



Protecting your Most Important Asset
Reputation Management for Higher Education



CONTENTS

Foreword	3
Preface	5
Introduction	7
Defining Your Reputation	8
Understanding the Risks	9
Measuring the Impact	11
Reputation Protection Solutions	13
Learning from Crises: A Case Study	14
Summary	16



This paper is the result of a tumultuous year in which colleges and universities have unfortunately been in the news for all the wrong reasons; from child molestations, hazing deaths, students protesting tuition increases, to controversial faculty layoffs.

During my time at Aon, I have had the pleasure of working with Dr Rory Knight, Chairman of Oxford Metrica (OM), an analytics, research, and consulting firm that has pioneered research in reputation and value for over thirty years.

In a discussion months back about the brand tarnishing year many colleges and universities were experiencing, Dr Knight described some of the meaningful research OM had done in the area of brand management. Having served two terms as dean of Templeton, the University of Oxford's business college, Dr Knight fully understands the impact of reputation events on colleges and universities.

We both recognized that if there was ever a year that brought brand management and brand restoration to the forefront of every board chair, president, business officer, and risk manager's mind, this was the year.

Annually, OM publishes its Reputation Review, a must read for the corporate world. Aon's Higher Education Practice is indebted to OM for taking their research and extrapolating it for the betterment of higher education.

This paper is about understanding reputation damaging risks, how to measure the impact of those risks, and it offers reputation protection solutions. The case study, although fictionalized is a composite of several real cases used to make it realistic.

Our intent is that this paper will provide guidance to the senior leadership at colleges and universities in understanding that brand management and brand restoration are within their control. Aon and Oxford Metrica are here to help prevent or minimize another year of bad press for higher education.

A handwritten signature in blue ink that reads "Leta C. Finch". The signature is fluid and cursive, with the first name "Leta" being the most prominent part.

Leta Finch
National Practice Leader
Higher Education
Aon Risk Solutions

Protecting your Most Important Asset

Reputation Management for Higher Education

PREFACE

It gives me much pleasure to present this whitepaper. The last year has seen a number of major reputation events at institutions of higher education around the world, which reminds us forcefully of the continuing importance of preserving the good name of an academic institution and how it is under an ever-increasing scrutiny. A deeper understanding of the relationships among reputation, communications and stakeholder trust in academic institutions is imperative.

The expanding universe of communications media and technologies is creating new challenges for colleges and universities to protect and monitor their reputation, as rapid, real-time information about brand-damaging events can travel the world swiftly.

Our research indicates that any academic institution faces an 85% likelihood of experiencing a significant reputation crisis in any 5-year interval.

We at Oxford Metrica have been studying the relationship between reputation and management response 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 trust. Although this approach is evidence-based, we make no claim to have prescriptive solutions. However, we are able to offer some unique insights on how events affect reputation.

I hope that you benefit from this paper and I welcome further dialogue with you on your own institutional issues.



Dr Rory Knight
Chairman

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

INTRODUCTION

Evidence from the higher education sector demonstrates that the risk of brand or reputation damage to an institution is significant. There have been several events in recent years which have highlighted the exposures to which these institutions are vulnerable, and the substantial reputation fallout that can ensue.

The purpose of this briefing is to outline some of the key reputation issues for higher education, and to draw on the experience and empirical evidence in the corporate sector to gain insights and heed lessons.

The next section describes various facets of reputation and influences upon them. Through consideration of the set of stakeholders, primary objectives, the challenge of measurement, the threat of contagion and issues of control, it becomes clear that the higher education sector is more exposed to reputation crisis than is the business sector.

The higher education sector is more exposed to reputation crisis than is the business sector.

The third section examines this point more deeply and presents evidence on the greater adverse impact on brand value for those organisations (such as higher education institutions and health care) for which trust is a core brand value. The evidence offers clear direction for developing a strategy for reputation damage mitigation and identifies some key drivers of brand value recovery, using the case of ethics violations as an example.

In the fourth section, the challenge of measurement is addressed. An example damage rating system is applied to recent reputation crises in higher education. The contribution to reputation recovery of strong leadership and an effective communications strategy is illustrated and an organising risk framework for higher education is presented.

The subsequent section introduces and describes a new insurance product, designed to help higher education institutions recover lost brand value following a crisis. Finally, lessons of crisis management are drawn from the evidence and highlighted.

DEFINING YOUR REPUTATION

For a higher education institution, reputation may be defined as the esteem in which the institution is held by its constituencies. These constituents include all those with a vested interest in the institution's mission and academic rankings.

In higher education, the set of direct stakeholders is complex and includes:

- Trustees,
- Faculty,
- Students,
- Staff,
- Alumni,
- Donors,
- Local, state and federal governments and
- Surrounding community.

All of these constituents broaden an institution's exposure to reputation risks resulting from one person from any one group acting in a way harmful to the institution. In comparison, businesses have direct stakeholders whose interests are simpler and include stockholders, employees, customers and suppliers.

Drawing further comparisons between higher education and business can yield some useful insights. The primary purpose of educators is perceived generally as more noble, where educators are seen as seekers and protectors of truth and guardians of all that is good. In contrast, business is driven by commercial purpose, with corporations viewed widely as profit-seekers with social awareness at best. In terms of reputation, this distinction translates into higher expectations of good behaviour by education institutions. These higher expectations render the educational establishments more exposed to reputation damage and loss.

Reputation losses are more difficult to measure in the higher education sector than in the commercial sector where data on the profit and market impacts are more readily available. Direct costs of a reputation crisis for an educational institution may include liabilities and litigation costs, withdrawn donations and the effect of downgraded debt ratings, for example. There may be opportunity costs also such as students choosing alternative colleges, researchers selecting a different base and potential donors deciding to go elsewhere.

That raises the contagion factor; the extent to which reputation damage within one department or institution is transferred to another. Generally speaking, contagion across corporations from a critical reputation event is less prevalent than it is across higher education institutions. In the latter, a damaging event in one academic department is very likely to affect the brand value of other faculties at the same institution. Equally, a failure in governance at one institution can raise questions for the whole sector.

Higher education institutions particularly are vulnerable to reputation risks concerning governance and control. Stockholder demands on business corporations tend to result in stricter controls than are evident in higher education, where students and faculty members tend to enjoy, and even hide behind, the precept of academic freedom.

Higher education institutions particularly are vulnerable to reputation risks concerning governance and control.

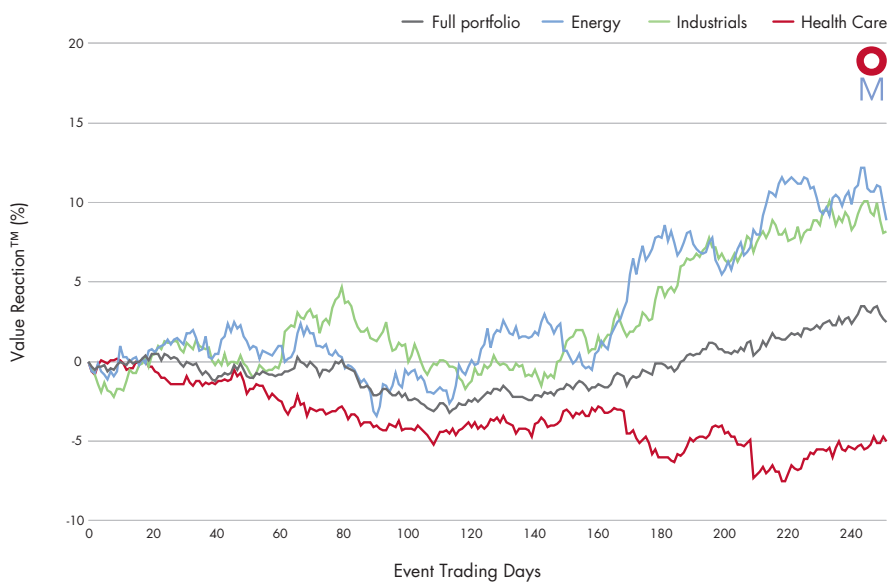
UNDERSTANDING THE RISKS

Colleges and universities are vulnerable to reputation damage. For such institutions, trust is a core brand value and any breach of this trust is penalised heavily by stakeholders. A strong parallel here is the health care sector.

Oxford Metrica was commissioned by a prominent US health care company to investigate the reputation impact of ethics violations. In particular, the study focused on infractions of the Foreign Corrupt Practices Act (FCPA). Over fifty unique cases were identified across a wide range of companies and industries, the shareholder value impact was measured in each case, and the communication strategy analysed.

Figure 1 shows the value impact over the post-event year, whereby the starting date of each event in each industry portfolio is aligned on Event Day zero. Market-wide influences are removed and returns are risk-adjusted to generate a company-specific measurement of impact.

Figure 1: Corruption hurts some more than others



It is clear that health care companies, for which trust is a core driver of reputation, suffer more than companies from other industries. The same is true for higher education institutions. Demonstrating even greater explanatory power than industry sector, however, is the communications strategy adopted by the company; Figure 2.

It is clear that where trust is a core driver of reputation, as in higher education institutions, the fallout from a breach in trust is much greater.

Figure 2: Effective communications central to recovery



The disclosures surrounding each ethics infraction were analysed extensively and a wide range of communications strategies was identified, including: pre-emptive disclosure, reactive disclosure, acceptance of responsibility, diversion of blame on to foreign subsidiaries and even silence.

The evidence reveals that those companies which recovered value strongly - the *Winner* portfolio - consistently:

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

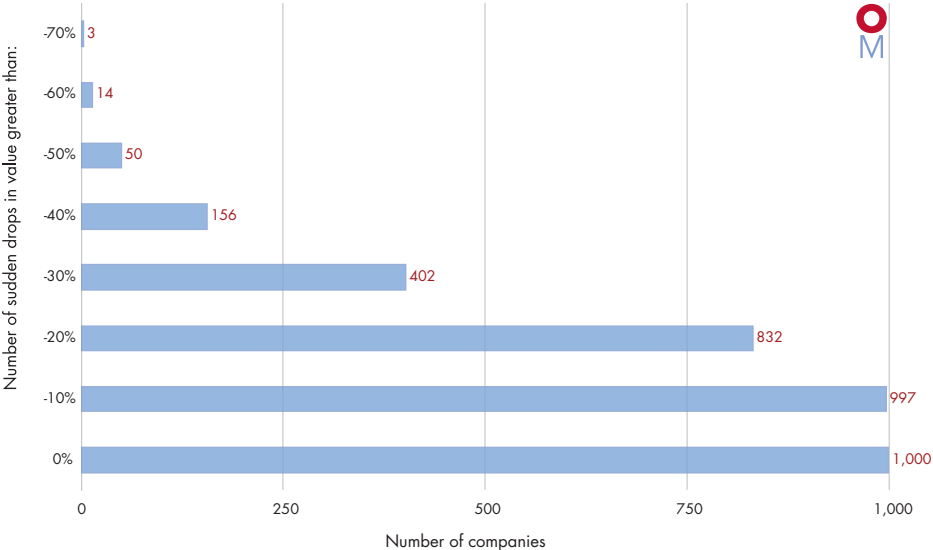
In contrast, those companies which lost significant value - the *Loser* portfolio - consistently:

- 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.

Through effective communications, companies in the *Winner* portfolio were able to add an average 21% in value following their crises, in stark contrast to companies in the *Loser* portfolio which lost an average 15% in value.

Significant reputation events are not as rare as one might think. Figure 3 illustrates a frequency diagram for the incidence of critical reputation events for the Global 1000 over a five-year period. The diagram shows that there is an 80% chance of a company experiencing a sudden and sustained drop in value of over 20% at least once in a five-year period.

Figure 3: The likelihood of a reputation crisis



Preliminary evidence suggests that the likelihood of a reputation crisis in higher education may be once every two years. It is very likely, therefore, that the President of a higher education institution will have to manage a critical reputation event at some point during his or her tenure.

Preliminary evidence suggests that the likelihood of a reputation crisis in higher education may be once every two years.

MEASURING THE IMPACT

Without the independent precision and availability of data associated with reputation loss in the commercial sector, measurement of loss in the higher education sector is difficult. Nonetheless, attempts to measure the impact of a reputation crisis in this sector are essential. Impact measurement and communications analysis enable the board of Trustees, president, officers, deans and directors to evaluate the efficacy of alternative courses of action and to decide upon strategic direction with confidence.

Impact measurement and communications analysis enable the board of Trustees, president, officers, deans and directors to evaluate the efficacy of alternative courses of action.

Table 1 provides an example of a rating system applied to recent critical reputation events in higher education.

Table 1: Recent reputation crises in higher education

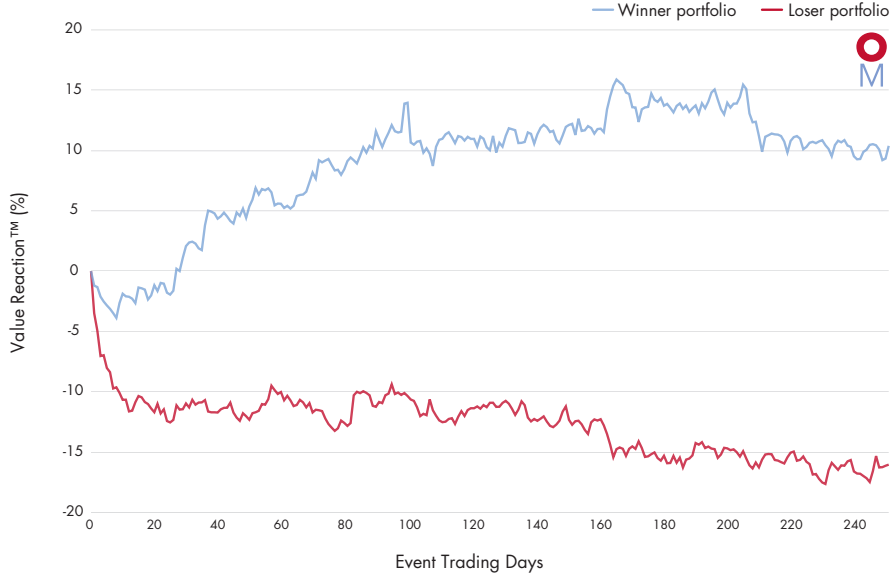
Institution	Event	Consequences	Damage Rating Handling A-F Damage 1-10
World-renowned Institute in London	Received donation from controversial head of state	President forced out Government review	C- 8
Northwest research University	Contravened billing protocols	Fined \$35m, plus lost research funds & faculty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

Evidence from the corporate sector has revealed that it is possible to emerge from a crisis with one’s reputation enhanced if the immediate aftermath of the event is handled well. Figure 4 illustrates the two relatively distinct patterns of value recovery following a reputation crisis.

The following attributes are associated with those in the Winner portfolio:

- Strong leadership,
- Rapid, credible response,
- Coordinated communications, both internally and externally,
- Honest and sensitive communication, and
- Prompt analysis and dissemination of relevant information.

Figure 4: Crisis as opportunity to improve reputation



Presented in Table 2 is a general organising framework for critical reputation risk events in higher education.

Table 2: An organising risk framework for higher education

Category of event	Direct cost/Reputation damage
Staff or student inappropriate sexual molestation with cover-up	Highest cost/Highest damage
Regulatory non-compliance	High cost/Medium 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 cost/Medium damage
Student misbehaviour	Properly handled can turn around

As with the corporate experience, the costs of an event can be contained and the reputation damage limited when handled properly; with confident leadership, transparent and sensitive communications, and the right priorities.

The reputation damage can be limited when handled properly.

REPUTATION PROTECTION SOLUTIONS

The potential loss from a reputation crisis in higher education is immense. Recognition of the need for a robust reputation strategy in advance of an event is crucial if colleges and universities are to emerge from these events with their reputations intact or even enhanced.

Identification of the threats, measurement and ranking of their likelihood and potential impact, and putting in place the appropriate controls to minimise reputation risk, of course, are essential. Without effective risk management, substantial reputation damage is certain. Even with best practice risk management, however, reputation crises will happen. The challenge then becomes how to contain the damage and emerge as a stronger institution.

The challenge then becomes how to contain the damage and emerge as a stronger institution.

Brand Restoration Insurance

An innovative product which has been launched in the last year is the Brand Restoration Policy, developed by risk solutions provider Aon, in collaboration with insurer Zurich Financial Services, and communications provider WPP.

The policy responds to significant reputation crises and provides \$50 million per event with \$100 million annual aggregate cover for crisis management costs associated with restoring the brand. These costs might include those relating to:

- Public relations and public affairs
- Advertising, media design and placement (up to \$20 million in covered advertising costs)
- Market and customer insight
- Customer communications
- Preparation of key personnel
- Hiring of media vendors, government relations experts, creation of toll-free customer numbers, direct correspondence to customers, polling and focus groups

Automatic pre-crisis cover and emergency expense cover is provided additionally at up to 50% of the premium without the need for pre-approval, and brand crisis management consultancy is provided from WPP companies at no additional cost and regardless of there being a claim in the policy period.

For a claim to be payable, three triggers need to be activated:

1. *Insured event*; the list of insured perils is tailored to the institution and agreed in advance
2. *Adverse publicity*; unauthorised negative reporting of the crisis in at least two high impact media outlets that specifically names the insured and is reasonably likely to cause a financial loss
3. *Financial loss* (actual or assumed); a drop of over 20% in selected pre-agreed financial metrics, all verifiable and transparent.

The approach taken by the product recognises that successful brand restoration requires active management (and investment) before, during and after a crisis. The policy recognises also the pivotal contribution of an effective communications strategy to the protection and building of an institution's reputation.

LEARNING FROM CRISES: A CASE STUDY

Presented in this section is a case study which serves to highlight the contrasting outcomes which can result from alternative responses to a crisis.

A Losing Case

A popular art history professor takes his undergraduate students to France during spring intersession. On their last evening in Paris, he treats them to copious amounts of wine at a group dinner. Although all had too much to drink, one of the students, Toby, becomes noticeably intoxicated. After dinner, the professor reminds his students of the departure time for the airport the next morning. He bids his students farewell, goes to his hotel, and leaves the students to enjoy their last evening in France unchaperoned.

After walking a few blocks and a few more glasses of wine, the students disperse and Toby finds that he is alone and lost. Meanwhile, the faculty member returns to campus with all of the students minus Toby. The following morning, when Toby failed to show up at the airport, the professor assumed Toby had overslept and could manage on his own. After all, this would be a good learning experience for having drunk too much.

What happened: Students began texting their friends that Toby missed the flight because he was too drunk to wake up on time. Toby's sister received a message that Toby was not on the flight home. Toby's mother, concerned, called the college's international travel coordinator's office. Because it was Sunday, she got a voice mail message to call back on Monday. She next tried the president's number and left a voice message and asked him to call her back as soon as possible. Then she called the security office. The dispatcher said he would try to contact the president. Once alerted, the president decided to wait to talk to the professor to learn what had happened before he talked to Toby's mother. Meanwhile, Toby's mother learned that her son was not on any other incoming flight from Paris.

Toby's mother called the president again on Monday and left a message. The professor was not due back on campus until Tuesday. The president decided to wait one more day to talk to him before returning the call. That evening, while watching the news on television, it was reported that an American student had been found beaten and murdered. It was Toby.

The President told the press that Toby had become drunk and left the group the night before they were to leave for home. As tragic as it was, there was little the college could have done. Students began texting one another about what really happened; that the professor had bought the wine, encouraged the students to drink, left them alone after dinner knowing Toby was intoxicated, and was not concerned that Toby missed the flight the next morning.

Because the professor's reputation was a reason that students came to the college to study art, the president publicly defended him, alleging that the students were exaggerating the details. Ultimately, both the president and the art professor were dismissed; there was a drop in admission applications, a drop in donor support, an expensive lawsuit, and national and local criticism of the college. The case remained in the news for five years until the lawsuit was settled.

The case remained in the news for five years until the lawsuit was settled.

A Winning Case

What happened: Students began texting their friends that Toby missed the flight because he was too drunk to wake up on time. Toby's sister received a message that Toby was not on the flight home. Concerned, Toby's mother called the college's international travel coordinator's office.

Because it was Sunday, the outgoing message had an emergency phone number. When she connected with Jane, the travel coordinator, Toby's mother explained that Toby was missing. Jane said she would look into it immediately. Once she confirmed that Toby was not on the flight with the rest of the group, she contacted the president. The president called Toby's mother and explained that the college was doing everything it could to locate Toby. Meanwhile, Jane contacted the college's international travel service provider who contacted the Paris police immediately. By nightfall, Toby was found, albeit lost, confused and hungover.

On Monday, when the professor returned to campus, the president met with him to determine the facts. The president next called the board chair to explain what had happened. The president contacted the college's broker who notified the underwriter of the college's brand protection policy.

The president contacted the college's broker who notified the underwriter of the college's brand protection policy.

The crisis communications firm employed by the underwriter was on campus the next morning, drafting the press release from the president and the board chair. They arranged for a meeting between the president, board chair, and Toby's parents to discuss the facts of the case and the corrective actions the college was planning to take. Among them were explicit operating policies for faculty members taking students abroad. Though disciplined for his bad judgment, the professor was allowed to remain on the faculty. No student death, no dismissals, no lawsuit, no loss of student applicants and only a brief mention in the press.

Lessons Learned

From analysing many reputation crises in higher education, the following lessons emerge:

- A reputation crisis is a likely event for colleges and universities
- It is easy to lose reputation even when there is no wrongdoing
- Perceptions impact as much as reality
- An effective communications plan is essential
- Throwing money at the problem is not sufficient but usually is necessary
- Assistance and a proper financial response is required to protect brand value
- A reputation crisis is more than the President's job is worth
- The experience of others yields useful insights

By keeping an open mind and examining critically one's own risk policies and procedures, controls and communications, it becomes possible to develop a robust reputation strategy which incorporates also the lessons learned from others' experiences, both good and bad.

SUMMARY

Trust is a fundamental component of reputation for colleges and universities. A complex set of stakeholders holds high expectations of behaviour by faculty, staff and students in a sector where codes of behaviour are difficult to enforce amid ideals of academic freedom, innovation and risk-taking.

Empirical evidence from the corporate sector demonstrates that the potential damage from a reputation crisis is amplified for organisations for which trust is a core brand value. Recovery from a reputation crisis is possible, however, with careful risk management and the execution of a robust communications strategy. Effective communications are shown to be a powerful contributor to the recovery of brand value. Indeed, key features of a crisis communications strategy - immediacy, responsibility, candour, transparency, confidence and sensitivity - are found to be demonstrably potent in enabling the building of additional brand value in the immediate aftermath of a crisis. Stakeholders use the information which emanates from a crisis to re-evaluate the institution and, as a result of this re-evaluation, will ascribe either greater or diminished esteem.

Higher education institutions that are prepared for a crisis - with insightful risk policies and procedures in place, tested crisis management plans, regular training and an agreed crisis communications strategy - are able to weather any ensuing storm much better than those in denial. A reputation crisis is likely for any higher education institution and the associated brand loss can be considerable. Investment is necessary before, during and after a crisis to minimise the reputation damage which can endure for years, affecting the institution's ability to attract students, faculty and funding.

A reputation crisis is likely for any higher education institution and the associated brand loss can be considerable.

For assistance in developing a reputation crisis response plan, contact:

leta.finch@aon.com

enquiries@oxfordmetrica.com

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 Executives, Chief Communications Officers and Chief Risk 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.