University of Birmingham Business Club
Breakfast Briefing

‘Being A Responsible Business’

Thursday 21 June 2018
Trust and responsible business

Mark NK Saunders
Professor of Business Research Methods
What is trust?

- **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

- 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

- Ability
- Integrity
- Benevolence

TRUST

Risk-taking in relationship

Outcomes

Perceived risk

Trustor’s propensity
### How businesses can build trust

<table>
<thead>
<tr>
<th></th>
<th>Business</th>
<th>General Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communicates frequently and honestly</td>
<td>52</td>
<td>60</td>
</tr>
<tr>
<td>Takes responsible actions to address issues</td>
<td>55</td>
<td>64</td>
</tr>
<tr>
<td>Places customers ahead of profits</td>
<td>55</td>
<td>65</td>
</tr>
<tr>
<td>Transparent and open business practices</td>
<td>55</td>
<td>65</td>
</tr>
<tr>
<td>Ethical business practices</td>
<td>56</td>
<td>65</td>
</tr>
<tr>
<td>Pays its fair share of taxes</td>
<td>56</td>
<td>66</td>
</tr>
<tr>
<td>Listens to customers</td>
<td>58</td>
<td>67</td>
</tr>
<tr>
<td>Offers high quality products/services</td>
<td>59</td>
<td>68</td>
</tr>
<tr>
<td>Treats employees well</td>
<td>62</td>
<td>72</td>
</tr>
</tbody>
</table>

*Source: Edelman (2017)*
Building cross-cultural customer trust (SMEs)

<table>
<thead>
<tr>
<th>An SME’s …</th>
<th>…is perceived as an indicator of possible…</th>
<th>…for customers who are from…</th>
</tr>
</thead>
<tbody>
<tr>
<td>professional / trade association membership</td>
<td>ability</td>
<td>all ethnic groups</td>
</tr>
<tr>
<td>common religion</td>
<td>integrity</td>
<td>mainstream host group</td>
</tr>
<tr>
<td>base in shared locality</td>
<td>benevolence</td>
<td>mainstream host group</td>
</tr>
<tr>
<td>originating from outside UK</td>
<td>benevolence</td>
<td>other ethnic groups</td>
</tr>
<tr>
<td>common language</td>
<td>benevolence</td>
<td>the same ethnic group</td>
</tr>
<tr>
<td>shared ethnicity</td>
<td>benevolence</td>
<td>the same ethnic group</td>
</tr>
</tbody>
</table>

Source: Altinay, Saunders & Wang (2014)
Repairing trust breaches

1. **Immediate response**
   Acknowledge incident, express regret, announce investigation, commit resources to prevent reoccurrence

2. **Diagnosis**
   Accurate, timely, transparent

3. **Reforming interventions**
   Verbal apology (if culpable), reparations, action to prevent reoccurrence

4. **Evaluation**
   Systemic, accurate, timely

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**Distrust regulation**

**Trustors’ perceived organizational trustworthiness**

**Trust dimension**

Congruence of trust related signals across components

Extent to which each dimension of trustworthiness addressed

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Source: Gillespie & Dietz (2009)
Thank you for listening

- 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
Professor Ian Thomson
Professor of Accounting and Sustainability

Sophie Sinclair
Engagement and Operations Manager, Lloyds Banking Group Centre for Responsible Business
Building the Foundations for Responsible Business

Prof. Ian Thomson – Centre Director
Sophie Sinclair – Engagement & Operations
Responsible Businesses

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

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

SAVE THE DATE
LLOYDS BANKING GROUP CENTRE FOR RESPONSIBLE BUSINESS INAUGURAL CONFERENCE

13-14 SEPTEMBER 2018
FAZELEY STUDIOS, BIRMINGHAM

#RESPONSIBLEBIZ18
Responsible Business Thinking
A responsible business, by creating healthy communities and a healthy environment, achieves long term financial value.
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
Nicola Templeton
Director of Business Development, Business in the Community
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.
Contacts details

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Find out more:

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

https://www.bitc.org.uk/
Restoring trust after a crisis
Lessons from the BP oil spill

Matteo Fuoli

UNIVERSITY OF BIRMINGHAM

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

Fuoli & Paradis (2014)
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 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 has made great strides in safety and reliability over the past decade. It is a part of everything, and we had turned a corner on financial performance. Then came the unthinkable. A subsea blowout in deep water was seen as early as 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, and by BP and the entire industry. We were a part of that team, and it was a sad time for everyone. It took 87 days to control the well and we succeeded after a long and difficult battle.

The spill set in motion a chain of events that impacted BP’s finances. We lost billions of dollars in revenue and saw our share price fall significantly. We also faced criticism from regulators and shareholders for the way we handled the crisis.

However, in the aftermath of the crisis, we have continued to focus on our core business and work towards a more sustainable future. We have made a significant commitment to the environment and have been striving towards reducing our carbon footprint.

In February 2011 we announced a second historic agreement. This will allow BP to take a majority stake in the Rosneft project, which will help to reduce our reliance on the Middle East for oil and gas. We are also committed to improving our operational efficiency and reducing our environmental impact.

Looking ahead, we remain optimistic about the long-term prospects for the oil and gas industry. We believe that the industry will continue to be a major contributor to the global economy, and we are committed to playing a responsible role in the development of this sector.

Bob Dudley
Group Chief Executive
2 March 2011

More on our performance
its.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
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References


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

- Worldcom
- Enron
- Findus
- Volkswagen
- Lehman Brothers
Processes of trust violation and repair

Fuoli & Paradis (2014)
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

Fuoli & Paradis (2014)
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.
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.

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

Derived from Benoit (1995a, 1997).
Any questions?
Thank you to our speakers and for your attention