Oxford Metrica provides clients with tailored business analysis and counsel, designed and delivered to enhance the client’s commercial success. Our approach is driven by commercial relevance and based on rigorous independent research. Evidence-based intelligence informs all our work.

Our proprietary databases, research methods and worldwide network of expertise is placed at the disposal of our clients in the services we provide. We support Chief Communications Officers concerned with corporate reputation. Our service is founded on pioneering research in reputation and our unique database of thousands of reputation events over thirty years.

Reputation Review is published annually by Oxford Metrica Press.

www.oxfordmetrica.com
## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword</td>
<td>2</td>
</tr>
<tr>
<td>Preface</td>
<td>3</td>
</tr>
<tr>
<td>Introduction</td>
<td>4</td>
</tr>
<tr>
<td>Know your Reputation</td>
<td>6</td>
</tr>
<tr>
<td>Measure the Impact</td>
<td>9</td>
</tr>
<tr>
<td>Understand the Risks</td>
<td>10</td>
</tr>
<tr>
<td>Learn from Crises</td>
<td>13</td>
</tr>
<tr>
<td>Summary</td>
<td>17</td>
</tr>
</tbody>
</table>
Everywhere you look today, the magnitude, complexity and scrutiny of risk are rising. Risk and opportunity go hand in hand, and organizations ready to meet these challenges will be positioned to survive and grow.

As we have been reminded multiple times in recent history, the value of an organization’s brand and reputation can shift in an instant. If you do not have a grasp on your organization’s reputation and the potential crises that may influence your stakeholders one way or another, the health of your bottom line is vulnerable. The importance of a solid reputation must be instilled in the culture of an organization from the top-down to ensure each colleague properly represents and delivers the brand.

Volatility is in every market and leaders must arm their organizations with iron-clad reputations, supporting their brand with value and integrity. The 2011 Reputation Review serves as a reminder for some and a wake-up call for others. I applaud Oxford Metrica for shining a light on this issue and invite you to read, re-read and share your copy of this essential resource.

Phil Clement
Global Chief Marketing Officer
Aon Corporation
Improving Financial Performance with Measured Communications

PREFACE

It gives me much pleasure to present Reputation Review 2011. The last year has seen a number of major corporate reputation events which remind us forcefully of the continuing importance of corporate reputation and how it is under an ever-increasing scrutiny. The expanding universe of communications media and technologies is providing additional challenges for corporations to monitor and develop their reputation. A deeper understanding of the relationship among reputation, communications and value is imperative.

The largest corporate reputation event during the last year was BP’s oil spill in the Gulf of Mexico. The overall impairment of BP’s reputation by this event we now revise to $53 billion. Although massive, BP is not alone. Our research indicates that any listed corporation faces an 85% likelihood of experiencing a significant corporate crisis in any 5-year interval.

We at Oxford Metrica have been studying the relationship between reputation and value for nearly two decades. We have developed an extensive database on reputation events and, more importantly, an analytical approach for disentangling the various effects of events on reputation and value. This approach is evidence-based, although we make no claim to have prescriptive solutions. However, we are able to offer some unique insights on how events affect value and, in this issue of Reputation Review, we showcase some of our recent assignments.

We illustrate how a successful reputation strategy should be formulated and executed; we show the means of identifying the drivers of a firm’s reputation; we set out a process for allocating resources to reputation investments. Finally, we isolate the key learning points from our experience with clients. In summary, we describe our approach to the development of a reputation policy.

We gratefully acknowledge the support of Aon Corporation, global leaders in risk management services and insurance solutions, and innovators in brand restoration.

I hope that you enjoy the review and I would welcome further dialogue on your own corporate reputation issues.

Dr Rory Knight is Chairman of Oxford Metrica. He was previously Dean of Templeton College, Oxford University’s business college.
INTRODUCTION

It is difficult to write about the corporate reputation events of 2010 without mentioning BP. The oil company’s reputation was battered in the aftermath of a fatal explosion aboard the Deepwater Horizon drilling rig in the Gulf of Mexico. 11 men lost their lives in the explosion and thousands more lost their livelihoods in the subsequent oil spill which caused significant damage to the fishing waters and coastline.

BP was not the only company to face major reputation challenges in 2010. Table 1 highlights ten of the more prominent examples from the year. The list includes well-known names from around the globe. The companies are ranked according to their ability to recover shareholder value following their particular crisis. Oxford Metrica’s Value Reaction™ metric captures the firm-specific impact of the event, with all marketwide factors stripped out and the returns risk-adjusted. Value Reaction™ is provided in both percentage and dollar terms.

Table 1: Top 10 reputation events in 2010

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Event</th>
<th>Value Reaction™ [at 30-Dec-10]</th>
</tr>
</thead>
<tbody>
<tr>
<td>24 Jun</td>
<td>Apple</td>
<td>iPhone4 antenna</td>
<td>-2.4%  -5,965m</td>
</tr>
<tr>
<td>15 Jan</td>
<td>Johnson &amp; Johnson</td>
<td>Product recalls</td>
<td>-7.7%  -13,816m</td>
</tr>
<tr>
<td>4 Nov</td>
<td>Rolls-Royce</td>
<td>Engine failure</td>
<td>-9.0%  -1,764m</td>
</tr>
<tr>
<td>16 Apr</td>
<td>Goldman Sachs</td>
<td>SEC fraud allegations</td>
<td>-12.6% -12,637m</td>
</tr>
<tr>
<td>6 Aug</td>
<td>Hewlett-Packard</td>
<td>CEO resignation</td>
<td>-18.5% -20,009m</td>
</tr>
<tr>
<td>21 Jan</td>
<td>Toyota</td>
<td>Safety recalls</td>
<td>-20.2% -31,355m</td>
</tr>
<tr>
<td>20 Apr</td>
<td>BP</td>
<td>Explosion &amp; oil spill</td>
<td>-29.0% -53,500m</td>
</tr>
<tr>
<td>26 Mar</td>
<td>Acino</td>
<td>Product recalls</td>
<td>-49.3% -248m</td>
</tr>
<tr>
<td>23 Jan</td>
<td>Foxconn</td>
<td>Suicides</td>
<td>-49.5% -4,097m</td>
</tr>
<tr>
<td>26 Apr</td>
<td>Allied Irish</td>
<td>Banking crisis</td>
<td>-80.0% -1,417m</td>
</tr>
</tbody>
</table>

Apple, Johnson & Johnson and Rolls-Royce emerge as the top three in the ranking, most able to withstand the reputation fallout. In each case, the company has a strong product pipeline and appealing future performance for investors. Anecdotally, we know also that companies better prepared for adverse events tend to be better at managing them. Additional drivers of value recovery will be explored towards the end of this Review.
DEVELOPING A SUCCESSFUL REPUTATION STRATEGY

As eye-catching as they are, successful reputation management is not just about recovering from crises. It is an ongoing, positive activity embedded in corporate strategy. It is about developing a cohesive, evidence-based reputation strategy and then implementing that strategy effectively. Reputation equity is a significant asset for many companies and, as such, requires priority attention and active management.

Oxford Metrica believes that, for a reputation strategy to be successful, it should be grounded on real data and linked firmly to financial performance. In such a way, decision-making is informed and the objective of creating sustainable shareholder value is always in focus.

Key stages in this process are as follows:

1. Acknowledge the asset and make the decision to safeguard and build the company’s reputation equity.
2. Know what drives your reputation, for good or ill, and allocate the company’s scarce resources accordingly.
3. Measure the impact of reputation investments and communications strategies to assess effectiveness and inform direction.
4. Understand the threats to the company’s reputation to generate insights for diligent risk management.
5. Learn from reputation crises to prepare for the extremes and improve the norm.

If the first stage is embraced, the subsequent stages become essential. Oxford Metrica has a unique databank of reputation events since 1980 and a proprietary analytical approach which measures the connection between reputation activities and shareholder value performance. This approach provides our clients with empirical evidence on which to base their decisions and clear insights from which to form strategy.

In the following pages, we share some recent assignments which highlight the key stages in developing a successful corporate reputation strategy.
Know Your Reputation

In order to get one’s arms around the great intangible that is Reputation, it is necessary first to have a sense of the size of the beast and, second, to understand by what it is motivated. Figure 1 illustrates simply the reputation premium enjoyed by the ten companies in the world with the most valuable corporate brands¹. The companies are ranked by the composite of brand value and premium value.

Figure 1: Top 10 global brands in 2010

Tangible value is the bedrock of real and tangible assets, and is measured usually as book value. Brand value is represented by that reported by Interbrand in their annual survey of 2010. Premium value is that element of market value (market capitalisation) in excess of book value which is not represented by the brand. Premium value includes additional reputation assets such as leadership, innovation, intellectual property, global reach, managerial expertise, and the skills and experience of the workforce. These assets are a source of sustainable competitive advantage for a company and enhance shareholder value.

A more customised analysis will reveal for a company greater detail on its own reputation equity, on the different dimensions of its reputation, and on how its reputation compares against a selected peer group or over time. In our experience, an open-minded approach to the peer group chosen for benchmarking can yield great insights. In addition to an industry peer group, a client may benefit from constructing an aspirational peer group, for example. Whom does the company aspire to be like? And with respect to what dimension of reputation?

Finally, a company has latent value which represents the potential or ‘hidden’ value within a firm. Sources of latent value might include: under-leveraged assets, operating efficiencies yet to be realised, under-promoted brands, an unmotivated workforce, innovation without patents or misallocated resources. Oxford Metrica often works for clients where we identify sources of latent value to be released.

¹ as at 30 December 2010
It can be seen in Figure 1 that Nokia currently has negligible premium value. This implies either that Interbrand has overestimated the brand value and/or that the market currently underestimates Nokia’s growth opportunities; the company may have some latent value yet to be realised.

DIRECTING REPUTATION INVESTMENTS

Be it time or budget, company resources are limited. This is relevant especially as we emerge from economic recession. The challenge for any manager is to define policy, and then to coordinate and employ the company’s scarce resources to achieve the agreed objective.

For the busy executive in Corporate Affairs or Communications, this includes identifying the core drivers of the company’s reputation and monitoring their performance. An evidence-based understanding of which communications activities are most value-adding, and which perhaps are less so, facilitates more efficient resource allocation and better targeted communications.

In addition to its crisis and risk-related assignments, Oxford Metrica has worked with many clients to meet a variety of reputation-building objectives, including the following contrasting examples:

• To measure and rank the effect on shareholder value of communications relating to core dimensions of stated business strategy.
• To examine and probe a known driver of reputation - such as innovation, customer service, integrity, financial strength, reliability - and benchmark the financial impact of its constituents against each other, and an appropriate peer group.
• To measure the benefits of investment in Corporate Social Responsibility (CSR) initiatives or an element thereof; environmental management, energy efficiency, product stewardship, employee ethics or community engagement.
• To evaluate the unintended consequences of a piece of regulation or legislation on a company’s reputation.
• To provide thought leadership by demonstrating with evidence the value proposition of a company.

CLIENT ASSIGNMENT: TECHNOLOGY COMPANY

For companies in technology, computers, telecom equipment, engineering, medical products, pharmaceuticals and chemicals, for example, research and innovation are central to their operations. Substantial investment is made by these companies to ensure that the strategic sense of these investments is communicated effectively to stakeholders and translated into value.

One of our clients, for whom Research and Development (R&D) is a core element of its business and reputation, is keen to ensure an efficient allocation of communications resources. In the first stage of the process, we identified over 1,000 specifically R&D related reputation events for the client and its industry peer group over a five-year period. The communications strategies and public disclosures are analysed extensively; disclosures include, for example, corporate press releases and presentations, social media, newspaper reports and articles, broker and analyst reports, and journal references.
The second stage of the process involves measuring the impact of each R&D communication on shareholder value. This particular company’s communications activities around R&D could be grouped into a number of categories, the most prominent being those related to:

- Restructuring: investing in new R&D facilities, strategic R&D recruitment,
- Mergers and Acquisitions, collaboration, alliances, joint ventures, and
- Presentations; special R&D days, R&D analyst or investor meetings.

The portfolio value reaction for each category is illustrated in Figure 2. It is the client’s R&D presentations which are revealed to be the most value-adding and, consistently, the most value-destroying set of communications activities. Getting the presentation right can add an average 19% in value, while a poor presentation can destroy an average 14% in value. R&D presentations often are timed with analyst meetings when most critical information is shared. These presentations are also an opportunity for senior management to reinforce (or not) the strategic direction of the company.

Figure 2: Identifying the reputation drivers

The evidence demonstrates that, for this client and its peer group, communications resources have most impact in their R&D presentations. In contrast, their disclosures relating to R&D restructuring activities have least impact, positive or negative.

Further analysis reveals more specific reputation drivers within these broad categories. These company-specific insights are now being used to shape the client’s R&D communication strategy and encourage a virtuous cycle between reputation and value.
MEASURE THE IMPACT

Evidence provides feedback. A rigorous, quantitative approach combined with experienced judgement provides critical information on which to base decisions. Oxford Metrica’s technology enables the guardians of corporate reputation to measure the specific impact on shareholder value of a variety of activities including:

- Strategic initiatives
- New product launches and developments
- Advertising or other promotional campaigns
- Changes in leadership or governance
- International listings
- Developments in investor relations

By measuring the firm-specific impact of a corporate action or communication on shareholder value, senior management is able to define a reputation strategy and direct resources with confidence.

CLIENT ASSIGNMENT: CONSUMER GOODS COMPANY

A consumer goods client, with a considerable annual investment in advertising, seeks to measure the impact of its promotional activities relative to a key competitor. We constructed a portfolio of its promotional activities which includes product launches, themed print advertising, a new advertising campaign, and a commercial spot during the Super Bowl. Then, for the same period, we constructed an analogous portfolio of reputation events for the key competitor (which also included a Super Bowl spot).

Figure 3 shows the impact of each portfolio of reputation activities on shareholder value for two weeks following the start of each activity; where all events are aligned such that they start on Event Day zero. The graph illustrates that the client in this case is managing its reputation events better than its competitor.

Figure 3: Benchmarking reputation management

Relative to its competitor, the company added over US$2.5 billion in reputation equity over the period; equivalent to over 3% in market capitalisation.
UNDERSTAND THE RISKS

Managing risk is an essential element of a successful reputation strategy. Understanding what drives a company’s reputation and measuring the returns on one’s investment in building reputation equity are essential but can be derailed by unexpected adverse events.

Listed below is a selection of the more common threats to a company’s reputation.

- Operational hazards
- Product recalls and manufacturing quality deficiencies
- Service disruption
- Financial losses and irregularities
- Leadership and governance issues
- Lawsuits and regulatory actions
- Allegations over business practices

Beyond the realm of one’s own company, due diligence is required right across the supply chain. The suicides at Foxconn brought Apple, Dell and Hewlett-Packard into the headlines as key customers of the factory. The failure of Rolls-Royce engine Trent 900 shines the spotlight on Qantas, Singapore Airlines and Lufthansa whose A380 aircraft use the engine. And the fatal explosion and oil spill in the Gulf of Mexico damaged the reputations of BP, Transocean, Halliburton and Cameron International.

Events which erode significantly the reputation equity of a company are more common than might be imagined. Figure 4 shows a frequency diagram for the Global 1000 over a five-year period, and the incidence of a negative reputation event prompting a value loss exceeding a particular level in a single month.

Figure 4: The likelihood of reputation damage

Understand the threats to the company’s reputation to generate insights for diligent risk management.

---

2 Risks That Matter, OM research commissioned by Ernst & Young
The diagram shows that there is an 80% chance of a company losing more than 20% of its value at least once during a five-year period. In each case, the measurements were calculated over and above the market, and the triggering events occurred suddenly and unexpectedly.

Most CEOs, therefore, will have to deal with at least one of these critical reputation events on their watch.

CLIENT ASSIGNMENT: HEALTH CARE COMPANY

As it expands into emerging markets, this health care client wishes to prepare for potential infractions of the Foreign Corrupt Practices Act (FCPA) and violations of corporate policy in subsidiaries geographically distant from head office control.

An increase in regulatory actions against corporations charged with ethics violations in foreign markets has prompted a range in communications responses including: preemptive disclosure, reactive disclosures only, acceptance of responsibility, diversion of blame on to foreign subsidiaries, or even silence. This health care client holds itself to high ethical standards and seeks to safeguard its reputation. It is not clear, however, which communications strategies will be the most successful in restoring reputation in such circumstances.

Over fifty unique cases of ethics violations across a range of companies were identified and their communications strategies analysed extensively. The impact on shareholder value of each violation was measured. The evidence revealed that the value at risk from ethics violations is significant.

Figure 5 shows two portfolios of ethics infractions, constructed from the data. All the events are aligned such that event day zero is the first day each infraction is made public. A clear distinction emerges between those companies with effective communications strategies and those with poor communications. The results were controlled for other factors such as industry sector and type of infraction.

Figure 5: Communications strategy drives recovery
Companies in the Winner portfolio were able to build reputation equity from the incidents and add 21% in value whereas those companies which communicated poorly around their violations lost an average 15% in value over the post-event year.

The evidence reveals that the Winners consistently have:

- Disclosed promptly,
- Exhibited transparency and candour in their disclosures,
- Taken responsibility for their actions or agents’ actions appropriately, and
- Demonstrated credible follow-up behaviours.

In contrast, the Losers consistently have:

- Either delayed communications responses or failed to respond entirely,
- Issued opaque or partial responses,
- Failed to take responsibility or express contrition, and
- Attempted to shift blame.

The analysis exposes clearly the impact on value of differing communications strategies. Interestingly, the analysis also revealed that pre-emptive communication in such cases did not serve to enhance the company’s reputation. Choosing the right communication strategy is vital to successful reputation management.

Ultimately, the reputation asset represents the confidence investors place in the future of the business or, more specifically, in the ability of senior management to deliver performance. Should a threat emerge to erode a company’s reputation, shareholder value is destroyed. However, the recovery pattern can be determined by careful planning and execution and, not least, by an evidence-based communications strategy.
LEARN FROM CRISSES

Whether one is directly involved or an interested observer, all crises provide a nexus of opportunity. In crises concerning corporate reputation, some companies use the opportunity to reinforce their values and their brand, and to demonstrate to stakeholders that they are even better than previously assumed. Others fail to grasp the opportunity and their stakeholders are left disappointed. If these stakeholders are investors, they revise downwards their expectations of future performance and the share price falls.

Oxford Metrica has been studying corporate crises for over twenty years. Figure 6 illustrates the impact on share price for a portfolio of Global 1000 companies. The value impact over the post-event year is modelled, whereby the starting date of each event in the portfolio is aligned on Event Day zero. All market-wide factors are stripped out and returns are risk-adjusted; this process ensures a clean measurement of firm-specific impact.

Figure 6: The impact of reputation crises on shareholder value

![Graph showing the impact of reputation crises on shareholder value]

Whilst the initial impact on all companies is a drop in value, very rapidly the market begins to make its judgement and there emerges a clear distinction between the Winners and the Losers. As the aftermath plays out, the divergence between the two groups becomes ever more apparent. Indeed, the Winners succeed in transforming their crises into value-creating events and their companies emerge with enhanced reputations. The spotlight is firmly on senior management, and the way in which they respond to the challenge provides new information to investors and other stakeholders about their ability to perform under pressure and manage the unexpected.

More detailed examination of the evidence reveals the following factors to be top drivers of value recovery:

---

3 Reputation and Value: the case of corporate catastrophes, OM research commissioned by AIG
4 Reputation and Value Recovery: A Focus on the Airline Industry, OM research commissioned by Kenyon International
• Strong leadership by the CEO,
• Rapid, credible response,
• Coordinated communications, both internally and externally,
• Honest and sensitive communication, and
• Prompt analysis and dissemination of relevant information.

The communications strategy is the means by which senior management conveys its action and intent to stakeholders. A synthesis of their expectations of future performance is reflected by the share price. Monitoring the value reaction as a crisis unfolds, therefore, becomes a critical source of feedback for senior executives as they develop their strategy for rebuilding the company’s reputation.

DEEPWATER HORIZON, GULF OF MEXICO

On 20th April 2010, 11 men lost their lives in an explosion on the Deepwater Horizon drilling rig in the Macondo oil field in the Gulf of Mexico. An additional 17 workers were injured. The subsequent well-blowout caused an oil spill which, if somewhere between BP’s estimate of 2.7 million barrels and the US government’s estimate of 4.9 million barrels, may emerge as the largest accidental spill to date. It took 87 days to cap the well.

Several companies are involved in the accident. The rig is owned and operated by drilling contractor Transcean. The oil well, and therefore responsibility for the clean-up of any oil spilled, is owned by BP (65%), Anadarko Petroleum (25%) and Mitsui (10%). The blowout preventer which failed (the system of valves intended to prevent the uncontrolled release of oil and gas) was supplied by Cameron International. Finally, just before the accident, Halliburton fitted the cement cap intended to seal the well. The number of players involved has given rise to much shifting of blame.

Figure 7 shows the modelled value reaction for BP, Transocean, Cameron International and Halliburton. The now familiar pattern of Winners and Losers has emerged.

Figure 7: The market reaction to Deepwater Horizon

---

5 The Ixtoc I well blowout in 1979 spilled 3.3 million barrels of oil into the Gulf of Mexico and took 290 days to cap.
As the majority owner in the Macondo oil field and the project’s operator, the subject of greatest media scrutiny and political backlash has been BP. The negative impact on the company has been exacerbated by its recent loss record in the United States (US); the Texas City refinery explosion in 2005 which killed 15 workers and an oil spill from corroding pipelines in Prudhoe Bay, Alaska in 2006.

BP has set aside $39.9 billion to cover the costs of the spill; $20 billion for the US government’s fund to compensate those financially affected, $10.8 billion for capping the well and clean-up operations and, implicitly, $9.1 billion for further damages and penalties. On 15 December 2010, the US government filed a lawsuit against BP (also Transocean, Anadarko, Mitsui and QBE syndicate at Lloyd’s which insured the rig). If gross negligence is found, and the US government’s estimate of 4.9 million barrels of oil spilled is proved accurate, BP could face penalties of over $21 billion. Currently, neither Cameron International nor Halliburton is named in the suit but the US Department of Justice (DoJ) reserves the right to add claims and defendants. It is likely to be several years before we know the proximate cause and apportioned responsibility for this accident.

In the case of Deepwater Horizon, BP got many things right. Chief Executive Tony Hayward was active immediately on the scene, available for meetings and interviews, he took full responsibility for the clean-up, paid out compensation, and applied the whole myriad of the company’s resources to contain the spill. However, a string of clumsy comments and cultural misunderstandings, combined with a seeming inability to cap the well, dominated the media and, understandably, fear and anger took hold.

Listed below are some of the lessons to be learned:

1. **Preparation is the key to recovery.** This accident shows that the oil industry’s loss prevention and control techniques have not kept up with technology in exploration and production; with drilling at ever greater depths, for example.

2. **Heed the warning signs.** Investigations suggest that many warning signs may have been overlooked. Full information here is unlikely to be known for years.

3. **Expectations must be managed with care.** BP (and others) underestimated considerably the ultimate scale of the spill and so all subsequent developments became a drip feed of disappointing news.

4. **Know your role.** Chief Executive Tony Hayward, in his passion for the company in which he had spent his working life, and in his deep knowledge and curiosity of all things engineering, was drawn back into the operational instead of focusing on the strategic.

5. **A Chief Executive should be prepared for the job.** Without doubt, Mr Hayward is a highly talented and experienced geologist. Equally, the evidence suggests that he was ill-equipped with the political skills to deal with public anger on this scale and such charged political rhetoric.

6. **Appreciate the cultural context.** The US accounts for about a quarter of BP’s production, almost a third of its reserves and more than half of its refining capacity and retail outlets. And yet, BP seemed unable to respond with a tone and emotional register more resonant with an American audience.

---

6 Under the Clean Water Act, BP can be fined $4,300 per barrel of oil spilled, if deemed guilty of gross negligence.
7. **Appreciate the political context.** An oil company is intrinsically geopolitical and its brand is, in significant part, determined by its relationship with government. BP’s future in the US will be determined ultimately by its ability to secure future drilling permits.

Clearly, there are lessons to be learned by BP. There are lessons for regulators and government also. It is too easy, amid the furor of a corporate crisis, to forget the substantial contributions that a large corporation brings to society.

First, the technology for deepwater drilling was developed to meet the growing need for oil to fuel industry, improve living standards and further economic growth. The oil industry is particularly hazardous but every large company which pushes the frontiers of its specialization follows a similar principle. Second, about 40% of BP’s business is in the US - the company is listed in both New York and London - and the company employs 24,000 people there. With a current unemployment rate in the US of almost 10%, jobs are especially welcome. Third, tax receipts are significant. Prior to the accident, BP was the largest single corporate contributor to the UK Treasury. Fourth, far from being a wealthy elite, the majority of BP’s shareholders are pensioners. The suspension of BP’s dividend has had a dramatic impact (approximately 15%) on the income of such pensioners who depend on a stable dividend stream. For any incumbent government to keep its “boot on the throat” of a major contributor to the economy, therefore, is of questionable social and economic value.

In 1988, when 167 men lost their lives in the explosion aboard the Piper Alpha platform in the North Sea, the UK government granted immunity to the executives of Occidental Petroleum (the operator of the platform) so as to learn as much as possible and prevent a recurrence. The Cullen Report was the result and, to this day, is widely regarded as marking a step-change improvement in offshore safety performance.

Extreme events bring into sharp focus lessons for managing the everyday. Lessons from the Deepwater Horizon crisis have surfaced for companies, regulators and government and, if heeded, will improve cooperation and safety standards for the whole industry.

---

7 The company has 80,300 employees worldwide, 10,000 of whom are in the UK.

8 Approximately 39% of BP’s shares are held in the US and 40% in the UK.
SUMMARY

Reputation equity is a significant source of value for many companies. To safeguard and build this asset requires investment. With limited resources, it becomes necessary to choose between competing investments and direct resources according to which will generate the best returns. Equally, to protect the asset requires foresight and preparation. The companies which derive most value from their reputation asset are those which ask themselves the following questions continually, monitor the results and understand the effects on financial performance.

• What is your reputation worth?
• What drives the value of your reputation equity?
• How are your reputation investments measured and monitored?
• How is your reputation equity sustained and built?
• If crisis strikes, how is reputation protected? Or even enhanced?
• Is reputation management part of your corporate strategy to build value?

Oxford Metrica has a wealth of reputation resources - ideas, databanks, tools, techniques and experience - to serve companies in their quest to manage reputation equity and build value. An evidence-base of real data, analysed robustly and linked firmly to financial performance, enables senior management to direct reputation investments with confidence and generate a demonstrable return. Informed decisions are the essence of a successful reputation strategy.
OXFORD METRICA CLIENTS

ABB
Accenture
AIG
Aon
Ashurst
Aviva
BAA
BAE Systems
Baxter
Blue Rubicon
BNY Mellon
BP
Bristol Myers Squibb
Cisco Systems
Credit Suisse
De Beers
Deloitte
Deutsche Bank
Edelman
Ernst & Young
Exxon Mobil
FM Global
Freehills
General Mills
General Electric
Giuliani Group
Gold Fields
Hill & Knowlton
Hitachi
Huhtamaki
IBM
Ince & Co
ING Group
Intel
Invesco
Johnson & Johnson
KBC Peel Hunt
Kenyon International
Kone
Marsh
Merck Serono
Munich Re
Nestlé
Novartis
Novo Nordisk
Office-Shadow
Oracle
OTC Markets Group
P&O Ferries
Porter Novelli
PricewaterhouseCoopers
Reed Elsevier
Royal Dutch Shell
RSA
Schroders
SCOR
Solvay
Storebrand
Swiss Life
Swiss Re
Tesco
UBS
Xilinx
Zurich Financial Services
Disclaimer

This document has been prepared for the exclusive use of the intended recipient(s) only. Whilst every effort has been made to ensure the accuracy of the information contained in this document, neither Oxford Metrica nor any of its members past present or future warrants its accuracy or will, regardless of its or their negligence, assume liability for any foreseeable or unforeseeable use made thereof, which liability is hereby excluded. Consequently, such use is at the recipient’s own risk on the basis that any use by the recipient constitutes agreement to the terms of this disclaimer. The recipient is obliged to inform any subsequent recipient of such terms. The information contained in this document is not a recommendation or solicitation to buy or sell securities. This document is a summary presented for general informational purposes only. It is not a complete analysis of the matters discussed herein and should not be relied upon as legal advice.
About Oxford Metrica

Oxford Metrica provides clients with tailored business analysis and counsel, designed and delivered to enhance the client’s commercial success. Our approach is driven by commercial relevance and based on rigorous independent research. Evidence-based intelligence informs all our work.

Our proprietary databases, research methods and worldwide network of expertise is placed at the disposal of our clients in the services we provide. We support Chief Communications Officers concerned with corporate reputation. Our service is founded on pioneering research in reputation and our unique database of thousands of reputation events over thirty years.

Reputation Review is published annually by Oxford Metrica Press.