

REPUTATION



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COMMENT

PAYING THE PRICE

What should we do with companies that don't play by the rules? How that question is answered has huge implications for the companies themselves, but also for the reputations of the regulators and prosecuting authorities, and of business more broadly. The knock-on effects of how governments, suppliers, partner and client businesses and customers perceive what a judgment says about a company cannot be underestimated. The prosecution of Mabey & Johnson in 2009, the first UK corporate prosecution for overseas bribery (and one of our case studies, at www.sbs.ox.ac.uk/faculty-research/reputation/research-and-publications/case-studies-0), was calamitous for the export business of that company.



So the decision by Lord Justice Leveson not to pursue a prosecution of Rolls-Royce for its admitted bribery over many decades, but to impose a large fine under a Deferred Prosecution Agreement (DPA), is highly significant. On pp06-07 anti-corruption organisation Transparency International considers the justification for and shortcomings of this decision, and our former Research Fellow Liz David-Barrett (author of the Mabey & Johnson case study) suggests

why straightforward punishment is not always the answer to improving corrupt practices in less developed economies, with reference to her latest paper on vulnerability to bribery in the pharmaceutical sector.

Hot on the heels of Rolls-Royce, however, comes the DPA and a £129 million fine for Tesco, for overstating profits in 2014: a straightforward case of accounting fraud in a developed economy. For the public, such solutions do little to restore the poor reputation of business – as captured by our “Restoring Trust in Business” research, see *Reputation Issue 17* – and the sense that “too big to fail” businesses are continuing to buy their way out of trouble. It will be interesting to see how CEO Dave Lewis makes good on his promise to do “everything we can to continue to restore trust in our business and brand”. ■

NEW ECONOMY, OLD HABITS

Every other day seems to bring some scandal emanating from the dominant web businesses in the US: whether it is the creative attitude to tax across the sector; the questionable corporate culture and leadership at Uber; or YouTube and Facebook losing advertising accounts for placing promotional content with extremist videos, and not screening out hate speech. Of course, online behemoth businesses are eye-catching targets for criticism, and can argue that they are still getting to grips with the unprecedented, ever-changing complexities of their rapidly expanding concerns. But

on p04, Martha Lane Fox, co-founder of pioneer “disruptive” business Lastminute.com, points to rather more systemic, and even old-fashioned, problems: a domination of the online entrepreneur narrative by the aspiration to raise capital, scale up and sell out; a chronic gender imbalance; and the negative effects of groupthink among the network that has come to dominate the web. The leaders in the digital economy would do well to heed her insights. ■

A SOFTER BREXIT?

Any corporate affairs (CA) director will tell you how important setting the right tone is to achieving your aims. It is an area where CA has traditionally proved its worth: creating the atmospherics for directing the conversation and messaging; ensuring the right agenda has priority. As the report from this year's Corporate Affairs Academy makes clear (see p10), the role of CA leaders has evolved well beyond this, and in the best-run organisations CA now has a place at the heart of an organisation's strategic thinking. But if you need a reminder of that vital soft skill of setting the tone, look no further than the recent letter from Theresa May to the EU President Donald Tusk, to confirm the UK's Brexit intentions. After months of bravado from the UK side, playing to the gallery and aggressive posturing, of a kind seemingly expressly aimed at poisoning the atmosphere before negotiations begin, May's letter was praised in the main for its thoughtful approach and its implicit consideration for the concerns of all the parties to this most thorny of negotiations. It's a start. ■

The retailer John Lewis has built a unique reputation in the UK, arising from its being employee-owned and its “ethical” constitution. After 31 years with the company, nearly a decade as MD, **Andy Street** gave a talk at Saïd Business School explaining the business reality behind the model, from which the below is adapted.



IN THEIR OWN WORDS

WHAT IS SO DIFFERENT ABOUT THE WAY JOHN LEWIS DOES BUSINESS?

In 1928 John Lewis gave the ownership of the business to all of the employees (Partners), with a constitution that says that the ultimate purpose of the business is “the happiness of all of its members”, with the profits of the business shared among all Partners as a bonus.

WHAT IMPACT DOES THIS HAVE ON RUNNING THE COMPANY?

As John Lewis doesn't have shareholders who want to maximise profits, there is no conflict of interest; everybody is on the same side. It gives the business superb business advantages. As MD, I didn't have the city breathing down my neck. It wasn't just about maximising profit: it was about doing the right thing.

CAN YOU GIVE AN EXAMPLE OF THE BUSINESS ADVANTAGES?

In 2001 we bought buy.com to give ourselves a kick-start in online retailing. The dotcom bubble had burst. People thought we were mad. We lost tens of millions of pounds. Fast forward to 2008: our sales were down 14 per cent and our profit was down 40 per cent. The important stat, though, is that we took £269 million online that year. This year that figure was £1.8 billion. That was all about using our business advantages to accelerate dramatically in the growing part of the business. Other companies were fiddling with their prices, getting rid of suppliers for the right deal. Our whole answer was there would be no compromise on the quality of our products, the service in our shops, or our commitment to be “never knowingly undersold”.

DOES THE EMPLOYEE-OWNED MODEL MAKE IT HARDER TO MAKE TOUGH DECISIONS?

In a co-owned business, you have to take tough decisions in the interests of the majority. In my time, a significant number of people in John

Lewis were made redundant. Now that seems counterintuitive. But the areas of the business that were old-fashioned were closed down and new jobs were created, not necessarily for the same people. John Lewis is absolutely hard-nosed, but has also been pretty single-minded in pursuing our principles. The challenge for anybody in the job of MD will always be the balance between that commercial success and respecting those principles.

DID YOU HELP THE REDUNDANT EMPLOYEES BETTER THAN ANY OTHER ORGANISATION WOULD?

Categorically yes: John Lewis's redundancy payment is twice what the statutory provision is, but more importantly there is a policy which says, if there is any chance of somebody being retrained to be redeployed in another job, the business is obliged to give them that job. There is actually a much longer period of retraining than, I would say, in any other company.

HOW DO YOU GET SUCH EMPOWERED EMPLOYEES TO EMBRACE POTENTIALLY THREATENING CHANGE?

Local businesses have huge autonomy. We gave front line teams responsibility for online businesses in their area. Individual John Lewis shops are run by powerful local people who are expected to be leaders in their community.

WHY HAVEN'T THE UK'S THOUSANDS OF OTHER CO-OPERATIVES BEEN AS SUCCESSFUL?

John Lewis is a democracy, but it is not a perfect democracy, as other co-operatives are. Every single Partner votes for a representative to go onto a council, at local level and at Partnership level. And the chairman is directly accountable. But running the company is delegated to the executive, although any decision that the MD takes can be scrutinised by the council.

JOHN LEWIS FAMOUSLY USED NOT TO ADVERTISE. NOW ITS CHRISTMAS ADS, IN PARTICULAR, ARE HOTLY ANTICIPATED EVENTS. WHY THE CHANGE?

We had to move from multichannel [separate in-store and online offerings] to “omnichannel”, where however you wanted to interact with John Lewis, it all had to connect together. Once we had an omnichannel business, we could move into marketing. To give you an idea of how quickly things are changing: when our Christmas ad launched two years ago, six million people saw it for the first time on social media and seven million people saw it for the first time on TV. Just 12 months on, the same 13 million people, 12 million saw it for the first time on social media, only a million waited to see it on TV.

HOW DID YOU APPROACH THE CHALLENGE OF ADVERTISING FOR THE FIRST TIME?

Advertising a brand rather than a shop is, of course, more esoteric. We gave one word to the advertising company: trust. That was the brief: market trust.

ARE YOU CONCERNED ABOUT THE POOR CURRENT REPUTATION OF BUSINESS IN THE UK?

I think it's a tragedy the way business is regarded in the UK. It's how innovation happens, it's how social improvement happens and that argument is being lost. Why? Business has kicked the ball in its own goal too often, and I do think CEO pay is out of control and that does alienate most people. [But] the media is far too keen to make role models of bad businesses. We don't spend very much time talking about great businesses. ■

Andy Street is running to be Mayor of the West Midlands. See: <https://andy4wm.co.uk/>.

As co-founder of Lastminute.com, **Martha Lane Fox** was one of the UK's most high-profile pioneers of online business. Now a campaigner for change in the modern digital economy, she is finding that the battles to be fought – for diversity and access – are all too familiar.

THE BIG INTERVIEW

This is a particularly interesting time to be interviewing Baroness Lane-Fox. The co-founder of that most high profile of early “disruptive” businesses, Lastminute.com, in the 1990s, she has been a cheerleader for the society-changing potential of digital technology ever since. She is a member of both the “old” and “new” Establishment, as the youngest woman ever elevated to the House of Lords, and a member of the board of Twitter.

She has been, among other things, the government's UK Digital Champion (2010–2013), a non-exec (M&S and Channel 4), and is currently Chancellor of the Open University. But a large part of her working life is devoted to Doteveryone (*doteveryone.org.uk*), the organisation which she founded in 2015: “A team of researchers, designers, technologists, and makers [who] explore how digital technology is changing society, build proofs of concept to show it could be better for all, and partner with other organisations to provoke and deliver mainstream change.” She is also a self-confessed optimist, but admits that, in the online world at least, that is currently proving “a bit of a strain”.

We touch on a few of the less optimism-inspiring current media narratives: there is the relentless negative coverage of Uber, that flagship of today's disruptive businesses, over questions of poor leadership, ethical deficiencies and dubious gender politics; the furore around Google and YouTube placing advertising next to hate-speech videos, and facilitating the spread of such material; the ubiquity of “fake news”; and the open letter from Sir Tim Berners-Lee on the 28th birthday of the web to warn of the threat its misuse poses to personal privacy, democracy and society.

Lane Fox herself has reflected in the past on how the emerging reality of the web has diverged from its early aspirations, and the hope that it would recast society and business in a new image. “I really believed this new incredible tool would shatter the old power structures,” she said, at an event to mark the 25th anniversary of the web. “I thought that maybe this would be a

much more fragmented corporate world... that women would have much more of an opportunity than ever before... that there would be new exciting private spaces... and that this new unleashing of creativity would happen for everybody.” Instead, she reflected, four or five big companies control the web (Apple, Facebook, Google, etc.), there is no privacy, and women are not being remotely empowered.

There is still cause for optimism, she says, seizing on the success of entrepreneurship as a potential driver of change: “It used to be a very strange thing to be an entrepreneur,” she says. “[Now] it's even kind of cool to be a tech entrepreneur. When Brent [Hoberman, Lastminute's co-founder] and I were starting, it was the weirdest thing we could possibly choose to do.” The problem is, despite the game-changing attitude of many

“I REALLY BELIEVED THIS NEW INCREDIBLE TOOL WOULD SHATTER THE OLD POWER STRUCTURES.”

entrepreneurs, something is amiss there, too. While she makes clear she has no intention of tarring a whole sector with the same brush, she is concerned that the entrepreneur ideal is becoming dominated by the narrative of raise capital, scale up and sell out.

“Startups are promising, optimistic, hopeful; often they are improving things, solving challenges,” she says. “But it seems to me that there's a big disconnect between what young entrepreneurs want to do and why they start their business – they perceive a real need in a sector, or they have a personal experience or an idea – and the dynamic of getting capital and exiting the business, and the tensions that that produces.”

One of the problems she comes back to is the “machismo in what success looks like... I think there's such a load of nonsense

about ‘you're a successful entrepreneur if you've had a billion-dollar exit’. How about if you've actually started a charity or a social enterprise that's done something extraordinary and helped solve a social problem?” The current preoccupation with that way of measuring success dictates how people talk about the sector, and she wishes people could be “more imaginative”.

She lays part of the blame at the door of the lack of diversity in the sector, and says that an industry that did not exist 30 years ago has managed to “if not replicate the hierarchies of other industries, actually make them even worse. We are creating things that are less diverse than they could be, because women aren't embedded in the design process.” Twitter, whose board she joined last year, has itself taken flak for its lack of diversity. She cites some fairly stark data: “About four per cent of the world's software engineers are women, 17 per cent of leadership in tech companies are women, and over the whole sector, by the most generous measure, it's about 23 per cent. So regardless of any cultural thing that may or may not be going on, blatant sexism or unconscious bias, the absolute numbers show that there are very serious problems.”

A recent charity event she attended hosted by “a very successful tech entrepreneur, looking at how to solve one of the big environmental problems” was worryingly illustrative. “There were 22 men in the room and one woman. And it isn't because this tech billionaire isn't a good guy: he's actually a very good guy, and he's trying to do something very positive. But he was just drawing on his own networks. And if you're getting together 22 people to try and help look at how to solve a big environmental challenge and you only have one woman in the room, what does that say about your networks and the networks that you're propagating? Network effects can be astonishing, or they can just reinforce existing networks.”

Although part of the answer is simple – “hire more women” – the process, she acknowledges, is more complex, but there is

plenty of research on how to help this happen: “The language you use in companies, who you’re appealing to, with what different kinds of keys and symbols, are very important – just shifting how you describe a job, rather than listing the skills that you need for it, or the computer science certifications that you need. Describe what problems you’re trying to solve and immediately the number of women applying for a job go up.” The culture that arises from smart programmers hiring their smart programmer “mates” is “somewhat one-dimensional”.

She is clear, too, that if the social media giants want to improve their rather tarnished standing, they are going to have to rethink what they consider to be their responsibilities, in particular as regards the “Are we a channel or a publisher?” debate. “I think that there has been a slightly

“THERE NEEDS TO BE MUCH DEEPER DIGITAL UNDERSTANDING AT ALL LEVELS, AND IT HAS TO START WITH THE LEADERS.”

disingenuous philosophy there: ‘We’re just providing the tools, we’re not therefore responsible for the content, or the side effects of whatever the business has created in society.’ I think that’s deeply flawed logic. I don’t think that’s responsible citizenship.” She debated the point recently with a “very senior executive” at Facebook: “They were saying, ‘We are just a platform,’ and I was saying, ‘No you’re not, you control a lot of the world’s advertising.’ What you’re seeing now is a realignment of those values and philosophies, and I think all these companies are realising that they can’t just abdicate these much bigger, wider, economic, societal responsibilities.” It is something that Twitter is “wrestling with right now. It’s very keenly felt, but it’s also complicated.”

We have time before her next meeting to



reflect briefly on some of her numerous previous roles, and in particular on the importance of fostering a greater digital understanding among decision-makers. While she downplays her influence, she makes no bones about the importance of “having a different voice in the room” – certainly in her case, as her self-deprecating evangelism is unquestionably persuasive. “There needs to be much deeper digital understanding at all levels, and it has to start with the leaders,” she says. “It’s complicated all this stuff – I find it hard to keep on top of and I’m meant to work in the sector. But I think that actually if we move it up our priority list, as legislators, as corporate

leaders, as policy leaders, and recognise that the process of learning and understanding never ends, then I think we can still go a long way to making better decisions.

“We’re going through a massive shake-out and we’re about to go through another one with AI [artificial intelligence],” she concludes. “I’m optimistic because I still think we have the opportunity to create immense, new, exciting businesses, and solve social challenges in new ways.” But the reputation of the digital economy and the web is on the line: “It doesn’t just happen. I think we consciously have to make it happen in more positive ways.” And with that she is off. ■

The Rolls-Royce bribery investigation is a watershed event for the Serious Fraud Office, with a record-breaking fine and the successful exposure of decades of wrongdoing by a major corporation. But what is the reputational fallout from the decision not to

ANALYSIS: BRIBERY AND DEFERRED PROSECUTION AGREEMENTS

The Rolls-Royce case was a testing ground not only for the Bribery Act and Serious Fraud Office, but also for the use of a new legal instrument in the UK – Deferred Prosecution Agreements (DPAs). DPAs are extensively used in the United States to settle violations of the Foreign Corrupt Practices Act (FCPA). But a number of lawyers, as well as scholars of corruption, criticise the practice. Over-reliance on DPAs, it is argued, means that we build up very little jurisprudence on anti-bribery laws. Worse still, DPAs allow companies to avoid making real efforts to prevent their employees from paying bribes, since they can simply buy their way out of trouble with good behaviour and promises after the fact.

In the UK, calls for DPAs were resisted for many years, precisely for these reasons. But the way that they have been introduced addresses some of the criticism. In the UK, unlike in the US, the courts retain a key role in permitting the use of a DPA. Neither prosecutors nor companies can be sure, until the decision is final, whether use of a DPA will be approved. Nevertheless, the charge remains that DPAs allow companies to dodge punishment, buy themselves out of trouble and reduce reputational damage that might cost them future contracts.

There are good reasons to question how seriously companies are taking anti-bribery laws. Many have introduced new compliance programmes over the last few years, but these do not seem to stop them getting into trouble. But given that corruption is a deep-rooted problem that has been entrenched in business practices throughout the world for years, perhaps we should allow companies a little more time to get their houses in order? In a new paper in *Journal of Management Inquiry* (see below), we argue that the continued vulnerability of companies in the pharmaceuticals sector to bribery risk reflects two key tensions.

First, anti-bribery laws are written and enforced in environments where there are strong norms against bribery, but they pertain to the conduct of business all over the world, in environments with widely differing business cultures and practices. Reconciling

the global laws and local norms is not easy for companies, particularly in some emerging markets where local practices clash with international laws. Should companies stop giving gifts in China and south-east Asia, at the risk of losing business to competitors that, unlike them, respect local traditions? Second, even if company HQ strongly believes that the answer to this question is yes, how can the compliance team make that message sink in with their colleagues in marketing and sales?

New laws change the rules of the game relatively fast, but norms can be slow to catch up. An anti-bribery enforcement regime that includes DPAs provides incentives for companies to set up strong preventive measures against bribery risks, so that they can demonstrate commitment to change. If they are then found to have paid bribes, it is easier to argue that this represented uncondoned misconduct by rogue employees. The current UK system also encourages companies to undertake extensive internal investigations if they have suspicions about bribery risk. These far-reaching probes can lead to better risk assessment, building a foundation for more watertight anti-bribery systems in future.

In the long run, this kind of enforcement regime might be much more effective in eliciting behavioural change from companies. Law enforcement should only partly be about punishment for wrongdoing. In the longer term, prevention of bribery requires us to build more sustainable solutions to the very real tensions posed by corruption risk.

Companies cannot be complacent, though. They could be working much harder to develop robust strategies for managing the tensions that our “Bitter Pill...” paper identifies. Lifting a compliance programme off the shelf and tweaking it to suit your business does not bring about real change. Companies need to conduct probing risk assessments of their own systems, to understand the ways in which they are vulnerable to corruption risk. They should cut reliance on third-party agents where possible, get rid of sales-related bonuses, and think up ways of incentivising ethical behaviour.

Perhaps a greater challenge is to change managers’ own perceptions of why bribery risk is important. This is partly because the victims of bribery and corruption are much more difficult to pinpoint than, say, the victims of shoddy labour or environmental practices.

Yet there are victims of corruption. When companies pay bribes to win government contracts, they collude in wasting public money – often in developing countries, where this impedes efforts to reduce poverty and promote growth. And corruption and bribery weaken the market by breaking the link between competitiveness and performance. Success in business should be about being the best, offering value for money on excellent products. Whenever business activity strays into greasing palms, the reputation of business as a whole is fundamentally challenged. ■

Liz David-Barrett is Senior Lecturer in Politics at Sussex University and a former Research Fellow with our Centre. Her latest paper, “A Bitter Pill? Institutional Corruption and the Challenge of Antibribery Compliance in the Pharmaceutical Sector”, co-authored with former Centre RFs Basak Yakis-Douglas and Amanda Moss Cowan, is published in Journal of Management Inquiry (<http://journals.sagepub.com/eprint/d6qQKA4ax22pYG2S6fIX/full>).



prosecute? **Liz David-Barrett**, left, assesses the suitability of Deferred Prosecution Agreements, and below, **Peter van Veen**, a director from anti-corruption organisation Transparency International, identifies some of their shortcomings.

“My reaction when first considering these papers... If Rolls-Royce were not to be prosecuted in the context of such egregious criminality over decades... then it was difficult to see when any company would be prosecuted.”

Sir Brian Leveson, presiding judge in the Rolls-Royce case

How is it that, notwithstanding the above, Rolls-Royce was not prosecuted for the extensive bribery it committed, but was instead made the subject of a Deferred Prosecution Agreement (DPA) and fined £670 million? What changed Sir Brian's mind? There were two noteworthy reasons in particular from those he specified:

- The high level of cooperation offered by Rolls-Royce during the investigation;
- The impact that debarment from public contracts might have had on the company, its employees, the wider ecosystem of suppliers and customers, and the UK defence industry as a whole.

This leaves some challenging questions for anti-corruption campaigners, such as Transparency International (TI). We still question whether the use of a Deferred Prosecution Agreement (DPA) in the case of Rolls-Royce was really justified given the wide-ranging bribery uncovered by the investigations, spanning at least seven

countries and going as far back as the 1980s – even with the number of British jobs at stake, the threat of being disbarred from bidding for future contracts, and the sensitive geopolitical nature of the deals involved.

It might have helped what is effectively a public interest defence for a DPA if there had been restitution to victims. Any bribe, no matter how small, has victims. These were substantial bribes, so why were the victims of Rolls-Royce's corrupt practices not mentioned in the DPA? The only “victim” mentioned by Lord Justice Leveson in his deliberations seems to have been Rolls-Royce.

For those gauging the actions of the prosecuting authorities, it is important that all the consequences of bribery are properly encompassed in a judgment.

“ANY BRIBE, NO MATTER HOW SMALL, HAS VICTIMS. WHY WERE THE VICTIMS OF ROLLS-ROYCE NOT MENTIONED IN THE DPA?”

Another is the lack of independent oversight for Rolls-Royce in the future. But on balance, this is a reputational win for the UK judiciary, including the Serious Fraud Office (SFO), which led the investigation and recommended the DPA. With this substantial judgment, they have now demonstrated that the UK Bribery Act has real teeth.

The DPA covers the UK and is matched with DPAs in the US and Brazil. For other countries not covered, but where criminal behaviour was exposed, such as India and China, there will certainly be a reputational cost, albeit that this is a historical case; ironically, TI has recognised that both those countries have been putting substantial efforts into combatting corruption in recent times.

As for the reputations of defence and aerospace, the main industries in which Rolls-Royce operates, this case did little to

dispel accusations that they do not play fair in competing for business. The list of SFO and US Department of Justice's historic and current investigations and prosecutions contains a number of Rolls-Royce's competitors, customers and suppliers. How these companies do business is now under the spotlight: for example, a high reliance on agents and other middlemen to win contracts is a key area of bribery risk. In the case of India, Rolls-Royce went out of its way to use an agent on the Indian government's “banned” list, bribing a public official to look the other way.

Rolls-Royce's good reputation is of course tarnished. However, it limited the damage to both reputation and finances by its cooperation: the fine was reduced by 50 per cent. Rolls-Royce declared several additional incidences that the SFO was not aware of and not only did it get credit for this in terms of reduction of the fine, but it also allowed the company to draw a line under all historic business misconduct by wrapping it into one single DPA.

Can Rolls-Royce now draw that line? Legally, the answer is yes. However, although Rolls-Royce itself has avoided prosecution, it is very possible that former senior executives who signed off on these corrupt deals will not be so lucky. For the prosecuting authorities, those further cases may help overcome the potentially damaging perception that cooperation after exposure, and the subsequent penalties, become part of the price of doing business for the likes of Rolls-Royce. ■

Peter van Veen is Director, Business Integrity Programme, Transparency International UK (TI-UK; www.transparency.org.uk).

More information: www.transparency.org.uk/our-work/business-integrity/rolls-royce-case-dpas/.

Relevant TI publications for businesses: www.ti-defence.org/publications/licence-to-bribe-reducing-corruption-agents-defence-procurement; www.transparency.org.uk/our-work/business-integrity/best-practice-tools-and-guidance.



PHOTO: GEOFF MOORE/REX/SHUTTERSTOCK

How did Thomas Cook move from being a despised, deeply stigmatised new venture to one of the most respected enterprises of the Victorian era? Our Research Fellow **Christian Hampel** examines the nature of stigma, identifies strategies that Cook used to overcome it, and argues that these are just as relevant for businesses today.

RESEARCH FOCUS: OVERCOMING STIGMA

Thomas Cook, a temperance campaigner and publisher from Leicester, began his involvement in travel by organising tours for his local temperance society. After several years of arranging such tours alongside other activities, he established his travel agency in London in 1861. Cook's travel agency at first primarily offered "conducted tours". These involved a tour guide who would lead a tourist group of usually between 40 and 150 people over a few days across England, Scotland and, from a slightly later date, Continental Europe.

When Cook's travel agency opened in London and offered conducted tours to working-class and middle-class people, the British elite reacted with fury and fear. It was worried that the travel agency would destroy a noble and cherished activity by vulgarising it. The elite was also scared that travel would cease to be a clear sign of its privileged position. Cook's travel agency threatened to open travel to the masses and thus erode a key marker of class distinction. To combat Cook's travel agency, the establishment press, which catered for and reflected the views of the elite, engaged in scathing attacks on Cook's agency and contributed to a "moral panic" designed both to mobilise the elite to campaign against mass travel and to deter would-be tourists.

The stigmatisation of Cook's travel agency by the powerful Victorian elite placed its future survival in doubt. In order to survive, Cook's travel agency needed to fight the stigma. From 1861 to 1871, in a first phase that was focused on stigma reduction, it used three tactics to influence the perception of the travel agency: deflect attention from stigma, isolate stigmatisers and demonstrate service to society.

To deflect attention from the stigma, Cook's travel agency drew upon the practices of individual travellers as well as those of continental travel. Both sets of practices were associated with sophistication and distinction. Specifically, Cook adapted the concept of

the Grand Tour (the tour, chiefly of French and Italian cultural treasures and sights, undertaken by the wealthy) to the "interest, level of knowledge [and] finances" of his clients, thus positioning the travel agency as a facilitator of this worthy type of travel.

Cook also sought to show that his tourists, particularly those who were travelling in conducted tours, were respectable and worthy of acceptance. In order to illustrate the respectability of his users, Cook tried to depict conducted tourists and individual travellers as similar. Cook also changed the way the tours were run to increase their perceived respectability. For example, Cook reduced the number of tourists on each tour. He also emphasised the support his parties

"STIGMATISED ORGANISATIONS MAY BE REWARDED WITH MORAL LEGITIMACY FOR MAINTAINING THEIR DEVIANCE."

received in the countries they visited. By showing that his conducted tourists were welcome abroad, he was able to challenge the idea that there was universal hostility to the notion of a conducted tour. A common ploy used by Cook was to highlight how royalty and other high-status actors responded to his tourists. On one occasion he described how the French Emperor "graciously acknowledged the cheers of the visitors".

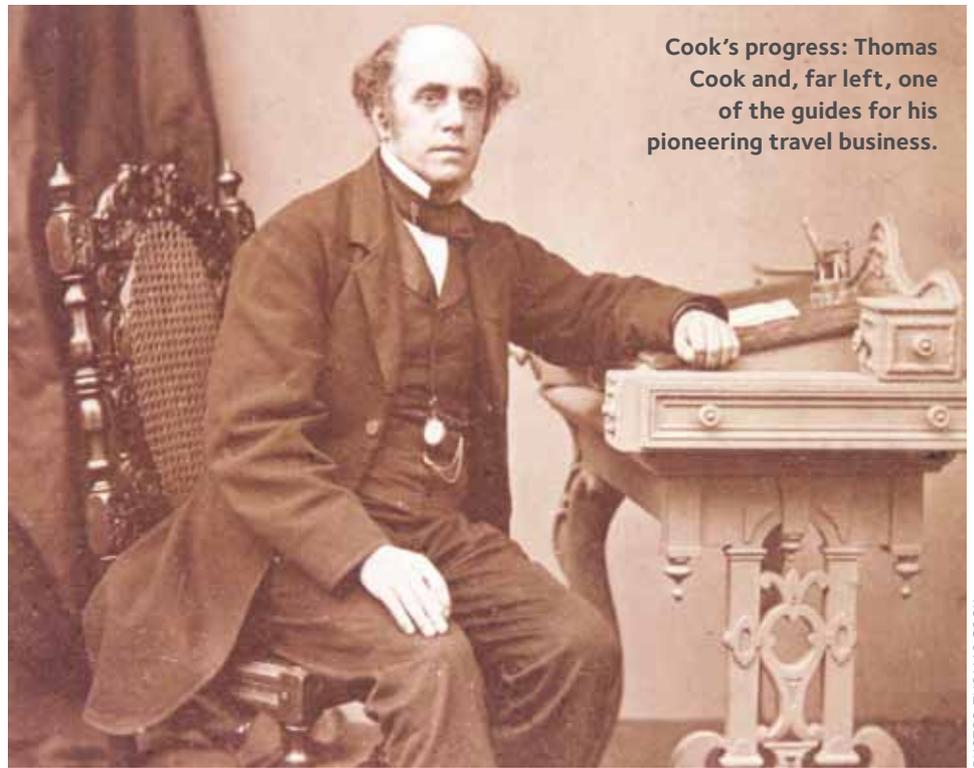
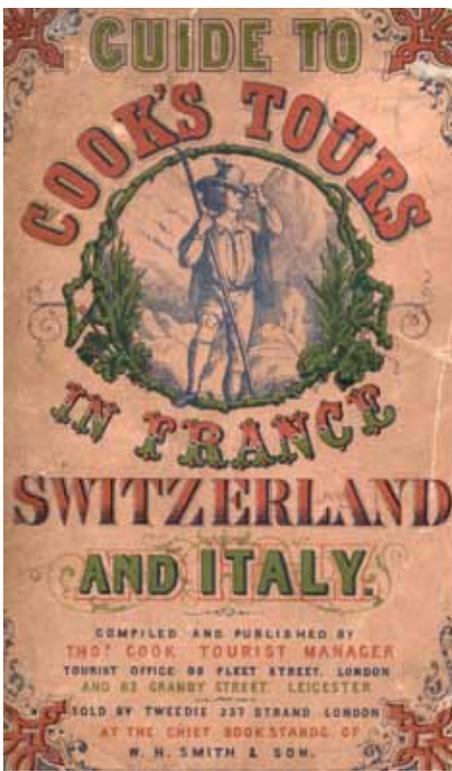
Cook also responded to the stigmatisation of his travel agency by isolating its stigmatisers: depicting them as a misguided minority, and attacking their character. Cook portrayed them as a small and mistaken group who were out of touch even with other members

of their own social class. He was very careful to direct his attacks only at his critics and to avoid any actions that could be interpreted as undermining the British elite as a whole.

Cook also sought public censures of his stigmatisers. To achieve this, he asked very high-status actors, including newspaper editors, senior politicians and members of the Royal Family, to condemn those who were critical or dismissive of his agency. While neither royalty nor politicians responded to his requests, Cook gained much publicity from his measured appeals to these illustrious individuals. Cook also contested the moral qualities of his critics. He suggested that they should be ignored as they lacked moral rectitude, honesty and decency.

Cook was adamant throughout that his travel agency offered an important service that was beneficial for all parts of Victorian society. He emphasised the travel agency's service to society by using two tactics: highlighting his support of worthy groups in the first phase, and constructing a superordinate identity in the second phase. Thus while he initially portrayed his service to society in a narrow form that primarily showed how the travel agency helped deserving social groups from lower social positions, he later depicted his service more broadly by stressing how the travel agency supported the British nation as a whole.

The establishment press became less hostile towards the travel agency and softened its longstanding condemnation of it. Instead, the press began reporting on the activities of the travel agency in a more neutral way. Cook realised by 1870 that he had managed to decrease the intensity of the elite's hostility towards the travel agency, but was acutely aware that pockets of stubborn resistance remained. Moreover, he wanted the travel agency not simply to be accepted by the elite: he sought their approval, which he hoped would lead to active



Cook's progress: Thomas Cook and, far left, one of the guides for his pioneering travel business.

PHOTOS: THOMAS COOK

support. From 1870 to 1877, Cook's travel agency deployed two additional tactics: demonstration of (broad) service to society by constructing a superordinate identity, and allying with stigmatisers.

From 1870 onwards, Cook increasingly emphasised his firm's service to society in a broad sense. He described his work in patriotic terms as helping to make Britain "Great". First, Cook demonstrated the role of the travel agency in promoting peaceful relations with other countries. Second, he emphasised the role and potential of the travel agency in educating the British population. He stressed that the travel agency was helping to turn the British into a more enlightened and knowledgeable people.

Cook altered profoundly the way that he interacted with the British elite. Unlike in the first phase, when he had tried to isolate the members of the establishment press that had attacked the travel agency, in the second phase he changed tack and tried to partner with and support the very group of people that had originally stigmatised his firm.

In order to ally with its stigmatisers, Cook sought to ingratiate himself with them. First, he tried to win over the establishment newspapers by approaching many of his staunchest critics and offering them valuable information. For example, Cook supplied the press with foreign news and their international reporting soon benefited from a close relationship with his travel agency: because Cook could draw on a large network of travellers, guides and representatives, he was able to provide new information and

stories about life in foreign countries. Cook's agency used its tourism expertise to help the peer group of his stigmatisers when they were in crisis. This usually involved using Cook's tourist infrastructure to support members of the British elite when they were travelling or managing their foreign interests.

Our case illustrates the role of fear as a potent driver of stigmatisation.

"THE CASE OF THOMAS COOK ILLUSTRATES THE ROLE OF FEAR AS A POTENT DRIVER OF STIGMATISATION."

While discontent or confusion about an organisation may lead audiences to quietly disapprove of or ignore it, fear has the capacity to rile audiences into actively and vociferously stigmatising it. Our analysis shows why audiences may abandon a stigma and come to view organisations that they previously stigmatised as legitimate. Existing research has suggested that audiences will not endow deviant organisations with moral legitimacy unless they admit that their aberrancy is misguided, apologise for it, and conform with expectations. By contrast, our findings suggest an alternative path: stigmatised organisations may be rewarded with moral legitimacy precisely for maintaining their deviance. However, to

do so audiences need to perceive that the organisation is not a threat to their welfare or to a broader system of morality. Alleviating fear, in itself, is not enough: for audiences to change their evaluation of a stigmatised organisation they must also come to believe that it plays a positive social role. In other words, to exhibit positive deviance.

In order for audiences to see deviant practices in a positive light, they need access to new group categorisations that promote identification between the stigmatisers and the stigmatised. This requires that audiences have access to new evaluative criteria. While our case is a historical one, the interplay between stigmatisation and legitimation has clear relevance for many contemporary organisations. For example, some organisations, such as online dating firms, are transitioning from stigma to legitimacy, while others, such as tobacco companies, are travelling in the opposite direction. As the attribution of stigma and legitimacy in different contexts continues to evolve, organisation theorists have a vital role to play in explaining the processes underpinning such consequential transitions. ■

Taken from: "How Organizations Move From Stigma to Legitimacy: The Case of Cook's Travel Agency in Victorian Britain", forthcoming in Academy of Management Journal (<https://tinyurl.com/jjdj6x3>).

This is the third year we have produced a report from the **Corporate Affairs Academy (CAA)**, the executive education programme for CA leaders at Saïd Business School, and it illustrates

CORPORATE AFFAIRS: A TRANSFORMATIONAL FUNCTION

The role of the CA function

As corporations become more exposed to stakeholder scrutiny and reaction, and as the pace of change accelerates, the range of responsibilities of CA and the potential of its contribution – in partnership with other functions across firms – increases considerably.

- CA must build its own business case, defining its mission in terms that connect with the business.

"I don't think it is acceptable any more for us to sit in comms and say, 'We're comms experts. You guys worry about the business, just explain to us how it works.' There has to be a really deep-seated understanding of how that business operates that then brings with it the credibility to sit in a strategy meeting [or] board meeting."

- As one of the most widely connected functions, CA is well positioned to define, influence, transform and measure desirable changes to organisational cultures.

"It has to be a corporate affairs opportunity, the purpose and culture question, because it doesn't sit anywhere else."

- Corporations have to learn to live with risk, and move from "risk averse" to "risk aware", using the antennae of CA to help navigate a more complex landscape.

"Part of my success as a communicator has been being a little bit risk-averse, making sure we're making the right decision, not exposing the company. But today, I have to be thinking about what kind of calculated risk I can take."

- Ensuring consistency across myriad communication channels is a powerful driver for improved results.

"Businesses now do really well by integrating what they do outside into their decisions about what they are inside."

- In an increasingly fluid corporate world, CA has an important role in managing the relationship between brand identity and stakeholder perceptions as companies evolve from different entities.

"We never actually defined what [our company name] means. We've never actually maximised the fact that we had these other legacy brands that continue to roll in their local markets and are very relevant to certain stakeholders. So we need to understand them and we need to manage them."

The structure of the function

The challenge of how to connect CA to the different strands of an organisation – and to help those strands connect to each other – has prompted a rethink in how it is possible to design the function: the balance between centralised and localised, and a move from generalist communications to "hybridising" within specific areas of the business.

- Overcoming entrenched perceptions of traditional roles is essential for repurposing the CA function.

"When I joined, there was a hierarchy... and an unwillingness to work [outside your area]: if you were media relations you wouldn't touch internal communications; and you would do investor relations because they seemed to be closer to the board. I tried to change the role: 'You're all corporate communications managers, you each just happen to have different responsibilities.'"

- CA can maximise effectiveness by being directly positioned within other local business areas, and "hybridising" with other functions.

"Before, you had global communicators sitting off somewhere and deciding what to do to support the business. Now we have our people locally taking care of the business and working with the local business leaders."

- The problem of duplication of effort across different functions, and subsequent danger of "distortion" of message and purpose, can be addressed in CA's re-structuring.

"We had communicators leading all of [our] different businesses individually,

Focal points for CA leaders to consider

1. Reputation should appear on the performance indicators of companies, and should feature in assessments and incentives of leaders: it is an asset, not simply something to protect, but something that can add value.
2. Corporations have multiple reputations. Identifying which reputations matter to which stakeholders, and measuring the impact of a firm's actions on those, should be prioritised.
3. CA leaders should consider the best ways to reorganise the function within their firm to make the most positive impact, to make it fit it for the 21st century context and align it to the goals of the business:
 - a) Define the scope and aims of the function, and position it accordingly, centrally and locally;
 - b) Appoint the right people for the new requirements, and consider drawing on talent from less traditionally CA areas with different expertise;
 - c) Apply resources to where impact is greatest, avoiding waste and duplication of effort.

the evolution of the function even in that time. The insights captured here show the potential of the latest best practice to facilitate engagement, interconnectedness and productivity.

working out of the US [HQ], and managing communications globally. In some countries we had people that were basically just driving whatever message comes from HQ. And then we had people responsible for communications [and] culture separately.”

- CA leaders need to be equipped to contribute at board level (see also “Building capabilities”, below) and ensure that reputational concerns, with implications such as longer term time frames, are represented.

“The executive leadership are increasingly expecting the leader of this function to be a business leader first and a corporate affairs communications leader second; to have a fundamental understanding of the business model, the operating model, the context in which the business is taking decisions.”

- One tool that can aid root and branch reorganisation, and reduce fragmentation, is zero-based budgeting (ZBB). This holds a mirror to the function throughout the firm, and in tandem with activity mapping, can provide a structure for improvement.

“I was exploiting the ZBB to effect a massive cultural change and a complete reorganisation of the division... [it] will allow me to implement what the marketing review has [identified] within a year, rather than two or three years.”

Building capabilities

While communications is still central to the role of CA, the function should be able to display a more rounded understanding of business and make meaningful contributions to strategic planning. There are new digital tools to master, and an absolute requirement for expertise with social media. All this has implications for who is best for which role, where to source them from, how to deploy them, and how to train them.



- Understanding how the company works, and putting that across, talking the language of the business not just of CA, is key.

“[CA is] expected to have the fundamental management skills that any other business manager would have: people management, change management, project management, programme management, budget management – so that they can integrate reputation and their function into management processes.”

- The established role of CA as an early warning system is more vital than ever, with businesses exposed on so many fronts. Through enhanced understanding of areas such as data analysis, such a role can be greatly developed.

“Being strategic, data-focused, is something that our clients are wanting to have more of. It’s not the intuitive ‘it feels like this to me’, but ‘data shows us this trend is happening’.”

- Who best fits the evolving roles within CA has implications for recruitment and training.

“An increase in candidates who’ve got legal training of some sort is quite interesting... working with the regulatory team quite closely, working with your general council – those are really key relationships and we’ve learnt a lot by just doing that.”

- CA should be generating content, not just aggregating it. CA’s role of content generator and curator has implications for blending marketing, advertising and PR, and working in tandem with them.

“We want to actually tell the stories ourselves, not just through conditional media. So we’re looking at things like developing our own news sites, our own content that we push through our own channels.”

- Hybridisation with other departments (see above) has implications for how performance is measured, and the people who are best suited for these new redefined functions.

“Rather than just people with financial acumen and customer focus, which is very important for us, we also need people who can take risks, because we’re trying to navigate in an uncertain world, with lean resources. [We] need people who can solve problems and navigate complexity.”

- CA can develop and assess what are the important elements in building and rebuilding trust, choose the right focus, benchmarking against competitors, and measuring progress.

“Externally we focused on four measures: favourability, trust, net advocacy, and net optimism (confidence in the company).”

“There’s a huge amount of data generated from the employee survey that we do. We generate about 90 reports down into the businesses. We sit with compliance, and our safety and operational risk compadres and HR, and we review those at a business level with the business leaders and we look at action planning that comes out of each of those.” ■

The complete 2016 CAA report can be downloaded from: www.sbs.oxford.edu/caareport2016.

NEWS AND EVENTS

● In February, Centre Director **RUPERT YOUNGER** contributed to a programme on corporate governance in the finance sector on FDE (Finance Director Europe) TV. See: www.youtube.com/watch?v=9DVyTOGw7yM.

● Eni Research Fellow **GILLIAN BROOKS** delivered two papers at the American Marketing Association Winter Conference in Orlando: "In Blogs We Trust: The Interplay of Blogger, Blog Post, and Campaign Characteristics on Social Media Engagement"; and "Online Broadcasters: How Do They Maintain Influence, When Audiences Know They Are Paid to Influence". She also took part in a panel entitled "Digitized Customers and Digital Markets: Current Issues and Research Directions".

● In April, **DAPHNE DEMETRY** (see right) presented a paper, "Pop-up to Professional: Emerging Entrepreneurial Identity and Evolving Vocabularies of Motive", at the University of Lausanne.

● Research by our Research Fellows, or supported by the Centre, has been published or is imminently forthcoming in a number of journals:

CHRISTIAN HAMPEL (see right), with Lawrence, T. B., and Tracey, P., has written a chapter, "Institutional Work: Taking Stock and Making it Matter", which is forthcoming (May) in *The SAGE Handbook of Organizational Institutionalism* (2nd Edition, SAGE Publications).

"When and How Country Reputation Stimulates Export Volume", by **DANIEL KORSCHUN** et al, is forthcoming in the *International Marketing Review* (www.emeraldinsight.com/loi/imr). It examines the linkage between country reputations and export volumes. See abstract here: https://ideas.repec.org/p/ris/drxlwp/2015_004.html.

● Our former Research Fellow **WILLIAM HARVEY**, now Associate Professor of

APPOINTMENTS

Our Research Fellow **CHRISTIAN HAMPEL** has been appointed Assistant Professor of Entrepreneurship and Strategy at Imperial College, London, from September 2017. Christian's research explores how reputational crises unfold and aims to explain how organisations can respond to them effectively. He explores how audiences perceive reputational crises, what threats these pose, and the steps organisations can take to survive and thrive despite them. Christian employs contemporary and historical case studies to contribute to scholarship about organisational stigmatisation, legitimacy and identification. Previously, Christian was an ESRC-funded PhD researcher at Cambridge Judge Business School and a visiting predoctoral fellow at Northwestern University's Kellogg School of Management.



Our Research Fellow **DAPHNE DEMETRY** has been appointed Assistant Professor of Strategy and Organizations, Desautels Faculty of Management, McGill University, from August 2017. As an organisational sociologist, Daphne's research lies at the intersection of organisational theory, culture, economic sociology, and entrepreneurship. Trained as a cultural sociologist, she investigates the ways meaning-making and social action occur within and around organisations, paying particular attention to how the local symbolic context influences organisational processes. She studies these issues primarily through qualitative research methods (e.g., participant observation, interviews, and content analysis). Empirically, her research centres on the culinary industry: restaurant kitchens, pop-up and underground restaurants, and gourmet food trucks. Before arriving at Oxford, she completed her PhD in Sociology at Northwestern University. ■



Management Studies at the University of Exeter Business School, is co-author of a paper forthcoming in the *European Journal of Marketing*: "Lens or prism? How organisations sustain multiple and competing reputations". The paper challenges singular definitions of corporate reputation and finds "significant differences in perceptions of reputation between and within stakeholder groups, with perceptions changing across dimensions and geographies" (<http://journals.sagepub.com/doi/abs/10.1177/0018726716641747>).

● "A Bitter Pill? Institutional Corruption and the Challenge of Antibribery Compliance in the Pharmaceutical Sector", co-authored by our former Research Fellows **LIZ DAVID-BARRETT**, **AMANDA MOSS COWAN** and **BASAK YAKIS-DOUGLAS**, with Yen Nguyen, has just been published in *Journal of Management Inquiry* (see p06 for more information and context).

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