



Management Today



REPUTATION MATTERS

Modern leaders need a powerful narrative

Get your story straight, then walk the talk, say academic Tomas Casas Klett and World Economic Forum executive committee member Sebastian Buckup.

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‘Believe in something, even if it means sacrificing everything’. This is the message of *Dream Crazy*, the recent spot in Nike’s 30th anniversary *Just Do It* campaign. It is a classic Nike ad, elevating sports to a spiritual quest. And yet, it is different.

The man speaking those words is former NFL quarterback Colin Kaepernick who led the kneeling protests against racial injustice in the 2016 season. Kaepernick knows what he is talking about. No NFL team signed him since.

Corporate leadership at the top is about creating narratives that succeed in the competition for cognitive and affective bandwidth. By its endorsement of the controversial player, the company articulates a position in the narrative market, as it probably takes the most significant political stand in its almost 50-year history.

But make no mistake, it takes a business stand too: the campaign’s narrative is an invitation to a younger and more diverse generation of global consumers.

Narratives are among the most effective tools in humanity’s toolkit. By synchronising and legitimising our beliefs they make large scale cooperation possible.

In a world inundated with stories and ideas, winning in the market for

narratives has become a top priority, not only for growing market shares but also in pushing through norms and standards, establishing digital platforms, winning licenses to operate, or securing a new funding round.

Narratives are hence more than marketing. They are devices for leaders to reimagine their companies from the ground up. In her years as CEO of Pepsi, Indra Nooyi not only transformed the Pepsi image; she steered the consumer giant towards a more health-oriented product line. Pepsi soda accounts today for less than one-fifth of the company's product mix.

Unilever CEO Paul Polman is not just a vocal climate advocate; he also deeply integrated sustainable practices into his business, with the firm's 'Sustainable Living' brands accounting for a record 70% of its turnover growth in 2017. Philips CEO Frans van Houten is not only a pioneer of the *circular economy* narrative, but put the 126-year-old Dutch firm on track to generate 15% of revenues from so-called circular solutions by 2020.

That said, many businesses find creating a powerful narrative to be cheaper than living by it. High profile scandals such as Volkswagen's diesel emission fraud or Theranos' blood testing debacle not only damage the brand of individual companies but their narrative 'lemons' jeopardise the credibility of business and industry leadership.

Narrative leadership is more than making narratives stick. Narratives are open ended works of fiction but they relate to the real world through the behaviors they cause and are constituted by. The decision of a Starbucks manager in Philadelphia to call the police and have two black men arrested when it turned out they were there waiting for a friend, stood in stark contrast to the coffee chain's narrative of creating a culture where everyone is welcome. With its narrative at stake, the company decided to shut all its 8,000 stores for a daylong anti-bias training.

Narratives convert into sales and profits when they create belief that they help individuals, society and businesses leap into better futures. Yet, as the previous examples show, in the short- and mid-term narrative lemons do work. Too many lemons will make a lemon market, where lack of credible information

about the product or service will lead to a step-by-step decay of credibility.

Companies with genuine narratives might get crowded out by companies with superior communications, even as consumers and stakeholders are likely to eventually call disingenuous firms and narratives out. Narrative leadership is the design of quality narratives *and* the social responsibility to live by them.

By making Kaepernick the face of its new campaign, Nike walks the talk in the narrative arena. Narrative integrity comes at a cost: within hours of its launch its share price plunged (and has since recovered amid analyst expectation of strong quarterly results) and pictures of former Nike customers burning their sneakers went viral. Does this make the campaign a failure?

Time will tell whether the *Just Do It* narrative will convert at sports apparel markets – and maybe even influence culture. What is clear is that corporate leaders should not enter the narrative game for short-term gains. Or as one commentator put it, ‘Nike is marketing to their customer of the next thirty years, not the last thirty years.’

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