

Management Focus

essential
management
knowledge
for today's
leaders

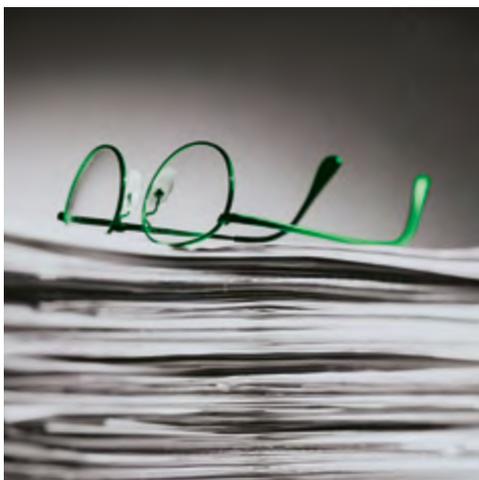
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Welcome to Management Focus

... and welcome to the third edition of 2013.

Whether you are dealing with product brands or company brands, storytelling is **essential to successful branding**, since your brand is the sum of all your corporate behaviours and communications that inform your customers' experiences with your product or company. **Persona-focused storytelling**, in particular, is essential to branding. A compelling brand starts with a strong, well-drawn, and quickly recognized persona – the essential connection between what a company

says and what it does. Our latest issue of *Management Matters* highlights the importance of using storytelling personas to truly understand and develop your brand.

In business, an appropriate – and honest – **crisis response strategy** is essential when fundamental errors of judgement have been made. The United Nations “**Oil for Food**” scandal told us that companies such as AWB Limited can make those mistakes but it also revealed that an organization's corporate response strategy can make things worse. The AWB story brought to light a company policy of **responding disingenuously and deceptively** in responding to the initial crisis. It was ineffective in its own right but also contributed significantly to the **public scandal** that eventually engulfed the company. Find out more in our featured article.

In recent years, **Paul Polman, CEO of consumer goods giant Unilever**, has risen to prominence as the archetypal modern leader. **Doing well by doing good** is in the company's DNA, and it is this tradition of coupling the ethical and the financial, while simultaneously de-coupling its environmental impact, that Polman is determined to reinvigorate. In his interview, Polman explains how **profitability** and **sustainability** can be achieved simultaneously, efforts to stop **illegal deforestation** and the **financial crisis**.

Best wishes,

Debbie Hepton

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Management Matters

Incisive commentary on topical business issues

Storytelling and branding

Storytelling is a well known and ancient art form. Fascinating and compelling characters have animated literature around the world from the beginning of the written word.

Today, scientific research has laid the foundations for a sound understanding of storytelling as:

- a clear aid to memory;
- a means of making sense of the world;
- a way to make and strengthen emotional connections; and
- a way of recognizing and identifying with brands of any type.

Whether you are dealing with product brands or company brands, storytelling is essential to successful branding, since your brand is the sum of all your corporate behaviours and communications that inform your customers' experiences with your product or company.

In particular, persona-focused storytelling is essential to branding. When it comes to creating a powerful brand narrative, the persona – the articulated form of the brand's character and personality – comes first, and all other elements unfold from there. A compelling brand starts with a strong, well-drawn, and quickly recognized persona – the essential connection between what a company says and what it does.

This brand persona creates a long-lasting emotional bond with the audience because it is instantly recognizable and memorable, it is something that people can relate to, and it is consistent.

Nike, Disney, FedEx, and McDonald's are all leading examples of brands with personas that fit these criteria. In each case, there is a clear personality associated with the brand. These companies understand that what makes the difference between strong and weak brand associations is their clear articulation of their brand persona, and their discipline in placing that persona into stories.

The brand persona drives the continuity for the overall brand message. It offers a point of reference that audiences relate to,

regardless of the specific story or message. Audiences "know" this brand because its persona reflects the audience's understanding of the brand's values and behaviours.

Make storytelling personas work for your branding efforts

Creative language skills in general and storytelling in particular have not traditionally occupied an important role in most business curricula. Storytelling, like advertising copy, taglines, photography, or graphic design, is typically carved out to some "creative" type when the need is identified. But this suggests that the need is occasional, when in reality it is continual, and that creativity is a specialized function, when it is in fact something that everybody possesses to a greater or lesser extent. Everybody has a brain with two sides, and they both need to be engaged, involved and connected.

When it comes to understanding and developing your brand, you need to focus on brand persona before placing the brand in a story.

Key character traits, such as honesty, curiosity, flexibility or determination, are those that come into play when important decisions are made. The strength of your brand will come from the strength of its persona and your commitment to its behavioural implications.

Your audience will be interested in the brand story and its actions because they understand the persona. The emotional connection that the brand persona creates with your audiences is based on its ability to address deeply felt, though often poorly articulated, implicit needs and attitudes.

This excerpt is taken from "The essential brand persona: storytelling and branding", which originally appeared in *Journal of Business Strategy*, Volume 31, Number 3, 2010.

The authors are Stephen Herskovitz and Malcolm Crystal.



Making an international scandal out of a corporate crisis

It is human nature to imagine sometimes that things are better swept under the carpet but this often makes matters far worse. In business, an appropriate – and honest – crisis response strategy is essential when fundamental errors of judgement have been made.

The United Nations “Oil for Food” scandal told us that companies such as AWB Limited can make those mistakes but it also revealed that an organization’s corporate response strategy can make things worse.

The AWB story brought to light a company policy of responding disingenuously and deceptively in responding to the initial crisis. It was ineffective in its own right, but also contributed significantly to the public scandal that eventually engulfed the company.

Early rumours

Rumours first emerged about the potential defrauding of the United Nations’ “Oil for Food” programme in 2004. A report by the UN’s Independent Inquiry Committee revealed that Iraq had a front company called Alia and said “little doubt remains that AWB made large numbers of payments to Alia, and these payments in turn were channelled to the Iraqi regime”. AWB initially tried to deny the allegations and findings. When the strategy failed to assuage the public, the company then tried to justify its actions before shifting to a defensive strategy. This was in the face of legal and regulatory scrutiny arising from a Royal Commission established by the Australian government.

Things often go awry in organizations as an inevitable result of their complexity. Individuals take on tasks in response to an almost infinite scope of variables. And things can go very wrong as a result of bad practice but just as regularly through bad luck and well-meaning but poor decisions.

However, Sasha Karl Grebe, a man involved in AWB’s revised strategy when the company came to its senses, points out that not every mistake or error becomes a crisis and not every crisis is classified as a scandal. Scandals can arise out of apparently innocuous events or circumstances if they are handled badly. Not that there was anything innocuous about AWB’s “Oil for Food” programme.

“Scandals can arise out of apparently innocuous events or circumstances if they are handled badly.”

Choices

William De Maria has proposed three choices for how a company responds to a scandal that arises from a crisis: they can become a redemptive organization; tread water; or slip into becoming a rogue organization. It might be added that they can also, as AWB did, go through phases which reflect all three. De Maria, incidentally, also came up with a useful distinction between a crisis and a scandal: a scandal is the public exposure of organizations who have not responded well to a crisis.

Stakeholders perceived AWB as a rogue entity with its attempts at a warped form of damage limitation over “Oil for Food”. At first, the company tried to deny that there had been any unethical activity. The

Australian government was similarly unimpressed, and this led to the establishment of the Royal Commission to investigate, despite (perhaps because of) AWB’s protestations of innocence. The evidence against AWB proved to be damning; the company’s position was rendered much more serious when it became clear that they had deliberately chosen a strategy of denial.

Find a scapegoat

Situational crisis communication theory has identified a number of ways in which the cornered beasts of the corporate jungle react to these crises. Through several of these machinations – attack, scapegoat and excuse – AWB tried to deny any wrongdoing. In seeing through this flawed policy, which was totally without foundation in truth, the Royal Commission recommended legal proceedings against 13 former employees. A 2006 poll showed that stakeholders understood from the off that AWB were involved in misrepresenting the facts of the case: about 70 per cent of the Australian public felt that the AWB defence was a lie.

The strategy backfired when documents tendered to the court confirmed everyone’s suspicions. The lack of a genuine apology created further damage to the company and escalated the crisis. AWB now found itself facing a full-blown corporate scandal of deception and destruction.

AWB’s inability to learn lessons until far too late in the day is reflected in their dealings with the very man brought in to help them. The company asked international corporate crisis consultant Peter Sandman to help them to draft a public apology. Sandman found himself dealing with what must surely have been one of his most intractable and frustrating clients. As emails and documents handled by the Royal Commission reveal, he was constantly having the apologies watered down by AWB.



“Stakeholders perceived AWB as a rogue entity with its attempts at a warped form of damage limitation over “Oil for Food”.”

“One-sided effort”

It is a process that now provides a unique insight (on the public record) into an organization wrestling with the complexities and difficulties of crisis and reputation management. When Sandman’s final, appropriate *mea culpa* was rejected he suggested that AWB’s manoeuvres looked like “a one-sided effort to look as innocent as you can without actually lying.” Most damningly perhaps: “it makes the reader want to find something illegal to get you for.” The AWB company secretary’s observation that “Mr Sandman had a thesis to over-apologize” suggests that the crisis consultant was not being excessively damning in his company prognosis.

By antagonizing the public rather than reassuring them, AWB effectively paved the way for the secondary or “double-crisis”. Many people believe that all this could have been averted, and that AWB could have come out of it reasonably intact had the company been willing to admit to some wrong-doing.

Breaking bad

The “double crisis”, then, was the result of opponents of change preventing the proponents of genuine crisis communication from taking the necessary steps to address the real problems. What began as perceived breaches of a UN programme became a domestic political scandal which called into question the legitimacy of AWB and its licence to operate. The unethical behaviour involved in the cover-up caused potentially greater damage to the organization than its original transgression.

The Royal Commission had described AWB’s initial response to the crisis as “legalistic and ethically obtuse”. The case study highlights a built-in “problem” for companies faced with a corporate scandal. It is not easy for them to accept the concept of wrong-doing when the originators of the transgression are the very people with the task of correctly identifying an appropriate response strategy. The company culture encouraged the strategy and, in their heart of hearts, many within AWB would have struggled to acknowledge or even understand that what they had done was wrong.

It was not, therefore, until the findings of the Royal Commission had been made known that the company began to address the issues. Only then could the rebuilding process start. The old adage that things can get worse before they get better seems to apply perfectly to mismanaged corporate scandals.



This is a shortened version of “Things can get worse: How mismanagement of a crisis response strategy can cause a secondary or double crisis: the example of the AWB corporate scandal,” which originally appeared in *Corporate Communications: An International Journal*, Volume 18, Number 1, 2013.

The author is Sasha Karl Grebe.

Doing well by doing good



An Interview with Paul Polman, CEO of Unilever

Interview by: Gareth Bell

In recent years, Paul Polman, CEO of consumer goods giant Unilever, has risen to prominence as the archetypal modern leader. The marathon-running Dutchman combines an astuteness derived from a quarter of a century at Procter and Gamble, with a social conscience and sense of duty that saw him leave to set up his own charity in 2006.

Polman would argue, however, that this ethical conscience is nothing new at Unilever, pointing to William Hesketh Lever's introduction of Sunlight Soap in Victorian England, with its mission to "make cleanliness common place".

Doing well by doing good is in the company's DNA, and it is this tradition of coupling the ethical and the financial, while simultaneously de-coupling its environmental impact, that Polman is determined to reinvigorate.

Q How can profitability and sustainability be achieved simultaneously?

They are by no means contradictory and should be seen together. What is very important for a sustainable society is that we find a way to do that, not only in the sustainable sense in terms of resources but also business models, which require getting a return.

Just like innovation, making your business model sustainable requires investment and risk, but there is no reason why you should separate profitability from sustainability. At Unilever we are showing that by

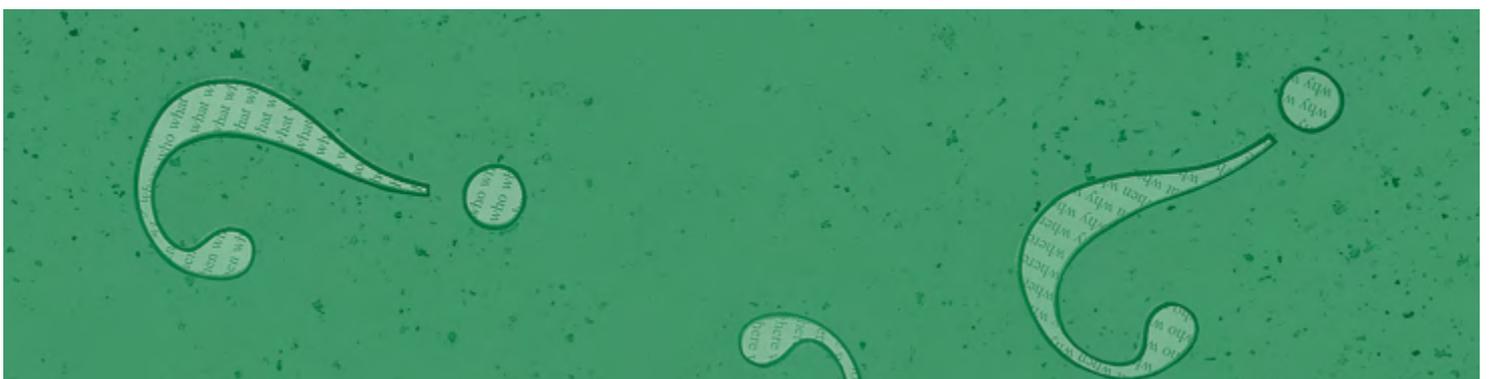
making our business model more sustainable, we are also improving our bottom line.

“Just like innovation, making your business model sustainable requires investment and risk, but there is no reason why you should separate profitability from sustainability.”

Q Unilever is one of the biggest producers of consumer goods worldwide. What do you say to critics who argue that large companies destroy or constrain local business and farmers?

We've done a lot of studies in places like Indonesia and Vietnam, and we work with thousands and thousands of smaller companies. We currently have nearly 2 million small-hold farmers working for us.

In Vietnam, for example, we are now producing sustainable tea for the Vietnamese market and employing Vietnamese small-hold farmers, bringing in sustainable agricultural techniques. In Indonesia we have 30,000 small-hold farmers creating soya beans that we use for our mango sauce product, and the list goes on. So, in every country where we are we work for the local economies to make them grow and be successful.



Featured interview

“At Unilever we are showing that by making our business model more sustainable, we are also improving our bottom line.”

Q Could you tell us more about the efforts to stop illegal deforestation?

Illegal deforestation accounts for about 20 per cent of global warming and it is obviously driven by an enormous demand for food. However, it is also driven by livelihood for many poor people. It's very easy to quickly slash and burn to make your livelihood, but as we know it is not sustainable. Therefore, we have created a coalition, called the Global Consumer Goods Forum, of all the major retailers and manufacturers, and we have committed ourselves as an industry to only sell sustainable palm oil, for example, and to only sell it from managed forestry.

You may ask how that can be economically viable. The yield that you get from sustainable palm oil can be 30-60 per cent higher than the yield from unsustainable sourcing, and we find it is the same for tea, tomatoes, and all the other materials that we buy. Because the yield is higher, it is not only more environmentally friendly, and not only do you make a big contribution to solving global warming (which is becoming a major issue), but you also make the economics better to feed the other two billion people that are still coming into the world. By having a higher yield and productivity you can also do that at an affordable cost.

Q When you started as CEO of Unilever you brought in a number of initiatives, such as the sustainability plan and to stop monthly reporting, would this have been possible without the financial crisis?

In 2009 when I became CEO it was the height of the financial crisis and we probably weren't yet fully aware of all the things going on. The financial crisis then became an economic crisis and now it's a governmental crisis, and we will be seeing many more things in the next few years.

I think it was more galvanized by the need to have Unilever grow again. We wanted to find a business model that had a deeper purpose and would energize our people, that would build on the strengths of this company – a company which has a long history of doing well by doing good. I felt that if we could find a way to connect that to our business model and make it an integral part, we could find something that has an enormous purpose and energizes our employees.

Q Did you also have to change some internal models, such as your compensation or bonus schemes?

Yes, we have a compensation plan that I wish some of the banks would look at, obviously it is more performance related as I think the company needs to continue to perform. At the same time it is more long-term, where we ask people to put money into longer term plans, and then if the company does well they do well.

More importantly, internally you have to work hard to make people understand what you are trying to do, put incentive systems in place for people, change our R&D programme to make it more sustainable, and celebrate success stories. There is a lot of work you need to do within the company to galvanize that change. In our company, which has nearly 80,000 people, the majority of them get it, but we still have some work to do.

“Companies that single-mindedly focus on shareholders and optimizing their return are not companies that are built to last, they are built to sell.”

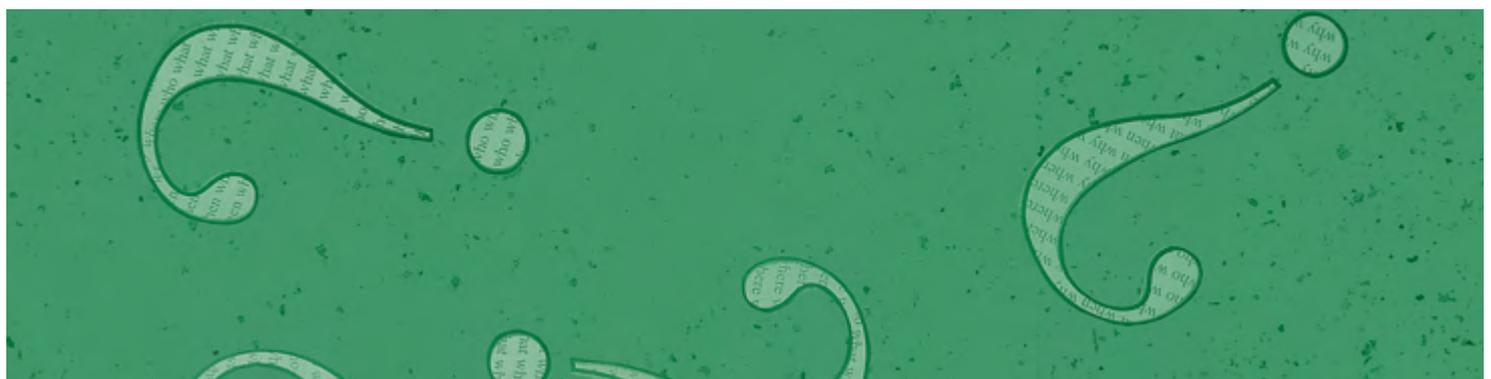
Q Are you first for consumers, rather than shareholders?

We are 100 per cent for consumers. We as a company need to focus ruthlessly on improving the lives of the consumers in a sustainable and equitable way. If we do that well our shareholders will be rewarded.

Companies that single-mindedly focus on shareholders and optimizing their return are not companies that are built to last, they are built to sell. I can very quickly optimize for our shareholders, but then Unilever would not be around for another hundred years.

People say that the purpose of business is to optimize short-term profit but that's not true. If you optimize short term profit, you make a short term business. If you look at the long term viability of a company, which focuses on improving the lives of the world's consumers, it will make for a long term business.

This is an abridged version of “Doing well by doing good: An interview with Paul Polman, CEO of Unilever, part 1”, *Strategic Direction*, Volume 29, Number 4, 2013 and “Want to change the world? Think differently: An interview with Paul Polman, CEO of Unilever, part 2”, *Strategic Direction*, Volume 29, Number 5, 2013.





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Final thought ...

“ I've learned that mistakes can often be as good a teacher as success. ”
Jack Welch.

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