

REPUTATION

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COMMENT

ECB, OR CEB

At a dinner organised by AFME in London in mid October, Jean Claude Trichet delivered one of his last speeches as President of the ECB. In the audience were Mervyn King and senior players from within Europe's financial powerhouses. President Trichet delivered a characteristically concise and robust analysis of the financial crisis, separating it into three distinct phases. What was striking about all of them was the role played by reputation - the reputation for solidity of its institutions, the reputation of the Eurozone countries for unity of purpose, and the ECB's own reputation for acting with credibility. Indeed, President

in a very fragile environment and the ECB's reputation for credibility is going to be tested as the financial markets assess its actions over the coming months. It surely has never been more important for the ECB to in fact be a CEB - a Credible European Bank. **R**

ACTIVE INVESTORS

So, Nick Buckles, CEO of G4S, has survived the collapse of his proposed acquisition of ISS. And rightly so. He has built a strong reputation as a competent CEO building the business organically and where sensible via bolt-on acquisitions. It does not seem that the collapse of the ISS deal has dented this

But it seems clear that a bigger dynamic is at play here. Institutional investors have been attacked by many - including Lord Myners, a highly respected fund manager and former City minister - for being inactive stewards of their investments, and have woken up to the fact that this reputation could seriously damage their ability to retain and generate assets under management and therefore fees. Companies and advisers beware - more active investor engagement and oversight looks set to become a much more regular feature in future M&A. **R**

“WHAT WAS STRIKING ABOUT ALL OF THEM WAS THE ROLE PLAYED BY REPUTATION - THE REPUTATION FOR SOLIDITY OF ITS INSTITUTIONS, THE REPUTATION OF THE EUROZONE COUNTRIES FOR UNITY OF PURPOSE, AND THE ECB'S OWN REPUTATION FOR ACTING WITH CREDIBILITY”

Trichet was explicit about the importance of preserving this reputation of the ECB within Europe's financial markets. Without credibility, he said, the ECB could not be effective in its actions. It is clear that the reputations of Europe's institutions - Governmental and non-Governmental are in the spotlight in the Eurozone and that the stakes could not be higher. ECB's reputation for credibility is its licence to operate and its power when it acts. Many take the view that the ECB - and in particular President Trichet - have generated credible reputations and that these reputations has been wielded very effectively during the course of the last decade. But we are now

reputation - as evidenced by the support given to him by institutional investors following the decision to abandon the bid. But what of his reputation for M&A? This is likely to be more closely scrutinised, and he has certainly drawn down some of the natural goodwill that he has so carefully built up over the last 6 years as CEO. There may be calls for the Chairman's head, and this may well be a reasonable ask. After all, it is the Board's job to scrutinise and approve major transactions and the Chairman has to take ultimate responsibility for these decisions. Likewise the Group's advisory team might be in for an uncomfortable ride.

THE ART OF WAR

Thank god for investigative journalism. Or at least that is what the newspapers want us to think. The amount of coverage given to the Liam Fox/Adam Werrity affair has been significant - not just for its news value but also for more pressing domestic issues. For at a time when the newspaper industry is facing a barrage of criticism for phone hacking and intrusive investigative techniques, how convenient is it that the newspaper industry has investigated and single-handedly broken a story of such national importance. There can be no doubt that they are right to publish and expose the strange relationship between a serving UK Defence Secretary and his best man/unpaid and unofficial adviser, but is it really worth the volume of coverage that has been given? After all, in defence terms this is no Profumo Affair. This is not a case of national secrets being sold. Rather this is a case of judgement - or perhaps more accurately bad judgement by a cabinet minister. It's not as though we have not been here before. So why the newspaper overload? Surely it has nothing to do with defending the profession's reputation for investigative journalism at a time when that reputation has been deeply undermined? **R**



ANALYSIS: REPUTATION ON THE BRAIN

People who work in large organisations figure out pretty quickly that there's no such thing as a reputation. There are only reputations, plural, writes Thomas Powell, Professor of Strategy at Saïd Business School, and Fellow of Management Studies at St Hugh's College, Oxford.

Consider Ron Johnson, who engineered the remarkable growth of Apple's retail empire, making the company one of the world's most profitable retailers. As senior vice-president of Apple's retail division, Mr. Johnson had many reputations to manage.¹ For example, he needed the support of Apple store managers and sales staff. Apple store managers want the company to invest capital in store layout and inventory and they want the retail division to expand globally. As division leader Mr. Johnson could not allow the division to stagnate and he could not afford to lose the confidence of his people. Part of his job was to negotiate with other Apple senior managers to secure the resources his division needed to succeed.

At the same time Mr. Johnson had a reputation to uphold with other Apple executives. As a member of Apple's top management team, Mr. Johnson sat alongside vice-presidents from Apple's other divisions. As it turns out, these executives had their own ideas for investing the company's money: iPad, iPhone, iPod, iTunes, personal computing, operating systems, new product development, new ventures, acquisitions. Mr. Johnson could argue for more investment in the retail division but he could not be unreasonable about it. The top management team is responsible for making resource allocations that maximise shareholder value.

So Mr. Johnson's success depended on his ability to cultivate reputation among his own people and among senior executives, and these groups sometimes had conflicting goals. And this is only the tip of the iceberg. Mr. Johnson's success also depended on cultivating reputations with the CEO, the board, vendors, community groups, and more.

So how do people cope with all these reputations? In particular, how can senior managers act in the best interests of the company as a whole while saving face with their local business units?

Some research has been done on this problem. In the late 1950s organisational psychologist Robert Blake coined the term "crisis of statesmanship." He applied this term to any situation where a person

representing a group negotiates on the group's behalf with representatives of other groups, while remaining accountable for optimising the joint outcome. Blake saw this as the defining problem in strategic decision making, not only in business but in contexts like representative politics, international diplomacy (the UN), university departments, and labour-management bargaining.

"SENIOR EXECUTIVES WHO REFUSE TO SEE THE BIG PICTURE JEOPARDISE THEIR REPUTATIONS WITH TOP MANAGEMENT COLLEAGUES"

I think Blake was right. However, it is disappointing how little we know about the crisis of statesmanship after more than 50 years of research. One thing we've learned is that people negotiate harder when they represent a group than when they negotiate for themselves. This shows that people make special efforts to maintain reputation with the groups they represent. It also distinguishes the "crisis of statesmanship" from the better-known "agency problem," in which executives look out for their own interests at the expense of shareholders.

But we still don't know why people act differently when representing a group or what they're thinking about when they act that way – for example, whether they negotiate harder because they identify socially with their own group, or because they feel accountable to the group, or because they're biased against other groups.

There is a lot of debate these days about whether brain science has a role to play in management research. I think the "crisis of statesmanship" is an area where neuroscience could make a difference. For the past three years a team of Oxford University researchers – myself, along with neuroscience colleagues in the departments of psychology and psychiatry – have been investigating this problem. We

designed experiments that examine what happens when people make investments on their own behalf as compared with making investments for other people. We measured not only the investment choices people made (how much to invest) but also their brain activity as they made these choices, using brain scanners at the fMRIB lab in Oxford.

We finished the brain imaging in August and are still analysing the results. However, a couple of results are already clear. First, strategic negotiations involve continuous social learning – which is to say that people change their thinking and behaviour in response to what other people do. People learn when to take a tough stand for constituents, when to compromise, when to trust, when to retaliate. Second, people not only act differently when representing other people (for example, they take fewer risks), they also think differently. Different brain structures are involved in thinking about the self and identifying with a group or organisation. We're counting on this fact to help us infer the motivations behind the choices we observe. Interestingly, we can predict whether a person is going to choose selfishly or altruistically without waiting for their actual choices; we can see in the brain images what they're going to choose.

The "crisis of statesmanship" is a big problem in business, government and society. We believe our research can shed light on how people make decisions involving themselves and the groups they represent, as seen through the lens of reputation. Though we are still analysing the data, it is clear that strategic decision making in organisations is fundamentally reputational. **R**

¹ On 1 November 2011, Mr. Johnson left Apple to become CEO of JC Penney, which operates more than 1,000 department stores in North America. This research was made possible by the generous financial support of the Saïd Business School Foundation and the Oxford Centre for Corporate Reputation.

THE BIG INTERVIEW



Biz Stone is one of the early pioneers of the social web. He became an Internet entrepreneur in 1999, went on to work at Google and later co-founded Twitter. In keeping with the underlying philosophy that drove the creation of Twitter, Biz and his current team at the Obvious Corporation are focused on building social systems that help people work together to improve their lives and the world. In this interview with Oxford Visiting Fellow Raymond Nasr, Biz Stone reflects on the role that Twitter and others are playing in redefining the media landscape, corporate transparency and reputation.

“IF YOU HAVE NOTHING TO HIDE, YOU HAVE NOTHING TO FEAR...”

Biz Stone is in a typically concise frame of mind. With the economy of language that one would expect from the co-founder of Twitter (the 140-character messaging service), he is

outlining his view on how companies should feel comfortable engaging with Twitter. “Vulnerability is actually strength. Once customers empathise with the challenges that a company faces, they become all the more engaged with the company and its mission.”

He goes on to cite the example of the film character Indiana Jones who, “... puts it all out there. He is vulnerable. He lets the audience know his fears and weaknesses. He says things

like, ‘I really don’t want to do this...’ And – immediately! – we connect with him and are on his side...” His contention is that the same is true for institutions that present themselves in an open, authentic and human way.

The American air carrier, JetBlue, learned this lesson during the very early days of Twitter. Initially the company believed that Twitter would be a perfect way to ‘re-publish’ their press releases. The results were dismal and no one followed the company’s Twitter handle (@JetBlue). Then one of the social media specialists at JetBlue asked the Twittersphere, “What do you want to hear from JetBlue?”

Twitter users responded, “We want to hear about what your realities are right now and what your priorities are as a company...” The company responded by posting Tweets that addressed ‘real’ issues and valuable ‘solutions.’ The number of followers skyrocketed and the company now has well over 1.5 million followers and uses Twitter to successfully deliver customer service, product promotions, and – yes – new challenges. It’s authentic, immediate and user-focused. By asking the simple question, ‘What do you want from us?’ it humanised the company.

The example also underscores the fact that corporate reputation is both a function of how a company behaves and how it communicates about its behaviour.

“This probably sounds like a Silicon Valley point of view, but it’s actually true: If you do right by the users, you will always win.”

LARGE SCALE HUMAN SYSTEMS - “VALUE BEFORE PROFIT”

“The starting point for Twitter was marvellously simple.” says Stone “We said, ‘Let’s make something that is useful for one person... How will one person react to this design, to this product? Then let’s think about how it will

“INSTEAD OF ORGANISATIONS SEEING THIS REALITY [TWITTER] AS A THREAT TO PRESERVING THEIR REPUTATIONS, IT IS ACTUALLY AN OPPORTUNITY TO GALVANISE THE COMMITMENT LOYALTY OF THEIR USERS AND CUSTOMERS.”

work for 10,000 people or 10 million people.” It has worked. The service currently has over 100 million active users and there are over 230 million Twitter posts daily.

Indeed, as Biz points out, we are living in an age where there are over 5 billion mobile phones and they all have the capability of accessing the Twitter network. Moreover, all of these people have the potential to connect and share specific information about the products they are using and the companies with whom they are working.

Instead of organisations seeing this reality as a threat to preserving their reputations, it is actually an opportunity to galvanise the commitment loyalty of their users and customers. And fundamentally to become an integral part of the way in which reputation networks form – and a key player itself as a popular intermediary. Indeed, businesses were using Twitter very early on to do exactly that.

“It was quite a while after we started Twitter that we began asking companies how they were using the service and how they were getting value. We then said, ‘We can probably make the service even more valuable to you by providing you with services like analytics. This led to even more value for them. And it revealed an important lesson for us: Wait and see what people think and then try to help.’”

Equipped with new tools to engage with their customers and partners, companies like JetBlue, Starbucks and Paramount Pictures are able to deliver highly personalised customer service that makes people believe the company is more responsive to their immediate concerns.

Moreover, for those companies – and thousands of others – the power of social media is extending and cultivating reputation networks in ways that no one ever imagined.

Indeed, Biz Stone believes that instead of the social media services making the world a bigger, more amorphous place, “... social media tools

are actually making the world a smaller place and a place where there is more opportunity for empathy and for doing good things in the world.”

Returning to a recurring theme, Biz points to the power of building something valuable in the world, “... before you even start thinking about making money.” Like the early business examples illustrate, it makes sense. “If you follow value with additional value, and the profits will follow... It’s a simple principle to follow in: Value before profit.”

TWITTER FOR BUSINESS

Today thousands of businesses have millions of Twitter followers and are spending significant sums to connect to customers in real-time, to gather real-time intelligence and feedback and to build their network of reputation intermediaries. From brand lift to CRM to direct sales, Twitter offers a chance to reach an engaged audience, and also provides an analytics tool for companies to understand real time the perceptions held about them by their customers, employees and other stakeholders. The magic of the service is that you don’t have to tweet to get value from Twitter. Many individuals and institutions are simply using Twitter to get the latest information on their interests.

In describing his own Twitter behaviour, Biz explained in a recent National Public Radio interview, “I definitely spend more time reading tweets than writing tweets. The first thing I do in the morning is, I reach over and grab my iPhone and I just start scanning through tweets... For me looking at tweets first thing in the morning is sort of like caffeine. It makes me realise my co-workers are up, getting coffee, driving to work, etc. All through the day I’m checking Twitter and seeing what people are saying about certain things. I am constantly clicking on the trends and the sidebar to figure out why a celebrity or phrase is in the trends right now. And then I’m

tweeting maybe once a day maybe every couple of days.”

Biz confides, “I’m an infrequent tweeter. I’m more of a consumer of the information coursing through the system.”

On a commercial level, more and more organisations are using Twitter and the plethora of Twitter-based applications to constantly monitor how their companies, their products and their services are being discussed Twitter and on the public Internet.

THE ‘OBVIOUS’ NEXT STEP

Biz recently announced that he was stepping down from his day to day role as creative director at Twitter. So, what next? His passion is once again finding expression at the venture that he and his former Twitter colleagues – Evan Williams and Jason Goldman – originally created called The Obvious Corporation. Although Biz remains a senior advisor at Twitter, the Obvious team is re-launching the company that originally incubated Twitter.

The team is once again concise and compelling in describing the mission of Obvious. “It’s important never to delude ourselves into thinking that technology changes the world. People are responsible for change – technology just helps out. Our goal is to foster systems that help people work together to improve the world. Our approach is threefold: Build, partner and invest.”

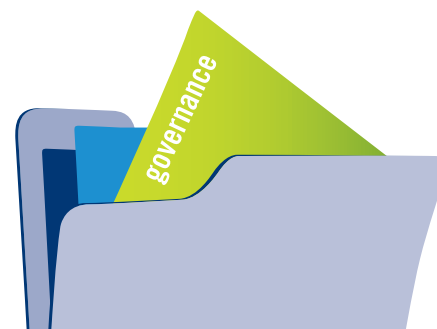
Predictably – their metrics for success are similarly brief and inspiring. “Our definition of success has three ingredients: Positive impact, happiness and financial reward.”

If the past is prologue, the next chapter for Biz and the team is once again likely to transform the way we think, work, learn and communicate. Bet on it that he will succeed. **R**

CASE STUDY: BRITISH NUCLEAR FUELS



The Oxford University Centre for Corporate Reputation identifies, researches and writes a series of in-depth, analytical case studies on major corporations and reputational activities. In this issue, Case Study Editor, Rowena Olegario, highlights reputation and governance with a focus on British Nuclear Fuels Ltd (BNFL), a company owned by the UK Government responsible for the country's nuclear plants. The authors conducted a series of interviews with company officials, consultants, regulators and other stakeholders. A second case on BNFL will be available in 2012.



In March 2011, a 9.0 magnitude earthquake hit the eastern coast of Japan. The earthquake and resulting tsunami damaged the Fukushima nuclear power plant's reactors, leading to a series of nuclear meltdowns and the release of radioactive materials. Mass demonstrations against nuclear power followed in a number of countries. Germany, where nuclear power accounted for nearly one-quarter of electricity consumption, announced that it would shut down all of its reactors by 2022.

The dramatic events in Japan and Germany riveted the world's attention in 2011, but the nuclear industry worldwide has for decades confronted serious reputational risks. The public's fears about safety and environmental damage have plagued nuclear energy almost from the outset. Because the industry is so heavily regulated and subsidised, reputational issues span both the private and public sectors. When crises hit, politicians and regulators have as much at stake as industry executives, investors, and the public.

British Nuclear Fuels Ltd. (BNFL): The Road to Privatisation examines a transformative moment for the UK nuclear industry and helps explain why public and political support for nuclear dwindled during the first decade of the 2000s. The UK was an early adopter of nuclear power in the 1950s, but recently the total electricity produced by its nuclear plants has shrunk, from 26 percent in 1997 to only 16 percent in 2009. The case study details a series of crises that threatened to derail the planned privatisation of BNFL, the wholly government-owned entity responsible for the country's nuclear plants. Prior to the crises, the government and BNFL's management were optimistic that the company could become a major player in the entire nuclear cycle, from designing reactors to cleaning up radioactive waste. Nuclear power had a bright future, and a privatised BNFL was in the best position to take advantage of it.

Events, however, intervened. In September 1999 the Independent newspaper broke the story that employees in BNFL's Sellafield (Cumbria) plant had deliberately falsified data on its mixed-oxide fuel, potentially compromising safety. Worse, the fuel was already on a ship bound for customers in Japan. Parliament faced an embarrassing and complex international crisis involving the Japanese government and the countries through whose territorial waters the shipment was due to sail.

the UK government, regulators, its international customer base, employees, and the public. Was privatisation still possible? Or did the crises doom the company, and the entire UK nuclear industry, to a diminished role in the energy sector? After Fukushima, nuclear power is at a critical crossroads. Examining the plight of BNFL sharpens our understanding of how reputational issues shaped the fate of the industry in the UK. **R**

“THE DRAMATIC EVENTS IN JAPAN AND GERMANY RIVETED THE WORLD’S ATTENTION IN 2011, BUT THE NUCLEAR INDUSTRY WORLDWIDE HAS FOR DECADES CONFRONTED SERIOUS REPUTATIONAL RISKS.”

To deal with the crisis, and to keep BNFL's planned privatisation on track, the government brought in new CEO Norman Askew, a highly experienced energy executive. Askew uncovered two other critical problems. One involved BNFL's US subsidiary, which had seriously mispriced its cleanup contracts. The shortfall was picked up by the UK taxpayer, who in effect ended up subsidising the cleanup of nuclear sites in the US. The other, more serious problem was the growing liabilities on BNFL's balance sheet. These consisted primarily of cleanup and decommissioning costs. Some stretched back several decades and were impossible to quantify accurately. But one thing was certain – the final bill would be alarmingly huge.

Askew's original brief, which was to deal with the data falsification scandal and continue readying the company for privatisation by focusing on growth, became much more complex as each crisis unfolded. The case asks students to consider how they would have dealt with each individual crisis while balancing the interests of BNFL's various stakeholders:

For more case studies go to www.sbs.oxford.edu/reputation/cases



VIEWPOINT: PRIVATE EQUITY AND REPUTATION

KKR AND THE REPUTATION OF PRIVATE EQUITY: WHAT WILL (NEVER) CHANGE?

Is private equity any different from what it was in 1976 when KKR's founders, Henry Kravis and George Roberts, first put their initials on the entrance door of their new firm? How will it change over the next decade? Johannes Huth, Head of Europe at KKR, sets out his view.

Obviously, what has NOT changed is the ultimate red-face test: are we able to deliver superior, long-term sustainable financial returns for our investors? In our business, we have to go back every few years to ask investors to commit new capital. If they think we're unlikely to deliver long-term returns, the funding stops – plain and simple. What also should not change is the accountability, baked into our investment model. We always co-invest a substantial amount of our own funds and we share pain and gain with the investors who have entrusted us with their capital. We don't win if our investors don't win.

Those basic mechanics have not changed, but the economic and public context in which we operate, has changed.

From an investment point of view, building partnerships, looking for the 1+1 that makes 3, has become a must do: partnering with companies who are local champions and build them into global ones, partnering with entrepreneurs and family-owned companies to bring their company to the next stage of development. It is important what the CEOs of our portfolio companies feel “it makes a hell of a difference being supported by KKR, rather than tackle the world by oneself.” Also, equally importantly, private equity will be ever more in the public eye. Beefed-up regulation and supervision are an expression of that change.

Stakeholders, from employee representatives to governments, want to scrutinise whether and how the interests of the world of investment are aligned with theirs. If that alignment lacks or is

good governance and genuine partnership is the right thing to do and a key differentiator going forward, both towards our investors and towards our other stakeholders. **R**

“WE HAVE NO DOUBT THAT A REPUTATION FOR GOOD GOVERNANCE AND GENUINE PARTNERSHIP IS THE RIGHT THING TO DO AND A KEY DIFFERENTIATOR GOING FORWARD, BOTH TOWARDS OUR INVESTORS AND TOWARDS OUR OTHER STAKEHOLDERS”

perceived to be lacking, labels like asset strippers or comparisons to species in the animal kingdom – from locusts to squids – enter into the public debate. If there is alignment, society will look at our value creation as part of the solution, not as part of the problem.

Alignment of interests is also about treating environmental, social and governance (ESG) issues that are material in the investment process, with the same diligence and rigour as any other financial or operational performance indicator. And being transparent about it. As part of this new engagement, KKR has published its first ESG report as an integrated part of our operational firm-wide reporting. We have no doubt that a reputation for

PRIVATE EQUITY, VALUE CREATION AND REPUTATION

Private equity has always had a better reputation with academics than with the wider public writes Ken Okamura, Researcher at the Oxford University Centre for Corporate Reputation.

In 1986, Michael Jensen, doyen of financial economists, wrote of the negative effects of too much free cashflow. In 1989 he argued that the public corporation had outlived its usefulness, replaced by new organisational forms backed by private equity. Kaplan (1989) found that management buyouts (MBOs) increased operating profit and firm value, and returns were due to improved managerial incentives rather than from reductions in headcount or the use of insider information. More recent academic contributions such as that of Kaplan and Stromberg (2009) find similar results: LBOs remain value creating.

Generally, however, the academic view of private equity is more critical than it once was. Academics have taken a closer look at returns. A recent paper by Lopez-di-Silanes, Phalippou and Gottschalg finds that the heterogeneity of returns is very great. At the 75th percentile the internal rate of return (IRR) is 50%, while at the 10th percentile the return is zero. Other research has found that returns for private equity appear to be more correlated with public market returns than some proponents of the industry have claimed and that fees levied by general partners substantially reduce the returns of limited partners. A major study by Davis, et al. (2008) covering 5,000 US private equity backed enterprises suggests that there has been a negative effect on employees, whose numbers may be marginally lower than they might otherwise have been.

What has changed? For one thing: scale. In 1987 peak capital available for LBOs was only US\$10.2 billion. Today, total funds committed to private equity and venture capital globally is estimated at US\$2.5 trillion. The coming of age of private equity as an investment class means that there is now far more money chasing deals. In developed markets easy targets such as conglomerates with no *raison d'être* other than smoothing earnings for inside stakeholders (managers and employees) have already fallen to LBOs or been broken up voluntarily.

(Morrison and Wilhelm, 2007). The rise of traders to the pinnacle of investment bank leadership is symbolised by the elevation of (former trader) Lloyd Blankfein to the top spot at Goldman Sachs. This shift creates a void in the partnership space, which private equity firms with their continued emphasis on tacit skills, relationships, and long-term investment are well placed to fill. There is evidence that such partnerships have real benefits. Ivashina and Kovner (2011) find that the strength of a private equity firm's relationship with banks reduces the interest rate on loans and results in more generous covenants. **R**

“KEEPING THIS REPUTATION REQUIRES A RESILIENT INTERNAL PARTNERSHIP CULTURE THAT MAINTAINS THE SKILLS AND ETHOS THAT LED TO EARLIER SUCCESSES.”

In this changed environment, reputation has a bigger role to play. The reputation of private equity LBO firms, based on their past performance, enhances their ability to raise new funds and to grow their businesses. Keeping this reputation requires a resilient internal partnership culture that maintains the skills and ethos that led to earlier successes. KKR's deliberate decision to highlight its partnerships with its portfolio companies also makes sense in light of another trend -- the gradual shift by investment banks away from relationships based on tacit knowledge and mentoring towards technology-driven trading

IN THEIR OWN WORDS



Reputation talks to Sir Roger Carr, President of the Confederation of British Industry (CBI), on his presidency, the challenges of the current business environment, and the reputation of the UK as a place to do business.

FOCUS OF PRESIDENCY

My Presidency will focus on three key issues: The encouragement of Government to set the right climate for business; the support for business to achieve an export lead growth recovery in new territories; the reputational improvement of business to ensure it attracts the talented and ambitious as a career destination of choice.

CURRENT BUSINESS CHALLENGES

The economic difficulties in the West provide a serious challenge to all companies with a softening of traditional markets, a tightening of financial support and uncertain conditions for investment. These issues require many businesses to accelerate new product development, reach out for new markets and strengthen their skill base at a time demanding rigorous cost control and corporate austerity. This is the difficult

balance that businesses must strike if they are to deliver performance today and sustainable growth for the future.

UK REPUTATION AS A PLACE TO DO BUSINESS

The UK is probably the most open market in the world with flexible labour laws, an anti protectionist mindset, the rule of law, sound governance and an improving corporate tax regime. Conversely it has high personal taxes, considerable regulation and an education and training system that falls short of business needs.

WHICH REPUTATIONS ARE DESERVED AND WHICH ARE NOT?

The UK has a positive reputation in having open doors to foreign ownership, encouraging

inward investment and recognising that reducing corporate tax rates is the key to corporate retention. Entrepreneurs however believe themselves to be penalised by high personal tax rates, frustrated by red tape and constrained by an insufficient supply of appropriately educated and trained employees. Importantly, the UK benefits from a world business language and an ideal time zone for global management. It is therefore, a good place to do business that can be made better by positive government action on regulation and taxation.

WHAT CAN GOVERNMENT AND CBI MEMBERS DO TO ENHANCE THE REPUTATION OF THE UK AS A PLACE TO DO BUSINESS?

It is the responsibility of Government to set the climate and business to deliver the goods. The climate can be improved by a further attack on regulation, a reduction in personal taxation, support for infrastructure development and a repositioning of education to emphasise maths and science skills. Business can demonstrate by behaviour and performance that governance by “comply or explain” is better than legislation, remuneration is always aligned with results, failure is never rewarded and that made in the UK is a hallmark of excellence. Only by embracing these standards will business attract the public support it deserves today as the engine of wealth creation and the talent it requires for the future to deliver sustainable growth. **R**

Sir Roger Carr is Chairman of Centrica plc, Deputy Chairman and Senior Independent Director of the Court of the Bank of England and is President of the Confederation of British Industry. He is also a senior advisor to KKR – the world’s largest private equity company. In addition, he is a Visiting Fellow at the University of Oxford and a Commissioner for Ownership.

RESEARCH FOCUS

Summarising the results of a seminal literature review, the keynote address at the Centre’s 2011 annual symposium was given by Professor Don Lange. The review, co-authored with Peggy Lee and Ye Dai, published in the January 2011 issue of the *Journal of Management*, focused on 43 studies appearing in highly cited management journals, mostly during the previous decade. David Whetten, the Centre’s Visiting Professor, reports

The major feature of this study is its classification of reputation scholarship into three broad categories, reflecting different treatments, or dimensions, of the concept. These categories reflect the extent an organisation is 1) well-known, 2) known for something, 3) viewed favourably. It is noteworthy that each of these treatments is rooted in strong disciplinary orientations: organisational communications, economics and sociology, respectively. According to these authors there is some controversy over whether “being known” (familiarity) is an antecedent of versus a form of reputation. At any rate, this study shows that the second and third conceptions of reputation have been more widely used in empirical scholarship, especially recently.

The “being known for something” treatment of reputation holds that in the absence of personal knowledge about decision-makers preferences observers use perceptions of organisational traits to predict future organisational action. In contrast, the “generalised favourability” treatment argues that observers construct a summary evaluation of an organisation, based on (most often secondary) information about its past actions.

The Lange, Lee and Dai study also examined the role of organisational reputation in empirical research. In 16 of these studies organisational reputation was used to explain various organisational outcomes, mostly involving some form of financial performance, or predictors of financial performance, such as the number of job applicants. The 12 empirical studies examining the antecedents of reputation focused on various organisational and industry characteristics, including organisational culture, age, ownership, and type of industry.

This welcome addition to the organisational reputation literature offers six noteworthy implications for future scholarship:

- First, it helps define the way organisational reputation is researched. The central argument is that it is a subjectively held view of observers that operates as part of the objective reality of an organisation.
- Second, it proposes that the three treatments of organisational reputation be viewed as three dimensions.
- Third, it calls for the use of a broader set of measures than the Fortune’s America’s Most Admired Companies—appearing in one fifth of the reviewed studies.
- Fourth, it sets the course for a more systematic examination of the antecedents and consequences of corporate reputation, including the examination of bidirectional relationships

(e.g., treating reputation as both an antecedent and consequence of firm performance).

- Fifth, it reminds reputation scholars that an organisation’s reputation is most likely audience-specific (e.g., a reputation for something, with someone).
- Sixth, it urges further investigation into reputation’s “spill-over effect”—cases where one organisation’s reputation impacts the reputation of its close affiliates.

While time will tell which of these recommendations for future scholarship gain traction, the Lange, Lee and Dai article has done the field a great service by highlighting the different approaches to the subject emerging in this nascent body of research. **R**

Read the working paper at www.sbs.oxford.edu/reputation/research

“THIS STUDY SHOWS THAT THE SECOND AND THIRD CONCEPTIONS OF REPUTATION HAVE BEEN MORE WIDELY USED IN EMPIRICAL SCHOLARSHIP, ESPECIALLY RECENTLY”



NEWS & EVENTS

1. INTERNATIONAL RESEARCH FELLOW, PROFESSOR ROLAND RUST is receiving the 2012 American Marketing Association's Irwin/McGraw-Hill Distinguished Marketing Educator Award.

2. CENTRE FOR CORPORATE REPUTATION hosted its second Academic Symposium at Exeter College, Oxford, in September 2011. The Symposium was attended by 65 of the leading global reputation scholars and joined by 11 of the Centre's Visiting Fellows at the gala dinner.

3. TERENCE LYONS, MANAGING DIRECTOR OF TSC, THE STAKEHOLDER COMPANY, delivered 'The Stakeholder Engagement Imperative' seminar to research fellows at the Saïd Business School in September 2011.

4. THE CENTRE FOR CORPORATE REPUTATION ANNUAL AWARD FOR BEST PUBLISHED PAPER was presented to Assistant Professor Michael D. Pfarrer, Professor Timothy Pollock and Professor Violina Rindova for their Academy of Management Journal paper entitled 'A Tale of Two Assets: The Effects of Firm Reputation and Celebrity on Earnings Surprises and Investors' Reactions.'

5. PROFESSOR MIKE BARNETT AND DPHIL STUDENT SUNYOUNG LEE were awarded the Emerald Best Symposium Award at the 2011 Academy of Management Conference for their presentation of Corporate Reputation-funded research on 'the importance for multinational companies, particularly those from emerging economies, of the global management of intangible assets such as corporate reputation'. Sunyoung Lee also received Best Reviewer Award from Academy of Management, SIM division (Social Issues in Management).

6. THE CENTRE FOR CORPORATE REPUTATION ANNUAL AWARD FOR BEST DISSERTATION was awarded to Dr. Christine Falkenreck of the University of Kassel, Germany, for her dissertation on, 'Impact on Reputation and Reputation Transfer in International Direct Marketing – Empirical Research in Five B-to-B Markets.' The thesis focused on whether and how national culture influences the way a company's reputation is perceived in different countries.

7. CENTRE FOR CORPORATE REPUTATION VISITING FELLOW, STEPHEN CATLIN of the Catlin Group has been awarded the prestigious 'UK Entrepreneur of the Year' Award by Ernst & Young.

8. 'TRUST AND CREDIT: DOES IT MATTER TO INDIVIDUAL LENDERS WHETHER POTENTIAL BORROWERS LOOK TRUSTWORTHY?' was the subject of a recent seminar presented by Stephan Siegel, Assistant Professor of Finance and Business Economics, University of Washington's Foster School of Business to research fellows at the Saïd Business School in October.

IN THE MEDIA



| REPUTATION OF FINANCE | | |
|---------------------------|--|---|
| 09.03.11 | Financial Times | 'McKinsey model springs a leak' Chris McKenna comments |
| 27.06.11 | Financial Times | 'Questions hang over IPO valuations' Mark Abrahamson comments |
| 02.09.11 | France 24 | 'Trouble in the markets: looking ahead to September' Chris Kobrak comments' |
| BRIBERY ACT | | |
| 01.04.11 | Information World Review | 'Protecting businesses with the bribery act' Liz David-Barrett comments |
| 01.06.11 | PR Week | 'The Bribery Act: What the PR industry needs to know' Liz David-Barrett comments |
| REPUTATION AND LEADERSHIP | | |
| 05.08.11 | Edge Magazine (Institute of Leadership and Management) | 'Reputation and Leadership' Jeni Giambona comments |
| TRANSPARENCY | | |
| 26.07.11 | BBC Radio 4: File on 4 | 'Revolving doors' Liz David-Barrett comments |

To read in full go to www.sbs.oxford.edu/reputation/media

...AND ON TWITTER

APPARENTLY THE BBA BANKS HAVE BEEN WORKING ON 17 PROPOSALS TO REBUILD BANK REPUTATION WITH PUBLIC - LAST NIGHT NOBODY COULD NAME MORE THAN 5.

VINCE CABLE'S #MADEBYBRITAIN INITIATIVE IS INTENDED TO ADDRESS "SERIOUS REPUTATION PROBLEMS" FACED BY BRITISH MANUFACTURING

CHARACTER IS LIKE A TREE AND REPUTATION LIKE ITS SHADOW. THE SHADOW IS WHAT WE THINK OF IT, THE TREE IS THE REAL THING. ~ ABRAHAM LINCOLN

GLASS, CHINA AND REPUTATION ARE EASILY CRACKED, AND NEVER MENDED WELL THE REPUTATION OF A THOUSAND YEARS MAY BE DETERMINED BY THE CONDUCT OF ONE HOUR

IF WE TAKE CARE OF OUR CHARACTER, OUR REPUTATION WILL TAKE CARE OF ITSELF IF YOU LEAVE YOUR REPUTATION TO OTHER PEOPLE THEY WILL DEFINE IT FOR YOU

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CONTACT US

Please send your letters, news and comments to Reputation: reputation@sbs.ox.ac.uk
Oxford University Centre for Corporate Reputation is an independent research centre which aims to promote a better understanding of the way in which the reputation of corporations and institutions around the world are created, sustained, enhanced, destroyed and rehabilitated. For full details of Centre for Corporate Reputation research and activities:

WWW.SBS.OXFORD.EDU/REPUTATION