

*This Management Digest is prepared for the aspiring managers as an update to what they already know. This newsletter is sent monthly to delegates following courses provided through Consort Management Consultants Ltd. and to members of the Hong Kong Institute of Marketing. It is also posted on the Hong Kong page of the Institute of Administrative Management website.*

DIRECT MAILING

## Mailing the Waste Paper Basket

Direct mailing is commonplace but is often a wasteful effort. Marketers agree that, with any luck, a response of 1% is a great achievement. So what happened to the 99%?

Well, most of them have gone to the waste paper basket. Some are returned as 'gone aways', 'not knowns' or 'misaddressed mail'.

In the UK each year, 22 million pieces of direct mails are being sent to dead people. Mails that have gone to the deceased could be very upsetting for the relatives. At best, these mails will be ignored, but some receivers would consider the mailers as not respecting the dead and feel offended. Marketing is about promoting positive values of goods and services, so any campaign that upsets the readers would put advertiser's goodwill at risk. Unwanted mailings create bad feelings, damage customer relations and business reputations, and worst still, offer the raw materials for impersonation fraud.

### *Fuel for fraud*

As a matter of fact, direct mails can carry security risks and provide the ingredients for criminals wanting to steal the identities of individuals. Impersonation or concealment fraud has become one of the fastest-growing crimes. In the UK, direct mails account for over a third of all identity fraud cases – some

70,000 in 2004. Fraudsters are not only motivated by financial gains. Some need a new identity to commit bigamy, drive without insurance, work with children or hide from the police, the immigration services or the taxman.

Direct mail can carry all the details a fraudster needs to assume the identity of an individual, making it rich pickings for opportunists and organised gangs on the lookout for personal information. Their increasingly cunning and ruthless tactics include combing through discarded documents in rubbish bins and even making appointments through estate agents to view deceased pensioners' homes, with the intention of stealing unopened mails.

A recent survey of residents in Wandsworth, South London, found that 77% of householders there had put out rubbish useful to thieves. The problem is exacerbated by the widespread introduction of domestic paper recycling schemes, which provide criminals with ready-made bundles or bags of swag to collect.



Seemingly innocuous mailers can cause problems.

### *Facing pressure*

The effectiveness of data screening and suppression methods varies widely across the direct marketing industry. Latest research by the Direct Marketing Association (DMA) in the UK shows over a quarter of businesses marketing directly to the public use databases which are out-of-date. Over half of businesses involved in direct marketing activity now use third party screening files to identify and suppress deceased records, but this still leaves a huge number that rely on haphazard forms of database management, or no management at all.

Direct marketers face increasing public and political pressure to curtail the problem of unwanted mails, especially in light of heightened awareness of the fast-growing menace of identity crime.

The positive economic impact of a precisely-targeted campaign for an effective product far outweighs the cost and time spent identifying and suppressing dormant records. It is time all businesses marketing directly to the public take their fair share of responsibility for protecting the data in the control, to help prevent selling to, for example, the deceased.

*(Adapted from 'Manager' April/May 2006, The Institute of Administrative Management)*

CORPORATE GOVERNANCE

## **Business Ethics**

Are corporate governance and business ethics the same things? The simple answer is 'they are not'. Both are about honesty and

fairness, but they refer to different domains of the public (the 'publics'). Corporate governance is about being transparent in your decision making process and setting up systems to ensure a business is accountable to its stakeholders – the investors, the staff and the customers. Business ethics is about social responsibilities to society generally – a business exists not just for profit but also for the good of the society.

A drug trafficking organization can have excellent corporate governance practices – its shareholders, staff and even customers know very well what is being planned and delivered. Similarly, a cartel controlling prices in the market must know the rules of the games and abuse them for private gains. In both examples, corporate governance could have been observed, but the goodness of their products or business practices are doubtful.



Corporate governance is a fashionable term to use, but many people generally see this as a modern style of management for large organisations. It should be more about accountability than the skills of leadership or managing resources.



However, it is generally agreed that there is a link between Corporate Governance and ethical practices. The linkage is that corporate governance is ethically driven – honesty, fairness and integrity need to be embedded in the culture of an organization for the good of the stakeholders. The standards of ethics and corporate governance go hand in hand, so that organizations low in ethical standards may not be expected to practice governance with quality.

### *Legislating Ethics*

Ethical standards may not be enforced by law. They are in fact, a part of the corporate culture and education. Hong Kong follows a common law system and therefore generally adopts a principles-based style of regulatory framework, which encourages companies to think about the spirit of the legislation, rather than simply interpreting the letter of the law.

‘I don’t think you can ever confine ethical values to a set of rules and regulations,’ says Mike Scales, Corporation Secretary, HSBC. ‘If you have to be told exactly what to do, I think the game is already lost ...’, says Roger King, Director of Orient Overseas (International).

Indeed, if there is legislation to enforce ethical standards, ethics then become measurable and organizations will be encouraged to focus on compliance to the detriment of the important aspects of conscience, morality and social good. Directors should be spending more time on building and planning businesses than on compliance matters.

Although legislation could specify deterrents for unethical practices, ‘social sanctions’ is

probably a more effective way of enforcing ethical standards. Punishment by the market and customers for having a poor reputation or quality of goods and services should be more severe than legal sanctions.

Ethics should be a guiding stick for decision making when legal requirements are unclear. When there is a grey area or uncertainty, ethics and conscience should then formulate the principles for whether to err on the side of caution or take a risk. Legislations cannot set different ethical values for different cultures in the same society, so insisting on a common standard for all is impossible.

*(Adapted from Company Secretary, March 2006, Hong Kong Institute of Chartered Secretaries)*

### INTERNET

## **Social Trends**

The Internet has transformed the world in a way unseen of since the Industrial Revolution some 150 years ago. Technology has not only advanced the quality of living, but also greatly impacted upon our social lives.

Only two or three decades ago, the word processors and a little later the fax machines were hailed as the greatest invention of mankind. But now, these inventions are disappearing into obsolescence, and indeed, even mainframe computers are losing their supremacy to handheld PCs.

We are seeing structural changes to the economy – old industries are being phased out, leading to increasing needs for adaptation and re-structuring. Skills in managing change and having an adapting frame of mind have become very important factors for survival.



Easier access to information has made senior management involved more directly in operational functions. Businesses are being unbundled and become smaller. The result is more centralised job functions as bosses are able to reach for information easily.

Unbundling of organisation functions is creating a new social order and setting the trend towards smaller but specialist business entities.

New business methods and reporting lines have been devised in response to the new ways of operating. There is lesser need for a large layer of middle managers and secretaries, so only people with special skills are in demand. In flattened organisations, people with only general skills will need to be re-trained to remain productive.

These are all due to the successful development of the Internet. Not only has the pathway of information flow changed, the way businesses are managed has also been altered. Organisations working on new projects would now consider which functions they should perform in-house and which to out-source.

As organisations get smaller and more business processes are out-sourced, more people will be working out of home and adopting a new life style. The emergence of SOHO (small office home office) has impacted on the way and hours we work, and in turn on the peak hours of public transport.

New communication methods have brought the world closer together. Who knows what the world will be like in 10 years time?

(Horace Wong,  
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ENGLISH

## Words Worth

*QUESTION or PROBLEM?*

The Chinese President spoke at Yale last month. The students there wanted answers to as many as 78 questions and the question master commented that the President may not be able to answer that many questions because he has to leave soon. In response, the President said that if there are problems, he would stay behind.

In Chinese, 'a question' 問題 can mean not only 'a request for information', but also 'a problem'. So the President's response was witty and certainly not at all out of place.

Note also in English, 'questionable' means 'doubtful' and 'questioning' means 'inquisition'.

WRONG	RIGHT
✘ It is out of the question that the first order for a business is very important.	✓ It is beyond question that the first order for a business is very important.
'out of the question' = completely impossible; 'beyond question' = beyond doubt.	
✘ I have problems to find the right bus.	✓ I have problems in finding the right bus.
'problems' in ...ing.	
✘ I see no problem why he should not arrive on time.	✓ I see no reason why he should not arrive on time.
'problem' is not followed by why, 'reason' is.	
✘ Please forgive me to be late.	✓ Please forgive me for being late.
'for ....' or 'for doing ....' is used after 'forgive' or 'excuse somebody'.	

