



What Every C-Suite Exec Should Know About Reputation

2019 Macro-Trends on Reputation

January 2019

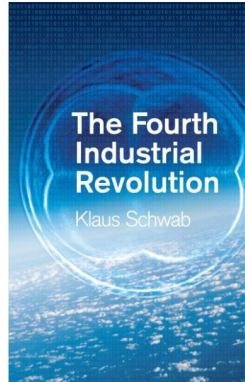


Powering the world's most reputable companies

Agenda

- Background on how we identified and ranked the 2019 Macro-Trends
- Revealing the Top 10 Macro-Trends on Reputation
 - Count down of what's shaping the world and moving markets
 - Contextual understanding of the how, what and why
- Global Macro-Trends Top 10 Summary
 - Understanding of where companies need to focus
- Appendices

We're in a New Age



“**The Fourth Industrial Revolution** is disrupting almost every industry in every country and creating massive change in a non-linear way at unprecedented speed.”



Bernard Marr
Forbes:
“The 4th Industrial Revolution Is Here - Are You Ready?”
August 2018



It's a New Age for Reputation



We are at a global strategic inflection point.

The internet of things, cyber physical systems, AI, the environment, global trade tension, changing human values, and desire for enhanced connectivity are fueling change.

There is increased risk to companies.

Reputation Matters More Than Ever

Uber

*“The truth is that there is **a high cost to a bad reputation**. Irrespective of whether we did everything that is being said about usand to be clear, I don't think we did...**it really matters what people think of us**, especially in a global business like ours, where actions in one part of the world can have serious consequences in another.”*

[Dara Khosrowshahi](#)
Uber CEO, in a letter to employees



*“Facebook wants a CMO to build, manage and inspire a global marketing organisation focused on its consumer business and **overall company reputation**”. ...They will also need **knowledge on how to “guide a brand’s reputation” and experience in crisis management**.*

Facebook on the hunt for a CMO as it looks
to rebuild brand reputation



*“Google exposed the private data of hundreds of thousands of users of the Google+ social network and then opted not to disclose the issue this past spring, in part because **of fears that doing so would draw regulatory scrutiny and cause reputational damage**.”*

WSJ article on exposed Google user data

Need to Understand the Macro-Trends

We tapped into our reputation expertise and extensive RI database to better understand the reputation world at large:

More than 21 years of reputation intelligence

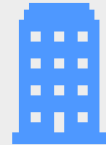
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Industries



>7,000

Companies



40

Countries



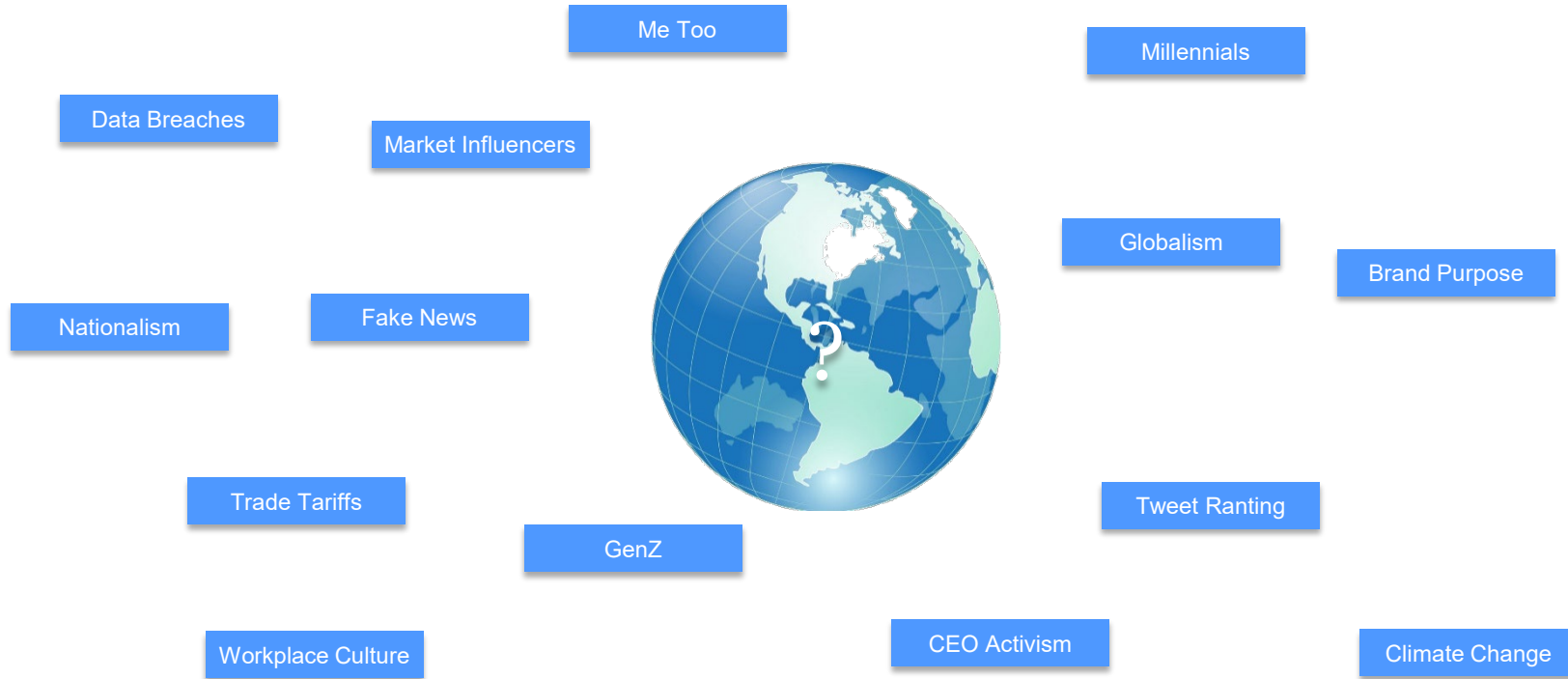
>1,000,000

Ratings annually



RI Database

Mining the Reputation Ecosystem



Gauging What's Most Important



- In Q3 2018 we fielded a [Reputation Leaders Study](#) among >170 Global Corporate Communications execs
- We applied a [MaxDiff](#) discrete choice analysis technique to identify which macro-trend is the most important?
- Respondents were recruited from a mix of companies from [North America](#), [Europe](#), [LATAM](#), [APAC](#) and [Middle East](#)



10 Macro-Trends Driving Reputation

Understanding how to gain competitive advantage

Tension on Trade Tariffs



There is a (in)direct reputational impact on a company's perceived national sovereignty

Makes managing your business in the global economy challenging

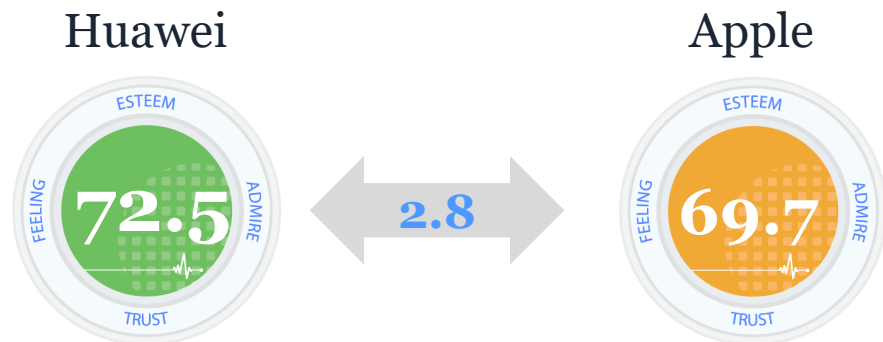
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The Link to Sovereignty and Reputation

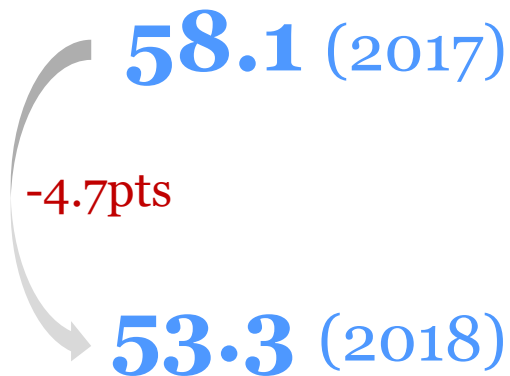


The Chinese view Huawei more favorably due to its local heritage, but by contrast rank Apple as having lower repute:

2018 Reputation Pulse Huawei and Apple in China



Americans' view on China as a country with a “favorable environment for doing business” is in decline:



Resultant Impact on Business and Trade

Apple announces a rare cut to its sales projections underscoring an economic slowdown in China



Dow drops more than 500 points on Apple plunge, rising fears of an economic slowdown

CNBC

Trade tariffs create tensions between governments and permeating businesses

Tim Cook says he isn't worried about traveling to China after the Huawei CFO's arrest

CNBC

How A U.S.-China Trade War Might Raise Apple And Huawei Smartphone Prices

Fortune

'Hard deadline': US-China must reach trade deal by 1 March, says Lighthizer

"The arrest of a top executive at China's Huawei Technologies has roiled global markets amid fears that it could further inflame the China-US trade row."

The Guardian

#10 Protect Your Sovereignty



Key implication:

Trade tariffs have an impact on politics, economics, and business. There is need for a company to strike a fine balance in celebrating national heritage while protecting the business from reputation risk.

Female Empowerment



New cultural narrative that doesn't accept inequality

A zero tolerance work environment that fosters equality opportunity

9

Harassment and Inequality: Major Risks

- Risks related to the workplace -- and especially sexual harassment or unequal pay -- represent a high risk for all companies
- Overall, sexual harassment or gender inequality related risks have an average 17.5 negative impact on corporate reputation

Risk	Reputation Impact
1. Unequal pay by gender	-19.6
2. Unequal opportunities for employees due to race, gender etc.	-18.7
3. Deceptive sales practices/open illegitimate accounts	-18.4
4. Fires/punishes an internal whistleblower	-17.6
5. Inappropriate behavior by management/sexual harassment	-16.8
6. Products/services disadvantaging lower income/minority customers	-16.5
7. No transparent disclosure of customer fees	-15.6
8. No active support of employee minimum wage	-15.5
9. Employee(s) steal(s) customer information for personal gain	-15.0
10. Promotes discriminatory business practices (ethnicity, gender etc.)	-15.0

Companies Are on Full-Alert

In 2018 CEO departures were at the highest levels since 2008:

- At least 8 CEOs left their posts due to sexual misconduct allegations
- 21 CEOs were terminated by their Boards -- while 10 left amid scandal
- “In light of the #MeToo movement, companies are not taking any chances with leaders who engage in these kind of activities.”

Source: Challenger Gray & Christmas, Inc.



Lessons from Uber

- Uber's former CEO Travis Kalanick highly damaged the company's reputation, workplace and license to operate
- Between January 2017 and 2018 Uber's reputation in the US dropped by 9.3 points
- Kalanick resigned after multiple allegations of sexual harassment and inappropriate behavior

Sexual harassment allegations are part of the everyday news cycle – no organization is immune to it

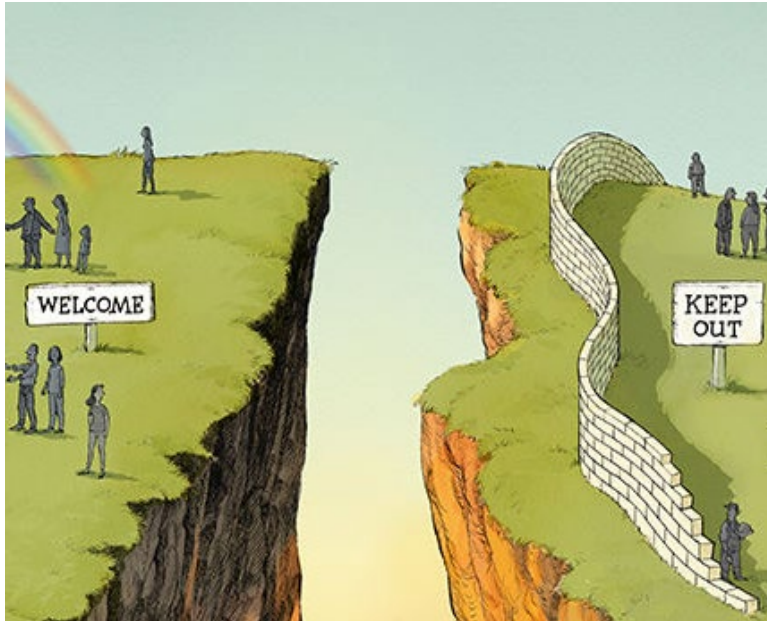
#9 Need to Lead the Way



Key implication:

Companies should champion the new cultural narrative and support an affirmative corporate culture that advocates for equal opportunity

Political Polarization



There is a growing political divide in stakeholder opinions affecting:

- Company Culture
- Governments Relations
- Sales Growth
- Business Partnerships
- Stakeholder Support

Is your company caught in the middle of political cross-fire?

8

Political Divide is a Global Lightning Rod

Macron has yet to convince a divided, striking France that he's right

Pierre Haski

With unions and students opposing him, the president is facing his first big challenge. The outcome will define his term



▲ Protesters in Paris march in support of the rail strike on 3 April. Photograph: Alfonso Jimenez/Rex/Shutterstock

The Guardian

The Brexit divide in the UK's tech industry

Are you with techUK or UK for Tech? Each are lobbying for what they think is the best Brexit outcome — including staying in the EU



Alphr

NEWS / BRAZIL

Political polarisation intensifies before Brazil's elections

After weekend of widespread rallies, divisions continue to deepen as Brazilians prepare to go to the polls on Sunday.

by David Child & Joao Pedro Soares



1 Oct 2018

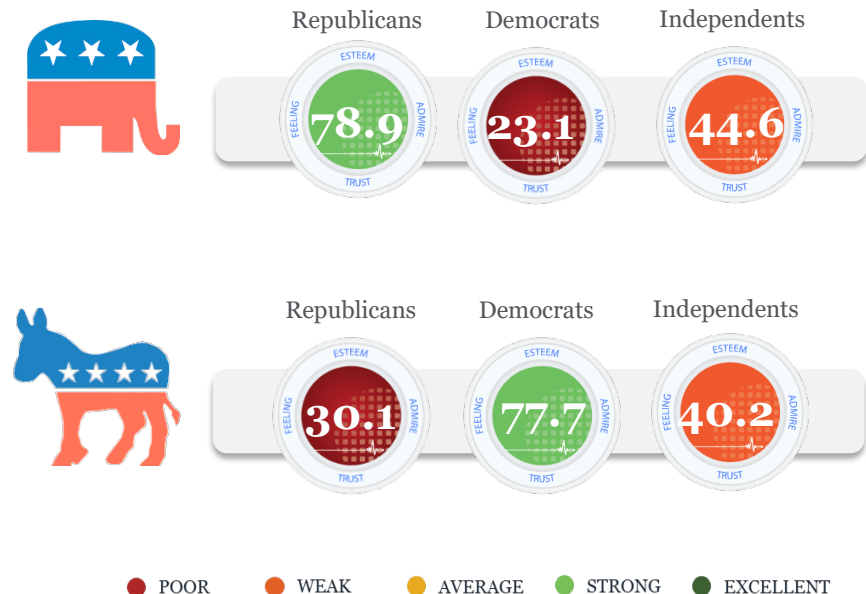


Only 13 percent of Brazilians are satisfied with democracy, according to a 2017 study by Chile-based polling group Latinobarometro [David Child/Al Jazeera]

Al Jazeera

Political Polarization is More Evident Today

PARTY AFFILIATION



Nike's Colin Kaepernick commercial is driven by political undertones and social activism. It created a stir and political divide among the US public with many people sharing #NikeBoycott posts and burning their Nike shoes, while others increased their loyalty contributing increasing sales and share price that earned Nike over \$6 billion USD



#8 Managing Political Divide



Key implication:

Companies need to find ways to cut across political divide, and to rather align with public policy interests and pervasive social issues, and not just support a political agenda.

Nationalism vs. Globalism



Company culture is torn between the need to think global but act local – in a time of:

- Growing national identities
- Isolationist policies
- Push-back on globalization
- Intensely competitive multi-national marketplace

How do you effectively export and manage your reputation globally?

7

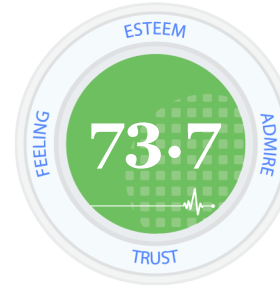
Visa: A True Global Brand

- Visa has exceeded in exporting its reputation across the world: the difference between its home vs. global reputation is negligible at **0.2 points**
- Visa has become the everyday form of payment company for everybody, transcending any country ties
- Visa has built an icon global brand: “Visa, Everywhere You Want to Be” -- supported by its global network infrastructure that makes this brand promise possible

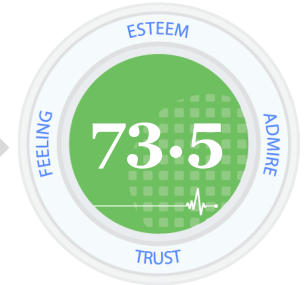


Home vs. Rest of World Reputation

Visa Home Country
Reputation (USA)



Visa Rest of World
Reputation



0.2

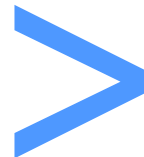
A Genuine Canadian Brand Wins in Canada

- Top brands in Canada are the Canadian staple companies
- Canadian companies in the Top 50 have a brand strength score **10 points higher** than the Canadian companies who didn't make it to the list
- **43% of respondents** find the Canadian companies within the Top 50 to be **genuine** -- while only 29% find that for the rest of the Canadian companies
- Being perceived as genuinely Canadian has the highest positive impact on reputation: **+5 points**

Brand Strength Score For Canadian Companies

73.2

Brand Strength
Canadian Companies
(Top 50)



63.2

Brand Strength
Canadian Companies
(Not in Top 50)



#7 Be Genuine to Your Roots



Key implication:

In a time where there is a heightened sense of nationalism, companies need to be genuinely true to their origins – while multi-nationally exporting company heritage to a global audience.

Fake News



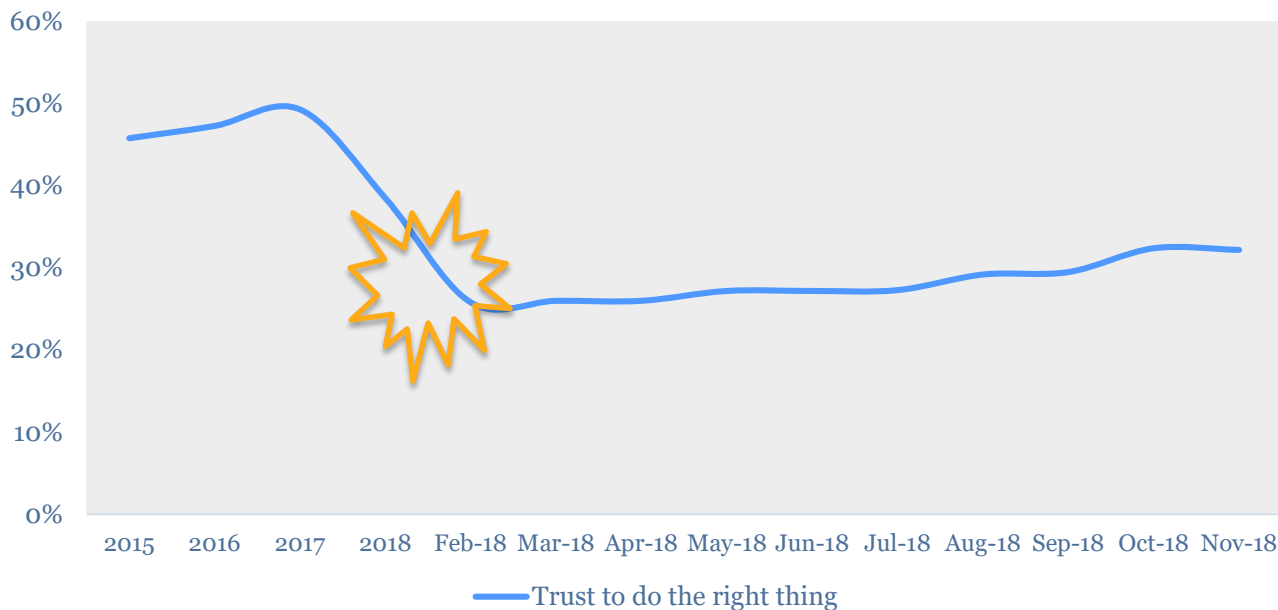
There has been a decline in trust in the media, government, and corporations

Increase in the need to be transparent, ethical, and truthful

6

We Live in a Time of Mistrust

% of respondents who strongly trust companies



Fake news has resulted in a loss of public trust in businesses, with a significant decline since 2017.

Social media is a source of credible information -- but is also a potential source of viral mistruth and unsubstantiated “fact” that can influence traditional news media

From *Facebook* to *Fakebook*

2015

Facebook shuts down a feature that grants app developers access to personal information of user's friends. However, it does not retroactively shut down permissions from 2010-2015, and third parties likely stored past data on personal servers.

2018

The New York Times and The Guardian report that Cambridge Analytica illegally accessed data of 50 million Facebook users, still possess it, and used it to influence the 2016 Presidential election.

April 2018

On April 10 & 11 Zuckerberg testified at Congress about Facebook's involvement with the Cambridge Analytica crisis, where over 50 million people had their Facebook data compromised.



Source: Yahoo Finance

Facebook Loses Face Value

Facebook has seen reputational (dropping into the weak range in November '17) and financial loss in the past year, with no sign of recovery

#6 Trust: A Rare Commodity



Key implication:

Use tangible actions and transparent communication to earn back trust. The repercussion of the decline in trust yields declining stakeholder support and impacts a company's license to operate.

CEO Activism



Company's taking a public stand on political and social (values-based) issues not just the bottom line:

- Diversity
- Sexual orientation
- Immigration
- Environment

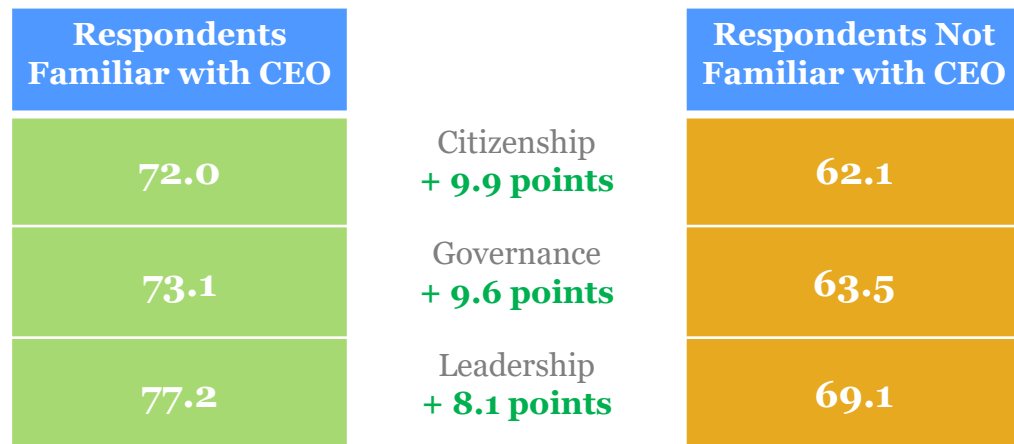
CEOs who advocate for business and societal gain enhance reputation

5

How CEO Activism Generates Reputation Lift

- CEO activism is **linked with societal contribution** and ethical and transparent behavior.
- The highest dimension lifts among those familiar with CEOs are in the key dimensions of **citizenship and governance**.

CEO Reputation Impacts Company Dimensions



Significant difference > 1.4

● POOR ● WEAK ● AVERAGE ● STRONG ● EXCELLENT

CEO Activism is Growing Expectation

Fortune's CEO Initiative, June 2018

CEOs have traditionally focused solely on dollars and cents. But increasingly, they're taking on an additional role: tackling social problems.

Fortune's CEO Initiative, an invite-only event that takes place on June 25 and 26 in San Francisco, is devoted to the topic of companies doing well by doing good. The theory is that infusing businesses with a broader purpose can help with recruiting, attracting new customers, and improving corporate images.

Forbes Global CEO Conference, October 2018



THE WORLD REBOOTS

The world is in an unprecedented reboot. CEOs, companies and countries must all face the challenges—and opportunities—coming from accelerating disruption. Some liken this era to the fourth global revolution, after mechanization, mass production and digitalization. The world in 4.0 mode will affect how companies are built and led, where money is made or lost, the role of governments, and how all of us live, work and play. The change will not be neutral, and will require new leadership skills and new entrepreneurs to navigate the untold creative destruction of the next few years. Yet those who can grasp the opportunities can reap huge benefits for themselves, their companies, and society.

World Economic Forum, January 2018

The new age of CEO activism



Time to stand up? Most millennial-aged business leaders do follow a stated set social issues

Source: RFLTPDS/Mike Hootman

At Davos, The Message to, and from, CEOs is Clear: Let's Take a Stand

01/29/2018



#5 CEO Activism is Not Optional



Key implication:

Society demands activism, and CEOs must stand up and deliver. CEO activism aligned with the company's core competencies and values positively impacts the company's reputation as well as business support.

Employer of Choice



Increased importance of company culture and impact on employee engagement / talent acquisition at a time of:

- High competition
- High expected turnover
- High retention cost
- Stagnating wages

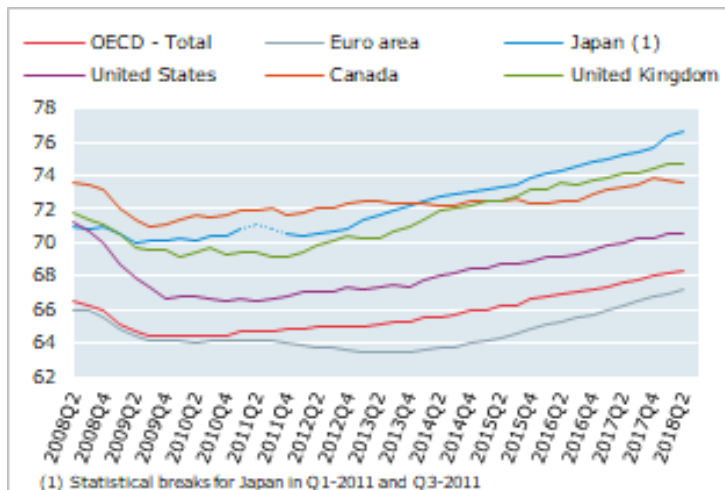
Do you have a reputation as a desirable place to work?

4

Workplace: High Competition and Turnover

High Competition

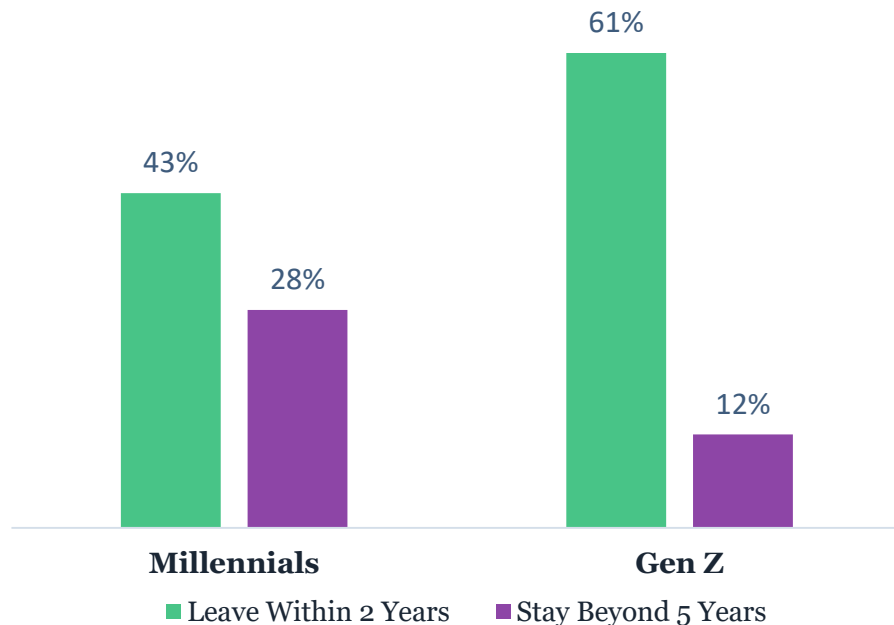
With unemployment rates going down, the job market is becoming more competitive (OECD)



Employment rates: employment as a % of the working-age population

High Expected Turnover

Globally, expected duration of employment tenure is short – and expected to become shorter



Source: 2018 Deloitte Global Millennial Survey

Employer of Choice Status Changes Quickly

5 reasons Google is the best place to work in America and no other company can touch it

Business Insider

WORKPLACES

Three Things To Learn From Google's Workplace Culture

267
STORIES



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Shakir Akorede
GUEST WRITER
Founder of 301 Words



Entrepreneur



More than 20,000 Google employees participated in a walkout on Nov 1st to protest the company's policies and actions around sexual harassment, misconduct, lack of transparency and non-inclusive workplace culture.

Our data shows that among those familiar with the sexual harassment scandal and employee walk out news, Google's reputation impact is **-12.9 points**

#4 EoC as a Business Differentiator



Key implication:

In a tight and competitive labor market companies need to understand what defines their culture and what makes them an employer of choice -- they must create a narrative to romance their story and deliver on it.

Market Influencers



Ordinary people with extraordinary influence and impact on reputation:

- They can be anyone
- Passionate about key topics
- Can create or facilitate a movement
- Movers and shakers

Influencers are often the tipping point of reputation

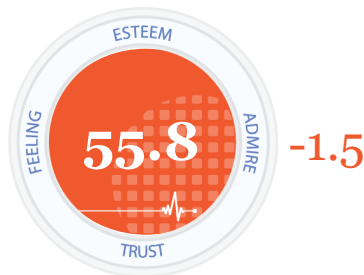
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Influencers Amplify Company Sentiment

Market influencers are **leading indicators** of reputation – and the harbingers of what's to come.

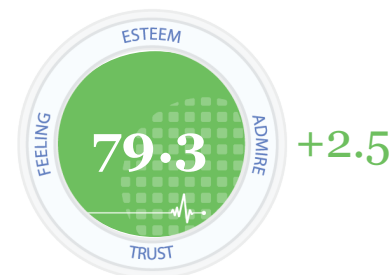
Negative

**Least Reputable Companies
MI vs. Non-MI**



Positive

**Most Reputable Companies
MI vs. Non-MI**



● POOR ● VULNERABLE ● AVERAGE ● STRONG ● EXCELLENT

Market Influencers Can Spark Significant Change

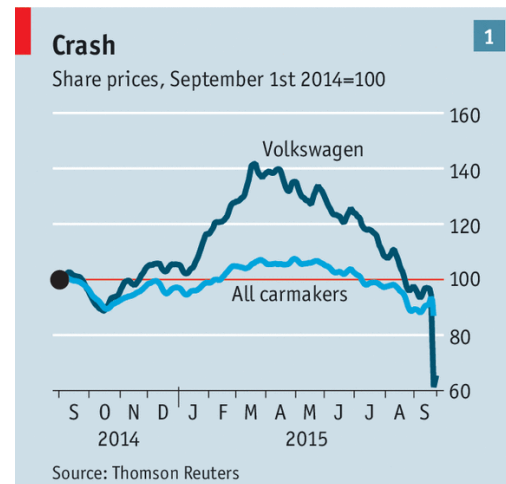


John German
the man who broke VW

German's test exposed the presence of a cheat device



The EPA accuses VW of device manipulation and publicly reveals the scandal



VW's CEO resigns, the company admits to installing the cheat devices and it costs VW €24bn (\$26.8bn) in market value loss

#3 Influencers: Opportunity or Downfall



Key implication:

Influencing market influencers enhances company perceptions – winning their hearts and minds yields a significant and disproportionately positive return on reputation.

Cyber Attacks



Cyber attacks and data privacy are an everyday reality -- and a growing threat for all major companies

Is your company reputation risk prepared, or exposed?

2

Beware of Data Privacy and Breaches

- Given the numerous data breaches, theft of customer data -- as well as GDPR, data privacy issues are more relevant than ever
- Over 2018 this has been a specific risk of importance in the Tech, Financial Services, and Retail industry
- In Tech industry it has devastating consequences for companies' support levels with the general public, and undermines perceptions of *Governance* and *Leadership*

Impact of Data Privacy Breach on Reputation Scores

Reputation/Dimension/Support	Impact
Reputation	-15.3 pts.
Products & Services	-7.8 pts.
Innovation	-4.9 pts.
Workplace	-6.0 pts.
Governance	-14.2 pts.
Citizenship	-8.6 pts.
Leadership	-14.1 pts.
Performance	-8.1 pts.
Willingness to buy	-14.0 % pts.
Give benefit of the doubt	-11.0 % pts.

Data Risk is an Every Day Reality



- Even in a time of GDPR, there is an estimated >9 billion data records lost or stolen since 2013 (Varonis)
- Almost 64% of the total stolen data comes from the United States



Marriott's Starwood Hotels data breach:

- 500 million guests affected
- Personal information leaked: names, addresses and passport numbers released
- National security issue
- Marriott shares down 6.8% following breach
- CFO estimates cost up to \$1 billion

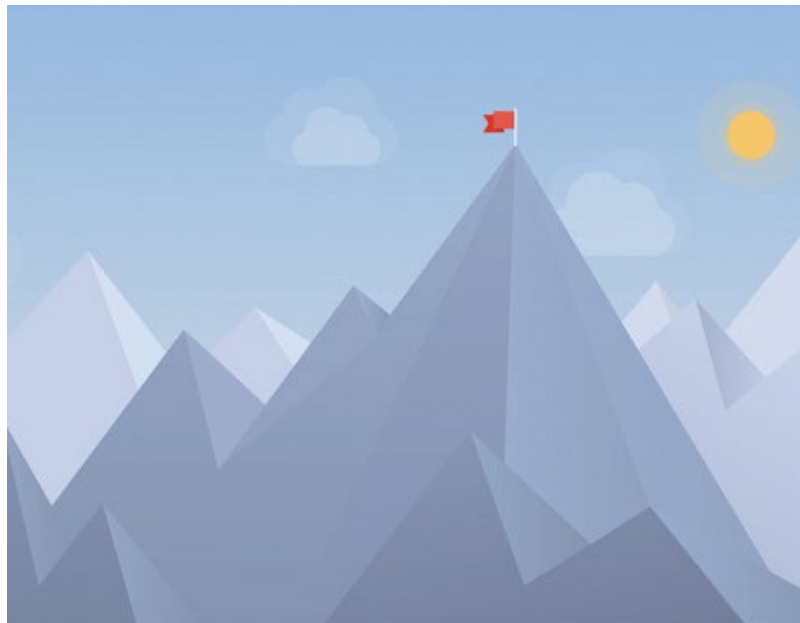
#2 Need to be Data Risk Prepared



Key implication:

Data/cyber breaches are a breach of privacy and trust -- and are costly. Companies need to do everything necessary to protect themselves and to act swiftly and transparently in case of a breach

Higher Purpose



Delivering on corporate
brand purpose and
values

*“Society is demanding that
companies, both public and
private serve a social purpose”*

Larry Fink, CEO of Blackrock

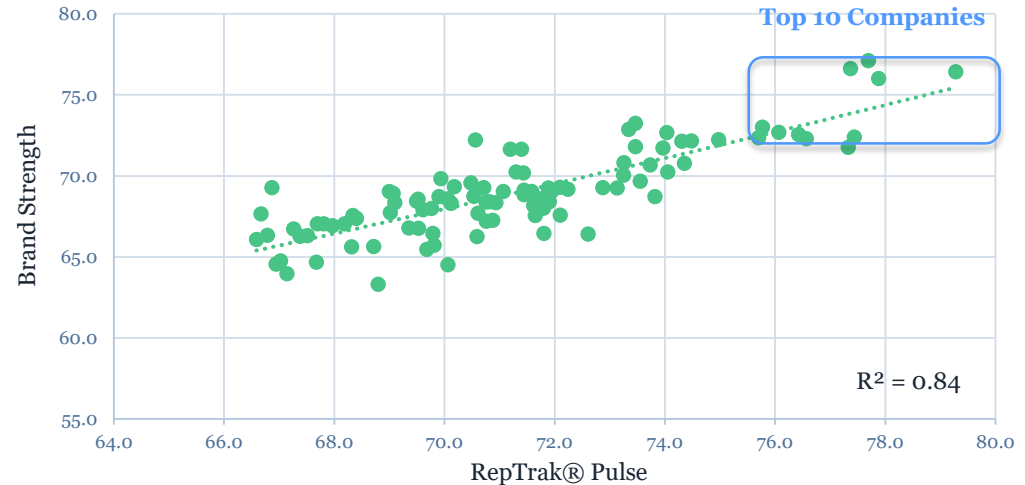
Why does your company exists –
and what does it stand for?

1

High Purpose Means Stronger Reputation

- Purpose driven companies with enhanced brand strength have a higher reputation, as evidenced by the top 10 companies.
- Across the top 100 global companies, overall brand strength has decreased by 3 points – during a time when being purposeful is more important than ever.

Corporate Brand Correlates with a Stronger Reputation



LEGO Group: Product and Purpose Alignment

- The LEGO Group's Planet Promise is focused on leaving a positive impact and earning a trusted position among stakeholders
- In 2018 The LEGO Group starts to materialize its promise by replacing the source material to make plastic from
- The LEGO Group is an example of a company whose products are in complete alignment with its values on societal contribution and business transparency



First LEGOs made from plant-based plastic released in 2018

#1 Purpose is More Than Just Lip Service



Key implication:

At a time when the public is looking to identify with a company's values, standing behind and delivering on your corporate purpose will elevate reputation and drive stronger emotional connection.



10 Macro-Trends Summary

Understanding how to gain competitive advantage

Reputation Macro-Trends 2019

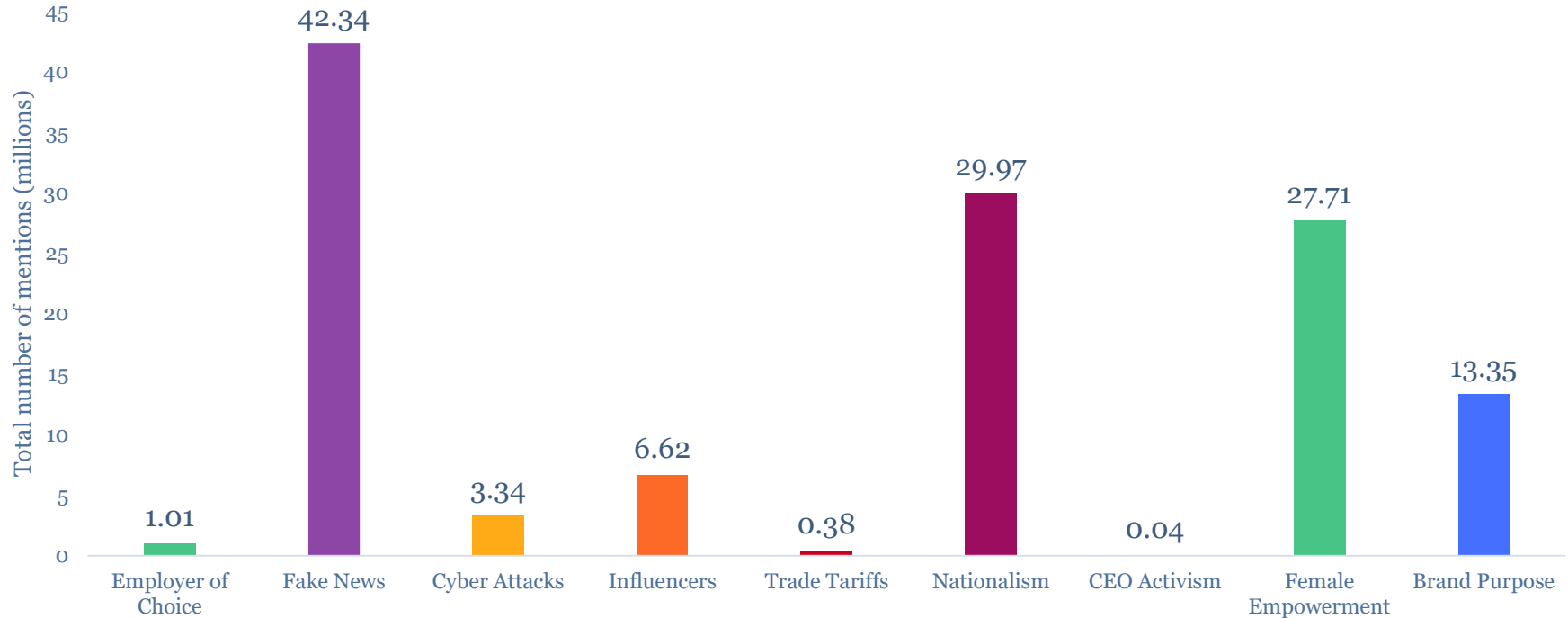
An understanding of how
reputation is shaping the
World and moving markets



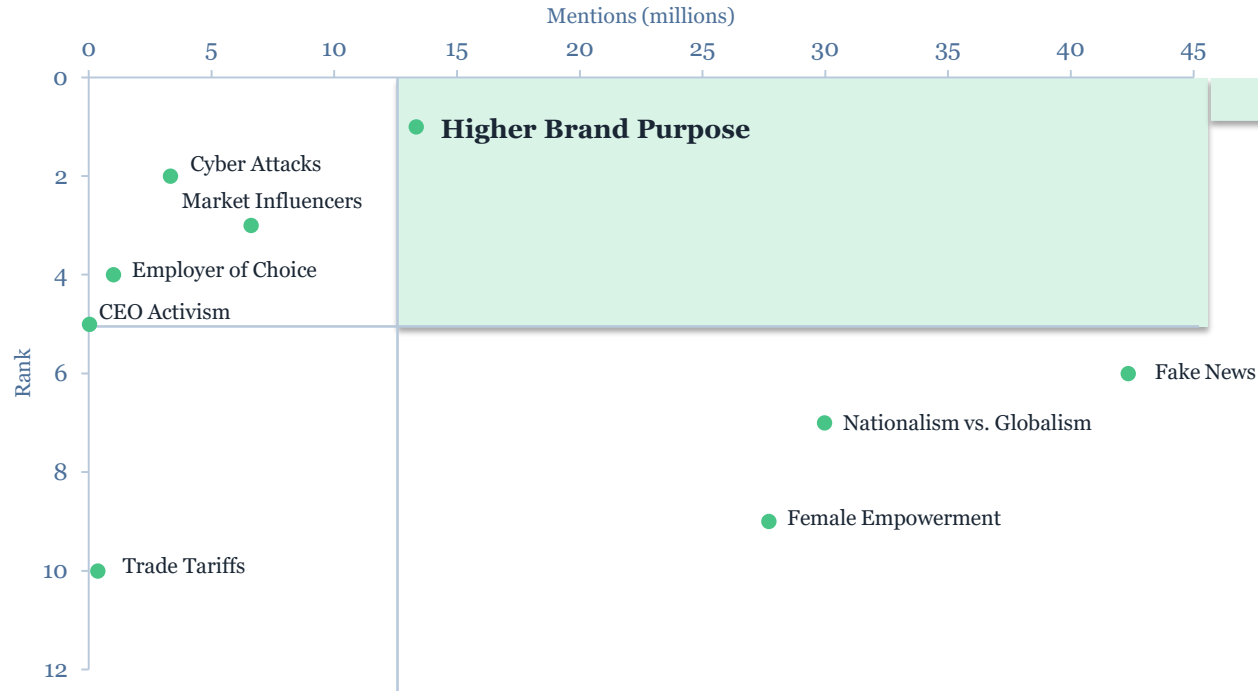
Top 10 Macro-Trends

- 10 Trade Tariffs
- 9 Female Empowerment
- 8 Political Polarization
- 7 Nationalism vs. Globalism
- 6 Fake News
- 5 CEO Activism
- 4 Employer of Choice
- 3 Market Influencers
- 2 Cyber-Attacks / Data Privacy
- 1 Higher Purpose

Total Mentions of Macro-Trends in Media (2018)



Reputation Implication: Immediate Focus

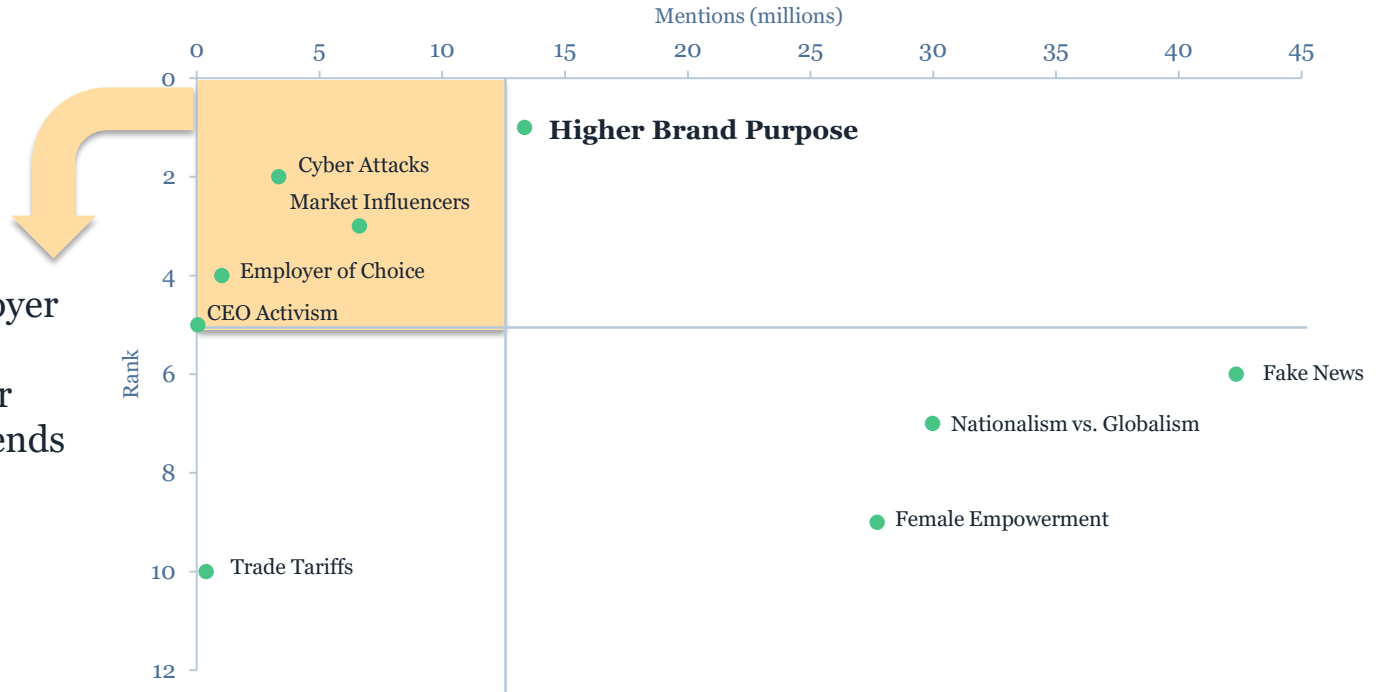


A key macro-trend in terms of mention in media and importance is higher brand purpose. This is a macro-trends that companies need to deliver on to maintain a strong reputation and business performance

Reputation Implication: The Future

CEO Activism, Employer of Choice, Market Influencers and Cyber Attacks are macro-trends that are of high importance, but not prominent in media mentions...yet

Be ahead of the curve



Topics That Didn't Make the Top 10

Quick post-script on increasingly less important trends:

Millennials: Has become too close to mainstream

Immigration Policy: Too politically charged

Tweet Ranting: Embroiled in fake news dynamics

Gen Z: Yet to begin influencing corporate reputation

Are you Reputation Ready?

www.reputationinstitute.com

For More Information



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Appendices

#10 Economic Impact of Country Reputation

The reputation of a country impacts the potential to drive elevated levels of commerce which in-turn impacts government trade policy making potential:



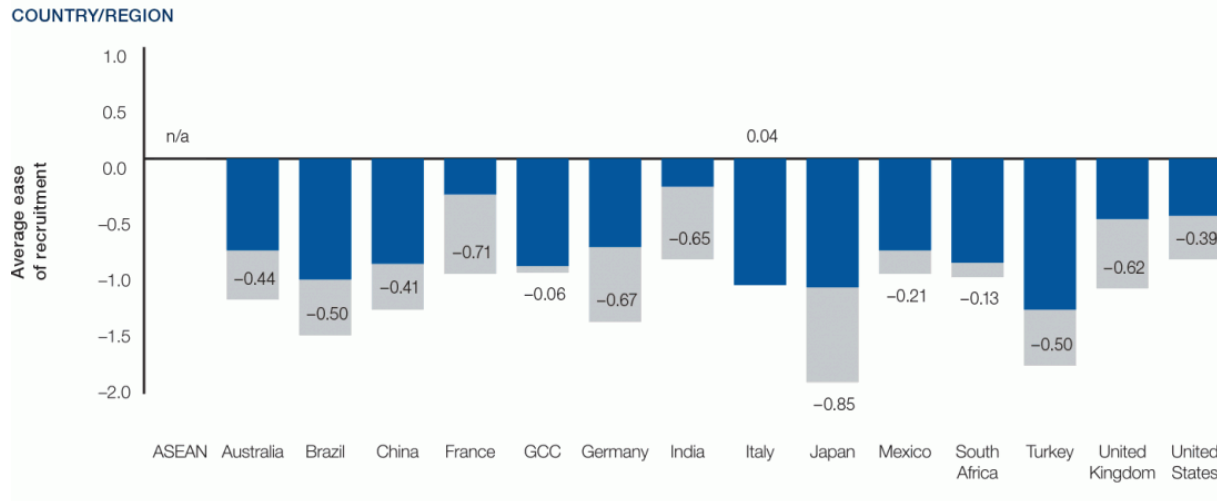
1 point increase in country reputation results in a **0.3%** increase in exports (\$)



Results are based on Country RepTrak® analysis of 72 countries

#4 Costly and Increasingly Challenging Recruiting Environment

Expected Change in Ease of Recruitment by Country: 2015-2020



High Cost of Turnover

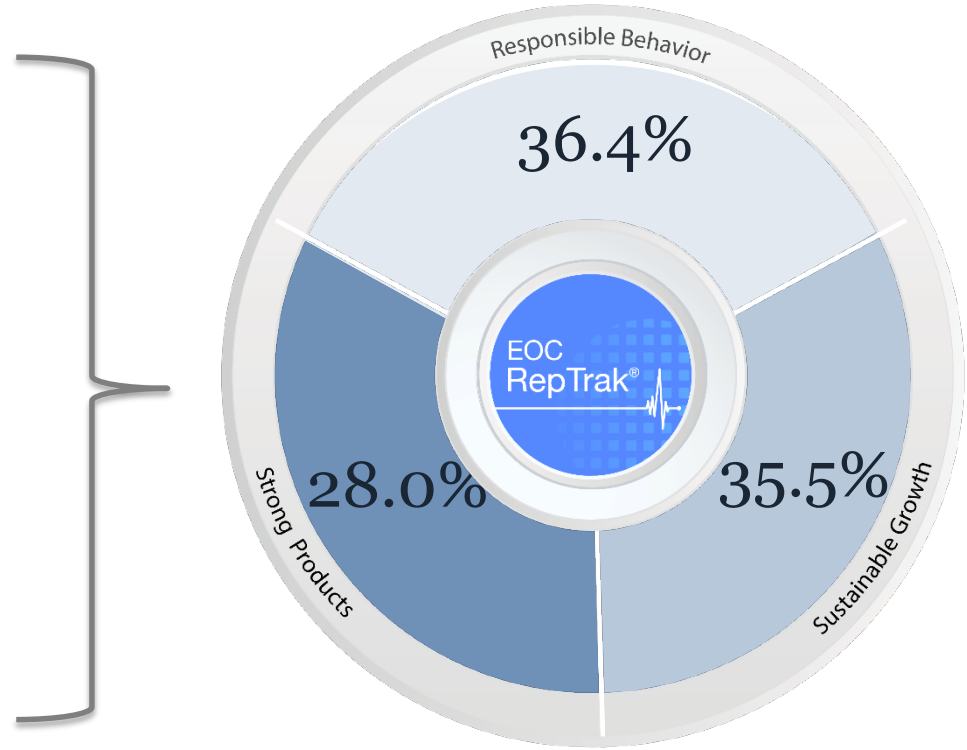
- Costs an employer 21% of the employee's salary (Catalyst)
- Costs US companies \$160 billion a year (Wrike)



Source: Future of Jobs Survey, World Economic Forum
Perception rating on a -2 ("very hard") to +2 ("very easy") scale

#4 Being an Employer of Choice Goes Beyond Workplace

High quality products/services
Stand behind products/services
Good value products/services
Positive influence on society
Concerned for employee well-being
Ethical behavior
Environmentally conscious
First to market
Strong prospects for growth
Strong/appealing leader
Innovative



#1 Patagonia: Living its Purpose to Gain Success

Corporate Purpose

“We’re in business to save our home planet.”

Our Reason for Being

At Patagonia, we appreciate that all life on earth is under threat of extinction. We aim to use the resources we have-our business, our investments, our voice and our imaginations-to do something about it.

patagonia®

Living out Purpose

[Patagonia Donates \\$10 Million Trump Tax Savings to Green Groups](#)

Bloomberg

[1% for the Planet](#)
[Since 1985, Patagonia has pledged 1% of sales to the preservation and restoration of the natural environment.](#)

Patagonia Website

[Patagonia’s Donating All \\$10 Million of Its Black Friday Sales to Charity](#)

Fortune

Returns

- Focus on reducing waste and extending the life of its gear opens doors to new markets, i.e. used goods
- Patagonia’s anti-consumerist message brought in customers: during 2012 Patagonia sales increase by 30% amounting to \$540 million
- Since 2014, Patagonia has grown its stable of fair-trade products from 10 to 480

Fast Company