



INFINITE
GLOBAL



CORPORATE
REPUTATION AND
COVID-19:

THE ROLE OF
THE
NON EXECUTIVE
DIRECTOR

NEDA

NON-EXECUTIVE
DIRECTORS' ASSOCIATION
Developing Trusted Professionals



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A photograph of a modern, minimalist interior space. The scene is dominated by a central staircase with light-colored stone steps and dark metal railings. The walls are white, and the ceiling features three recessed circular lights. A large, semi-transparent purple circle is overlaid on the center of the image, containing white text. To the left, a doorway is visible with a fire extinguisher and a sign that reads "as03". To the right, another doorway is partially open. The floor is made of light-colored tiles.

“The question now is whether Covid-19 could prove to be a tipping point in terms of how corporate reputation is viewed and prioritised in the boardroom.”

Introduction

In the summer of 2020, Infinite Global and the Non-Executive Directors' Association ('NEDA') launched a new research initiative to obtain the opinions and experiences of Non-Executive Directors ('NEDs') regarding the impact of Covid-19 on corporate reputation.

This survey followed the Infinite Global and NEDA 2019 report, [**The Independent Voice, Corporate Reputation and the Role of the Non-Executive Director**](#), and served as a follow-up to the first Roundtable discussion in 2019 which explored the role NEDs have to play in corporate reputation management.

A modern office interior featuring a long, light-colored wooden conference table with several black office chairs arranged around it. The ceiling is high with exposed white pipes and several large, circular pendant lights. In the background, there are glass-walled meeting rooms and a wooden reception desk. A large, semi-transparent purple circle is overlaid on the center of the image, containing white text.

“The ethical or moral aspects of leadership decision-making, such as how businesses are treating their staff or whether they have accepted public funds, are now fundamental to the perception of and therefore reputation of a brand.”

Foreword

Our work with Infinite Global in 2019 indicated that corporate reputational areas required more attention and direct input from NEDs, especially as media, public and stakeholder scrutiny had increased substantially in the last five to ten years. The 2019 Report and follow up conversations helped shine a light on areas for improvement that were recognised by both NEDs and their boards.

The current Covid-19 pandemic crisis has presented boards with a situation that is unknown territory and executive teams have turned to NEDs in particular to help navigate a strategic, risk-based and even survival-level response, very much in the glare of a media keen to expose any flaws.

Reputational risk in particular has risen to the top of the list of important business issues. Indeed, from a boardroom risk dialogue perspective we have heard challenges to the traditional risk management approach with the need to be more 'real-time', scenario-tested and capable of dealing with emerging risks that can move very quickly from being on the horizon to front of mind.

This new body of research on NEDs and corporate reputation is a timely update and sense-check of how boards manage a complex crisis situation, as well as providing some very good insight into how NEDs respond. In particular, a supportive and positive outlook is expressed with a high level of optimism in seeking to turn a threat that has crystallised into an opportunity for change and improvement.



Louis Cooper
Chief Executive, NEDA

Executive Summary

With responses gathered from current or aspiring NEDs this survey provides a snapshot of boardroom decision-making at the height of the crisis, the centrality of reputation risk as a key focus, and the changing role of NEDs in advising on corporate reputation issues. Key findings include:

REPUTATION AT THE TOP OF THE AGENDA

Seven in ten NEDs (69%) said that reputational risk is now *the* most or one of the most important factors affecting board-level decision-making

RISING EXPECTATIONS ON NEDs

Two-thirds (66%) said they have been consulted more and contributed more to board discussions on reputational issues during the pandemic so far

COMMUNICATIONS AT THE CORE

According to nearly three-quarters (71%), communications have been a critical part of how their organisation has responded to Covid-19 with 88% saying that communications have increased during the Covid-19 response

SEIZING THE OPPORTUNITY

Most NEDs retain a positive outlook on the future and the vast majority (87%) believe that organisational opportunities will emerge out of the near to mid-term Covid-19 disruption

Ramping up reputation management

Covid-19 has propelled reputational issues to the top of the boardroom agenda, with NEDs taking an increasingly active role in shaping strategy.

Media and stakeholder scrutiny of businesses is nothing new, but the new landscape emerging in the wake of Covid-19 has significant implications for corporate reputation. Many of these implications were to some extent already developing prior to the crisis, but the disruption following the coronavirus outbreak has been the catalyst for their acceleration and prevalence.

Issues such as Environmental, Social and Governance ('ESG') performance have come to the fore, while the democratisation of influence driven by social media means anyone can be a champion or a critic of a brand. Covid-19 has turned up the spotlight glare, with the public, media, shareholders and other stakeholders paying close attention to how businesses are responding.

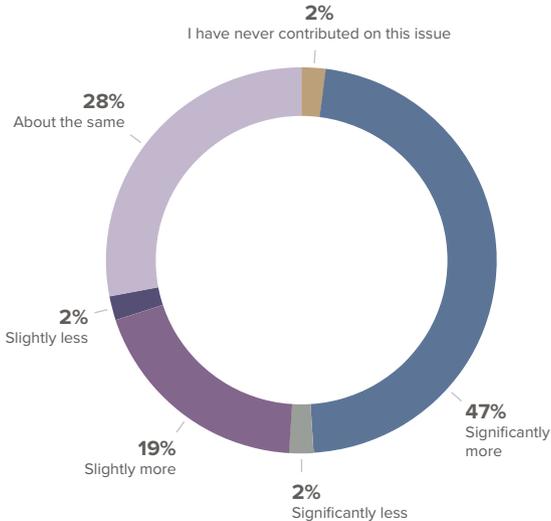
In this climate, NEDs are playing a more important role than ever before in shaping the communications agenda and doubling down on reputation risk management in the boardroom.

Two-thirds (66%) of respondents to our survey said they feel they have been consulted or expected to contribute more to addressing corporate reputational issues affecting their organisation during the coronavirus pandemic than previously. For many of those, the increase in focus has been significant, and that reflects another key finding: that reputational risk has shifted from being one of many issues on NEDs' radars to one of the most critical of all.

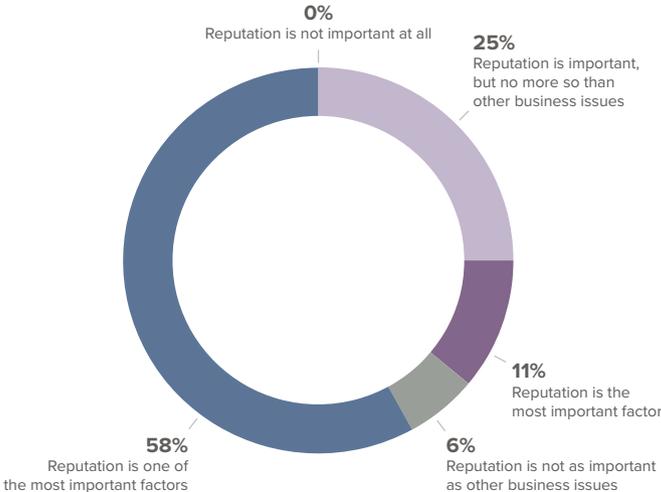
One in ten (10%) of the NEDs we surveyed said that reputation is the most important factor affecting board-level decision making regarding the coronavirus response, while a further three out of five (58%) said that it is one of the most important factors.

That speaks volumes about how keenly aware boards and their NEDs are that brand value is at stake and that how organisations handle the crisis (or how they are perceived to handle it) has the potential to make or break corporate reputation.

NEDS CONTRIBUTION TO REPUTATIONAL ISSUES DURING COVID-19 COMPARED TO 'NORMAL' CONDITIONS

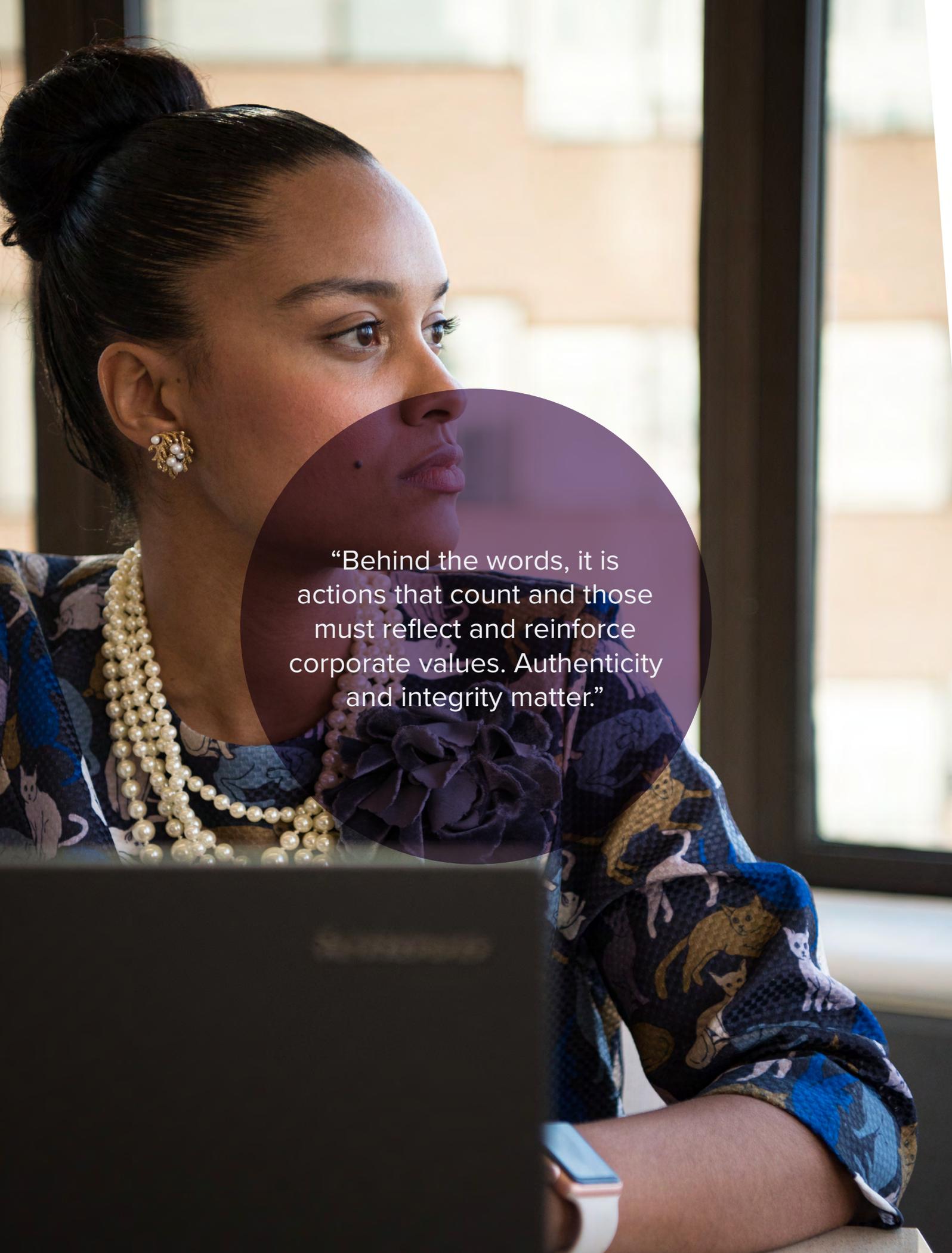


REPUTATION AS A FACTOR AFFECTING BOARD LEVEL DECISION MAKING IN THE CORONAVIRUS RESPONSE





“NEDs are playing a more important role than ever before in shaping the communications agenda and doubling down on reputation risk management in the boardroom.”

A woman with dark hair pulled back is shown in profile, looking out a window. She is wearing a dark blue patterned top with a large purple flower detail, a multi-strand pearl necklace, and a gold earring. A semi-transparent purple circle is overlaid on the image, containing a quote in white text. The background shows a window with a view of a building.

“Behind the words, it is actions that count and those must reflect and reinforce corporate values. Authenticity and integrity matter.”

Corporate communications: owning the narrative

With this front of mind, NEDs know that owning the narrative (as far as possible) and maintaining contact with stakeholders is vital in retaining brand relevance, delivering reassurance and sustaining brand loyalty.

Almost three-quarters (71%) of NEDs say that communications, both internal and external, have been a 'critical' part of how their organisation has responded to Covid-19. A further 13% rate it as an 'important' part.

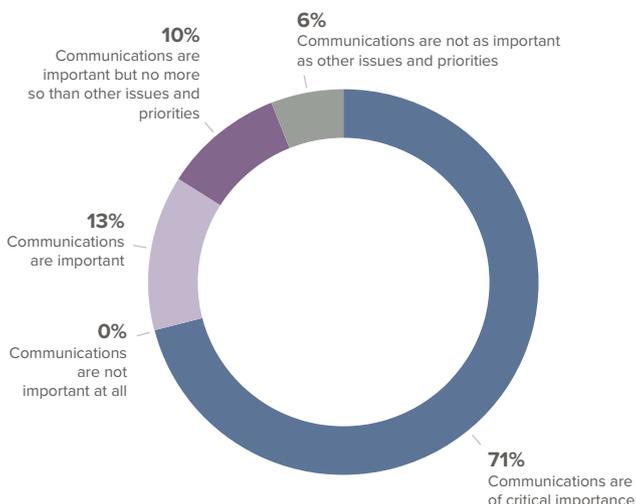
NEDs and the companies they serve recognise that trying to project an outward image is not enough if their key messages are to be heard and believed. Behind the words, it is actions that count and those must reflect and reinforce corporate values. Authenticity and integrity matter.

Communicating positively and proactively with internal stakeholders (including employees) enhances loyalty, boosts morale, increases transparency, builds trust and fosters goodwill. It also helps leverage a company's people as its brand champions, amplifying positive messaging via their own online and offline networks.

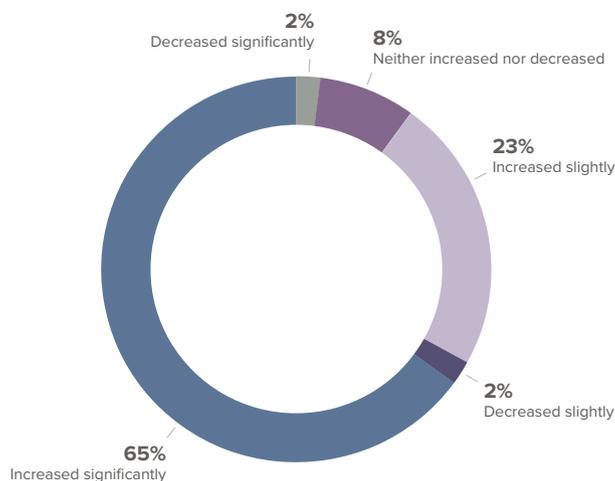
Momentum matters too. The overwhelming majority of NEDs reported an increase in the frequency of communications, with 65% seeing a significant increase during the initial phase of the pandemic where the thirst for information and reassurance was at its peak. As the crisis has evolved the imperative to communicate has evolved, with the onus on volume and speed beginning to give way to value and originality. Communications now must be mindful of 'information fatigue' as they seek to cut through the noise and strike the right chord.

The question now is whether Covid-19 could prove to be a tipping point in terms of how corporate reputation is viewed and prioritised in the boardroom, and the growing role NEDs will be expected to play in influencing reputation strategy and delivering independent oversight on it. With their commercial acumen and their external perspective, NEDs are ideally placed to provide the fresh insight and impartiality that businesses need to look themselves in the mirror, and to help spot hidden or emerging risks.

THE IMPORTANCE OF COMMUNICATIONS IN BUSINESSES' COVID-19 RESPONSE



THE CHANGING FREQUENCY OF CORPORATE COMMUNICATIONS DURING THE COVID-19 RESPONSE



The shifting sands of reputational risk

The factors that influence reputational risk have evolved, with the impact of Covid-19 shaking up perspectives on what really matters

With many commentators talking about the “new normal” or the “next normal”, there is a strong sense that things will never be the same again. Business-as-usual is taking on a new meaning and therefore what constitutes reputational risk will inevitably need to change too.

Comparing what NEDs saw as priorities before and after the onset of the pandemic shows how tangibly the landscape has changed. Pre-Covid, regulation and compliance were the most pressing reputational concern according to NEDs, followed by profitability and ESG issues. Indeed, profitability was the most selected number one factor affecting corporate reputation.

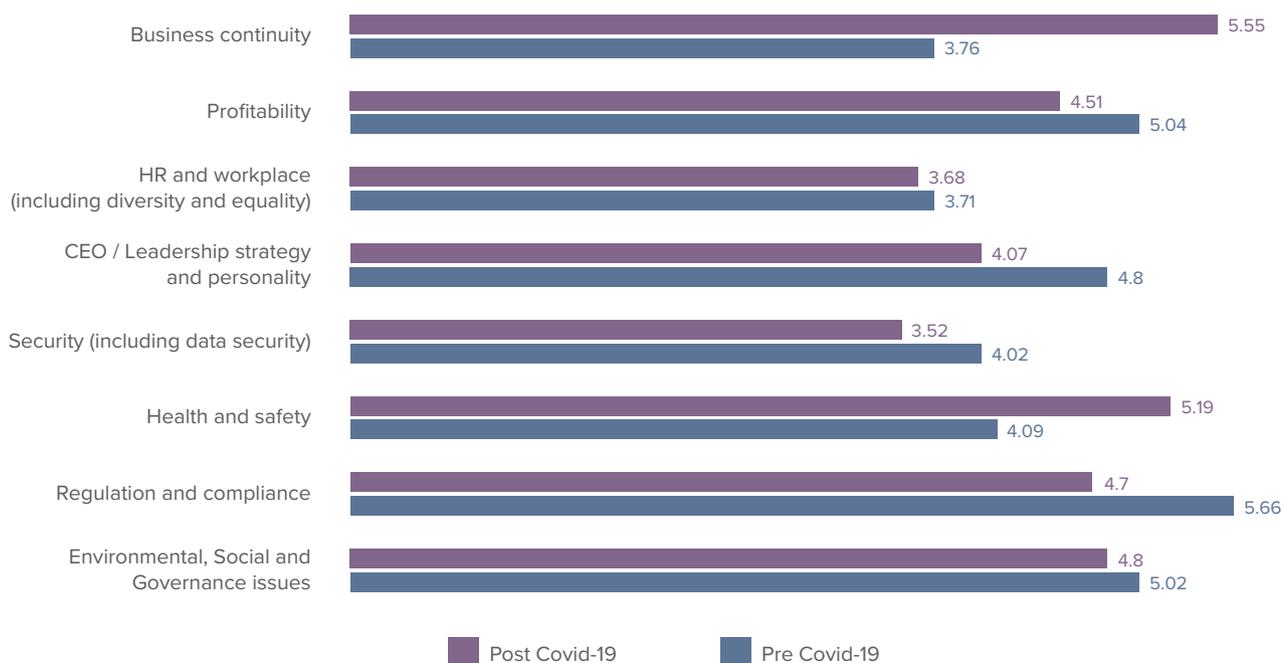
Now, business continuity and health and safety are top of the list, while ESG is third.

Interestingly, though, HR and workplace issues, including diversity and equality, scored relatively lowly on the NED reputation risk register. This is despite NEDs confirming that treatment of staff and health and safety were the most pressing issues being dealt with as part of the Covid-19 response.

There is a fundamental lesson here which NEDs and their companies must reflect on.

Previously internal issues, such as workplace environment, HR policies and company culture are now fully externalised reputational factors. The experience of Covid-19 has demonstrated that companies must communicate with, and about, their people and will be the subject of scrutiny should they be perceived as being opaque or not matching words with deeds.

NED REPUTATIONAL RISK REGISTER PRE AND POST COVID-19
(weighted average score in ranking of priorities)



Boards have faced another test in the wake of Covid-19 through the handling of the ‘Black Lives Matter’ movement and the acid test for many organisations seeking to solve the challenges posed by the new normal will be how they go about instilling diversity (including diversity of thought) and attracting and retaining the best and brightest. This means ensuring company culture is a brand asset not just a reputational risk area.

Similarly, NEDs marked ‘support for charities and communities’ as the reputational factor which has been least pressing in their organisation’s Covid-19 response. This tallies with NEDs reporting ESG issues falling slightly down the reputational risk register. While, clearly, much of the focus in the early stages of the Covid-19 crisis was on businesses ensuring their own house was in order, there is a growing perception that businesses have a wider societal role to play and a responsibility to be a positive force on social and environmental issues. Even prior to Covid-19, research has shown that employees expect companies to work to solve society’s challenges¹, and the continued growth in interest in ESG-linked investing²

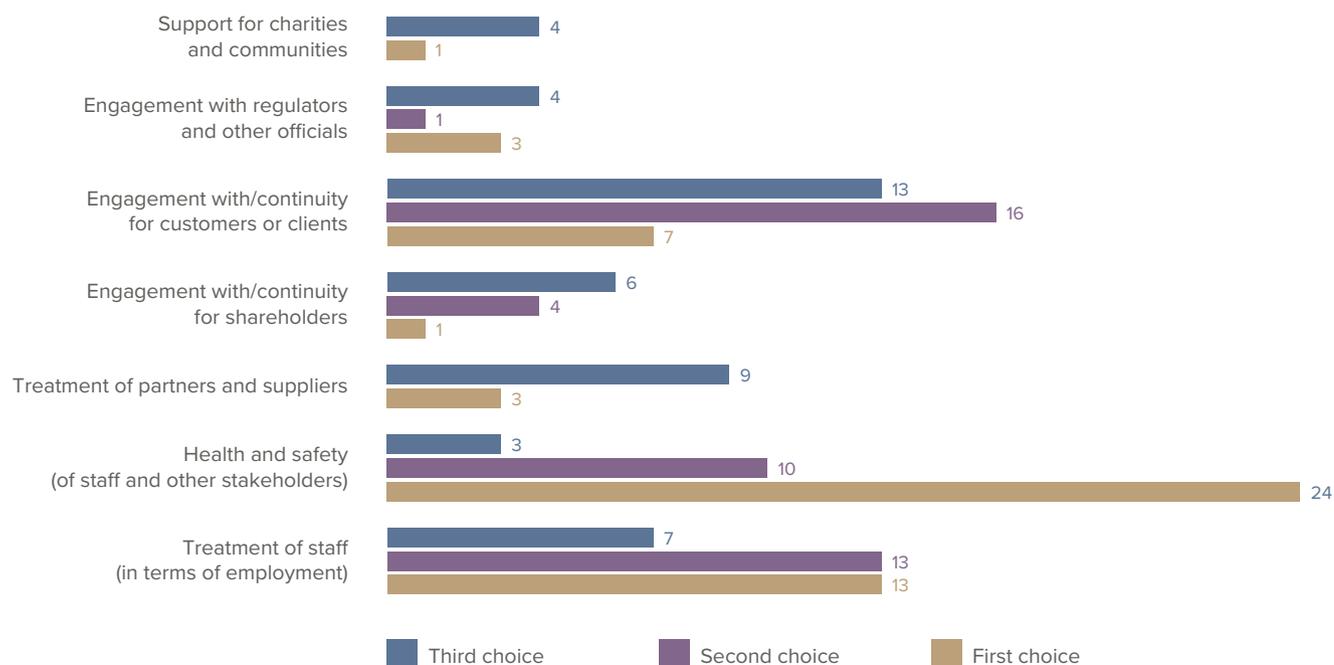
shows that responsible business is circular. As the Covid-19 and subsequent economic crisis have continued we have already seen the spotlight return to business ethics, including regarding companies’ use of public support funds. With this rising scrutiny added to new proposals from the FRC for corporate reporting to include a ‘Public Interest Report’ we would expect social and environmental credentials to increase as a key reputational factor.

More generally, NEDs, like the businesses they advise, must be prepared for the unexpected. Juggling such a wide range of rapidly changing imperatives is part and parcel of the role of a NED. Managing the interplay between keeping operations going on the one hand and keeping staff safe on the other is first and foremost a logistical challenge, but it is also a reputational one.

¹ Gartner: <https://www.gartner.com/smarterwithgartner/when-and-how-comms-should-engage-in-contentious-social-issues/>

² A survey for JP Morgan showed that 55% of investors expected Covid-19 to be a positive catalyst for ESG investing: <https://www.jpmorgan.com/global/research/covid-19-esg-investing>

MOST PRESSING REPUTATIONAL FACTORS IN COVID-19 RESPONSE



Lessons from the Covid response: three phases of focus

After the initial rapid response, businesses are about to enter a new phase in which scrutiny of corporate behaviour is likely to intensify, while tough business decisions remain. Pragmatism and ethics will need to go hand-in-hand.

In their seminal work “The Reputation Game”, Rupert Younger, director of the Oxford University Centre for Corporate Reputation and David Waller, an author and former journalist, identify two key ‘types’ of reputation. These are: *capability*, meaning perceptions around ability or competence, and *character* which is described as “perceptions about how we go about what we do”.³

Tough times are often said to be character-building. That may be true, but it is also true to say that they are capability-and-character-testing. The response to reputational risks requires careful attention to both capability and character.

As the pandemic began to take hold, capability was central to the response with companies seeking to demonstrate that they could continue to function and that customers and clients would continue to receive their goods or services with as little disruption as possible. But, even at this early stage, companies were careful to stress that their first principle was safeguarding the health and wellbeing of their people and stakeholders – character was already at the fore, and has continued to rise in importance. The ethical or moral aspects of leadership decision-making, such as how businesses are treating their staff or whether they have accepted public funds, are now fundamental to the perception of and therefore reputation of a brand.

In an examination of the critical reputational issues emerging from Covid-19 and its subsequent lockdown and recession, Infinite Global has identified three distinct phases of strategic focus in terms of the risks faced, and how media and public scrutiny are evolving over time.

Phase 1 — Reaction and Response

Phase One is the initial “Reaction and Response” phase when businesses had to move quickly at the onset of the outbreak to activate business continuity and crisis planning to protect the wellbeing of employees, preserve essential value chain systems and sustain normal operations as far as possible. At this time, media attention was primarily fixed on governments’ responses, with businesses benefiting from a relatively benign media environment and an overall feeling of ‘we’re all in this together’. The finger of blame was not easily pointed as happens in many corporate reputational crisis. This situation has now changed.

Phase 2 — Resilience and Recovery

Phase Two consists of two parts which must be handled simultaneously. On the one hand, organisations need to focus on “Resilience and Recovery”, which for many will include making difficult decisions around redundancies and restructuring, amid stalling revenues and poor prospects for growth.

Maintaining employee engagement and morale will become more challenging and more essential. Shareholders will be watching closely and litigation risk looms large, from contentious employment disputes to contract issues or insurance claims. At this point, the media will be on high alert for any hint of commercial difficulty, leadership missteps or individual wrongdoing, and questions around corporate governance may grow.

Reflection and Reorientation

On the other hand, while dealing with these challenges, corporate leaders and NEDs must at the same time enter a period of “Reflection and Reorientation”. Stakeholder expectations of how businesses should operate are starting to shift markedly, and as they do, the nature of reputational risk changes too. Attitudes to corporate behaviour may harden and new ways of working could be a focus for critical debate. In Phase One businesses could reassure themselves that they were not alone in facing unprecedented circumstances. But the finger of blame having initially been pointed at no-one is now potentially pointed at everyone. Corporate activity is under the microscope, at least partly driven by the heady amounts of public finance which have been invested to help keep businesses afloat.

Overlaying all of this, debate regarding the role of business in society and the nature of good corporate citizenship will get louder. The way companies treat their staff, suppliers, customers and communities – and the extent to which those actions mirror brand statements around values, principles and ethics – will be held up for

inspection and called out where they are found to be wanting. This is not a new phenomenon, but it is one which is likely to intensify as the Covid situation plays out.

Phase 3 – The embedded “New Normal”

These factors together contribute to Phase Three, or the so called “new normal” in which all of the lessons learned during the crisis must be acknowledged and followed up. Boards and NEDs will need to recognise and understand how the rules of engagement have changed – namely that new expectations of corporate behaviour are here to stay and that these have become ‘hygiene factors’ rather than brand USPs. If Phase One was a jarring reminder that every organisation and every NED needs to undertake rigorous planning around a comprehensive range of scenarios, then Phase Three is the time when boards must demonstrate that they are putting this into practice.

³ <http://www.oxfordfuturesforum.org.uk/sites/default/files/2018-07/reputationissue20pdf.pdf>

| C 19 & LOCKDOWN RECESSION PHASES OF REPUTATIONAL RISK | | | |
|---|---|--|--|
| PRE-C19 | PHASE 1 | PHASE 2 | PHASE 3 |
| OLD NORMAL | REACTION & RESPONSE | 1: RESILIENCE & RECOVERY | EMBEDDED NEW NORMAL |
| Established rules and understood risk exposure BAU management of reputational issues | Focus on business continuity and employee wellbeing Critical maintenance of supply chains Crisis management where required Media focus on government and intergovernmental organisations | Redundancies, restructuring, stalling growth Curation of corporate narrative Litigation risk Employee engagement and morale | Rules of engagement changed New expectations of corporate behaviour increasingly become hygiene factors |
| C19 CRISIS OCCURENCE | | SIMULTANEOUS STREAMS OF REPUTATIONAL FOCUS |  |
| | | 2: REFLECTION & REORIENTATION | |
| | | Understanding new dimensions of reputational risk Shifting expectations of corporate behaviour New attitudes to ways of working Civil society advocacy and change Accelerated disruption of key industries | |

Optimism and opportunity

Crises are, by definition, challenging, but it does not follow that all outcomes must necessarily be negative over the longer term. NEDs can not only help boards navigate the turbulence, but also spot opportunities for improvement and change.

Few predicted the Covid-19 pandemic and its impact on the health of the global economy as well as the health of the global population, not even the World Economic Forum in its annual Global Risk Review undertaken in January 2020. Indeed, less than one in ten NEDs reported that their organisations foresaw or planned for any risk associated with a pandemic or similar situation. Although almost a quarter (23%) reported that it was picked up as part of their company's general Business Continuity or Crisis Management Plans, understandably perhaps, it does not seem to have been seen as a threat likely to materialise and requiring of specific pre-emptive action.

As we look ahead, uncertainty remains, but with the knowledge we now have about how the pandemic has played out so far, it is possible to carry out more targeted and informed scenario modelling and risk assessments, and to try and identify the best pathways to recovery.

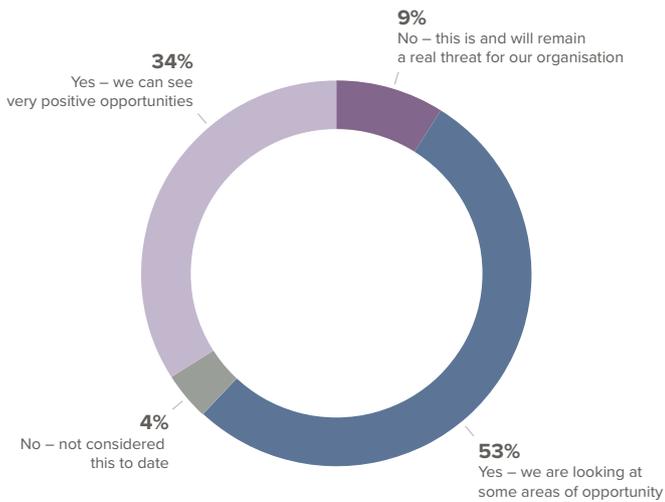
Despite all the unknowns, NEDs have a generally positive outlook.

More than three out of four (77%) say they are feeling optimistic for the future of their organisation and most (87%) see the potential for opportunities to be seized, highlighting that the current short to medium term disruption could be the catalyst for longer term positive organisational change.

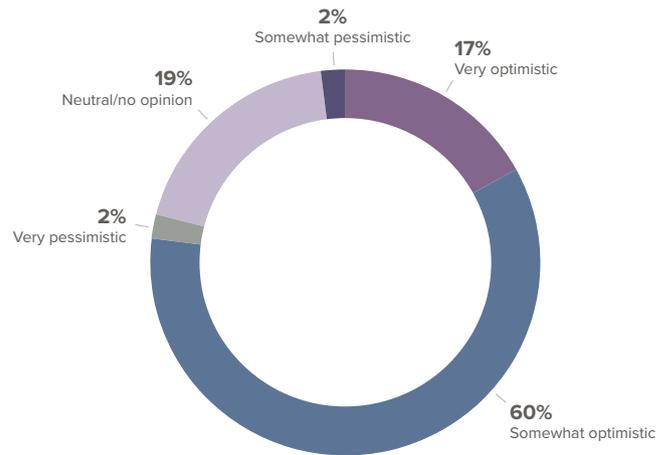
That positive attitude notwithstanding, NEDs are acutely conscious of the damage that has already been done and they are looking to the government to continue to provide assistance. More workplace health and safety guidance and regulation is one important way NEDs believe that central government can provide clarity to reduce risk and get people back to work, but financial concerns also weigh heavily.

In addition to direct financial support in terms of public investment to fuel recovery, NEDs also want to see indirect relief in the form of tax breaks, capital investment in infrastructure and the raising of taxes to help manage the public debt burden.

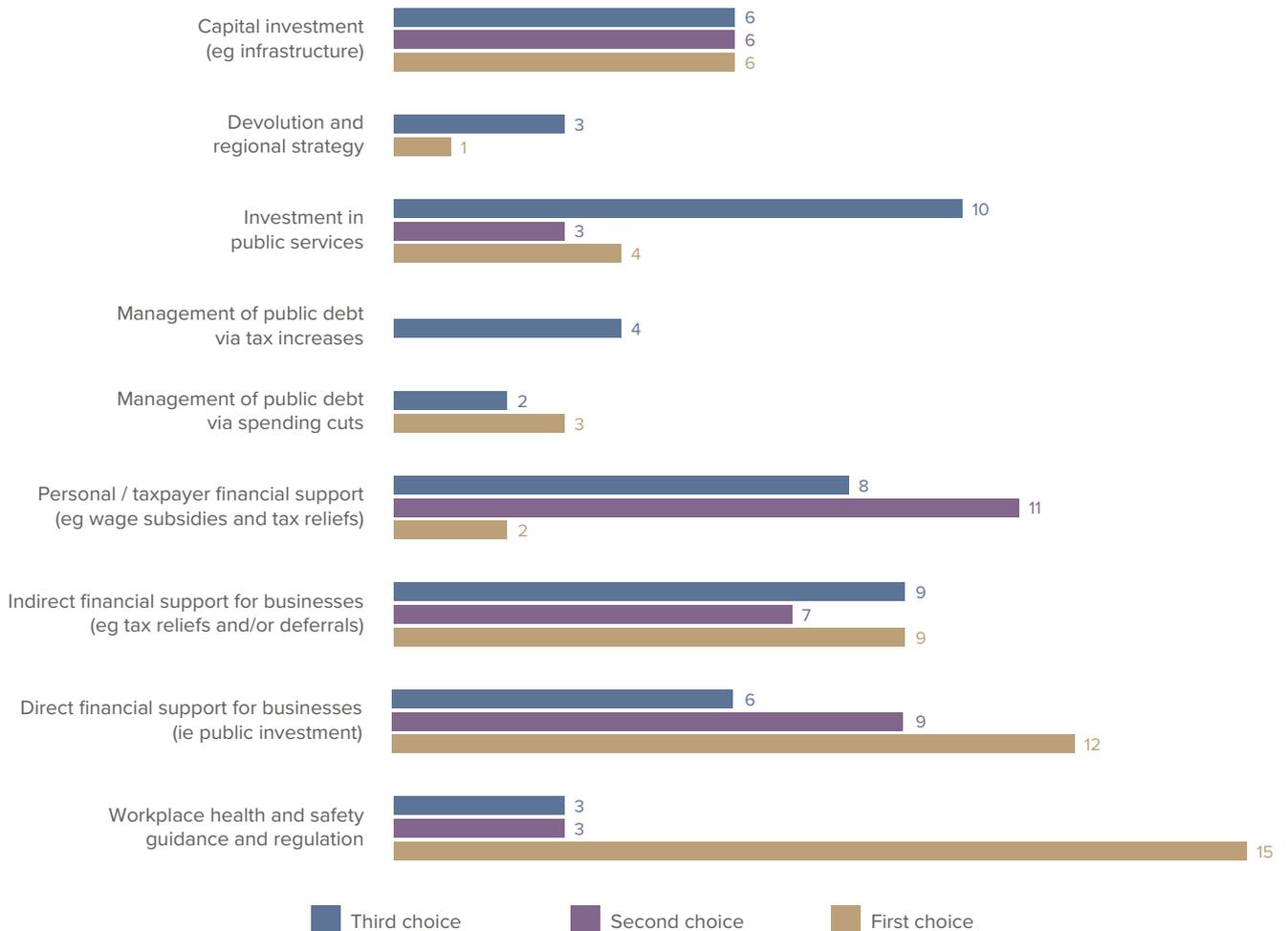
DO NEDS SEE THE CURRENT SITUATION AS AN 'OPPORTUNITY RISK' FOR THEIR ORGANISATION?



HOW OPTIMISTIC ARE NEDS REGARDING THE FUTURE OUTLOOK FOR THEIR ORGANISATIONS?



WHAT DO NEDS THINK SHOULD BE GIVEN THE HIGHEST LEVEL OF PRIORITY BY THE GOVERNMENT AS THE UK EMERGES FROM THE COVID-19 CRISIS?



Lessons for boards and future NEDs

Being a board director and NED during this Covid-19 crisis period has been a learning experience and will help to shape the next breed of NED. Particular areas to consider are:

- Capabilities and knowledge in risk management, stakeholder communications, commercial awareness and dealing with rapid change are now essential – a combination of technical and softer skillsets are needed.
- Boardroom diversity is even more important – NEDs need to bring a diversity of thought, an ability to challenge what were the traditional ways of working and be a catalyst for new ideas and innovation.
- More rigorous board performance evaluations and more formalised succession planning should draw on the lessons learnt from the pandemic experience to reaffirm the required blend of board directors now and in the future.
- The culture and mechanics of boardroom activity need to be re-assessed – shorter, sharper meetings need to focus attention on the key issues, whilst the adage “less is more” will help to reduce the volume of supporting board papers.
- Training and education programmes for boards and NEDs need to support a culture of Continuing Professional Development (‘CPD’) – the role of the board director is a professional undertaking which needs to be refreshed regularly, to keep updated and stay current.

The road ahead for reputation

Reputation risk remains a fundamental threat to organisations.

This has only been exacerbated by the implications of Covid-19, with new factors coming to the fore which define a company's reputation and brand value. In many ways the underlying principle governing this reputational shift is transparency. The corporate veil is lifting. This process had already started prior to the emergence of Covid-19 and is at least part of the reason why the response of businesses to the crisis has been under the microscope and in the public eye.

This has largely been driven by two pressures. On the one hand, the 'upward' pressure of stakeholder expectation and on the other the 'downward' pressure of regulation.

Various legal mechanisms and regulations, from new corporate reporting standards to gender pay gap disclosure have contributed to a climate of increasing transparency, but there is an expectation – from employees to the media – for businesses to go further. They must read the mood of their key stakeholders, and the general public, and communicate, and act, accordingly.

This may mean going above and beyond regulations and the letter of the law in the defence of reputation. Take, for example, those organisations who voluntarily published their gender pay gap reports when government removed the obligation to do so during the Covid-19 crisis, or those who have made the decision based on brand values to either refuse to take or even to pay back public monies received as part of the coronavirus job retention scheme. It will be those organisations who treat corporate reputation as a critical asset to be both guarded and cultivated that will prove most resilient as the new normal embeds.

NEDs have a key role to play. As businesses face up to the simultaneous challenge of increased transparency and scrutiny, stakeholder engagement is vital to ensuring the corporate response is authentic, responsible and trustworthy. NEDs are well placed and in a unique position to operate as an independent conduit for boards to more effectively engage with their wide pool of stakeholders and influencers ensuring that decisions are not taken in isolation and that reputational issues are spotted and mitigated early and effectively.

*Scott Addison, Head of Corporate and
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Infinite Global is an award-winning international communications firm providing PR, Branding and Content services.

Led by seasoned media professionals and top creative directors, we help complex businesses demonstrate their expertise to sophisticated audiences. Infinite Global has offices in London, New York, Philadelphia, Chicago and San Francisco.

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**NON-EXECUTIVE
DIRECTORS' ASSOCIATION**
Developing Trusted Professionals

NEDA seeks to support NEDs by providing a range of training, education, mentoring and advisory services to both individuals and organisations, across all sectors - corporate, not-for-profit and public.

The Non-Executive Directors' Association ('NEDA') was established in 2006-7 to "represent Non-Executive Directors and ensure they are properly trained and developed."

The demands of the role have increased. NEDs are seeking a greater understanding of the business and are expected to provide a healthy level of independent challenge to the status quo. Consequently, NEDs need to know the right questions to ask and when to ask them.

Understanding where the non-executive director fits into the corporate governance framework of a company is important on a number of levels, especially for:

- **anyone thinking about becoming a NED**
- **the newly appointed NED**
- **the established NED with a portfolio of roles**
- **the board looking at NED succession planning and**
- **individuals, such as company secretaries, whose tasks include assisting NEDs to fulfill their roles effectively.**



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