Reputation Symposium 2019
A selection of new research presented at our annual conference, from closed networks to stakeholder demands in a crisis, and the power of online memes

Comment
Measuring sustainability – what are the implications for corporate value?

The Big Interview
The award-winning financial journalist Diana Henriques on what Black Monday, Bernie Madoff and the financial crisis taught her about trust and regulation, and why she still has faith in the “soft power” of reputation

News and appointments
COMMENT: MEASURING SUSTAINABILITY

2019 could prove a watershed year for the reputation of business: a year in which the CEOs of the world’s largest companies moved away from the overriding preoccupation with value creation for shareholders to a commitment to “the benefit of all stakeholders”. The quote comes from the US-based Business Roundtable’s new Statement on the Purpose of a Corporation (https://tinyurl.com/y5ygufqs). The declaration, signed by 181 chief executives, encourages firms to prioritise environmental, social and corporate governance (ESG), and comes hot on the heels of other high-profile declarations, notably the “Blackrock Letter” headed “Purpose & Profit” from Larry Fink, CEO of the world’s largest asset manager (www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter).

The reputational consequences of this shift arise from the expectations they create among different audiences, particularly given the added pressure of public policy initiatives such as the Green Deal by the new President of the European Commission, Ursula von der Leyen (https://tinyurl.com/u9wgqqb). Which initiatives are likely to gain most traction and credibility? One candidate is the World Business Council for Sustainable Development (WBCSD), founded in 1995 and now backed by over 200 companies. Its goal is to use a “science-based approach” to global social and environmental challenges, including the United Nations Sustainable Development Goals (SDGs). The most potentially influential WBCSD programme is Redefining Value, which is particularly concerned with linking management decision-making and external disclosure.

Another more recent initiative is the Value Balancing Alliance (VBA – see www.value-balancing.com), a cross-sectoral partnership of eight global founding member companies including BASF, Deutsche Bank, Novartis and SAP, which is developing a new model for measuring and managing the positive and negative impacts of corporate activity. The initiative is also supported by the OECD, and on a pro bono basis by Deloitte, EY, KPMG and PwC.

This focus on redefining the purpose of business is an important and fundamental one both for Said Business School and for our research centre. Colin Mayer, Peter Moore's Professor of Management Studies at Oxford Said, is leading the British Academy’s Future of the Corporation programme, which has just produced its “Principles for Purposeful Business” (https://tinyurl.com/7x6eck) aimed at enhancing the connectivity of corporate purpose, information and decision-making.

How external audiences – from customers and activists to regulators and shareholders – perceive the outcomes of these initiatives, depends on how successfully new standards are created, implemented and communicated. There is currently no uniform guidance or accepted standard for social-environmental reporting. The Global Steering Group (https://gsxii.org) and the Impact Management Project (https://impactmanagementproject.com) are working on the Impact-Weighted Accounts Initiative (IWAI – https://tinyurl.com/wh3vs7w) to solve this problem, with advisors from Oxford Said.

The reputational stakes are high: this year’s Edelman Trust Barometer, one of the leading surveys of its kind, recorded that 62 per cent of employees would like CEOs to take the lead in tackling societal challenges. The same survey recorded that 60 per cent of respondents believe that a good reputation is essential to improve consumer sales in the short term, but that further actions are necessary to maintain this reputation. With the recent calls for a climate emergency, issues of “climate justice” will only gain more prominence.

The field is changing fast. At our centre we are involved with research into a number of core questions: how does corporate reporting relate to reputation? How should we reassess brands, sustainability practices and intangible value? How can better metrics on organisational impact be designed and operationalised? Our future plans in this area include the hosting of a seminar series, launching in early 2020, as part of a project entitled Accounting for Social Capital, which will bring together practitioners from different sectors and scholars from different disciplines within and beyond Oxford Said. We will engage with the VBA, the WBCSD and other organisations to explore how they can make measuring sustainability count for their stakeholders. —

Dennis West

Dennis West is a Researcher at our centre and a DPhil student at the Centre for Socio-Legal Studies. His research focuses on the formation of social-environmental metrics, and he is involved in the Accounting for Social Capital project.
The presentations at this year’s annual Reputation Symposium ranged as widely as always, from studies of white-collar prisoners to the power of Facebook commentary, and how wrongdoers are penalised within closed networks of Chinese entrepreneurs. Below and overleaf we present a digest of some really stimulating research.

**Is not guilty the same as innocent?**
Should firms always be forthcoming with information for investors? When facing a regulatory investigation, they can either disclose immediately or wait until an advanced stage of the process, for example when the regulator makes a public declaration. Eugene Soltes presented research that analysed the records of investigations by the Securities and Exchange Commission and compared the relevant corporate disclosures and their impact. Whether or not such investigations – which can also involve other federal agencies – are pursued depends on evidence of wrongdoing, but also on political considerations and resource constraints. The authors find that rather than reward firms for being straightforward, financial and labour markets punish firms for being straightforward in disclosing negative news. What is more, firms may have significant negative returns even when they are cleared of any wrongdoing. The findings may be important for managers considering the impact of regulatory investigations, and suggests a need for them to account for the degree of investor attention when deciding on the level of voluntary transparency they choose. The research may also have other implications such as for when it becomes relevant to make a disclosure.

Eugene Soltes, Associate Professor at Harvard Business School, and David Solomon, Assistant Professor at the Carroll School of Management, Boston College: “Is ‘not guilty’ the same as ‘innocent’? Evidence from SEC financial fraud investigations”

**The protective power of closed networks**
When individuals behave badly to others, do they always face mistrust in the future, and what reputational penalties arise from different contexts? To shed light on these mechanisms, Sonja Opper has analysed networks of Chinese entrepreneurs. Previously, it was understood that the penalty for misbehaviour depended on the gravity and scale of the offence and the “detection rate” and different “characteristics” of the offender. Professor Opper’s findings suggest that the network structures, first of the entrepreneurs as a whole and then of the individual offender, are crucial. Closed entrepreneurial networks seek to impose stronger reputation punishments than...
open networks, but the more firmly the offender is embedded in their own network, the less damage they suffer. The counter-intuitive conclusion: while closed networks are most effective in monitoring and detecting malfeasance within the entire network, closure around the offender guards against penalties.

Sonja Opper, Professor of International Economics at the Lund University School of Economics and Management: “Surviving bad behaviour: what explains the reputation penalty?”

Greening the grey areas of the firm

Are sustainability reports merely for reputation enhancement? Their conclusions can be presented in simple terms, but the different ways of accounting they use can be extremely complex. Edward Carberry and Matthew S. Urdan investigate how genuinely corporate impacts are reflected in environmental reporting. In their analysis of S&P 500 firms, they conclude that companies often engage in a sophisticated act of so-called “greenwashing” – in this context, decoupling reporting practices from actual outcomes – and conclude that greenwashing of this kind has become institutionalised across sectors.

The authors argue that firms obfuscate and misinform the public by using a variety of metrics and ignoring climate science. Although some frameworks exist, such as the Global Reporting Initiative and the Sustainability Accounting Standards Board, this ambiguity is in part due to the lack of regulation and generally accepted standards. The research examines the relationship between social activism and these new corporate practices. These kinds of studies highlight how companies respond to pressure from activists, and also how they can avoid greenwashing: for example, by embracing science-based practices and metrics that focus on outcomes and impact, rather than on the inputs and outputs of corporate practices.

Edward Carberry, Associate Professor, Matthew S. Urdan, PhD candidate, at the College of Management, University of Massachusetts: “Sustainability in the Anthropocene and the institutionalisation of corporate greenwashing”

New rules at the top of the art market

When highly priced artworks change hands, the reputation of the auction houses plays an important role in the transaction. However, the processes of verification are complex and not well understood. Anja Shortland presented research into how leading organisations in the art market identify forgeries and trace the legitimate chain of ownership. The standard operating procedures of auction houses involve multiple contractual relationships such as insurance and supervision in transit. Whereas in the past they might have relied on the judgment of widely recognised experts, the audit work is now more widely distributed and subject to more formal mechanisms. Professor Shortland concludes that there is an upward price pressure because of a new kind of wealthy buyer who is armed with the firepower of their law firms, and this requirement limits access to those valuable pieces. This finding is significant because the case demonstrates how a market that was traditionally privately governed and based on reputational mechanisms is now dominated by a legally formal and professionalised system. This example may have important lessons for the “legalification” and professionalisation of other fields.

Anja Shortland, Professor in Political Economy at King’s College London, and Andrew Shortland, Professor of Archaeological Science at Cranfield University: “Governance under the shadow of the law: trading high-value fine art”

Stakeholder demands in a crisis

Crisis management involves addressing the demands of different stakeholders simultaneously. Jonathan Bundy and his co-authors develop a new way of thinking about the nature and role of different forms of social evaluation by different audiences, in categories identified by reputation scholarship including approval, legitimacy, reputation, status and the celebrity of the firm involved. The framework in this research connects...
different fields of activity, ranging from public relations and communications to management and strategy. As a result, it increases the clarity for those studying the dynamics of corporate reputation in times of crisis. The potential insights may show new ways for firms to adjust their approach to different stakeholder demands. The implications of multiple reputations in crises requires managers to think carefully about the allocation of blame and admission of guilt. Tensions arise from the difficulty of addressing the different demands of each relationship, since one might impact on another.

Jonathan Bundy, Assistant Professor at the W.P. Carey School of Business, Arizona State University; Mike Pfarrer, Professor, and Farhan Iqbal, PhD candidate, at the Terry College of Business, University of Georgia: “Wicked problems: managing multiple social evaluations in a crisis”

Suffering from good reputation
Are there circumstances in which a good reputation can harm an organisation?

“Organisational hubris” describes a situation when there is over-confidence among members of a firm. This internal phenomenon can be induced and exacerbated by external factors. Daniel Gamache and Kevin Curran propose that positive social evaluations can affect collective attitudes at the organisational level. For this to become hubristic, it must satisfy certain conditions, including

‘Organisational hubris describes a situation when there is over-confidence among members of a firm’

that a sense of pride and confidence is so pervasive that it becomes characteristic of that organisation. This research offers insights into how to distinguish organisational hubris from that of individuals. The former can limit the influence of leadership because it can foster insularity in the organisational decision-making process. This has further implications for the role of collective beliefs and the feedback loops between external reputation and internal organisational culture.

Daniel Gamache, Assistant Professor at Terry College of Business, University of Georgia, and Kevin Curran, a former Research Fellow at our centre and now Assistant Professor at the University of Amsterdam Business School: “Simply the best: how positive social evaluations can lead to organisational hubris”

Lessons from white-collar prisoners
The reputational impact of serving a prison sentence is at the extreme end of the spectrum. For white-collar professionals, often highly regarded by their peers, the fall can be particularly severe and difficult to recover from. William Harvey is leading a study observing and interviewing 70 inmates at a federal prison in the US. The insights gained shed light on the relationship between reputation and identity, and on the processes involved in overcoming the challenges of rebuilding a reputation in an environment where feedback on reputation is absent.

In such situations, working on one’s self-image becomes a key coping mechanism. The authors introduce the concept of “contribution” to argue that perceptions of future value are more important than perceptions of past actions when individuals attempt to recover from reputation loss. More broadly, this may also be a useful consideration for the strategies of companies facing legal proceedings and regulatory sanctions.

William Harvey, Professor of Management, and a former Research Fellow at our centre, and Navdeep Arora, both at Exeter University Business School; Dimitrios Spyridonidis, Associate Professor, University of Warwick Business School: “Down and out? A case study of white-collar prisoners in the United States attempting to recover from reputation loss”

continued overleaf ➔
How organisations can exacerbate scandals

What are the actual consequences for the accused in the aftermath of the movements precipitated by #MeToo? While it is clear that individuals often feel the need to deny any wrongdoing out of self-preservation, the situation is more complex for organisations. Mary Anne Case studies the recent past of the Catholic Church. Her findings shed light on how the institution’s response to accusations of widespread sexual abuse was guided by the internal structures and beliefs within the organisation.

The canon law doctrine of scandal defines it as a barrier to the offender practising their faith. By publicly acknowledging the sins behind the scandal, the offending clergymen would not be able to be led to salvation as intended by canon law. This points to a fundamental difference between the rationale of the Church and of public law. Secrecy is seen internally as an important tool, but externally evaluated as an illegal cover-up. This case is important to understand other contexts whereby powerful actors may incentivise secrecy by invoking a similar doctrine of scandal. Organisations may learn lessons from the Church’s example in other complex contexts such as the oversight of police conduct, national security, or internal investigations within large private corporations.

Decontamination from toxic reputation

Companies can suffer reputation damage by mere affiliation to an industry or a larger group of firms. How can some firms escape a stigmatised industry and why do others fail to rebuild their reputation? Rongrong Zhang and her co-authors explore the case of the Chinese infant formula industry after it became known that the milk was adulterated with melamine.

They argue that spillovers of stigma from deviant organisations are difficult to avoid because customers generalise the culpability of some actors to the entire industry. As a result, these spillover effects pose a serious threat to the survival of all firms. They identify different strategies of de-stigmatisation: while some only induce short-term effects, other approaches allow the successful firms to return to financial health and competitiveness in the long term. The clue seems to lie in the way firms deal with pride and shame, and how these can be used in communicating with stakeholders to contain spillovers of stigmatisation. In other words, the potential for “contamination” does not come from mere similarity of firms, rather it arises from social evaluations. The potential findings of this preliminary study are important in understanding other cases of industry-wide stigmatisation or loss of reputation, such as in the financial sector after the global financial crisis.

Rongrong Zhang, PhD candidate, Milo Shaoqing Wang, PhD candidate, and Royston Greenwood, Professor of Strategic Management, Alberta School
Why online memes should be taken seriously

Memes – pictures given a graphic treatment, with humorous/pointed short comments reflecting on an individual or subject – are a well-established phenomenon on the web. Graphical representations are also very important in corporate communication. Can these tiny visuals cause harm to corporate reputations? Rhonda Reger proposes that such social media content does indeed have the power to positively or negatively affect how firms and their leaders are perceived. Her laboratory studies show that metaphors, parodies, and other figurative communications can have effects on social approval by audiences. The research contributes to our understanding of the power of non-factual, often funny, and seemingly meaningless content on social media.

Rhonda Reger, Professor of Management, Trulaske College of Business, University of Missouri: “The Joke’s on Us: The Power of Social Media to Influence Evaluations of Corporations and their Leaders”

‘Metaphors, parodies and other figurative communications can have effects on social approval by audiences’

The power of social media comments in a crisis

The mechanisms that govern the assessments of crisis situations by social media audiences are not thoroughly understood. To address this gap, Michael Etter and his co-researchers analysed Facebook comments. They found that inappropriate responses to crises followed a certain pattern. On the one hand, firms issued apologies and provided additional information. On the other hand, they outright denied responsibility and blamed someone else. The authors identified a new phenomenon called the “amplification effect”. Their research shows that reputation is less affected when disclosure and apologies are accompanied by positive user comments. Conversely, reputation is more adversely affected when denials and blaming are accompanied by negative user comments. These findings are important for firms to understand that positive comments do not offset negative ones.

Michael Etter, Senior Lecturer at King’s Business School; Matthes Fleck, Professor of Applied Sciences, Lucerne; Roy Mueller, Associate Consultant, Farner Consulting: “User comments and individuals’ reactions to corporate crisis responses: the amplification effect on reputational outcomes”

For the complete programme from the Reputation Symposium 2019 see https://tinyurl.com/sefpqkm.
What is the purpose of ‘brand activism’, when is it authentic, when is it a risk, and what are its limitations? In a fascinating panel, our guest speakers explored the implications of their research into ‘activist firms’, from an indigenously owned oil pipeline in Canada to a clothing chain set up to support the homeless in Melbourne.

**Should firms take a stand?**

*Daniel Korschun, Associate Professor of Marketing, LeBow College of Business, Drexel University*

My research started in social responsibility and how people respond to it, but it didn’t take long for me to realise that in social responsibility or sustainability, as you dig deeper, eventually you get to a political matter. I see two very broad trends: one is, consumers have been asking more and more not just what a company makes and what it does, but who is behind it and what their motivations are, and using that to make decisions about their consumer choices. The second big trend is polarisation and the fact that the middle ground is starting to drop out as people are taking sides. So companies are increasingly being asked to address some of these issues and take a stance, and people are saying that they want to know more about what the company is about: what is your stand on abortion? What is your stand on the death penalty?

The editor of *Journal of Marketing*, Christine Moorman, does a poll of chief marketing officers once or twice a year, and she’s been asking them recently whether their companies should take a stand: 21 per cent say yes, a company absolutely has to jump in and do it. That leaves the other 79 per cent that say that they should stay out of it and be neutral on everything.

In my research, my general conclusion is that they’re both right. It really depends on the company. Much of it is the expectations that the company is bringing already: companies that make claims that they’re values-driven and make decisions based on beliefs, if they don’t take a stance they are viewed as hypocrites. That’s an obvious danger. What about the people that disagree with this stand? How are they going to react?

In the research I’ve done – including field experiments at a major pharmacy convenience store chain in the US – we found that, unsurprisingly, if people agree with your stand they’re going to be drawn to you. The strange effect is when they disagree with you. If you are one of these values-driven companies that talks about yourselves in a certain way, what I’m finding is a real tolerance for this, so long as the stand’s not too extreme.

When the stand becomes extreme, people have a knee-jerk reaction, but with most stands, companies aren’t trying to push the limits, they’re trying to make a stand within reason. When we see a values-driven company, even people that disagree with it can respect it. I always look at this as consumers evaluating the relationship overall, looking at the company and saying, ‘Are they being honest with me or are they withholding information from me?’ By abstaining from a stand, while the company thinks that it’s keeping them out of trouble, it can be increasing the risk.

My feeling is that companies don’t like risk and they assume that consumers don’t like risk either. Well, consumers don’t like risk in the products that they’re buying, but they like it when companies take risks based on values, because it communicates more about what they’re all about. These political issues are opportunities to reveal to consumers and employees who they are, what they stand for, and demonstrate that they have the courage to act on it, even when it’s difficult.

**What makes a ‘transformative’ brand?**

*Jessica Vredenburg, Assistant Professor, Auckland University of Technology, and Amanda Spry, Lecturer, RMIT University, Melbourne*

We’re looking at the marketing dimensions of brand activism through HoMie, a clothing company based in Melbourne. What is special about HoMie is their brand values. The company was set up to tackle the issue of youth homelessness in Melbourne. First, they give 100 per cent of profits to the cause of resolving youth homelessness – which is not unique: a lot of companies make monetary donations. HoMie also holds VIP shopping days once a month where they close their stores to the public, opening up to homeless youth in Melbourne, who receive free, brand-new clothing, lunch, hygiene kits, haircuts, all sorts of things.

HoMie also has a pathways programme, where they transition youth who are sleeping rough into paid internship positions at HoMie, with on-the-job experience, accredited retail training and general mentorship and support. This model has been so successful that they’re helping other businesses in the area to offer this model. HoMie is really backing up what they say with what they do. In our research we call this “authentic brand activism”.

What happens when that’s not the case? An example is the ad that Nike released about a year ago with Colin Kaepernick (the NFL player known for controversially kneeling during the US national anthem before games to highlight racial inequality): ‘Believe in something even if it means sacrificing everything’.

When they came out with this ad, a lot of the questions were surrounding the authenticity of this message: the fact that what they were known for in the past is not reflective of the message. Nike are known for sweatshops and, recently, issues around discrimination. Further to that, they didn’t actually back it up with authentic practice: they didn’t donate to the Black Lives Matter campaign; in fact, they still maintained their sponsorship with the NFL teams that were condemning Kaepernick. This is what we refer to in our research as “wokewashing” – like “greenwashing” with socially aware movements. Now what’s interesting is that despite this being arguably an inaccurate practice, Nike did benefit from it: they had increased sales, their stock prices went...
up. We’re trying to understand what’s happening, what’s changing in society that these things can coexist.

Consumers now feel increasingly disenfranchised from local leadership, government and agencies and are looking to others in positions of power who might be able to help affect some sort of social change. Increasingly we are seeing brands step into a space where they are pursuing not only market performance but social change, and this is different from social enterprises and not-for-profits that have existed primarily for doing good. We’re seeing brands that are truly hybrids, balancing market performance with societal change.

At the same time, we’ve observed that brands are being elevated to an institutional role and are starting to act as guides for behaviour, norms for consumers and competitors and for the industry regulators. These kinds of brands – which we refer to as “transformative” brands – are the brands that are acting as legitimate leaders.

A partnership designed for societal impact

Harrie Vredenburg, Professor & Suncor Chair in Strategy & Sustainability, Haskayne School of Business, University of Calgary, and Connie Van der Byl, Associate Professor in the Bissett School of Business, Mount Royal University

H.V. All my work is in the area of energy and sustainability and the environment. Two-and-a-half years ago I was approached through an intermediary by Delbert Wapass, the Chief of the Thunderchild First Nation, an indigenous community in Western Canada. He asked whether I would represent them on the board of directors of a newly formed oil company called Prairie Thunder Resources in which the First Nation had just taken a 16 per cent equity stake.

Fast forward to about a year ago. In Canada there’s been a big challenge with getting new market access for Canadian oil and gas. Every pipeline proposal has been opposed by environmental groups tied with indigenous groups. The Trans Mountain pipeline was built 60 years ago in the mid-1950s, at which time of course you didn’t consult environmental or indigenous people. It’s been running for the past 60 years. It was owned by Kinder Morgan, a big Texas firm. A year ago, [after expansion plans were continuously blocked] Kinder Morgan said, ‘We’ve had enough’, and so the federal government of Canada purchased it.

The Chief of the Thunderchild First Nation and I, and other people from the oil and investment industries, started talking about a way through the impasse: indigenous communities purchasing the pipeline. We came up with the name “Project Reconciliation” because in 2015 Canada engaged in a “truth and reconciliation commission” between Canada and its indigenous people, inspired by South Africa. One of the calls to action was that Canada’s indigenous people would have real sustainable benefit from the resources and infrastructure in Canada.

The purchase of the pipeline and the expansion is a $7 billion project. The idea is that it will be entirely financed through a syndicated bond issue, with no initial outlay by indigenous communities, in recognition of the fact that they are the owners of the resources. It can be financed on the basis of the assets that currently exist on the ground and the long-term shipping contracts. Of the income, 20 per cent will go directly to indigenous communities through a community investment fund, 80 per cent will go to an indigenous sovereign wealth fund, to be invested globally in a diversified portfolio.

C. V. der B. To link to this concept of brand activism, there are two key things. The first is that this isn’t a typical business-to-consumer firm. This is an infrastructure project in a commodity industry, so that creates some nuances and complexity. There are no direct customers, but there’s been significant opposition, so brand does factor into this story. The other really important thing is that this is now providing agency to indigenous communities in Canada, when that hasn’t existed in the past. There has been regulated consultation, but it’s been typically transactional or one way, and this represents a significant movement towards meaningful engagement and collaboration. The other key is that this is a new start-up per se, it’s not an incumbent firm that’s suddenly picking up on a social change. The social action is really embedded in the mission and the purpose of this organisation so all three elements of sustainability, economic, environment and social change, are part of the mission.
The award-winning financial journalist Diana Henriques reflects on what Black Monday, Bernie Madoff and the financial crisis have taught her about trust and regulation, and why she still has faith in the “soft power” of reputation.

**The Big Interview: Diana Henriques**

Whom should you trust? The question is ever-present during a fascinating discussion with Diana Henriques, the acclaimed financial journalist and bestselling author—recently appointed a Visiting Fellow with our centre—whose work over five decades has illuminated the troublesome intersections between trust, regulation and reputation. For Henriques there is just as much emphasis on the “should” as the “whom” in that first sentence. She is a dissenter in the increasingly widespread call for more trust, whether at the negotiating table, in the boardroom or the voting booth.

A certain amount of trust, she acknowledges, is essential to the smooth running of humankind. “We know that high-trust societies tend to perform better economically. A threshold level of trust is essential for modern commerce, for healthy communities—health knows— for healthy employee relationships.” But trust is immensely problematic, especially when it substitutes for other more robust and objective indicators. “Until you understand how trust operates cognitively, how it operates in our mental machinery, you can’t be trusted to use it wisely,” she says. “You need to be humble about the fact that your own trust in others is as good at discovering who is trustworthy and who isn’t.”

Exposing how the unscrupulous look to exploit that human fallibility has undoubtedly been a driver in her career. At her first local paper, the Lawrence Ledger in New Jersey, she had an early lesson in “fake news”, reporting on the public meetings to consider plans for affordable housing for the local black community in a largely white suburb. “The newspaper played a significant role in navigating that community to a good outcome,” she says, holding the line against the misinformation coming from opponents to the plan. “It gave me a taste of what I got into this business to do.”

She has seen numerous peaks and troughs in the reputation of the media over her career—remember how vilified the Washington Post was at the time of Watergate, she says, until it was proved right. But despite the current pressure on traditional media from sometimes freewheeling online competition and relentless assaults on its credibility, she is buoyed by how robust the media as a whole is proving to be—particularly in her own investigative sphere: “I am exhilarated by the quality of investigative reporting: Mother Jones, websites like Vox, Buzzfeed and Politico. The Associated Press is doing extraordinary investigations [as is] USA Today—and, of course, the Washington Post, the Wall Street Journal and the New York Times.” She is also an admirer of the non-profit ProPublica and its partnerships with news organisations across the country, including small local outlets. “It’s a new world. It’s a new landscape. It hasn’t solved the business model problem yet, but it is rebuilding the reputational component.”

Given the increasing complexity of financial instruments and operations, the money and time required to unravel stories in this area are considerable. Such complexity is also the conman’s friend: the mystique of investment “black boxes” is what enabled Madoff to thrive for so long. “He made you feel safe because the complexities that were far beyond you he treated as if they were ordinary arithmetic,” says Henriques. Even when one expert, Harry Markopolos, called Madoff out, his analysis of why Madoff’s investment returns were unfeasible was impenetrable to the regulators at the SEC.

What is Henriques’ prescription for a more dependable financial sector? Humility on the part of investors, for one: know what you cannot know, and make decisions according to well-established principles. As an illustration, she mentions two happy endings in the Madoff saga: investors who from long-established principles of safe dealing—the investment limits and the requirement of third party custodians—walked away despite their strong desire to invest.

“We need to recognise that we are not very good at discovering who is trustworthy and who isn’t,” she says. “We become tribal, we tend to trust people who look and sound a lot like us, people who are attractive. I mean if Elizabeth Holmes at Theranos—” the discredited blood testing company currently facing prosecution— “had been five foot two, dumpy with acne scars, would any of that had happened?” In addition, bad apples get too much mileage out of “reputation borrowing”, in part because of the carelessness—and greed—of those they borrow from. Theranos and another currently troubled “unicorn” WeWork exemplify this: “Look at the trophy board that Theranos put together, [and] at the investment bankers that were at WeWork’s beck and call.”

So given human fallibility, and the systemic global financial disasters that she has covered in her time—1987’s...
Black Monday is the focus of her most recent book *A First-Class Catastrophe* – does she have any confidence that things have changed meaningfully for the better? “It’s a little better than it has been – and I’m taking a long view on that,” she says. “I think there is more realism than there has been. I think there’s more awareness of what we don’t know. I think there is a modest improvement in the media and the investing public’s awareness that you need to be a lot more careful.”

One thing that hasn’t improved – and her self-confessed hobby horse – is “the tendency to devalue reputation as a critical piece of policy equations”. She learnt a lesson long ago when reporting on the pioneering junk bond investment bank Drexel Burnham Lambert. “They treated media and regulators with absolute arrogance and when they got in trouble and needed a regulatory bail-out, they had no reservoir of goodwill to draw on to help them through that crisis.”

Henriques points to Wells Fargo as an instructive current example of a longstanding disregard for reputational risk going all the way to the top. The board’s attempts to plead ignorance of sales irregularities and fraud, and to blame management, were untenable since “problems at that bank were exposed by the Los Angeles Times a year before the board did a single thing about it. Unfortunately regulators and prosecutors have been remiss in not holding boards accountable.” She is sceptical of the ads that Wells Fargo is currently running in the US asking customers for forgiveness, with images of stagecoaches evincing its legacy in the Wild West, albeit that trying to apologise is better than “the tendency in the past to ignore these scandals”.

The most under-regarded and critical reputation of all for Henriques is that of the regulators and overseers of the financial sector. There is much debate among practitioners and academics about the relative importance of organisational culture versus regulation in countering bad behaviour. She comes down firmly on the side of regulation. “The notion that you can have a deregulated market makes as much sense as the notion you can have deregulated traffic,” she says to me, and as she has said previously: “We cannot trust some unwritten rule. Even honest people will tolerate dishonest people without blowing the whistle.”

The worst of those worlds is to have the rules and not have a budget to enforce them, because that leads people to think that they’re safe when they’re not. And that’s where we are now.”

The Federal Reserve illustrates a different facet of reputational threat: the vulnerability of a vital lever of “soft power”, which is being undermined to the point that its future effectiveness might be reduced. Henriques observes “in horror” the constant attacks on the Fed from President Trump. “The reputation of the Fed is really the best example in American financial history of the extent to which the soft power of reputation can be used. The Fed has not always been right; on balance in recent years, it’s been a good central bank and a badly conflicted bank regulator. But the reputation of the Fed in crisis after crisis has been the difference between chaos and survival. Time and again you can see that its reputation struck fear into the hearts of malefactors, put confidence in the hearts of the frightened, gave legislators and regulators the heart to go on. There is no more powerful example of the extent to which, if you have reputation you can do almost anything, and if you don’t, you can’t do anything.”

"Even honest people will tolerate dishonest people without blowing the whistle"
AUGUST

Our Reputation Symposium took place at Exeter College and Said Business School, 28-30 August. For the full programme see https://tinyurl.com/setpqkm. At the symposium dinner we presented our annual awards: Best Published Paper went to Samuel P. Fraiberger, Roberta Sinatra, Magnus Resch, Christoph Riedl and Albert-Laszlo Barabasi for “Quantifying reputation and success in art” (https://tinyurl.com/rjdm82); Best Dissertation went to Abbie Griffith Oliver for “Think crisis, think female?: stakeholder reactions to CEOs following corporate violations”.

Our Research Fellow Rohini Jalan co-organised and presented her research at a symposium titled “Producing technological futures: on automation, ethics, and inequality” at the Annual Meeting of the Academy of Management in Boston.

SEPTEMBER

Our Research Fellow Eva Schlindwein gave a talk at the Technische Universität Dresden with the title “Organisational reputation: current insights and debates”.

OCTOBER

Our director Rupert Younger led the Corporate Affairs Academy programme for its second session of the year at Oxford Said (www.sbs.ox.ac.uk/programmes/corporate-affairs-academy).

Our Researcher Dennis West participated in two workshops with the Value Balance Alliance (VBA) in Frankfurt as an academic advisor. The VBA is concerned with creating a standardised model for measuring and disclosing the environmental, human, social and financial value companies provide to society (see p2). He also presented at the United Nations Conference on Trade and Development (UNCTAD) Intergovernmental Working Group on International Standards of Accounting and Reporting (ISAR). The focus was on sharing and evaluating different measurements of the private sector’s contribution to the attainment of the UN Sustainable Development Goals.

NOVEMBER

Rupert Younger taught on the MD® eni programme at Castel Gandolfo in Italy, part of the senior management training organised by Eni Corporate University. He was also the keynote speaker at the italiadecide conference in Milan, speaking on the reputations, roles and responsibilities of cultural institutions in Italy. He is co-chair, with Oxford Said’s Professor Bob Eccles and Professor Colin Mayer, of the Oxford-Berkeley-Hermes EOS Working Group on Purpose, which held meetings at the University of California, Berkeley, and in New York.

Our Postdoctoral Research Fellow Gregory Clark, whose research involves mathematical analysis of networks, has published a paper, “Stably computing the multiplicity of known roots given leading coefficients”, in Numerical Linear Algebra with Applications.

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.