industrial accidents highlight

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acute operational vulnerabilities. Furthermore, failures in large-scale project risk management or inadequate crisis mitigation strategies underscore the imperative for a cohesive strategy. The integration of ESG principles within a comprehensive ERM framework is thus posited as a vital strategy not only to mitigate these risks but also to preserve stakeholder trust and bolster corporate resilience and long-term sustainability.

Despite the growing emphasis on both concepts, empirical evidence regarding their direct impact on firm value remains inconclusive. Prior studies report a spectrum of findings: some confirm a significant positive influence of ESG and ERM on corporate value (Aydoğmuş et al., 2022; Harjanto & Rahardjo, 2025; Dewi & Bahari, 2023), while others report insignificant or even mixed results (Romli & Abdurohim, 2024; Negara et al., 2024; Qalby et al., 2023). This disparity suggests the presence of intervening mechanisms, pointing to a critical research gap. Specifically, the role of Corporate Reputation as a potential mediating variable that bridges the influence of ESG and ERM practices on ultimate firm value warrants deeper investigation (Yu, 2025; Pérez-Cornejo et al., 2019; Limbunan & Daromes, 2022).

In response to this gap, the primary objective of this study is to conduct a Systematic Literature Review (SLR). This review aims to synthesize and critically analyze existing scholarly work on the influence of ESG and ERM practices on company value, with a specific focus on elucidating the mediating role of corporate reputation. This systematic synthesis is crucial to: (1) identify and consolidate key empirical findings and theoretical perspectives, (2) map the patterns and dynamics of the relationships between these variables, (3) clearly delineate persisting research gaps and methodological limitations in the current literature, and (4) provide grounded recommendations for future research trajectories and for the practical application of more effective, integrated ESG and ERM strategies aimed at enhancing corporate value.

2. Theoretical Background

2.1. Firm Value and Stakeholder Influence

The Shareholder Theory (Friedman, 1970) posits that a firm's primary responsibility is to maximize its value for shareholders. In this view, ESG and ERM activities are justified only if they directly contribute to this financial objective. In contrast, the Stakeholder Theory (Freeman, 1984) argues that companies must create value for all stakeholders including employees, customers, communities, and the environment to ensure long-term success and legitimacy. This theory provides a robust foundation for ESG, suggesting that addressing broader stakeholder concerns mitigates risks and builds social capital, which indirectly enhances firm value. Furthermore, the Resource-Based View (RBV) (Barney, 1991) frames ESG and ERM as strategic, intangible resources (or dynamic capabilities) that are valuable, rare, inimitable, and non-substitutable (VRIN). When effectively integrated, they can become a source of sustainable competitive advantage, leading to superior financial performance and valuation.

2.2. ESG Practices

ESG transcends traditional corporate social responsibility (CSR) by embedding environmental stewardship, social equity, and sound governance into the core strategy and operations. Theoretically, strong ESG performance signals superior management quality and long-term orientation to the market (Signaling Theory; Spence, 1973). It reduces information asymmetry, assuring investors of lower tail risks related to environmental fines, social boycotts, or governance scandals. According to Legitimacy

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Theory (Suchman, 1995), companies engage in ESG to gain, maintain, or repair social legitimacy a critical resource for survival. Failure to meet societal expectations can lead to reputational damage, regulatory penalties, and increased cost of capital, thereby eroding firm value.

2.3. ERM as a Strategic Enabler and Value Protector

ERM represents a paradigm shift from siloed risk management to an integrated, strategic framework. It is grounded in Agency Theory, which highlights the conflict of interest between managers (agents) and shareholders (principals). A robust ERM system aligns managerial actions with shareholder wealth maximization by systematically identifying and mitigating risks that could destroy value (COSO, 2017). It also relates to the Real Options Theory, as ERM provides organizational flexibility the "option" to adapt to adverse events or capitalize on opportunities which has inherent value. By providing a more predictable cash flow profile and lowering the perceived riskiness of the firm, effective ERM can reduce the cost of capital and increase valuation.

2.4. Corporate Reputation as a Pivotal Mediating Construct

Corporate reputation is an aggregate assessment of a company's past actions and future prospects relative to its competitors, as perceived by key stakeholders (Fombrun, 1996). It functions as a critical mediating variable because both ESG and ERM are primarily internal processes whose value-creation potential is realized through external perception. The Resource-Based View positions reputation as an invaluable intangible asset. ESG investments build reputational capital by demonstrating ethical commitment and social responsibility, while ERM safeguards this capital by preventing reputation-damaging crises. This enhanced reputation, in turn, attracts loyal customers, premium talent, patient investors, and favorable treatment from regulators all factors that directly contribute to superior financial performance and Tobin's Q, a common proxy for firm value.

2.5. Synthesis and Conceptual Framework: Integrating ESG, ERM, and Reputation

The extant literature suggests a synergistic, rather than isolated, relationship between ESG and ERM. ESG principles can inform ERM by highlighting material sustainability risks (e.g., climate change, labor practices), while ERM provides the structured process to manage and mitigate those risks. This integration creates a virtuous cycle: robust ESG-ERM practices → enhanced risk resilience and stakeholder trust → stronger corporate reputation → lower cost of capital, higher customer loyalty, and operational efficiency → increased firm value.

The inconclusive empirical findings noted in the Introduction may stem from failing to account for this mediating pathway. Studies that find a weak direct link between ESG/ERM and value might overlook the fact that the effect is fully or partially channeled through reputation. Others may find strong results in contexts where reputation is a salient factor for stakeholders. This review posits the following conceptual understanding, which the SLR will seek to validate: ESG Performance and ERM Implementation act as antecedent variables that positively influence Corporate Reputation. A superior reputation then serves as the key mechanism through which these practices ultimately enhance Firm Value. Contextual factors such as industry sector, regulatory environment, and national culture may moderate these relationships.

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3. Methods

3.1. Research Design

This study adopts a Structured Systematic Literature Review (SLR) design. An SLR is a rigorous, reproducible, and transparent method for identifying, evaluating, and synthesizing all available research relevant to a specific research question. This design is chosen to minimize bias, provide a comprehensive overview of the extant literature, and establish a reliable evidence base concerning the relationships between ESG, ERM, corporate reputation, and firm value.

3.2. Operational Definitions and Measurement of Variables

Based on the synthesis of the included studies, the key variables were operationalized as follows:

1) ESG Performance: Measured primarily through: (1) Content Analysis of sustainability reports based on Global Reporting Initiative (GRI) standards (Syamsi & Hanggraeni, 2025; Aditya & Hasnawati, 2025), or (2) Quantitative ESG Scores from rating agencies like Bloomberg or Refinitiv (Gholami et al., 2022; Hamdouni, 2025).
2) ERM Implementation: Commonly assessed using: (1) Disclosure indices based on the COSO ERM (2017) framework (Pérez-Cornejo & de Quevedo-Puente, 2023), (2) Adherence to the ISO 31000 risk management standard (Kristiani & Hadiprajitno, 2023), or (3) Self-constructed checklists derived from ERM principles.
3) Corporate Reputation: Predominantly measured using proxy indicators such as: (1) The Reputation Quotient (RQ) or similar stakeholder perception surveys based on the Fombrun (1996) and Wartick (2002) conceptualization, (2) Rankings in reputation indices (e.g., Fortune's "Most Admired Companies"), or (3) Media sentiment analysis.
4) Firm Value: The most frequently used proxies are: (1) Tobin's Q (market value to asset replacement cost) as an indicator of market-based value (Negara et al., 2024), and (2) Accounting-based metrics such as Return on Assets (ROA) or Return on Equity (ROE) (Hamdouni, 2025).

3.3. Data Analysis and Synthesis Technique

The analysis involves both descriptive and thematic synthesis. First, descriptive statistics of the final corpus (e.g., publication year trend, journal distribution, geographical focus, predominant research methods) are tabulated. Subsequently, a thematic analysis is conducted to synthesize findings. This involves:

1) Coding: Extracting key findings, methodologies, and contextual factors from each article.
2) Theme Development: Grouping codes into overarching themes related to the direct and indirect (mediated) relationships between variables.
3) Narrative Synthesis: Critically discussing the convergences, divergences, and gaps in the literature within the conceptual framework established in Section 2.

4. Results and Discussion

4.1 Theoretical Framework

The theoretical framework of this study refers to *Stakeholder Theory* and *Signalling Theory*. *Stakeholder Theory* (Freeman, 1984) emphasizing that the sustainability of a company depends on the ability to manage relationships with all stakeholders, not just shareholders. Good management increases the legitimacy, external support, and

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reputation of the company (Donaldson & Preston, 1995), while the neglect of *Squirrel* can pose reputational risks and depreciation of the company (Freeman, 1999). Reputation is a reflection of stakeholder assessment of the company's performance and prospects (Meng et al., 2023).

Meanwhile, *Signalling Theory* (Spence, 1973) explained that the company uses information as a signal to reduce information asymmetry between management and investors. Observable and hard-to-replicate signals become indicators of a company's quality (Connelly et al., 2011) and can affect the market response, both positive and negative (Palayukan et al., 2023). A company's activities and disclosures become reputation signals that affect the market valuation and value of the company (Limbunan & Daromes, 2022). Overall, these two theories show that a company's value and reputation are formed through a combination of effective stakeholder management and the delivery of credible information signals to the public.

4.2 Relationships Between Variables

4.2.1 The Influence *of Environmental*, *Social*, and *Governance* (ESG) on *Corporate Reputation*

Environmental, *Social*and *Governance* (ESG) is a framework used to assess a company's commitment in environmental, social, and governance aspects. ESG develops from the concept of CSR, *Sustainability*and *responsible investment* (Gillan et al., 2021). ESG disclosure aims to signal that the company has operated ethically and responsibly to all *Squirrel* (Alareeni & Hamdan, 2020). Consistent ESG implementation helps companies meet stakeholder expectations and strengthen relationships with them, thereby improving the company's image as described in *stakeholder theory* (Gholami et al., 2022). On the other hand, openness to ESG performance is a positive signal to the market that the company is committed to sustainable practices, which ultimately reduces information asymmetry, increases investor confidence, and forms a better market perception of the company's prospects (Hamdouni, 2025). A number of previous studies, such as Would (2024), Squirt (2025)and Bshait & Kassim (2025) found that ESG performance and reporting have a positive and significant effect on the company's reputation. ESG transparency increases public trust, strengthens legitimacy, and builds a company's image in the eyes of stakeholders. These findings underlie further testing of the influence of ESG on a company's reputation, assuming that the higher the quality of ESG practices, the stronger the company's reputation is formed.

4.2.2 The Influence of Enterprise Risk Management (ERM) on Corporate Reputation

Enterprise Risk Management (ERM) is a holistic approach to managing risk to achieve organizational strategic goals (Bromiley et al., 2015), and the study adopts COSO ERM *Framework* 2017 which emphasizes the integration of risk with strategy and performance. In perspective *stakeholder theory* The implementation of transparent ERM reflects the company's commitment to meeting the expectations of its stakeholders, thereby contributing to the strengthening of the company's reputation (Kuo et al., 2021). In line with that, *signalling theory* by Spence (1973) asserts that comprehensive ERM disclosure is a positive signal regarding the quality of management, which helps to reduce information asymmetry and increase investor confidence (Yudiansyah & Burhany, 2025).

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A number of studies such as Pérez-Cornejo et al. (2019), Judijanto et al. (2024), Pérez-Cornejo & de Quevedo-Puente (2023), Barrese et al. (2025), Sajid et al. (2023)and Hosaini et al. (2021) also shows that ERM has a positive and significant effect on the company's reputation. Based on the results of previous research, this study seeks to empirically assess the influence of ERM on company reputation, assuming that the higher the quality of ERM, the stronger the company's reputation in the eyes of the public and stakeholders.

4.2.3 The Influence *of Environmental*, *Social*, and *Governance* (ESG) on Company Value

Environmental, *Social*and *Governance* (ESG) acts as a framework that assesses the extent to which companies carry out sustainability practices through environmental, social, and governance aspects (Gillan et al., 2021). Through ESG disclosures, companies demonstrate transparency and commitment to ethical business behavior and sustainability responsibilities (Alareeni & Hamdan, 2020). Consistent ESG implementation helps companies meet stakeholder expectations, strengthen relationships with them, and improve the company's image as described in *stakeholder theory* (Gholami et al., 2022). At the same time, openness to ESG performance also serves as a positive signal to the market that companies have a strong commitment to sustainability, thereby reducing information asymmetry, increasing investor confidence, and improving market perception of the company's prospects (Hamdouni, 2025). A number of studies such as Aydoğmuş et al. (2022), Syamsi & Hanggraeni (2025), Harjanto & Rahardjo (2025), Bshait & Kassim (2025), Zheng et al. (2025), Cahyani et al. (2025), Zheng et al. (2022), Qonita et al. (2022), Xu & Zheng (2024)and Aditya & Hasnawati (2025) consistently shows that the score and quality of ESG implementation have a positive effect on the company's value. Based on this series of findings, this study is interested in examining the influence of ESG disclosure on company value assuming that the better the quality of ESG, the stronger the market perception of the company's performance and prospects.

4.2.4 The Influence of *Enterprise Risk Management* (ERM) on Company Value

Enterprise Risk Management (ERM) is an integrated process to recognize and control risks so that companies can consistently achieve strategic objectives (COSO, 2017). Through comprehensive risk management, ERM helps maintain operational stability and business sustainability. Good ERM practices also increase the company's trust and reputation in the eyes of stakeholders, thereby supporting the formation of long-term value (Qalby et al., 2023). In addition, the disclosure of ERM is a positive signal for investors regarding the company's commitment to governance and ability to deal with uncertainty, which ultimately strengthens the market valuation of the company (Kristiani & Hadiprajitno, 2023). A number of studies, such as Dewi & Bahari (2023), Judijanto et al. (2024), Oniovosa & Godsday (2023), Oreshile et al. (2025), Anggrein & Yuyetta (2023)and Firdausiyah et al. (2024), consistently found that ERM has a positive effect on company value. These findings underlie further testing of the effect of ERM on the company's value with the assumption that the better the implementation of ERM, the higher the market valuation of the company.

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4.2.5 The Influence *of Corporate Reputation* on Company Value

Corporate Reputation is a collective perception of a company's track record and prospects, reflecting its attractiveness over competitors (Fombrun, 1996). This reputation is formed from past experience and expectations for future performance, so it becomes a strategic asset in assessing the company. A strong reputation helps companies build stakeholder trust and loyalty, strengthen long-term relationships, and support the creation of company value (Afifah et al., 2021). In addition, a good reputation is also a positive signal to the market regarding the quality and credibility of the company, thereby reducing investor uncertainty and improving the market valuation (Limbunan & Daromes, 2022). A number of studies such as Daromes et al. (2022), Qonita et al. (2022), Firdausiyah et al. (2024)and Barrese et al. (2025), consistently shows that a company's reputation has a positive effect on the company's value. These findings reinforce the view that reputation is an intangible asset that is difficult to replicate and provides a competitive advantage that can drive increased company value.

4.2.6 Corporate Reputation mediates the influence of Environmental, Social, and Governance (ESG) on Company Value

The term ESG became widely known after the report "*Who Cares Wins*" launched by the UN Global Compact in 2004 which encourages investors to consider environmental, social, and governance aspects, and further develops from the concept of CSR, *Sustainability*and *responsible investment* (Gillan et al., 2021). The implementation of ESG allows companies to meet the expectations of all stakeholders, strengthen reputation, increase satisfaction and loyalty *Squirrel*, as well as supporting sustainability and corporate value (Meng et al., 2023; Afifah et al., 2021). In addition, ESG performance also serves as a positive signal to the market regarding the company's commitment to environmental, social, and governance responsibilities, which strengthens its reputation and influences investor judgments, thus impacting the increase in company value (Zheng et al., 2025; Limbunan & Daromes, 2022). Previous research supports this relationship, Xu & Zheng (2024) found that a company's reputation mediates the ESG relationship to company value. Qonita et al. (2022) also shows that CSR activities build positive perceptions *Squirrel*, improve reputation, and ultimately increase the company's value because it is considered to support sustainability and reduce the risk of social and environmental problems.

4.2.7 Corporate Reputation mediates the influence of Enterprise Risk Management (ERM) on Company Value

Enterprise Risk Management (ERM) is an integrated approach to identifying, assessing, and managing various risks so that companies can proactively achieve strategic objectives (Bromiley et al., 2015). Effective implementation of ERM allows companies to manage risk transparently, increasing trust *Squirrel*, strengthen social legitimacy, and support a good reputation, which in turn increases business satisfaction, loyalty, and sustainability (Kuo et al., 2021; Afifah et al., 2021). In addition, ERM disclosure serves as a positive signal to the market regarding the quality of risk management and the stability of the company's operations, thereby increasing investor perception and company valuation (Yudiansyah & Burhany, 2025; Limbunan & Daromes, 2022). A number of studies such as Firdausiyah et al. (2024) and Sajid et al. (2023) shows that *Corporate Reputation* act as a mediator that links ERM disclosure to increased company

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value, as a strong reputation strengthens the company's image and encourages trust and positive judgment from the market.

4.2.8 Synthesis of Research Results and Study Gaps

Based on a synthesis of 37 articles, the implementation of ESG and ERM in general makes a positive contribution to the company's reputation and value. However, the findings between studies have not been completely consistent. Differences in country context, industry characteristics, and variations in ESG, ERM, and reputation measurement standards have led some studies to report weak or insignificant influences, while others have shown negative influences. In addition, although there is a lot of evidence to suggest that a company's reputation plays a role as a mediator, the research that tests this mediation is still limited and has not been comprehensively conducted across sectors.

From the overall findings, there are several research gaps that need to be considered. First, research that integrates ESG and ERM simultaneously in one comprehensive model is still limited, even though these two approaches complement each other in managing risk and building a company's image. Second, the role of reputation mediation has not been thoroughly tested in various industrial sectors and developing countries. Third, the lack of uniformity of variable measurement methods leads to differences in results and limits the generalization of findings. Fourth, most of the research is short-term so it has not been able to capture the long-term effects of ESG and ERM implementation on the company's reputation and value. Overall, ESG, ERM, and corporate reputation play an important role in shaping company value, but further research is needed to develop comprehensive models, consistent measurement methods, and explore long-term effects so that findings can be generalized.

5. Conclusion

Based on a systematic review of 37 articles related to ESG, ERM, corporate reputation, and corporate value, this study found that good ESG practices improve a company's reputation through meeting stakeholder expectations, strengthening legitimacy, and positive signals to the market, which has an impact on increasing company value. Similarly, effective ERM implementation strengthens reputation through transparent and proactive risk management, and is a signal of management quality for investors. Corporate reputation acts as an important mediator that connects ESG and ERM to company value, confirming that reputation is a strategic intangible asset that increases trust, stakeholder loyalty, and market valuation. These findings show that the integration of ESG and ERM, accompanied by strengthening a company's reputation, is the key to sustainable corporate value creation. This study emphasizes the importance of a systematic and critical literature review as a frame of reference for the development of research models and subsequent empirical testing.

The implications of this research are theoretical and practical. Theoretically, this study strengthens the understanding of the relationship between ESG, reputation, and company value, while confirming the important role of ERM as an indicator of management credibility. In addition, this research provides an integrative theoretical model that can be the basis for further research. In practical terms, companies are advised to implement ESG and ERM consistently with transparent disclosures to build long-term reputation and value. Managerially, reputation needs to be seen as a strategic asset that can be enhanced

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through ESG and risk management, positively impacting customer loyalty, employee satisfaction, and social legitimacy.

This research has several limitations. First, the data used only comes from the Scopus and Google Scholar databases, so there is a risk of publication bias. Second, the publication period is limited to 2020-2025, which may limit the scope of the findings. Third, not all articles analyzed use the same methodology, so the consistency of research results can be affected.

Further research can explore the interaction of ESG and ERM across industries, expanding data sources and publication periods to minimize risk of bias and improve the generalization of findings. Future research should also consider additional moderation or mediation factors, such as innovation, digital governance, or organizational culture, and apply more consistent methodologies, including longitudinal approaches, case studies, or mixed-methods, to capture long-term effects and provide more comprehensive managerial insights.

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