

The key to unlocking your potential

Summary Points

- § The impact of the “bottom line backlash effect” on companies
- § The harm public mistrust inflicts on companies
- § Stakeholder engagement as one means of resolving the problem
- § Clearly demonstrate the benefits of the company to the community

For many companies, the failure to foster good will within the community and the widespread perception that they are preoccupied only by profits and shareholder returns has led to a crisis of trust and confidence that threatens their continued profitability.

Welcome to the phenomenon known as the bottom line backlash effect.

You do not need to search far for evidence of this phenomenon, which signals an end to the social acceptability of placing profit before people. For many companies, it's been a long time coming, but the presence of brands like Red Earth and Tradewinds in the international market place have shown consumers that profitability and corporate citizenship are not mutually exclusive goals.

In June 2004 *Reader's Digest* published its survey results of the most trusted company brands in Australia. While organisations such as The Salvation Army rated highly, nearly all the banks and telecommunications businesses were firmly relegated to the bottom as being among the most mistrusted and least respected brands.

This is not such a surprising result when you pause to consider that most people have had negative customer experiences with one or more banks or telcos and that the most common perception is that high profits are made at the expense of both ethics and honesty.

The impact of public mistrust on companies

Few people regard major companies as behaving in ways other than at the expense of their employees through retrenchments, customers through increased fees and reduced services, or their community obligations. When consumers see these stakeholders systematically discarded or exploited for the sake of profits, there is little trust left on which to build.

This is linked to a widespread scepticism about the citizenship statements now made by many companies. Consumers question these self-advertised credentials if they are not supported by hard data that shows specific programs and company commitments to the community. Failure to show this can have the reverse of engaging consumers, rendering the corporate citizenship program an expensive advertising failure.

This means the claims of many companies on customer, or employee, loyalty often fall on deaf ears because the business itself is not seen to offer any loyalty in return. What replaces this desired loyalty is a deep seated cynicism directed at companies can erode their credibility.

Such disgruntlement with companies is by no means new. Whereas consumers and employees once complained and got on with things, they now actively search for alternative businesses with whom they can establish a trusted relationship. The rise of community banks is one example of how the phenomenon of the bottom line

Is your bottom line your image?

backlash effect can rapidly translate into lost customers and market share for many companies. Once this reaction sets in, it may take a lot of rebranding before customers are wooed back and the lost trust is restored.

A Roy Morgan poll conducted in the first quarter of this year confirmed this trend in a survey of consumer perceptions of the levels of ethical integrity and trustworthiness in a variety of occupations. The results were particularly uninspiring and point toward a serious and systematic erosion of public confidence and trust:

- Accountants – 50 per cent
- Bank managers – 35 per cent
- Lawyers – 32 per cent
- Union leaders – 19 per cent
- Company directors – 18 per cent
- Business executives – 15 per cent
- Advertising people – 10 per cent

What lies at the heart of figures like these is the bottom line backlash effect.

The Roy Morgan poll data shows how poorly these occupational categories fulfil what the public regards as being their primary obligation to behave in ways that are honest and ethical. It emphasises that we now live in an age where good corporate citizenship is an inescapable aspect of branding: consumers expect companies to be mindful of the communities of which they are part and to behave in ways

that are consonant with that expectation.

Companies that see themselves as being primarily responsible to their shareholders at the expense of the welfare of their employees and the communities they enter may find themselves losing market share to rivals who can offer an ethical basis for their corporate behaviour. If consumers decide they are being deceived, word of mouth will begin a damaging erosion of the brand that most advertising campaigns are powerless to stop. One need only reflect for a moment on the AWB scandal to register the damage that such a loss of faith may inflict on a company.

Stakeholder engagement

The traditional strategies adopted by companies to address this problem have lost their impact because they are both taken for granted by consumers and, more tellingly, they do not engage consumers in any meaningful way. The public is well aware that, ultimately, they pay the cost of strategies such as advertising campaigns, rebranding exercises, codes of practice and member accreditation schemes. They bear the added disadvantage of being unilaterally imposed on consumers in a way that leaves them disenfranchised by a process that is seen only to serve the company's need to increase its revenues.

This is a very serious message: businesses are being told that their very motives are now liable to suspicion, not simply their practices. Companies must now begin to engage with their stakeholders.

As Professor Graham Dowling of the Australian Graduate School of Management has outlined, there are four key facets to creating a

successful process of stakeholder engagement:

- Engage with all identified stakeholders—employees, customers and others whose trust and confidence is required—and find information on their needs, expectations and perceptions.
- Clarify the roles of each of the parties involved and make clear what the company will and will not offer so that expectations can be managed from the outset.
- Act on important information and recommendations: reform dubious practices within the organisation and clearly indicate the standards to which the business will be held accountable and how these standards will be upheld and applied.
- Develop a strategy to show the psycho-social and economic benefits to the identified stakeholders.

Show the benefits to the stakeholders

Many businesses can all too easily fall prey to the assumption that everyone understands the value of what they are doing. Rarely, however, is this the case. This places an emphasis on the need for all businesses to demonstrate continually the value of what they do and the ways in which they contribute to the wellbeing of those who are their stakeholders.

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While the public may regularly see a direct correlation between the activity and benefit of doctors, nurses and teachers, who were among the top rated groups in the Roy Morgan poll for their honesty and integrity, this is rarely so for companies. Companies must develop strategies to show how their activities deliver a social and economic benefit.

A business that is meaningfully linked to its local community and listens to the needs of its stakeholders will find that many of its image problems will begin to disappear because it will demonstrate the value of its contributions as a consequence of that process of engagement.

Of course, this is not without risk. Once engaged, stakeholders expect to be listened to and will be sensitive to evidence that suggests the exercise is a charade. To fail here is to lose any initial good will.

The process also requires that the company's personnel are aligned with the process. The first whiff of cynicism from within the company's ranks will destroy the process. The company must reflect on itself as well as listen to what stakeholders expect from it. This may yield conflicting views, both from within the company and from within the various stakeholder groups. This is why it is important for the company to outline what will and won't happen at the outset so it can manage these expectations in a responsible and mature manner.

It also helps to combine the various stakeholder groups during the engagement process so they can listen to each other as well as to the company. In some instances they may form alliances but its principal benefit is that it will expose sometimes conflicting groups to each

other's point of view. It also enables the company to listen more accurately to what it is being told. Out of this process can evolve better lines of communication between stakeholder groups based on an enhanced mutual understanding of their needs which, in turn, leads to greater tolerance.

This may ensure the company has a better understanding of the key tensions surrounding it and can develop a more responsive way of managing those tensions and of informing all stakeholders about its position on issues of concern to them and the company.

These steps will help to make the company's image more than just its bottom line.

To discuss your company's training, communication and leadership needs, contact Wood Brown & Company on our web site at www.wbco.com.au, or telephone:

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