

University of Birmingham Business Club

Breakfast Briefing

U **‘Being A Responsible Business’** B

Thursday 21 June 2018

Professor Mark Saunders

Professor of Business Research Methods



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Trust and responsible business

Mark NK Saunders

Professor of Business Research Methods

LLOYDS
BANKING
GROUP



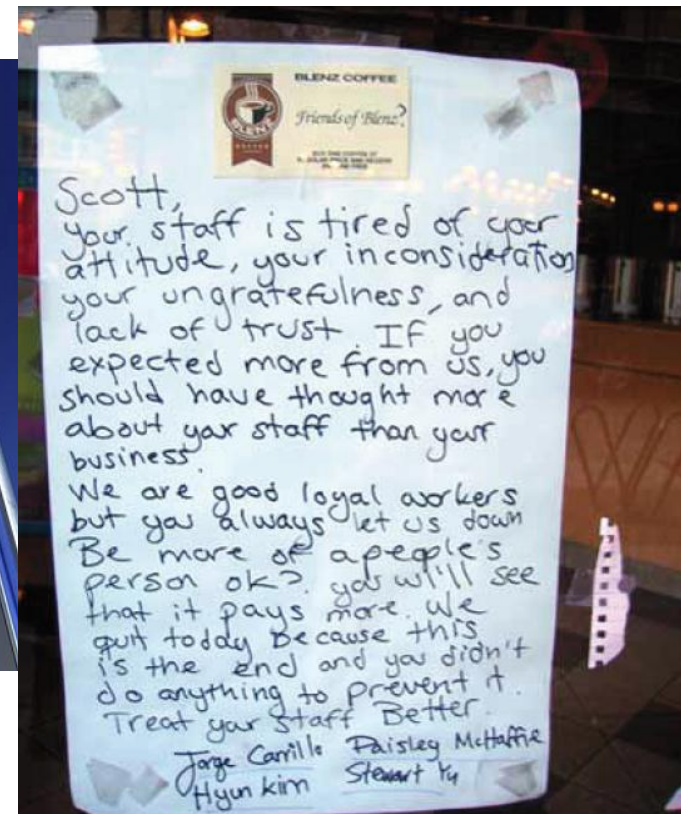
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What is trust?



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- ❑ **Act of trust:** Making oneself vulnerable on basis of positive expectations of the intentions or behaviours of another
- ❑ Responsible businesses are expected to be trustworthy



The business case for trust



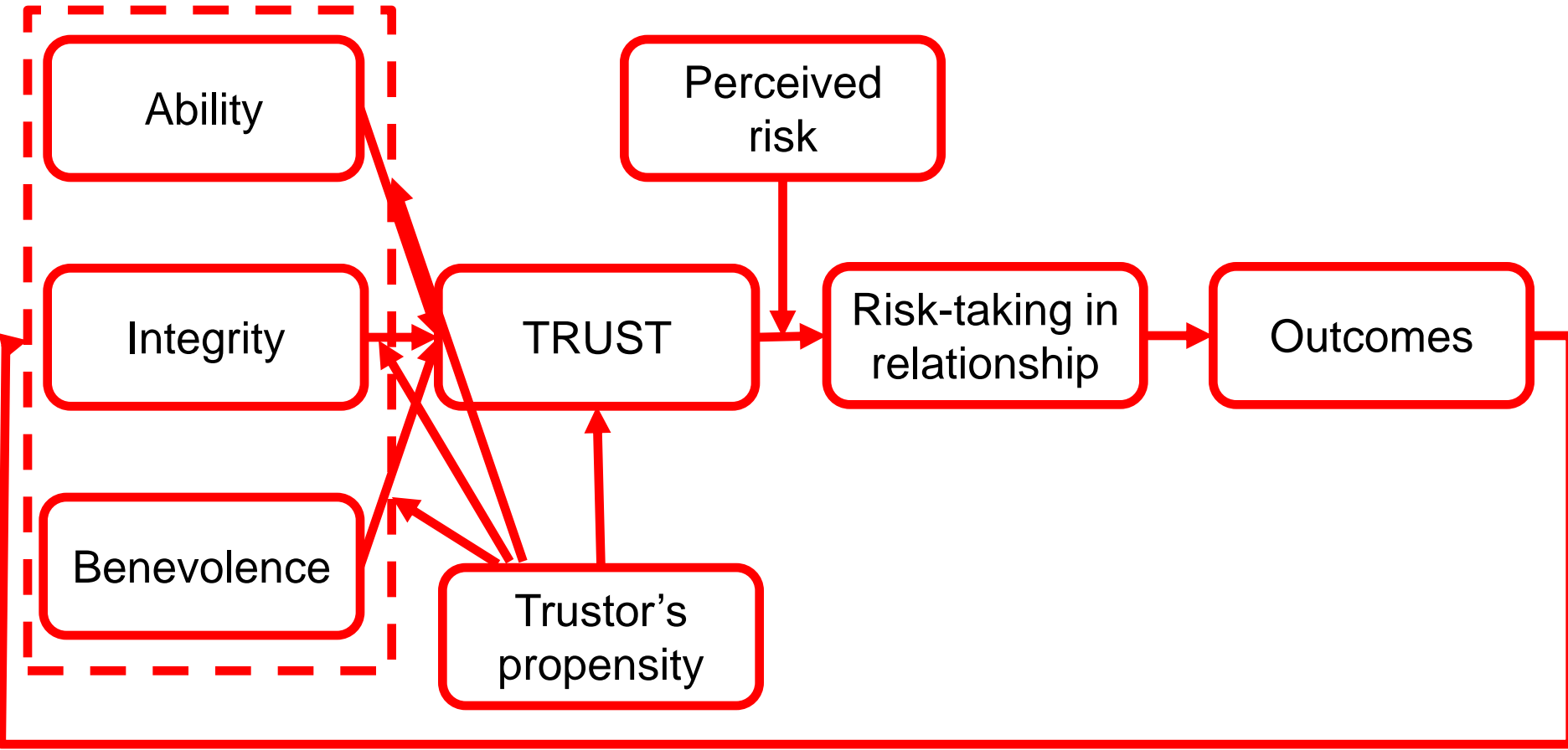
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- ❑ Shapes positive internal relationships and has positive impact on employees...
 - 76% more engaged
 - 50% more productive
 - Enjoy their jobs 60% more
 - 50% more likely to recommend the company
- ❑ By shaping employee behaviours positively has positive impact on performance and productivity
- ❑ Reputation for trust is a brand advantage for relationships with customers, investors, suppliers, potential employees



How trust develops

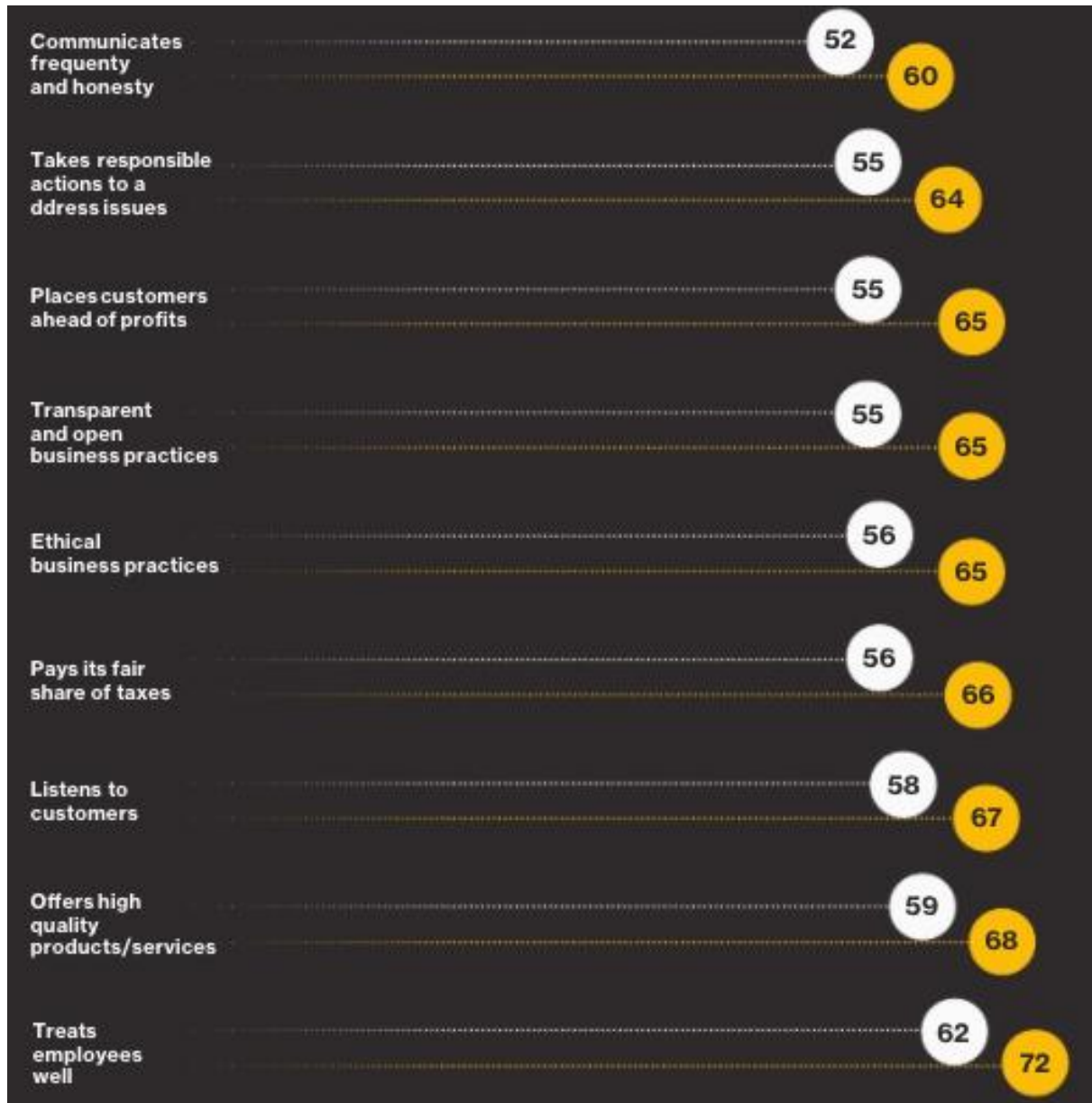
*Components of
trustee's perceived
trustworthiness*



How businesses can build trust



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Key
Believe system is failing
General Population

Source: Edelman (2017)

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Building cross-cultural customer trust (SMEs)



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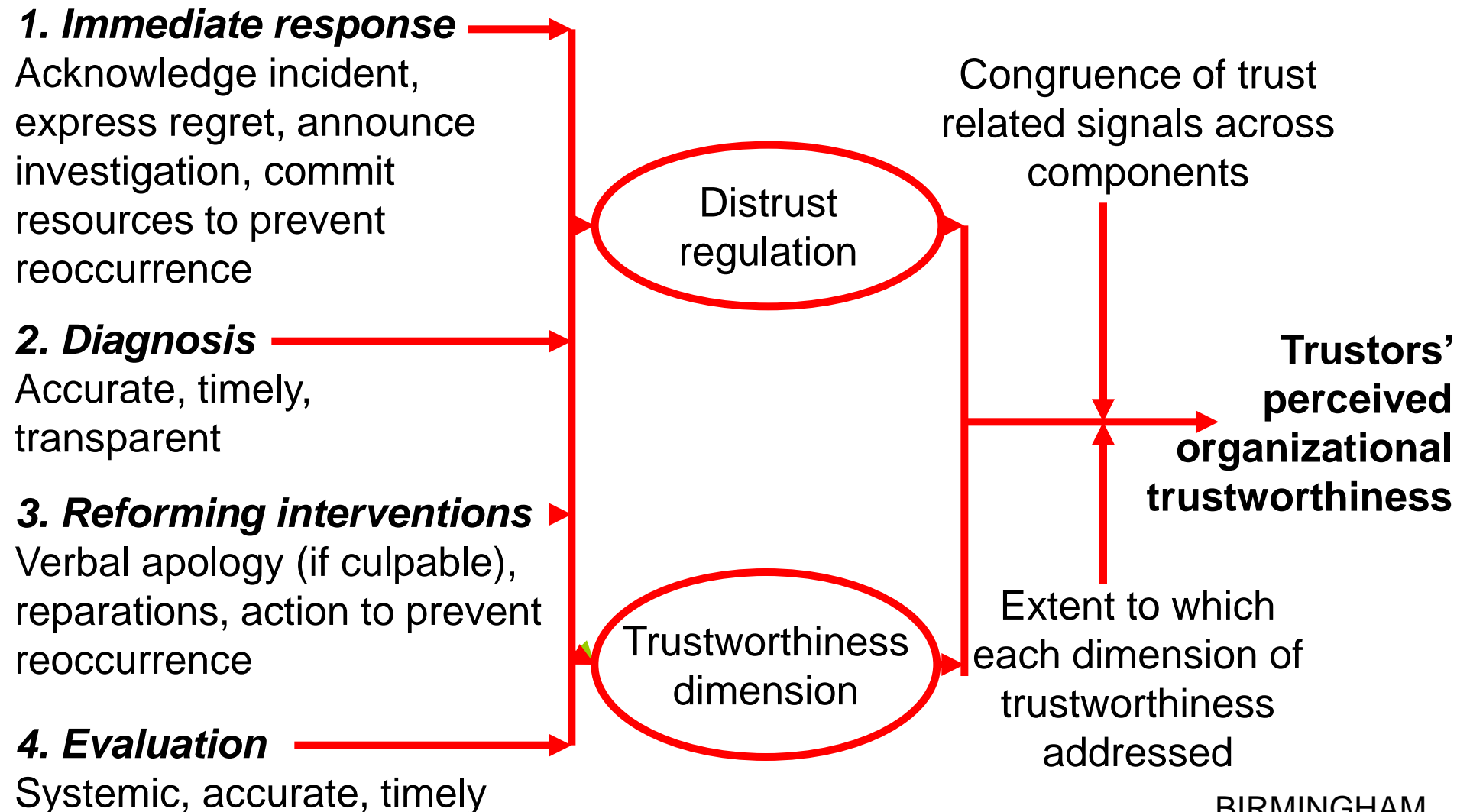
An SME'sis perceived as an indicator of possible...	...for customers who are from...
professional / trade association membership	ability	all ethnic groups
	integrity	mainstream host group
common religion	integrity	the same ethnic group
		other ethnic groups
base in shared locality	benevolence	mainstream host group
originating from outside UK	benevolence	other ethnic groups
common language	benevolence	the same ethnic group
shared ethnicity	benevolence	the same ethnic group

Source: Altinay, Saunders & Wang (2014)

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Repairing trust breaches



Thank you for listening



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- ❑ Trust shapes positive relationships with employees and customers
- ❑ Trust is based on perceived ability, integrity and benevolence and develops over time
- ❑ Organisations can build trust through their actions
- ❑ How trust is built differs between cultures
- ❑ Trust repair requires an immediate response, accurate diagnosis, intervention and (subsequent) evaluation

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Professor Ian Thomson

Professor of Accounting and Sustainability

Sophie Sinclair

Engagement and Operations Manager, Lloyds
Banking Group Centre for Responsible Business

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Building the Foundations for Responsible Business

Prof. Ian Thomson – Centre Director

Sophie Sinclair – Engagement & Operations



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Responsible Businesses

...create value without exploiting others or the planet whilst avoiding inequitable distributions of risks, hazards, costs or benefits.



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Our Mission:

- Evidence based and theoretically informed research
- Create robust, authentic, solutions
- Engage effectively with business, policy-makers and change agents
- Through education build capacity to deliver change for the common good and a sustainable future.



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Our Challenge Agenda

- Responsible business education
- Sustainable business models
- Workplace diversity and inclusion
- Eliminate modern slavery
- Responsible business transformation
- Environmental sustainability
- Embedding SDGs in business
- Responsible performance measurement
- Community transformation
- Responsible finance
- Responsible accountability
- Responsible products/services



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Inaugural Business Research Conference



 **UNIVERSITY OF BIRMINGHAM** | **BIRMINGHAM BUSINESS SCHOOL**

LLOYDS BANKING GROUP   **CENTRE for RESPONSIBLE BUSINESS**

SAVE THE DATE

**LLOYDS BANKING GROUP CENTRE FOR RESPONSIBLE BUSINESS
INAUGURAL CONFERENCE**

13-14 SEPTEMBER 2018
FAZELEY STUDIOS, BIRMINGHAM

#RESPONSIBLEBIZ18



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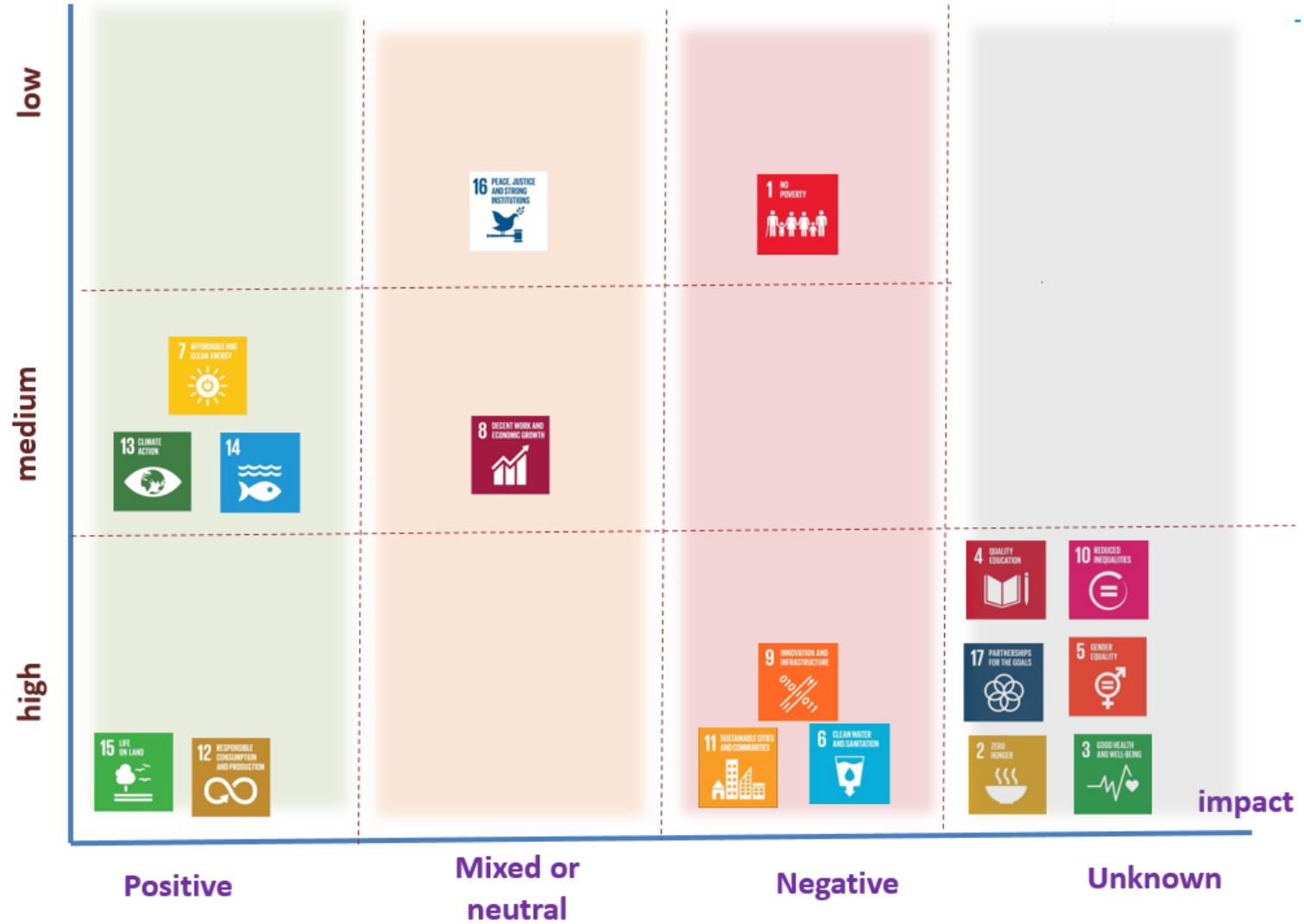


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Level of Certainty



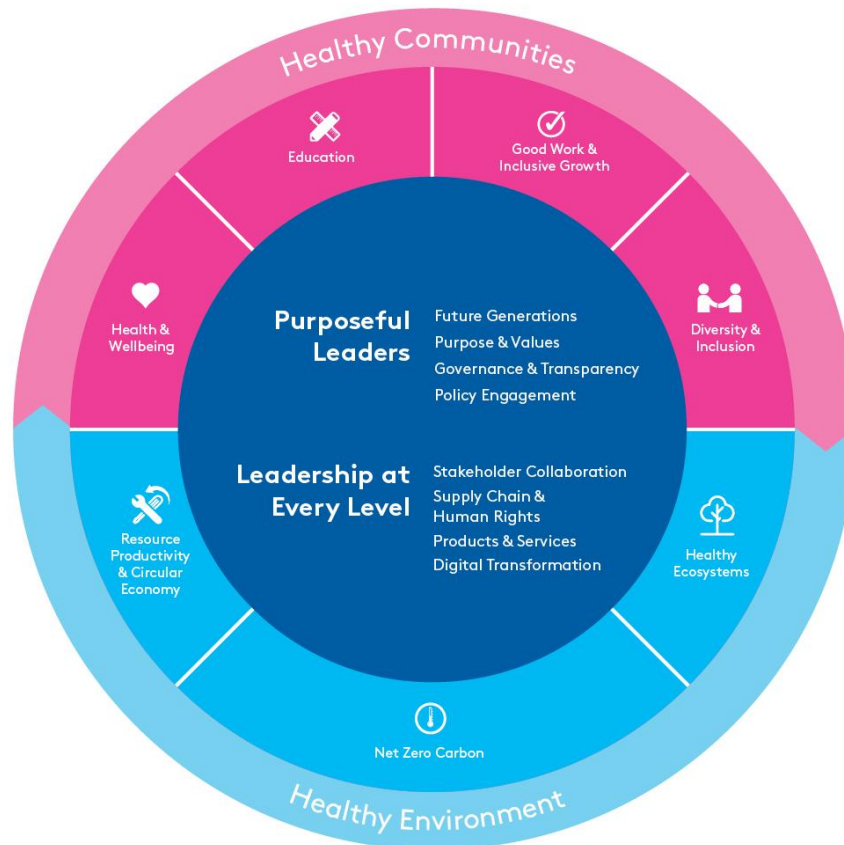
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Responsible Business Map

A responsible business, by creating healthy communities and a healthy environment, achieves long term financial value.



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Take-aways

- Join our mailing list for news, events and details of our Conference
- Keep up to date with our work, practical applications and thought leadership
- Share your responsible business stories with us

www.birmingham.ac.uk/schools/business/research/responsible-business/index.aspx



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Nicola Templeton

Director of Business Development, Business in the
Community

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**BUSINESS
IN THE
COMMUNITY**



**THE PRINCE'S
RESPONSIBLE
BUSINESS NETWORK**



BITC exists to create healthy communities with successful businesses at their heart

- The Prince's Responsible Business Network
- Founded, funded and led by business
- Over 30 years' experience of advising, challenging and supporting business
- Business-led and issue-focused
- National and international agenda with a local reach to translate strategy into impact.
- Working to attract and encourage responsible businesses to reside in the UK
- Supporting businesses and their staff through transition and change



An influential network of over 800 members



Responsible business is about...

- how a business makes its money, not just about how it spends its profit.
- managing growth responsibly while reducing dependency on natural resources.
- how business operates as an employer, supplier and customer, and how as a neighbour, it can help to create vibrant communities where people can flourish.



A few ways we work with small businesses?

- Trading for Good
- Business Connectors
- Pride of Place
- Smart Growth
- Healthy high streets
- ARC – supply chain access and social enterprise growth
- Employees – volunteering, talent, diversity, health and wellbeing
- Business Emergency Resilient Group (BERG)
- Brave new world – digital innovation.

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Find out more:

<https://www.tradingforgood.co.uk/>

<https://www.bitc.org.uk/>



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Dr Matteo Fuoli

Lecturer in Corpus-based Discourse Analysis

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Restoring trust after a crisis

Lessons from the BP oil spill

Matteo Fuoli



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Department of English Language and Applied Linguistics

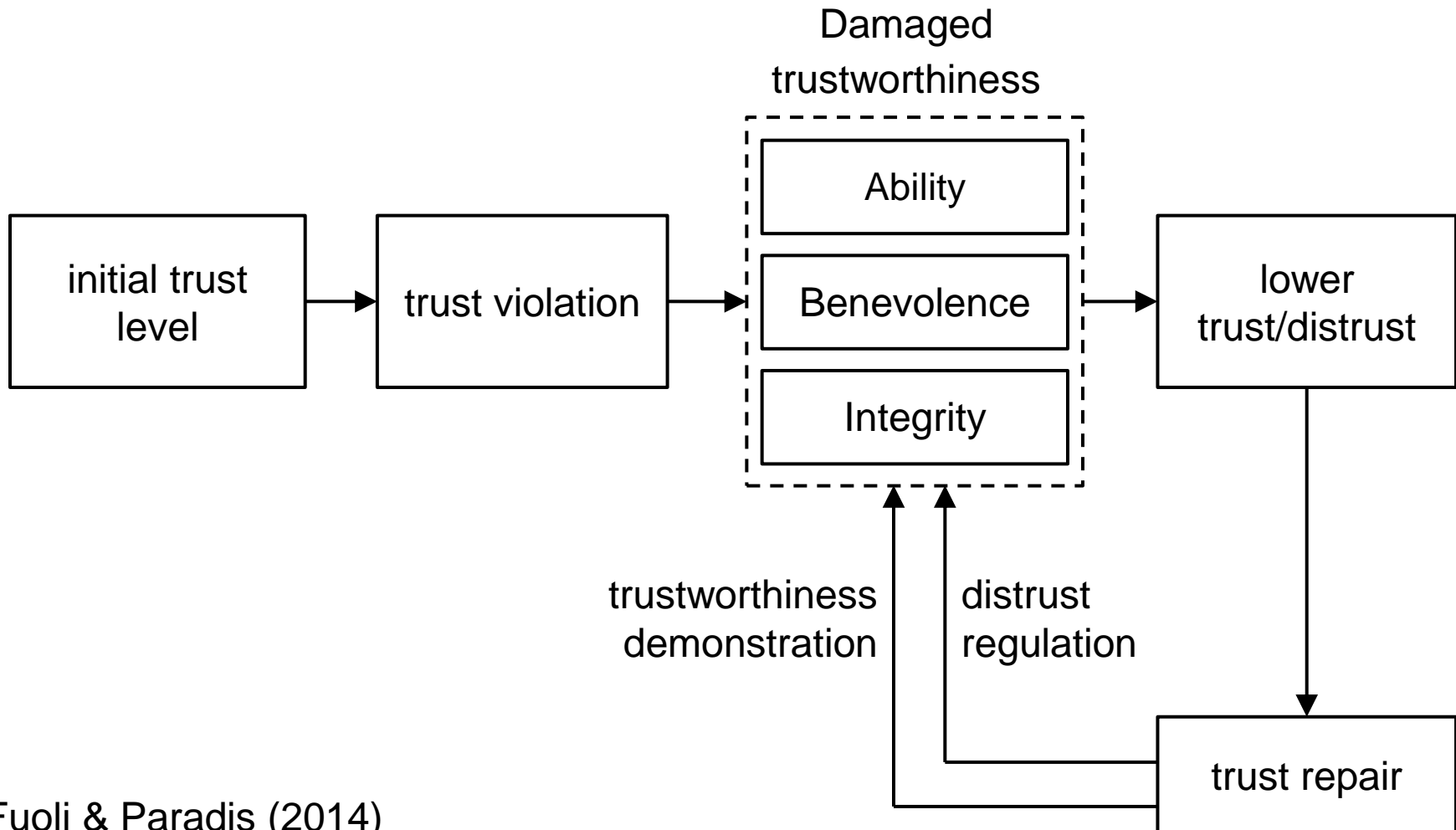


I'd like my
life back

The spill is
relatively tiny
compared to a
very big ocean



Processes of trust violation and repair





Group chief executive's letter

Dear fellow shareholder

The tragic events of 2010 will forever be written in the memory of this company and the people who work here. The explosion and fire on the Deepwater Horizon rig shocked everyone within BP and we feel great sadness that 11 people died. We are deeply sorry for the grief felt by their families and friends. We know nothing can restore the loss of those men.

The accident on 20 April 2010 turned into an unprecedented oil spill with deep consequences for jobs, businesses, communities, the environment and our industry. From this grew a corporate crisis that threatened the very existence of the company. And it all started in a part of the world that's very close to my heart. I grew up in Mississippi, and spent summers with my family swimming and fishing in the Gulf. I know those beaches and waters well. When I heard about the accident I could immediately picture how it might affect the people who live and work along that coast.

Yet, just days before the accident, I had been reflecting on the progress made by BP. The company had put safe and reliable operations at the centre of everything, and we had turned a corner on financial performance. Then came the unthinkable. A subsea blowout in deep water was seen as a very, very low-probability event, by BP and the entire industry – but it happened.

Following the accident, a search-and-rescue operation was carried out by the rig's owner, Transocean, together with BP and the US Coast Guard. This continued for four days and covered 5,000 square miles. On 22 April 2010 the Deepwater Horizon sank, and a major oil spill response was activated. At its peak this involved the mobilization of some 48,000 people, the deployment of around 2,500 miles of boom and the co-ordination of more than 6,500 vessels. Field operations brought together experts from key agencies, organizations and BP. Thousands of our people flew in from around the world and stayed and worked for weeks and months. Nearly 500 retirees from BP America called up to say they wanted to help. This was an extraordinary response.

As the response developed, the problems grew in complexity and scale. Tackling the leak on the seabed demanded groundbreaking technical advances and dauntless spirit. We also found ourselves in the midst of intense political and media scrutiny. We received incredible support and faced tremendous criticism, but our priorities remained clear – provide support to the families and friends of those 11 men who died, stop the leak, attack the spill, protect the shore, support all the people and places affected. We also committed to carry out an immediate and detailed internal investigation.

As a responsible party, under the Oil Pollution Act, we knew we would face wide-ranging claims and potential fines, but we resolved to go beyond what the law required of us. We made swift payments to support local economies, and gave a total of \$138 million in direct state grants during 2010, which included behavioural health programmes. We set up the \$20-billion Deepwater Horizon Oil Spill Trust to meet individual, business, government, local and state claims, and natural resource damages. We provided \$500 million for the Gulf of Mexico Research Initiative, which is funding independent research to investigate impacts on affected ecosystems. And we contributed to a \$100-million fund to support rig workers hit by the drilling moratorium.

To meet our financial commitments, we announced the sale of up to \$30 billion in assets and, by the end of 2010, had agreed to \$22 billion of disposals. We have also cut back on discretionary capital spending and secured additional credit lines. The sound underlying performance across our business continues to give us a solid foundation, and speaks volumes for the inner strengths of BP and our people.

As part of our response, we took the decision to cancel further dividends in 2010. While we know that many shareholders rely on their regular payments, we also had to protect the company and secure its long-term future. The board of BP took this decision with a heavy heart, but I believe it was the right thing to do in truly exceptional circumstances.

Our investigation report was published on 8 September 2010, and found that no single factor caused the accident. The report stated that decisions made by multiple companies and work teams contributed to the accident, and these arose from a complex and interlinked series of mechanical, human judgement, engineering design, operational implementation and team interface failures.

We have accepted and are implementing the report's recommendations. We are also sharing what we have learned with governments and others in our industry, and we are co-operating with a series of other investigations, inquiries and hearings.

2010 stands as an inflection point for BP and our industry, and it is right that we should help lead the development of better ways to operate in deep water. Good risk identification and management is integral to becoming safer, and we are working with governments, service contractors and industry peers to take risk management and equipment design to the next level. Within BP, we have introduced more layers of protection and resilience, with our new safety and operational risk function empowered to intervene in any operation. To enhance our specialist expertise and risk management, we have re-organized our upstream business into three divisions – Exploration, Developments and Production. To encourage excellence in risk management throughout the organization,

we are reviewing how we incentivize and reward people. And to think hard about what was previously unthinkable, we are looking further afield for insight and wisdom. I have spent time with experts from the nuclear and chemicals industries, and I am convinced that we in the energy industry have much to learn from them and others. We must take what we learn and embed it deep in the fabric of our organization.

Part of BP's task right now is to show we can be trusted to handle the industry's most demanding jobs, including exploration and production in deep water. Around 7% of the world's oil supplies come from this source, and we expect this will rise to nearly 10% by 2020. We are one of only a handful of companies with the financial and technological strengths needed to operate in these geographies. Before April 2010, BP had drilled safely in the deep waters of the Gulf of Mexico for 20 years. The governments of Egypt, China, Indonesia, Azerbaijan and the UK have shown confidence in our ability to operate safely at depths, having signed new deepwater drilling agreements with us in the second half of 2010.

It is important to remember why companies such as BP have to take on the risks they do. Around 40 years ago, international oil companies had access to the majority of the world's oil reserves. Today these companies can access a much smaller share. This still provides substantial opportunities for value creation, but reaching many of those reserves requires us to overcome severe physical, technical, intellectual and geopolitical challenges. Global energy demand continues to rise, so the world needs BP and others to meet these challenges in an environmentally sustainable way. In doing this, we can never eliminate every hazard, but we can become an industry leader in understanding and limiting risk. That's our goal.

Clearly, one of the consequences of the events of 2010 was a substantial loss of value and returns for our shareholders. I am pleased that we have been able to resume dividend payments, and our intention is to grow the dividend level in line with the company's improving circumstances. We are now taking action to create and realize greater value. We are increasing our investment in exploration, which is one of our distinctive strengths.

We are gaining access to a wide range of new upstream resource opportunities, and already have 32 project start-ups planned between now and 2016. We are taking an even more active approach to buying, developing and selling upstream assets, with a focus on maximizing returns rather than building volume. And we are divesting roughly half of our US refining capacity, so we can focus downstream investments on refining positions and marketing businesses where we have competitive advantage. This builds on the success BP's Refining and Marketing business has achieved in driving itself back to significantly improved performance and returns over the past few years.

In short, BP is moving swiftly to address its weaknesses and build on its strengths. While doing this we will not hesitate to go beyond the conventional business model of an international oil company. Since 2003 we have had a strong alliance onshore in Russia with TNK-BP. In January 2011 we announced our Arctic alliance with Rosneft, which further shows our strategy in action. Pending completion¹, this is expected to be the first major equity-linked partnership between a national and international oil company, with an agreement with Rosneft to receive 5% of BP's ordinary voting shares in exchange for approximately 9.5% of Rosneft's shares. Under the agreement, Rosneft and BP will seek to form a joint venture to explore and, if successful, develop three licence blocks in the South Kara Sea – an area roughly equivalent in size and prospectivity to the UK North Sea. BP and Rosneft have also agreed to establish an Arctic technology centre in Russia, which will work with research institutes, design bureaux and universities to develop technologies and engineering practices for the safe extraction of hydrocarbon resources from the Arctic shelf.

¹On 1 February 2011 the English High Court granted an interim injunction restraining BP from taking any further steps in relation to the Rosneft transactions pending the outcome of arbitration proceedings. See Note 6 Events after the reporting period.

In February 2011 we announced a second historic agreement. This will, subject to completion, see BP and Reliance work together across the gas value chain in the fast-growing Indian market. This major strategic alliance will combine BP's deepwater capabilities with Reliance's project management and operations expertise.

BP is also partnering with another organization, Husky Energy, to develop a further important resource of energy – Canada's oil sands. These represent the second largest reserves in the world after the oilfields of Saudi Arabia. We will work with this resource in a way that fits with our long-term responsibilities and objectives, using steam assisted gravity drainage to extract the oil, and an efficient, integrated system to transport it. Our approach will have a relatively small footprint and should not be confused with opencast mining – we will not engage in mining. On a well-to-wheel basis, greenhouse gas emissions from Canadian oil produced this way are expected to be slightly higher than those from conventional crudes imported to North America.

Along with providing the hydrocarbons required over coming years, we are helping to build the sustainable options needed to meet growing demand for lower-carbon energy. Our natural gas operations will help to provide a lower-carbon bridge from oil and coal to renewables. We are building a material business to produce biofuels in Brazil, the US and the UK. We are becoming a leading player in wind energy. We have a long-established solar business. And we have made substantial investments in carbon-capture-and-storage technology. Lower-carbon resources are the fastest-growing sector in the energy market, and BP intends to develop its portfolio in step with this growth.

As to the immediate future, I expect 2011 to be a year of consolidation for BP, as we focus on completing our previously announced divestment programme, meeting our commitments in the US and bringing renewed rigour to the way we manage risk. There will also be an increasing emphasis on value over volume, as we sharpen our strategy and reshape the company for growth.

Looking back over recent days and months, our thoughts return to the men who lost their lives, to those who were injured and to the communities hit hard by the spill. I have heard people ask "Does BP 'get it'?" Residents of the Gulf, our employees and investors, governments, industry partners and people around the world all want to know whether we understand that a return to business-as-usual is not an option. We may not have communicated it enough at times, but yes, we get it. Our fundamental purpose is to create value for shareholders, but we also see ourselves as part of society, not apart from it. Put simply, our role is to find and turn energy resources into financial returns, but by doing that in the right way we can help create a prosperous and sustainable future for everyone. This is what people rightfully expect of BP. This is what will inspire and drive us over the next 12 months and far into the future.


Bob Dudley
Group Chief Executive
2 March 2011

 **More on our performance**
bp.com/annualreport

Results

Key findings

- Expressions of AFFECT are used to communicate empathy and solidarity with the people affected by the spill, and to underscore the company's **benevolence**

*“The explosion and fire on the Deepwater Horizon rig **shocked** everyone within BP, and we feel **great sadness** that 11 people died. We are **deeply sorry** for the **grief** felt by their families and friends.”*

Results

Key findings

- Expressions of self-JUDGEMENT are primarily used to stress the company's **ability** to overcome the crisis

*“The **sound underlying performance** across our business continues to give us a **solid foundation**, and speaks volumes for the **inner strengths** of BP and our people.”*

Results

Denial in BP's letters

“Our investigation report was published on 8 September 2010, and found that **no single factor** caused the accident.”

“Our approach will have a relatively small footprint and **should not** be confused with opencast mining - **we will not** engage in mining.”

“Our fundamental purpose is to create value for shareholders, but we also see ourselves as part of society, **not** apart from it.”

Take-homes from the BP case study

- Words matter
 - a poorly formulated message can make things worse
- Openness and transparency are crucial
 - openly address the problems that caused the crisis
 - avoid minimization and stonewalling
 - show openness to dialogue
- Showing empathy is important
 - the message needs to be sincere
 - back up words with actions



Thanks for listening

Matteo Fuoli
University of Birmingham

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References

- Benoit, W. L. (2013). *Image repair theory and corporate reputation*. The handbook of communication and corporate reputation, 213-221.
- Fuoli, M., & Paradis, C. (2014). A model of trust-repair discourse. *Journal of Pragmatics*, 74, 52-69.



Extra slides



Organizational trust

A quick recap

- Trust shapes positive relationships with employees and customers
- Trust is based on perceived ability, benevolence and integrity and develops over time
- Organisations can build and repair trust through their actions

Organizational trust

A quick recap

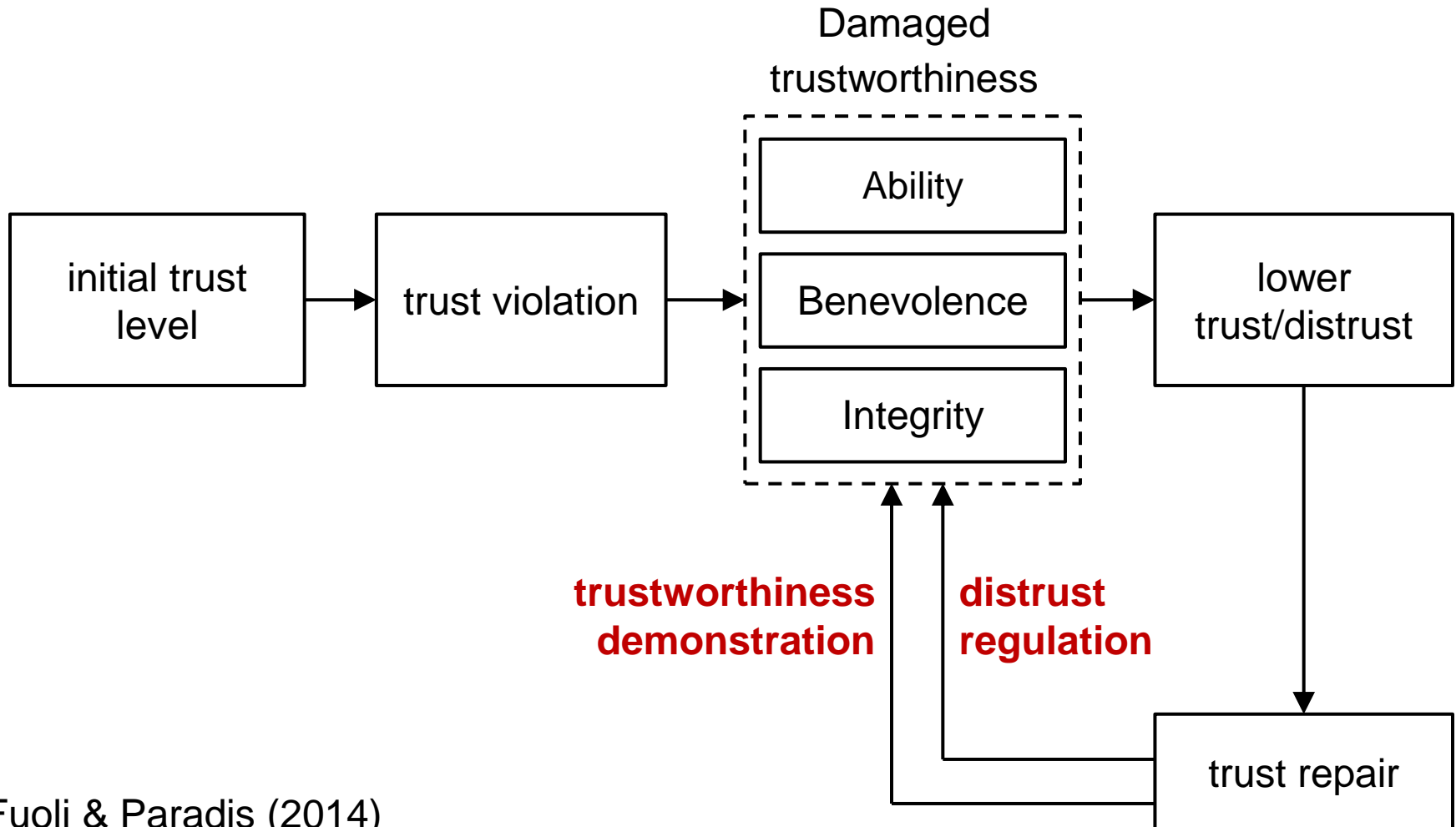
- Trust shapes positive relationships with employees and customers
- Trust is based on perceived ability, benevolence and integrity and develops over time
- Organisations can build and **repair** trust through their actions and **words**

Organizational trust failures



LEHMAN BROTHERS

Processes of trust violation and repair



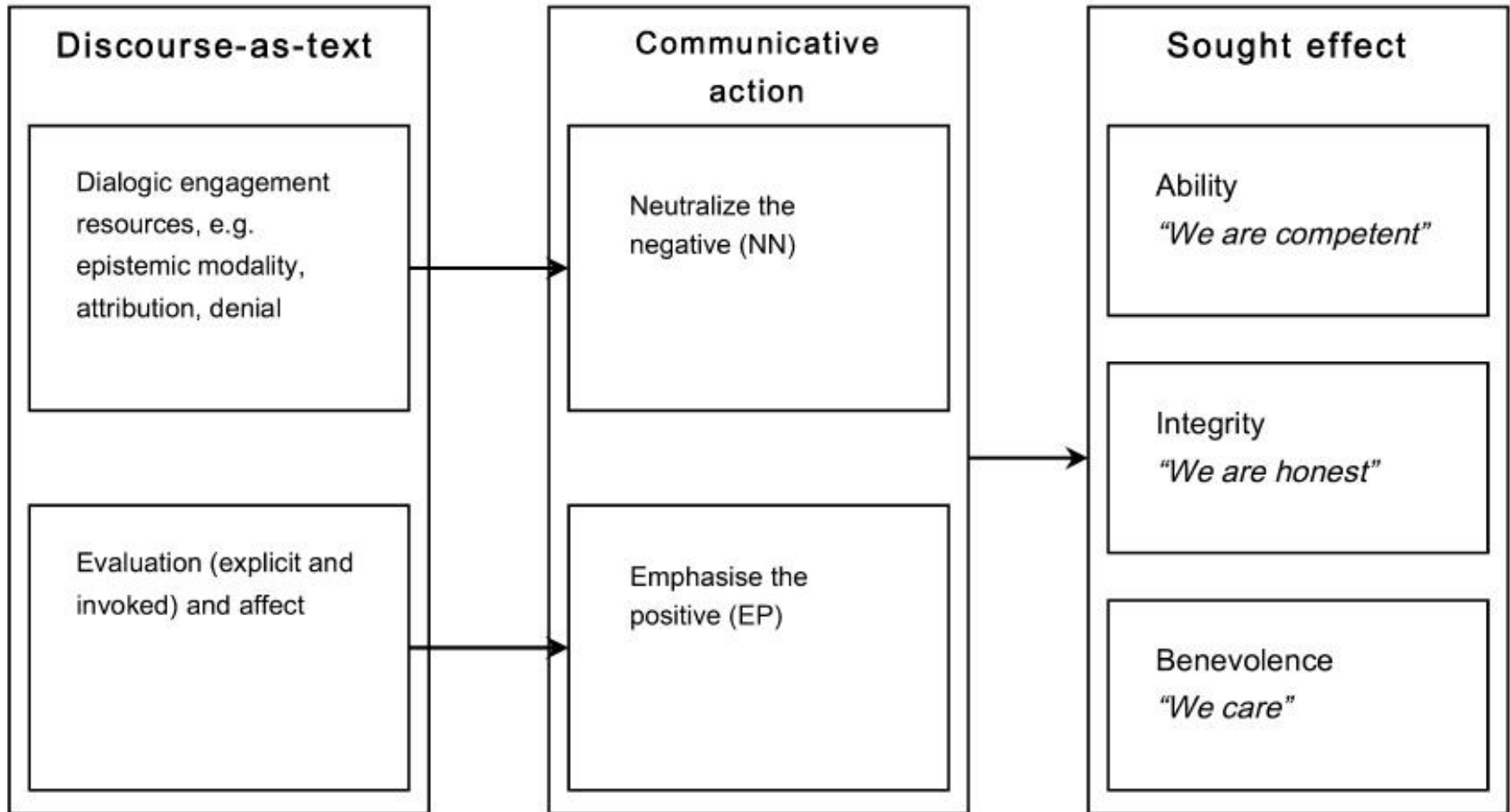


The BP oil spill case study

Research questions

- What communication strategies did BP use to repair trust following the spill?
- How effective were the strategies?

A linguistically-informed model of trust repair

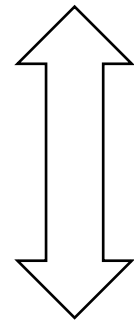


Neutralize the negative

Discursive resources

- Our fundamental purpose is to create value for shareholders, **but** we also see ourselves as part of society, **not** apart from it.
- Despite these actions, ConocoPhillips **considers it possible** that the recession **could** restrain energy demand and prices for several years.

Dialogic
contraction



Dialogic
expansion

Results

Key findings

- Expressions of ENGAGEMENT are primarily used to neutralize negative discourses about the company and reassure stakeholders about the future
 - most ENGAGEMENT expressions are dialogically contractive
 - BP's CEO takes a 'defensive' stance to protect the company's **integrity**

*"I want to **make it absolutely clear** that we are **not** seeking a return to business as usual."*

Table 19.1 Corporate image repair strategies.

<i>Strategy</i>	<i>Key characteristic</i>	<i>Example</i>
Denial		
Simple denial	Did not perform act	Tylenol: did not poison capsule
Shift the blame	Another performed act	Tylenol: a “madman” poisoned capsules
Evasion of responsibility		
Provocation	Responded to act of another	Firm moved because of new taxes
Defeasibility	Lack of information or ability	Executive not told meeting changed
Accident	Mishap	Tree fell on tracks causing train wreck
Good intentions	Meant well	Sears wants to provide good auto repair service
Reducing offensiveness of event		
Bolstering	Stress good traits	Exxon’s “swift and competent” cleanup of oil spill
Minimization	Act not serious	Exxon: few animals killed in oil spill
Differentiation	Act less offensive than similar acts	Sears: unneeded repairs were preventative maintenance, not fraud
Transcendence	More important values	Helping humans justifies testing animals
Attack accuser	Reduce credibility of accuser	Coke: Pepsi owns restaurants, competes directly with you for customers
Compensation	Reimburse victim	Disabled moviegoers given free passes after denied admission to movie
Corrective action	Plan to solve/prevent recurrence of problem	AT&T long-distance upgrades, promised to spend billions more to improve service
Mortification	Apologize	AT&T apologized for service interruption

Derived from Benoit (1995a, 1997).

Any questions?

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**Thank you to our
speakers and for
your attention**

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