**How can HR build its reputation?**

Organisations are facing an unprecedented number of reputational challenges today. The recent events of Samsung Electronics scrapping its Galaxy Note 7 smartphone not only caused a fall of $19 billion in the company’s market valuation in one day, but also a major reputational crisis for the company as consumers will question whether to buy Samsung products.

Volkswagen is another company that has experienced a major reputation crisis following the emissions scandal of around 11 million cars worldwide. This has had significant ramifications on the company’s share price, the costs it has had to pay in fines as well as its reputation among customers, dealers and investors.

In the UK, Sports Direct has faced a difficult few weeks following investigations into the working practices of the company’s warehouses, leading to criticisms from unions, MPs and its own law firm around its labour and governance practices. Although the firm attempted to respond to this through a high profile PR event for journalists, this ended in some controversy as Mike Ashley pulled out a wad of £50 notes as he went through a security check.

HR is also facing numerous reputation challenges, with Harvard Business Review headlining its front page with the caption: “it’s time to blow up HR and build something new”. As a function of an organisation, HR faces a major reputational challenge on a number of levels. First, it is seen as too broad and including too many areas of responsibility. Second, it often lacks legitimacy, particularly when the Head of HR does not sit on the Board. Third, it is associated with negative activities such as grievances, health and safety, pay and performance management. It is telling that certain organisations such as Google and LinkedIn have abandoned the term HR because they want to distance themselves from any negative connotations associated with how HR is perceived.

So why should organisations care about reputation?. First, it enables them to attract and retain talent. Second, organisations with positive reputations are able to charge premium prices. Third, once organisations build a positive reputation for something, it is easier for them to build a positive reputation for something else.

We have conducted a wide range of research project in the Business, Institutions and Policy research cluster at the University of Exeter Business School. For instance, what do you do when the leaders of your global management consulting firm perceive it in a way which is starkly different from how your clients perceive the firm? Or what happens when you have created a set of organisational values for your hospital which many of your employees do not subscribe to? These are real life examples of different organisations which have faced major external and internal challenges to their reputations.

Other areas of research where reputation has played a substantive role in producing change are those of gender equality and corporate governance. An obvious symptom, illustrative of the challenges organisations face in this issue, is the demographic representation of women on corporate boards. There have been substantial changes in this field in the past five years with the Lord Davies Review on Women on Boards, and we have worked closely with government departments, FTSE listed organisations and major professional service firms in monitoring the 25% target set for FTSE 100 companies for 2015.

Reputation was critical for two key stakeholder groups: First, the executive search firms, who had been identified as gatekeepers to director positions. In taking on a change-agent role, they realised substantial reputational, as well as financial, gains. Second the FTSE Chairmen. Lord Davies, himself a former Chair of Standard Chartered Bank, was able to persuade his peers (with the help of our reports, which publicly ranked firms by their diversity of board) of the shifting unacceptability of chairing a white, all-male homogenous board. There were reputational benefits of being seen to be progressive.

HR’s crucial role in all this has been in shaping the conversation back at the office about gender equality and explaining the need for intervention. With a new focus on the pipeline into executive roles a number of the larger firms have publicly stated diversity targets at Executive Committee and levels below. The new government target has increased to 33% women on boards for all FTSE 350 companies by 2020 and the new Hampton-Alexander Review is likely to announce a target for the Executive Committee and their direct reports later this year – likely to be 30%. The HR function in those companies who have already set targets have enhanced their reputation internally, by embracing values and identity, linked to clear actions and accountability, and being ahead of the game. This, in turn, enhances the reputation not only of the function, but also their organisation with very public statements about gender equality.

Organisations around the world are facing different challenges around managing their reputations, which requires significant responses internally and externally. Notwithstanding some question marks around the status of HR, we argue that there is great opportunity to demonstrate its value as a function for managing the reputation of organisations. This would have both tangible benefits on an organisation’s bottom line as well as intangible benefits to its reputation, both of which serve to legitimise the value of HR as a function.

*This article is based on a talk by Professor Will Harvey and Professor Ruth Sealy from the University of Exeter Business School at the CIPD conference at the Eden Project on Wednesday 12th October.*