Despite High Stakes, Companies Not Prepared if Something Problematic From Their Past Emerges, Survey Shows

History Factory’s new research also shows disagreements among executives, investors and consumers

CHICAGO – September 29, 2020 – Seventy-six percent of C-suite executives say they know about practices in their companies’ pasts that might conflict with today’s ethics and standards. But just 26 percent said they were very prepared if those actions come to light.

History Factory surveyed C-suite executives and their investors and customers in the United States and Canada to understand how they perceive the emergence of past practices or events that would now be considered unseemly (such as instances of racial injustice, financial improprieties, sex or gender discrimination, supporting potentially divisive social or political causes and environmental negligence), and the impact that revelations of such practices have on a company’s brand reputation. Everyone agrees that such revelations have an impact, but there is tension among the three groups that reveals dangerous blind spots for executives. These blind spots can only be addressed by gaining a fully informed understanding of where in their history the greatest risks lie.

Executives and Investors

- C-suite executives are far more concerned about the impact of unknown past racial injustices and somewhat more concerned about sex or gender discrimination than investors, who are significantly more concerned about past support for divisive social or political causes.

- Executives are more concerned about the damage that unseemly revelations may do to their brand equity. But investors are more concerned with the potential for media and customer backlash and lower valuations.
- More than half of investors surveyed would put specific contingencies on a deal after a problematic discovery was made and one in four would require the company to respond in writing to the claims. More significantly, 29 percent of investors said they would dismiss the investment opportunity outright.
- Among investors, 32 percent said they are very or somewhat unlikely to regain confidence in a company following the revelation of a past bad action – even if the company addressed the past action in ways the investors deemed appropriate.

Executives and Customers

- Executives were much more concerned about how their customers would react to racial injustice, financial improprieties and sex or gender discrimination. Even though those subjects are commanding so much current attention, consumers said they would react more negatively if the revelations were about potentially divisive social or political causes or environmental negligence.
- Three-fourths of executives said that they would expect consumers to regain trust in a brand based on corrective action, but only 56 percent of consumers surveyed said they would.
- Executives are also off track when it comes to what consumers would do if bad actions come to light: 60 percent of consumers said they would stop using a company’s product or service and 42 percent said they

would inform family, friends and others of the discovery – in both cases, a much greater percentage than the executives expected.

Consensus on Reparations

Most survey respondents – C-suite executives, investors and consumers – are in favor of reparations if instances of racial injustice are discovered in a company’s past. Otherwise, executives, consumers and investors also disagree on the most appropriate response to the emergence of an indecorous past practice.

Executives and investors both highly preferred company leadership personally acknowledging the wrongdoing, but consumers indicated fatigue with that approach. Interestingly, consumers and executives were more aligned around a corporate statement acknowledging wrongdoing, a much less popular option among investors. Consumers, compared with executives and investors, thought more highly of companies donating to a relevant charitable cause or when organizations lead a cause that is counter to the wrongdoing.