

Reputational Risk & Brand Restoration Solutions Webinar

Presented by:

Aon's Higher Education Practice

Featuring:

Oxford Metrica

Burson-Marsteller

December 13, 2011



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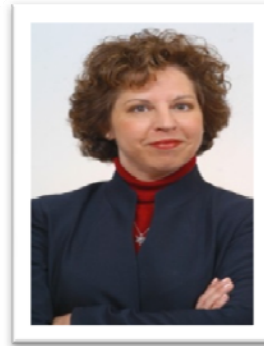


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Panel

- **Leta Finch**
 - *National Practice Leader, Higher Education, Aon Risk Solutions*
- **Dr. Rory Knight**
 - *Chairman, Oxford Metrica*
- **Karen Doyne**
 - *Managing Director, Issues & Crisis Group, Burson-Marsteller*
- **Scott Kannry**
 - *Vice President, Professional Risk Solutions, Financial Services Group, Aon*

Oxford
METRICA

Keeping your good name in higher education - the evidence

An empirical approach

- The impact on performance from a reputation crisis is significant.
 - Based on OM's databank of reputation crises occurring worldwide since 1980; continually refreshed and updated.
 - Preliminary work in higher education show the stakes are high
- The communications strategy adopted is key to reputation recovery.
 - Based on extensive analysis of the databank, identifying core variables and measuring their contribution to the recovery pattern.
- A reputation crisis will happen.
 - Based on a 5-year study of the Global 1000 and their biggest sudden and sustained drops in reputation
 - Preliminary evidence in higher education is more alarming

Higher Education more exposed than business

- Higher Education: Noble purpose; seekers of truth and guardians of all that is good

- Expectations very high
- Complex set of direct stakeholders
 - Trustees
 - Students
 - Alumni/ae
 - Donors
 - State & Federal government
- Metrics harder to measure
 - Liabilities
 - Donations withdrawn
 - Downgrade debt ratings
- Easier to herd cats
- Contagion factor significant

- Business; Commercial purpose; profit seeking with social awareness at best

- Expectations modest
- Simpler set of direct stakeholders
 - Stockholders
 - Employees
 - Customers
- Clearer Metrics to monitor
 - Profit impact
 - Market impact
- Corporates have more control
- Contagion less likely

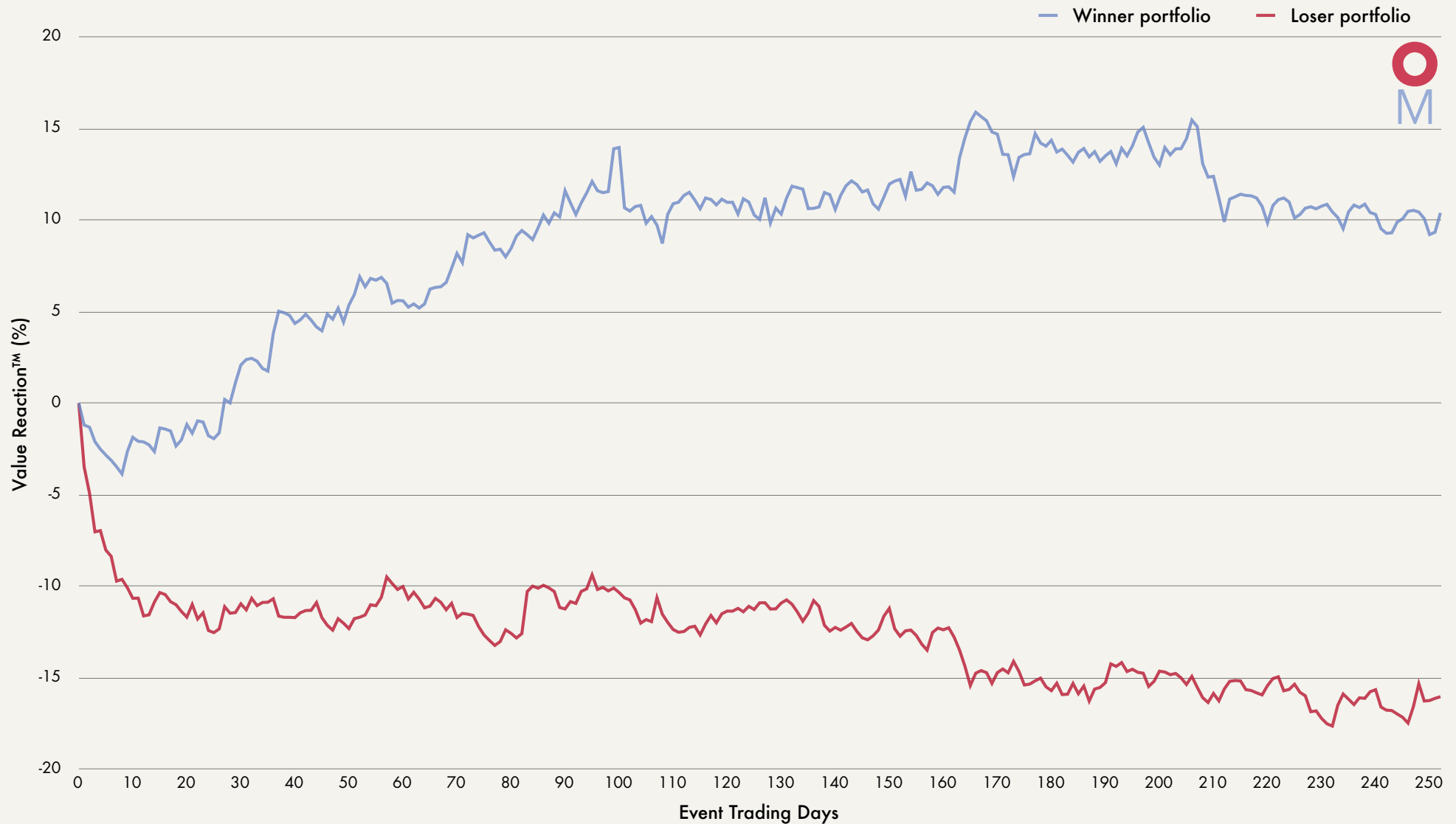
Top 10 reputation crises in 2010

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

Recent reputation crises in higher education

Institution	Event	Consequences	Damage Rating Handling A-F Damage 1-10
World renowned London based Institute	Received a donation from a controversial head of state	President forced out Government review	C- 8
North west research University	Contravened billing protocols	Fined \$35m, plus lost research funds & faculty	B+ 4
UK based leading climate change research centre	Leaked emails suggest that research results and data manipulated	Media onslaught, suspended director, funds withdrawn	A- 4
Eastern State College	Athletic molestation scandal & cover up	Coach & president fired; bond rating downgrade; firestorm of media attention	F 10
Mid Western University	Students behave outrageously to draw attention to fees	Significant media attention, alumni response	A 2
Mid Atlantic University	FDA determines that unlicensed drug used in clinical trials with death of a healthy volunteer	Civil law suit; research teams migrate. Donors withdraw	D- 7
Mid Atlantic University	University official admits to \$5m theft	Bad press	B+ 4
North West College (private)	Molestation contagion from other institution leads to an exposure	Fired coach; legal quagmire over statute of limitations	C 6

Paradoxically crises can improve reputation...if...



An organising framework for serious risk events

Category of event

Direct cost/Reputation damage

Staff on student inappropriate sexual molestation with cover up

Highest/Highest

Regulatory non-compliance

High cost/Average damage

Research in clinical trials with ethical dimension

High cost/High damage

Financial irregularities

Transparent response crucial

Presidential misdemeanours

Strident action by trustees restore image

Campus violence

Safety balanced with empathy

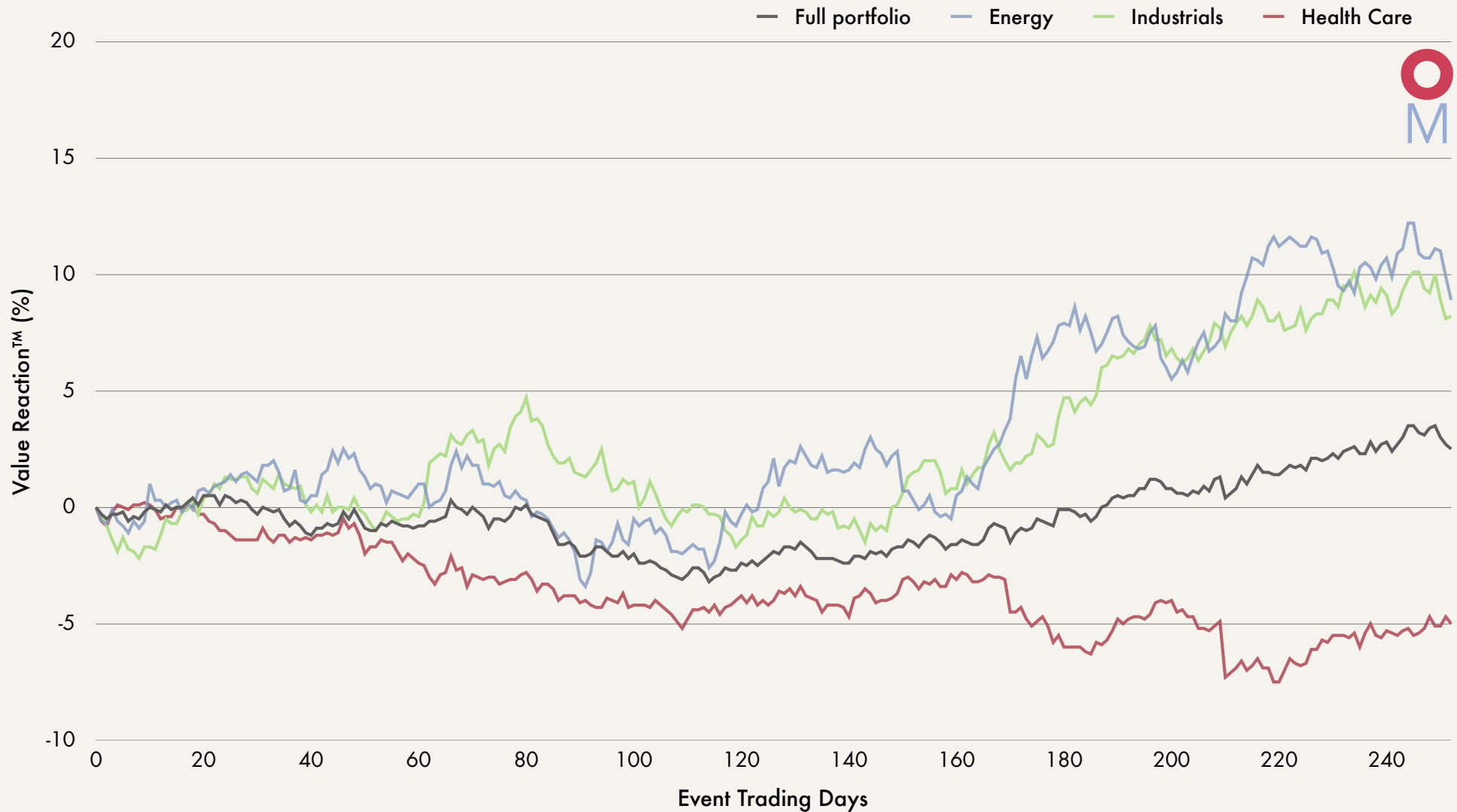
Faculty misbehaviour

Medium damage

Student misbehaviour

Properly handled can turn around

Corruption hurts ethicals more, trust is core brand value



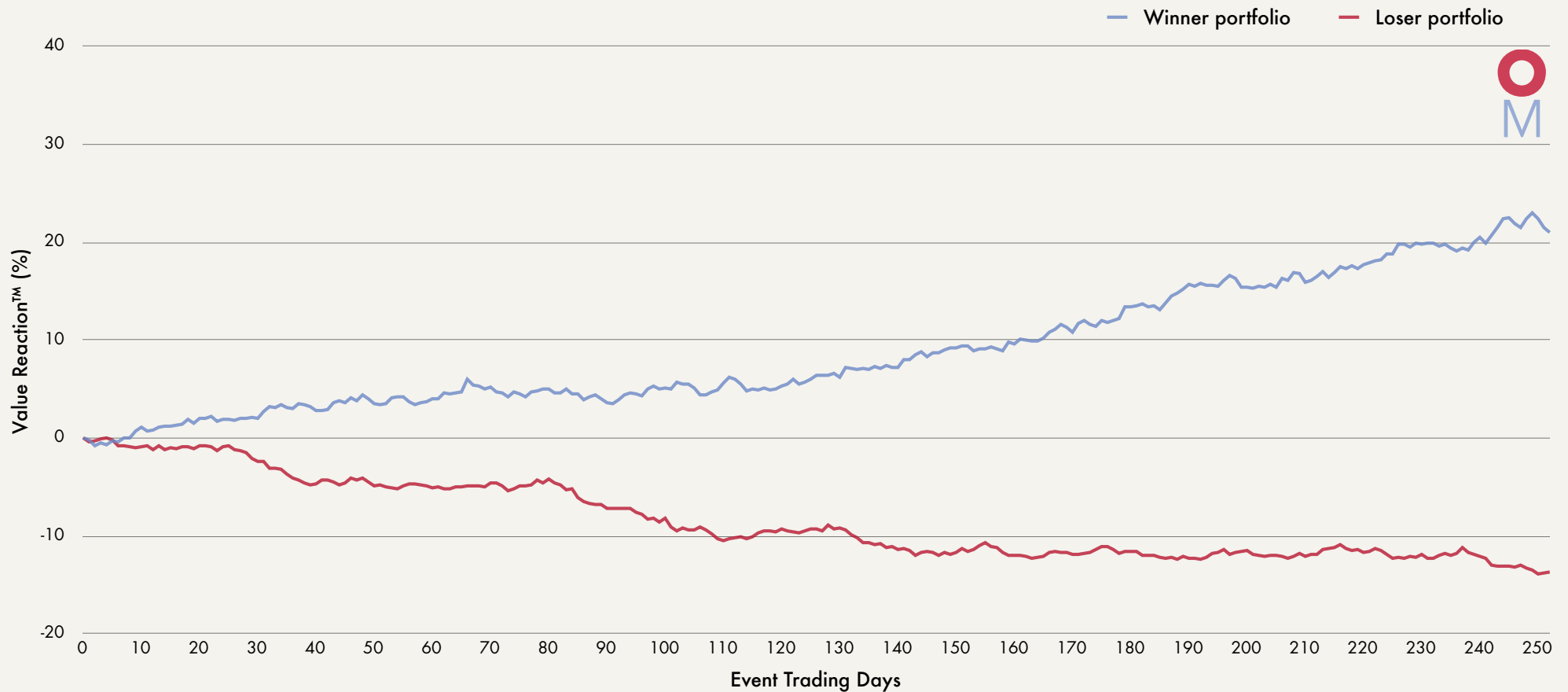
Managing reputation risk

- An increase in regulatory actions against institutions charged with ethics violations in foreign markets has prompted a range of communications responses.
- Faced with these regulatory actions, corporations have resorted to:
 - Preemptive disclosures
 - Reactive disclosures only
 - Acceptance of responsibility
 - Diversion of blame on to foreign subsidiaries
 - Silence
- A large US health care client wishes to develop a communications strategy that will help drive value recovery.
- There are very strong parallels here for Higher Education

Effective communications central to recovery

- Showing greater explanatory power than either industry sector or type of infraction is the communication strategy adopted

- The evidence from analysing over 50 infractions reveals that the value at risk from getting the communications strategy right is significant; at +20% to -15%



Hallmarks of *Winners* and *Losers*

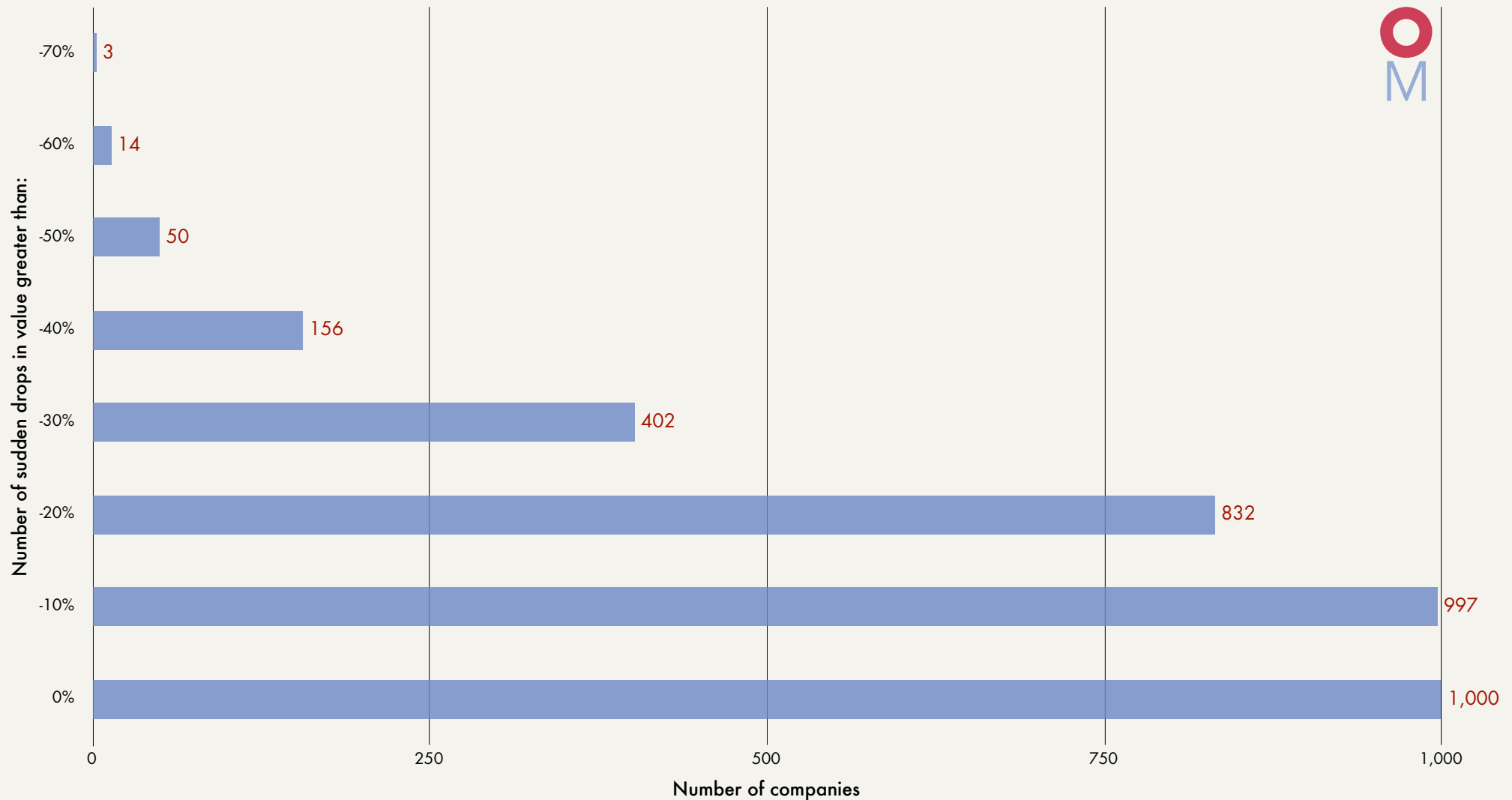
● The evidence demonstrates that the *Winners* consistently have:

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

● In contrast, the research shows that the *Losers* consistently have:

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

Likelihood of reputation crisis in Higher Ed. is 1 every 2 yrs



What we have learnt from the evidence

- A reputation crisis is a likely event for most higher education institutions
- It is easy to lose reputation even if you are in the right
- Perceptions impact as much as the institutional reality
- An effective communications plan is essential
- Throwing money at the problem is not sufficient but usually necessary
- You will need help and a proper budget to protect brand value
- It is more than the President's job is worth
- Know the history of what has befallen other institutions and learn

Questions facing the trustees

- What is the potential cost and consequence of a damaged reputation?
- What are the factors that support your reputation among direct stakeholders?
- How are the key reputation factors monitored?
- How is your reputation sustained and built?
- If crisis strikes, how is reputation protected? Or even enhanced?
- Is reputation management part of your institution strategy to build a future?
- Do we have adequate resources to deal with a reputation event

Dr Rory Knight



Chairman

MA (Oxon), MCom, PhD, CA

Rory Knight is Chairman of Oxford Metrica. His career has spanned both the academic and business world globally. Prior to founding Oxford Metrica he served two terms as the Dean of Templeton, the University of Oxford's business college. He was responsible for Templeton's overall strategy and direction. He has served as a visiting professor to several leading universities in Europe and North America specialising in reputation management.

Previously a Deputy Director in the Swiss National Bank (SNB), Rory's role included providing policy advice on international financial matters and he retains significant links with central banks around the world. Dr Knight advises numerous universities, corporations and foundations internationally. He has published extensively in finance and business policy. Dr Knight serves on the finance committee of the Templeton World Charity Foundation.

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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.



Best Practices for Surviving the Worst of Times



Burson·Marsteller



Higher Ed: Unique Challenges

- Wide range of potential crises
- Large geographic areas
- Open campuses
- Diverse and often far-flung stakeholders (current/potential students, parents, faculty, employees, alumni, donors)
- Limited “command and control” capability over communications
- Diverse legal requirements
- Conflicting public expectations over responsibilities to students, parents



PRINCIPLES OF CRISIS MANAGEMENT



1. Do the Right Thing

- **The public doesn't demand perfection, but it does expect integrity.**
 - Always put health and safety first
 - Be honest
 - Be transparent
 - Give as much information as you can as soon as you can
 - If you can't provide information, explain why
 - Show you are committed to self-examine and to learn from crisis





2. Link Communication to Action

- Crises are *managed* through communications but *resolved by action*
- What messages and actions will it take to repair the breach of confidence?
 - You will be asked: Could you have done more, sooner?
 - Don't expect to get credit for "the least you can do"
- Engage key stakeholders in decision-making



3. Understand and Respond to Stakeholder Expectations

- **See the crisis through the eyes of others**
 - Don't be so fixated on what you want to say, you fail to understand what stakeholders need to hear and see.
- Focus special attention on victims and their families
- Use objective means (e.g., survey research) to understand perceptions, identify effective actions and messages



4. Take Appropriate “Ownership” of the Crisis

- **People need to know someone is accountable, on point**
- Different from blame or liability, but often causes conflict with legal team
- Ownership is defined by others
- What role do stakeholders expect us to play in the crisis, e.g.:
 - Actually resolving it
 - Driving or brokering a resolution
 - Making victims whole
 - Preventing a recurrence



5. Contain Quickly: Anticipate, Get Ahead of Events

- **Focus the response not only on where the crisis is now, but on where it is going**
 - What will stakeholders want to know or demand 24 hours after the crisis breaks? How about a day or week later?
 - What can we do and say to stay in step with or ahead of expectations? What information gaps can be filled now?
- Communicate immediately; the window is smaller than ever
- Bypass traditional media by going “direct-to-stakeholder”



The Emerging Challenge: Digital/Social Media

- **1 billion** Tweets every 6 days
- **1.4 million** new blog posts daily
- **48 hours** of video uploaded per minute



The Emerging Challenge: Digital/Social

**Can we effectively harness our own digital media channels in a crisis?
Can we engage effectively with others?**

- Digital media monitoring
- Content creation
- Approvals
- Implementation



The Bottom Line: Anticipate (or Else)

- Have a crisis plan
 - Operational AND communications functions
 - Clear crisis-management infrastructure
 - Over-arching policies, procedures and tools
 - Detailed actions plans for high-priority crises
- Train your team
 - Crisis simulations
 - Media/crisis training

Brand Restoration Insurance Approach

Through an entire crisis, the policy provides a powerful value proposition



Coverage timeline and triggers vary by policy form					
<p>Assess Your Risk</p> <ul style="list-style-type: none"> Complete the application form Determine existing reputational preparedness Meetings w/ insurance partners and potential insureds Audience: C-Level executives; Marketing/PR; Risk Management 	<p>Policy Bound</p> <ul style="list-style-type: none"> Pre-event counseling and preparedness training is available to the policyholder. These services include a dedicated team, evaluation and modification of all crisis communication plans and crisis event training Determine preferred crisis management firm to utilize No claim? No Crisis? No problem. Services can be provided anyway 	<p>A Crisis is Coming</p> <ul style="list-style-type: none"> The moment there is reason to believe a crisis event is likely, PR firm can respond with crisis preparation services Advice provided to insured on how crisis should be communicated and specific crisis action plan 	<p>Crisis Hits</p> <ul style="list-style-type: none"> Once the crisis event actually occurs, the policy is triggered and the insured will immediately begin using crisis services. Coverage also now includes all crisis content advertising Even absent any Adverse Publicity, coverage can continue for up to 60 days 	<p>The Crisis Event Hits News Media</p> <ul style="list-style-type: none"> While Adverse Publicity probably will happen immediately, flexibility for "publication" is provided Full coverage continues including crisis management fees and crisis content advertising No financial loss required 	<p>Financial Loss</p> <ul style="list-style-type: none"> Certain policies have financial loss triggers for extended coverage Coverage/Crisis response can be structured to last for up to a year after crisis event occurs

Coverage Details

Product Coverage	✓ Provides crisis management response services for up to one year from an approved crisis management company for services before, during and after a public relations crisis
Maximum Limit of Liability	✓ USD50m per crisis / USD100m annual aggregate ✓ Lower per crisis and annual aggregate limits available
Crisis Events	✓ “Named Peril” or “All Risk”
Excluded Events	✓ Change in market conditions or economic environment ✓ Recall Costs ✓ Force Majeure
Minimum Deductible/SIR	✓ Retentions as low as \$10,000 for middle market firms ✓ \$1M retentions anticipated for Fortune 500 or comparable
Coinsurance	✓ All carriers have a co-insurance requirement ✓ Varies by policy form and coverage component
Maximum days covered	✓ One year after crisis event
Rate	✓ Individually underwritten ✓ Pricing can start at \$10,000 per \$1M of coverage for middle market firms or comparable

Policy Trigger - Insured Event

Different approaches taken by each insurance carrier but scope intended to be broad:

- Industrial Espionage
- Loss of Key Executive
- Major Litigation
- Mass Tort
- Personal Endorser
- Product or Service Boycott
- Product Recall and Malicious Product Tamper
- Terrorism
- Workplace Violence
- Other
- Blackmail & Extortion
- Breach of IT Security
- Counterfeit Goods
- Criminal Proceedings
- Damage to Premises
- Detention or Kidnapping
- Environmental or Climate Change Impairment
- Environmentally Borne Disease
- Financial Statement Restatement
- Food Borne Illness

Thank You

Questions?