

REPUTATION IS UNDER ATTACK



The shifting expectations of accountability make it inevitable that every organization's reputation will eventually be challenged.

**The problem:**

Managing reputation carries more complexity and risk than ever before.

Why it matters:

Reputation impacts everything from financial performance to relationships with partners and the ability to attract customers and talent.

The solution:

Treat reputation like any other business initiative, assigning cross-functional teams specific tasks with measurable performance targets for accountability.

Let's face it: at some point every company will come under attack. The level of risk for business leaders today is so much higher and more complex than it was just five years ago, and no company is immune. Once targeted, how quickly a company can restore confidence and trust among consumers, employees, and investors depends on the authenticity and transparency of its response.

Even the World's Most Admired Companies (WMACs), which Korn Ferry compiles for Fortune magazine annually, despite widespread respect, are likely to face a reputational crisis. The shifting expectations of what organizations need to be accountable for—from financial performance to social impact to purpose—make it inevitable.

"Managing reputation is a faster, higher risk, more difficult sport than ever before," says Gary Sheffer, who worked at General Electric for 20 years, leading



global communications before leaving for academia in 2016. “Having your reputation challenged is a matter of when, not if—and if leaders aren’t preparing for ‘when,’ then they aren’t doing their jobs.”

The intense pressure on organizations necessitates heightened attention. After all, as Korn Ferry’s research with WMACs shows, reputation affects an organization’s market value, its relationships with partners, and its ability to attract customers and talent. Richard Marshall, global managing director of Korn Ferry’s Corporate Affairs search practice, says the amount of information—and more importantly, misinformation—available means that organizations need to be acutely attuned and in constant two-way communication with the world. “Reputation is a prism that reflects an organization’s culture and behavior, it’s no longer influenced simply by advertising, media coverage, and philanthropy,” says Marshall.

It used to be that organizations that grew earnings, share price and market share, and kept customers and employees happy were automatically ascribed an excellent reputation. Not anymore. Now, stakeholders are asking if organizations are trustworthy, socially conscious, have values aligned with their own, and more. “Serving shareholders above other constituents isn’t the primary driver of reputation anymore,” says Mark Royal, associate client partner at Korn Ferry who helps lead the firm’s WMAC research.

Or, as Joe Evangelisti, head of worldwide corporate communications and media relations at JPMorgan Chase, says, “the soft stuff is now the hard stuff.” Consider that the bank, the largest in the United

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States, has more communications people working on nonfinancial issues than it does financial ones.

To be sure, given the nature of its business, managing JPMorgan Chase’s reputation can amount to a game of whack-a-mole. One minute it could be global trade politics, regulatory issues, or shareholder activism. Or it could be a rogue trader, a disgruntled customer on social media, or of late even the nature of capitalism itself. And if it’s none of those, it could be a provocative quote from its CEO that works investors and the news media into a lather.

The 9 Elements of Reputation

Korn Ferry determines the World's Most Admired Companies from surveys of executives, directors, and industry analysts. Respondents are asked to rate the reputation of organizations on the nine elements below, based on firsthand knowledge or what they may have observed or heard about them.

Quality of management	Quality of products or services	Innovativeness
Long-term investment value	Financial soundness	Ability to attract and retain talented people
Social responsibility	Wise use of corporate assets	Effectiveness in conducting business globally

Source: Korn Ferry





Reputation, of course, has always been a complex stew of brand, product, service, and employee and customer experience. But its evolution from secondary to primary consideration dovetails with a perfect storm of factors over the last 15 years, among them the financial crisis, the rise of social media, and the coming of age of a new generation of workers and consumers.

The financial crisis, for instance, sowed the seeds of mistrust among millennials and Gen Z. That mistrust arose in tandem with social media, which put power literally in people's hands. Social media's combination of immediacy and amplification empowered people to question what organizations were saying and doing in a way they've never before experienced. Jon Banner, executive vice president of global communications with PepsiCo and president of the PepsiCo Foundation, says social media upended the idea that a set of influencers—i.e., the CEO, financial analysts, academics, and the media—determined a company's reputation. While those groups still

have enormous value, Banner says the sphere of people who can impact a company's reputation for better or worse has dramatically increased. "Anybody can influence reputation if they want to, and the stronger their reputations, the more their comments take on greater meaning," says Banner.

These social and technological changes emerged just as the biggest demographic shift since the baby boom was hitting. The result: people who both want and expect to work for and patronize companies that not only give back but also don't cause harm. It's a shift that even WMACs are struggling to some degree to figure out. Korn Ferry's research shows that WMACs report difficulty connecting with what the youngest generation of employees wants and needs.

Nowhere are these dynamics more evident than in the emergence of employee activism. In 2019, employees staged protests over their own companies' diversity and inclusion practices, pay

policies, environmental sustainability, and business partners. Moreover, a clear line can be traced from these events to the Business Roundtable's statement last year, signed by nearly 200 CEOs from companies such as Amazon, PepsiCo, Walmart, and General Motors, that social responsibility is just as important as shareholder value.

"When it comes to reputation, if you aren't connecting what you do with what is needed in the broader society, you are mortgaging your future success," says Evangelisti.

One of the biggest challenges of managing reputation is its amorphous nature. It's intangible yet permeates everything. It's owned by everyone and therefore no one. In recent years, however, as creating an integrated narrative around a company's purpose has grown in importance, the communications function has moved to the forefront of reputation management.

It makes sense. Chief communications officers operate in close contact with C-suite leadership, have insight into the entire business, and are responsible for setting an organization's strategic vision. "Communications is about pattern recognition and making sure what happens inside an organization is consistent with how it is perceived by those outside of it," says Marshall.

In terms of best practices, WMACs aren't necessarily creating jobs around reputation; there is no chief reputation officer function.

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What they are doing, however, is creating cross-functional teams, pulling in people from communications, human resources, legal, marketing, operations, and other areas. In that regard, they are approaching reputation in the same way they would a product launch or other business initiative, assigning specific tasks with measurable performance targets for accountability.

“The best way to integrate social value into decision-making is to unite people from all levels of the organization and train them to be informed counselors,” says Sheffer.

For Sheffer, that includes board directors. He says organizations haven’t invested enough in reputation management at the board level. “There are not enough brand, culture, communications, or similar experts on boards who understand how reputation has changed from a social, economic, and technological perspective and can help navigate the threats,” says Sheffer.

For his part, JPMorgan Chase’s Evangelisti says one of the most important yet overlooked factors in maintaining and enhancing an organization’s reputation is internal communications. His goal is to empower every employee to be guardians of JPMorgan Chase’s reputation—no small aim





considering that the bank has grown from 11,000 employees when he first started 34 years ago to about 260,000 employees today. “You can nip an issue in the bud quickly if everyone is held to the same standard and knows when to raise issues, who to talk to — and then trusts they will be heard,” says Evangelisti. “It’s one way to try to make a giant company feel smaller and to reinforce the culture you want.”

Still, as PepsiCo’s Banner makes clear, while companies can mitigate as much risk as possible, the harsh reality is that every company’s reputation will come under scrutiny sooner or later. Drawing an analogy to savings, he says the goal for organizations is to “make enough deposits in the reputation bank so that when a withdrawal happens you have capital built up to withstand it.”

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