6 Corporate communication

Emma Wood and Ian Somerville

Corporate communication is an instrument of management by means of which all consciously used forms of internal and external communication are harmonised as effectively and efficiently as possible, so as to create a favourable basis for relationships with groups upon which the company is dependent.

(van Riel 1995: 26)

Chapter aims

Van Riel’s definition of corporate communication is founded upon notions of strategic management and relationship building; concepts explored in the previous part of this book and exemplified in future chapters. This chapter uses a case study to raise some of the moral or ethical debates surrounding public relations practice as well as demonstrating the importance of a strategic approach to corporate communication. It illustrates what can happen if symmetrical or reciprocal relationships with key stakeholders are ignored. This case has had a real impact on senior thinking about corporate public relations and is often referred to as the ‘Brent Spar’ of the financial sector.

The Bank of Scotland – a case study

The Bank of Scotland (BoS) is a leading UK clearing bank, headquartered in Edinburgh. Following its merger in 2001 with Halifax plc, it has been known as HBOS (Halifax Bank of Scotland). It has 22 million customers (two out of five UK householders) and is the largest mortgage and savings provider in the UK. The company currently employs around 65,000 people in the UK, and 73,500 worldwide. It issues a range of credit and charge cards (including cards to supporters of affinity groups ranging from charities to universities) and is known for its pioneering electronic and telephone home and office banking service.

In the early part of this century, its community mission statement clearly signified a stakeholder approach to its business:
Throughout Bank of Scotland’s 306-year history, we have been keenly aware of our responsibilities as good corporate citizens. We know that our own business will be stronger if the communities where our existing and future customers live and work are stable and healthy (www.bankofscotland.co.uk: September 2003).

Its ‘statement of business principles’ specified that:

In three centuries of doing business, we have learned how to win trust in all of our relationships – and how vital it is to retain that trust. The highest standards of business conduct and fair dealing in all our operations is our aim (www.bankofscotland.co.uk: September 2003).

It seems highly significant then that these principles have now been changed. Instead of referring to trust and fair dealing, the statement of business principles or ‘The Way We Do Business (WWDB), our commitment to our stakeholders about the standards and values we aspire to deliver’ now states that:

Our main contribution to society is the value we can add through our success in business. We seek to be a positive influence on those social and environmental issues which, having listened responsibly to our shareholders, customers, colleagues and suppliers, we think are important, for example upholding human rights.

We will observe the laws and regulations of all countries in which we operate, not just in the letter but also the spirit. We will not countenance bribery, corruption, insider trading or the concealment of conflicts of interest. (http://www.hbosplc.com/community/includes/WWDB)

The statement doesn’t clarify who the ‘we’ is in terms of the people who will determine which issues are important and which aren’t. Clearly not the colleagues or other stakeholders who will be listened to, but will not be part of the decision-making process. One can assume then that it is a top-down process with decisions made by a ‘dominant coalition’.

Perhaps the bank has changed its rhetoric in response to accusations of hypocrisy regarding its behaviour in relation to the US TV evangelist, Pat Robertson, and more recently to the Christmas hamper and voucher firm, Farepak.

**The bank and the TV evangelist**

In March 1999, the bank announced its intention to team up with Pat Robertson to set up a direct bank in the USA. The new bank would operate only through telephones and computers.

Robertson is well known in the USA as a religious broadcaster, entrepreneur and right-wing politician who ran unsuccessfully for the US presidency in 1988. His Christian Broadcasting Network provides programming by cable, broadcast and satellite to approximately 180 countries with a mission of converting 500 million people to Christianity. As direct banking was less developed in the USA than in the UK, the combination of BoS expertise and Robertson’s access to a vast network of potential customers seemed to guarantee a highly profitable business venture.

Soon after the announcement, the press published details about Robertson and his extreme right-wing views. Robertson’s attacks on homosexuals, feminists, Muslims, Hindus and other religious groups were reported, particularly in the Scottish media. Pressure groups were quick to publicly denounce Robertson, and the bank for being associated with him. Utilising the internet and other media, these groups coordinated attacks on the deal. They
set up websites with links to the media and the bank to help the public to learn more about the issue and to register their condemnation. Direct action included calls for bank accounts to be closed and protesters handcuffing themselves to the bank’s headquarters.

The bank remained adamant that it would not succumb to public or media pressure. Its PR strategy seemed to alternate between refusing to comment and blaming the media for distorting or exaggerating Robertson’s views. Robertson’s approach was similar; in addition he attempted to place legal restrictions on press reporting of his opinions. Far from diminishing interest or coverage of the issue, this resulted in the media becoming more entrenched. Rather than being frightened off by threats of legal action, the media substantiated their attacks with evidence of Robertson’s comments, using direct quotes from his TV shows, books and an open letter which claimed: ‘The feminist agenda is not about equal rights for women. It is about a socialist anti-family political movement that encourages women to leave their husbands, kill their children, practice witchcraft, destroy capitalism and become lesbians’ (*The Scotsman* 24 April 1999).

The Bank was reported to believe that these views should not affect their potentially lucrative joint venture. Peter Burt, BoS Chief Executive, defended the deal by drawing a distinction between the intrinsic moral and ethical values of a commercial decision and the ethics of the individuals involved: ‘An individual’s personal religious views do not form the basis on which the Bank makes its business and commercial judgement. And nor should it’ (*The Scotsman* 22 April 1999). However, key opinion formers disagreed and major institutions began to publicly register their disapproval of the bank’s association with Robertson.

The logical extension of this disapproval would be for these key institutions to disassociate themselves from the bank. Media coverage became dominated by reports of city councils, universities, trade unions, charities and churches threatening to close their accounts. Several high profile MSPs were happy to be named in condemning the deal and called for the Scottish Parliament’s account to be removed from the bank if the deal went ahead (*The Scotsman* 2 June 1999).

The bank’s defence of Robertson ceased in mid-May when he was reported as condemning Scotland as a ‘dark land’ overrun by homosexuals (*The Scotsman* 2 June 1999). In early June the bank announced that it was abandoning its joint venture. A joint statement said:

Dr Pat Robertson and Peter Burt, following a meeting in Boston yesterday, agreed that the changed external circumstances made the proposed joint venture . . . unfeasible. In reaching this agreement Dr Robertson expressed regret that the media comments about him had made it impossible to proceed. (*The Scotsman* 7 June 1999)

The announcement was seen as terse by some and interpreted as still blaming media distortion for the failed venture rather than the bank fully condemning Robertson’s views. *The Scotsman* deemed it an ‘apology that leaves a lot to be desired’ (7 June 1999), *The Guardian*, ‘a grudging, gritted-teeth apology’ (19 June 1999). Tim Hopkins of gay rights campaigners Equality Network represented a number of views with his comments:

People are still very angry with the Bank and it will have its work cut out getting back their confidence. We would like to see the Bank reaching out to minority groups to rebuild its reputation for equal opportunities, which before the Pat Robertson business was very good. (*The Scotsman* 7 June 1999)

It was only after a more full and personal apology was given to shareholders at the annual general meeting that public opinion was reported as mellowing towards the bank. At the AGM, the bank’s deputy-governor, Sir John Shaw, said:
The board of the Bank regrets any concern to customers, proprietors [shareholders] and staff caused by the events of the past few weeks. The Bank failed to predict the strength of public reaction after announcing the deal with Dr Robertson. The last straw came when he described Scotland as an overly ‘dark land’. We have a long-standing commitment to ethical values, tolerance, equal opportunities, and nondiscrimination in all our dealings. Determination to uphold these principles as we develop our business world-wide will continue to characterise the Bank of Scotland. (*The Scotsman* 11 June 1999)

**Analysis**

This case study demonstrates several important aspects of corporate public relations practice.

**Reputation**

Better-regarded companies build their reputations by developing practices that integrate economic and social considerations into their competitive strategies. They not only do things right – they do the right things. In doing so, they act like good citizens. They initiate policies that reflect their core values; that consider the joint welfare of investors, customers and employees; that invoke concern for the development of local communities; and that ensure the quality and environmental soundness of their technologies, products and services (Fombrun 1996: 8).

The aims outlined in the BoS’s corporate statement reflect an understanding of this approach to reputation-building. However, its actions (teaming up with Robertson and defending the deal by attempting to distinguish between the ethics of commercial decisions and the personal views of business partners) is not congruent with the core values its statement expresses. Its problems could be judged to have stemmed from its failure to ‘integrate economic and social considerations’.

A consideration of the bank’s withdrawal from the deal also provides a useful insight into this perspective of reputation building. The bank stood to make tens of millions of pounds’ profit as a result of the Robertson deal, which would have resulted in the opening of millions of new accounts by American customers. At the time it withdrew from the venture, only 500 accounts had been closed by British customers (compared with more than 21,500 opened during the same period) (*The Guardian* 16 June 1999). Clearly the potential gains would vastly outweigh the losses. An analysis of the bank’s early statements and subsequent apology seems to indicate that it did not abandon the deal because of ethical considerations. The motivation for the decision can be interpreted as stemming from concern that direct action from key stakeholders might escalate, irreparably damaging its British business (and profits). Clearly, the bank recognised its long-term reputation as being more valuable than the short-term profits it could have made as a result of going ahead with the venture.

The case not only illustrates how a reputation is earned (and damaged) but also its value and the relationship between a good reputation and profits. As Fombrun (1996: 81) explains:

> Corporate reputations have bottom line effects. A good reputation enhances profitability because it attracts customers to the company’s products, investors to its securities, and
employees to its jobs. In turn, esteem inflates the price at which a public company’s securities trade. The economic value of a corporate reputation can therefore be gauged by the excess market value of its securities.

(See also the sections on impact on share price, p. XX and attitude-behaviour gap, p.xx.)

Stakeholder approach

In his best-selling book, *The State We’re In*, Will Hutton argues for a democratic political economy that relates to the whole of British society. He criticises business for being short-termist and relentless in pursuit of some of the highest financial returns in the world: ‘Companies are the fiefdoms of their Boards and sometimes of just their Chairmen; and companies are run as pure trading operations rather than productive organisations which invest, innovate and develop human capital’ (Hutton 1996: 25).

In contrast to this view of companies being dominated only by the idea of improving returns for shareholders, the concept of stakeholding advocates a democratic approach to business which values relationships with a range of stakeholders.

The term ‘stakeholder’ refers to groups or individuals who have an interest or stake in an entity such as an organisation, community or country. In corporate terms, a company’s stakeholders typically include employees, suppliers, members of the local community and customers. Each of these groups can affect or be affected by the ‘actions, decisions, policies, practices or goals of the organisation’ (Freeman 1984, quoted in Grunig 1992: 126).

There is no firm consensus on the meaning of stakeholder theory.² It has been described variously as being based on Keynesian economics (Hutton 1996), communitarianism (rights matched by responsibilities) (Burkitt and Ashton 1996) and the Kantian notion of duty (as opposed to utilitarianism) (Etzioni 1988 in Burkitt and Ashton 1996; see also Chapter 9).

Burkitt and Ashton (1996: 10) describe New Labour’s stakeholder economy as hinging on:

the idea that many interest groups may be said to have a ‘stake’ in certain activities, not necessarily because they have a financial interest, but because they are affected by them. These stakes should be recognised by those whose actions may impinge upon them. Individuals should recognise that their behaviour can have repercussions upon society. They should act in a responsible way that does not damage others . . . Stakeholder firms must act with responsibility to their stakeholders.

In political terms, stakeholder theory is premised on the interrelation of state, society and the economy as opposed to a ‘free market’ approach (where the market is not primarily concerned with notions of social responsibility and regulates itself through supply and demand rather than through state intervention). In the UK, the free market approach was advocated by Margaret Thatcher and the New Right, whereas stakeholder theory has been associated with New Labour’s philosophy of social inclusion:

It implies a third way that replaces both Old Labour’s ‘control’ and the New Right’s free marketeering with ‘voluntaristic morality’. It substitutes the ‘realisation of the individual through community’ for the increasingly discredited New Right individualism and the Old Labour ‘collective’ that New Labour was keen to leave behind. (Burkitt and Ashton 1996: 8)
The concept of stakeholding is manifest in the Royal Society for the Encouragement of Arts, Manufactures and Commerce (RSA) Inquiry into British business. The final report of this investigation, *Tomorrow’s Company*, foregrounds the importance of developing reciprocal rather than adversarial relationships with – and between – employees, customers, suppliers, investors and the community in order to increase business performance and competitiveness. The rationale for this approach is linked to the death of deference – employees, customers and communities increasingly expect individuals’ needs and values to be respected. Other key concepts of the report include:

- **inclusive leadership** – the report calls for a shift from an emphasis on physical assets to realising the creative and learning potential of all people with whom the company interacts;
- **sustainable development** – rather than looking for quick financial returns, companies should pursue development which can be sustained over time;
- **establishing a ‘licence to operate’** – to be successful, organisations must maintain public confidence in the legitimacy of their operations and business conduct. ‘Licence to operate’ and competitiveness are closely linked.

Figure 6.1 identifies the external influences on a company’s licence to operate, as set out in the RSA’s *Tomorrow’s Company* report, which states:

A company which undermines its licence to operate by the wrong behaviour exposes itself to a range of sanctions. Whatever the issue – from animal rights to top executives’ pay – companies seen to be insensitive to changing standards can find themselves at the centre of public and media outcry. (RSA 1995: 6)
The public and media outcry provoked by BoS’s joint venture with Robertson certainly bears this out. Indeed, the BoS could be deemed to have transgressed several of the tenets of stakeholderism. Consequently, far from deferring to the bank’s decision to go ahead with the deal, a range of stakeholders publicly debated the bank’s licence to operate, and lack of public confidence in the moral legitimacy of the venture eventually resulted in its demise. Communities insisted on individuals’ rights being respected, and the bank conceded – preferring to find a new and less controversial partner than Robertson, despite the millions of pounds which could have been quickly realised through the proposed deal. The bank opted for sustainable development.

The RSA concept of inclusive management clearly resonates with Grunig and Hunt’s two-way symmetrical, ethical, model of public relations practice (see Chapter 2). Indeed, just as Hutton argues for an end to short-termism in the financial community, Grunig and Hunt’s excellent model calls for public relations practitioners to take a long-term view in managing organisational relationships with a range of stakeholders and publics.

They argue that ‘excellent’ practitioners do not wait until publics are actively campaigning before communicating with them. Effective public relations strategists are involved in organisational decision-making (see Chapter 4). Before decisions are made they would draw a stakeholder map, identifying their stakeholders, anticipating the ways in which they may be affected by organisational decisions and how they would react to them. ‘After thoroughly researching their stakeholders, public relations managers should rank or assign weights to them to indicate their impact on the organisation or the extent to which the organisation believes it should moderate its consequences on them’ (Grunig and Repper 1992: 126).

Grunig and Repper advocate a strategic approach to managing public relations based on research into stakeholder perceptions as illustrated in Figure 6.2. If the BoS used this type of strategic approach it is difficult to understand why it did not either actively manage its stakeholder relationships or ‘moderate their consequences’ on its stakeholders by deciding not to venture into a relationship with Robertson in the first place.

Critics debate the basis for this type of managerial approach. Clearly it is not driven by philanthropy. ‘Most CSR is motivated by a desire for an eventual return: a more compliant workforce, the smoother granting of planning permission, more amenable customers, or in the jargon of today’s corporate affairs manager “gaining a licence to operate”’ (Frankental 2001: 18).

Indeed, this type of approach could be identified as an ‘almost exclusive analysis of stakeholders from the perspective of the organisation’ (Friedman and Miles 2002: 1), an approach which critics argue ‘hampers’ stakeholder theory:

Generally stakeholder theory has been approached from the point of view of business ethics, corporate governance and/or corporate social performance. This puts the organisation at the centre of the analysis and discourages consideration of stakeholders in their own right as well as discouraging balanced viewing of the organisation/stakeholder relation. (ibid.)

Stakeholder theory is used by public relations practitioners to inform a pragmatic, strategic approach to practice, but its implications are more far-reaching. Stakeholding is ‘intimately connected to societal values and power relations and interactive with them. Culture, polity and society are conceptualised as inextricably connected with the economy, each being highly interactive with each other’ (Burkitt and Ashton 1996: 5). It remains to be seen how pervasive this philosophy is, but, as the BoS case illustrates, public relations practitioners ignore the values of stakeholding at their peril.
1 **Stakeholder Stage**: An organisation has a relationship with stakeholders when the behaviour of the organisation or of a stakeholder has a consequence on the other. Public relations should do formative research to scan the environment and the behaviour of the organisations to identify these consequences. Ongoing communication with these stakeholders helps to build a stable, long-term relationship that manages conflict that may occur in the relationship.

2 **Public Stage**: Publics form when stakeholders recognise one or more of the consequences as a problem and organise to do something about it or them. Public relations should do research to segment and identify these publics. At this stage focus groups are particularly helpful. Communication to involve publics in the decision process of the organisation helps to manage conflict before communication campaigns become necessary.

3 **Issue Stage**: Publics organise and create ‘issues’ out of the problems they perceive. Public relations should anticipate these issues and manage the organisation’s response to them. This is known as ‘issues management’. The media play a major role in the creation and expansion of issues. In particular, media coverage of issues may produce publics other than activist ones – especially ‘hot-issue’ publics. At this stage, research should segment publics. Communication programmes should use the mass media as well as interpersonal communications with activists to try to resolve the issue through negotiation.

Public relations should plan communication programmes with different stakeholders or publics at each of the above three stages. In doing so it should follow steps 4–7.

4 Public relations should develop formal objectives such as communication, accuracy, understanding, agreement, and complementary behaviour for its communication programmes.

5 Public relations should plan formal programmes and campaigns to accomplish the objectives.

6 Public relations, especially the technicians, should implement the programmes and campaigns.

7 Public relations should evaluate the effectiveness of programmes in meeting their objectives and reducing the conflict produced by problems and issues that brought about the programmes.

*Figure 6.2*  The strategic management of public relations

*Source: Grunig and Repper 1992: 124*
CSR

‘Every organisation must assume full responsibility for its impact on employees, the environment, customers and whomever and whatever it touches. That is its social responsibility’ (Drucker in Heath 2001: 393).

Stakeholderism is inextricably linked to broader concepts of corporate social responsibility (CSR) and the role of public relations in relation to democracy. CSR is covered in depth in Chapters 9 and 12 but the application of some of these ideas is important to highlight here. Amnesty International’s Peter Frankental believes certain paradoxes evident in organisations’ application of CSR suggest that far from embracing a real duty to society, CSR has become a ‘PR invention’. He argues that CSR can only have:

real substance if it embraces all the stakeholders of a company, if it is reinforced by company law relating to governance, if it is rewarded by financial markets, if its definition relates to the goals of social and ecological sustainability, if its implementation is benchmarked and audited, if it is open to public scrutiny, if the compliance mechanisms are in place and if it is embedded across the organisation horizontally and vertically’ (Frankental 2001: 18).

In other words, these ideas must not only influence the language chosen by PR practitioners to communicate with publics, as a way of spinning an organisations' activities, but must permeate thinking at all levels of strategic decision-making and implementation. And the buck does not stop with organisations – government and other regulators must guarantee a regulatory framework which forces organisations to comply with these ideas. Frankental endorses the call for auditing according to a triple bottom line that is ‘financial, environmental and social’ (Frankental 2001: 19). Annual social reports must be more than gloss or spin. In a properly regulated world ‘the terms of reference will be more comprehensive, standard methodologies will be developed and issues of definition, measurement, monitoring and verification will be . . . addressed’ (Frankental 2001: 20).

Clearly though, it is significant to note the criteria of measurement of corporate social responsibility.

HBOS’s current key performance indicators for ‘contribution to society’ very much focus on Frankental’s ‘financial’ and ‘environmental’ impact but only seem to encompass the ‘social’ if this is interpreted as wealth creation and providing tax revenue to the government to spend on social infrastructures. They are:

- Taxation paid
- Dividends paid
- Total payroll
- Energy use
- Water use
- Waste
- Business travel
- Protect the environment
- Prosecutions/reported cases of bribery/corruption
- Regulatory fines or reprimands

Impact on share price

Although it advocates a stakeholder approach to business, the RSA report does not disregard the shareholder. Indeed it argues that by adopting a stakeholder approach a company will be well managed and therefore able to deliver greater value to its shareholders. In contrast, ‘organisations that continue to act as if shareholders are the only important group will colour the financial community’s view of the quality of management and endanger the interests of the very group they seek to satisfy’ (RSA 1995: 1). The effect of the Robertson venture on the BoS share price seems to bear this out. When the deal was first announced the share price rallied, but when public outcry emerged, it fluctuated – falling significantly following the publicity surrounding Robertson’s ‘dark land’ comments.

Opinion formers

An analysis of the people and organisations that influenced the bank’s decision is useful in identifying the range of opinion formers public relations practitioners should communicate with. Council leaders, MSPs, church leaders, individual shareholders, the unions, pressure groups and civil rights leaders’ views were all reported in the press.

New media

Email and the internet played an important role in the case. Not only did the internet enable pressure groups to mobilise public pressure, it also facilitated fast and effective access to information about the American preacher. For example, whilst Robertson complained about being misquoted, The Scotsman printed instructions for readers to download real-time video footage of the programme in which Robertson denounced Scotland as a ‘dark land’ (2 June 1999).

These developments are also significant in the process of globalisation (and anti-globalisation movements) and multiculturalism. Indeed, Starck and Kruckenbourg (quoted in Heath 2001: 52) identify ‘communication/transportation technology, multiculturalism and globalisation’ as the “three phenomena that promise incalculable continuing effects on human kind” resulting in “immense societal changes”. They identify communication as the “indispensable component” in negotiating this “increasingly globalised, diversified and multicultural world” (quoted in Heath 2001: 57). See Chapter 21 for further discussion of these concepts.

PR and reasoned persuasion

Any discussion of the role of PR in society necessarily impacts on ideas of democracy and the democratic process. A major concern in considering public relations practice rests on notions of manipulation and uneven distribution of power and resources allowing ‘rich’ organisations to dominate less powerful actors in society.

In a world where public trust in big organisations has been largely eroded by numerous corporate scandals, the BoS case shows how companies can be called to account. In this way it could be seen to support Moloney’s call for an ‘internal reform’ of PR to ensure it has the following characteristics: ‘known source, clear intent, reasoned argument, factual accuracy, and positive but limited emotional appeal. It is dialogic, respectful of its audiences, open to challenge, ready to amend and willing to reply’.
Clearly the BoS fell down on several of these; it could be argued that it did not respect its stakeholders’ views, was not open to challenge or ‘willing to reply’ and was, therefore, forced to ‘amend’ its activities in a way that damaged its reputation.

In relation to the role of PR in the democratic process, Moloney argues that ‘PR should encourage outcomes favoured by our society: outcomes such as reasoned, factually accurate, persuasive public debate amongst all individuals, groups and organisations wanting to speak and listen’ (Moloney 2000: 150). This argument develops the stalemate in thinking about ‘excellent’ PR practice as it clearly resonates with both Grunig’s notion of two-way symmetrical practice and Miller’s idea of amoral persuasion.

In an environment dominated by accusations of spin and sleaze and the antidemocratic nature of public relations, it is interesting to consider Moloney’s view that PR:

is a set of techniques amenable for the promotion of values, done by an industry, done by an individual alone or by voluntary groups, and available in paid professional form or in ‘personal kit’ and ‘cottage industry’ forms. This shift in UK society to more expression by individuals of different personal values via voluntary, often local, groups is identified here as value pluralism and group pluralism of a civic kind. (Moloney 2000: 35)

In other words, if adequate access to public relations could be achieved, the practice has a valuable contribution to make to the democratic process.

The BoS case study seems to illustrate how this process can work in action. The large and powerful resource-rich organisation (BoS) had to bow to the views of seemingly less powerful individuals and groups who promoted their views via public relations (particularly through effective media relations).

In his extremely useful book, Moloney goes further and argues that:

For democracy, societally beneficial PR is reasoned persuasion. Such PR is the consequence of choosing to persuade by reason (supported by accurate data) rather than by emotion. Reason and emotion are alternative communication modes of being persuasive and of achieving persuasion. PR in a democracy should proceed more by reason and less by emotion. Beneficial PR in a democracy is a means of promoting the public good through a contribution to informed choice. (Moloney 2000: 151)

Following Moloney’s viewpoint, it could be argued that the BoS was pursuing reasoned persuasion by divorcing Robertson’s emotionally provocative comments about homosexuality from the reasoned business case that the deal would result in vast profits for the organisation. The BoS data certainly supported this perspective. However, in this case, the emotional response of a diverse spectrum of stakeholders carried the day.

Perhaps further clarification of what Moloney means by ‘reason’ and ‘emotion’ would be useful. Humans are emotional beings and are often governed by emotional responses. The concept of emotion could be inextricably linked to values or ideological views of what is just.

Environmental scanning

At the AGM, Sir John Shaw was reported as saying: ‘The Bank was well aware that Mr Robertson was a controversial figure in the United States. We did not expect that the
controversy he was associated with there would have transferred to here where he has no political constituency or business.’
Critics could argue that in a global economy, geographical boundaries do not operate in the way Sir John had anticipated.

Effective public relations input at board level should have forewarned the bank that Robertson would be a controversial figure, particularly in the current business environment where discussions of ethical practice and social responsibility are prevalent on business and political agendas. The case serves as an effective argument that public relations expertise should be included in the strategic planning process and should be able to influence dominant coalition decision-making (see Chapter 4).

**Crisis management**

[EP] If a company at the centre of a crisis is seen to be unresponsive, uncaring, inconsistent, confused, inept, reluctant or unable to provide reliable information, the damage inflicted on its reputation will be lasting – and measurable against the financial bottom line.

(Regester and Larkin, in Kitchen 1997: 215)

‘Tell it first, tell it fast’ is one of the mantras of effective crisis management. However, both the bank and Robertson were often reported as being unresponsive, refusing to comment or blaming media distortion for their predicament. Eventually Robertson changed his PR approach and invited the press to the USA to visit his organisation and speak to him directly. However, media views were already entrenched.

The bank was also criticised for failing to apologise quickly enough to its customers for Robertson’s offensive comments. As Dugdale Bradley, co-founder of Tomorrow’s Company in Scotland, said: ‘The bank did not come clean about it and apologise, like Perrier did in the 1980s. They have got in a muddle. But if people say “sorry, we made a mistake”, people will be more forgiving’ (*The Scotsman* 12 June 1999).

Commentators consider that a strong reputation helps companies survive crises with less financial loss. In the last edition of this book, Wood stated ‘BoS’s reputation was good before the Robertson debacle; it will be interesting to track how it weathered the storm and recovers its former position’. In this new edition, it is now apposite to reflect on this. And we propose to do so through analysis of HBOS’s management of its latest crisis – its withdrawal of overdraft facilities for the Christmas savings company Farepak which many say led to its subsequent collapse resulting in 150,000 savers from low-income families collectively losing around £35 million (an average of £400 per family) just before Christmas 2006.

**HBOS and Farepak**

HBOS was heavily criticised throughout the media for taking back approximately £30 million from Farepak, reportedly leaving nothing for the people who had given their money to the company to save for Christmas. Nearly ninety backbench MPs signed a commons motion urging HBOS to release the £30 million it recovered from the company. The Labour MP for Livingston said: ‘There is a lot of money going through HBOS from councils, not to mention the Scottish Executive and health boards. It would be embarrassing
for these public bodies to still be using HBOS unless the situation regarding Farepak customers improves” (*The Scotsman* 15 November 2006). The West Lothian Council’s leader was reported as wanting the council to close its HBOS account, saying:” It is important that the people of Scotland and the rest of the UK stand against the blatant abuse of this situation by these fat cats” (*Edinburgh Evening News*, 29 November 2006). Suzy Hall of victims’ group www.unfairpak.co.uk put HBOS’ refusal to donate more than £2 million to the Farepak Response Fund, in perspective: “ HBOS make £13.1 million profit a day – that’s £500,000 an hour. Ninety per cent of savers are women with children. Surely HBOS have a moral obligation to put things right. If they don’t, I want people to look at their actions and – if they believe they acted immorally – close their accounts in protest” (*Daily Record* 30 November 2006). Newspaper reports suggested 2,000 accounts were closed as a result of the incident (*Mail on Sunday* 10 December 2006).

At this point, readers may well be experiencing a feeling of déjà vu. More criticism of the bank framed in emotional terms. More accusations of an abdication of moral duty. But this time the bank did not give in to public demands. Despite the outcry from a wide range of opinion formers, the bank did not give more than the £2 million it had already pledged to Farepak victims.

So what does this latest event say about HBOS and the impact of its corporate communications practice?

One key factor is that the major institutions such as the Scottish Executive and councils still bank with HBOS, despite the Robertson affair. And indeed, it was welcomed as a partner by the Halifax building society and is making record profits. So is a damaged corporate reputation as important as some would believe?

### The attitude – behaviour gap

In their research into whether consumers really care about corporate reputation when making purchasing decisions, Page and Fearn criticise research that investigates what participants say will influence their buying behaviour rather than examining their actual buying behaviour (Page and Fearn 2005). Their large-scale, quantitative research project finds that although consumers profess to care about ethical behaviour this doesn’t mean that they will purchase goods or services according to the vendors’ reputation. It also grades the type of corporate social responsibility most valued by consumers: ‘The elements of corporate reputation that seem to matter most to consumers in practice are perceptions of fairness toward consumers, and perceptions of corporate success and leadership, rather than public responsibility. Consumers want good business practice but when it comes to brand strength and purchasing, more personally relevant factors take precedence (Page and Fearn 2005: 306).

These findings are replicated by a qualitative study conducted in 2001: ‘If they liked and regularly used a product they would find it hard to boycott. The most important purchasing criteria were price, value, quality and brand familiarity. Customers bought for personal reasons rather than social ones’ (*Carrigan and Attalla, 2001: 564*).

This would seem to be borne out by HBOS’s corporate success despite its reputation for poor public responsibility in relation to Pat Robertson and Farepak.

Perhaps we need to give more cognisance to this gap between consumers’ attitudes towards companies and their purchasing behaviour (*Boulstridge and Carrigan, 2000*).
Questions for discussion

1. Could the BoS have avoided these crises?
2. What constitutes a ‘good’ reputation?
3. Why is a stakeholder perspective important? Can it be used cynically?
4. How can PR practice damage or benefit the democratic process?
5. Draw a stakeholder map for HBOS.
6. Does HBOS have a moral obligation to Farepak savers?
7. What criteria could be used to measure a company’s ‘contribution to society’?
8. To what extent do these case studies illustrate or refute Regester and Larkin’s assertion that ‘if a company at the centre of a crisis is seen to be unresponsive, uncaring, . . . [or] . . . reluctant, the damage inflicted on its reputation will be lasting – and measurable against the financial bottom line’ (Regester and Larkin, in Kitchen 1997: 215)?
9. Does ‘A good reputation enhance profitability because it attracts customers to the company’s products . . .’ (Fombrun 1996: 81)?
10. To what extent does HBOS fit within Burkitt and Ashton’s notion of a stakeholder economy as hinging on: ‘the idea that many interest groups may be said to have a ‘stake’ in certain activities, not necessarily because they have a financial interest, but because they are affected by them. These stakes should be recognised by those whose actions may impinge upon them. Individuals should recognise that their behaviour can have repercussions upon society. They should act in a responsible way that does not damage others . . . Stakeholder firms must act with responsibility to their stakeholders’ (Burkitt and Ashton 1996: 10)?

Endnotes

2 See Clarke (1997) for a useful analysis of different approaches to the concept of stakeholding.
4 Varey in Kitchen (1997: 89–110) provides a useful analysis of approaches to identifying, prioritising and communicating with stakeholders and publics.

Further reading
