

A collection of
management articles for
the aspiring managers

e-Management Digest

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LAW

Corporate Homicide 2

Criminal charge brought against a manager operating Skyrail Cable Car in Hong Kong reminded Management Digest about an article it carried just over a year ago about the debate to introduce a Corporate Manslaughter law in the UK. It was felt necessary to make limited liability companies or public organizations responsible for the negligent acts they committed, and resulting in deaths. It was suggested that directors would be made liable and could face prison terms.

On 6 March 1987, 193 people died when the Herald of Free Enterprise capsized. Although individual employees failed in their duties, only P&O as the company operating the vessel was criticized in the Sheen Report:

“All concerned in management ... were at fault in that all must be regarded as sharing responsibility for the failure of management. From top to bottom the body corporate was infected with the disease of sloppiness.”

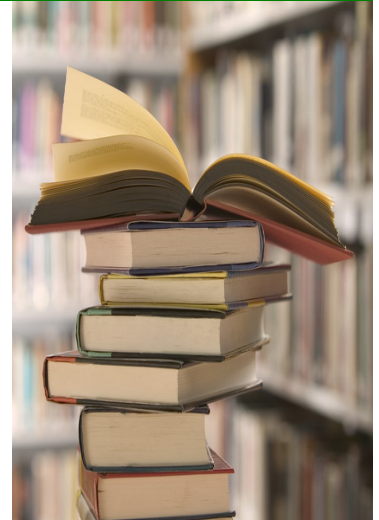
There were public criticism of the findings and the Director of Public Prosecutions was persuaded to bring manslaughter charges against P&O European Ferries and 7 employees, but the trial judge ruled that there was no evidence that one sufficiently senior member of the company’s management could be said to have been reckless.

There were a number of other train accidents in later years but manslaughter charges were not successfully brought against the companies responsible.



SkyRail

The public was concerned and after much debate, a Corporate Manslaughter and Corporate Homicide Bill was introduced to the Parliament in 2006. Originally, the Bill proposed that the offence would require a company's activities to be so managed



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or organised *by its senior managers* as to cause a person's death, and to amount to a "gross breach" of a duty of care owed to the deceased. However, personal responsibility of "senior managers" was later dropped because a fictitious person (the companies) cannot be imprisoned, but the penalty would be an unlimited fine. The UK Government was also concerned about personal responsibilities if the law is applied to the arm forces, the police, etc.

So the UK will from 2008 implement the Corporate Manslaughter Act, but the consequence of being negligent felt short of personal punishments.

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INTERPRETING SURVEYS

Branding Hong Kong

The Anholt City Brands Index has placed Hong Kong 37th in its world's top "city brands" and we are behind such other 'world cities' such as Dublin, Oslo and Philadelphia.

We understand what a brand means for a product which, according to Wikipedia, is a device to create a 'monopoly' – or at least some form of 'imperfect competition' – so that the brand owner can obtain some of the benefits."

There are some difficulties in extending this concept to a city. The interests of a company's stakeholders (whether employees or shareholders) are pretty closely tied to the interests of its customers. For a city, the so called customers are probably visitors who are much smaller in numbers than the

city's stakeholders – its residents. The Index ranked a city according to the views of a minority group on areas which more relevant to the residents.

Nevertheless, Simon Anholt, the author of the eponymous report, has a point when he says that every place, city or country must compete for its share of the world's capital, tourists and businesses, and that these decisions are affected by branding.

Not all cities (or companies) are in the same business. A direct comparison between, say, Microsoft and British Petroleum across all people, is not necessarily very useful. Hong Kong probably is not really in competition in any serious way with Madrid or Munich.

A closer reading of the report is more enlightening. The scoring is a summation of rankings based on survey questions about safety, climate, beauty, environment, cost, public services, higher education, etc. In none of these did Hong Kong score in either the top or bottom 10. This implies that Hong Kong just does not register in the majority of world opinion.



So Hong Kong not registering much on general opinion might indicate a problem of, at the very least, a lack of information.

When you buy an iPod, you have a pretty good idea of what you are getting and if it is satisfactory, there may be no need to look further. The brand premium is compensated by savings in effort and lowered risk.



Our tourist bureau should now take stock of the information missed by our customers. In our publicity campaigns, should we attack on areas where our customers seem not be aware of – our beautiful physical setting, the quality of life (everything from housing to safety, recreational opportunities and public services) and education, all of which are largely unmatched in Asia?

That is not to say there are not weaknesses, including our struggle with pollution and the relative lack of cultural diversions, but a strategic emphasis on our strengths might pop us into the top 10 of at least some categories in a future world ranking.

*Adapted from an article by Peter Gordon
The Standard, January 31, 2007*

MARKETING

Crisis Management – by Publicity

China has been undergoing immense pressure on its international image of product safety. In the last few months, Chinese exports of toothpastes, tires, pet food and toys have been recalled by big corporations who employed Chinese manufacturers.

Mattel has found lead and other flaws in their toys last month. In response, it:

1. Recalled the affected products from the market,
2. Communicated with consumers that it is not new that affected toys (or other products) came over from China
3. Informed its own staff the whole development to making sure they are in the loop, and to maintaining their morale

Back in the old days, the Chinese Government would respond to such accusations by use of common ‘denial’ and ‘blame everyone else’ tactics. But this time, the Chinese Government took a new approach to address the situation by:

1. Employing international, reputable PR agencies, to lend advice on counteracting negative publicity
2. Bringing the media to visit factories, to show them the production procedures
3. Holding news conferences represented by different government agencies responsible for product quality and safety



Toys Are China's

The Chinese phrase for ‘Crisis’ is made up of two words having meanings of, separately, ‘danger’ and ‘opportunity’. While unsafe toys were dangerous and have dented the industry reputation, employing modern marketing techniques would create new opportunities and minimise the effects of a disaster. China has made good use of the two Chinese words and publicity tools this time.

Denial tactics

Some product suppliers and distributors, including Mattel, have tried hard to restore consumers’ confidence and wrongly employed different forms of public relations

tactics and promotional activities to defend themselves against allegations.

1. Some enterprises spent huge sums of money on publishing disclaimers or quality assurance notices on the Internet without realising that their target customers may have little interests of the Internet or have no access to it. The Internet was obviously not the right platform for such publicity. But the messages were not sent to the right customers.
2. Some companies blamed the government for not doing enough to clamp down on low quality, if not illegal production. Again, this happened at the time when sympathy for the injured was more appropriate than passing on denials and seeking the culprit. Wrong publicity happened at the wrong time.

STOP PRESS
An Apology

US-based toy giant Mattel issued an extraordinary apology to China on September 21 over its recall of Chinese-made toys, taking the blame for design flaws and saying it had recalled more toys for excessive lead than justified.

Thomas Debrowski, Mattel's executive VP delivered the apology to Chinese product safety chief Li Changjiang, at which Li upbraided the company for maintaining weak safety controls.

He acknowledged that the "vast majority of those products that were recalled were the result of a design flaw, not through a manufacturing flaw in China's manufacturers."

Lead-tainted toys accounted for only a small percentage of all toys recalled, he said, adding that: "We understand and appreciate deeply the issues that this has caused for the reputation of Chinese manufacturers."

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Planning ahead

While it is not possible to anticipate an accident or crisis, businesses can plan ahead about what to do in case something

unexpected took place. Contingency planning is a set of plans to guide the management and employees what to do if a disaster such as an unexpected decline in sales happens. Such a plan is about taking action to reduce the impact of the unexpected, to minimise exposure to risks and to capitalise on opportunities.

In the wake of a product recall, companies should plan for rebuilding corporate image, maintaining the market position of the brands and seizing opportunities for expansion:

1. Promote corporate image with emphasis on corporate ethics, social responsibility, product reliability and quality
2. Maintain good community relations through participation in community/charity projects
3. Re-package the products to distinguish the improved products from faulty ones or even counterfeits
4. Use channels of distribution that can assure customers that the products they represent are authentic and the quality is backed by warranty of the supplier
5. Develop new brands and products to capture new market shares from weaker competitors still suffering from the effects of the crisis.

When faced with a crisis, any business should review their strategies. They should take the positive approach of impressing customers about their corporate ethos and the goodness of their products. Use of a negative, defensive strategy of issuing blatant denials and accusations would not cement customer relations but only to drive customers to the competition.

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