Reputation

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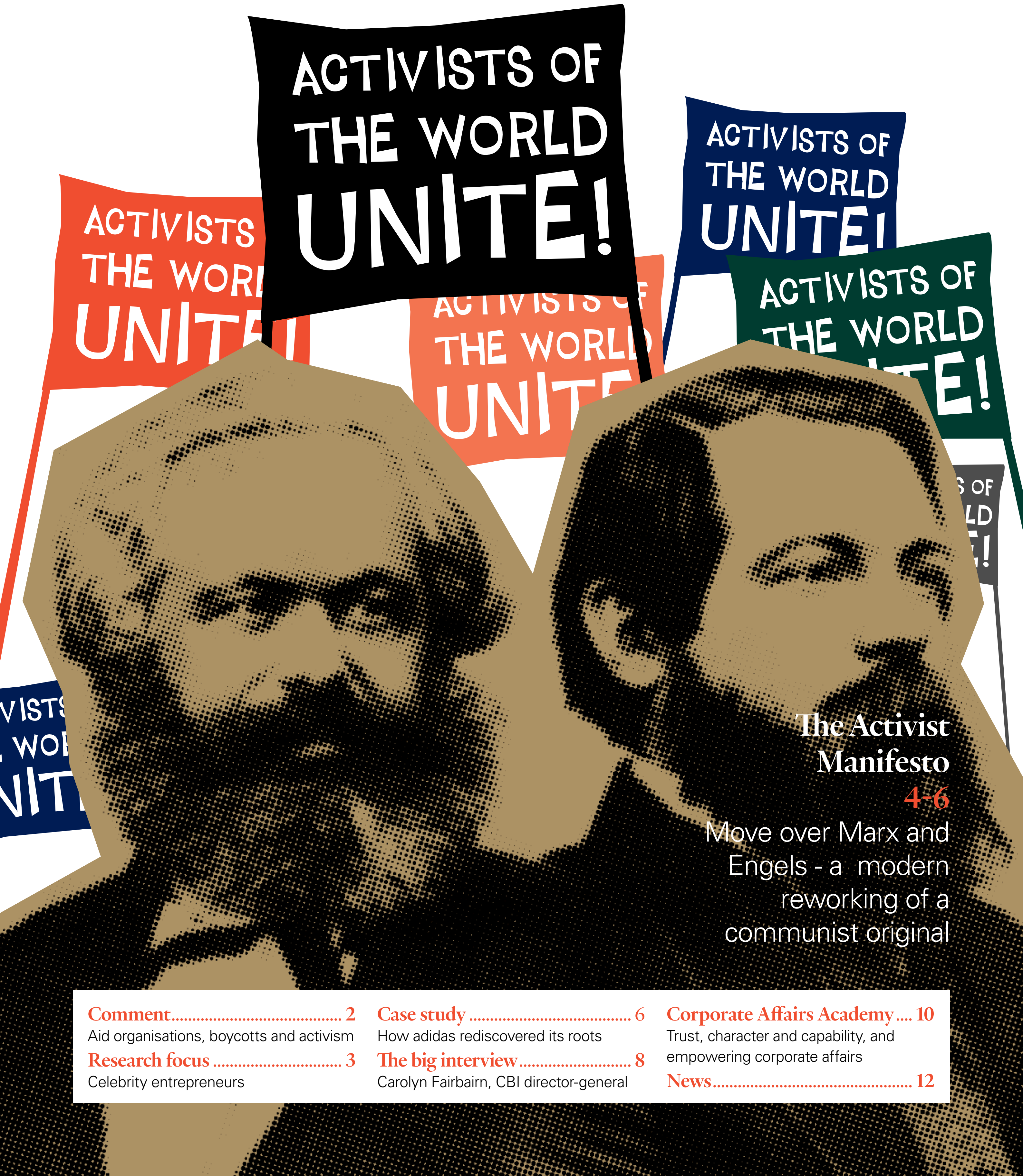

The Activist Manifesto

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Move over Marx and Engels - a modern reworking of a communist original

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Comment

Aid organisations needing help

To the surprise of everyone except, apparently, those who have worked closely with the aid sector, the behaviour of employees at a number of such global organisations – chief among them Oxfam and Save the Children – has recently been shown in an extremely unflattering light. The charge sheet is long, including sexual exploitation at the personal level, and wilful blindness and even complicity at the corporate level. The scandal has transformed the public perception of those organisations and emperilled their relationships with the donors and governments on which they depend.

OXFAM

There has been much speculation as to what the organisations have been doing right and wrong in response to this crisis. Clearly some of those implicated were unprepared for the ferocity of the exposure, and struggled to maintain the appropriate public demeanour at times and to seem properly accountable. But the challenge facing the entire sector has moved way beyond that to become an existential one. The number of issues with profound reputational consequences are so numerous and deep-seated, this is less a firefight than a process of total renewal that in some cases will take a generation – in corporate terms – to effect.

There are a number of important reflections for anyone eyeing the fall-out from this unprecedented crisis. Here are just a few: first, that character comes from leadership, and the reputational "hit" to these organisations is that much worse given the seniority of some of the offenders. Second, when you represent yourself as a leader on issues relating to your character, the fall is that much harder and more difficult to recover from. Third, aid organisations – and other NGOs – in recent years have followed a political imperative to become less top-down and more federated. Without sufficient oversight, such a path can be quickly disastrous. Lastly, prioritising a good reputation at all costs can be worse than not concerning yourself with it at all. As our case study on the fraud and subsequent bankruptcy of Parmalat illustrates (see our website, below, under 'research'), whatever the motivation to cover up failures – moral or financial – it is likely to lead to a fatal spiral. For aid organisations, the road to hell was certainly beset by good intentions.

The power of a boycott

How much power do boycotts have? The position of the NRA after the latest school shooting in Florida is going to be a fascinating test case. Where the politicians and the apparent public majority has failed, the schoolchildren of Florida hope to succeed: by agitating for greater gun restrictions, and by prompting those affiliated with the NRA to drop them.

Boycotts work not for economic reasons, but when reputation comes into play, according to our International Research Fellow Brayden King, who has studied the phenomenon for many years. The situation of Delta Airlines gives the issue an even broader dimension of opposing interests: praised by one constituency for cancelling a discount scheme for NRA members, they were simultaneously penalised by local Republican politicians for "anti-conservatism", and lost (at least initially) the prospect of a tax break on fuel. "Very few boycotts ever result in a significant change in consumer behaviour," Brayden told the *Chicago Tribune* (*https://tinyurl.com/ybcpsmsp*). "When boycotts are effective, it's because the announcement has grabbed the attention of the media and threatened the reputation of the company. This makes investors and executives nervous. They don't want the name of the company dragged through the mud. Activists have learned that it's way better to get their story out with a good public relations operation than to rely on thousands of consumers to stop buying things." About one in four boycotts succeeds by "extracting... some form of public concession", according to Brayden. His further analysis of the NRA boycott will be worth waiting for.

Activist investigation

The reputational potency of activism makes it of particular interest to our centre. From the connectivity of online petitioning websites to the mobilising capability of web-based networks, the birth of the worldwide web has given new power to activism of all kinds. Social activism is only one part of it: activist investors seek to pressure and even shame organisations into behaving "better" – in their terms, more productively and more accountably.

The idea of channelling and combining the power of activism of all kinds has prompted our director Rupert Younger, with our International Research Fellow Frank Partnoy, to transform *The Communist Manifesto* into *The Activist Manifesto* (see p4, and *www.activistmanifesto.org*). In August we will host a short conference, an "Activist Congress", to explore the implications of activism further. It promises to be a stimulating few days.

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Research focus: celebrity entrepreneurs

Our Research Fellow Kevin Curran introduces his research into the interaction between entrepreneurs and the media, and its wider societal implications.

The notion of entrepreneurship has never been as much of a feature in society as it is today: with its vocabulary, including "start-ups", "incubators" and "social entrepreneurship", having migrated into popular culture. The best known entrepreneurs such as Mark Zuckerberg and Bill Gates are arguablly as widely familiar as Julia Roberts and Brad Pitt.

This development has opened up a whole new host of research questions around the cultural and social aspects of entrepreneurship, and the aspirational narrative that they foster – with recent research suggesting that increased visibility is particularly beneficial for early-stage entrepreneurs in terms of raising funding and building alliances.

But what forces encourage this visibility, and what are the understandings that are inherent in it? A useful starting point for an exploration of cultural representations of entrepreneurship is how narratives of celebrity entrepreneurs are developed in the media. In a comparative case study of eight high-profile entrepreneurs, four with high visibility and press coverage (Steve Jobs, Bill Gates, Jeff Bezos, Mark Zuckerberg) and four equally successful but far less visible entrepreneurs (Michael Dell, Mitch Kapor, Pierre Omidyar, Jack Dorsey), my co-authors and I found many elements in common among celebrity entrepreneurs. In analysis of their press coverage in the five most read news outlets in the US, we found that they commanded more attention from the media, since they were constructed as more distinct and nuanced characters. They were used not only in narratives centred on their own careers, but also in considering broader changes in technology and society. This attention increased over the years, as the media used these individuals as prototypical entrepreneurs embodying more abstract qualities, and referred to them more and more in non-business-related articles.

Our analysis suggests that the media is drawn to use these leading figures to explain a variety of societal phenomena,

'The media is drawn to use these leading figures to explain societal phenomena.'

using them to provide insider insight into technological and societal changes. Someone who presents a clear coherent character will be more likely to develop as a celebrity than someone who the media struggles to make a leading player. Further, to become a celebrity involves not only media fixation on the individual's story, but how well they can be used in broader stories. For example, micro-lending pioneer Muhammad Yunus and Amazon's Jeff Bezos would seem to have little in common, but in both cases their fame is partly sustained by them explaining how the world is changing, and being agents of change.

We find that the press develops an idea of celebrity entrepreneurs through their perceived conformity to the category of entrepreneurship. We generally think of those in this category who garner celebrity as grand non-conformers. However, we show that the press ascribes similar mythical origins to all celebrity entrepreneurs, citing qualities such as unusual levels of creativity and the ability to generate wealth, and "nuanced" personal characteristics – including some that are negative. While the celebrity entrepreneurs in our study are non-conforming to certain aspects of the conventional business environment, their celebrity seems to be developed by being highly prototypical of the category they belong to.

These findings also have important ramifications for early-stage entrepreneurs. Trying to copy what Zuckerberg or Gates did would probably be a foolish strategy, but our research suggests that framing yourself or your company as important to cultural or social conversations will likely increase press interest in you, with the potential benefits that that can bring. Additionally, knowing what category you belong to – fintech, social entrepreneurship and so on – and exuding qualities related to that category is likely to generate more interest. Our data also shows that being an engaging personality helps in increasing visibility. Entrepreneurs and business leaders need to ask themselves what are the key attributes of the category they seem to belong to and how can they conform – or even over-conform – to them?

Based on a working paper written with Davide Ravasi and Vangelis Souitaris, professors at Cass Business School.

The Activist Manifesto

The growth of activism is a defining phenomenon of our age with considerable reputational implications. Inspired by *The Communist Manifesto*, *The Activist Manifesto* seeks to rally activists of all kinds under one banner. Here the authors, Rupert Younger* and Frank Partnoy, explain their inspiration.

The first edition of the *Manifesto of the Communist Party* was a 23-page pamphlet, first published in February 1848. Karl Marx and Friedrich Engels updated it repeatedly, in various editions and languages, for decades. We felt justified in our renovation based on Marx and Engels' own reflections from 1872, 25 years after they first began the discussions following the First Congress of the Communist League. They wrote:

"The practical application of the principles will depend, as the Manifesto itself states, everywhere and at all times, on the historical conditions for the time being existing".

We agree. Historical conditions have changed. Although the original *Manifesto* remains historically significant, its ideas are too dated to be viable as policy. Both the left and right reject its arguments about labour and property. Even leaders of so-called communist countries embrace markets and decentralisation. The *Manifesto*'s top 10 list of "pretty generally applicable" proposals wouldn't get a passing grade today, in any setting.

However, one aspect of the underlying revolutionary message of the original version still resonates today: that document was, fundamentally, an attack on inequality. Marx and Engels were both centrally concerned about inequality. Marx had joined radical groups, including the Poets' Club at the University of Bonn and the Young Hegelians (although he also married a Prussian baroness). Engels had broken off relations with his parents and was deeply critical of how factory owners, including his father, had mistreated workers.

We think it is obvious that both Marx and Engels would be appalled by the present-day distribution of wealth. We imagine they would write something like this:

"By the start of our 21st century, we are faced with the extraordinary fact that the top one per cent of the world's population own the same resources as the remaining 99 per cent. Those at the bottom are less upwardly mobile than in previous generations; entrance to wealthy gated communities is blocked, not only by private security forces, but also by the increasingly prohibitive costs of health care, technology and education. There is the dominant force of mass incarceration, with millions of poor, minorities and powerless walled off from the rulers they might threaten. The Haves have never in history held so much advantage over the Have-Nots."

Another central theme in the original *Manifesto* was that revolutions enhance and extend the means for the bourgeoisie to exploit the proletariat. We think Marx

and Engels would have been critics of financial innovation and would have seized on the financial crisis in particular, perhaps writing something like this:

"As with the manias, panics, and crashes of history, the dislocations arising from the financial crisis created new opportunities for the Haves to benefit from seizing the political response. The use and abuse of complex financial innovation – derivatives, structured products, credit default swaps, and collateralised debt obligations – have extended the financial system beyond its primary purpose of facilitating economic growth and matching borrowers and savers to secondary and more dubious purposes."

The four-part structure of the original *Manifesto* continues to work, so we have preserved it.

First is "Haves and Have-Nots" (formerly "Bourgeois and Proletarians"). Here, the original language and arguments are largely intact, focusing on the history of class struggle. We have added some perspective that we think Marx and Engels would have found important, including the impact of internet access, social media and other technologies that brought both power and transparency to various social movements such as Occupy Wall Street.

Next is "Have-Nots and Activists" ("Proletarians and Communists" in the original). Here is the idea that change requires actions outside traditional societal units. For Marx and Engels, those traditional units were families. Today, we think they would recognise not only families, but also other modern social structures. We imagine them writing that:

"The Activist Party recognises and celebrates the various incarnations of modern families and private social structures: the churches and synagogues along with the atheists; the working and non-working groups along with the gatherings of leisure and play; the fitness clubs together with the addiction and recovery societies; and all of the cultural gatherings that nourish Have-Nots even in the presence of vast inequality. The powers enjoyed by Haves families in modern society will vanish as a matter of course when their complement arrives, but the families of the ex-Haves nevertheless can survive, even in a world of declining inequality."

We also think that if Marx and Engels were alive today, they would update their views about private property:

"The distinguishing feature of Communism was not the abolition of property generally, but the abolition of bourgeois property. Indeed, the theory of the Communists may be summed up by the single sentence: abolition of private property. In contrast, the Activists recognise that a silo movement focused on the abolition of private property can, in turn, be co-opted by the Haves for their own benefit. State-held property also is subject to capture by the Haves."

In the third section, "Socialist vs Activist in Practice" (previously "Socialist and Communist Literature"), our reimagined Marx and Engels update their perspective on ideological change given the modern realities of a hyper-connected world. "Sectoral Activism" replaces

'The original version of the Manifesto *was fundamentally an attack on inequality.'*

"Reactionary Socialism", "Thematic Activism" replaces "Conservative or Bourgeois Socialism", and "Critical-Utopian Activism" replaces "Critical-Utopian Socialism and Communism". We think a modern incarnation of Marx and Engels would call out the shortcomings of financial activists, environmental activists and local political activists with their "siloed" mentalities and approaches. We call out each one.

Finally, the "Position of the Activists in Relation to the Various Existing Opposition Parties" replaces the "Position of the Communists in Relation to the Various Existing Opposition Parties", driving home the central idea that only activists can be the natural revolutionary opposition force in society. As we write: "Activists everywhere support every revolutionary movement against the existing social and political order of things."

Although inequality is a dominant theme in both the old and new *Manifesto*, we determined early on in our reimagining that Marx and Engels would need to update their specific proposals in order to be taken seriously today. Here is our revised top 10 list:

1. Guarantee a minimal acceptable standard of living and meaningful opportunities for work.
2. Preserve the environment and the interests of future generations.
3. Respect diversity, including gender, race, ethnicity and sexual preferences.
4. Supply access to affordable health care.
5. Facilitate education, knowledge creation, and free expression.
6. Root out and pursue corruption and the entrenchment of power, both in government and in the private sector.
7. Provide security and protect private property, including intellectual property.
8. Enable access to modern technology, including high-speed connectivity.
9. Create incentives for a financial system that facilitates real economic growth and productivity.
10. Empower the locality over the state.

In our view, these are 10 unified proposals centered on inequality that various categories of activists could unite behind. Marx and Engels were revolutionaries, but they were also pragmatic. They wanted their ideas to be widely distributed and discussed as real alternatives. We also want these ideas to be broadly appealing to a wide range of activists.

There is a strand of activism running through not only the Arab Spring, Trump, Brexit and Macron, but also through hedge funds pressuring underperforming companies, environmental groups targeting polluters, and the likes of change.org. Our broad message is that activism could become a powerful political force, if only the activists in various areas (financial, environmental, political, and social) could unite.

**Director of the Centre for Corporate Reputation, and International Research Fellow. A version of the above was first published in the* Financial Times *– see* https://tinyurl.com/y9yfnw43. The Activist Manifesto *can be downloaded for free from* www.activistmanifesto.org.

Case study: adidas – rediscovering the source of its success

During the 1960s and 1970s, adidas was the most successful sports shoe manufacturer in the world. Olympic athletes, professional football players and aspiring teenage sportsmen and women were all wearing the famous three stripes. However, following the death of the brand's inspirational founder, Adi Dassler, and the arrival of new competitors such as Nike and Reebok, combined with poor strategic choices and management failings, adidas struggled. By the late Eighties it was in severe trouble, but by 1994 it was once again a successful entity, albeit one that had lost ground to competitors, and no longer owned by its founding family.

The road to recovery was complex and bumpy. It included the sale of the company, an IPO, and the learning and imposition of good practice, such as sound management of finances and supply chains, and modern marketing techniques. But there was another key component: in 1989, the then-adidas CEO Rene Jaggi asked two former Nike managers, Peter Moore and Rob Strasser, to suggest a strategy to reinvigorate the brand. They immediately identified the firm's neglected heritage as a potential source of regeneration: connecting with the principles of the founder as a way to rediscover adidas's identity and to make it relevant again. The strategy set out in 1990, based on two pillars – athletic performance and Originals – remains the core of the adidas brand. This case poses two questions: what was it in adidas's past that provided it with such strong reputational capital? And how was that capital used to re-build the adidas brand?

Adi Dassler was an observer and an experimenter: he would watch players and athletes, look at photographs and re-think the way sports shoes (and later clothes) functioned. He would then work with different materials to find effective and inexpensive solutions, which the athlete would then try. Afterwards, Adi would inspect the wear and tear on the shoes to determine where the stress points were. Over time, Adi built a huge collection of shoes, which became his inspiration and reference point.

Decline and fall

In 1978 Adi Dassler died. He left a "billion-dollar company" that was four times bigger than Puma, but it was also a business with a number of problems:

- The company had become highly fragmented, with an operation based in France that was increasingly focused on leisure wear.
- New competition had emerged. In 1977, Nike revenues reached $28 million – small compared to adidas, but it was growing fast – and in 1980 it overtook adidas's market share in the US. Reebok also emerged as a serious competitor.
- Management structure had not kept pace with growth. Adidas was struggling to meet growing demand and manage its costs, and there was a lack of structure in what was now a global brand.
- Adidas was missing out on trends, in particular jogging and aerobics.

During the 1980s, adidas attempted to make up ground by rejecting its past and looking towards the future. Adi Dassler's extensive collection of shoes was either given away or sent into storage. Similarly, the extensive notes he had made on products were boxed up and forgotten.

In 1989, adidas made a loss of 112 million deutschmarks and the Dassler family's main bank, the Bayerische Vereinsbank, decided that it wouldn't lend more money under the existing structure. In the US, where the company had four independent distributors, adidas was in freefall.

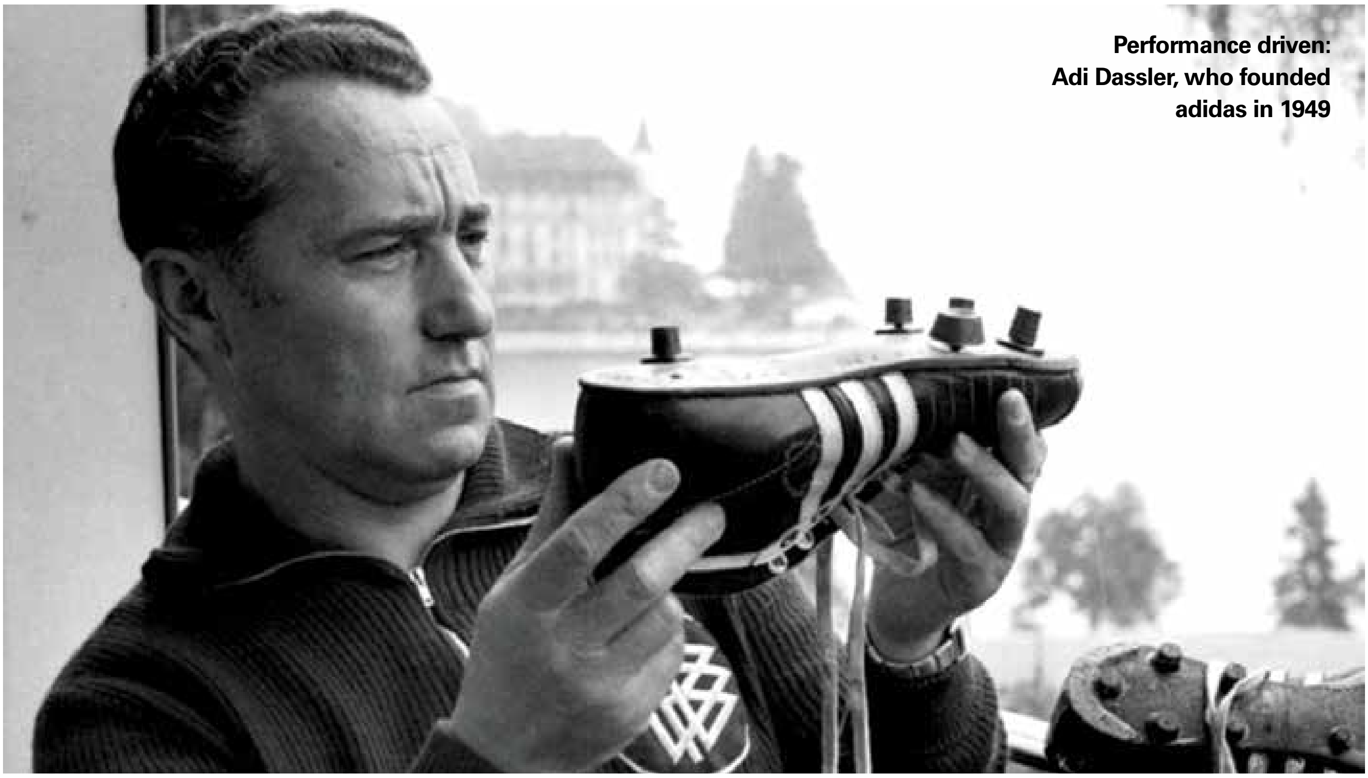
The comeback

While the negotiations to sell were under way, CEO Rene Jaggi invited Peter Moore and Rob Strasser, who were running an agency called Sports Inc., to visit the adidas head office in Herzogenaurach. Moore remembers being shown around a small museum on one of the floors in the office that featured iconic products from the Dassler years:

"It only took about five minutes in that museum before I realised that these people had nothing but a gold mine in their hands, and that they really had no idea what they had. So anyway, we left there, we came back to Portland, we spent a Saturday morning considering, what we might possibly do, and we put together this idea called Equipment. And we went back there in December of '89 and said, 'Here's the idea.'"

Moore and Strasser tried to recapture the authenticity of adidas as a sports innovator and to re-emphasise the important role of the athlete by focusing on the best of adidas. As a signal of their intent, when they presented the idea to managers, they gave the long-gone Adi Dassler the honorary title of Equipment Manager of Athletes of the World.

To ensure clarity, Equipment (which later evolved into adidas Performance) was tightly controlled. Previously, product development and communications lacked continuity. Different countries



Performance driven: Adi Dassler, who founded adidas in 1949

PHOTO: ADIDAS

developed their own products and campaigns with little control from Herzogenaurach. With Equipment, Moore and Strasser wanted unity.

They imposed restrictions on the colour, sizing and placement of the logo, and initially they limited the colour palette of the shoes to grey, white, green and black. They wanted consumers to focus on the shoe, and not be distracted by other features. Advertising, rather than being dispersed over different products and different messages, was concentrated on the Equipment range. The goal was to make the product the hero, just as Adi Dassler would have done.

To make Equipment central to the company, the approach was to reorganise the company into business units based around sports categories such as basketball, football and running and to have an Equipment product in each of those categories. In Germany the Equipment range was immediately well received by retailers and consumers, who saw it as reconnecting with the adidas they once knew. The range then gained traction in the rest of Europe but developed much more slowly in the highly competitive US market.

Peter Moore said that Equipment wasn't designed primarily to be a money-maker, but rather "to restate the brand and refocus the brand on what it should be focused on, which is athletic performance". A more obvious source of revenue was lurking in the archives. Parallel with the development of Equipment, Moore and Strasser also saw an opportunity to capitalise on some of the classic shoe designs from the past. In a 250-word memo to the adidas board, Peter Moore wrote: "adidas Equipment will be complemented by adidas Originals.

'Reputation comes from experience. You can't buy it, you can't invent it.'

These were the leading sports shoes of their time. They were the adidas Equipment of the 60's and 70's, just as adidas Equipment today will generate the originals of the year 2000." The Originals products were immediately popular with consumers and also reminded retailers of the company's heritage of continuous innovation. In their time each of the chosen shoes had been seen as innovative.

Adidas changed hands three times: in 1990 the family sold to French tycoon Bernard Tapie; the banks then sold to Robert Louis-Dreyfus and his business partner Christian Tourres, who then profited hugely by taking the company public in 1995. From the mid-1990s onwards the company underwent a renaissance, reaching sales of 10 billion deutschmarks in 1999 (in 1992 it had been 2.67 billion). Tapie had said of his faith in adidas:

"Reputation is something that comes from experience… you can't buy it, you can't invent it, that's simply not possible… and the proof is in the fact that it was its reputation that saved it."

The potency of the adidas brand came from performance. That was crystallised in 1996, when adidas ran a campaign to coincide with the Olympic Games in Atlanta, featuring key products and athletes from the past such as Muhammad Ali and Emil Zatopek. There was also advertising featuring Adi Dassler that extolled the importance of his philosophy to the brand's success. Using the theme of "We knew then, we know now", adidas made its rich heritage explicit.

To request the complete adidas case study, email reputation@sbs.ox.ac.uk. *All our case studies are available free. See the complete list at* www.sbs.ox.ac.uk/faculty-research/reputation/research-and-publications/case-studies-0.

The big interview

At a critical juncture in the relationship between business and society, and at a time when the future of Britain's trading relationship with Europe and the rest of the world hangs in the balance, Carolyn Fairbairn, director-general of the Confederation of British Industry, discusses the importance to business of trust, transparency and a clearly articulated mission.

We meet with Carolyn Fairbairn at the CBI's offices above Cannon Street station in the City of London just as the "Beast from the East", the blast of freezing weather that swept Britain in the last week of February, was starting to bite. It was an appropriate backdrop for our conversation. British business has been buffeted by icy criticism of its culture since the financial crash of 2007. Fairbairn is charged with helping it to improve its behaviour whilst making sure that the contribution that business makes to the UK economy is recognised and celebrated. It's a tough mandate.

Articulate and poised, Fairbairn is a natural choice to lead the CBI. She brings to her work a sharp analytical approach that was forged through her early career at McKinsey and as an economist at the World Bank. One of the first things she realised on taking on the job in 2015 was that the lack of trust in business was a deeper problem than she had initially assumed. "The financial crash was a fundamental moment for UK society and the UK economy. For many millions of people who had assumed that our broad-based market economy was delivering, [this was the moment] that showed that this was not true. Our free market economy had not been delivering high enough standards of living for a couple of decades, so [lack of trust in business] had been bubbling along below the surface for a long time."

It was also clear that there were significant variations around the country in the levels of trust in business. "We know now that a lot of growth in the 1990s was heavily centred on London, and that we had seen some painful and radical impacts on cities outside London. What the crash did was to crystallise and exaggerate these. And then the [EU] referendum provided the opportunity for people to have a voice on them."

Fairbairn is no stranger to challenging problems. She was director of strategy at the BBC, and then of group development and strategy at ITV, at a time of profound change in the media business. She was also a non-executive director at the Financial Services Authority as the financial crisis exposed cultural shortcomings and ethical transgressions at some of our largest financial institutions.

Her response to the apparent trust deficit is to focus on three priorities:

'I believe strongly in transparency. When you know things, you can change them.'

purpose, engagement and transparency. "Businesses should be trusted to have a mission and a purpose that goes beyond the financial," she says. "When I look at what the great businesses of our age do, the ones that inspire real trust in their customers and their employees and the wider public, they are mission driven."

She is supported by a growing number of businesses that believe that to be true. Organisations such as Unilever have demonstrated that well led companies can talk about financial results and purpose in the same breath.

"The second thing is around employee relationships and engagement," says Fairbairn. "Around 60 per cent [of UK employees] say their firms engage with them well, but we would like this to be nearer 80 per cent." This is a huge opportunity for business because, as Fairbairn points out, the correlation between productivity performance and employee engagement is very strong. The third [area] for me is transparency. I believe in that very strongly. This means transparency around the good you are doing; the risk of harm in what you are doing; about clarity on pay."

Greater transparency around businesses and their leaders has wider positive impact, helping with diversity, for example. "When you know things, you can change them," she says. "We surveyed our members last year. Sixty per cent of those surveyed say they have changed how they think about gender and diversity because of what they have found in simply collecting the data." She points to flexible working systems and cultures, and promotion of women into senior executive committee roles as key ways things can be improved. "If we are going to be about innovation, creativity and lateral thinking, then diversity is going to be what delivers that. We have to resist that temptation to revert to familiarity in times of change."

She is, however, passionate about how much British business has to celebrate. "Britain's reputation as a place to do business is very strong. People from outside the UK talk about our gold standard corporate governance, our rule of law, our predictability, our innovativeness. We have three universities among the top 10 in the

world, a fantastic creative sector, and flexibility in our labour markets. There is a recognition that these are long-standing, deep-seated British strengths."

Fairbairn strongly promotes the idea that government can play a vital role in protecting these reputations. "The private sector employs 75 per cent of people in this country. You have got to know as government what is going to create the right business environment, so the more consultation, the more openness and engagement you can have, the better. If you have business wagging its finger at government or government wagging its finger at business, you have gone wrong."

She does not, however, believe in "big" government. She supports the independent OBR (Office for Budget Responsibility) and the independence of the Bank of England and would like to go even further in two areas: infrastructure and skills. "The National Infrastructure Commission is intended to be a long-term cross-party initiative, with a 10-to-30-year time frame, and that is fantastic. But we are worried that it has yet to be given statutory footing, and that it does not yet have the range and scope and bite that it needs. And we would like to see the same thing happen on the skills agenda."

Business engagement with policy needs to be sharpened at the international level too, she argues. "The first thing is clarity of vision around what type of economy we want to be, and that is a knowledge-based economy. I was in China recently and they see the UK as having the number one set of strengths around services, advice, legal, engineering and architecture. We are also world class on cyber, have a world-class capability on fintech, and in the North-East we are known for a superb strength in renewable energy. The second vision we need is around our global relationships with Europe and the rest of the world, and we need that really urgently. October has to be a cut-off point, because at that point you are getting into the investment timeframes for global investors who are looking five-to-10 years ahead."

'We have to resist the temptation to revert to familiarity in times of change.'

We save our inevitable discussion on Brexit to the end of our interview. Interestingly, she starts by discussing the role of experts in this process. Fairbairn knows a thing or two about experts, with a Double First from Cambridge, two Masters degrees (INSEAD and Wharton), and her numerous senior roles. "Experts need to communicate in ways that make sense for people's lives. For us [at the CBI], we have taken a lot of our messages local: how does a particular decision affect you in your community? We have learnt that when you are in the realm of big macroeconomic models – which do have their role – we lose people, so we are bringing our messages much more specifically to speak to what really matters day to day. Experts need to make it real."

On Brexit itself, she is refreshingly concise and clear. "We have had thousands upon thousands of conversations with our members since the referendum and we have taken two positions. The first, which we took last summer, was around the importance of a transition period. And in the last few weeks we have taken a second position on the value of a customs union with the European Union alongside barrier-free single market access. This is what is best for our members and job creation."

The stakes could not be higher. Fairbairn believes that business has to earn the right to be heard, and that for this to happen it needs a stronger bank of reputation capital. "Reputation is the fundamental building block for everything else," she says. "Business needs to earn trust. It needs to build the right reputations to be able to win the support of politicians, to attract the best talent, and to have the right relationships with customers and consumers. For me, it is one of the biggest issues we think about in the CBI."

Corporate affairs: engaging with a dynamic universe

Our fourth Corporate Affairs Academy (CAA) report focuses on trust, character and capability reputations, the growing importance of metrics to the corporate affairs function, and the implications for best practice.

The dynamics of engagement

Reputations have both a character and capability component. The character component has grown in importance as organisations seek deeper engagement with stakeholders. Changing character reputations requires behaviour change, an authentic narrative of "what and why", and an understanding of the networks where the story must be told. Corporate affairs (CA) has traditionally been the function to "own" narratives and networks. If it can help with behaviour change, and build a culture that can adapt to continuous change, its contribution can be exponentially more powerful.

Where once organisations sought a positive reputation for their capability, the character reputation is becoming increasingly prominent – more so as they look to turn their stakeholders from "positively inclined" into advocates.

"[The 2017 Edelman Trust Barometer] found that 75 per cent of people expect businesses to be taking specific actions to improve social and economic factors affecting the community… expecting more from businesses than 'do what you do well'."

Character priorities and cultural change have to be driven from the top of organisations, from the leadership and the board. The aims are clear to many (not all) leaders; the implications less so. CA is the function in the best position to articulate these shifts.

"There's now a much bigger question of, 'How do we go about our business? Is it acceptable?', but people are very hazy at the senior leadership level about what that actually means."

Character reputation assessments are volatile, capability ones are "sticky" and less prone to revision. Assessing them separately, and understanding how they relate to one another, is helpful both in contributing to the success of a business and the strategic plan, and in bolstering resilience against negative hits.

"Character will help get you out of a capability problem. Capability will not get you out of a character problem."

"The VW emissions scandal is a good example, illustrating where the company's character was suddenly at issue, not its capability."

When defining the character components of an organisation's identity, the more distinct (even singular) the statement of purpose, the more seamlessly it can be incorporated into operations, purpose and messaging.

"We made the decision that we're going to talk about one thing. Everything we talk about is going to be through the lens of sustainable living. For millennials as well as mid-career people, that was what really floated their boat."

Investor attitudes to character-based initiatives are a mixed picture: culture and character are on the investor radar, but are often tied to business aims and not behaviour; to risk profiles and agility rather than societal expectations and driving engagement. It is CA's job to put the business benefits of the latter on the agenda.

"Our investors only got excited about sustainability as a box-ticking exercise… once we sold, it went away. You need the metrics, the business case and the budget, but investors won't invest [in sustainability] until they need to."

There are some more encouraging exceptions, however.

"We had four investor meetings… all of them were most interested in how we're going to change the cultural direction of the company."

The generation of trust is increasingly being prioritised as a core component of strategic advantage, but the definition of trust is often contested/ confused, leading to muddle and a lack of alignment.

"Trying to get a common language and common understanding of [trust] is really hard – and then to keep it that way, rather than it moving off based on somebody else, some management consultancy or whatever."

Cultural/character change cannot occur without authentic behaviour change – a process where CA should be an effective instigator and guide.

"We have a role in ensuring that while this corporate character is being developed and built into every decision and action in the business, there is a behavioural, cultural values piece to ensure that people are acting and supporting it, or not undermining it."

Activating your employee base is a key driver for cultural/character change. The employees' own networks are powerful tools in the embedding of behaviour and the spreading of constructive narratives; and prioritising character initiatives attracts talent.

"One of the key questions was asking employees, 'Have you spoken to friends and family about [our] sustainability plans?' And about 40 per cent hadn't. There's a massive opportunity there."

Character-based initiatives are not fluffy abstractions: they help deliver business goals and they have measurable returns in recruitment, retention and individuals' performance within the business, as well as contributing positively to external reputations.

"All the big retailers have their own sustainability targets. They can only meet them through the supply chain. We're their supply chain… So who would you work in partnership with: X, Y or us, if we can help tick all those boxes?"

Empowering the CA function

CA needs to ensure it has developed the capabilities and understanding to truly become a strategic partner in businesses and organisations. It needs better talent management and training, employees with a wider experience of the organisation, a well-informed world view and digital expertise.

There has been a fundamental shift in expectations around the CA function. CA needs to be staffed by people with a sophisticated understanding of opportunity and risk, and an ability to work with the digital tools and data to underpin its insights. It must earn the right to be taken seriously by the leadership of organisations.

"Our role, that was relationship-based, is becoming more strategic."

"We need genuine all-rounders who can work across the piece, who can do digital, recognising that we are working with the last of the leaders who don't do digital."

The best CA practice combines finely tuned messaging (content generation for internal and external audiences) and analysis measurement (surveys and digital tools) to create metrics around clearly defined business goals.

"The ideal metrics are a mixture. I have a mix of real-time and periodic ways of measuring what we're doing and the effectiveness of what we're doing… we have an integrated dashboard so we can see at any one time what is happening on a particular channel."

CA can find the expertise it needs by partnering with other functions in the business, by recruiting from other areas of the business, and by sourcing the kind of training that other areas of the business use.

"This was a whole new world… something that the marketers were starting to get involved with. A couple of years later… [my team are] as good as the marketing teams, and their own capability in digital is right up there with anybody."

There is a growing "toolbox" of feedback and sentiment measurement mechanisms available to CA. Used in the right way, these can give the function the legitimacy to contribute to strategic conversations.

"The business has four strategic objectives around: being a responsible business; actively managing our assets; high-performance culture; our customer experience. So we structured an integrated dashboard to get the metrics on those different streams in one place."

There is a recognition that senior executives are taking reputation into account in developing strategy, but too often the emphasis or tendency is towards the downside and on risk. Identifying the upside, where reputation can create value for the business, is less frequently done.

"Rather than just protecting [the organisation] when we're vulnerable, when it comes to crises, it's about linking into the upside of the business."

The character reputation of a company can become a significant – and measurable – part of the consumer proposition. By driving deeper engagement with consumers, CA can make a strong contribution here.

"We know that 12-to-15 per cent of consumers mind about the company behind the brand they're buying."

Off-the-peg tools for reputational measurement should be treated with caution. Identifying and developing appropriate tools is a challenge and is part of a process: as each iteration reveals whether the data being harvested is the most relevant and actionable.

"Every month we look at performance indicators across the company and reputation is now part of that… in the same way as sales tracking."

Metrics must address business aims. For CA, this means turning metrics into persuasive narratives to produce insight, not just data.

"As an engineering colleague says, 'It's very easy to measure failure with great accuracy... if you're not actually delivering something different which is going to make an impact, you're just measuring something for measurement's sake."

The complete 2017 CAA report can be requested at: www.sbs.oxford.edu/caareport2017. *More information about the CAA can be found at* www.sbs.oxford.edu/caa.

News

As we celebrate our 10th year as a centre, it is interesting to reflect on how much more pressing and varied reputation issues have become since we started, and how much more commentary there now is devoted to the subject. Much of the thinking that we have developed is captured in the recently published *The Reputation Game*, co-authored by our director Rupert Younger. Below are examples of recent media on the subject, which featured our contributions.

'Bosses are out of touch with public, say 7 in 10' – *The Times*

This piece was a response to the CBI's latest survey on the reputation of business, "Everyone's business tracker" (*www.cbi.org.uk/insight-and-analysis/everyone-s-business-tracker/*). Our contribution: companies had been "tone deaf" on executive pay. "Part of the problem in reining in pay at the top was that remuneration packages were so complex it was often hard to figure out how much people were pocketing. 'Even the members of remuneration committees don't understand it.'" *www.thetimes.co.uk/article/bosses-are-out-of-touch-with-public-say-7-in-10-v9gpcdzct*

'Companies Slow to Release U.K. Pay-Gap Figures as Deadline Looms' – *Bloomberg*

Less than three months before the 5 April deadline for reporting on the pay gap between men and women – under the law, for companies of more than 250 UK-based employees, we said: "Fewer than 600 of the 9,000 companies required to report have done so as many seek to avoid scrutiny… One concern is that while pay for equal roles may be comparable, aggregate salary numbers will show large gaps because men often outnumber women in senior positions. 'From a communications perspective it will be very tempting for companies to wait until the last month in order to be lost in the crowd.'" *www.bloombergquint.com/onweb/2018/01/16/companies-slow-to-release-u-k-pay-gap-figures-as-deadline-looms*

'5 steps to build trust in your organisation' – *Bond*

This blog by Rupert Younger for the UK network for organisations working in international development, on the loss of trust in NGOs, prefigured the scandals and crises that unfolded in February across the sector. The five mechanisms to win back trust that were highlighted: engage constantly; build an active group of core influencers; use data and infographics; focus on outcomes, not processes; admit and apologise quickly if things go wrong. *www.bond.org.uk/news/2018/01/5-steps-to-build-trust-in-your-organisation*

'Getting your reputation right' – *Company Director*

This piece in the magazine for the Australian Institute of Company Directors outlines how senior business leaders can think about their reputations strategically: identify future reputation risks, categorising them as capability or character issues; ensure diversity (the boardroom is the perfect example of a closed network that risks becoming an echo chamber); allocate specific agenda items to reputation; manage governance structures, considering the transparency of current systems; ensure that reputation risk is accounted for, perhaps setting up separate risk registers for each division. *https://tinyurl.com/y82bed34*

'KFC apologizes for chicken shortage' – *CNN Money*

The KFC debacle, where the UK chain ran out of chicken, excited a great deal of press consideration, not least for KFC's immediate, and humorous, apologies. Our takeaway: "They've done a fantastic job. It speaks to a business that understands that mistakes were made and they're prepared to have fun at their own expense." It was honourable that KFC didn't make a point of running its supplier, DHL, through the wringer. "They have been open and transparent and incredibly authentic...They're going to have more people wanting to go to KFC rather than less ... as a result of this." *http://money.cnn.com/2018/02/23/news/kfc-apology-ad-shortage-chicken/index.html.*

'What would Karl Marx write today?' – *Financial Times*

The Activist Manifesto – by Rupert Younger and Frank Partnoy, one of the centre's International Research Fellows, with an introduction by Alan Morrison, Professor of Law and Finance at Oxford Saïd - was published online in March and featured in the *Financial Times* (see p4). Oxford Saïd also hosted a discussion with the authors for the Oxford Literary Festival.

Contact us

We welcome your feedback. Please send any comments to: *reputation@sbs.ox.ac.uk*. The Oxford University Centre for Corporate Reputation is an independent research centre which aims to promote a better understanding of the way in which the reputations of corporations and institutions around the world are created, sustained, enhanced, destroyed and rehabilitated. For full details of our research and activities, and for previous issues of Reputation, see: *www.sbs.oxford.edu/reputation*.

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