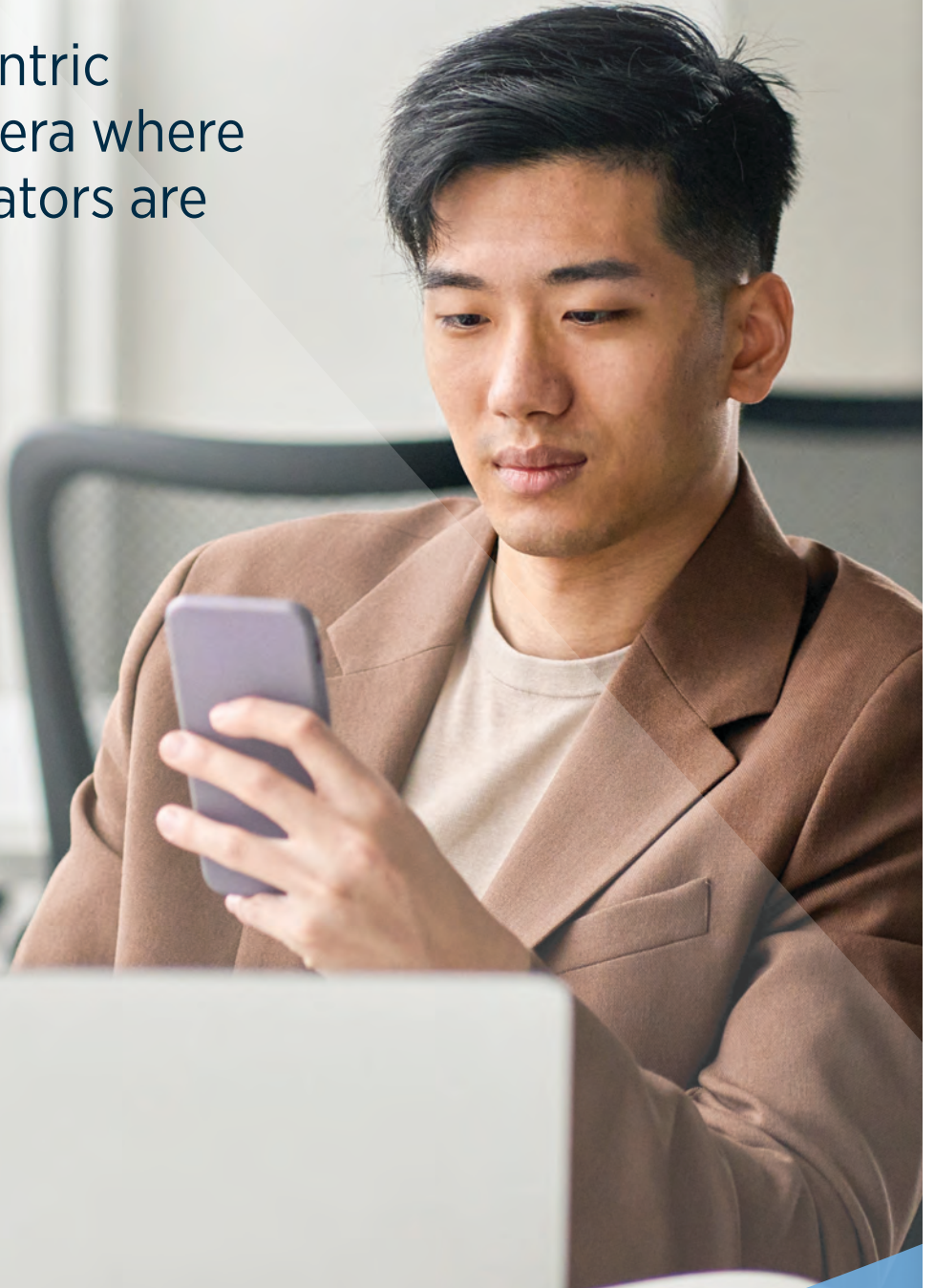


Preserving reputation amid rising mistrust

An employee-centric
approach for an era where
crisis communicators are
rarely off duty

SEPTEMBER 2024



Key Insights

1

In the current environment of “perma-crisis”, amid growing mistrust of institutions like media and government, businesses are finding it harder to anticipate reputational threats, making effective crisis management more challenging.

2

A record number of elections during 2024 is likely to add to political tensions and drive greater generation of “fake news.”

3

With a significant proportion of a company’s financial worth now represented by intangible assets, reputational risk is effectively equal to financial risk, and reputation management is increasingly important to financial stability.

4

Despite these challenges, the business sector has an opportunity to build on a position of trust (with corporations deemed more trustworthy than government and the media) to bolster company reputations and protect the bottom line.

5

The typical crisis management approach of relying on the C-suite and crisis communicators to defend a company’s reputation via traditional media is no longer cutting through. Firms must pivot towards an approach that is bottom-up, with a growing emphasis on internal communications.



Preserving reputation amid rising mistrust

An employee-centric approach for an era where crisis communicators are rarely off duty

Businesses are finding it harder than ever to anticipate and respond to reputational threats in a rapidly evolving risk landscape, characterized by a high frequency of global shocks and AI-fueled [disinformation](#). It is making effective crisis management more difficult at a time when many communicators are already suffering from fatigue.

This Spotlight report, in partnership with RepTrak,¹ considers how the risk landscape has evolved and why, given growing mistrust of the media and public figures, companies should rethink how they manage risks to their brand and reputation. Crucially, it considers how best to build and maintain a high-trust organization with a focus on employees as brand ambassadors.

¹Established in 2004, The RepTrak Company owns the world's largest reputation benchmarking database, gathering over 1 million company ratings per year used by CEOs, boards, and executives in more than 60 countries worldwide. For more information, please visit: www.reptrak.com

The importance of mitigating reputational risk

Companies are existing in a state of “poly-crisis”, also known as “perma-crisis”, and it is starting to show. In just the past four years, we have witnessed:

- A major pandemic;
- The proliferation of wars and trade conflicts;
- Rising levels of polarization linked to shifting geopolitics, the rise of social media, disinformation campaigns, and widening gaps in wealth inequality; and
- The exponential proliferation of AI-driven fake news.

Over the past five years, there has been an escalation in the magnitude, pace, and connectivity of major events. The impacts extend far from their region of origin, affecting supply chains, financial markets, and public sentiment more broadly than ever. It is becoming almost impossible to predict where the next curveball will come from.

The potential threat to a company’s financial strength from reputational damage is very real. To put this into context, a 2020 study suggests that intangible assets (including brand and reputation) represent up to 90% of the market value of S&P500 companies.² So reputational damage can be very damaging indeed.

However, reputation is not a risk in and of itself, but an outcome of other risks. Events that trigger a decline in reputation can come from almost anywhere, including cyber attacks, product recalls, criminal acts, damaging headlines, and rumours on social media.

As such, it can be challenging to include reputation as a distinct category within an enterprise risk management (ERM) framework. Most organizations lack metrics with which to effectively monitor the financial impact of a reputation event, and this makes it difficult to manage.

The rise of AI-fueled disinformation

Issues around fake news are proliferating. Propaganda has long played a role in politics and war, but there is a growing recognition that fake news is being taken as truth, regardless of reality. This hotbed of mistrust and intolerance is being exacerbated by the [many elections in 2024](#).

Meanwhile, generative AI is being used at scale to create written, audio, and visual content. It is an opportunity but also a challenge, with AI and machine learning being used to distort the narrative around politics, institutions, and/or individuals.

“The proliferation of fake news and misinformation on social media is becoming a major issue that is not only threatening businesses but is also increasingly seen in conflict zones. The concern for our corporate clients is that, because of the way social media is now being used and digested, anything posted online about their organization may be taken as truth. It almost doesn’t matter anymore whether it is true or not.”

— **Laura Hawkes, Head of Intelligence,**
AnotherDay, A Gallagher Company

“The quantum leap in artificial intelligence means that this technology is now available to pretty much everyone. In 2016, troll farms being run out of St. Petersburg — most famously the Internet Research Agency, led by the late Yevgeny Prigozhin — were attempting to influence the US elections. Today, you can get AI to do it.

In 2024, the largest election year in history, there is potential for disinformation to be a lot worse, especially if there are no proactive measures in place to deal with it.

— **Jake Hernandez, Chief Executive,**
AnotherDay, A Gallagher Company

A new era of crisis management

The global pandemic highlighted some of the key crisis management “gaps” many companies were facing, including a lack of clear roles and responsibilities and poor preparedness. It also prompted a major shift in how organizations view crisis management, driven in large part by the speed of onset, pervasiveness, and shifting parameters of the event.

Many firms lacked the ability to de-escalate and return to business as usual, leaving them caught in a continuous crisis loop. Business leaders must preserve their company’s brand and reputation if they want to protect its market value. But they are fatigued after four years of battling crisis upon crisis.

According to health and security service firm International SOS, 80% of senior risk professionals anticipate that burnout will have a significant impact on their business over the coming year, with only 40% feeling equipped to deal with that.²

Becoming an all-weather organization

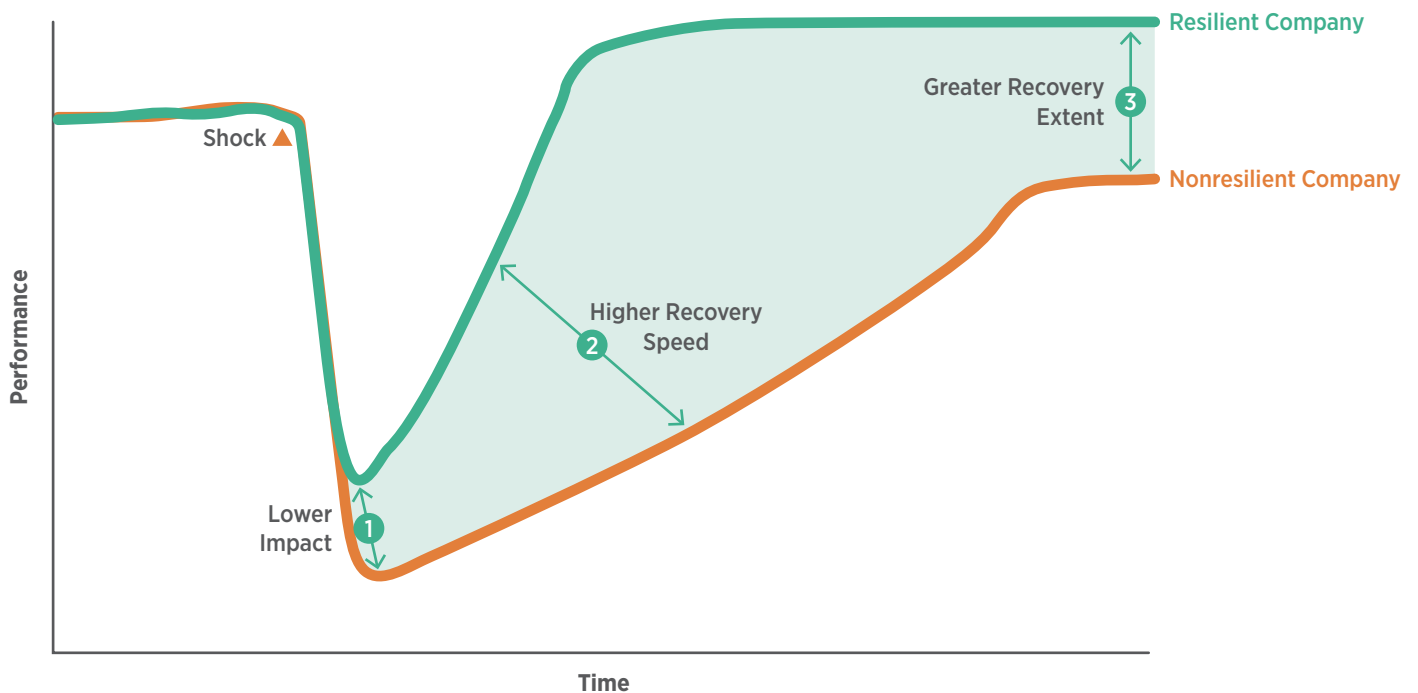
Despite a constant bombardment of shocks, it is estimated that 15% of companies can outperform their peers in more than 80% of crises.³ So what do they do differently?

Key characteristics these organizations share include:

- The ability to think long-term, scan the horizon, and anticipate the unexpected;
- The ability to effectively communicate their business goals by fostering a culture of “collective action”;
- The ability to maintain operational flexibility, allowing the company to react quickly to changing circumstances, and
- The ability to identify opportunities, even in the midst of a crisis.

While resilient organizations rely on their leadership to set the risk appetite and overall strategy of the business, they empower their people to feed back on the delivery of that strategy. This includes maintaining effective frameworks for whistleblowing.

Resilient companies enjoy better outcomes on three fronts



Source: Courtesy of Boston Consulting Group and the BCG Henderson Institute⁴

⁴AnotherDay, a Gallagher Company, is a specialist consultancy firm working with insurers on strategic risk advisory encompassing cyber threats, geopolitical intricacies, and climate change implications. The AnotherDay team work in conjunction with Gallagher’s core insurance broking businesses as a complementary risk management and consulting service for clients.

“Polycrisis, or permacrisis, is a state of crisis that never actually goes away. It has a huge effect on crisis management and reputation management because you’re never off duty. Instead of having a gold team that rallies around when there’s a problem, your gold team is always deployed and must continuously test its ability to respond.

While the gold team is run by the leadership, who also sets the risk appetite of the business, there is a need to empower people at the shop front to report on those risks, so there is two-way communication on potential crises.

Risk managers, who are always seeking to understand how to solve problems, are well equipped to play a leading role in supporting the organization and its people in a crisis, and are therefore an incredibly important part of a more collaborative approach to reputation management.”

— **Julia Graham, Chief Executive, AIRMIC**



Putting more faith in your own experience

So who and what do people trust in this world where algorithms have created echo chambers, the news agenda is becoming ever more salacious, and society is bombarded with one shock after another?

Increasingly, people trust themselves and their own first-hand experience. This includes their experience of their workplace and the organizations they interact with on a regular basis.

According to the 2024 Edelman Trust Barometer, the business sector is the most trusted of the institutions ranked, ahead of NGOs, the government, and the media.⁵ Employers are trusted in 27 of the 28 countries surveyed, with respondents placing more trust in their own CEOs than other CEOs, in contrast to widespread distrust for journalists and government leaders.

This vote of confidence in the business sector comes despite an overall decline in trust over the last decade. Trust therefore needs to be earned more widely by organizations.

Decentralized communications

The traditional crisis management approach has been top-down, with the CEO communicating the company's message via traditional media outlets. But trust in mainstream media is on the decline, and companies are placing more emphasis on improving communications overall, starting within the organization — strengthening brand perception and company culture in the process.

The fact that employees are more likely to trust their co-workers and their own CEO sends a clear message: It has never been more important to have a strong culture if you want to build trust within an organization.

Reputation risk management strategies are shifting from an “outside-in” only approach to encompass an “inside-out” approach to external dialogue and, internally, from a “top-down” to “bottom-up” discussion. This approach to reputation risk management is akin to putting up a smoke detector to mitigate fire risk. It enables the organization to respond quickly to a fire before a blaze gets out of control.

What does this mean in practice?

- Internal communication is becoming more of a two-way dialogue between staff and senior management; and
- Responsibility for delivering authentic messaging about the company is shifting within the organization.

Whether or not organizations explicitly factor reputational risk into an ERM framework, it is important to have a structured approach to managing reputational risk. This should include multidisciplinary discussions that draw upon perspectives across a range of stakeholders with differing opinions and beliefs.

Improving internal communications

Strengthening communication channels means that companies need to engage more directly, with their stakeholders, including staff. Virtual town halls have the advantage of being inclusive. Such interactions are useful for gathering data on employees' views across a range of topics, as well as being a forum to effectively engage an audience.

Firms that are able to build up a “well of goodwill” internally and externally, akin to money in the bank, can draw on this in times of need. High-trust organizations are better equipped to take a hit to their reputation without sustaining lasting damage. Conversely, low-trust organizations are more likely to face ruin.

“When you’re going through a business continuity plan, it’s almost guaranteed that the specific crisis that arises won’t be the exact scenario you planned for. If you have already established relationships with key people, know what needs to be escalated, and have your network of partners in place, you will be much more nimble in responding. That muscle memory and connective tissue are really what’s going to help the organization respond effectively.”

— **Lisanne Sison, Managing Director,
Enterprise Risk Management, Gallagher**





The seven drivers of reputation

Reputation can be seen as “the emotional connection between people and companies.” There are seven drivers of reputation linked to that emotional connection, which outline specific expectations people have in relation to a company, namely to:

1. Deliver high-quality products and services at a good value;
2. Be innovative and bring new products to market;
3. Treat their employees well;
4. Be open and honest in the way they do business;
5. Be a good corporate citizen and take responsibility for their actions;
6. Have a clear vision for the future of the company as well as their industry, and
7. Deliver strong financial results that will ensure that the company is around for the years to come.

Building a strong reputation means delivering on these seven drivers. Failing to do so will lead to stakeholders losing trust in the company and undertaking a range of reputation-damaging activities, including:

- Selling stock;
- Boycotting products and services;
- Not recommending the organization as a good place to work; and
- Sharing negative stories about the company.

Influence Channels



Source: RepTrak⁶

Keeping communication authentic

While social media as a communication channel is less “curated” than traditional media and consequently involves a relationship that is difficult to control, it also enables companies to communicate more easily and directly with key audiences. Given that people are generally more inclined to trust people like themselves, companies that empower staff to share the company message are more likely to be trusted by the wider public.

However, that communication needs to be authentic; it cannot be scripted. Authenticity only works when your people are able to tell the story in their own way. This approach is therefore not without risk. In giving staff agency to shape their own version of the company’s narrative, leadership loses some control over the messaging.

The issue comes back to company culture. Do you have an open and inclusive culture where everyone in the workforce is allowed to have their own point of view? And does your organization have the risk appetite to invite open conversation with the potential for disagreement?

Creating a strong and open culture to mitigate loss of control over your messaging is not without its challenges, particularly now that hybrid working environments have become a constant in many organizations.

“If we take the premise that traditional media channels are not as powerful anymore — that they have lost their influence because people are more sceptical towards them — then the good news is that, with the right technology, your company can communicate directly with your key audiences. The question then becomes, “Who is communicating on the company’s behalf, and do people trust them?”

“Research suggests we no longer trust the people in power, but we trust people like ourselves, and a company’s employees are people like ourselves. Therefore, companies that are able to make their everyday employees the face of the organization and the ones communicating issues are more likely to be trusted.”

— **Kasper Ulf Nielsen, Co-Founder, RepTrak**



The case for employee-centric reputation management

Reputation management is becoming increasingly important for financial stability. However, today's risk landscape is complex, interconnected, and highly volatile. Business leaders are more aware than ever that even good intentions can backfire, with reputational repercussions that can spread fast.

As trust in public institutions diminishes, the rules of engagement are shifting. Traditional approaches to crisis management are being reassessed. Trust is a valuable but scarce resource, and stakeholders are drawn to sources of stability, fairness, and consistency.

Grassroots messaging delivered by frontline staff is becoming a credible complement to traditional top-down communication. There is a clear business case for a culture that marries effective internal communication and high trust with employee engagement. This is how organizations maintain trust and build goodwill within the company and across wider stakeholder groups.



Citations

- 1 ["Intangible Asset Market Value Study."](#) *Ocean Tomo*, 2020.
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- 3 Reeves, M. et al. ["Becoming an All-Weather Company."](#) *Boston Consulting Group*, 09 Sep. 2020.
- 4 ["Exhibit 1 | Resilient Companies Enjoy Better Outcomes on Three Fronts."](#) *Boston Consulting Group Henderson Institute Analysis*.
- 5 ["2024 Edelman Trust Barometer: Innovation in Peril."](#) *Edelman*, 14 Jan. 2024.
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Spotlight



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