

Paul Nixon: It's Paul Nixon and today I'm with Professor Gary Davies, who is Professor of Strategy at Manchester Business School. Gary, would you care to introduce yourself and tell us a little bit about the areas that your department covers, in their research and so on?

Gary Davies: Manchester Business School is quite a large institution, over 200 academics, and we have a number of specialist areas where a number of academics come together, informally or formally. And the one that I head up is called the Reputation, Brand and Competitiveness Group. So that's a group within the Business School, mainly doctoral students undertaking research, but also there's a much larger informal group which stretches around the planet, again mainly of ex-doctoral students who've now gone on to become academics in their own right.

We have one or two practitioners, but our main purpose, I would say, is to research the area of the corporate reputation, corporate branding to publish in that. Yes, we do get involved in commercial projects but usually to fund the activities that we're engaged in at the Business School.

Paul Nixon: Let's start by talking about this ... all the questions are around reputation and, particularly from an online perspective, which is very close to what our audiences are interested in. But let's start with talking about how you think reputation is measured and what key factors people take account of when assessing a company.

Gary Davies: That's I suppose where we started at MBS, nearly 10 years ago now, in reputation management work. And that came out of some work that goes back even longer on branding in the retail sector. My background is Mars, so I learned my branding in fast-moving consumer goods and, in particular, confectionery, pet food, Uncle Ben's rice, Yeoman mashed potato

Paul Nixon: Real stuff.

Gary Davies: Real brands. And the key was advertising, in fact we had a mathematical model to determine what the budget should be. So I found myself then, a few years later, working in an academic environment and being involved with a number of retail companies in creating what was Britain's first degree in retailing. And one of the things I was very interested in teaching was branding in the context of retailing because retailers were saying "We're brands" and own brands were taking over, really, in many segments of the market.

I started to realise that the name of the game in corporate branding was somewhat different from product branding. Eminent brands like Sainsbury were spending peanuts on advertising. How on earth can you be a brand without advertising? This seemed to me to be beyond the pale of understanding.

Paul Nixon: (Laughter). Just not right.

Gary Davies: Just not right. And things like that then intrigue us as academic researchers. So, how do brands get created? So roll on a few years, we're starting to recognise now that what we were discovering in the retail sector also applied to other service industries and service companies. And as 60% of managers now work for service organisations of one sort or another, mainly in the public sector, that seemed to be a fruitful area of research for a Business School such as Manchester.

The rules of the game then seemed to be different. Advertising plays a much less prominent role. We came across some research which seemed to indicate that there was a relationship between the employee view of reputation of the corporate brand and the

customer view. That intrigued us, but to get inside it we needed a measure because, I suppose, as an ex-market researcher myself I was interested in proof.

Paul Nixon: In God we trust, all others must bring data.

Gary Davies: Absolutely right. And statistical tests are the mantra.

Paul Nixon: Yes.

Gary Davies: So, fine, we needed a measure of reputation. And we came across an approach from America, a lady called Jennifer Aaker, daughter of a well-known branding guru called David Aaker, and she'd come up with something that she'd called a brand personality test. And behind it all is the assumption that if you're thinking about a brand there's an easy way to get inside what its image is or what its reputation is, you can start to pretend that it's a human being.

And her trick was, as many people have done before, is to say "Imagine, for example, that Manchester Business School has come to life as a human being, what would its personality be like"? And she then devised this personality test. But most of her brands were product brands, the work was done in the States and she focused on consumers rather than employees.

So our first task, it was a major piece of work, was to come up with our own measure of corporate reputation, which we call corporate character, which is, basically, a personality test applied to companies. And it's valid for both employees and customers and it's been re-validated in six or seven different languages and 10 or 15 different countries around the world.

So we've now got a tool that we can measure this intangible thing—people's feelings, really, about something as ephemeral as a brand.

So we can start to measure and challenge some of the statements that practitioners make about how to manage brands.

Paul Nixon: And this is an interview-based tool, you go out and ...?

Gary Davies: In the early days it was 100% interviews and we have a database, I think, of something like 9,600 personal interviews. Since then we've started to wake up that we can use this tool online, we can use it via normal distributed questionnaires. So a lot of our work these days is done electronically.

Paul Nixon: Yes. So, give us a flavour of some of those measures and some of those

Gary Davies: Well, like human personality we've found that it's multi-dimensional. So we have a dimension which looks very much like the human personality dimension of agreeableness. Is this person trusting, trustworthy? And exactly the same words then appear in the context of a firm.

And maybe I'll step back a second because this is important in terms of the understanding we have as to what this thing, reputation, represents. If I say that Company X is trustworthy, I'm giving you two pieces of information—I'm telling you how I think that company will behave towards me in the future, and I'm also telling you how I think I will behave towards that company.

And that's why it's so powerful. Because if I say that company is trustworthy, by implication I'm saying that everything that they tell me I can rely upon. I'm also telling you that I can rely upon them for their goods and services and if they tell me something I think it's going to be the truth.

The transaction costs then between us then are going to be lower and I'm going to choose them over a company that might be a bit cheaper but whose promises don't always seem to be kept and whose approach to life seems to be a little bit more cavalier. So that's one aspect.

We have seven of these dimensions, as we call them. The one that we often get to talk about is ruthlessness—controlling, arrogant, that more aggressive side of corporate personality. And we did some work in Ireland a few years back where we asked a number of focus groups to list their most ruthless companies. Top of the list was Ryanair, number 2 was Microsoft, number 3 was News International, which led to a panorama programme on Ryanair where some of our work then helped shape that programme. But that's a different story for a different day. That sounds a very negative aspect of corporate personality.

Paul Nixon: But some investors would see it as positive.

Gary Davies: Oh, and managers see it as positive. Managers prefer to work for a company that's a tad ruthless.

Paul Nixon: Yes, focused.

Gary Davies: Employees don't like it, customers don't like it, they put up with it. Particularly as, in the case of Ryanair, they're offering you virtually free travel. In the case of Microsoft you cannot avoid their products.

Paul Nixon: Yes. And what are the other key dimensions?

Gary Davies: We've got competence, which is what it says it is, really, it's a measure of quality. And if you look at a lot of academic research, particularly from economists, they would say that that's what a

brand does, it gives a signal of quality to the market. We found, though, that it doesn't seem to work. And our explanation is that, particularly at the corporate level, most people would be unwilling to deal, for very long at least, with a company that's incompetent. And those companies will exit the market fairly quickly.

You might argue, tongue-in-cheek, that the public sector is still full of incompetent organisations but we're stuck with those as well. So, competency seems to be a hygiene factor. We want our, particularly the ones that are for profit, we want those to be competent. If they're not, we won't deal with them, they exit the market. But to tell me that such-and-such a company is twice as competent as I want it to be tells me nothing.

Paul Nixon: Yes. It's a kind of gate, a qualifier.

Gary Davies: It's a gate, it's a threshold. Then there's chic, which is sophistication and this is an interesting dimension because we've found that it works for food retailers such as Tesco, which you wouldn't necessarily associate with that aspect of corporate character. But if you compare Tesco today with where it was when both you and I were lads

Paul Nixon: Ah, indeed. (Laughter).

Gary Davies: It was 'pile it high and sell it cheap'. And then along comes a CEO, MacLaurin says "Well let's move these things out of town", let's move them into what, at the time, looked like temples of consumption. Let's push the business up market. But we'll keep that price-driven message as well, 'Every little helps', as it is to this day.

Therefore we've got Tesco, which appeals to both our sense that we want a good deal and at the same time we want a place to shop

that doesn't make us feel cheap. And that's the problem with the discount end of the market in this country, not abroad. In this country many people feel cheapened by shopping at the hard discounters, even though the data might indicate that they could save 30% on their grocery bill.

Paul Nixon: Just don't want to be seen there. (Laughter).

Gary Davies: No. Absolutely right. You might go in ... I think the beauty of Aldi and Netto and Lidl is that you can take your Marks & Spencer's bags in and fill them with the goods so that your neighbours don't realise what a cheapskate you really are.

Paul Nixon: I do remember my mother going to Harrods just to buy a tin of cat food and a large Harrods carrier bag.

Gary Davies: A large bag, yes. (Laughter).

Paul Nixon: So that's, I think, three or four of them. How many ... what other ones ...?

Gary Davies: Well there's seven. There's two ... one that seems particularly—this lass Jennifer Aaker that I mentioned earlier—seemed to be quite strong in her work and we both call it machismo. And it's masculinity, it plays well with Latino cultures and, in fact in Spanish cultures it looks as if it might even be two dimensions.

And that emphasises one aspect that these main dimensions of corporate character seem to be pretty general, they will work in most cultures, but there's one or two which are culturally specific and this machismo one seems to be one of these.

In Japan, for example, you can't tend to find that and instead you've got a dimension that some people call serenity, calmness.

Particularly in the workplace you don't lose your rag. If you want to

tell your line manager what you think of him or her you have to go out, karaoke thing, both of you are drunk, and then ... everything is

Paul Nixon: Sing the appropriate song.

Gary Davies: But you don't do it during work hours. So that seems to fit, anyway, with our preconceptions of Japanese society. One other dimension which seems to work for some organisations, Ikea would be one, but we've found that the fashion retailer New Look seems to be typified by this sense of relaxed approach, casual, simple, easy-going. Those are the keywords there.

But there's a number of companies, particularly, we felt, coming into the new millennium that that might be quite a hot dimension, so even though it wasn't particularly well defined in our early work we thought it would be useful to carry on.

Another one, another big one, is enterprise. And this is innovation, this is moving things around and changing things and coming up with new ideas. And it's an interesting one in its own right in that employees don't like change. So if you want to be seen as an innovative culture, and if the employee view is key, then it sounds like a good idea then to have a culture which celebrates innovation, celebrates change rather than one that finds it rather threatening.

Paul Nixon: Well, I guess, people need a stable basis of at least one dimension that's stable for their workplace. But then look at the people who work at, whether its Google, or now Facebook, where there is new innovation and the whole of that industry thrives on coming up with new stuff.

Gary Davies: Well you used to work for Accenture and if you didn't like change in a place like that then find another career.

Paul Nixon: (Laughter). Ah, let's not talk about the scars just yet.

Okay, so let's move on to thinking about ... have we covered all the dimensions first?

Gary Davies: Yes, I think so.

Paul Nixon: So let's talk about the online corporate website in that context because I, through many experiences both for myself and seeing how other people react to things, I believe that the corporate website can change people's perceptions, can give you that "Oh my God" moment, "I didn't realise they did that", "That's really good". And change the way that you perceive them. So how do you see ... how important do you see the corporate website in that overall opinion-forming space?

Gary Davies: I think it's difficult to generalise. I think you're quite right to say it can do these wonderful things. I think if you've got a large corporate that's been around since the year dot it's not so easy.

Our work on corporate websites has taken two or three dimensions. The first thing we did, years ago, was to use it as a source of information about mission, vision and values statements. Which was quite interesting, although most corporates wouldn't use that label—the HP Way, for example. But for many corporate companies it's about the easiest place to go to try and find out an answer to the question "Well, who are you"? And they'll try and explain through that sort of statement what their values are.

Now assuming it's not corporate wallpaper, which quite often it is, then it can be quite insightful and a company that you don't necessarily know very well can express its personality through that sort of material on its website.

The thing which puts a bit of a question mark against what I've just said, in my mind, is that most websites tend to be very transactional and very magaziney. So they're full of information, if you can get your way through it, and the emphasis thus far has been on, particularly, on the transaction side of the website, if you want to buy something from it. There's been... on the mechanics. And people talk about ease of navigation—seems to be the mantra here. And I agree, having got to the

Paul Nixon: Well if it's bad you just stop.

Gary Davies: Yes. Got to the trolley numerous times to find there's a couple more hurdles I've got to go over—can be devilishly frustrating.

Paul Nixon: Or your trolley suddenly gets empty.

Gary Davies: Yes. There's all sorts of things that can go wrong right at the last moment. But I think that's a bit of a red herring. I think that's a technical issue that can be resolved, and should be resolved. If you were in a checkout queue at a supermarket and there were these sort of problems you wouldn't go back. And companies recognise that so that's got to be resolved and will be.

More subtle, and again in the context of retailing, you want to buy something online and all the pundits are saying that we'll be doing a lot more online shopping in the future. And that's growing and growing and growing every year.

But if you look at the online experience by comparison with going shopping, shopping and fishing are the two biggest leisure activities in this country and you can guess which gender is associated with which. So how do we put that shopping experience online? How do we make it as hedonistic as it is when you actually go shopping? Retail therapy and what's the equivalent online.

And one of our projects has been to, in conjunction with a large mail-order company, has been to look at just this issue. And look to see whether people are more hedonistic, whether they are more or less satisfied with online shopping. And you might have guessed that hedonists, people that love shopping, often find the online experience less than acceptable. The onus is transactional—we want a white tee-shirt we don't want to go down the shops. We know our size, then great, no problem.

Paul Nixon: But if you're a heavy eBay'er and you love getting the deal at the last moment, that can also be quite

Gary Davies: That's great but if you're running the equivalent of your shop online how do you build the experience in? And I don't think that's been done, yet, very well at all. So if you go into a shop you get music. The problem is licensing, on the website. So you might get pop music and there's mechanisms by which fashion retailing, in particular, can play tapes—there's licensing arrangements. Can't see it online. Big opportunity for the music industry to get involved with online and stop telling us, constantly, that it's a threat to your industry. It's there, get a life, get involved.

That's not the only sound you get when you go into a shop. The other thing that you can do in a shop that you can't do online is touch—it's tactile. And that sense isn't satisfied online. But if you look at the success of Apple's products—the iPhone, iPod, that sort of product—they are tactile and that's one reason why they're so valued as products, why people love them.

Paul Nixon: They're beautifully presented, they just look beautiful as well as

Gary Davies: And they're tactile, whereas my mobile phone ain't. I plug the buttons and open it up and it's quite ... it's mechanically robust and

solid and every time one of them disappears into the pond at home it's cheap enough to go out and buy another one. But, there is ... I'm sure a lot of people have these things because of the joy of using them. How many websites are a joy to use? Give you a real emotional buzz when you use them? Not many.

Paul Nixon: Very few.

Gary Davies: And I think that's the challenge.

Paul Nixon: And particularly on the corporate website side, away from retail, that's even more of a challenge because some people treat the website as just a leveller, it's a place where they dump information so that everyone's got the same thing. The best are starting to think about telling a story and you see that so rarely, but to do that well then you've got to embrace video, you've got to embrace all this scary world of social media and actually interacting with people.

Gary Davies: Well I'll give you an example from the work I was referring to about the analysis of mission and vision, we content-analysed the mission and vision statements and we related them back to our dimensions of corporate character. And we found an American bank that, when you looked at the corporate information, mission and vision, seemed to be saying "This is an exciting bank". Well, maybe since that time banks are a lot more exciting

Paul Nixon: Have become a lot more exciting, in a bad way. (Laughter).

Gary Davies: For all the wrong reasons. So I think that's one side of it, but how do you promote trustworthiness, which is what we would normally expect with a bank. On the high street they have these lovely marble façades. These very solid-looking things. How do you, at the same time, appeal to a younger audience-

Paul Nixon: Who are a lot more cynical.

Gary Davies: And they want something different. They're not so impressed by the marble façade and they want something which looks a bit more like a nightclub. Now you can do that at the branch level, you can put a branch in the university precinct here, which looks very chrome and glossy and glass, and you can have another one in the city centre which looks like a quarry. So you've got those two things that you can do.

Online, not so easy. Not so easy. You could do it with graphics to give an essence of that but, again, touch. Maybe the next generation of touchscreen, maybe the next generation of PCs will be touchscreen and maybe somebody will find a way of changing the touch feel on the screen.

Paul Nixon: Just thinking about the measures you were talking about earlier versus the corporate website, some of those things—those reputational dimensions—you would look to convey by your design. But from a content point of view, what would you look for to actually back up some of those? Apart from mission and vision because yes I agree-

Gary Davies: You used the word earlier, used the expression earlier, a story. And thinking through your list of questions yesterday and I thought "Well your question 'Give me an exemplar, tell me a website that's really impressed you'". (Laughter) I was struggling.

Paul Nixon: (Laughter).

Gary Davies: I'm going to have to come up with one or two. But it's difficult. But there was one that I bought some crocuses from and the guy had started the business in North Wales somewhere and I found it through Google and it was one of their retail affiliates. And when

you went onto the website there was, not him as a talking head, but to get into it you had to go past his personal life story. About how he'd done a PhD and what he'd then done, started the business part time, then you went into the shopping area. Now as long as that was, as it was, fairly brief and also engaging—maybe it appealed to me because I'm an academic—I found that great. And it was personal.

Paul Nixon: Makes it personal.

Gary Davies: Yes. And it told me here's the company, here's the MD, the CEO, the founder—probably only a two-man business anyway—but recognising that the CEO literally personifies the company. And talking to me, chatting to me. That was great. And that worked for me. And as you can tell I haven't forgotten that.

Paul Nixon: Well one of the examples that I highlight is in what is quite a tedious area of health and safety in terms of corporate social responsibility areas that people talk about. And this one example is a page on the BG Group site where it talks about the experience of this Communications Director who was on-site when there were some fatalities and realised that the root cause of why the fatality happened—I'm not sure if it was one or more—was because the contractors who were working there, their first language wasn't English. And so the manuals of safety, procedures and so on, just didn't go in.

So he personally led a campaign to get everything turned into pictures and suddenly you read it and it's very personal. It's about his immediate seeing that there was something wrong and then going about fixing it, and having results. And so that's one element which we talk to our clients a lot about, making it personal, making it count.

Another example of a supplier on a website for Stora Enso, a Chinese employee talking about how great it is to be pushing the good employment practices to suppliers and the impact it makes on those other employees. So personal, I think, is very good.

We talked briefly before we started a bit about crisis management and so on and obviously with the impact of social media and the internet mob and how it's much more difficult to control your message. As companies start to have presences on Facebook on YouTube and so on, what ... do you look for any aspects within that? Or do you think it's important that they should have a presence, that they should be seen to be there? Or what sort of things would you look for from a reputational point of view?

Gary Davies:

At a personal level I'm not a great blogger or user of Facebook and these other types of things. I'm on all of them, but I very rarely visit them. Maybe that says something about me, my generation, I don't know. I think what it does say is that there's a fashion element here and companies have got to recognise that, that different brands ... why did Facebook succeed? There's a movie out about it now. There's lots of other similar products and in different countries different systems seem to dominate the market. So that's the first point about it.

I think companies, as they have, have got to recognise that there's an awful lot of interest in information out there that they can garner on the input side. At the same time they've got to be sensitive to what they're pushing out there.

Blogs ... you can go online and look at what ex-employees, who are not necessarily too positive about you, are saying about you. So clearly you've got to understand what they're saying and maybe put your point of view out there in the marketplace.

So what do I do, personally? Maybe it's an ego-trip, I don't know, but I will put my own name into a search engine, pretty regularly, to see what's out there. And I'll go through blogs, and occasionally you'll see some very interesting stuff.

I was giving a talk in Korea in December and within 24 hours there were two students that had been in the audience blogging about what I had said. In English.

I gave a talk in Ireland and I told a joke, at an Irish university, and interestingly I'd picked the joke up from (laughter) one of my Irish colleagues and it was about the relationship between Britain and Ireland. And that was perfectly okay, apparently, for him to say it but for me to say it wasn't so good. And a student was blogging about the fact that she'd decided not to have a go at me during the lecture because of the joke. Useful stuff. So I don't tell that joke now.

(Laughter).

Paul Nixon: Always best to be careful on the joke front.

Gary Davies: So I think the equivalent for that, at the corporate level, is to start looking at what are people saying about you. And how do they see you. And it's no good saying "They are wrong", they have their point of view. And if you ignore it, if you are McDonald's and you're telling the planet—as they used to until relatively recently—that they are selling nutritious food, and that's the platform, and there are people out there saying "No it ain't nutritious", you don't go after them in the courts. You listen.

Paul Nixon: (Laughter). Not any more.

Gary Davies: You listen.

Paul Nixon: So companies do ... they need to listen, but I also think they need to interact, to prompt more, to say "Well what do you think about this" or "Here's our ideas about XYZ" or "Did you know we did this"? And we see those different social media channels as, well, it's just another place where a set of people are.

Gary Davies: It's another channel which may or may not be there in 10 or 20 years time.

Paul Nixon: And let's move on to the next area which is around how companies used to be able to, through their brand messages, just say "We are great", "We have high quality", or whatever. Or "Our food is very nutritious". How do you think in today's age of ... where there's much greater cynicism about corporates, about products, about ... how should companies make people believe what they're saying, make things more credible when they're asserting them online?

Gary Davies: That's an enormous question.

Paul Nixon: I know (Laughter).

Gary Davies: Let's pick it off bit by bit. In a crisis you've created a group of people out there that think badly about you and you can defend that situation to your heart's content. Will it convince? No. And you can only, in my view, approach a crisis by recognising that the people that you're talking to are in a state of high emotion and you've got to use emotion back. They've got to believe that you are as bothered about this issue as they are.

Let's use a down-to-earth example of British Petroleum and the problem in the Gulf. Tony Hayward must be a damn good manager because he's come right the way up through the ranks of a very large company, now he's at the top of the company. But handling that crisis in a very rationalistic way and not coming across to the

audience as someone that was devastated by what had happened. I'm sure he was but that didn't come across.

The other thing that corporates can't do at the moment, which has got to change, is apologise, because their lawyers are sitting on their shoulder going "Don't do that". Because of liability, and insurance companies are saying "We are not going to cover you for something which is a mistake, we're only going to cover you for an accident". As soon as you admit liability forget the insurance policy. That's got to change.

And the reputation people are saying "For heaven's sake, we've got to come across as human beings, we come across as unthinking, uncaring, unfeeling people then we're going to suffer as a result of this". Completely agree.

So recognising that emotion has to be dealt with with emotion I think is an important lesson that we've picked up in our work. That answering emotion with rationale just doesn't ... will never get you anywhere.

Paul Nixon: Totally agree. But in a non-crisis situation so, say, in the corporate responsibility arena, where you may want to say "Look how much good stuff we do for the environment, or for communities, or our employees". How would you see that? What things would make you believe that they were really walking the talk?

Gary Davies: Every time I read a CSR report I cringe, honestly, because it's usually oversold. And maybe that's just me because you know the debate that's going on behind some of these things. There's the fundamental debate as to whether or not corporates should have a social role other than maximising their profit and returning that profit to their shareholders. And it's up, then, to the shareholders as to

whether they want to be philanthropic. And I think companies are often afraid to say that. And we've got to make it look as if we're good for society, we're a social actor, we have a social role.

And because, certainly myself and I would guess an awful lot of other people, recognise that that's not necessarily part of their business that we see this a bit suspiciously. Then the bit that doesn't help, again, is the research, that particularly our American cousins seem to do a lot of, which is to map the image of the charity or the good deeds bit that they're into with their corporate reputation, corporate image. And say "Okay, we sell baby clothes, therefore we should have a charity which is concerned with young people ... young mums or babies". And that is just

Paul Nixon: (Laughter) Keeps 'mums net' on our side.

Gary Davies: That just smacks of ... it doesn't smack of enlightened self-interest, as Marks & Spencer's, years ago, used to label their charitable donations. The other thing about M&S that would be a good model here, always very generous, right the way through their history. At every AGM shareholders standing up saying "Why are you wasting our money"? And a difficult one for the CEO.

Part of it is its impact on the public, but M&S—never, hardly ever advertised in the old days—but very rarely would they be open about what they were giving money to. Part of it is because I think they recognise, as we do now, that the biggest impact of CSR reports and CSR actions—which is more important than the report itself—is on employees.

And we're picking that up and we think there's a chain effect here. CSR influences the employee and the employee in a service organisation influences the customer. It's that way through. So this

wonderful word, engagement, that's all the rage now in HRM. The employee will become more engaged if they think that they're working for-

Paul Nixon: If they're proud of what their company does.

Gary Davies: If they're proud and they see them as responsible and not irresponsible. "Here's a great place to work, I will go that extra mile." And that will shine through to the customer.

So that's how we think CSR works and we're in a minority here. We're members of an organisation called EABIS, European Association of Business in Society, and they take a totally different view. Their view is that if you don't do good then your profits will suffer. Our argument is that in all that research, that there's a correlation between profitability and involvement in CSR, the causal relationship is the wrong way round.

Companies are more profitable and invest more money in CSR, not the other way around—investment in CSR enhances profit.

Paul Nixon: And there are, of course, those companies where it genuinely makes sense to do CSR-type activities from a customer point of view. So if you take Land Securities, as they make their buildings more efficient and they save their tenants more money then, actually, that's a really positive thing and they ... so it's a plus for the environment. And so their mantra is to build it into their business because it makes sense.

Gary Davies: Yes, and I think there's a lot of that if I go back to my school days—iron exchange resins were incredibly expensive things and But now they're relatively cheap and most companies will have them in their effluent streams because they strip out nasties like mercury, "Ooh hang on, strip out mercury, how much can we get for it"?

And even these days you've got crematoria being told "You've got to strip the mercury out, out of your flue systems, that's the law". Well let's think of it completely the other way around. We can't afford society to see something like mercury being vented into the environment, both from the environmental point of view but also from the commercial point of view. There's a limited amount of mercury on this planet.

Paul Nixon: And you certainly don't want it in the air.

Lets talk about how different ways of content online influences people, how much do you think, or how much better do you think, the likes of video or podcasts or interactive tools, that sort of thing, get the message over better from a reputational point of view?

Gary Davies: I think they can be great. I've seen some really wooden videos.

Paul Nixon: Some can be really bad (Laughter).

Gary Davies: Amazingly wooden videos. When you look at it you cringe and you think "Oh dear". So if you're going to do it, do it well.

Paul Nixon: But I think that's ... it's not necessarily ... we've seen companies be reluctant to do video because their introduction to it has been through the very well-rehearsed, Cantos-type interviews and things like that. Which is quite expensive, even though the product's very good. But some companies are getting more enlightened and are saying "Well, actually we'll get our own in-house video department, or give it to our employees, have a competition, and see what they come up with".

Gary Davies: Well you mentioned Cantos, I think there's some good examples of some guys that could do some presenter training on Cantos. My son runs a presentation business, trains presenters for the media,

and it's something that some people can pick up and some people can't. I certainly think all CEOs that feel that they might, at some time, be in front of the media need to do it. It's not in a ... you haven't got an opportunity to rehearse, you haven't got an opportunity to cut and do it again, so there's that aspect of being able to present your company. But there's no excuse for not getting it right on your own website.

Paul Nixon: Yes, that's true, because you can rehearse that. But some people just aren't natural presenters ... (Laughter). Find someone who can.

Gary Davies: Can't do it? Find someone that can, or find a different way of doing it. Sometimes if you get an interviewer, so it's not a formal presentation it's a chat. So I think there's ways of doing it.

Paul Nixon: But would you say there needs to be more of it done?

Gary Davies: I think it's horses for courses. If I go online and I can't find anything from one of the heads of the organisation, I think "Well why not"? Because you go onto YouTube and you can find it.

Paul Nixon: Yes, absolutely. And if the CEO is presenting somewhere else and it's not mentioned on the corporate website, why?

Gary Davies: Why? Hmm.

Paul Nixon: And you have those positive and negative jolt moments of saying "Now this isn't right". Which affects, let's say, "Should I accept all their messages or not". And you see yourself reacting to it, you try and self-analyse and so on.

Gary Davies: There was a lovely example a few years back, a guy that was in a country and western group whose guitar was broken by United

Airways, couldn't get compensation, couldn't get satisfaction, so he makes a video ['United Break Guitars'](#).

Paul Nixon: (Laughter).

Gary Davies: And if you haven't seen it have a look and put it on your own website, because it's an absolutely brilliant piece. And not only that, he comes on at the end of the video and says "And there's going to be another one". And United's response is quite interesting, it's quite ... it lacks ... it's fun, but the response from United is quite straitlaced. And you've got to recognise when you've been had, and as human beings we do it, we know we've got to laugh ... 'laugh it off' is the expression that we use. And corporates have got to recognise that there are certain situations that they have to laugh off. But they can't do it.

Paul Nixon: (Laughter) There is a video on the Zurich Financial site which shows ... it's titled ['Zurich's Three-Dimensional People'](#). And it shows their different managers, what they do outside. There's one, their administrative head, who loves singing, always wanted to be a rock star and starts conferences with singing to the staff (Laughter). Others: champion skiers, water-skiers, boxers. And suddenly it gave a lift to the whole perception of the company ... it gave so much more personality to the site, to the company and how you thought of them as a group. And immediately I forwarded that on to people.

So, if you can get that sort of reaction you realise there's so much more that other people could be doing. Or just the strength of reaction. I don't know if you've seen the Old Spice video campaign with this ... it's all on YouTube, fantastic campaign, this guy in an hotel saying "Ladies, look at my body, look at your husband's ... look at my body, look at ... he could smell like me". (Laughter).

And there's a whole series of them. And then people replied and he does video response to certain people, like the Gillette representative and so on. It's fantastic.

You laugh within seconds and you're forwarding it to people. And it's that, if you can get that kind of viral breakthrough then it's brilliant. But, of course, corporates still need to be seen to be sensible, depending on their industry ... drinks companies, they've got more latitude.

Gary Davies: But do they? Richard Branson and Virgin, flies a blimp over the London Eye, and when the German company that BA had brought in to construct the thing had difficulty moving it from the horizontal to the vertical and on the side of the blimp it says "BA can't get it up".

Paul Nixon: (Laughter).

Gary Davies: Now could you imagine British Airways doing that? Can you imagine any company doing that? But Branson does it and gets away with it. Now that's corporate naughtiness at a very, very high level.

Paul Nixon: But it fits with the brand.

Gary Davies: It fits with the brand. Also with Ryanair, the MD going ... there's a website devoted to his sayings and if you want four-letter words they're all there. Body Shop, when Anita Roddick was in charge, read her book about Body Shop. Four-letter words again.

And you think, well, if they can do it and get away with it, and they're talking to you exactly as they would talk to you one-to-one in a room with no microphones, why can't we see the human side of the head of these large corporates? In the same way as you were

talking earlier, “I used to be a pop star, I wanted to be one all my life, I was an Olympic skier”. They’re human all of a sudden. And I think that’s important. And that’s the arrogance of our corporations, arrogance of our institutions.

If Manchester Business School wants to impress people in terms of get them to understand, do we send our administrators out to China or India—which are our two largest markets at the moment—or do we send people like me? If you were a mum or a dad, being asked to shell out the sort of money that we charge students, who would you want to see?

And would you want to see that person in person, and have the opportunity of interacting, the substitute for that being an online experience that we do as well—we have virtual open days—what do you do?

Or do you have the pre-planned, scripted, maybe not even talking heads approach to communicating with your customers. Wake up. Service organisations, service businesses are people businesses.

Paul Nixon: People buy people.

Gary Davies: Hmm.

Paul Nixon: We’ve talked a bit about crisis situations and so on, and what people need to do in those. Let’s talk about, say, a situation that a lot of Eastern companies, the Russians and the Chinese companies, looking to come over here and list, or looking to improve their global reputations. What are the sort of things ... where some of them may have some baggage from an environmental point of view, or whatever, what are the sort of things that you would be saying to them as far as how they should handle themselves and improve reputations?

Gary Davies: We get a lot of Chinese businesses coming to the Business School; we have a big set-up in Shanghai and Hong Kong. So a lot of our work now is in China. We have a Chinese centre within the university, another one within the Business School. China's come a heck of a long way very, very quickly. We've also worked with Russians and Russian business. That has been slower to see the entrepreneurship in Russian business by comparison with Chinese business. The Chinese seem to have latched onto it much quicker.

Paul Nixon: Interesting.

Gary Davies: But the thing that's missing in many Chinese businesses at the moment is understanding what a brand is. Chinese people love brands, just go shopping in China, they love brands just as much as anybody in the West. But the next generation of Chinese businesses will have to move from making the brands for other people to sell, making the products that other people brand, in other words, to creating and marketing their own brands. And that's a heck of a leap. It's a heck of a leap.

You can say that the Chinese have always been entrepreneurs, going right back in history, it doesn't matter about Communism that won't have blocked it at all. Communism has blocked the brand—the blanding down of society. So we know we like these brands, it's a symbol of our freedom, freedom to choose, freedom to demonstrate that we're making money, all those things. Now they've got to understand it can be the other way.

When you look at the challenges facing a Chinese company, the first thing that we would notice if there's a Chinese-sounding brand name on the product is that it's from China and there'll be an immediate overlay where we will assume that our knowledge of things Chinese is somewhere behind this brand.

Paul Nixon: Embedded in that, yes.

Gary Davies: And I have to admit my first personal visit to China was four years ago now and I expected to see rickshaws in the streets. I expected to see tuctucs which, as I'm used to in Thailand and Vietnam that I'd visited before then, I expected to see that sort of society. I didn't expect to see the sort of cities that I'm used to seeing in Japan. Get off the plane in Shanghai, what are you faced with? One of the most modern cities on the planet.

Paul Nixon: And very modern traffic jams and

Gary Davies: Very modern traffic jams and pollution and God knows what. But that changed my perception of China and things Chinese in seconds. Now not all of us have been to China. Not all of us have seen that. So there's a tremendous barrier for brand China to overcome before we get near the actual brand itself.

So we've now come up with our name, the Li Sang range of cosmetics, or whatever we want to call it. The first problem is we've never heard of it. And getting recognition is the first stage of branding. To get the imagery, recognition. And the cost of doing that—I've seen an estimate the cost of establishing a global brand is \$6 billion. \$6 billion.

Paul Nixon: Wow.

Gary Davies: The internet and online is an easy way through. Much cheaper way of doing it. Maybe to a more limited ... in a more limited way. But as a substitute for mass advertising it's got to be something that people need to look at.

Paul Nixon: Just get yourself a furry meerkat.

(Laughter).

Gary Davies: Yes. And then you've got to have something that you build into that brand, which is exactly the same challenge as it is anywhere on the planet.

Some of the problems that business people in China will face I think would be exemplified by my very first Chinese student. I was actually working at Oxford at the time—my first Chinese student from the People's Republic of China—and she wanted to do her dissertation for her Master's degree on the topic of why do British companies have Public Relations departments. I said "You're joking, that's not a topic for a dissertation". She said, "Yes it is if you're Chinese and we don't know what PR is because we don't need it".

(Laughter).

There's the State media, there's the State companies, why do you need Public Relations? And then you see Tiananmen Square and you realise why that was allowed to happen. That was allowed to happen.

And I think it's a process, that's one reason perhaps why there's so many Chinese in the West now, just trying to understand how we think. Because we will be the consumers for their brands that are going to follow in the next wave.

Paul Nixon: And do you think that that educational process that they're going through is going to be ... that they first have to master the product brands, and building reputation around that, before building good governance reputation and then the responsibility side, corporate responsibility side. Do you think they have to do those in series, or do you think they need to try and do everything at once?

Gary Davies: I think they've got to do everything at once because ... take the milk powder scandal. There was a joint venture with a New Zealand company and one of the companies involved in the scandal so you did have the Western influence there. Despite that, they were adulterating milk powder. Despite knowing that a lot of that was going into young kids and babies. So if you've still got that way of thinking, that "We can get away with it because we can cover it up", then that's a fundamental issue that's got to be addressed before we can

Paul Nixon: Before people will trust, yes.

Gary Davies: So I think there's a cultural dimension and I think it's something that will be generational. Deng Xiaoping, I think, had this lovely saying that's been attributed to him "We're crossing a river and we're feeling for the next stone underneath the water". Lovely metaphor. So we know which direction we're going in, we're not too sure about our footing.

Paul Nixon: (Laughter) What's underneath.

Gary Davies: Not too sure what's going to happen. There's this general view that that's the direction they're going to have to go in. And yes, we will have, of the 1,000 students doing Master's degrees at Manchester Business School this year, 400 will be Chinese. And some really, really clever young people.

Paul Nixon: How do you spread ... the emphasis, if you like, between those things that they need to learn about corporate PR The financial PR side as well, because obviously they'll be looking for investors. Demonstrating good governance versus understanding branding. Understanding advertising and all these new concepts which they

love and absorb when they see it from the West but they've then got to create their own things.

Gary Davies: Well we've got to give them frameworks, as we do with all students. So there are jokes about two-by-two matrices that you learn in Business Schools, but there are lots of good two-by-two matrices, market growth versus market dominance, whatever it is that you want to do, that you can use to codify and simplify the sort of business decisions that you're having to make.

And just showing people the power of the media, the power of communication. Many Chinese students when they come here have not seen Tiananmen Square; they've not seen the young man trying to stop the tank. And when they see things like that—and the Chinese leadership must know that they're going to be seeing this when they come to the West. Deng Xiaoping was educated himself in Paris. So they must know this is going to happen and they're going to take insights like that back, and the first thing they're going to say inside the companies that they're joining is “PR, media coverage, online”.

Egypt. Classic example of how quickly modern media can open issues up. Now the days, breaking it down to the corporate level, when companies could assume that if there was something that they were trying to hide they could at least hide it for a year or two, you can't now rely upon hiding it for a minute or two.

So the idea that that sort of mindset, that must be there in China and Russia because they've been used to a controlled culture, they've been used to a disciplined culture, coming into the West and seeing this free-for-all and realising that's their future reality, must be one heck of a shock.

Paul Nixon:

But there is an equivalent shock for the Western companies because they are also going through a shock of loss of control, of suddenly seeing the internet mob, how virtual anger can be whipped up, and its destructive power.

I have an example, I don't know if you know of Cooks Source, we look at social media stories and break them down and timeline them and so on. And it was a cookery magazine that stole a recipe from an online recipe blogger and then sent back a really sarcastic reply saying "All internet information is public anyway and you should be paying me because I made corrections to your spellings" which were medieval language. (Laughter) Which she hadn't realised.

And it took a day to mobilise a mob of 4,000,000 angry people. And then the second day sealed the fate of the magazine because a group went after the advertisers and started setting up rewards for those who dropped advertising in the magazine. And secondly another group, who went on to find and demonstrate instances where Cooks Source had plagiarised other recipes, and published a spreadsheet of 160 articles. And the magazine closed in two weeks.

So some situations, whether it's BP, Nestlé and so on, you can obviously see that the brand and reputation has been damaged but it's difficult to quantify. That one you can quantify in terms of reach, in terms of what they did and end effect.

Gary Davies:

I don't know the organisation and wouldn't like it to be thought this is what I'm saying about them, but there are certain cultures which are accidents looking to happen. And we can refer to them as deviant, aberrant cultures, whatever language you want to use.

The chances of that sort of business surviving for very long are lower and lower and lower. And great.

So the chances of TV programmes like Watchdog and the like surviving in the long term become lower and lower and lower as, almost as soon as they can put a programme together, the bloggers have got at the company and have destroyed it.

So that side of it, great. Roll on. That we can remove from capitalism a lot of dodgy businesses.

Paul Nixon: But it almost changes the whole way the crisis management theory works because you see ... there's US crisis management theory and it's, like, blame someone else or deny it (Laughter). And there's this whole list of strategies which, from an ethical point of view, stink really (Laughter). But they are strategies that have been, that people in the past have seen to work. And I think, to my mind, in today's environment, there's less and less chance of those strategies working.

Gary Davies: I quite agree. The academic word for it is apologia, which sounds like apology but actually means the opposite. How to wriggle out of it. And the classic case that we teach here—but for different reasons, not “This is how to do it” but “This is what people do, do you think that's sustainable going forward?”—is Bill Clinton and Monica Lewinsky. How to ... everybody knows what's going on

Paul Nixon: I did not do that, ma'am (Laughter).

Gary Davies: But here's how to wriggle out of it. And the current issue would be Berlusconi, and the lovely one that they picked up, the media, (laughter) two days ago—“I thought she was the granddaughter of the President of Egypt so I gave her a present because I thought it was good for Italian/Egyptian relationships.” Lovely. Great. Can

you get away with that forever? Well we'll see when he goes to court.

Paul Nixon: We will indeed. Well, I think we'll leave a lot more of the questions to another day when I think we'll drill down into some of the particular themes. But, for the moment, Professor Gary Davies, thank you very much.

Gary Davies: My pleasure. Good fun.