



# The rise of the antagonist

There is a groundswell of antipathy sweeping the corporate world and it is being fuelled by the rise of the antagonist. While it is positive that Governments, companies and institutions are increasingly being held to account, the pendulum is starting to swing to the point where firms are facing a tsunami of opposition and hostility. This uprising is causing new and taxing challenges for organisations' ability to engage their stakeholders and protect their reputations.

*Antagonist /  
an 'tag(ə)nɪst/  
noun: a person  
who actively  
opposes or is  
hostile to someone  
or something; an  
adversary.*

This change is a by-product of its times. Prior to the global financial crisis in 2008, economic prosperity allowed companies and their stakeholders to pursue a win-win approach as there was enough to go around for everyone. With the trauma of economic and social upheaval now a part of business and the broader community, stakeholder engagement has shifted to become a zero sum game. One party's win is another group's loss. Therefore, the activist is becoming an antagonist, and the play book is increasingly based on the notion that you have to lose for me to win.

There is often a principled zeal to this rise of the antagonist. Their opposition to industries are framed as a moral challenge – be that banking, coal mining and even the sugar industry. This fervour almost takes us back to the 19th Century, where there was a sentiment that behind every great fortune was a crime.

Capital markets are increasingly disrupted by investor activists. The media, facing its own existential questions, is investing heavily in investigative reporting to differentiate its offering. And in the online world, the rise of social media protest is adding velocity and complexity to the reputational challenges faced by business. What's more, we see companies increasingly viewing 'competitor depositioning' as an acceptable communications tool in the battle for reputational leadership.

Yet the agitation is not being inflicted solely by external forces. In some cases the threat comes from within, especially in organisations where the importance of cultural proactivity has been ignored and poor ethical practices have been accepted as part of doing business. The result is a workforce that feels neglected but now with the wherewithal to make their dissatisfaction public.

Some of this activism is having a positive effect on corporate behaviour. The value created for shareholders by activism is difficult to argue with, even if the experience is painful for Board members and their original strategic aims. And who can argue against the observation that a well-judged media investigation can be a force for positive change?

But whether it has a positive or negative outcome, Boards are increasingly feeling the heat from these agitators and lasting personal and corporate reputational damage can be done without the appropriate planning and response.

New antagonists are coming onto the scene every day and what we are now seeing is the culmination of a series of waves. It started with activist groups such as Occupy Wall Street. It then took root in the formal political process – first with opposition figures like Bernie Sanders and Jeremy Corbyn and then in government itself. Governments around the world have started adopting some of the antagonists' wish list. In response, activists have become emboldened and their calls more strident.

Technology is also changing the power equation. Pop up agitators can take on large corporates, who with structured reporting lines and disclosure laws, are sometimes at a disadvantage to the nimble decentralised activist.

In this environment, we are starting to see two trends emerge. First, is the prominence of the amateur agitator – groups who have traditionally not got involved in political or corporate issues. However, due to their commitment to a cause and the ease that social media affords them in building support and a profile, their arguments can gain significant traction. An example of this is in Australia, where one of the most prominent opponents of coal seam gas is a group called 'Knitting Nannas Against Gas'. A group of grandmothers, who when they are not knitting scarfs for their grandchildren, are protesting against non-conventional gas exploration.

The second trend is the commercialisation of agitators. This arises from groups who realise they can make money out of their activist campaigns. This includes business ventures that have come out of the consumer movement; shareholder activists that believe they can create value from their activist strategy; and even "black PR" firms who, like plaintiff lawyers from a previous era, use their skills against corporations.

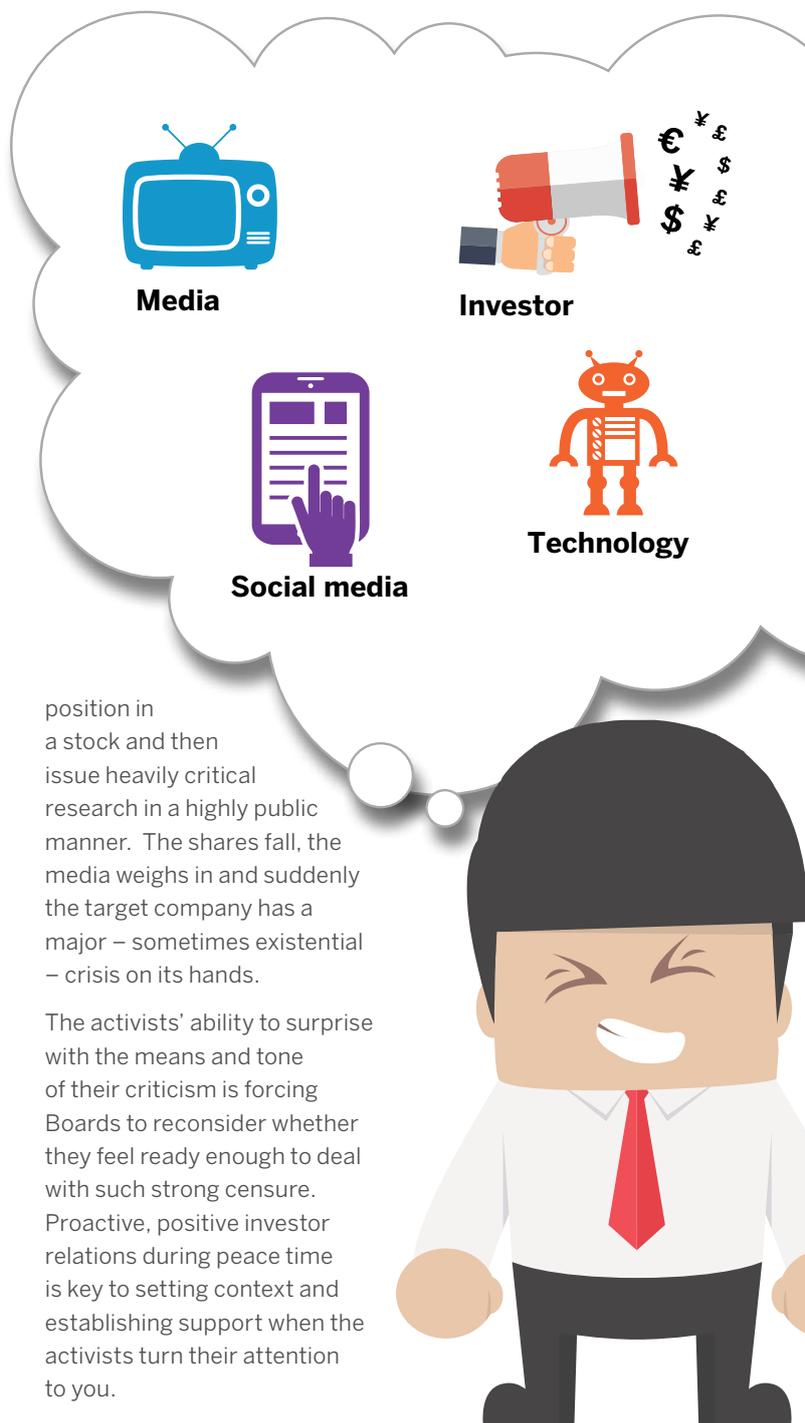
In addition to these new approaches, traditional activists are learning from the new wave of agitators. Today, if a trade union wants to effect change, they need not threaten a round of strikes, they can achieve many of their aims through an advertising campaign or social media blitz.

## THE ANTAGONISTS

This paper outlines the different areas where we are seeing increasing levels of antagonism and provides some considerations around how companies should best prepare and respond.

### Investor activism – the gloves are off

Investor activists are not a new phenomenon but perhaps their means of engagement is. Third Point's 'Broken promises' attack on Dow Chemical – with video and website - is a good recent example of the sophisticated measures that activists are taking to convey their dissatisfaction with the way a portfolio company is being run. The same with bear raids, where independent research companies will take a short



position in a stock and then issue heavily critical research in a highly public manner. The shares fall, the media weighs in and suddenly the target company has a major – sometimes existential – crisis on its hands.

The activists' ability to surprise with the means and tone of their criticism is forcing Boards to reconsider whether they feel ready enough to deal with such strong censure. Proactive, positive investor relations during peace time is key to setting context and establishing support when the activists turn their attention to you.

## Regulators – anything you can do...

In much the same way, some regulators are becoming increasingly media savvy in the way that they approach litigation cases against companies. Nowadays, we see regulators using the media not just to maximise coverage of a case, but also to influence the legal outcome. It is important that Boards aren't surprised by this when they enter into litigation. Preparation and relationships are key. Often it is as much in the regulators' interest to maintain good relationships with companies, so close partnership is important.

It is also important for business to understand the scrutiny that regulators face. Despite the intricacies of complex litigation, the media and politicians will simply want to know

– did the regulator win or lose. Likewise, although we

can all accept a 'buyer beware' approach to regulation, the community feels most comfortable when no one will be worse off, despite the behaviour of the investor or consumer. That is a very high high-jump bar for any regulator.

## Government – opportunity knocks

Sometimes, the most aggressive and damaging stakeholders in a crisis situation are political ones.

Because political pressure can be exerted on them, governments'

natural reaction is to side with those affected by a crisis. In this turbulent political environment, some governments feel their

reputations can improve if they come down hard on corporates. Given they are continually engaging with the media, the press will quote them liberally and watch their movements with keen interest.

Having a proper sense of the most influential – and outspoken – politicians and political commentators will be important. Get to know them during the quiet periods and make sure you understand what they need to be successful as much as getting them to understand your business.

## Employees – know your frenemy

Too many Boards fail to recognise the importance of culture and its role in protecting their business' external reputation. In too many instances, in recent years, we have seen endemic cultural problems have a lasting impact on reputation. Furthermore, according to FTI research, a third of employees say they would leak information about their employer's unethical behaviour. Employee loyalty is now shorter term and sites like Glassdoor and social media provide open forums for dissent to be expressed publicly. And in dispersed workforces

like Uber, it's hard to manage that cultural consistency and unsurprising when employees take to the courts to make their arguments.

Companies have to take the issue of employee engagement seriously. Our analysis shows that crises caused by endemic cultural malpractice cause far more lasting damage than all other incidents. Employee opinions and communications intended for internal eyes only will find their way into the public domain, so make sure the messages are consistent.

## Media – attack is the best form of defence

The traditional media industry is facing plenty of issues of its own – assailed on all sides by declining revenues, a loss of public trust, fake news and pressure from alternative news sources. In response, increasing value is being put on investigative reporting as a means of differentiation, and this is having a potent impact on the way that companies prepare to respond. Add to that the arrival of campaigning PR agencies that are hired by competitor firms to feed outlets with negative news and reputational defence is starting to look a lot more complicated.

There are two critical elements to responding to the media in the correct manner. The first is to ensure that you have access to the right information in the immediate aftermath of crisis. It is tempting to say something as quickly as possible, but it must be accurate. The second is to show empathy, especially in situations where people have been impacted, injured or worse. An authentic and genuine response counts for so much in a crisis. An absence of empathy can enrage and fan the flames.

## Social media – speed and complexity

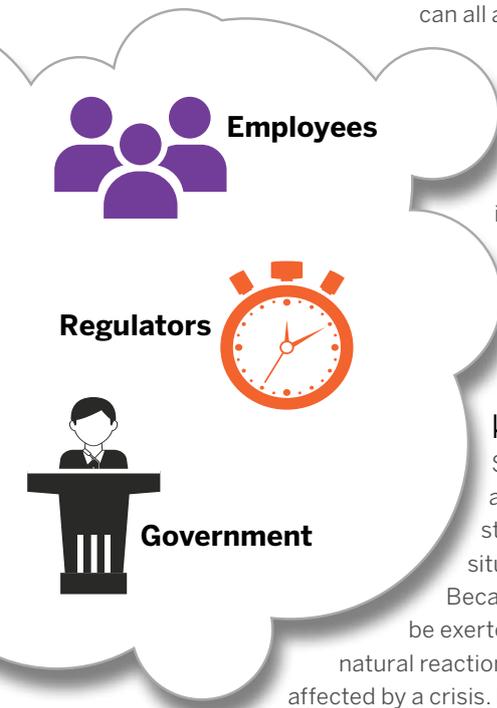
Of course social media adds yet another level of complexity to all of this and means that companies are expected to respond ever more quickly to an unfolding crisis. The rise of the citizen journalist means that everyone is a publisher and, as we often see, consumers are happy to be particularly vitriolic if they can hide behind the cloak of online anonymity. Furthermore, as we saw with the United Airlines incident, live video only adds further fuel to the flames.

This all adds even higher levels of emotion to crisis situations. The temptation to fire back in responding to aggressive accusations is strong. Companies need to test their crisis protocols under the most realistic and intensive conditions, in order to get a true feel for how a crisis might feel and evolve.

## Technology – bots and algos

And sometimes the antagonism doesn't even come from humans! Bots are amplifying news, retweeting and spreading news, regardless of its accuracy or levels of vitriol. This automation serves only to further increase the velocity of a crisis and machine learning also has the ability to reinforce the echo chamber for readers, which can often be bad in a crisis.

Taking these additional technology factors into account when planning your crisis response is vital. Where might online information go and how quickly might it catch fire? As ever, preparation and consideration of all eventualities, is critical.



## Conclusion

Many of the audiences that companies are dealing with are not new, but their means and sophistication of communication are becoming increasingly aggressive in tone and tactic. This is forcing organisations and their Boards to think differently about how they engage with these audiences and protect and promote their reputations. How to deal with these antagonists is a new and important consideration.

A recurring theme throughout this piece is that there is no substitute for being prepared. In an increasingly challenging corporate and political environment, management teams must take the threat of activism seriously and prepare to counter it across multiple fronts. The old adage of repairing the roof while the sun is shining has never been more apt.

This means having a crisis preparation plan to account for all outcomes. It means having a clear idea about which stakeholders will have most influence during a crisis – both positively and negatively. And it also means using 'peacetime' to provide context to your followers – what you are trying to achieve as a business and why – so that they understand the rationale for your response in a time of crisis.



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