Reputation

TRINITY TERM 2018

OXFORD UNIVERSITY CENTRE FOR CORPORATE REPUTATION

The Big Interview

Dame Helen Ghosh, former Director-General of the National Trust, and now Master of Balliol College, gives a lesson in leadership

UNIVERSITY OF OXFORD

Saïd Business School

Centre for Corporate Reputation

10 YEAR ANNIVERSARY

CELEBRATING OUR FIRST DECADE

I would like to take this opportunity, along with some of our friends, colleagues and alumni (below), to celebrate the Centre's first decade. When I first conceived the idea of such a research centre, the subject of reputation was much discussed but poorly understood even by those who deal with its consequences every day.

Saïd Business School immediately embraced the idea, and that speaks volumes for our school's awareness and openness to innovation. The societal, technological and corporate changes in the intervening years have shown that decision to be ever-more prescient: reputation has now become a hugely salient subject among organisations of all kinds; what it is, how it is built, enhanced, destroyed and recovered.

We owe huge thanks to the many who have contributed to our work: the Research Fellows who have powered our research agenda; the many International Research Fellows (academic) and Visiting Fellows (practitioner) who have made huge contributions over the years. The generosity and vision of our many supporters and funders has been critical to our success: especially Eni, Santander, the founders of GLG-Man Group, Roland Berger Strategy Consultants, and Intesa Sanpaolo. It has been an extraordinary decade. We hope there will be many more to come.
Rupert Younger, Director

"When I was first asked to come to the Centre to present a paper, I had no idea that it would prove a turning point in my career. Reputation in one form or another had always been the focus of my work, but I had focused mostly on "odd markets": small socially and ethnically homogeneous and geographically concentrated groups such as New York diamond dealers. Finding a group of like-minded scholars gave me the idea to apply my methodology and ideas to large commercial contracts. Along with Alan Morrison, Professor of Law and Finance at Oxford Saïd, I organised a symposium on private orderings and began to write about supply chains. This led me to challenge existing theories of the firm which in turn led Alan and myself to organise a further mini-conference, bringing lawyers, economists and business people together to reflect on this issue. Coming to the Centre is now a routine part of my work year, but still a highlight."
Lisa Bernstein, Wilson-Dickinson Professor of Law at the University of Chicago Law School, and International Research Fellow with the Centre

'Reputation was much discussed but poorly understood even by those who deal with its consequences every day'

"It was my great privilege to attend the Corporate Affairs Academy and Reputation and Executive Leadership programmes run by the Centre. Reputation is of critical importance to business: bigger than brand, deeper than character, broader than trust. Reputation is at the core of my work as a communications practitioner, but more than that, it is at the core of every decision made today by progressive and thoughtful organisations of every stripe. The Centre's groundbreaking research and engagement with the wider world have advanced our understanding of reputation immeasurably."
Pierre Goad, Group Head of Communications, HSBC Holdings plc

"Joining the Centre straight from my DPhil in Politics, I was primarily interested in the regulatory power of reputation in the area of corruption and bribery. My DPhil had studied corruption from the viewpoint of public office; now, I was in the best place to consider the issue from the other side. What did companies think about the new UK Bribery Act, for example, which had just been passed when I joined the Centre? I set out to explore how companies managed the legal and reputational risks associated with operating in corruption-prone contexts. The Centre provided me with critical exposure to experienced Visiting Fellows (from whom I learned about the realities of international business) as well as to a community of scholars who were engaged in establishing 'reputation' as a field in its own right."
Elizabeth David-Barrett, former Research Fellow with the Centre, now Senior Lecturer in Politics, Sussex University

"Within 10 years, the Centre has established itself as the major international centre for corporate reputation research, putting the subject firmly on the map of academia and business. It has created links with leading academics around the world; it has a dazzling array of corporate participants; and it organises a high-profile set of events that bring the two groups together. This is a remarkable achievement in such a short space of time."
Colin Mayer, Peter Moores Professor of Management Studies, Saïd Business School ■

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Eni Research Fellow Ellen He reveals how hedge fund activists leverage their social networks to assist them in their campaigns, and which relationships are most influential.

RESEARCH FOCUS: THE BENEFITS OF FRIENDSHIP IN HEDGE FUND ACTIVISM

Activist shareholders, hedge funds in particular, have become a major force in corporate decision making. From small regional firms to international brands such as Procter & Gamble, General Motors and Apple, corporations can expect to be affected by this new wave of corporate governance intervention. The strategies of activist hedge funds range from finance and operation optimisation to much more complex business restructuring. Activists have successfully pressured target companies to listen to their demands in about two-thirds of the campaigns launched since 2005, according to data collected by Alon Brav (and see "Hedge Fund Activism, Corporate Governance, and Firm Performance", by Brav, Jiang, Partnoy, and Thomas, *Journal of Finance* 2008 - *https://tinyurl.com/y9v44ubq*).

Despite the growth of activist investing in recent years, hedge fund activists generally hold a small percentage of target company stock, and usually do not play a pivotal role in vote outcomes. This is the distinct feature differentiating them from the hostile corporate raiders of the 1980s. For example, for campaigns launched in 2014, the median percentage ownership of the dissident group was less than eight per cent, and was less than three per cent at firms with a market capitalisation of over $20 billion.

How the activists succeed so markedly well, given their small fraction of ownership, is a puzzle. In this paper, my co-author and I seek to investigate it using a social network framework to study the interactions between hedge fund activists and institutional investors, particularly in the US, which is the original and largest market for hedge fund activism.

In order to succeed in their campaigns, activists rely on the support of institutional investors, who have become increasingly dominant players in the stock market. To build alliances for their campaigns, activists often communicate with asset managers about the wisdom of their plans for a target firm, to the extent that this is permissible under the US Securities and Exchange Commission's rules. Even a renowned investor such as Nelson Peltz of Trian Fund Management needed to pitch his ideas for Procter & Gamble repeatedly to portfolio managers at numerous institutions, including large fund companies such as BlackRock and Capital Research & Management, in the course of winning a hard-fought proxy contest in 2017. The winning margin in the vote to put Peltz on the board was a mere 0.0016 per cent of eligible shares.

Our research shows that an actively managed fund is more likely to increase its ownership in the target stock during the period of an activist campaign if the management of the fund is socially connected with that of the activist hedge fund: i.e., they have both studied or worked in the same institution at the same time in the past or have both been members of the same society or club at the same time. A "connected" institution is 46 per cent more likely to increase investment in the target during an activist campaign compared to a "non-connected" one. Interestingly, the magnitude is highest where social ties are established via club membership or charity work, which may be attributed to the close-knit nature of the social functions of these organisations.

> 'We find that social connections bring benefits to the institutional investors and the activists'

We also find that, more importantly, "connected" funds tend to vote against target management more often during the campaign, and the effect is more pronounced when they raise their stakes over the same period. We do not see these different voting patterns between "connected" and "non-connected" funds in the target companies after the activism campaign concludes, which rules out a more generalised similarity in fund manager preferences and strategies.

To rationalise the trading and voting behaviours of "connected" institutions, we study the benefits and implications. We find that social connections bring benefits to both the institutional investors and the activists: "connected" institutions earn significantly higher returns on the target stocks relative to "non-connected" investors, and their presence contributes to the activists' campaign success and the improved performance of the target companies in the future.

These findings shed light on the means through which hedge fund activists interact with other institutions and work towards the goals in their campaigns. It shows that social connections and social capital still matters for multi-million dollar transactions, even in a commercial world using automated algorithms, and where transparency and a "level playing field" is strictly enforced, and that they play an important part in the shaping of a corporation and coordinating stakeholder interests. ■

"The Benefits of Friendship in Hedge Fund Activism" is a working paper by Ellen Yazhou He and Tao Li, Assistant Professor at the University of Florida (*https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2794709*).

Dame Helen Ghosh, the new Master of Balliol College, reflects on the lessons learnt from defending governments (as a top civil servant), effecting change in a very traditional organisation (as head of the National Trust), and how 'skilful' authenticity and direct interaction with stakeholders can help solve the challenges of leadership.

THE BIG INTERVIEW: DAME HELEN GHOSH

On a sunny morning in June, sitting on a sofa in the capacious high-ceilinged office of the Master of Balliol College, it seems rather inappropriate to be talking about "burning platforms", that popular totem of crisis management.

However, Dame Helen Ghosh, who is the first woman to occupy the position at Balliol, is not trying to put the fear of god into her colleagues. She is reflecting on the demands of leadership in different scenarios that she encountered in a ground- and glass ceiling-breaking 33-year career in the civil service - including as the first female head at two government departments – and then in six years as Director-General of the National Trust.

Her burning platforms are, she hopes, behind her. One notable example stands out: when, as Permanent Secretary (the top job) at the Department for Environment, Food and Rural Affairs (Defra) in the early 2000s, a disastrous computer system failure delayed grants to farmers, provoked a media storm and became a byword for government incompetence at the time. She had inherited the mess not caused it, but learned a hard lesson about the Catch-22 of civil service reputations when called in front of the now-notorious House of Commons Public Accounts Committee (PAC) to explain the mess.

She recalls: "In a later Radio 4 profile of me, a member of the [committee] said, 'Well, she was always very defensive.' But that was my job, to defend what the government had done to the best of my ability. The relationship with ministers would be very different if a civil servant could go to Parliament and say, 'It would have been better if I had had more money or more time to do the project, but that was what the minister insisted upon.'"

Such encounters gave her a higher profile than she might have expected from the cherished anonymity of the civil service that she joined in 1979, and put her in the crosshairs of the right-wing press. When she left her final role - as Permanent Secretary at the Home Office - to head the National Trust in 2012, the *Daily Mail* in particular lost no time in rubbishing where this "Whitehall careerist" stood on everything from wind farms and climate change to Blairism.

Ghosh herself did not rise to the bait: she was enjoying no longer having to fight the fires of government. She was joining a thriving organisation, with the "luxury of being able to think genuinely strategically: what are the current challenges? What achievements will somebody in 100 years' time look back at?" The danger here, she says, was complacency. "I think complacency can be a terrible blight on successful institutions: 'We'll always be successful…' Well, you should be thinking, 'What is the next big challenge that will hit us?'" For the Trust , she identified the challenge as environmental risk, such as those arising from climate change and intensive farming, given the Trust's purpose, which is to preserve places of natural beauty, and using its influence as the UK's largest private landowner. "Giving it a sense of strategic purpose for the 21st century was my legacy, which has been taken on by my successor," she says.

> 'You can't remind people often enough that you value and cherish the legacy, but you need to be building for the future'

She also focused on making the Trust's properties more welcoming and accessible, which opened her up to accusations of dumbing down (as it had done with her predecessor, Fiona Reynolds), and prioritising some modernising (including LGBTQ) initiatives that led to accusations of political correctness. She found the challenges of shifting perceptions of the brand to address the challenges that she had identified tough, to say the least. "If you asked somebody, what the National Trust was all about, they'd say grand houses, scones and cream, and tea towels, however much the organisation had in fact changed in terms of welcoming families, focusing on nature, taking on new kinds of historic properties, whether it's the Beatles houses or a workhouse in Southwell."

She felt the brand did shift in positive ways, but it was an uncomfortable process. "You only have to google some of the coverage, about a 'mad, left-wing' woman coming in and saying 'We must have an LGBTQ programme' or cancelling Easter - do you remember the media made the nonsensical claim that I'd cancelled Easter?" She raises her eyes to the ceiling. "These kind of stories, although they're painful at the time, do chip away at people's sense of what the National Trust is." Painful it may have been, but "I also had lots of people telling me that it's wonderful how much the National Trust has changed, more welcoming to families… We probably had as many people who joined us because of our LGBTQ programme as we lost." What this taught her, also relevant in relation to Balliol, is that "you can't remind people often enough that you value and cherish the legacy, but you need to be building for the future. How you balance those two things is a big challenge."

Leadership is at the heart of that. While the key to an organisation's brand is authenticity - "you have to live it in everything you do" - for leaders, "a kind of studied authenticity" is the key. "As Rob Goffee [author of *Why Should Anyone Be Led By You?*] puts it: 'Be yourself, more, with skill.'" When she was on the board at HM Revenue & Customs, her boss took her aside after a stormy board meeting and said that "acting naturally is not necessarily the most effective way of achieving your end". She worked with a coach on how to adjust her approach: "The story you tell has to be consistent [but] you have to be different things at different times to different people," she

says candidly. "You have to spot the difference between a situation which needs someone to do a 'once more unto the breach' speech, and a situation where what people need is comfort."

She recalls when the responsibility for climate change policy was hived off from Defra, to set up the new Department for Energy and Climate Change, "and that was a terrible blow to a lot of people". She had to go and break the news to the department and, "however you're feeling about it yourself, put a positive spin. Privately I might take people aside and put my arm around them and say, yes I agree with you, this is terrible."

What has she learnt from the bruising encounters she has had in the court of media opinion? "The need to keep repeating positive messages," she replies. "At the National Trust I didn't emphasise enough that as membership grew and our visits grew, the amount of money we could spend on our core purpose of conserving our houses and countryside grew too. We were spending more on conservation when I left than we ever had done before, but people didn't see that."

"One of the other lessons I've learned - and it's interesting in a university setting - is that you need to talk over the top of the traditional media to the audience you care about beyond. What you want, when the critical article appears, is for your alumni, your students, your Fellows to have already had a communication, to understand the context and – most importantly – the facts. What you don't want is to be saying, 'Oops, we had this bad coverage, now we have to run to catch up with all these other people.' You can never overplay the importance of building your 'clouds of witness', whether or not they are going to agree with you."

When she arrived at the National Trust, "we tended to assume that keeping our heads down was a good thing, whereas in fact I think being more on the front foot, being more positive with the information, was the best way to operate. I'm interested [at Balliol] in how you get effective communications with students and alumni in a way that makes them feel engaged in a common enterprise."

'The story you tell has to be consistent, but you have to be different things at different times to different people'

Ghosh, who read History at Oxford, is clearly thrilled and excited to be back. She only started in April, so is still in "receive" mode when we meet. "When I start any new job, I believe profoundly that you shouldn't make any assumptions before you get there and you should be listening, not talking. The impressions you have in your first six weeks are very often completely true, but then you get institutionalised and you sort of forget. So you should always write down what you think in your first six weeks."

She has arrived to find the university in the latest round of an escalating debate over state/private school accessibility, ethnic diversity and low ratios of black British students, following its release of the latest relevant figures. How does she think Oxford fared?

"Coverage was pretty balanced," she says. "It gave credit for things where we had improved, so on black, Asian and minority ethnic representation, broadly in line with the national population, and that we had made some improvements in the state/private school balance. But the story is a very complicated one," she adds, with implicit frustration at the broad brush the media brings to the topic. "To isolate different groups as though they are unconnected, when they in practice overlap, is very… interesting."

In Oxford's credit column she places the expanding Uniq programme (*www.uniq.ox.ac.uk*); in the debit column, the "sheer range of programmes that different colleges are doing. We need to discover the things that really work and then do them all together." Such fragmentation makes both actual progress, and building a resilient reputation around it, that much more... challenging.

As with the BMW incongruously parked in the quad beneath her window, which she points to as she shows me out, the new Master will be making her feelings known on that and many other things directly to her many stakeholders before too long, you can be sure. ■

Over the years *Reputation* has interviewed leading practitioners from a wide range of organisations, many of whom contribute on our teaching programmes. Below is a selection of their insights.

10 YEAR ANNIVERSARY

VIEWS FROM THE TOP

Carolyn Fairbairn
Director-General of the CBI

"Reputation is the fundamental building block for everything else. Business needs to earn trust. It needs to build the right reputatons to be able to win the support of politicians, to attract the best talent, and to have the right relationships with customers and consumers. For me, it is one of the biggest issues we think about in the CBI."

Sir Roger Carr*
Chairman of BAE Systems, former President of the CBI

"The UK benefits from a world business language and an ideal time zone for global management. It is, therefore, a good place to do business that can be made better by positive government action on regulation and taxation. It is the responsibility of government to set the climate and of business to deliver the goods. Business can demonstrate by behaviour and performance that governance by 'comply or explain' is better than legislation, remuneration is always aligned with results, failure is never rewarded and that Made in the UK is a hallmark of excellence."

Baroness Amos*
Director of SOAS, former UN Under-Secretary General for Humanitarian Affairs

"The UN has multiple faces, multiple reputations, depending on the lens through which you look at it, and the dominant lens can depend on what is topical and where in the world you are looking at it from. We need to work hard to protect our own distinctive and independent reputation within the international community. It is important that people understand the difference that proper coordination can make in a crisis."

Lord Janvrin*
Former Private Secretary to Her Majesty the Queen

"Great organisations are usually built on a clear set of values that must be upheld and articulated from top to bottom in good times and bad. Change must be a constant and is often best achieved by many small steps rather than a few big ones. It is possible to rebuild reputations, but it takes time: by dogged adherence to key values, a focus on strategic goals and hard work."

Justin King*
Vice Chairman of Terra Firma, former CEO of J. Sainsbury plc

'I'm a believer in values-driven business. Values are what binds countries, families,

clubs, corporations together. Shared value is really important. It's astonishing how a robust reputation will be resilient against the onslaught of fact and a fragile reputation [suffers]. The straw that broke the camel's back for Tesco was horsemeat. But the response that they got, you can't argue it was all down to horsemeat, because logically others should have suffered more."

Rupert Soames*
CEO of Serco plc

"I see it as one big reputation, based on performance. Over the long term, if your performance is poor, you are unlikely to have a situation where some of your stakeholders believe you're marvellous. Likewise, if your performance is good - unless you are treating people badly, in which case you're unlikely to have good performance - it all comes together."

Dame Carolyn McCall*
CEO of ITV, former CEO of easyJet

"The easyJet brand had completely lost its way. It wasn't a strong brand, it was a brand everyone in the UK knew. There's a difference. It was very visible, very vocal, but actually what was it? What did it do that is different to other airlines? It didn't have a cause any more. So that was a massive piece of work, and it was instrumental in changing the perception of the airline."

Steve Easterbrook*
President and CEO of McDonald's

"Ultimately, we need to understand where we are heading as a business and, yes, of course there are societal and contextual factors that will influence the way that some people see us. But we need to focus on customers: that's our main stakeholder group. What's important is that we don't drive the business in the way of a noisy minority."

Ahmet Uzumcu
Director of the Organisation for the Prohibition of Chemical Weapons, winner of the Nobel Peace Prize

"One of the most important risks is reputation risk. It doesn't only depend on performance, it depends on how it's perceived. So we want to make sure that we are perceived as we perform, and for us it's very important that we are credible and we are seen as independent, impartial, neutral. There's a risk that surprises favour one [states party] rather than another, so it's always better to prepare the ground."

Dame Martha Lane Fox
Co-founder of Lastminute.com and digital campaigner

"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."

Lord Browne
Former CEO of BP

"Rules and process are important [but] good governance is about getting the right people. It's about every single director and independent director. Those who are only interested in compliance are doing a disservice, and the more signals we give to people to do that, the less well off we'll be." ■

*Visiting Fellows with the Centre

All our *Reputation* interviews can be found on our wesite under "About".

Our case studies inform our research and are the backbone of our teaching programmes. We have been granted privileged access to numerous organisations and the results are always enlightening.

10 YEAR ANNIVERSARY

CASE STUDIES

Why are organisations willing to risk their reputations by engaging in unethical behaviours? How much can a firm's previously high standing overcome its current difficulties? How do you build a reputation for good legal practices from the ground up? Our case studies are analyses of how a broad range of organisations deal with reputational challenges at different stages of their life cycles, and in response to critical events. With the help of first-hand accounts from those intimately involved in the narrative, these cases provide a rich forum for discussion and exploration in both our MBA classes and on our executive education programmes. We also share them, free of charge, with a growing number of researchers and institutions worldwide.

The Mabey & Johnson prosecution

The engineering company Mabey & Johnson (M&J) was the first company to be prosecuted under new UK anti-bribery legislation. Having adapted and improved Bailey bridge technology made famous in the Second World War, M&J took its cost-effective solutions all over the world and carved out a successful niche in the most challenging international territories. Its operations were supported by the likes of the World Bank.

Things changed with the introduction of new anti-corruption legislation: incentive payments disguised as commissions, once considered a normal part of business practice, were now off-limits. When the M&J board attempted to put in the controls to prevent bad practice, the move backfired. Faced with counter-claims of endemic corruption, and damaging publicity, the company took the decision to self-report to the authorities in the hope of limiting the fallout. In the event, the degree of disclosure in this process left M&J vulnerable to severe penalties enforced by the Serious Fraud Office. It led to the imprisonment of senior executives, and the near destruction of the business. But what options were open to M&J, and would the company survive?

Building the reputation of Dubai International Financial Centre (DIFC) Courts

The astonishing rise of Dubai as a hub for the Middle East and beyond could not obscure one difficulty: the reluctance of businesses to base themselves in the emirate. The establishment of the Dubai International Financial Centre (DIFC) in 2004 was designed to make the emirate a more appealing base for international businesses, with fewer restrictions on ownership, and tax breaks for those located within its boundaries. But there remained the problem of ignorance/distrust of the local legal structures. DIFC Courts were established to provide a common law jurisdiction within Dubai's own civil law system. Initially, the volume of cases was small, and there was confusion around the remit of the Courts. With the arrival of a new Registrar in 2008, the awareness, reputation and caseload of DIFC Courts grew substantially. The case explores how this transformation was effected.

The Parmalat fraud

What part did reputation play in the story of Parmalat, Europe's biggest corporate bankruptcy? The Italian dairy and food conglomerate was declared bankrupt in 2003 after a multi-billion-euro hole was discovered in its accounts. The company's debts amounted to around 14.1 billion euros. Its founder, Calisto Tanzi - previously one of Italy's most respected businessmen, with a reputation for high moral standards and philanthropy - personally orchestrated a vast global fraud and was jailed for 18 years.

Drawing on the prosecutor's analysis of the company's dealings, and considering the network of personal and professional relationships that fostered the criminal conspiracy, we examine why the threat of losing reputation was not enough to prevent a disastrous series of decisions, and how key indicators signalled the true nature of the company before the truth was revealed.

How adidas rediscovered the source of its success

After decades as the world's leading sports shoe brand, adidas had lost its way. The secret to its renaissance lay in the principles that its founder, Adi Dassler, had laid down, which had been replaced by the chase to satisfy new trends. What was it in adidas's past that provided it with the reputational capital to succeed again, and how did the company manage to leverage it successfully? The case study includes interviews with the key players in the turnaround, notably one of the two ex-Nike marketing experts who identified both the essential thinking behind the original success, and the way to connect stakeholders both internally and externally to the brand values once again.

Eni vs *Report*

When *Report*, Italy's leading investigative current affairs programme, invited energy company Eni to participate in a programme that was going to be critical about its operations, Eni decided instead to launch

its own social media counter-offensive live during the broadcast. It was hailed in the Italian media as a game changer, "the battle for the second screen", and was soon copied by a number of corporations in Italy, notably Coca-Cola. This case study examines why Eni chose this course of action and explores the impact of the events of that evening on the various audiences, and the implications for corporations and the media.

British Nuclear Fuels – crisis and breakup

These two cases explore a critical period in the life of British Nuclear Fuels (BNFL). The first captures the consequences of employees falsifying data concerning fuel pellets that were subsequently sent to customers in Japan. How did new CEO Norman Askew reassure the company's international customers, the media, regulators, employees and the company's sole shareholder – the British government – that management could make things right? And how would the crisis affect the government's long-term goal of privatising BNFL?

The second case explores the later tensions between the BNFL board and the UK government in preparation for that assumed privatisation. BNFL had spent five years vertically integrating and diversifying in order to make itself attractive to a buyer or to investors. But when the government outlined a strategy for breaking up the company, CEO Mike Parker had to counter doubts about management competence signalled to regulators, the media, the wider public and internal stakeholders. How could he carry through any strategy in the face of that reputational deficit?

Eni - a "guest" oil business in the Republic of Congo

The integrated energy company Eni is Italy's largest industrial firm and one of the largest oil companies in the world. It has substantial operations in a number of developing countries and has the largest presence of any international oil company, both in the Republic of Congo and throughout Africa. Eni's strong internal culture, based on the values and philosophy of its first president, Enrico Mattei, has long guided its approach to working with developing countries. As Mattei emphatically stated to the leaders of producer countries during the 1950s and 1960s: "It's your oil; we are guests."

This case examines how Eni's corporate values shaped its sustainability programmes in the Republic of Congo and elsewhere. The case also considers the reputational opportunities and threats inherent in these activities, both for Eni and for companies in the oil and gas industry generally.

The Market Basket boycott

The customer and staff boycott of the New England family-owned supermarket chain Market Basket was a remarkable phenomenon that became a focus for leading politicians and commentators across the US. It stemmed from the sacking of CEO Arthur T. Demoulas in a boardroom coup that laid bare the family tensions that had long simmered barely beneath the surface. Suppliers, employees and customers all rallied to his cause, and the boycott became a wider reflection of shared values. This case, written by two authors who experienced the boycott first hand, captures how the network of relationships fostered over time by the business and its CEO created a force powerful enough to overcome the will of the majority shareholders.

> 'These cases provide a rich forum for discussion and exploration in both our MBA classes and on our executive education programmes'

QMM/Rio Tinto in Madagascar

In two cases, we explore the mining activities of QMM, a subsidiary of mining giant Rio Tinto, in Madagascar. QMM began construction of an ilmenite mine in Madagascar in 2006. The location of the mine made it one of the most sensitive projects that Rio Tinto had ever attempted. Madagascar is one of the world's biodiversity hotspots, with a very rich collection of species that exist nowhere else in the world. The area where the ore deposits were identified was in one of the island nation's most ecologically diverse regions. Not surprisingly, NGOs and the international media raised objections to the project.

The first case outlines how QMM's environmental and conservation team demonstrated to sceptical observers that the company's actions would contribute economic benefits while causing no lasting environmental and social harm. In the second case, we explore the social challenges in the isolated Anosy region, the mine's proposed site, where two-thirds of people earned less than $1.25 a day, and how QMM managed its engagement with local communities, the escalating expectations, and the tensions that resulted.

The transformation of the Vatican Museums

The Vatican Museums – a single entity made up of a number of collections – are one of the world's most popular and iconic cultural attractions. In 2013 they received 5,459,000 visitors, the fifth most visited such institution in the world. Under pressure from such numbers, in 2007 the Museums had faced a number of challenges: improving the visitor experience, reducing unauthorised access and guiding, halting the deterioration of the artworks, and addressing employee dissatisfaction. How could staff be persuaded that change was possible and then be mobilised to drive it forward? How could those outside the organisation be persuaded to engage in new partnerships that could change perceptions and drive progress? ■

All of our case studies are available for free from our website under "Research".

We initiate and support a wealth of reputation research across numerous disciplines and sectors. Below are a few notable examples.

RESEARCH REVIEW

Reputation and identity in a management consultancy

Based on a case study of a large consulting firm, this article makes two contributions to the literature on reputation and identity by examining how an organisation responds when its identity is substantially misaligned with the experience and perceptions of external stakeholders that form the basis of reputational judgments.

First, rather than triggering some form of identity adaptation, it outlines how other forms of identity can come into play to remediate this gap, buffering the organisation's identity from change. The second contribution concerns the conceptualisation of consulting and other professional service firms. We explain how reputation and identity interact in the context of the distinctive organisational features of these firms. Notably, their loosely coupled structure and the central importance of expert knowledge claims enable individual consultants both to reinforce and supplement corporate reputation via individual identity work.

"Reputation and identity conflict in management consulting", by former Centre Research Fellows William S. Harvey and Milena Mueller Santos, with Tim Morris, Professor of Management Studies at Oxford Saïd (*Human Relations*, *http://tinyurl.com/jdo4gqd*), won the 2017 Lyndall F. Urwick Memorial Prize. ■

The regulatory power of reputation

There is growing scholarly interest in how reputation can have regulatory power over officials and states. Why is it that governments in corruption-prone countries sign up to measures such as the Extractive Industries Transparency Initiative (EITI), when such programmes threaten to curtail their self-serving arrangements? This is particularly relevant in countries that are rich in resources, because they have a tendency to high levels of corruption, according to measures such as the Transparency International Corruption Perceptions Index (CPI). The answer, suggested by this research, lies in the way norms spread in international politics, and how indicators of compliance become reputational intermediaries. Being seen to subscribe to better governance mechanisms opens the door to other advantages, such as aid, and the combination of peer pressure and tangible related benefits helps to "shift the needle" of country reputation.

"Norm diffusion and Reputation: The Rise of the Extractive Industries Transparency Initiative", by former Centre Research Fellows Elizabeth David-Barrett and Ken Okamura (*Governance, https://onlinelibrary.wiley.com/doi/10.1111/gove.12163/abstract*). ■

> 'Although strategy presentations may be cheap, they can have reputational consequences'

The power of strategy presentations

Like phoney new software announcements, strategy presentations could be mere "vaporware". If so, investors are liable to discount such talk precisely because of its cheapness: firms have not yet put serious resources behind their claims; they can easily fail to follow through. In this view, the market is unlikely to react to strategy presentations as they are too cheap to be credible.

Nonetheless, although strategy presentations may be cheap in financial terms, there may be reputational costs to both the firm and CEO in failing to follow through. Failure to meet voluntary financial predictions typically leads to a loss of confidence in financial markets. CEOs, in particular, risk dismissal in the case of disappointed financial expectations. Strategic expectations may be similar: a CEO's labour market value will fall if he is perceived to be unable to deliver on strategy. Given such potential reputational costs, there may be reason for investors to take strategy presentations seriously.

"Cheap Talk? Strategy presentations as a form of chief executive officer impression management", by Richard Whittington, Basak Yakis-Douglas (former Centre Research Fellow) and Kwangwon Ahn; (*Strategic Management Journal*, March 2016, *https://onlinelibrary.wiley.com/doi/abs/10.1002/smj.2482*; *Harvard Business Review*, *https://tinyurl.com/gwo7xh5*). ■

Restaurants and authenticity

Social scientists have begun to engage seriously with issues concerning germane shifts in the culinary profession and the emergence of new forms of cooking and dining out. For sociologists interested in consumption, organisations and creative work, this offers a number of timely topics, such as restaurants' financing strategies and ownership models, the institutionalisation of new culinary trends, the expanding roles of chefs, and the labour practices of upmarket restaurants.

This article synthesises recent scholarship on the modern culinary field in the United States, specifically examining three interrelated themes: tensions between concurrent demands for creativity and financial returns, new ways of catering to consumer desires for authenticity, and issues of inequality in professional kitchens.

"The dynamics of dining out in the 21st century: Insights from organizational theory", by Michaela DeSoucey and Daphne Demetry, a former Research Fellow at the Centre (*Sociology Compass, https://tinyurl.com/yaj62a8s*). ■

Rankings and reputation

The effect of a focal cue (herein, a *Fortune* score) on one's assessment of the reputation of a firm is path-dependent, varying with prior information one has about the firm. Moreover, negative information about firms is processed

differently than is positive information. Combining all this suggests that a firm with an unfavourable history may be tipped into a downward reputational spiral by a negative ranking, but given its incongruence, a positive ranking of the same firm may go unnoticed and so is unlikely to tip the firm into an upward spiral. Thus, from the firm's perspective, reputation rankings may be more accurately perceived as threats than as opportunities, particularly for those firms without favourable prior reputations.

"Sorry to (Not) Burst Your Bubble: The Influence of Reputation Rankings on Perceptions of Firms", by Michael L. Barnett, an International Research Fellow with the Centre, and Sohvi Leih (*Business & Society*, *http://tinyurl.com/jq9s37n*). ■

Does It Pay to Be Really Good?

Does it pay to be good, or does the pursuit of societal betterment entail financial detriment? For decades, scholars have sought to determine whether corporate social performance (CSP) and corporate financial performance (CFP) are positively or negatively associated. According to Friedman's (1970) classic argument, the relationship should be negative. As firms engage in more socially responsible activities, they incur more costs and thus have lower net financial performance.

Freeman's (1984) stakeholder view, by contrast, underlies arguments that the relationship is positive. With increased social spending come improved stakeholder relationships that reduce firms' transaction costs and increase market opportunities and pricing premiums, resulting in higher net financial performance. Dozens of studies have supported both opposing positions and so have thus far failed to resolve this debate.

In this paper, we do not aim to declare a victor in this longstanding debate. Rather, we demonstrate that despite their opposition, both positions might be correct over some range. That is, for some firms CSP and CFP are negatively associated, but for others they are positively associated. We argue that whether it pays to be good depends upon how well firms are able to capitalise on their social responsibility efforts.

"Does It Pay to Be Really Good? Addressing the Shape of the Relationship Between Social and Financial Performance"; Michael L. Barnett, and Robert M. Salomon (*Strategic Management Journal*, April 2012, *https://tinyurl.com/y8vaktb6*). ■

"Star" cultures in investment banking

We develop a model in which individual and institutional reputation concerns conflict with one another, to study why investment bank reputation concerns may have diminished in recent years. Unproven but talented bankers have incentives to signal their ability through actions that may or may not best serve their clients.

We treat the bank as a hierarchical firm whose only asset is its institutional reputation for curbing behaviour that is sub-optimal for the client. The conflict between individual and institutional reputation concerns is more likely to resolve in favour of institutional reputation when firms recruit only the most talented people, and less so when unique ability is especially valuable. We discuss how technological change has contributed to a "star" culture that is unfavourable towards the preservation of institutional reputation.

"Investment Bank Reputation and 'Star' Cultures"; Zhaohui Chen, Alan D. Morrison, Professor of Law and Finance at Oxford Saïd, William J. Wilhelm, Jr, International Research Fellow at the Centre (*The Review of Corporate Finance Studies*, *https://tinyurl.com/y9vz4fhl*). ■

NEWS

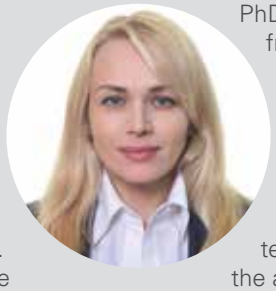
In May, our Research Fellow **NATALIA EFREMOVA** gave a presentation to the IEEE Conference on Automatic Face and Gesture Recognition, entitled "Leveraging Large Face Recognition Data for Emotion Classification" (*https://ieeexplore.ieee.org/document/8373902/*).

In June, the Centre held a reception at Two Temple Place in London to celebrate our 10th anniversary. **SIR JONATHAN BATE**, Provost of Worcester College (pictured), gave a rivetting talk on Shakespeare and reputation to the audience of our alumni, faculty and friends.

Eni Research Fellow **ELLEN HE** attended the FMA Europe conference in Norway and presented a paper entitled "Dissatisfied Investors and Hedge Fund Activism".

Our Senior Research Fellow **ROWENA OLEGARIO** organised a workshop as part of her Global History of Capitalism project - "Appraising 'the Other' in Business: Approaches, Problems, Sources" – at which she presented a paper entitled, "How American Exporters Assessed Foreign Merchants: The Interwar Period (1919-1940)". ■

APPOINTMENTS



NATALIA EFREMOVA has joined the Centre as a Research Fellow. She is working with Andrew Stephen, L'Oréal Professor of Marketing at Oxford Saïd on the application of AI to businesses, under the Future of Marketing Initiative. Her research interests include the implications of AI for organisations' business strategy and reputation.

Her main focus is on understanding the best way to create and distribute content across different channels in the changing media environment, such as social media, and understanding customers' feedback from all available sources, both online and offline. This includes using real-time sentiment analysis and computer tools for understanding text content, images and video. Her aim is to bridge the gap between business and academia in the implementation of new machine learning and AI-based technologies.

Natalia has a Master's degree in natural language processing and a PhD in Computer Science from the University of Kyoto. After obtaining her PhD degree in 2012, she worked for various businesses on the application of machine learning-based technologies, including on the application of deep learning tools for marketing analysis in retail. Her main goal was to help businesses understand customer satisfaction through facial recognition tools.

At the same time, she was an associate professor at the Plekhanov Russian University of Economics teaching "Intelligent systems" and "Decision Making" courses to undergraduate and Masters students. In 2017, she completed an Executive MBA at Saïd Business School.

Natalia is also working on a non-profit project: analysis of satellite imagery for increasing yields from agriculture, and fresh water scarcity prediction, in conjunction with the European Space Agency Business Incubator (ESA BIC). ■

The Centre is very proud of the work done by our Research Fellows. After the brief time they work with us, usually two years, they typically progress to academic posts within Oxford and elsewhere and continue to partner with us and our affiliated researchers. They have included:

TAMAR YOGEV, Lecturer at the Faculty of Management, University of Haifa.
AMANDA MOSS COWAN, Assistant Professor of Management, University of Rhode Island.
ELIZABETH DAVID-BARRETT, Senior Lecturer in Politics, University of Sussex.
TIM HANNIGAN, Assistant Professor in Organization Theory and Entrepreneurship, Alberta School of Business, University of Alberta.
WILL HARVEY, Professor of Management, University of Exeter Business School.
KEN OKAMURA, Departmental Lecturer in Finance, Oxford Saïd.
BASAK YAKIS-DOUGLAS, Associate Professor in International Business Strategy, King's Business School, London.
JON MACKAY, Affiliated Researcher at the Waterloo Institute for Complexity and Innovation (WICI), University of Waterloo.
SARAH OTNER, Research Fellow, Department of Management, Imperial College Business School, London.
GILLIAN BROOKS, Postdoctoral Career Development Fellow in Marketing, Oxford Saïd.
DAPHNE DEMETRY, Assistant Professor of Strategy & Organization, the Desautels Faculty of Management, McGill University.
CHRISTIAN HAMPEL, Assistant Professor of Entrepreneurship and Strategy, Imperial College Business School, London. ■

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*.