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OXFORD UNIVERSITY CENTRE FOR CORPORATE REPUTATION

The Big Interview

Jasmine Whitbread, Chief Executive of London First, on how leadership, culture and strategic purpose combine to help organisations do the right thing

UNIVERSITY OF OXFORD

Saïd Business School

Centre for Corporate Reputation

RESEARCH PROJECT: THE ENACTING PURPOSE INITIATIVE

"We believe that when a company is not effectively addressing a material issue, its directors should be held accountable."
– Larry Fink, Chairman and CEO of Blackrock, 2020

Within the past few years, the word "purpose" has entered the general business lexicon. Academics and investors alike are urging companies to articulate their purpose, saying that profits should follow from purpose and not be the purpose of a corporation. Companies themselves are increasingly using the word to describe the positive contribution their products and services have to society and how this creates value for shareholders. Investors – notably in recent times Larry Fink of Blackrock, the world's largest asset manager – are leading the demands for accountability beyond profit. The articulation and fulfilment of purpose is a central reputational issue that should concern every organisation: it is an existential question at the heart of their licence to operate.

However, a clear and compelling company articulation of purpose only has meaning once it is enacted in ways that engage strategy, capital allocation and relevant policies, processes and reporting practices. Many companies today argue that they have indeed articulated their purpose through mission and vision statements, are putting this purpose into practice, and have confirmed this through endorsement of global norms set by multilateral institutions and sustainability reporting. But is this intent enough?

The recent Financial Reporting Council *Annual Review* on the UK Corporate Governance Code (*https://tinyurl.com/wnlk6sc*) – which asserts that "the board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned" – has found that UK companies largely fail at implementing and reporting on their purpose. It lays out "serious concerns around board effectiveness in considering and reporting on risk to their long-term sustainability". The UK is home to arguably the world's most progressive corporate governance code to date. Hence, it is striking that adoption among UK boards has been so poor. This points to an urgent need to clarify the role of boards in enacting purpose.

> 'The articulation and fulfilment of purpose is a central reputational issue that should concern every organisation'

We believe that articulating and enacting purpose must begin with board leadership, but that this broad belief needs deeper thinking and analysis of the issues involved. We have therefore initiated a major new project around the "how" of purpose, working closely with a number of leading organisations in Europe and North America. The Enacting Purpose Initiative brings together the University of Oxford, the University of California at Berkeley, the British Academy, Federated Hermes and the New York-based law firm Wachtell Lipton Rosen & Katz to deliver a number of outcomes.

First among these will be a response to the FRC *Annual Review*. This will not only analyse the issues behind the lack of adoption by companies, but will propose a number of specific policy actions. Second, we will produce a document for organisations seeking guidance on approaches to enacting purpose and best practice. Lastly, we are writing a new peer-reviewed paper to answer the question: "What are the board's roles in enacting purpose?" ■

Rupert Younger
Director of the Oxford University Centre for Corporate Reputation

For more information on the initiative, see www.enactingpurpose.org.

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Why do certain practitioners benefit from repeated access to high-prestige organisations while others struggle to join the elite, even where objective assessment of quality is problematic? Our 2019 **Best Published Paper** examines the 'lock-in' effect of networks of institutions in the art world.

RESEARCH FOCUS: REPUTATION AND SUCCESS IN ART

In areas of human activity where performance is difficult to quantify in an objective fashion, reputation and networks of influence play a key role in determining access to resources and rewards. To understand the role of these factors, we reconstructed the exhibition history of half-a-million artists, mapping out the coexhibition network that captures the movement of art between institutions.

Centrality within this network captured institutional prestige, allowing us to explore the career trajectory of individual artists in terms of access to coveted institutions. Early access to prestigious central institutions offered lifelong access to high-prestige venues and reduced dropout rate. By contrast, starting at the network periphery resulted in a high dropout rate, limiting access to central institutions.

Quality in art is elusive; art appeals to individual senses, pleasures, feelings and emotions. Recognition depends on variables external to the work itself, like its attribution, the artist's body of work, the display venue, and the work's relationship to art history as a whole. Recognition and value are shaped by a network of experts, curators, collectors and art historians whose judgments act as gatekeepers for museums, galleries and auction houses. Given the fragmented and often secretive nature of transaction records, quantitative analyses of the art world have been difficult. Although artists' reputation is known to affect auction outcomes, our current understanding of these processes is based on small samples spanning short periods and limited to a country or region.

Our dataset was collected by Magnus (*www.magnus.net*) and combines information on artists' exhibitions, auction sales, and primary market quotes. It offers information on 497,796 exhibitions in 16,002 galleries, 289,677 exhibitions in 7,568 museums, and 127,208 auctions in 1,239 auction houses, spanning 143 countries and 36 years (1980 to 2016), allowing us to reconstruct the artistic career of 496,354 artists.

The number of exhibitions for an artist followed a fat-tailed distribution; whereas 52 per cent of the artists had one recorded show, a few high-profile artists were exhibited at an exceptional number of venues. Although half of the auctioned artworks sold for less than $4,000, the price for art was as high as $110,500,000.

Prestigious institutions have access to well-regarded artists, and influential artists in turn tend to seek out prestigious institutions. Yet, institutional prestige is also highly subjective, determined by factors like history, leadership, resources and geographic location. Given that major institutions act as art portfolios, we can uncover the slowly changing institutional prestige from frequent artwork exchanges, an approach called "adiabatic approximation".

> 'Early access to prestigious central institutions offered lifelong access to high-prestige venues'

For this, we define a coexhibition network, whose nodes are museums and galleries, connected by weighted directed links that represent the number of artists that exhibited in [specific venues].

The network core was a dense community of major European and North American institutions, underlying their access to a common pool of artistic talents. Movement between the hubs in the core was exceptionally high: the link weight between Museum of Modern Art (MoMA) and Guggenheim was 33 times higher than expected if artists would move randomly between institutions, reflecting a highly concentrated movement of selected artists between a few prominent institutions.

Multiple dense regional communities of institutions in Europe, Asia, South America, and Australia were relatively isolated from the core, indicating that members of these communities share artists mainly among themselves. To show that artistic careers can be interpreted within the context of the institutions to which they have access, we grouped artists by the average prestige of their first five exhibits. We assigned an artist a high initial reputation if her work was on average exhibited in the top 20 per cent of institutions as defined by network ranking; an artist had low initial reputation if his work was shown on average in the bottom 40 per cent.

A decade after their fifth exhibit, 39 per cent of the high–initial reputation artists continued to exhibit. For low–initial reputation artists, only 14 per cent remained active 10 years later. We selected 31,794 artists, born between 1950 and 1990 with at least 10 exhibitions. As a group, high–initial reputation artists had continuous access to high-prestige institutions during their entire career. Of the 4,058 high–initial reputation artists, 58.6 per cent remain in high-prestige territory until the end of their recorded career, and only 0.2 per cent had the average prestige of their five most recent exhibits in the bottom 40 per cent. This lock-in effect was largely absent for low–initial reputation artists: their reception improved with time, advancing slowly to institutions of increasing prestige. Only 10.2 per cent of low–initial reputation artists had the average prestige of their five most recent exhibits in the top 20 per cent. ■

*Extracted from "Quantifying reputation and success in art" by Samuel P. Fraiberger, Roberta Sinatra, Magnus Resch, Christoph Riedl and Albert-Laszlo Barabasi (*Science*, November 2018;* https://science.sciencemag.org/content/362/6416/825.full*).*

From running Save the Children to sitting on the board of a bank, **Jasmine Whitbread** has exceptional experience of life on 'both sides of the table'. Now CEO of London First, the campaigning organisation for business in the UK's capital, she reflects on how leadership, purpose, strategy and culture should combine to create a pathway for any organisation.

THE BIG INTERVIEW: JASMINE WHITBREAD

With charities increasingly being scrutinised and assessed more like businesses (as our research on refugees in Germany illustrates, p10) and businesses increasingly held to account for their stances on societal issues and declaring a purpose beyond profit (see our Enacting Purpose Initiative, p2), how do organisations navigate their way through a growing level of conflicting expectations, and avoid the reputational fallout from getting it wrong?

There can be few better placed to answer this question than Jasmine Whitbread, the former head of Save the Children International, and since 2016 Chief Executive of London First, the campaigning organisation for business in the capital. She began her career in marketing, became MD of Thomson Financial (now Thomson Reuters), switched sectors to head up Oxfam in West Africa, became CEO of first Save the Children UK and then the newly created Save the Children International, and subsequently became a non-executive member of the boards of BT, Standard Chartered and WPP. She therefore has impressive experience "on both sides of the equation", as she puts it, and has made it her business to challenge the settled perceptions of both.

"I think there is still too much of a stereotype that sees charities as something fluffy... that doesn't require real leadership," she said in an interview while at Save the Children. Charities, she said, need to deliver "bang for your buck". At the same time she has long been on a mission to encourage businesses to exhibit more societal awareness and more purposeful priorities – from her NGO days pressuring extractive industries to behave better, or partnering with firms such as Unilever to better understand the impact of their distribution and supply chains.

The reputation risk was on both sides. "We had to think very hard as an NGO as to what extent we were endorsing a whole company, of which we only knew a small amount. We were seen as a threat to corporate reputations and we were also an opportunity for corporates." The problem in the early days was that companies often worried about their reputation first and their behaviours second, and aspects of that persist.

"Show me a company that doesn't have a beautiful sustainability report," she says. "I know what to look for: 'All our suppliers are required to meet social and environmental standards… we monitor a percentage of them' – well, what percentage? The reports that strike you as more authentic are when you look at the difficult areas and those difficulties are acknowledged." Now from her viewpoint in the boardroom she says she does see change: a genuine commitment to purpose and to improve corporate behaviour.

> 'It's important for leaders to paint an aspirational picture of where you want to take your organisation'

There are, however, a number of enduring dangers and necessary correctives for companies to embed this effectively. The right kind of leadership is vital: "It is important for leaders to have ambition and to paint a positive, aspirational picture of where you want to take your organisation. That includes starting with what your organisation actually does, what it achieves in the world, its purpose." But realism is also key: "You've got to be really careful you're not overstating your case. There's got to be a bit of humility in there at the same time."

It is the board's role to provide that challenge, as she has had to, on anything from upbeat figures on volunteering days, to the reduction of carbon footprints. "The important thing is to create a culture where [it is OK] to own not such good news and to explain, 'Well that's because we used a methodology that wasn't useful, or it turned out to be much harder than we thought.'"

The importance of robust metrics by which external stakeholders should be able to hold organisations to account beyond financials is urgently required, says Whitbread. She has recently joined our centre as a Visiting Fellow and strongly endorses our Enacting Purpose Initiative, part of the mission of which is to identify just such metrics. She cites an event she joined at Deloitte's on the morning of our interview, where the focus was on ESG (environmental, social and governance) measures and the fact that "the investors are now all over it". She sees this, together with a generational shift, as the game-changer.

"There's so much interest, [but] there's a risk of more heat than light. There are so many ways that you can present [metrics], and that's not helpful either for people trying to measure or the people trying to be measured, let alone for consumers or the general public." While such standards are not going to simply "pop out… I think what's needed are sector-wide initiatives along the lines of what Oxford is now doing. Bringing people together to share good practice. I hope what we'll also see coming out of this is boards really recognising that they need to get beyond thinking about reputational risk and CSR to aligning [ESG] with the strategy of the organisation, and focusing on culture as much as strategy."

Changing the nature of organisations and how they think is at the core of this transformation, and the evolution of London First since her arrival illustrates her approach. "You not only need a central purpose – 'to make London the best place in the world to do business' – but you have to have a strategy and a culture guiding what you're trying to do."

She initiated an exercise internally and externally to galvanise the culture, test the purpose and craft the strategy together: "What are all the things that we *could* do? Which are the things where we're actually going to have most impact, that would garner the most amount of support? Which would have the greatest longevity? Defining the kind of organisation London First is."

What she pushed for was "to be more of a business campaigning force, that changes things" rather than simply a membership organisation, an element that she knew was in the DNA but which had much more room to develop. And so it has proved: as she says, "Not every organisation is going to put people on Westminster Bridge with placards, as we have done. We went through very broad stakeholder engagement, with all of our members and stakeholders, London MPs, key ministers, civil servants, obviously City Hall, then our allies, other business organisations, not only here in London, but around the country. That's where this idea of connectivity came from – the fact that London needs better connection between Londoners around London, between London and the rest of the country and London and the rest of the world.

"Then we also needed to think about our history and what we bring to the table, both our culture, our business pragmatism and willingness to campaign, but also where we have credibility." One example was Crossrail – "one of the reasons London First was set up, to get the business community behind the original Crossrail. So after a quarter century we have so much credibility in that area, which means we'll push on and go for Crossrail Two. You've got to pick things which really are authentically you. You can't just come in and say, 'Oh the sexy subject now is drones' and suddenly that's us." The overspend in Crossrail has been "disappointing" but she is utterly convinced how transformational it will be. "Remember all the fuss about Terminal 5 – it was a disaster, but now we all love it."

For her, striking the balance between long-term strategic goals and keeping up a momentum of wins that reflects the success of the organisation is a particular challenge. She is buoyed by the recent success of the coalition campaign London

'In my experience, the worst crises in corporate reputation can lead to some of the best future performance'

First led to persuade the government to lower the salary threshold for visas post-Brexit, from £30,000 to around £20,000. "This was a top priority for our members, who need people from around the world and at all levels. This win took three years of sustained work, and we're still not completely done."

That balance is not easy when the challenges on immigration and skills, housing and transport are so great. "The board said, 'Jasmine can't you pick some quick wins?' And that is actually really important for your reputation, because if you're going to fight long term, you need to bring people with you. So we have more of a portfolio approach." The website also uses "Win" rosettes on its successful campaigns, in the manner of petitioning website Change.org. It's important, too, to be "up-front when we lose. We're quite willing to say that as well, and that is how we try and build trust with our members and stakeholders."

In the boardroom, one of her main preoccupations is with shifting norms: "I'm always trying to think about what is acceptable today that's not going to be acceptable tomorrow, and how the bar is constantly moving – #MeToo, fair pay charters, tax… When I first went on boards, 'tax planning' was a good thing. Now the BT *Annual Report* says, 'We are one of the top taxpayers in this country and proud of it.' At Standard Chartered we have a fair pay charter."

What about when things go drastically wrong, as they did at Oxfam and Save the Children after she left, in relation to sexual exploitation in the former case and dealing with sexual harassment within the organisation in the latter, as a recent Charity Commission report confirmed? "First, you have to do everything you can to prevent things from going wrong, but then, recognising that organisations are made up of human beings and therefore things will go wrong, you've got to be ready for this and able to react swiftly and decisively, and communicate, while under intense pressure. There were clearly missteps." The silver lining – if there is to be one – is that "in my experience, the worst crises in corporate reputation can lead to some of the best future performance, in terms of leadership in that particular area." Such lessons in corporate behaviour and reputation apply equally to NGOs. It seems an appropriately optimistic note on which to finish. ■

This year's report from our **Corporate Affairs Academy** programme explored the value of reputation to organisations, how to embed reputation awareness, the role corporate affairs can play in forging meaningful purpose and facilitating organisational change, and the capabilities the function needs to perform to its full potential. Below is an extract.

REPORT: DEFINING PURPOSE, DRIVING ENGAGEMENT

The Value of Reputation

Positive reputations have value: with customers, regulators, potential talent and suppliers. They can impact on margins, operational efficiency and even viability. Corporate affairs is the expert on reputation and trust issues within organisations, but reputation is not the end game. The emphasis has to be on enabling the business to fashion positive reputations for performance improvement and value creation.

"Value creation and value protection is the fundamental definition of what we do. You can then determine where you want to protect or create that value based on the industry and the nature of your organisation."

CASE STUDY

How a corporate affairs transformation nearly lost its way

"About two years ago, we were at about 280 people in corporate affairs for a corporation that's global. We've done an activity analysis and reviewed, and we've grown to about 300 people as we try to get our arms around what everyone is doing and making sure that we're aligned globally and regionally.

"Now that we've done that, we're at the point of saying, 'OK, we need to consolidate, because a lot of the work was fragmented and how can we be more efficient?' We're about ready to announce where we're going to go and the business says, 'Wait, we have transformation fatigue. We saw finance and HR go through these processes, and set up service centres, and then we didn't get what we want. We're pausing you and making sure you look at this, so we still have the people supporting us, because we don't want to lose that capability.'"

In the "adding value" paradigm, internal reputations are just as important as external, and maintaining consistent behaviours internally, which links to clearly articulated culture and values.

"If you're able to affect behavioural change that improves performance, you're having an impact on the business."

There is no "one size fits all" to the corporate affairs function. Its purpose and priorities should be carefully moulded according to the organisation, avoiding counter-productive limitations.

"We have created a function which is derived from the company purpose: government affairs, government relations, public affairs, corporate responsibility, global health and ethics. We came up with a common denominator: we are the company's ambassadors… on the one hand, we are external influencers, and at the same time we are internal advisors."

There are multiple reputations, and not all reputations are equally important. Focus on the ones which have the potential to make a difference.

"We [decided] we cannot be positive in all areas, let's pick a couple of things where we want to be a thought leader: among peers [and] the companies that matter to us, be seen as a company that is really a leader in this field."

Embedding Reputation Awareness

Positioning corporate affairs to best effect within organisations involves, first, establishing a business purpose; second, designing the function; third, explaining the function internally so that it can perform.

"After my first year I said, 'We need to get [internal] customer feedback,' so we sent out a quite broad survey about how satisfied the customers are with us. Half of those who responded said, 'You can improve this, I like this, I don't like this'. A quarter said, 'I have no idea what you're doing.' At the board level we were known, but in the business there were a lot of people who had no clue."

A structured forum where directors and managers are directly addressing the reputational issues can be a powerful way of building reputation into strategic areas.

"We have a two-hour meeting every six weeks that looks ahead specifically at opportunities and threats coming up over the next six months around communications, engagement and reputation, with metrics. The group [ranges] from an assistant director level, with an empowered representative from each of the directorates – personnel, support, future equipment, capability, the finance department …"

Placing members of the central corporate affairs team in other functions ensures that the overriding concerns of the organisation are always considered.

"For each of the business areas, I have a link person that works for that team. They know if they've got any meetings, my comms person should be in on that meeting. They have got embedded comms people, but generally they don't see the bigger picture, and they don't 'get' reputation."

By engaging with audiences and feeding back, corporate affairs can convince other functions to enact strategic, operational and behavioural change.

"They kept saying to us, 'Our stakeholders don't care, all they want to know is our cash flow and how quickly we can pay them back.' And we did an in-depth survey with about 60 of our really critical stakeholders, including investors, and what came back was, 'We're not sure that you're transitioning fast enough, you're going to be left behind,' and we were able to give [other functions] the qualitative to support the generic, and they are now our biggest evangelists."

Introducing reputation-related metrics into appraisals can be an effective way to keep it on the agenda.

"Our reputation is calculated on the development of our share price. And we have something called long-term incentive, which we only get every three years, a development of share price compared to the DAX for example."

"We rely a lot on open innovation, and now we measure [as a reputational proxy] the number of companies who say, 'We have an idea for you' – our ability to attract innovation."

Your employees are powerful potential sources of reputation capital if they are well directed and enabled.

"We are using them as our ambassadors, so training them to use LinkedIn in a more appropriate manner, providing them with content, links to our corporate site … It's at an embryonic stage, but we've got a trial of people that we're training to use LinkedIn more for advocacy purposes."

Developing the Capabilities of the Function

There is an increasing spread of skills and acumen needed for corporate affairs to contribute in its value-adding mission, both in creating the right narratives and using convincing metrics. The evolving landscape of communications, including more sophisticated stakeholder mapping and relationship management, also requires that corporate affairs invests far more in the capability of teams as digital and social media content providers. The function also needs to develop greater business, leadership and management capabilities.

"I think a critical element of the success of the function is to be able to showcase what you do, be it through storytelling or metrics. But then you need the appropriate governance in place to know where to share that."

Extending the role of those within corporate affairs to encompass specific business goals has become increasingly essential.

"We realised we were leaving a lot of money for credits incentives on the table, so we put one of our government relations people in that area and she has a goal to save $50 million in a year, by finding the credits incentives through government programmes. So someone who did a great job in government relations is now looking at things from a business perspective."

> 'Introducing metrics related to reputation into appraisals can be an effective way to keep it on the agenda'

To avoid "organisational paralysis" it is important to encourage structured exposure to a variety of challenges and avoid people retreating into silos.

"We've deliberately taken the decision to package things up as projects – M&A, crisis situations, emergencies or even a development programme – in order to ensure that people don't get siloed, and that they have variety in their roles and a more in-depth understanding."

In Search of Purpose

The imperative has grown in recent times to develop an organisational manifesto that is clearly stated, and understood internally and externally to encompass the purpose and values as they are lived within the organisation. Corporate affairs should be instrumental in fashioning what must be more than a mission statement: rather, a defining set of priorities that inform every aspect of operations and behaviours.

"It's: 'Why do you exist? What is the point of your business?' [beyond profit] Our purpose is 'to provide the right space for our customers and communities – helping businesses to succeed, the economy to grow and people to thrive. We do this to create long-term financial, physical and social value.' Underneath that statement is a whole section on how we think we're creating financial, physical and social value."

The pro-social aspirations need to be embedded in the business case to be effective.

"When you think of all these benefits as philanthropic activity, that's wrong, because you can never scale philanthropy. The only thing you can scale is when there's a business case behind it."

An ethics deficit is particularly relevant for organisations at the forefront of innovation.

"You are often in an area where there are no laws, so I think before you come to reputation, there should be a part which is ethics, where the company agrees on certain ethical standards that they would adhere to." ■

For the full Corporate Affairs Academy report, go to: www.sbs.ox.ac.uk/programmes/corporate-affairs-academy/corporate-affairs-academy-report.

Our latest case study with the **Global History of Capitalism** project charts how the reputation of Swiss food giant Nestlé has been impacted in different territories, positively and negatively, thanks to one of its best-known products: infant formula.

CASE STUDY: NESTLÉ AND INFANT FORMULA

The Chinese market for imported infant formula has remained vast in the decade since 2008, when a tainted formula scandal led to the hospitalisation of tens of thousands of babies and health problems for hundreds of thousands more. Several domestic infant formula companies had been selling formula contaminated with melamine – a nitrogen-rich additive which increases apparent protein content of foods but also causes kidney stones and kidney failure. Rumours of an attempted cover-up and delays in recalling the contaminated formula worsened the growing consumer panic. With consumers unsure where in the supply chain melamine entered formula, demand for all domestic dairy products plummeted. China's two million dairy farmers reported pouring away milk and attempting to sell cows in a buyerless market.

The crisis devastated the reputation of domestic infant formula producers. Even conspicuous labelling of new products with "safety inspection passed" did little to assuage the fears of Chinese parents. Wet nurses enjoyed a resurgence, but the real winners were foreign companies selling infant formula. Those parents who could afford it began importing formula from abroad using a system of personal shoppers known as *daigou*. Others journeyed to Hong Kong, causing severe shortages in infant formula there. Facing a public outcry in Hong Kong, the government passed a regulation prohibiting the unlicensed export of formula. Yet in spite of the new law, powdered milk trafficking has continued and has exacerbated Hong Kong tensions with the mainland.

While the crisis devastated domestic producers, it created opportunities for foreign companies. The Swiss firm Nestlé has been particularly successful. The company now enjoys the largest share in China, the world's biggest infant formula market. Targeting parents in cosmopolitan cities like Shanghai and Beijing, Nestlé capitalised on the demand for a trusted foreign brand. Nestlé's Illuma formula routinely features in blog posts and articles about trusted formula products in China. The Hong Kong website boasts of the product's safety guarantees.

Nestlé's shining reputation in China may come as a surprise to readers who remember Nestlé's own formula scandal in the 1970s. In the West today, the media is more likely to deem Nestlé's activities objectionable than laudable, despite the firm being ranked by Forbes as one of the 10 most reputable companies in the world in 2013. The roots of the company's lingering bad press can be traced back to the Nestlé boycott of the 1970s. During the boycott, non-governmental organisations and paediatricians accused Nestlé, alongside its competitors, of playing a detrimental role in infant health and nutrition in the developing world.

> 'Nestlé's shining reputation in China may come as a surprise to readers who remember Nestlé's own formula scandal'

In March 1974, the British non-profit organisation War on Want published a pamphlet entitled "The Baby Killer", in reference to the bottle-feeding of infants in the developing world, the start of a wider assault on the formula manufacturing industry. The pamphlet laid out damning charges against the industry: "… more and more Third World mothers are turning to artificial foods during the first few months of their babies' lives. In the squalor and poverty of the new cities of Africa, Asia and Latin America the decision is often fatal. The baby food industry stands accused of promoting their products in communities which cannot use them properly; of using advertising, sales girls dressed up in nurses uniforms, giveaway samples and free gift gimmicks that persuade mothers to give up breast feeding."

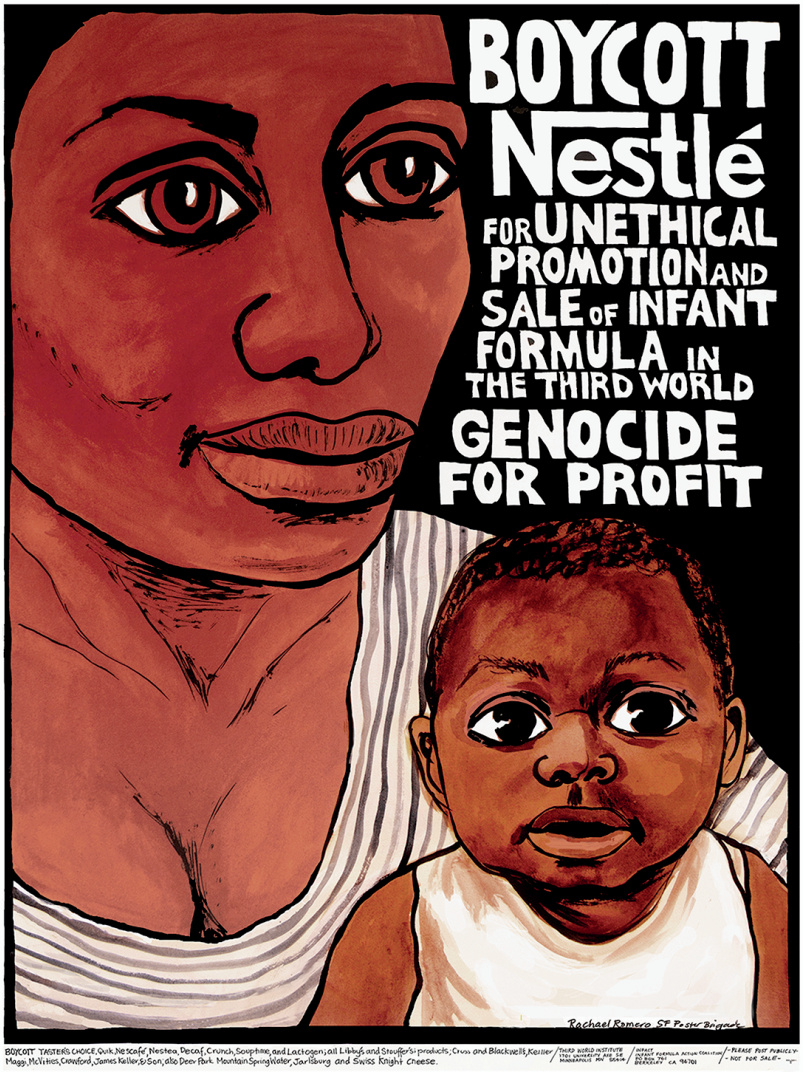
Bottle-feeding without access to clean drinking water, sterilised equipment and refrigeration endangered infants. Furthermore, formula was expensive and parents with limited resources often had to dilute formula to unsafe levels. As lactation diminishes when mothers don't breastfeed, the decision to start infants on formula could not be easily reversed, creating a dependence on infant formula. When formula became inaccessible, parents resorted to feeding their children cheaper alternatives such as corn starch or whole milk. The results were disastrous for infant health even as formula manufacturers such as Nestlé were promoting their products to mothers as beneficial to their babies' nutrition. By the late 1960s, medical officials in developing countries had begun reporting a dramatic rise in malnourished infants correlating to a large rise in formula feeding.

In the early 1970s, concerned paediatricians persuaded the rebranded Protein-Calorie Advisory Group of the UN to turn its attention to the potential links between formula promotion and infant malnutrition. Over the next several years, religious, feminist and Third World advocacy organisations around the world engaged in a series of legal and public battles against formula manufacturers in an attempt to persuade them to alter their marketing techniques. Dissatisfied with what they viewed as inadequate and cynical responses from the industry, in 1977 US campaigners launched a boycott against Nestlé, which at the time was believed to be the largest supplier of baby formula in the Third World. The Nestlé boycott quickly rose to the stature of a transnational *cause célèbre*, amassing public support in the US, Britain and Switzerland.

American paediatrician Derrick Jelliffe, a prominent leader of the Nestlé boycott, even coined the phrase "commerciogenic malnutrition" to refer to marketing-induced malnutrition. Eventually, public pressure persuaded

the largest formula manufacturers to adhere to the International Code on the Marketing of Breast-Milk Substitutes, a non-binding set of rules proposed by the World Health Organisation and adopted by the 1981 World Health Assembly. Facing intense public pressure, Nestlé created an independent commission which included members of organisations which had championed the boycott and agreed to abide by the Code of Conduct. In 1984, the boycott officially ended and criticism largely subsided. But critics did not completely disappear. Alleged breaches of the Code of Conduct have resulted in regular calls to boycott Nestlé ever since.

Accounts of the Nestlé boycott have consistently portrayed the campaign against Nestlé as the culmination of decades of medical warnings against baby formula. For instance, boycott campaigners almost invariably referred to a speech penned by colonial doctor Cecily Williams in 1939, entitled "Milk and Murder", in which she argued that "misguided propaganda on infant feeding should be punished as the most criminal form of sedition" (see figure below). Yet this was far from a uniform truth. Ironically, the period before the boycott saw Nestlé's reputation soar as the company worked closely with NGOs and doctors to promote infant health and combat infant protein deficiency. Nestlé's relationship with the medical and humanitarian communities was seldom straightforward and continues to change in the 21st century.



Credit: Rachael Romero, SFPB: for I.N.F.A.C.T, printed by Inkworks

'Example of Quality Product'

Following the 2008 Chinese infant formula scandal, Nestlé has quadrupled its share in China's baby milk market, emerging as the clear industry leader. Nestlé's marketing of its formula products, particularly its Illuma brand, has focused on food safety. According to the Hong Kong Illuma website, Illuma formula is made in Ireland where the brand has been recognised as an "Example of Quality Product" from Ireland. The website boasts that "Ireland is ranked No.1 in global food safety performance," and assures parents that Illuma follows Ireland's strict food safety regulations and meets European Union standards. The website also asks customers to read disclaimers and information on the costs (financial and medical) of replacing breastfeeding with bottle-feeding before making any purchases.

However, Nestlé's marketing strategy continues to face criticism. In April 2019, Nestlé came under fire for promoting its Illuma infant formula as "ever closer to lactating secretion" and as "human affinity formula" despite WHO guidelines prohibiting marketing which suggests an equivalence between formula and breastmilk. More concerningly, Nestlé failed to fulfil its commitments to removing sucrose and vanilla compounds from formula products and marketing formula with health claims in American and Asian countries that are not authorised in Europe because of "insufficient scientific evidence". A recent report by the Changing Markets Foundation asserted that "companies like Nestlé have a huge responsibility to provide products that are safe, nutritionally complete and informed by the best available science. Our report confirms that Nestlé continues to use science as merely a marketing tool, valuing higher profit margins over its scientific credibility."

While the criticism from NGOs and the medical fraternity continues, such critiques of infant formula have not translated to the general public. A consumer survey commissioned by the CMF found that half of all parents in the UK and Hong Kong trusted the information provided by formula companies. Only 20–30 per cent sought independent nutritional advice. The translation of expertise to consumers is not straightforward, and the public view of infant formula continues to be influenced, but not determined, by the advice of NGOs and scientific experts. ■

Extracted from "Nestlé's Corporate Reputation and the Long History of Infant Formula". The full case study is available for free from our case study library (see our website, below).

Our Research Fellow **Eva Schlindwein** identifies the challenges arising from conflicting reputations of an NGO scaling up to meet the needs of refugee immigrants in Germany;

RESEARCH FOCUS: NGO REPUTATIONS

In 2015, the sudden increase in refugee immigration into Germany initiated by Angela Merkel's government created a considerable challenge for the German state. Implementing what became known as "Willkommenskultur" meant an urgent need for strategies to help the newcomers integrate into society and the labour market. The services required ranged from language and cultural training to social services, and the state relied heavily on help from NGOs, both for their expertise on social issues and their volunteer manpower.

This research is looking at the reputational challenges for NGOs when they scale up their activities, in this case after successfully providing local integration strategies. Reputational challenges can arise in different ways, for example: evaluations of different aspects of the organisation by different stakeholders can be at odds with each other. For organisations with social missions, the assessment of performance by stakeholders can be a complex one, as they weigh up the *character* of the organisation on the one hand ("Is this organisation good and true to its societal aims?"), and assess the *capability* of the organisation on the other ("Is this organisation able to offer an effective solution?").

What might be a reputation "win" for businesses which grow as a result of offering competitive products or services does not apply in the same way for NGOs. An NGO may have a high capability reputation and a high character reputation, and a good scalable solution, but more money and profile can impact on the assessment of whether you're still a "good" organisation among certain stakeholders: the character reputation might take a hit when you are perceived to be prioritising efficiency and financial performance.

I analyse the reputational challenges for NGOs in this case to address an overarching question that is as relevant for organisations in other fields of activity: how can organisations navigate contested reputations, identify where the challenges are, and strike a useful balance?

My research specifically considers an organisation that provides language teaching to facilitate the integration of refugee children. It began as a voluntary organisation with a largely student workforce. As it expanded, it became more and more like a business, adopting efficiency practices such as total quality management, and setting up a pension scheme. Some people started to challenge its credentials as a "social organisation".

First, I investigate what changes about how stakeholders see the organisation when it professionalises and grows.

> 'Character reputation might take a hit when you are perceived to be prioritising financial performance'

Second, I look at how members of this organisation try to address these tensions – if not necessarily resolving them, dealing with how contradictions manifest themselves in the organisation.

The focal organisation was founded as a student association, a common entity for community organisations in Germany, and distinct from a charity, which usually requires more infrastructure and funding. It is accountable to its 80 or 90 members, through meetings at which it discusses its mission and direction. The organisation began with three students in 2002, and the workforce has now expanded from 12 to over 70 in 2020.

It has expanded beyond its original locality to become a regional operator, partly through the support of the European Social Fund. The sphere of its activities has expanded too, extending beyond language training to providing social work services for schools and local government. This has brought it into competition – and conflict – with other NGOs with which it also has partnerships.

The data I use includes interview with internal and external stakeholders at all levels, partner organisations and competitors, six years of observations, both as a participant and non-participant (I was a member of the organisation for some years), and a wealth of documents: minutes of meetings, reports, mission statements and so on. What I want to track is how the assessments of the organisation's character and its competence has evolved and changed over time, and how these assessments interact with each other, where the tensions are, and whether there are tipping points when an organisation moves from being seen as one category of organisation to being seen as another.

The CEO and key employees at the organisation in question are very concerned with how they are perceived, not only because they rely on the grants, but also because they want to be a key player in influencing policy. They themselves frequently discuss how they present themselves and communicate their identity. While they emphasise that they want to be perceived as a capable and key player, they are at pains to emphasise the pro-social motivations that underpin all their activities, for example, constructively addressing diversity, or embracing diversity, and connecting different aims in the organisation's rhetoric.

The reputation challenge for such organisations – and increasingly for corporations, too, as purpose becomes a pressing preoccupation (see p2) – is to be seen as effective but maintaining that connection with values, navigating the challenge of consistency across stakeholders who demand different things of you, and remaining authentic to your core purpose. ■

below, our International Research Fellow **Aseem Prakash** and co-authors chart the reputational impact of scandals on Oxfam and Save the Children.

On February 9, 2018, the *Times* in London ran a shocking front-page headline: "Top Oxfam staff paid Haiti survivors for sex". The expose detailed how Oxfam, one of the most prominent international humanitarian organisations, had covered up claims of its Haiti-based senior staff hiring prostitutes, some of them teenage girls, in the wake of the 2010 Haitian earthquake. The Oxfam scandal was soon followed by a scandal in another major nonprofit, Save the Children (STC). On February 18, the *Daily Mail* printed accusations that its former policy director Brendan Cox had committed sexual assault. Days later, former STC chief executive Justin Forsyth resigned from his position at UNICEF after allegations that he had behaved inappropriately towards female staff when he served at STC.

In recent years, nonprofit organisations have come under intense media scrutiny for two reasons. First, nonprofits have emerged as important policy actors. In addition to becoming important players in social policy in the domestic sphere, about 10 per cent of foreign aid is now funneled through nonprofits. Second, nonprofits are often regarded as principled and moral actors that are not corrupted by shareholder pressure. Thus, given such claims about morality, accusations of nonprofit misconduct are newsworthy because they are unexpected. Media exposes seek to inflict reputational damage on the implicated organisations, often creating negative reputational spillovers for other nonprofits.

Our exploratory study speaks to the broad issue of nonprofit reputations and how they are revealed over Twitter*. Through our investigation of two prominent NGOs, we demonstrate both the short-term fragility and longer-term durability of organisational reputations, while acknowledging that the Twitter user population is not necessarily representative of the general population.

As the issue-attention-cycle literature suggests, public attention tends to be fickle and constantly shifts to new sets of issues. At a practical level, our research suggests that nonprofits can capitalise on this short attention span to rebuild their reputations through intentional strategies and celebrity support. This, of course, raises, troubling questions about whether trust in nonprofits should be conditioned on which celebrity is endorsing a particular nonprofit. However, in a world where firms, governments, and nonprofits increasingly rely on celebrities to serve as "brand ambassadors", celebrity-led reputation management has become key to organisational success. Many celebrities do, in fact, rely extensively on Twitter to connect with their followers. This suggests that in recruiting "brand ambassadors", nonprofits should pay careful attention to candidates' social media profiles.

> 'The Oxfam scandal may also draw attention to problems in other international NGOs, due to reputational spillover'

The Oxfam scandal was a major crisis in the international aid sector. Examining its effect on the reputation of both Oxfam and STC provides important theoretical and practical insights into the impact of media exposés on nonprofit reputations. In the context of declining institutional trust, such exposés could reinforce narratives of dysfunctional charities and cause long-term reputational damage. However, we find that reputational damage is not always permanent and that it can be partially repaired through intentional communication strategies.

The Oxfam scandal may also draw attention to problems in other international NGOs, due to reputational spillover effects. Indeed, the Oxfam scandal was followed by revelations of sexual misconduct in other leading aid organisations, including Doctors Without Borders and the Red Cross. These events provoked a sector-wide response to improve safeguarding procedures in both service delivery and internal administration.

Reputations tend to be sticky, and positive reputations can provide "insurance" in the event of a scandal. Because Oxfam is a well-regarded organisation, this "halo effect" and its "reservoir of goodwill" should have helped reputational recovery, Yet, STC saw a quicker recovery in its reputation. What might explain this? While we have not formally tested it, we could explain STC's quicker recovery by focusing on the specifics of this scandal, as opposed to the organisational reputation.

The STC's first scandal involved a manager in the domestic office. He resigned immediately. The second scandal involved the despicable workplace behaviour of a former executive. He resigned immediately from his position at another organisation. Their behaviour did not directly violate the organisation's core mission. Swift resignations quickly resolved the issue. By contrast, in the Oxfam scandal, offenders were accused of taking advantage of the very people they were thought to be serving: vulnerable women. Moreover, Oxfam knew of these transgressions yet did nothing to stop them. Oxfam's violation of its mission and lack of action may have amplified the scandal and undermined public trust. ■

*Extracted from "Recovering from Scandals: Twitter Coverage of Oxfam and Save the Children Scandals" (by Rebecca Scurlock, Nives Dolsak and Aseem Prakash (*Voluntas, https://tinyurl.com/s7b89t2*).*

**Methodology analysis: the goal of sentiment analysis is to detect emotions conveyed by written content. In its simplest form, this process involves classifying texts as "positive," "negative," or "neutral".*

NEWS

JANUARY

Our Intesa Sanpaolo Research Fellow **Rita Mota** organised a series of seminars entitled R: ETRO: Reputation, Ethics, Trust and Relationships, in January and February.

Marianna Fotaki, Professor of Business Ethics at University of Warwick Business School, spoke on "Whistleblowers counteracting institutional corruption":

"While various forms of corruption are common in many public institutions and businesses around the world, defining wrongdoing in terms of legality and the use of public office for private gain obstructs our understanding of its nature and intractability. I propose adopting the notion of institutional corruption (IC) developed by political philosopher Dennis Thompson and legal expert Lawrence Lessig, as divergence from the original purpose of the institution, which may not be illegal but may cause harm to people who depend on it by creating perverse dependencies and compelling individuals to act against its core purpose. Such work is needed to provide in-depth accounts of how political and legislative pressures enable corruption, and to highlight the role of whistleblowing in restoring organisations to their core mission."

Laura Spence, Professor of Business Ethics at Royal Holloway, University of London, spoke on "Corporate social responsibility (CSR) communication and small and medium-sized enterprises: the governmentality dilemma of explicit and implicit CSR communication":

"Businesses that promote corporate social responsibility (CSR) through their supply chains by requiring their suppliers to report on and otherwise communicate their CSR are doing a great thing, aren't they? We challenge this assumption by focusing on the impact on small and medium-sized enterprise (SME) suppliers when their large customer firms pressurise them to make their implicit CSR communication more explicit. We expose a 'dark side' to assumed improvements in CSR reporting within a supply chain."

Juliane Reinecke, Professor of International Management and Sustainability at King's Business School, spoke on "Collaborating through constructive ambiguity: a political process view on collective action":

"Based on a six-year process study of the Bangladesh Accord for Fire and Building Safety, a global multi-party agreement to end the series of deadly accidents in the Bangladesh garment sector, we examine the role of ambiguity in building institutions that translate collaborative agreements into substantive collective action despite conflicting interests and the ever-present possibility of watering down the agreement. Contrary to traditional expectations that conflicting interests often lead to symbolic rather than substantive commitment, findings highlight how political conflict was productively leveraged, leading parties to escalate collective commitment and substantive action."

FEBRUARY

Rita Mota presented a paper at the 2020 Sustainability, Ethics & Entrepreneurship Conference in Puerto Rico, entitled "Platform organisations and moral responsibility", co-authored with Professor Alan Morrison.

Our director, Rupert Younger, chaired the launch of a new school-wide and multi-institution research project, the **Enacting Purpose Initiative**. There were two events in Feb/March: at the London Stock Exchange and at Oxford Saïd. See p2 and *www.enactingpurpose.org*. ■

APPOINTMENTS

Yuni Wen has joined the Oxford University Centre for Corporate Reputation as the Eni Research Fellow. Her research areas include the regulatory challenges arising from digital innovation: for example, how digital platforms like Uber and Airbnb disrupt the existing regulations. She deploys multiple methods in her work, from quantitative analysis and content analysis to case studies. She is also working with Matthias Holweg, American Standard Companies Professor of Operations Management at Oxford Saïd, on the reputation risks associated with artificial intelligence. She completed her DPhil at Oxford Saïd.

Laura Fritsch, a DPhil candidate at Oxford Saïd, has joined the centre. Her doctoral research uses network analysis and natural language processing to investigate corporate malpractice, in terms of networks, linkages and the propagation of culture. She is being supervised by Alan Morrison, Professor of Law and Finance at Oxford Saïd. ■

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*.