

2020

Global Trends in Reputation



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What is on the mind of corporate reputation leaders?

Businesses have always lived or died based on their reputations. And the leaders of these companies know that monitoring how customers, employees, shareholders, and other constituents view them is only gaining in importance. In fact, according to the Reputation Institute 2020 Global Trends study, 70.2% of reputation leaders say that managing the reputation of their company is more important now than it has ever been.

Why has reputation management become so important? It may be because we're building companies in a time that's driven by new reputational market forces that are impacting companies far and wide—including the Internet of Things, the advent of cyber-physical systems, AI, global climate change, and evolving human values. In many ways, this makes it increasingly challenging for companies to successfully navigate the reputation economy, where forces beyond profits matter more than ever.

As the world transitions into the Fourth Industrial Revolution and the global economy becomes increasingly impacted by the intangibles that continue to define companies, a set of 10 diverse trends have emerged that will shape the reputations of companies and highlight potential areas of heightened risk.

These trends have been identified following interviews with more than 200 reputation leaders (C-level, vice presidents, and directors) across 18 industries in North America, EMEA, Asia Pacific, and Latin America, at companies with a variety of revenues and employee counts.



1	Higher purpose	
2	Data privacy	
3	Responsible investment	
4	Impact of technology	
5	Climate change	
6	Influencers	
7	Mistrust of big institutions	
8	Responsible sourcing	
9	CEO activism	
10	Inequality, diversity, and inclusiveness	

The trends reputation leaders cited as being most important for 2020 are:

1. Higher purpose – Companies need to deliver on a corporate brand purpose and embrace cultural values, at an emotional level that transcends the products and services they sell.

2. Data protection – Cyber and data breaches are an everyday reality and a growing threat for all major companies.

3. Responsible investing – Considering ethical and environmental concerns before making financial decisions.

4. Impact of technology – AI, the Internet of Things, Big Data, and drones are impacting consumers and businesses.

5. Climate change – Countries, governments, and businesses are expected to protect and manage their impact on environmental change.

6. Influencers – Stakeholders and individuals who have extraordinary influence on public opinion and reputation, who may be private individuals, politicians, or subject matter experts.

7. Mistrust of big institutions – The public's mistrust and the questioning of the integrity of big institutions such as businesses, governments, and media.

8. Sustainability and responsible sourcing – There is an expectation that companies source materials responsibly and minimize environmental impact through their supply chain.

9. CEO activism – CEOs of major companies are increasingly taking a public stand on political, social, and values-based issues, and are not just concerned about their bottom lines.

10. Equality, diversity, and inclusiveness – Businesses are judged based on the demographic profile (gender, ethnicity, race, etc.) of their workforce.

In this report, we will look at each of these top 10 global trends that provide an understanding of the priorities shaping reputation and impacting businesses for 2020, why each is critical to your business, how you can learn from companies getting it right, and ways you can take action now.



Trend one: Higher Purpose

Higher Purpose is defined as the principles of why your company exists—to fulfill a higher purpose beyond profits and to operate according to an elevated level of moral principles.

1 Higher purpose



“ When your organization has a strong purpose based on doing good, that is the north star that helps to guide all decision making. It ensures that the big picture around the human, environmental, ethical, financial, and political are considered in making decisions. When this is in place, it reduces the risk around all of the other areas. ”

– Reputation leader,
Global Trends study 2020

Why it matters

As Larry Fink, the CEO of BlackRock, an investment management firm, wrote in his annual letter to CEOs in January 2019: “Purpose is not the sole pursuit of profits but the animating force for achieving them. Profits are in no way inconsistent with purpose—in fact, profits and purpose are inextricably linked.”

In his January 2020 letter, he added this: “Ultimately, purpose is the engine of long-term profitability.”

Yes, every business plays a vital role in the global economy by providing essential goods and services, creating jobs, fostering innovation, and other actions that drive economic growth. But in 2020, customers, employees, suppliers, communities and shareholders are looking for the businesses they support and work for to take a longer view of their purpose—and to focus as much on the good the company is doing for the larger community as it does on making money.

Recognizing this shift, in August 2019, the Business Roundtable (BRT) announced the release of its new Purpose of a Corporation statement, which was signed by 181 CEOs. In it,

the members of the BRT commit to delivering value to their customers, investing in their employees, dealing fairly and ethically with suppliers, supporting the communities in which the companies work, and generating long-term value for shareholders, who provide the capital that allows companies to invest, grow, and innovate.

However, of the more than 200 companies measured in the 2020 Global Trends study conducted by Reputation Institute, only seven have a strong purpose rating. That’s just 3.4% of all the companies measured. REI is one of those strongly rated companies. REI’s purpose is directly linked to its core business, which is “to inspire, educate and outfit for a lifetime of outdoor adventure and stewardship.”

There is a lot of upside opportunity for companies when it comes to activating and speaking to their purpose. And certainly, many companies today are looking for ways that they can measure their purpose—or the return they see on having one.

Take action now

Focusing on long-term purpose matters. In the Purpose Power Index, conducted by Reputation Institute and Strawberry Frog in 2019, respondents who perceive companies to have an excellent purpose are also willing to give high levels of business support.



Respondents who perceive companies to have an excellent purpose are also willing to give high levels of business support:

90%

Welcome to the neighborhood

88%

Say something positive

88%

Recommend the company

87%

Buy products

84%

Trust to do the right thing

81%

Give the benefit of the doubt

77%

Work for

Trend two: Data Protection



Data privacy, data security, and the likelihood of cyber attacks have become a daily risk for companies. In recent years, nefarious tendencies related to the risks of the “dark web” have been amplified, and many people now fear that their personal information will be exploited by those with malicious intent.

2 Data privacy



“ As a business, we hold confidential and sensitive customer data. Any loss of this would have a significant impact on our reputation and the trust customers have in the company. ”

– Reputation leader,
Global Trends study 2020

Why it matters

Companies have good reason to be worried: According to the Identity Theft Resource Center, the number of data security breaches in the United States jumped from 157 to 1,244 between 2005 and 2018, with a peak of 1,632 in 2017. In 2018, that translated to 446,520,000 records exposed.

The rise of data security breaches has resulted in a majority of the public doubtful of companies' ability to protect their data. Specifically, 67.8% of the global informed general public is on the fence about whether companies have strong data and security measures, according to the 2019 Global RepTrak study. This percentage increased by 10.5% points in one year.

In the RepTrak study, technology and financial services industries were seen as being among the highest performers on the delivery of data privacy assurances, with a strong rating in data privacy of 71.0 points and 70.4 points, respectively.

Consumer data breaches provide a high risk to companies' reputations; the negative sentiment associated with any company whose information is affected is high, according to the 2020 Global Trends study.

Trend three: Responsible Investing



3 Responsible investment



Responsible investing means weighing financial, ethical, and environmental concerns in making investment decisions, and avoiding the risks of being associated with “unethical businesses.”

Why it matters

“Globally, there are now \$22.89 trillion of assets being professionally managed under responsible investment strategies, an increase of 25% since 2014,” Tim Mohin, Chief Executive of the Global Reporting Index (GRI), told *Forbes* in 2019. “This number is so large it needs context—it exceeds the GDP of the entire U.S. economy.”

Environmental, Social, and Governance, or ESG, are factors that can be used to evaluate and measure a company’s sustainability and ethical impact. We define ESG this way:

- Environmental refers to the company’s support of good causes, positive influence on society, and attempts to protect the environment
- Social refers to how the company treats its employees, whether it rewards employees fairly and offers equal opportunities, and whether it meets customer needs and shows prospects for growth
- Governance refers to whether the business operates fairly and transparently, behaves ethically, is well organized, and maintains strong data privacy and security

ESG are critical metrics for investment, or for evaluating future growth opportunities. In fact, more than 80% of mainstream investors now consider ESG information when making investment decisions, according to a 2019 Oxford University study.

When it comes to a business’ reputation, the three aspects of ESG are balanced, with each weighted at about a third in terms of priority and impact on corporate reputation, according to the 2019 Global RepTrak report. More importantly, ESG has a stronger positive correlation when it comes to business support:

- 0.62 with investment
- 0.69 with purchase intent
- 0.73 with recommendation
- 0.74 with trust

Globally, the Hospitality industry leads in overall ESG performance, especially on the measures of Social- and Governance-related criteria. Regarding Environmental considerations, there is an opportunity for the Hospitality industry to further improve, as it is yet to achieve a strong rating.

Trend four: Impact of Technology



4 Impact of technology



Artificial Intelligence, the Internet of Things, Big Data, automation, drones, and robotics are all technologies that are helping to bring about the Fourth Industrial Revolution, impacting consumers and businesses in the process—and exposing the world to new risks.

Why it matters

The Fourth Industrial Revolution is disrupting existing social and economic systems, changing the way people live, learn, work, and play. Many are wondering if digital technology will supplant humans or augment human ability and experiences.

“The Fourth Industrial Revolution represents entirely new ways in which technology becomes embedded within societies and even our human bodies,” explains Nicholas Davis, Head of Society and Innovation, and a Member of the Executive Committee of the World Economic Forum in Geneva. Examples he cites include genome editing, new forms of machine intelligence, breakthrough materials and approaches to governance that rely on cryptographic methods such as blockchain.

In the near-term, 29.9% of corporate communicators view the impact of technology as a high risk to their reputation. Emerging technologies influence customer expectations and create added risk due to many businesses’ reliance on digital platforms and cyber threats. Additionally, new technologies allow disparaging or false information to spread quickly, forcing companies to monitor more sources of potential reputation risk, since this information is very difficult to correct once viral.

There is almost daily media coverage of issues related to the social, business, and labor impacts of technology, which tend to be more volatile than other trends. Recent key drivers of media coverage have included discussion of regulation of “Big Tech” firms, (particularly in the EU), as well as stories about technology’s impact on professional sports, changes in the automotive industry, and the move towards 5G technology in the telecommunications sector.

Trend five: Climate Change



5 Climate change



“ More than a beautiful speech, sustainability is part of our day-to-day business decisions. At Natura, we measure all of our actions in terms of their impact on the planet. From our packaging to ingredient sourcing and operations, we strive to minimize impact on Planet Earth.... The three pillars that guide our business [are]: fair trade, conservation of Brazilian biodiversity and trusting relationship with the community. ”

– Natura Brazil

Countries and governments, and the businesses operating within them, are expected to act in positive and effective ways to protect and manage environmental change.

Why it matters

The Paris Agreement, driven by the United Nations Framework Convention on Climate Change, has been in effect since 2016 and was signed by 195 signatories, with the purpose of managing the global average temperature increase.

The U.N. Sustainable Development Goals (SDGs) are 17 calls to action for countries to deliver on for prosperity, peace, and the future of the planet. Beyond countries, companies are also expected to implement SDGs goals in how they run their business.

Climate change took center stage in 2019, with high-profile protests across the globe led by the Extinction Rebellion movement, which calls for faster, more urgent action on climate change, and young leaders like Greta Thunberg, whose speech at the U.N. had a significant impact on public opinion.

Responding to climate change–driven policies, and acting responsibly to protect the environment, can have a significant impact on a company’s reputation. For example, according to the 2019 Global RepTrak study, acting to protect the environment is a key business driver when deciding whether to give a company the benefit of the doubt.

Company spotlight

Globally, Natura is the highest rated company when it comes to acting responsibly to protect the environment, and is the only company to have a strong rating on the subject in the Global RepTrak study.

Trend six: Influencers



6 Influencers



“ Influencers have an outsized effect on other stakeholder groups and need to be managed optimally for maximum downstream benefit. ”

– Reputation leader,
Global Trends study 2020

Some stakeholders and individuals can have extraordinary influence on public opinion and reputation. These may be private individuals, politicians, or subject matter experts.

Why it matters

Business influencers can yield a significant and positively disproportionate economic return on investment when they actively engage with the people who follow them. Their opinions are valued and considered trustworthy, so when they share information, it is often considered more credible than when a business shares it.

The reason influencers can have a powerful impact on a business is because they are more likely to represent companies with a stronger reputation. Customers and others may view a business as average, so an influencer can provide a reputation lift with their association and advocacy. This is true for B2B and B2C companies.

That said, the impact of influencers in some industries is stronger than in others. Consumer, Industrial, and Hospitality industries lead the way in terms of having a strong reputation among influencers.

In terms of media conversations, prominent trends around the topic of influencers typically include the impact on tourism and the environment resulting from destination highlighted by social media influencers, the burden on companies to reach specific demographics, and the effectiveness of algorithmic recommendations versus experts.

7

Mistrust of big institutions



“ There are more and more regulations underway which have their basis in a general mistrust of big business and big institutions. There is the belief that big corporations are not acting responsibly— e.g., towards society— and therefore, politicians and governments do have to interfere and regulate. ”

– Reputation leader,
Global Trends study 2020

Trend seven: Mistrust of big institutions

The mistrust of big institutions such as businesses, governments, and media is increasing, and there is a growing questioning of companies’ integrity.

Why it matters

Companies are bigger than ever and are frequently under attack for their size and actions. Simultaneously, factors such as election meddling and frequent talk of “fake news” have created a declining trust in mass media.

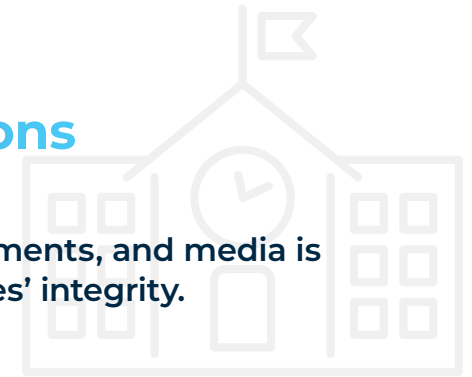
According to the 2019 U.S. RepTrak study, the biggest companies by market cap have lower levels of trust when compared to other companies. Specifically, the U.S. public has 1.8 times more trust in smaller companies to do the right thing, and therefore they are more likely to give them the benefit of doubt, and welcome them to the community than they do larger ones.

Company spotlight

Microsoft was able to deftly navigate the challenges faced by the tech industry in 2019. By remaining transparent in the face of product bugs and updates, the company was able to improve its reputation while empowering its customers to succeed.

In addition, in April 2019, while big companies in and out of the tech world were testifying in front of government organizations about data and transparency, Microsoft announced “steps to give customers increased transparency and control over their data that is used by Microsoft’s major products.”

Microsoft’s approach to AI also defies standard thinking—focusing on AI for Good, the company says its mission is to provide “technology, resources, and expertise to empower those working to solve humanitarian issues and create a more sustainable and accessible world.”



Trend eight: Sustainability and responsible sourcing



8 Responsible sourcing



There is an expectation that companies will source materials responsibly and minimize the impact they have on the environment through their supply chain.

Why it matters

Historically, sourcing has been a way for companies to impact their bottom line because it often affects cost efficiency. Today, responsible sourcing has become a differentiator for companies that have prioritized it, and that explains why many companies promote and communicate their efforts transparently and prominently.

Responsible sourcing means a company focuses equally on the ethicality and sustainability that takes place during the supplying, purchasing, manufacturing, and retailing of goods and services, and ensures that the effect of their actions will have minimal negative impact on the environment or community where goods are produced.

The expectation is that companies will take responsibility for the materials they purchase and be held accountable for those purchases—not to mention the suppliers and vendors they work with.

In an October 2019 survey released by Markstein, an integrated communications agency, and Certus Insights, a public opinion firm, it was reported that millennials are more likely than older and younger generations to say the companies they do business with should support environmental initiatives all the time, even if it means raising prices. Specifically, 44% of millennials say this versus 28% of Generation X and 35% of baby boomers.

When it comes to a company's purpose, 15.8% is driven by its sustainability leadership, according to the Purpose Power Index. This includes the responsibility a company feels about how it operates and whether it seeks to make products and services environmentally sustainable.

There is a big opportunity for companies to take the lead in this area: The average performance of companies in sustainability leadership is in the average range only around 60.4 points in the Purpose Power Index.

Company spotlight

Allbirds is a business rooted in sustainable sourcing and care for the environment. In 2019, the company announced that it is going carbon neutral. Not surprisingly, then, Allbirds has a strong rating in sustainability leadership in the Purpose Power Index, and is one of 11 companies to achieve that rating.



Trend nine: CEO activism

CEOs are increasingly expected to take a public position on societal, environmental, and human values–based issues.

Why it matters

The dynamics of political, social, and technological changes are impacting the roles of CEOs worldwide. The expectation has risen for the CEOs to become the aspirational reflection of the company, just as the company should be a positive reflection of the CEO.

This, in turn, has given rise to CEO activism—an act where CEOs will take stands on social, political, and environmental issues in multiple contexts.

In July 2018, the *New York Times* reported that CEO activism has become “the new normal,” with a third of respondents to a *Times* study saying they view CEO activism favorably. Almost half of respondents to the *Times* study said they believe that CEO activism can influence government policy.

That is why, not surprisingly, when it comes to CEO reputation, Responsibility has been the most important driver for two years in a row. Not only is it the most important factor year over year, it is also the only area that has increased in importance since 2018, while the rest—

Leadership, Management, and Influence—are in decline. Overall, Responsibility is the area in which CEOs see the highest positive change since 2018.

In short: Consumers, employees, shareholders, and others want CEOs to do what’s right—to act responsibly, behave ethically, and care about social issues.

Company spotlight

In 2019, Ben van Beurden, CEO of Royal Dutch Shell, ranked in the top 10 most reputable CEOs for the first time in the Global RepTrak study. His reputation jumped significantly over the previous year, mainly driven by increased performance in the area of Responsibility—the most important driver of CEO reputation.

Van Beurden’s improved results from the year before are a testament to his commitment and efforts in corporate responsibility within the (generally) reputationally challenged Energy sector.



9 CEO activism



10 Inequality, diversity, and inclusiveness



Trend 10: Equality, diversity, and inclusiveness

Companies are increasingly judged on egalitarianism, based on their employee profile, according to gender, ethnicity/race, etc., and perceptions of “equal opportunity for all.”

Why it matters

Topics of gender inequality in the workplace, diversity, and inclusiveness are front-page news stories and part of a new norm of growing expectations for equality and fairness. Inclusiveness creates a new metric by which to assess companies.

When it comes to brand purpose, respondents to the 2020 Global Trends study said 10.8% of that is driven by egalitarianism, and how committed the company is to fairness and equality—including gay rights, gender equality, and rights of racial minorities. And yet, the study also showed that most companies are falling short in this regard: In the U.S., the average performance of companies on the merits of egalitarianism is in the “weak” range in the study.

Specifically, inequality is a chronic risk for the Financial industry, where unequal treatment of employees or customers had a detrimental effect on reputation, according to a 2019 study by RepTrak and *American Banker*. Specifically, inequality has a detrimental effect—a significant risk that can average around 15 points in overall reputation score.



Methodology

To identify the 2020 Global Trends, Reputation Institute combined Reputation Intelligence, Media Intelligence, and Business Intelligence.



We spoke with more than 200 reputation leaders (C-level, vice presidents, and directors) across 18 industries in North America, EMEA, Asia Pacific, and Latin America, at companies with a variety of revenues and employee counts.

For Reputation Intelligence, we tapped into our reputation expertise and extensive RepTrak data vault to better understand the reputation world at large, across:

- 25 industries
- More than 7,600 companies
- 55 countries
- More than 1,100,000 ratings annually

For Media Intelligence, results were analyzed based on leading high-reach English-language media outlets serving U.S. and international audiences for the sample period of September 1, 2019 to October 31, 2019. The analysis shows overall sentiment in media as well as estimated audience exposure.

- Major topics of discussion were captured using keywords with leading trends. Results were weighted by estimated audience reach, measured in impressions, based on average total unique visitors per day calculated from estimated metrics provided by Alexa Data.
- Global sentiment per news item determined by an aggregate of sentence-level sentiment directed at identifiable entities and concepts; sentiment below a confidence level of 95% was defaulted to neutral/balanced sentiment. A second stage of sentiment analysis was applied based on a customer satisfaction model.

For Business Intelligence, we used analysis of business reports, syndicated study data, and investor research to better understand the link with reputation data and business KPIs—including from Deloitte, McKinsey, U.N. SDGs, Statista, Investopedia, Gallup, WE, S&P, and the *New York Times*.

Business intelligence informed and added to media and reputation analysis.

MaxDiff methodology

To truly understand the relative importance of each Global Trend, and derive the top 10 list, we spoke with more than 200 Global Reputation leaders (C-level, VPs, Directors) across 18 industries, and in North America, EMEA, Asia Pacific, and Latin America, in the fourth quarter of 2019, then applied a MaxDiff discrete choice analysis technique. Respondents were asked to evaluate a grouping of trends for consideration—and then asked to select the most and least important as it pertains to managing reputation in the company they work for.



About Reputation Institute

Reputation Institute helps leaders at the world's largest companies build credibility with the people that matter most by delivering data-driven insights about how they are truly perceived. We do this with RepTrak[®], an unrivaled technology that provides actionable insights encompassing industry, competitors, and company-level analysis. Past and present clients have included Whirlpool, Barnes & Noble, the Estée Lauder Companies, JP Morgan Chase & Co., LEGO, P&G, Cisco, AB inBev, and Telefonica, among many others. For more information, please visit www.reputationinstitute.com.