CIMG Programme Pathway 4 Professional Advanced Diploma in Marketing

Managing Corporate Reputation (PDAM 408)

JUNE 2023

DURATION: 3 HOURS

The examination comprises of two parts:

Part A – a compulsory case study, worth 40 marks

Part B – answer any three questions, worth 60 marks in total

PART A

CASE STUDY – COMPULSORY

KEN MOELIS, EPONYMOUS FOUNDER
Ken Moelis started at Drexel Burnham Lambert, the famed junk-bond firm. He made his name in the advisory business at Donaldson, Lufkin, and Jenrette (DLJ), where he was described as "financial consigliere" to some of the nation's wealthiest entrepreneurs, including Donald Trump, Steve Wynn, John Kluge and Ron Burkle".

When Credit Suisse First Boston (CSFB) took over DLJ in 2000, Ken left to join UBS, to build up its investment banking operations. According to the Economist, it "quickly became a leader in almost every branch of the business, from mergers and acquisitions (M&A) to share offerings.

Ken was doing well at UBS, but he chose to leave in 2007. He left not to start his own business but because he perceived his reputation, an asset he had spent thirty years building, being destroyed. "I was beginning to enter meetings where I would give my word, shake hands and I had no idea if I could fulfil promises that I was making", he said. It was not that he was promising capital that he could not deliver, or that he was being forced to cross-sell products. Instead, Ken worried that he was promising clients "I'll represent you", before discovering that activities on the other side of the building created a conflict of interest that prevented him from fulfilling his commitment. Conflicts of interest, so rife in the mega investment banks, were compromising his ability to give unencumbered advice. "Credibility is built on execution, getting details correct", he explained. If you cannot deliver on promises, credibility suffers. Ken felt he had to leave.

Twenty-four hours after his departure, Ken asked himself: "what do I do now?" He continued to love investment banking. To him it was the greatest business in the world because it meant meeting smart people, doing great deals -- changing the world. As he put it: "I could sell tickets to some of the meetings I have been in, Yahoo, Microsoft… it's a great business." He needed to stay in that great business. The problem was that he didn't think there were any real investment banks left – firms like the old DLJ, where the work was oriented around client relationships. The bulge-bracket banks were now all caught up in a tangle of conflicts of interests. While he was puzzling about what to do next, an old friend advised him: "build your own boat and jump in it". It felt like the right solution.

Ken began building his own boat, in the shape of a bank that bore his name. As he put it, if he had called the new bank the "New York Investment Company", it would have meant nothing at all to most people. His potential clients were a small group of decision makers who did things on the basis of long-standing relationships and trust.

Having his own name on the company would mean more than a generic one because he had spent years building a reputation for hard work and integrity. "Moelis" had "good brand attributes", he thought. In retrospect, "I think it did work".

Some early successes, such as the Hilton sale to Blackstone and the Anheuser-Busch sale to InBev, were based on Ken's pre-existing connections. Others were the result of cold calls or introductions from those who knew him. His reputation helped to bring in new business, including the advisory position in the Yahoo defence against Microsoft.

As a result of these deals, Moelis & Company shot to the top 10 of US M&A advisers within nineteen months of setting up, leap-frogging other, more established firms. The Government of Dubai hired Moelis & Company in 2009 to replace Deutsche Bank as an adviser on the restructuring of $26 billion of debt. Moelis & Company was appointed because the Dubai government was looking for a fresh perspective on the restructuring, having already had several advisers. That original deal led to further advisory work in debt restructuring and M&A. Andy Watson, who became Managing Director of Dubai World in 2011, added that several people spoke highly of Ken and his team. To his knowledge, the hiring was not due to pre-existing connections. When asked whether he would recommend Moelis and company to other corporations, Andy affirmed that he "certainly would" do so.

i. William Shakespeare once said ''Good name in man and woman, is the immediate jewel of their souls: He who steals my purse, steals trash; but he that filches from me my good name robs me of that which not enriches him and makes me poor indeed. ''

   Discuss the relevance of this statement in the light of the beginning of ''Moelis & Company'' and its subsequent performance in its early years. **(12 Marks)**

ii. To what extent is a company's reputation an asset? **(8 Marks)**

iii. List factors that influence the reputation of a company indicating how these factors work. Identify those that were at play in the case of Moelis and Company. **(8 Marks)**

iv. If a positive corporate reputation is an asset, how should companies manage this asset, with the view of ensuring that they continue to benefit from this asset? **(12 Marks)**

[Total 40 Marks]

PART B

ANSWER ANY THREE (3) QUESTIONS ONLYFROM THIS SECTION.

Question Two

Ghana's Economic Outlook for 2023

Growth is expected to slow further to 1.6 % in 2023 and remain muted in 2024, before returning toward its potential. Non extractives growth is expected to remain slow, with agriculture affected by high input prices and a disease affecting cocoa trees. Extractives growth is expected to be robust thanks to new gold mines and a recovery in small-scale mining.

International poverty is projected to decline slowly from 20.5 to 19.5% by 2025, consistent with a muted outlook on growth for the country and high inflation. In the shorter term, poverty is expected to increase slightly, due to the cumulative effects of increases in electricity and water tariffs, rising food prices and an increase in VAT. The revised electricity tariffs could be less regressive and reduce poverty if a portion of the increased revenues were targeted to the poor in the form of cash transfers.

The main risks to the outlook are related to delays in reaching an agreement with external creditors on external debt restructuring and delays with concluding the IMF program under preparation, increased financial sector vulnerabilities, and the realization of contingent energy sector liabilities. https://www.worldbank.org/en/country/ghana/overview

i. Given the recent economic situation and the World Bank's outlook for Ghana, review of how internal and external influences of Corporate Reputation will affect the reputation of a company of your choice. **(8 Marks)**

ii. Suggest ways of mitigating the reputational impact of these influences **(8 Marks)**

iii. How would you evaluate your chosen organisation's reputation? **(4 Marks)**

[Total 20 Marks]

Question Three

Organizations seek to prosecute their objectives through working with varied stakeholder groups. It could be said that their success in achieving their strategic objectives depends very much on how they have managed the varying interests of their stakeholders and how they have avoided or managed conflicting interests among these stakeholders.

I. Using an organization of your choice, identify and list comprehensively the various stakeholder groups that the organization must manage to be successful. **(4 Marks)**

II. For each stakeholder group, state the nature of their interest in the organization. **(4 Marks)**

III. Identify the potential conflicting interests that the organization must manage to be successful. **(4 Marks)**

IV. How might the organization manage these conflicting interests? **(8 Marks)**

[Total 20 Marks]

Question Four

Denver-based Newmont Mining Co. fined millions for cyanide spill at Ghanaian mine
EARTHWORKS / WACAM Press Release
21 January 2010

Panel faults company for failing to prevent accident, delays in notifying authorities.

Accra and Washington: Ghanaian authorities are fining Denver-based Newmont Mining millions of dollars for negligently spilling cyanide at its Ahafo gold mine in October 2009, resulting in water contamination and fish kills. A Ghanaian Ministerial Panel that evaluated the spill and its aftermath recommended that the company be fined US$ 4.9 million for failing to prevent the spill or to properly report on and investigate the spill.

For the past three months, community members and Wassa Association of Communities Affected by Mining (WACAM) have raised concerns about the accident and its aftermath. "The incident brings home the fact that Ghana needs very strong laws to regulate mining operations," said Daniel Owusu-Koranteng.

The Ministerial Panel report faulted Newmont on several counts: operating multiple water ponds simultaneously, delays in notifying downstream communities and regulatory authorities, and absence of duplicate sampling, among others. In addition, a Ghanaian Environmental Protection Agency report concluded that the Company could have avoided the spill through preventative measures, and that it violated its permit requirement by having inadequate measures to detect and contain any accidental spill of process effluent.

"The cyanide spill at Ahafo underscores the need for much greater scrutiny and caution before mines are approved," said Scott Cardiff of EARTHWORKS. "The accident and its aftermath are cause for concern, especially given the company's plans to develop additional gold mines in Ghana."

Newmont is seeking to expand its mining operations in Ghana. A proposed expansion of the Ahafo mine to the north would displace thousands of people and threaten a forest reserve. If built, the proposed Akyem mine would destroy a quarter of the forest in the Ajenjua Bepo Forest Reserve, would displace thousands of people, and would pose risks of cyanide contamination as well.

The cyanide spill at Ahafo also underscores concerns about the International Cyanide Management Code. The Ahafo mine where the spill occurred was certified by the Code in March 2008 and auditors claimed that the mine was in full compliance with Code standards related to spills at mine sites.

In 2006, the World Bank's International Finance Corporation (IFC) provided a $125 million loan to Newmont to develop the Ahafo mine project, stating that it would provide expertise and guidance to the company around meeting social and environmental standards.

I. Considering the narration above on the spillage that occurred and the fact that Newmont has intentions of expansion in Ghana, identify the causes of the company's reputational loss and how it impacted the organisation. **(8 Marks)**

II. How could reputational loss have been avoided after the spillage? **(4 Marks)**

III. As the manager responsible for ensuring positive Corporate Reputation, outline ways in which Newmont's image and reputation can be repaired. **(8 Marks)**

[Total 20 Marks]

Question Five

The Ghana School of Marketing, as part of bridging the gap between academia and industry, have instituted an annual Guest Lecture Series, an event in which renowned industry experts are given the chance to present to student on selected topics.

This year's topic is "Reputational Theories and Its Strategic Implication for Organizations.

In your role as the Marketing and Communications Manager for ESTEL Communications Group, you have been selected to deliver a presentation on the above topic to students.

Your presentation should:

a. State and critically assess three reputational theories **(12 marks)**

b. Select any ONE of the above assessed reputational theories and evaluate its strategic implications for organizations. **(8marks)**

[Total 20 Marks]

Question Six

Public relations and Corporate Reputation Management both seek to ensure that an organization's stakeholders continue to see them as relevant, aligned to their key interests and to their mutual strategic agenda.

I. Discuss the key differences between public relations and Corporate Reputation Management. **(8 Marks)**

II. Discuss the Corporate Reputation Management approaches that differentiate them from the main public relations practice. **(8 Marks)**

III. What advantages does Corporate Reputation Management have over typical PR practice? **(4 Marks)**

[Total 20 Marks]