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Reputation

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OXFORD UNIVERSITY CENTRE FOR CORPORATE REPUTATION

The Big Interview

Aleksander Ceferin, president of UEFA, on rebuilding the reputation of football

COMMENT: ETHICS AND REPUTATION

The Australian cricket team is currently in England seeking to win the World Cup and the Ashes, and restore some semblance of its reputation after the 2018 South African ball-tampering scandal (*www.bbc.co.uk/sport/cricket/43535282*).

As an ethicist who works with anti-corruption bodies to investigate the causes of a major ethical failure and recommend remedial action, I was asked to look into the culture of Australian cricket in the wake of the scandal, as I have done with other challenged institutions such as the Australian state police, in the wake of widespread falsification of breath test numbers.

Ethics can be of great assistance to those organisations in turning around their tarnished reputations. In fact, there's a reputational paradox found in the literature that reflects that organisations can emerge from the debris with their reputations enhanced, provided they factor in perspectives from ethics. Here's how, in my experience.

Western Ethics falls into three camps: Virtue Ethics (Aristotle and natural law theory), Deontology (Kant) and Consequentialism (John Stuart Mill, Jeremy Bentham, etc.). Each has its own form of ethical logic. Given that reputation is not what we think of ourselves but what others think of us, the first step in facilitating the repair of reputational damage is that they will have to tackle the reasons for the ethical failure.

For some organisations, the right logic is consequentialist. This is concerned with capability, in particular with working out the right thing to do by an astute calculation of consequences. Think of the success of those organisations who operate pragmatically and successfully in

highly competitive markets. Ethics is about practical reasoning and action and such a consequentialist focus may well be the tonic.

While consequentialists focus on capability, Aristotelian virtue ethics focuses on character: on who we are by what we do. Kantian deontology focuses on the non-negotiable principles or values that define us. These provide alternative ethical perspectives to consequentialism. Adherents of Kant and Aristotle will often regard consequentialists as expedient and lacking in any kind of ethical depth.

It is a tension within ethics that means that organisations, including large corporates, need to think carefully about which form of ethical logic to draw upon. A consequentialist approach was no help in restoring the reputation of some of the classic corporate ethical failures of the last 20 years such as VW, Siemens and Parmalat [see the Centre for Corporate Reputation case study of the latter on our website, below].

They, like the state police force, had an imperative to change people's view of their character and (re-) gain public trust. This includes choosing explicit integrity measures, looking for an external oversight body to hold them to account, and developing a well-articulated set of behavioural and professional standards. It is not without risk, especially given that changing one's character is by definition difficult, and the kind of character traits such as integrity that Aristotle and Kant set out are achieved only by habits that take much practice.

PICTURE © GETTY IMAGES

Research shows that the value of codes of conduct and their equivalent have their place provided people are held to account and that codified behaviours meet and even exceed the behavioural expectations and norms of the broader community. Integrity and a commitment to core principles takes time to be credible, not least because the judges of any changes to the character, certainly after the breaches of trust, can be hard to impress.

In cricket, the millions of viewers and commentators around the world will scrutinise the Australian team and its pledge to transform its character. The task for the cricketers is to change 30 years of a "win at all cost" mentality – a form of consequentialism applied in the wrong time and place, a culture of denigration and a "she'll-be-right-mate" view that the Australian public are only interested in winning at all costs. To that end, a code called a Players Pact is now in place that will seek to develop a team with the character to play in the right spirit. If it is breached, then it could well end once and for all the chance to salvage the reputation of the national team. ■

Peter Collins

Peter Collins is the Director of the Vincent Fairfax Fellowship in Ethics in Melbourne, and a DPhil student in ethics at the University of Oxford. He was also a guest speaker on the "Reputation and Leadership" MBA elective that is taught by our centre at Saïd Business School this term.

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The W Series is a new, wholly-owned, women-only race series that was created to transform the gender balance in motorsport. Its founder and CEO reflects on the key components required to build credibility among drivers, investors, media and the public.

IN THEIR OWN WORDS: CATHERINE BOND MUIR

You've been involved in many sporting enterprises before – both as a lawyer and corporate financier. Did you conceive of this one differently?

Undoubtedly W Series was and is very different. Women's sport has grown in popularity enormously in recent years, but single-seater motor racing has generally remained the province of young male drivers financed by their wealthy fathers. So, when we set up W Series, we were determined to attract female drivers from all backgrounds, not only from rich families. Our drivers are from a wide range of socio-economic backgrounds – and that's as distinctive a point of difference as the fact that they're all women.

Were you surprised by the scale of the impact the W Series has made?

I think perhaps I initially underestimated the impact our launch in October 2018 would have on the media. We reached more than half a billion people within just five days, encompassing social media, TV, radio, print and online. It was a genuinely global story. The *New York Times* devoted half a page to us; *Bild*, the biggest-selling newspaper in Germany, ran pieces on us on three consecutive days that week; and there were also big pieces published in Spain, Italy and France. Even the *Financial Times* ran a piece on our business model, so it wasn't only the sports sections of newspapers that carried reports. Now that our season is well and truly underway, our races are being televised to 320 million households all over the world, many of them via free-to-air terrestrial TV deals, such as Channel 4 in the UK, which was our preferred approach because we wanted to get as many eyeballs on our races as possible at this early stage.

What is it about the business model that people find interesting?

The fact that W Series owns and controls all the cars and has direct contracts with all the drivers. As a result, we can promote our drivers in the media with greater freedom and to a greater degree. For investors, that model is very important because it means we own the rights.

W Series was very well received initially, but there was also a certain amount of pushback from a few female drivers. Did you anticipate that?

Yes, but they often used the word 'segregation', which is a word I don't recognise as valid, because we encourage our drivers to race in other series against men alongside their participation in W Series. The truth is that we want the same outcome as our critics do: more women racing in high-level professional motor racing. We're offering 20 drives to 20 female drivers this year, free of charge, with big prize money, and the same again next year, and very few of those 20 would have been racing this year had we not given them that chance. Moreover, we intend that our best drivers will eventually graduate to mixed-gender series such as International Formula 3, Formula 2, and perhaps even Formula 1 in the fullness of time.

> 'We reached more than half a billion people within just five days, on social media, TV, radio, print and online'

How much did key hires contribute to the reputation of the W Series?

We wanted to hire best-in-class people with high-level relevant experience. So our Racing Director is Dave Ryan, who worked for McLaren in Formula 1 as Sporting Director for 34 years, and our Communications Director is Matt Bishop, who worked in Formula 1 for 25 years, first as a journalist and then as Chief Communications Officer for McLaren. They're both hugely knowledgeable and well connected. David Coulthard and Adrian Newey are Formula 1 legends, as respectively a driver and a race car designer, and they're both on W Series' advisory board. As we've expanded, we've hired others with specific areas of expertise in sponsorship, marketing, social media, events and finance, as well as building the technical operation that Dave has put in place.

How do you measure your success?

For me, at this stage, it's about global audience engagement, and putting W Series in front of as big an audience across as many countries as we possibly can. The countries that are most interested in us, as you can imagine, are the countries represented by our drivers – and our 20 drivers are from 15 different countries. We have representation from Europe, Asia, Africa and America, which has helped drive global audience engagement. As we expand, at some point in the mid-term future, we'll probably run a race in America, in Japan, and perhaps in China, because obviously that would be good for sponsors. ■

For more information about the W Series see https://wseries.com.

Aleksander Ceferin was a little-known Slovenian lawyer when he was appointed to be president of UEFA, one of the most important organisations in world football, in the wake of a major scandal. Here he explains which reforms he prioritised, the importance of Respect and Financial Fair Play to the reputation of the sport, and why it is important to recognise the positive influence football can have in the world.

THE BIG INTERVIEW: ALEKSANDER CEFERIN

As a reforming president of UEFA - the governing body of European football and the umbrella organisation for 55 national associations – Aleksander Ceferin is refreshingly candid about the challenges he faces in reshaping the future of European football, and addressing some of the problems within the game created by its previous leaders (as if to underline the fact, his predecessor Michel Platini was rearrested shortly after this interview in connection with the long-running bribery investigations surrounding the award of the 2022 World Cup to Qatar).

On a visit to Saïd Business School for a Distinguished Speaker event chaired by our centre director Rupert Younger, Ceferin was at pains to make a clear distinction between FIFA (of which he is a vice-president) and what he found at UEFA when he was elected in 2016: "UEFA officials that were involved were involved through their work at FIFA… so I must say I was positively surprised by the situation when I came in."

When he was elected in 2016 , his own reputation was extremely limited. He was an unknown outsider, a lawyer who was head of the low-profile Football Association of Slovenia, "who didn't even think about running" when the post became vacant. The European football associations, desperate for a clean sweep of the old guard, came knocking at his door. "First Scandinavians, then the Italians, and then the support was so big that I said,'I might win this.'" He won by a landslide. "Football exploded from a negative point of view, then they obviously needed a lawyer." A criminal lawyer at that.

The backlash was immediate and predictable. "[They] said: 'Who the --- is that guy?' And then conspiracy theories came out. I was a Russian agent. It was quite interesting to see. When they saw that I'd never travelled to Russia before, they started with another one. Russia is the usual suspect. Thank god I didn't have any clients from Russia, because if I would have had, he would know a company from Russia and link it to the President of Russia and it's a nice story." Given the challenges of getting elected by 54 member nations, all of which he had to visit, "I didn't think about what would come after. And then I came and I sat in a nice office in Geneva and said, 'Now I have to lead this organisation.' And you know, you're not sure what you'll get. I checked everything and it took six months."

He made his first priority improving governance structures, since footballing organisations were organised, "to put it diplomatically, strangely". One of his first initiatives was to put in place a maximum tenure limit of three four-year terms. "One of [the executive committee] raised his hand and said, 'Why? You could be here for 30 years like me'; and I just looked at him and said, 'I don't want to be here for 30 years'." For this reason and others "90 per cent of the executive committee hated me" - which on later reflection he modifies to "the majority of the exco".

> 'When crisis hits, it is not the time to suddenly forsake everything that has gone before. UEFA can be proud of its past'

He prioritised governance reforms that affected himself first of all because "if you limit yourself, you can limit others"; and second, "You have to protect the organisation from yourself, because you can get used to this, you know. Power. I never wait at the airport, I never pick up my suitcase. If you think you can be forever, then you make mistakes. If you know that it will finish, it's very different." He prioritised clearing out the stagnant and self-interested elements of the organisation, along with introducing improved transparency and external controls, such as the publication of salaries, the creation of a compensation committee and the inclusion of independent members in a reinforced governance and compliance committee.

At the same time It was interesting, given his "new broom" image, that he has been at pains not to dismiss the heritage of the organisation, and to be clear that what he is doing is building on prior achievements. As he said at the time of his re-election: "When crisis hits, it is not the time to suddenly forsake everything that has gone before. I am not the president of a 'new UEFA'. I am the president of UEFA, a UEFA that can be proud of its past and confident about the future."

The key point of all this activity is, of course, to support football, and he is a committed advocate of smaller nations, associations and interests: how to ensure that they benefit from the extraordinary amount of money paid to UEFA, fulfilling a societal function beyond financial returns. Out of around six billion euros of revenue a year, UEFA distributes 85 per cent to national associations for development in grassroots. "We want to distribute more. We are very interested in women's football. Before it was always, 'Women's football is an expense - it's a cost.' But it's not a cost, it's an investment. We are close to or at break-even already."

The disparity between the richest and the poorest among the 700 competing clubs in Europe reinforces the narrative of UEFA being inclined to look after the interests of the richest. The controversial current "proposal" to make competing in the Champions League, UEFA's most important and lucrative competition, an entitlement for the 24 biggest clubs every year, has been cast in exactly this way. He insists it is not a proposal but part of a consultation, and contrasts the way such initiatives were handled before he arrived with the open, consultative approach he has introduced.

"When I came to UEFA, the club competition was changed, right before I came, without any consultation. Even I as the president didn't know what was going on. I said, 'We have to consult, we have to discuss. We will do it differently. The consultation process just started and I know it looks like a political statement, but we will take care that the leagues are not hurt - and it's not about the big clubs only, because the big clubs are there every time anyway."

He is also acutely conscious of the perception that top clubs are successfully resisting UEFA's efforts to enforce "fair play" financial restrictions designed to ensure a more level playing field, but he is a realist. Among Europe's 700 clubs "there will always be differences. A British company or let's say Adidas, is much bigger than a company for sports equipment in Slovenia, and we cannot force it to become different. But we have to try to stop, maybe not stop, but slow the gap that is wider and wider."

While European legislation outlaws a salary cap following the American model, other ideas under consideration include limiting squads and preventing clubs tying up large squads of top players in contracts so that other teams cannot have them, and even "luxury taxes", whereby teams that pay large amounts for players have to make a matching contribution to less wealthy clubs.

The point is to keep football inclusive and to be seen to be doing so. He has prioritised UEFA's Respect progamme to this end: "Respect actually means everything. Fight against racism, sexism, homophobia." The societal challenges are huge, given the range of countries and cultures involved, and a hyper-connected world increasingly prone "to all kinds of shouting and insulting". And then there is the politics. At the recent opening of the Women's World Cup, President Macron weighed in about the future plans of the Champion's League. "[He] said something like, 'UEFA should think about what they do with their competition'. Quite apart from the fact

'The club competition was changed right before I came, without consultation. I said: we have to consult'

that politicians should stay out of sport, "It was impolite to have the Women's World Cup and speak about populistic topics."

So politicians should stay out of football, but can football stay out of politics? The reputation of the sport and its administrators is entwined with the countries where its competitions are hosted – be it in Qatar, hugely criticised for everything from the exploitation and deaths of labourers at stadiums and for banning homosexuality, or human rights abuses in Azerbaijan, the venue of this year's Europa League final? Ceferin is convinced that taking major football events to these countries "helps a lot in improving things". Qatar has "improved extremely", he says, citing a recent assessment by a Danish member of UEFA's executive committee. In Azerbaijan, too: "For example, you had to have a written confirmation from the doctor that you don't have HIV and then you can get a visa, and it all stopped because of that event [and pressure from UEFA]. Stopped permanently."

At the centre we often reflect that lawyers can sometimes be unhelpful in transforming organisations and understanding reputation because they are bound by rules, not purposeful change, and seek to indemnify against blame rather than engage with improvement. How suitable does he feel his legal background is for the mammoth job he has undertaken? "I think it helped me a lot, especially - it's half a joke - because I was a criminal lawyer," he says. "It helps a lot because you read the contracts by yourself, you're part of the reform process regulation-wise. And for me as a trial lawyer, I think I can judge people quite easily, and it helped me a lot. I think without that I would not be able to do what I'm doing." ■

The complete interview can be viewed at www.youtube.com/watch?v=TIOLZO4KiBY.

For new businesses, the 'pivot' – a fundamental transformation of purpose – is often both necessary and fraught with pitfalls. The latest work co-authored by our former Research Fellow **Christian Hampel** explores the challenges faced by the photographic venture The Impossible Project (now Polaroid Originals), and models a new approach to stakeholder relationships in the light of its experiences. Below is an extract.

RESEARCH FOCUS: THE ART OF THE PIVOT

Many new ventures have to pivot – radically transform what they are about – because their original approach has failed. However, pivoting risks disrupting relationships with key stakeholders, such as user communities, who identify with ventures. Stakeholders may respond by withdrawing support and starving ventures of the resources needed to thrive. This can pose an existential threat to ventures, yet it is unclear how they can manage this problem.

To explore this important phenomenon, we study how The Impossible Project, a photography venture, encountered and overcame significant resistance from its user community as it pivoted from an analogue focus to an analogue-digital positioning.

New ventures, which are frequently credited with boundless vision yet are usually resource constrained, are often reliant on stakeholders who identify with them. These stakeholders feel a sense of "oneness" with the venture, perceiving it to represent a key part of "who they are". This form of identification may characterise venture relationships with a range of stakeholders, including specialist retailers and distributors, special-interest financiers, artisanal producers and user communities. Such stakeholders are particularly valuable not only because they may constitute key sources of revenue, but because they provide resources such as publicity, market information and technical support that new ventures could not otherwise access or afford.

Pivoting represents an especially radical type of organisational change for new ventures. A pivot is "a structured course correction designed to test a new fundamental hypothesis" about a venture. It happens when resource-constrained ventures come to view their current model and trajectory as unsustainable, and take the decision to transform themselves in an effort to survive and grow. Pivoting is common – new venture creation is complex and entrepreneurs rarely get

it right first time – but it has profound consequences nonetheless: when a new venture pivots, it fundamentally changes its strategy, identity and overriding goals.

There is "a core problem inherent in pivoting" that may present new ventures with a thorny dilemma: they need to radically change direction to attract new audiences as their original approach has failed, but by pivoting they risk alienating the stakeholders who identify with them and on whom they rely for key resources. In these circumstances, ventures face the delicate task of managing relationships with this crucial stakeholder group as they switch tack.

It is unclear how new ventures manage threats to the identification of external stakeholders over whom they have limited control, a particularly challenging task for resource-constrained new ventures enacting a pivot. To shed light on this process, we study: 1) the potential consequences of pivots for new ventures that rely on stakeholders who identify with them; and 2) how new ventures manage relations with these stakeholders during pivots.

We investigate these issues through a qualitative, inductive process study of The Impossible Project (hereafter: Impossible). Our study centres on how Impossible's user community – a key stakeholder group – responded to the venture's decision to move in a fundamentally new direction: from an analogue focus to an analogue-digital positioning.

A core element of Impossible's new strategy was to create provocative new products that fitted its new identity. While Impossible initially produced only analogue films for vintage cameras, it now moved into hardware production, developing its own cameras and creating new analogue-digital crossover devices to attract mass-market users. A milestone was the launch of the Instant Lab, which allowed users to turn iPhone pictures into analogue prints.

Impossible explained proudly that the device "merges the worlds between digital and analogue photography". Employees stressed its importance: "The Instant Lab is the first real, serious thing that we have produced that is (…) not in any way retro, like the film could be considered. The Instant Lab is that bridge between analogue and digital."

In 2013 Impossible also launched an app that enabled users to manage their pictures, and began releasing quirky special edition films with coloured, round or patterned frames that radically departed from its original films.

The radical new strategy also involved redesigning core elements of Impossible's operations. The venture moved its head office, created a new digital design team, closed stores that did not fit with the new positioning, and invested in film development – changes designed to support the shift to mass-market audiences.

Another element of Impossible's radically new strategy involved shaking up its community activities. Impossible had originally catered strongly to its niche user community but now refocused on the larger lifestyle segment. While highly

active, community members were small in number. One employee illustrated this based on Impossible's Pioneer programme: "Once we have sold to all our Pioneers, that's that market exhausted. (…) now we (…) focus on bringing new customers in." As a result, Impossible scaled back its offering to community members, including its social media efforts (e.g., photo-sharing site Flickr) and the Pioneer programme.

Impossible also launched high-profile collaborations that targeted the mass-market, and drew on the worlds of art, design, media and digital photography. For example, Impossible blogged that the singer Lana del Rey "struck a pose for us (…) on our brand-new Black & White film". Impossible continued its efforts to enact the pivot and to attract new audiences until the end of our study period in 2016.

Impossible employees observed with great concern that the venture's relationship with the community was being "warped or destroyed by this whole change". This negative reaction was deeply problematic for the venture as the community played a key role for Impossible in a variety of areas, such as generating revenue and helping to publicise the venture. Specifically, community members responded to Impossible's pivot in two discrete ways: 1) by attacking the venture; and 2) by doubting the venture. The hostile reactions from members of the community posed a major strategic challenge for Impossible. Faced with this challenge, the venture sought to rebuild its relationships with them through strategic actions that we term identification reset work. ■

Extracted from "The Art of the Pivot: How New Ventures Manage Identification Relationships with stakeholders as they Change Direction", by Christian Hampel, Paul Tracey and Klaus Weber, forthcoming in Academy of Management Journal*. The online version is available at* https://journals.aom.org/doi/10.5465/amj.2017.0460.

A NEW MODEL FOR STAKEHOLDER RELATIONSHIP MANAGEMENT

Based on our analysis, we develop a process model of stakeholder identification management during new venture pivoting. The starting point for the model is the enactment of a pivot by a new venture. Our analysis suggests that, following this radical change of direction, the identification of key stakeholders is threatened. This leads these stakeholders to challenge the venture either by attacking it outright (if they feel betrayed by the new focus) or by doubting it (if they feel anxious about the new focus). Crucially, we find that ventures can employ identification reset work to defuse identification threats and transition stakeholders to a new identification relationship. Specifically, identification reset work involves: (1) seeking empathy for venture challenges, thus exposing its struggles; and (2) mythologising the technology and the venture's commitment to its products, thus passionately idealising the importance and scale of its efforts to overcome its struggles.

The crux of our argument is that, through these forms of identification reset work, new ventures can overcome much of the affective hostility expressed by their stakeholders by exposing the venture's struggles and its efforts to overcome them. In doing so, the venture shows the purity of its motives and the painful challenges that have 'forced' it to deviate from them, thus creating a shared emotional narrative with stakeholders. This can overcome the highly damaging narrative of "us versus them" that tends to pervade stakeholder relationships that turn sour. ■

The energy utility People's Energy is unique in a number of ways: it is crowdfunded, with a mission to be sustainable, transparent and, most notably, to return 75 per cent of profits to its customers. Below is an extract from our latest centre case study.

CASE STUDY: PEOPLE'S ENERGY

In 2014, Karin Sode and David Pike were looking for an idea that would enable them to combine their energies in solving a societal problem through their business expertise. According to Sode, this stemmed from Pike's "Eureka!" moment when "he was sitting with a lot of business leaders and challenging them to set ambitious goals, make real change, and gradually began thinking, 'Well, what am I doing? What's my big goal?' That was where the itch came from: looking at what the problems are that need to be solved."

Pike has a background in manufacturing management and consulting. Sode has worked for over a decade as a business consultant, with an expertise in executive and leadership coaching. The idea for People's Energy was Pike's. "One aspect of the energy sector which the press has jumped on is consumers' frustration with variable tariffs," says Sode, in particular the propensity of the "big six" suppliers to move customers from initial promotional tariffs onto higher charging tariffs without warning. This has contributed to the energy industry being an obvious candidate for "disruption" given, in Sode's words, "a lack of trust in the perceived greed on the supplier side, and a lack of focus on what consumers need - a lack of fairness".

The People's Energy Vision, as articulated on the company's website (www.peoplesenergy.co.uk) is: "We want to put 1 million people in the UK in charge of their own energy – looking after people and the planet before profit". According to Sode, "The question was very much, 'If this is the problem, what would it take to really turn it upside down and provide something that's completely different to the existing situation?'" In the context of energy companies, this grew into the idea of returning profits to customers, "being as transparent as possible" and incorporating "a more humanistic approach". The foundation stone of the business is "the human to human value - mutual respect". She references the Golden Rule principle – "Do as you would be done by". They were wedded to five key commitments, which they declare on their website homepage:

- Our electricity is 100 per cent renewable
- Our prices will always be amongst the lowest on the market
- Our customer service is one of the best in the industry
- We share 75 per cent of our profits directly with you
- We always operate with fairness and transparency

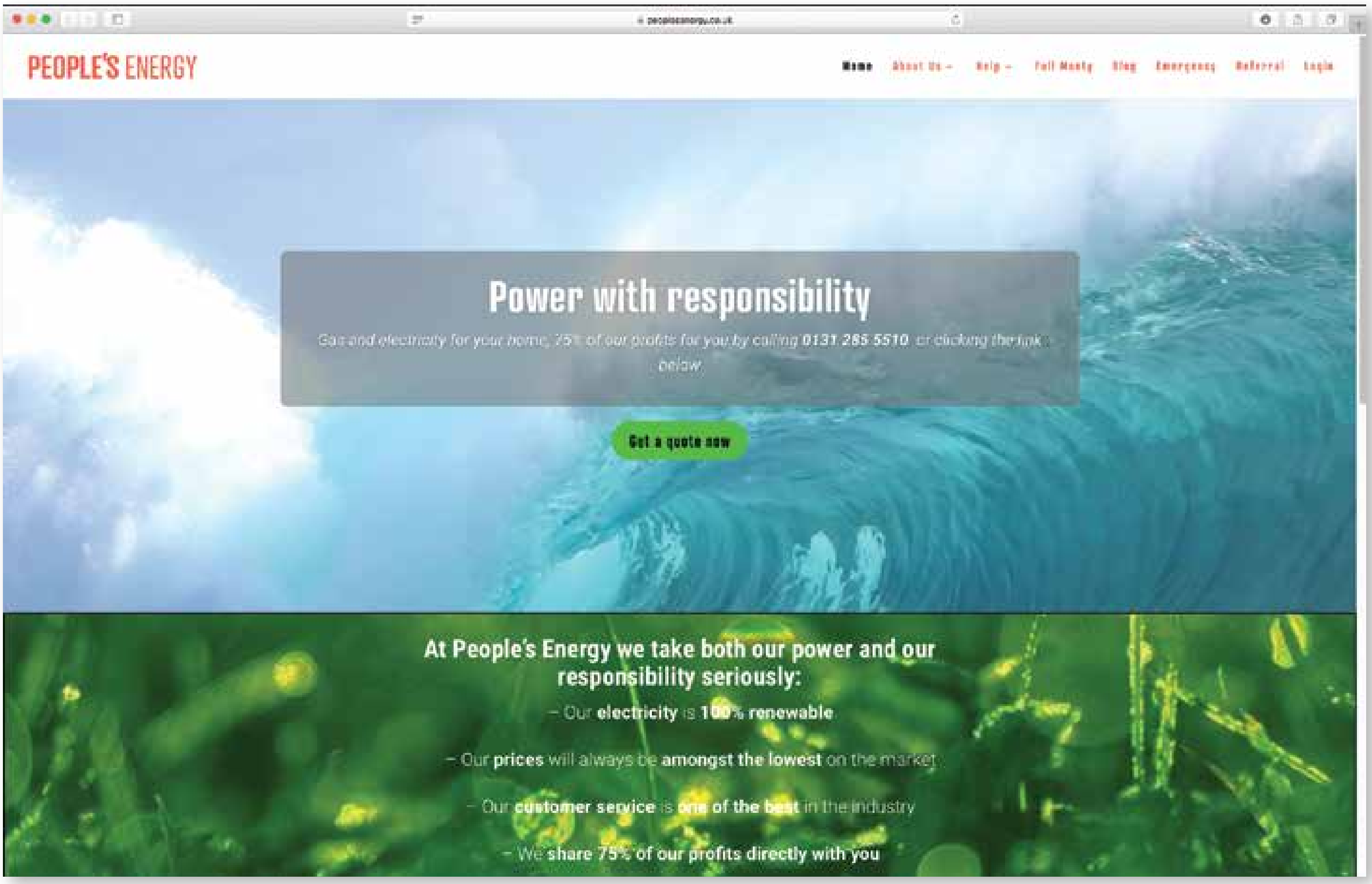
Pike spent six months looking into what would be involved in setting up a utility company. They identified from their research that they would need £1 million to £1.5 million of investment for the company to be viable. The decision was taken to fund the business largely through crowdfunding to reduce the obligations and priorities that a shareholder structure would give rise to. Initially the couple approached investors, but according to Sode: "As soon as we engaged with investors, they would want equity and then the whole proposition was killed there and then. We had some potential investors, but we walked away from it. And we thought, 'if we're going to do this, we're going to have to do it completely differently.'"

> 'Crowdfunders had to go on faith - give us your money for two years and you'll hopefully get something back'

They decided on crowdfunding as an alternative that would sit better with their broader ambitions, and ran the first crowdfunding campaign in November-December 2016 "as a sort of test, a pilot, to see if there were any bites". Initially they set a target of £10,000 as a test, "and we got £18,000 from that and a lot of positive response". Encouraged, they then used part of that money to implement another crowdfunding campaign, which then led to a total of £487,815 as of 31 July 2017, through 2,059 supporters in 199 days. Pike and Sode also invested a nominal £315,000 (in unpaid time and money). The initial commitment from crowdfunders could be "very little" according to Sode. "The smallest amount – anything under £100 – was a donation really. But if people chose to give more, then the offer back to them is that once we reached 20,000 customers, they would get their money paid back on their energy bill with an additional percentage as well. It was basically a loan to us that they would get back in free energy… They had to go in on faith: 'Give us money for two years and you'll hopefully get something back.' So we were quite astonished actually that people did choose to do that."

The highest single donation was for £10,000. Otherwise, save for a few single donations of £1,000 and £5,000, donations were more usually in the hundreds of pounds. In total, 2,200 people invested via crowdfunding. The bigger the donation, the better the rebate. The challenge then was to turn the money into a working business as soon as possible. According to Pike: "Speed to market was crucial in cutting down the cost cycle. We knew as soon as we employed anybody but had no income that half a million is not going to last very long, especially if you've spent hundreds of thousands of pounds on systems."

The company was registered in December 2015. The money they had raised was well short of their own initial projections, and even further short of the £2 million that their contacts within the utility industry had told them they would need. Even before office and staff costs, there were the fixed costs of the licences to supply gas and electricity, the software required to access the energy trading system, and a number of requirements to navigate, exacerbated by historical/regional idiosyncrasies in energy supply.



"It's just a higgledy piggledy industry with lots of different bodies that you have to cooperate across," says Sode. "Of course, there's a disadvantage to not being from the industry. But there's an advantage to be able to look at it afresh."

The biggest costs were for the Ofgem (energy regulator) licences and to purchase the IT system for billing and relationship management, a "company in a box" system that is a convenient solution for energy utilities. They negotiated hard where possible. The most appropriate, affordable IT system was priced at £100,000, but they agreed a much lower up-front cost with a subsequent cost per sign-up.

The insights they had gleaned from their contacts persuaded them that they needed two key components: a beneficial relationship (essentially a £0.5 million credit line) with a wholesaler, which would enable them to more effectively hedge against price movements; and a gas shipper licence, without which any utility company has to pay the shipper a percentage for any gas supplied as well as collateral against any gas in the pipeline (a figure that would increase as the business expanded). "These key decisions, before we'd even launched, were fundamental," says Pike. "If we hadn't got any one of them in place before we launched, we wouldn't be here now."

In Sode's view, People's Energy's ethical proposition served as a point of difference in the market that helped in its negotiations, and has even helped ensure its survival in a particularly challenging period for small energy suppliers, a number of which folded in 2017/2018. She distinguishes between suppliers and partners aligning themselves with an ethical set of choices because they believe it is the right thing to do, and some that simply see the opportunity and appeal of an ethically centred energy supply business. She cites a few examples where the ethical component was a factor, "but I don't know if I can unpack entirely to what extent they did it just because it's ethical and it feels right to, and to what extent because it has a positive commercial impact on them too, because I think those two things have gone hand-in-hand": a marketing company agreed to put together a small campaign for a minimal up-front cost to cover the outlay on creating a video and associated activity, and then a cost per customer acquired. The deal with the wholesaler is also a mixed picture: "We've got unusually favourable terms with them, partly again because they think this will scale and therefore is worth betting on. But it is also part of their own drive to get more squarely positioned on the renewables side. So their driver is to find ethical/renewable smaller suppliers that can grow, and bet on them early." The suppliers of the essential software package "took a risk, but their belief was that there was a good return over time and that 'we would make a lot of money because this was going to be a success, so it will be a bigger return for us even if we have to wait for it'," says Sode.

'We started out with the opportunity of fixing a problem, but through the crowdfunding phase it became more of a mission'

Sode thinks that the reaction from crowdfunders drove a different emphasis in the purpose of the company: "We probably started out with this as an opportunity of doing things differently and fixing a problem, but I think through the crowdfunding phase it became more of a mission, of effecting change. I think we've become a bit more hell-bent on making change. I have a clear sense of purpose around that we need business and business is good, but it really has to be done in the right way and for the right reasons, which is to support people in the best way, rather than just drive growing inequality. So that sort of mission is very much underpinning our thinking." ■

To access the full case study, which is available for free, please visit our website, below.

At the recent conference 'Fraud in a Bull Market' at UC Berkeley School of Law, our centre director **Rupert Younger** discussed with **Alexandra Wrage**, president of the anti-corruption organisation TRACE, the origins of corruption in international business and how to counter it. Below is an edited extract.

CONFERENCE DISCUSSION: FRAUD AND GLOBAL TRANSPARENCY

RY: **I thought we might pick up on this fundamental question of motivation. I'm interested in some of the evidence that suggests that it's beyond financial. It seems to me that a lot of the "whys" are [to do with] social capital, not financial gain. People are doing things because of their desire to be liked, their need to fit in, or their pressure to succeed.**

AW: The challenge with this is it's anecdotal. Unlike your hypothesis, which I think is very good, that a lot of people do this for social standing, the people that come across my radar are working very hard not to get caught. I'm going to take you through a few scenarios. The first one is using gambling, where you're a company and you want to flow benefit to a Chinese government official. So you invite them to fly down at their own expense to Macau, squeaky clean, then you pay off a poker shark to lose the predetermined amount of money to the government official at the gaming table. The government official then takes that money, heads back onto Mainland China, he can pay taxes on it, it's pre-laundered bribe money.

That's now considered actually quite ham-fisted, that's not one of the more elegant ones. There's the use of casinos where you go in with the person that you're trying to bribe and over the course of the evening you slide $50,000 of chips that you've paid for over to the government official. I got a call from an employee of a [Singapore] company who said that every year we hold a big corporate event, we invite all of our government customers, and we raffle off a very expensive car. Every year for the last four years, the most senior government official in attendance has won the car. Real estate used to be a very tricky area. This one was new to me, and after 18 years with TRACE there aren't very many that are: the use of dispute resolution. So you have somebody that you want to get money to on the other side of a deal. You enter into confidential arbitration with them and settle the case for some extraordinary amount of money. I have more but I will stop there.

Explain what you mean by "elegant bribery".

It's the use of fine art to flow value from one party to another. There's two ways to do that. One is, you give somebody a really valuable piece of art and they keep it for a period of time, give it to their children, or store it somewhere and then ultimately sell it. A "better way" to do it, is to work with a gallery - bribe-payers tend to have a good relationship with a gallery - and you can go in and you can pay an inflated amount for a piece of art that's worth next-to-nothing and have them put that extra value towards a separate piece of art that they then put on hold for the government official. So the government official, at your instruction, comes into the art gallery a day or two later and buys this fabulous $300,000 piece of art for $15,000 dollars, and gets a receipt for it.

> 'The grey areas for many companies are gift giving, and the shakedowns at the border by customs or permitting people'

These are all obviously quite extreme examples. I guess there's a really interesting grey area in the middle, when you're working internationally especially, where there are norms, expectation frames which differ.

The grey area for so many companies is the gift giving, or their response to the endless shakedowns at the border by the customs folks or permitting people – "nice factory you got here, shame if something happened to it", that sort of thing. It very often results in a long-term relationship. I've heard a lot today about the slippery slope - you start down the path and then you get a little hooked on it, and that happens a lot. But very often that starts very innocently – "I will pay for you, government official, to travel to this conference to learn more about our products", and then you spend some time with them, that's the whole point, you develop a business relationship, and then the next time the government official wants to bring a wife or several wives and children, and thinks that he should have a side trip and do some sightseeing and the wife's gotta go shopping and it gets out of control very quickly.

So if I'm taking a customer out for dinner, what's an acceptable value for a bottle of wine?

We do a huge amount of surveying of our companies on these issues, because of course no law - very few laws - actually tell you any kind of limit on hospitality. So we're creating our own safe harbour: if 500 well-run companies do X, then X is presumably reasonable and customary. The problem with that is when you break it down by industry. So if you ask somebody in aerospace and defence, they'll sort of clutch their throat and say, "Plonk. It's gotta be something really cheap and unpleasant." And then you ask private equity and it's a very different number.

Can we just extend that then to the question of different cultures. How should organisations navigate different cultural norms?

In my experience, the idea that this issue varies from culture to culture is wildly overblown. There is no culture that celebrates fraud or bribery. It becomes tricky with things like hospitality because there are different expectations around that. But more often than not, when somebody starts talking to you about "oh you don't understand, it's a cultural thing", they're looking for a get-out-of-jail free pass. If you ask a Russian to talk about entrenched corruption in that country, the response will invariably involve Peter the Great and Ivan the

Terrible. I think we can get past that, or the Asian sense that you've always got to come bearing gifts. If you ask Asians now it's like, "No we really don't do that anymore." Not in business. It's true historically, but we can move past that.

We've talked a lot today about the role of regulators. In practice, how effective are regulators, or actually is the most effective action self-regulation?

It depends on the nature of the person out there. When we do training, I think of the audience as sort of three discrete groups: there's the boy scouts in the middle - they're leaning forward and they're taking notes and they're asking questions, and they want to know the right thing to do. Then you have the group who want to know right where the edge is so they can race right up to it. And then you've got a smaller group who treat the whole thing as a "how to" programme. You need to know who you're speaking to in each case. There are people who will do the right thing because it's the right thing; people who are afraid of being prosecuted even though the number of prosecutions is, compared to the amount of international commerce, really very low; and then there are other people who are just "let me get on with my job and stay out of my way, and we'll self-regulate so long as you are very very clear"- which is hard to do in the grey areas - "on how to do that".

Once people have been accused of some form of corruption or bribery activity, is it difficult to throw that stigma off?

You can just do a Blackwater and keep changing your name. The challenge is the size of the company. If you're an enormous international company, you get a fresh start for whatever reason - not always. It's harder for smaller companies to move in that new direction and it seems a little unfair to me. You have a company like Siemens that was hit with over $1 billion in fines jointly between the US and Munich prosecutor's office, and they went on the circuit speaking at every opportunity they got and they said "and we will not do business with any company that has credibly been accused of bribery". Because they were large and had gone on the offensive, they were able to recover.

One of the things that we're seeing is competitors weaponising compliance. A company pays a journalist - you can do this in many countries - $40-50 to plant a false story about a competitor [for a contract] – "company X uses bribery as a business strategy" - and they put it out there in a newspaper or even in a blog and now that company is having to prove that that isn't true and the [vetting] company is watching the clock and saying, "We've gotta move forward on this deal," and the good company gets knocked out of the competition.

'There are the boy scouts, and there are the people who want to know right where the edge is so they can race right up to it'

How do you see the difference between just buying a politician in Asia and lobbying Washington?

So you get the prize, this is my least favourite question. The distinction is that lobbying is legal, and the world is large and corruption is rampant and lobbying is not something we really focus on. I'm not going to defend the conduct, but pushing over a flight bag of cash to a government official in Asia is clearly illegal; lobbying I'll leave to the experts. ■

The complete conversation, as well as other discussions from the conference, can be viewed at www.valuewalk.com/2019/06/financial-fraud-around-the-world/.

NEWS

In March, our director **RUPERT YOUNGER** presented and led a discussion on "Reputation, new business models and AI" with the Sony Music Entertainment executive team in New York. He was also invited to present the *Activist Manifesto* (*www.activistmanifesto.org*) at the Biennale Democrazia in Turin, and was a presenter and panel participant at the University of California Berkeley at a conference entitled "Fraud in the Bull Market" (see pp10-11).

Our researchers participated in the 6th Annual Writing Workshop at the University of Edinburgh: Postdoctoral Research Fellows **ROHINI JALAN** and **EVA SCHLINDWEIN**, Researcher **DENNIS WEST** and DPhil **TANJA OHLSON**. Papers included: Eva Schlindwein, "Hearts and Minds: An emotional sensemaking approach to studying sociocultural M&A integration"; Rohini Jalan, "Making it in the field: A comparative study of how actors negotiate their identities in a contested field".

Our Postdoctoral Research Fellow **NATALIA EFREMOVA** gave a talk, "AI for Social Good", at Osaka University, Japan.

In April, the centre once again hosted the **CORPORATE AFFAIRS ACADEMY** programme, which we run in conjunction with Executive Education at Saïd Business School (see www.sbs.ox.ac.uk/programmes/corporate-affairs-academy)

RUPERT YOUNGER was a panellist at the Aid & Trade Conference in London (*www.aidandtrade.london*).

Our Postdoctoral Research Fellow **KEVIN CURRAN** delivered a paper, "Media narratives and the rise of celebrity entrepreneurs" at the University of Melbourne. **NATALIA EFREMOVA** contributed to a podcast entitled "Future Proof: AI for Marketing" (*https://uk.kantar.com/podcast/*).

In May, **RUPERT YOUNGER** was a panellist at The Joint Investment Conference, an annual conference for leading fund managers in the UK.

APPOINTMENTS

GREGORY CLARK has joined our centre and the department of Marketing at Saïd Business School as a Postdoctoral Research Fellow. He is working with Felipe Thomaz, Associate Professor of Marketing at Oxford Saïd. Greg's research is in Discrete Mathematics, but more specifically Spectral Hypergraph Theory. The goal of Spectral Hypergraph Theory is to relate the structure of a hypergraph to its spectrum; that is to say, how one can relate the structure of a multi-dimensional network to a (relatively) short list of numbers. He is excited to have the opportunity to apply this work to problems concerning reputation and the future of marketing. As an example, he wants to provide measurable recommendations on how to improve the position of an individual in a complex network.

Greg holds a bachelor's degree in Mathematics from Westminster College, New Wilmington PA, and received his PhD in Mathematics from the University of South Carolina in May 2019. During graduate school, Greg worked extensively with undergraduate and secondary school students on research in mathematics. In particular, Greg developed a summer research programme for local secondary and undergraduate students with support from the University of South Carolina Summer Program for Research Interns and the Support for Minority Advancement in Research Training. ■

NATALIA EFREMOVA delivered a paper entitled "Face and Emotion Recognition with Neural Networks on Mobile Devices: Practical Implementation on Different Platforms" at the Workshop on Large Scale Emotion Recognition, at the IEEE International Conference on Automatic Face and Gesture Recognition 2019 in Lille (*http://fg2019.org*).

EVA SCHLINDWEIN delivered a paper entitled "The Social Construction of Social Controls: The Evolution of Coercive Controls in U.S. Cannabis Regulation, 1906-1956" at the Vienna University of Economics and Business, Austrian Early Scholars Workshop.

In June, **RUPERT YOUNGER** was a keynote presenter at Amplify, the thought leadership conference organised by AMP in Sydney (*www.amp.com.au/amplify/about-amplify*).

TANJA OHLSON was invited to give a presentation to KPMG Korea's Young Leaders programme,entitled "Global Leadership and Management". She has also been accepted onto the prestigious Medici Summer School in Management Studies at HEC, Lausanne.

NATALIA EFREMOVA gave a talk at Saïd Business School on AI for Marketing as part of The Future of Digital Disruption event in collaboration with Teradata (*https://answers.teradata.com/oxford2019*). She also delivered a paper entitled, "AI for Social Good" at the Oxford Internet Institute.

Our Eni Research Fellow **ELLEN HE** delivered a talk entitled "Mutual funds voting on environmental and social proposals" at the Mutual Funds, Hedge Funds and Factor Investing Conference at Lancaster University. In July, she will deliver the same paper to the 2019 Sustainable Finance Forum (SFF) in Shenzhen, China. ■

Contact us

We welcome your feedback. Please send any comments to: *reputation@sbs.ox.ac.uk*. The Oxford University Centre for Corporate Reputation is an independent research centre which aims to promote a better understanding of the way in which the reputations of corporations and institutions around the world are created, sustained, enhanced, destroyed and rehabilitated. For full details of our research and activities, and for previous issues of *Reputation*, see: *www.sbs.oxford.edu/reputation*.