Reputation and estimation of LUKOIL Company

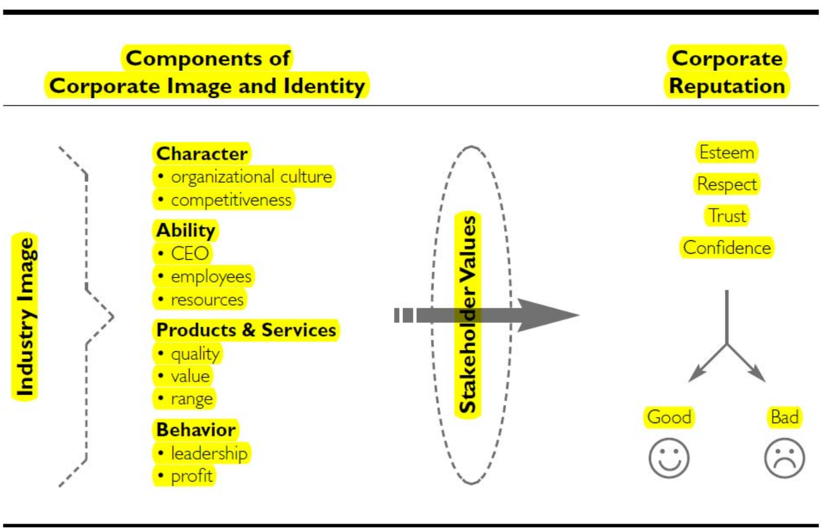
(The influence of the reputation of the company on the company's market evaluation using practices of LUKOIL Overseas Holding Ltd.)

I. What is the influence of the reputation of the company on the company's market evaluation and other performance measures?

To provide a common language for the following discussion it is necessary to define the term "corporate reputation" and to describe how a good reputation is formed. Figure 1 shows such a model and suggests how corporate reputations may be used. A dictionary defines a reputation as the estimation in which a person or thing is held by other people. A corporate reputation is an overall evaluation that reflects the extent to which people see the firm as substantially "good" or "bad." Good reputations foster trust and confidence, bad ones do not. From this perspective, a corporate reputation may produce a halo effect whereby a person may judge newly revealed characteristics of the company as better or worse than they really are. A complementary way to conceptualize corporate reputation is as a multidimensional construct. From this perspective, the reputation a person holds of an organization is composed of a set of beliefs about it and the industry in which it operates.

«This representation of corporate reputation has been variously called "corporate image"6 and "corporate identity." Corporate image is a person's beliefs about an organization, and corporate identity is the attributes used to describe an organization. Thus, corporate image means that we are talking about people's perceptions of the organization and answers the question "What do people think about you?" Corporate identity refers to the way that the organization presents itself to its stakeholders and answers the question "Who are you?" An organization develops and highlights the parts of its identity that it hopes will foster a better image than its rivals in the minds of key stakeholders. If this occurs, the organization is said to have a good reputation.

FIGURE 1. The Formation of Corporate Reputations



The disciplines of accounting, advertising, corporate communications, graphic design, economics, marketing, psychology, organizational theory, sociology, and strategy have all had an interest in corporate reputations.8 A review of this vast literature suggests that corporate reputations are formed through the process outlined in Figure 1.

Research suggests that people form their beliefs about an organization based on their relationship with it and their knowledge of its character, ability, products and services, and behavior. This knowledge may be based on the individual's relationship with the organization, its past behavior, and what other people have said about it. Each of the beliefs in Figure 1 are composed of a number of supporting beliefs, examples of which are shown in the left of the diagram. Typically, the list of beliefs selected to describe an organization is done to reflect the concerns of a particular stakeholder group. For example, when *Fortune* magazine polls industry analysts and managers in its annual surveys of America's Most Admired Companies, it measures the beliefs about each company with regard to: financial soundness, degree of innovativeness, product quality, ability to develop and keep key people, management quality, asset use, community and environmental friendliness, and investment value.»[1]

Various scholars have proposed that an individual's reactions to an organization are contingent on the amount of congruence they perceive between the organization's character and their prescriptive beliefs (or values) about appropriate corporate behavior.9 Thus, beliefs about the organization are mediated by the individual's values to form their reputation of the organization. The process by which this happens can be thought of as one of "identification," which occurs when the individual thinks that there is a good fit between their values and their beliefs about the organization. In classical attitude theory, these values are sources of evaluative or importance weights for the corporate image beliefs - e.g., the importance of the organization being the market leader or not having a detrimental impact on the environment.

The arrow in Figure 1 links the perceptual construct of corporate image to the emotional construct of corporate reputation. It also captures the relational aspect of reputations.10 That is, an organization with a good reputation is one with an image that fits the values of the individual, and which, when it is relevant, fosters a good relationship with the person. Over time, what is learned more permanently about the organization and is accepted (or rejected) is the "super-belief" of the overall goodness or badness of the entity. The right-hand side of Figure 1 shows that good reputations are valuable because they enhance trust and confidence in the organization such that the individual feels that "it is safe to do something with the organization"—such as

[1] Grahame R. Dowling, Corporate Reputations: SHOULD YOU COMPETE ON YOURS, *CALIFORNIA MANAGEMENT REVIEW VOL. 46, NO. 3 SPRING 2004*

purchasing its stock, applying for a job, buying its products and services, not boycotting during a crisis, and so forth. These outcomes can benefit the organization in its various markets, namely, for employees, customers, and public opinion. Various research has also shown that companies with a good reputation (relative to others in their industry) are better able to attain and sustain superior profit outcomes over time. Thus, good corporate reputations have a number of positive payoffs.

However, for an organization to use its corporate reputation as a competitive weapon it must instigate a set of programs to shape its identity, namely, its character, ability, products and services, and its behavior so that these will be evaluated favorably by its key stakeholders—relative to that of its industry rivals. For example, J&J's Credo helps to shape its internal culture and its behavior towards its employees, the medical community, and customers. Southwest Airlines' employee selection practice provides the ability to deliver a more enjoyable flying experience than its competitors. These types of programs are designed to create a desirable image and set of relationships with key stakeholders. They do not always work out as planned because stakeholder values can be misunderstood, programs can be poorly executed, or communications poorly designed.

AN ORGANIZATIONAL IDENTITY VIEW OF ORGANIZATIONAL REPUTATION.

«When viewing the organizational reputation literature through the conceptual lens of organizational identity, it is hard to overlook the prevalence of inconsistent, incomplete, and incompatible treatments of identity. One example of the need for a more systematic conception of the relationship between reputation and identity centers on the inconsistent use of organizational identity in general versus specific conceptions of organizational reputation. Broad treatments of reputation generally emphasize the advantages of a transparent, or authentic, connection between reputation and identity (Schultz et al., 2000). This view is reflected in the following excerpt from Fombrun's (1996) book, *Reputation*, in a section titled "Not Excellence—Identity":

Identity constrains what actions a company takes, how it makes decisions, howit treats its employees, howit reacts to crises. Managers and employees tend to act in ways consistent with the company's identity. Identity is therefore the backbone of reputation. (p. 111)

In contrast, more fine-grained conceptions of organizational reputation are typically silent on the nature of the organizational referent. Three definitions of organizational reputation, prominent in the business and society literature, illustrate this point. We have highlighted the elements of each definition that imply a connection with organizational identity. First, Fombrun (2002:9) defined corporate reputation as "a collective representation of a company's *past actions and future prospects* that describes how key resource providers interpret a company's initiatives and assess its *ability to deliver valued outcomes*" (p. 9). Second, Waddock (2000) proposed,

> Reputation is essentially the external assessment of a company or any other organization held by external stakeholders. Reputation includes several dimensions, including an organization's perceived *capacity to meet those stakeholders expectations* [italics added], the rational attachments that a stakeholder forms with an organization, and the overall "net image" that stakeholders have of the organization. (p. 323)

The emphasis on uniqueness in conceptual treatises on organizational reputation is most evident in the identity-related explanations of corporate social performance and corporate reputation, as exemplified by the resource-based view of the firm (Barney, 1986). According to this orientation, the key to sustainable competitive advantage is the possession of value-producing, intangible resources and capabilities that are rare, valuable, nonsubstitutable, and inimitable. These unique capabilities are considered to be manifestations of an organization's unique history or network of relationships (Oliver, 1997). Intangible resources and capabilities, including intellectual capital, organizational culture, and organizational reputation, are frequently cited as prototypical organizational competencies (Barney, 1986; Fombrun, Gardberg, & Barnett, 2000).

In identity terms, this view of reputation suggests that its organizational referent is the elements of an organization's self-definition that are deemed to be central and distinctive. The more that an organization's unique source of competitive advantage is a manifestation of its core identity claims, the more likely it is that this intangible resource or capability can be legitimately characterized as an organization-specific asset. In contrast, measures of organizational reputation tend to focus on shared identity claims—what might be considered central and similar. In the language of organizational identity, large-scale reputation studies focus on the socially constructed meaning of a particular social identity category—what is expected of organizations of a certain type (e.g., the social responsibilities of U.S. corporations).

As shown in Figure 2, the social actor conception of organizational identity suggests ways to fashion the missing pieces of a comprehensive, coherent approach to the study of organizational reputation in the form of research opportunities for the sparsely populated cells of “Similar to X Conceptions” and “Different from X Measures.”» [2]

	Conceptions of Reputation	**Measures of Reputation**
“Similar to” Identity Requirement	*Institutional Theory (Legitimacy)*	Large Scale Reputation Surveys
“Different from” Identity Requirement	Resource-Based View (Unique Organizational Competency)	*Corporate Identity Studies*

Figure 2: Comparing Identity Requirements and Conceptions Versus Measures of Organizational Reputation

Now let us look how the system of the estimation of the company’s market cost considering the factors of its reputation can be developed. We consider that the reputation is the non-formal factor of the estimation of the market cost. (As for the formal indices, calculated on the basis of the data accounting, there is absolutely nothing new to what was said before, immediately will pass to the non-formal.) This method of estimation on the basis of the reputational factors also can be successfully used in the IPO stage of company.

At the preparatory stage it is proposed to develop the system of the estimation of the coefficient of the commercial state of the enterprise ([KKRP]), which will be the complex index of the functional dependence between the aspects and the directivity of the administrative activity determined by expert evaluation. [3]

The coefficient of the commercial standing of enterprise is determined as follows:

$$ККРП = \sum_{i=1}^{n} \mathrm{KKPP}_{\mathrm{part}} \qquad (1)$$

Where:

ККРП – the particular coefficients of the commercial standing of the enterprise

n – quantity quotients of the coefficients of the commercial standing of the enterprise

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[2] David A. Whetten and Alison Mackey, A Social Actor Conception of Organizational Identity and Its Implications for the Study of Organizational Reputation Downloaded from bas.sagepub.com at Queen Mary, University of London on May 26, 2012 p. 388 -402

[3] Калинина.А. Особенности оценки инвестиционной привлекательности действующего предприятия *(A. Kalinina, Special features of the estimation of the investment attractiveness of the acting company)* /Research and Technology-Step info the Future 2006,Vol.1,№ 2.

Let us examine the particular coefficients of the commercial standing of enterprise and the criteria of its estimation (table 1). The following calculation methodology of the commercial standing coefficient of the enterprise is proposed. Expert's evaluation of nine particular indices is done on the basis of the rates from 0 to 9 given to each of them.

Table 1 - Characteristic of the particular coefficients of the commercial standing

N	Particular quality coefficient of control	Characteristics of the particular coefficient of the commercial standing of the enterprise	System of the estimation of the particular coefficients of the commercial standing of the enterprise
1	*2*	*3*	*4*
1	Philosophical aspect	Orientation to the long-term (strategic) thinking, feedback with the customers	Availability of the short -term or long-term plans of the enterprise development
		Level of the corporate culture development	Quantity of colleagues, who receive the priority tasks of the organization
		Ethics of control	Quantity of conflicts at different levels, the effectiveness of their settlements, traditions, code and standards of the behavior
2	Behavioral aspect	Connection with the media. Assignment to information about the firm in the most significant publications	A quantity of channels, through which the information about the enterprise, its will be given.
		Promotion of product; advertising campaign, means, volume, promotion activity aimed to the specific group of the customers	Budget of advertising company, the effect of the expenditures for the advertising
		Popularization of the policy of organization, image formation	Number of presentations, conferences, publications, directed toward the creation of the public opinion, the results of the public opinion polls
		Lobbying. Collaboration with the members of the legislative organs and the government officials	Number of the accepted legislative acts contributed to the success of the enterprise
3	Informational aspect	Frequency and quality of the market researches	Quantity and the authenticity of information, collected during the specific period according to the estimation of the market situation
		Data base of the operations, its use for the solutions' accepting , quality of the solutions	All kinds of the clients/competitors data bases, normative- legal data base, the cost of the creation and the maintenance of the data bases, their effectiveness
4	Aspect of operating principle	Availability of the complex systems designed for the activity analysis of the enterprise	Quantity of the procedures of the activity analysis of the enterprise used
5	Aspect of the differentiation	Company's segmentation, selection and positioning	Number of the organizational solutions - results of the selection implementation
		Search and mastery of the new niches of the market	Quantity of the mastered new niches of the market

6	Organizational aspect	Level of decentralization and flexibility of control	Number of administrative solutions taken at the lowest level of control and their importance
		Innovation and decision making	Innovations implemented during the accountable period rendering the positive economic effect
7	Social aspect	Ecological safety of the production	Observance of standards and standards
		Social safety of the workers of the enterprise	Expenditures for encouragement, insurance, privileges
		Ecological safety of the production	Observance of norms and standards
8	Aspect of personnel management	Competence of the workers	Number of the specialists, the level of information, habits and experience, the correspondence to the posts held
		Personnel staff policy	Delegation of control authorities to the managers of the linear subdivisions
		System of bonuses awarding sensitivity for the working achievements of the colleagues	Analysis of the orders of the management
9	Aspect of the key management person	Level of information, experience, connections, readiness to take risk, the passage of instruction, self-development of the personality	Collection of actual data according to the enumerated characteristics

What is said higher about the companies is true also for the petroleum companies.

In the past, management tended to focus on the daily operations, leaving the care and maintenance of the corporate image to the public relations practitioners. As greater amounts of information are available through online media as well as news outlets to the public at large, the managerial approach has been abandoned by a number of corporations because of the increased scrutiny it brings to corporate image issues. Audience perception is a key factor in defining a company's identity and image. Corporations are held accountable for their actions principally through public reaction. Before the year 2000, the company, then known as British Petroleum, had a reputation as a highly successful international oil conglomerate. British Petroleum's business practices, including their safety record, were called into question.

This differed little from their peers. All major oil companies have an aura of negativity due to the historic abuses of 'big oil' or simply, negative opinions about large corporations. In 2005, for example, the Texas refinery explosion occurred but British Petroleum bounced back. As Kimes (2008) stated, the corporation has "shown that it learns from its mistakes," and "the company created a safety, ethics and environmental assurance committee to prevent such incidents from happening again" (para. 3). The second challenge to the company's image came when news emerged that 270,000 gallons of crude oil poured into Alaska's Tundra region. Hatch and Schultz (2008) warned of what can happen if a corporation sets high environmental standards and then fails to meet them. Initially, customers were willing to pay premium prices to support the corporation's environmental ambitions, but the Alaska pipeline incident shocked and disappointed stakeholders who held British Petroleum to its environmental promises. As a result, shares fell and the corporation was left temporarily with a tarnished image.

British Petroleum, together with competitors such as Shell and Exxon sought to reinvent their image. BP, as it is now called, launched a campaign to distance itself from earlier mishaps by stressing the company's commitment to environmental responsibility and casted itself as a leading developer of alternate sources of energy. Starting with their new logo, the yellow-and-green sunflower representing the Greek sun god-Helios, and the tagline *Beyond Petroleum,* the company sought to convey the message that BP is trying to meet the world's demands for heat, light and mobility by producing energy in a responsible manner - one that is "affordable, secure and does not damage the environment" (http://www.bp.com). The campaign apparently worked. According to Kimes (2008), BP earned the ninth position on Fortune's 10 Most 'Accountable' Big Companies list.

«The most intense criticism came from the third wave of attacks with the Gulf of Mexico oil spill of 2010. In response to the spill, BP**'S** CEO, Tony Hayward said that "Reputationally, and in every other way, we will be judged by the quality, intensity, speed and efficacy of our response" (Krauss, 2010, para. 7). Much of this response seemed to represent a defensive posture. BP spent approximately $50 million on advertisements defending its record, a move that was criticized by President Obama. Another campaign featuring Hayward issuing apologies for the disaster failed to resonate with the public. A nationwide poll revealed that people were not convinced with the sincerity of Hayward's apology (Vranica, 2010). The spill created a negative online response and the BP brand once known for green energy was now synonymous with 'disaster,' 'shame,' and 'blame,' pushing it to the level of disgraced companies like Goldman Sachs and Toyota (para. 19). BP**'S** corporate image fell to an all time low during the summer of 2010.

Experts such as Chris Gildez, director of crisis communication at Hill and Knowlton, shared the sentiments of many: "Until the leak is stopped, no amount of advertising or PR will help" (para. 20). Gildez is suggesting that BP may have a chance to reinvent their image once the crisis dissipates. Krauss (2010), who quotes Cathy Milostan. a stock analyst at Morning *Star,* seems to have a positive take on the situation: "Certainly, BP will survive this... This will test Tony and his ability to respond to this situation. We will see if we are seeing a new BP" (para. 29). The framing of the story suggests that some in the business community believe that BP will come out relatively unscathed, just as Toyota seems to have emerged from its brake failure crisis with its reputation largely intact.»[4]

As we see the reputation of petroleum company is composed of many factors and it is the result of constant efforts of its management. Therefore it is possible to propose model of rating monitoring with the calculation of the analytical indices according to the following criteria used for the investigation of petroleum company reputation:

[4] Sidharth Muralidharan, The Gulf Coast oil spill: Extending the theory of image restoration discourse to the realm of social media and beyond petroleum // Public Relations Review (2011 p.226-232)

1. Media (the media accessibility)
2. Ambitions
3. Critics (accessibility of the critic)
4. Green (ecology)
5. Behavioral flexibility
6. Experts (accessibility of the external experts)

According to this method the maximum rating, entered by expert for each index varies in the range 0-10 and indicates the reputation for the company at current time.

Table 2 - Distribution for groups and time

N	Stakeholder groups	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Total rows	% rows
1	Media (the media accessibility)								
2	Ambitions								
3	Critics (accessibility of the critic)								
4	Green (ecology)								
5	Behavioral flexibility								
6	Experts (accessibility of the external experts)								
7	Total columns								
8	% column								

II. "How does the company LUKOIL Overseas Holding Ltd. create and maintain its reputation in the modern world"

LUKOIL Overseas Holding Ltd., founded in 1997, is an oil and gas company, which is an integral part of OAO LUKOIL, the largest Russian oil business group with “sales of over $133 billion and net income of over $10 billion”, the first Russian company to receive “full listing on the London Stock Exchange” and which “share capital is dominated by minority stakeholders” (lukoil-overseas.com, lukoil.com).

The main goal of LUKOIL Overseas is “exploration, acquisition, and integration”, following by effectual “development of oil and gas fields outside the Russian Federation. The Mission of the company is “increasing shareholder value through exploration and production of hydrocarbons abroad” (Corporate report, 2010:8).

The geography of the operations of LUKOIL Overseas Holding Ltd covers the following regions such as Kazakhstan, Azerbaijan, Colombia, Egypt, Gulf of Guinea, Iraq, Saudi Arabia, Uzbekistan, Romania, Ukraine, Norway, Vietnam, Cote d’Ivoire, and Ghana (lukoil-overseas.com, corporate report, 2010:24-45)

In order to enhance its reputation, LUKOIL Overseas Holding Ltd constantly and consistently works to assure the conformity with international requirements of its activities in the area of environmental protection, transparency, competitiveness, performance standards, taking into account social and cultural characteristics of those regions and countries in which it operates as *a result, it leads to an increase of the intangible assets and shareholder value* (lukoil-overseas.com).[5]

Indices of the activity of company for 2009-2010 years

In 2009 the earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) was $ 929.7 million or 14% less than the 2008 ($1, 080, 9 million) level, while in 2010 it was $ 1 699, 6 million (Corporate report, 2010:12). Net profit of 2009 was $ 437, 5 million, it decreased by 26% as compared with 2008 ($ 586, 9 million). In 2010 net profit made up $1,080.8 million that was 147% higher or $643 million than the 2009 level and 84% higher or $493.8 million than the 2008 level. The positive dynamics of net profits becomes clear not only due to increase in hydrocarbon prices in 2010 compared with 2009, but the effective implementation of anti-crisis program. In 2010 LUKOIL Overseas exceeded the $1 billion level for the net profit. Besides, one should note that this program also increased investments from $ 741, 3 million (2009) to $ 975, 1 million (2010) and intangible assets from $ 6 919 thousands (2009) to $ 10 291 thousands (2010).

LUKOIL Overseas Holding Ltd - Target Groups

According to the "Regulations on the policy of management of external relations of LUKOIL Overseas Holding Ltd" (2010:4), the main target groups of the company are investors, shareholders, authorities, partners, customers, public and staff.

The target group "authorities" is heterogeneous and differentiated and includes the Federal bodies of Executive and legislative authorities (Ministry of Foreign Affairs, President of Russia, Russian Embassy in Kazakhstan), the bodies of Executive and legislative authorities in the regions of company's presence (Ministry of Mining and Energy, Ministry of Economy and Finance of the Republic of Côte d'Ivoire), Inter-governmental regional organization (the Shanghai Cooperation Organization, the Eurasian Economic Community) (Regulations on the policy of management of external relations of LUKOIL Overseas Holding Ltd, 2010:4,5).

The target group "partners" consists of business-partners (Turgay Petroleum, Kazakhoil Aktobe, Statoil, Vanco), also it involves participation in the Business Council as a presiding body, and as a member of the Business Council. The target group "public" includes media,

[5] Given from the site of the company LUKOIL overseas holding ltd from http://www.lukoil-overseas.ru

industry, financial analysts and experts, public in the regions of operation (business communities, representatives of the public), local population (Iraq, Kazakhstan, Venezuela) and public organizations. Industry, financial analysts and experts form an image of the company in a professional environment and influence its market value. Work with a local population helps to manage and minimize socio-economic risks in the regions of the operating company and the development of relationships with funds (charitable, industrial, environmental etc.) and various public organizations create a favorable climate for the company in certain regions, thus open new markets (Regulations on the policy of management of external relations of LUKOIL Overseas Holding Ltd, 2010:5).

Social Responsibility

One of the main areas of LUKOIL Overseas social policy is charity. In the "Regulations on the policy of management of external relations of LUKOIL Overseas Holding Ltd.", the ways of charity and sponsorship activities are outlined, such as provision of one-time financial and material support to health facilities and social services, provision of ongoing financial and material support for scientific research and cultural organizations approved at the state level, financial and material assistance to victims of disasters and accidents; sponsorship of concerts and festive events, pro-government funding of foundations and organizations, sponsorship of social assets (hospitals, schools and cultural institutions), working with religious organizations (Regulations on the policy of management of external relations" of LUKOIL Overseas Holding Ltd., 2010:13,14).

The priority social and charitable programs of the company are support of educational and medical institutions, religious confessions, organizations and sports clubs, culture and arts development and preservation programs (lukoil-overseas.com).

Sponsorship and charity

As has been said before the priority programs of charitable activities of the company are the supporting health care, cultural activities, scientific research, and sports organizations (Corporate report, 2010:63).

In 2010 LUKOIL Overseas implemented the "Aray" Small Business Support program in the Republic of Kazakhstan. Residents of the rural areas of Mangistau and Aktobe Regions on a competitive basis can win grants "up to $7,000" in order to develop their family businesses, crafts and arts. In 2010 art studios, recreational centers for children, new sports and dance clubs were established. Also, the company helped to improve the site of the Bekket-Ata historical and spiritual heritage monument, provided financial support in reconstruction of the Aktau-Kalamkas highway, organized gas supply to the houses in Mangistau Region", built two apartment blocks and a stadium in Aktobe Region, "purchased equipment for Alginsk orphanage" (Aktobe Region) and financed building of "two playgrounds in Aktau" (lukoil-overseas.ru, Corporate report, 2010:62)

In the Republic of Uzbekistan the company started the "Orzu" project (similar to "Aray" in Kazakhstan). In the framework of this project, hearing aids, sports equipment, educational programs for orphanages were bought. As a part of this program, financial support was provided to the Youth Theater and circus in Tashkent. LUKOIL funded Tashkent Branch of Gubkin Russian State University of Oil and Gas, and it supported the Art and Culture Forum of the Republic of Uzbekistan. Also the company contributed to "the Fund for Children's Sports Promotion of the President of Uzbekistan" (Corporate report, 2010:62). In Port-au-Prince the company supported a Russian mobile hospital after the disastrous earthquake in Haiti (Corporate report, 2010:63)

In Venezuela the company repaired, partially reconstructed and equipped a preschool institution the Eusebia Balsa and also renders the constant charitable assistance to the various cultural and humanitarian activities and bilateral activities within the maturing of the Russian-Venezuelan relations (lukoil-overseas.com)

In 2008 the company contributed $ 4 million, in 2009 it spent $ 1 million and in 2010 the company contributed more than $ 6.3 million to charities and sponsorships according to the corporate reports (Corporate report, 2008:71, 2009:77, 2010: 63).

The activities of sponsorship and charity, conducted by LUKOIL Overseas Holding Ltd have a generally positive social orientation: sponsored events have a positive social impact; the usefulness of a particular event can be traced to the society as a whole and it attracts interest in the general population. Sponsorship and charity enhance the reputation and create a positive image of the company. In addition, the participation in sponsorship and charity events give the company an opportunity to significantly increase the flow of information of those events and a positive exposure in the media.[6]

Realized sponsor and charitable the programs of the company

"Lukoil" represented by the subsidiary "LUKOIL Uzbekistan", the operator of the PSA on the project "Kandym-Khauzak-Shady-Kungrad", provided charitable assistance to boarding school for deaf children № 123 in Bukhara (Uzbekistan).

[6] Given from the site of the company LUKOIL overseas holding ltd from http://www.lukoil-overseas.ru

In particular, school was given 200 hearing aids certified by the Ministry of Health of the Republic , production of Uzbek-German joint venture. The children received also home theater, training devices and equipment as well as sweets. The total amount of charity orphanage was 45 thousand dollars.

After the ceremony charity concert took place with the participation of the professional artists and pupils of the institution. The children also expressed their gratitude and handed over the reciprocal gifts, souvenirs, made by hand.

Charity is the very important component of the implementation of the Social Code of OAO "LUKOIL" and represents the integral part of the company in Uzbekistan, which today is in a crucial phase of the preparation for the commercial operation gas field towards the end of this year.

"Lukoil" has assumed the financial obligations for major repairs, partial reconstruction and equipment of preschool children Eusebia Balsa in Caracas, the capital of the Bolivarian Republic of Venezuela.

Due to this social project about 100 children under the age of 6 years from the Caracas district of El Leon and their teachers will get the comfortable and safe environment for effective teaching and educational process, educational games, sports, recreation, food and medical care. This will help to alleviate the problems of child neglect, material unsecured motherhood and unsanitary conditions in one of the poorest areas of the densely populated South American metropolis.

Agreement on the implementation of social initiatives was signed by Minister of Education and Sports of Venezuela Aristobulus Isturis Almeida, vice-president of "Lukoil" in Latin America, Mark Ralph, CEO of the National Support Services Children and Family Araselis Maria Aguilera (SENIFA) and the head of the regional associations Angel Samuel Ana Maria Garcia Ramirez.

Project Eusebia Balsa is not the single sponsor's project "Lukoil" in Venezuela. In particular, in May 2005, the company provided the Ministry of Health with the medical fleet of 9 ambulance cars, which saved lives and health of hundreds of Indians from the tribe guarana inhabited the delta of the Orinoco River (State of Delta Amacuro). In addition, the charity is a constant help in carrying out the various cultural and humanitarian activities and bilateral activities in the frames of the maturing of the Russian-Venezuelan relations.

The "Arai" LUKOIL program is implemented in two regions of the Kazakhstan - Mangistau (since 2007) and Aktobe (c 2010). The program is designed for rural people and gives them the opportunity to receive non-repayable grants up to 850 thousand tenge for business development, creativity and craft. Particular significance of the program is the involvement of the socially vulnerable representatives - large families, unemployed, disabled persons, repatriates, i.e. those who do not can expect to receive bank loans. During the period of program continuation more than 260 entrepreneurs and small businesses, including clothing shops, bakeries, hairdressers, service stations, cattle farms, fisheries cooperatives, as well as a very popular computer, leisure and sports centers appeared in Mangistau and Aktobe regions. The program was awarded the Presidential Award "Paryz" as the best social project in 2008 and the prize "Tanym" of the Civil Forum of Kazakhstan (2009). The project is implemented by LUKOIL in the voluntary social initiatives, in addition to contractual and tax obligations.

In the current year the decision of akym in the Aktyubinskaya region, Mr. Sagindikov, was to expend the program's realization beyond the Mugalzharskij district also for the Baiganinskij and Temirskij districts of the region. At the beginning of June, experts' commission will name the winners of the grants "Araya".

The program allows rural residents to receive non-repayable grants up to 850 thousand tenge for small business development. Particular significance of the program is the involvement of the socially vulnerable representatives - large families, unemployed, disabled persons, repatriates, i.e. those who do not can expect to receive bank loans. (см. выше- повторение). Thus, a program supported by local authorities, promoting the welfare of the villagers, stimulates their creativity and business, creating jobs and developing social infrastructure. For the participation in the contest, announced in the program "Arai" in the current year, 354 applications were received. 70 of them are recognized as the winners. As a result in Mangistau region appeared 14 tailors, 6 vehicle maintenance stations, six greenhouses, as well as welding, carpentry and pastry shops, hair salons and bakeries, a workshop for the production of plastic windows and blinds, a training center for English language learning and other industrial and social objects.[7]

Now we look at the impact of the positive image which LUKOIL Overseas Holding Ltd has as the benefactor on the market value.

We know that the total capitalization of the company is usually equal to its current profit on the market. Therefore, we assume that in the case of LUKOIL Overseas Holding Ltd it is about $ 1 billion.

We analyze the level of its pre-assessment (image) based on the assumption that the total growth of the cost of the company on the market cannot exceed 20% of its basic capitalization,

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[7] Given from the site of the company LUKOIL overseas holding ltd from http://www.lukoil-overseas.ru

even if it has the best image at all. In line with this we assume that a score of image rating = no more than about 0,1% of the initial (baseline) value.

Let’s analyze the image-rating of the company- on the basis of the available data (Table 3) and in accordance with the updated model from Table 2.

Table 3 - Distribution for groups and time – the real calculation of the company

N	*Stakeholder groups*	*2005 year*	*2006 year*	*2007 year*	*2008 year*	*2009 year*	*2010 year*	Total rows
1	Media (the media accessibility)	1	2	3	4	4	4	
2	The charity	2	3	4	5	5	5	
3	Green (ecology)	3	3	3	3	3	3	
4	Behavioral flexibility	3	3	3	3	3	3	
5	Total columns	9	11	13	15	15	15	78

Thus we see an image growth and the growth of other "soft factors" of the capitalization (value) at 78 points during the past 6 years. On the basis of the "value" of each item, which rates to 0.1% of the total value of the company, we have an increase at 7,8% or $78 million.