

When Good Deeds Go Bad

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On April 28, 2004, three stories appeared on the front page of *The Wall Street Journal* that raised an issue for public relations practitioners. The issue? Organizations can fulfill their missions to customers and society and still get into trouble.

The three stories that day were about Halliburton Co.'s Kellogg, Brown & Root unit, which supported the American military in Iraq and was investigated for doing what the US Army asked it to do. The second story focused on two Congressionally chartered companies – Fannie Mae and Freddie Mac that acquire home mortgages from lenders. The companies had been too successful and held too much debt, thereby jeopardizing themselves and the economy. Further, because the companies are Congressionally chartered, investors persisted in thinking the government would bail the companies out should they get into trouble, something the government says it will not do. The third story was about a duck hunter who built a duck decoy that attracted ducks better than older decoys. Environmentalists criticized the inventor because too many ducks were being shot using the new decoy.

The moral of the stories? Keeping customers happy and fulfilling one's mission are not enough to protect an organization. No one in these reports started with bad intentions. In three out of four cases, companies were doing jobs they were charged to get done. Meanwhile, the inventor found a better solution to an age-old problem. However, good deeds went bad. What the individual and organizations thought they were doing wasn't what government, society and interest groups deemed acceptable later.

Every culture and society changes mores and understanding over time. It is a mark of progress that knowledge of a decade ago is inadequate now to explain what we know now. Textbooks are rewritten repeatedly as understanding of the world and universe expanded.

Ideas about culture and behavior rise and recede as well. Some beliefs are as fashionable as dresses that are short one year and long the next. Fur wearers were held in high regard for decades then vilified for harming animals. They are again donning fur without people screeching at them. Smoking was romantic from the 1920s through the 1990s when concerns about cancer forced it out of fashion in the US but not in other countries. (Yet, in movies there are still smokers as if cultural opinion had not changed.) Fast food was a great American invention hallmarked by Golden Arches in the 1950s. Today, fast food is called a cause of American obesity. As a young man, wearing a seat belt in a car was a

“sissy” thing to do and airbags were not yet invented. Today wearing a seat belt is mandatory, as are air bags. Breast-feeding versus bottle-feeding has gone in and out of fashion as have opinions about placing babies on their stomachs or backs to prevent Sudden Infant Death Syndrome.

Constant changes in knowledge and societal ethics are justification enough to defend an organization’s mission, services and products through communications. But, communications are not enough. Yesterday’s solutions may well be today’s dangers. In the 19th Century, for example, laudanum, a mixture of alcohol and opium was a frequently prescribed analgesic. Laudanum created many addicts, including the fictional detective, Sherlock Holmes.

Ideally, organizations transform with time and understanding. They revise or discontinue products and services that are no longer beneficial to customers or to society at large. But, practically, they don’t. Once organizations learn successful behaviors and economic models, they are loath to adapt or get rid of them. The tobacco industry fought against control for decades even though science and society changed on the issue. The gun industry has been successful for decades in holding back laws that would register owners despite societal support for the idea. The wine and spirits industry ignored for a long time drinking and driving when it was known to be a leading cause of traffic accidents.

Market forces also may not be enough to drive change in response to shifting mores and knowledge. Companies with successful products and services do not easily accept criticism. They point to happy constituencies as justification for staying the course without realizing their constituencies might be ready to leave them. One of the great brands in the history of commerce, AT&T, is today a fragile and fading name with little impact on the telecommunications marketplace it once dominated. Other brands have risked similar dislocation, such as IBM, which turned itself around in time to lead in computing again but not with dominance it once had. Companies have disappeared too. Wang Laboratories, for example, invented the first practical word processing system and led until the personal computer appeared, and the company plummeted. Control Data Corporation, one of the first makers of supercomputers, is a fading memory. I am personally familiar with two of these firms and in both cases, they resisted change until it was too late. Their good deeds turned bad because they could not or would not remain abreast of the market.

Public relations counselors, unfortunately, are often co-opted into defense of a firm and its products and services and cannot step outside the fray to observe dispassionately what a company should do. To breathe to a CEO that maybe critics are right is to risk one’s career. I witnessed this in a firm that subsequently disappeared. The head of corporate communications left the firm before it collapsed because he knew the CEO wouldn’t listen to reason and the company was headed to oblivion.

On the other hand, it takes a courageous CEO to shatter a corporate mold and build anew. CEOs know they risk alienating employees, managers, customers, investors, vendors and others when they take a new direction. A CEO's action may be hard and personally unsatisfactory -- layoffs, abandoned products and outsourcing.

The Risks of Change

Sometimes change itself causes a problem. For example, the US military in the 1990s outsourced much of its work to shrink headcount and to place jobs that the military did not always need into the hands of easily disposable contractors. But, outsourcing created a public relations nightmare for firms that took over activities such as security and intelligence gathering. Although the companies filled a need, the public did not see it that way. Criticism leveled at military services was also directed at companies that had contracts from the military. The companies were performing a public service, but the public and its elected representatives did not want them doing it.

Politics can override action, and governments can turn on suppliers for no good reason. Commercial organizations can be left twisting and exposed to litigation and legal sanctions for having accomplished tasks they were charged to do by bureaucracies. For example, during World War II, the US government in desperate need of ships to fight wars on two fronts sanctioned the use of asbestos during ship construction. Decades later, workers dying of asbestosis and mesothelioma were allowed to sue dozens of companies into bankruptcy but the US government never assumed responsibility for its actions. The same thing happened with uranium mining during the early days of the Cold War. Companies that deal with government at any level have learned that bureaucrats revise history when it is to their benefit.

An ironic circumstance that can victimize firms is to have pressure groups demand change for the public good that can harm society. An instance of this occurred in management of Western US forests where it is now understood that controlled burns and tree thinning are better for forest health than preventing forest fires and cessation of logging. But despite advance in understanding, powerful pressure groups from householders with cabins in the woods through environmentalists want all forest fires extinguished immediately and not one tree more felled. Yet another instance of good deeds that go bad is pushing too hard for wage and benefit increases. High labor costs contribute to the movement of production off shore. Pressure groups might win for workers short-term wage and benefits increases and lose a long-term battle for improved conditions.

Public relations practitioners often cannot grasp the outcomes of a proposed change, since there is as much noise as evidence. It might be unclear for years whether a proposed shift or societal leaning is actually good for society. Millions

of people can be wrong, misinformed or ignorant. In a democratic society, laws can be unjust and remain in place for decades, as the US learned in its agony over race relations. Busing, for example, to gain equality in education is today looked upon as a less-than-optimal solution for segregation that continues in US schools. Attention has turned to vouchers, which educational lobbies oppose. It is not clear whether vouchers are a better solution, but PR practitioners may not get a chance to examine evidence objectively, nor is it likely at this juncture that a practitioner could make a reasonable judgment with competing data that obfuscate answers. Thus, an organization that commits itself to a course of action in an unclear environment opens itself to good deeds going bad in the future.

In terms of economics, the good deeds of change are not always evident in the short run and may not be evident in the long run either. There is, at the time of writing, distress among CFOs and CEOs in US companies over the cost of compliance with the Sarbanes-Oxley law. Several executives contend that its emphasis on more rigorous auditing and internal controls drives up the cost of compliance and makes US companies less competitive against foreign firms. Further, the actual cost of the Sarbanes-Oxley law may never be evident. The time executives must spend to comply with Sarbanes-Oxley regulations is an economic opportunity cost that may never show on a balance sheet. CFOs and CEOs spending hours on internal controls have less time to spend on capital expenditures and other corporate decisions.

But, five years from today will CFOs and CEOs still sing the same sad tune? It is too early to tell. The serendipitous effects of better auditing and controls might not have kicked in. Some of these might be, for example, a higher stock valuation for companies with better controls than for those without. On the other hand, the Public Company Accounting Oversight Board (PCAOB), which now oversees accounting firms and their auditing practices, might become a nitpicking inspector general that makes life difficult for CFOs and CEOs trying to get on with business. It is too early to know if the good deed of better supervision over corporate accounting will have positive outcomes for US corporations. There is a chance that reform will have as many bad results as good.

Legacy Risk

When mores and science change, a legacy of good past practices can produce financial harm and threats to reputation. This is “old-tool risk.” Manufacturers have been sued for failures in aged tools that are decades out of warranty for failures that the manufacturers “should have known,” or for failures that society once considered acceptable risk, such as falling off a ladder or misuse of a lawn mower. It is laughable to see stickers plastered over ladders warning one of what to do and not do or to see manuals with three pages of lawyers’ warnings and two pages of instructions. But this has happened under pressure of lawsuits from users who claim preventable injuries from tools, even if the tools were

manufactured long before under different assumptions. US society is in a period of “no-fault” thinking when one looks to manufacturing error first and then, to user error and personal responsibility. This mindset has created significant distortions of justice in which good deeds of the past have been severely punished in the present.

For example, on the strength of a sensationalized CBS-TV “60 Minutes” story in the mid-1980s that claimed sudden acceleration of Audi 5000 sedans, Audi lost a billion dollars and its US business. Audi, after its own examination, claimed affected drivers accidentally pushed the accelerator and not the brake. The company was condemned for blaming users rather than accepting responsibility for manufacturing error. It was later – years later – that the National Highway Transportation Safety Administration agreed with Audi. By then, the damage was done, and it made no difference that the company was right.

If there is a failure that a company can be held to in legacy risk, it is an assumption that humans have common sense. We know from Web sites such as the Darwin Awards (<http://www.darwinawards.com/>) that “honor those who improve our gene pool... by removing themselves from it,” that humans can suffer fantastic failures of logic and safety. The question of whether manufacturers should be held responsible for the least common denominator of human understanding is one for regulation and courts. PR practitioners deal with communicating in the aftermath of stupid human action. The sad fact is that companies often do not have documentation for past equipment and services such that one can reconstruct the firm’s good-faith efforts to make beneficial and safe products and services. A communicator is left defenseless at a time when a company needs to be proactive.

Working with Change in Mind

Past generations cannot predict future knowledge or mores with certainty. Hence, what a company does today that is considered good is always at risk of being considered bad years from now. All a company can do is to show that it made best efforts to understand and respond in light of prevailing knowledge and societal acceptance. This is particularly difficult to do when e-mail trails cut in many directions as engineers and scientists argue solutions for products and services. Even one e-mail wondering aloud if there might be a problem can be used against a company in public and in court. NASA learned this lesson in the shuttle disaster when engineers’ speculations were used against the agency after the failure of the spaceship’s wing.

Today, organizations capture more contemporaneous thinking than ever before from e-mail and instant messaging. The question is whether they should. There is a case to be made that old files and e-mails should be destroyed after a mandatory holding period as a safety to a company in the future. But, this cannot always be done by law, and old records can turn into time bombs. For this

reason, it behooves an organization to document the path of decisions and to summarize them for any action, product or service that could conceivably become controversial. I am familiar with a case in which a company was trapped in an international crisis and was defenseless because it couldn't gather information it needed quickly enough to respond to charges about a service for a client that was suddenly condemned as inappropriate and illegal. It's a terrible feeling to be kicked over and over and over and not be able to say anything in one's defense because information is not available for a service or product that a company considers legal and ethical.

Unfortunately, history is easily lost in corporations. Few corporations look back because there is no profit there. They look forward and in so doing, the past slips away. Year-end reprises and even five-year reprises are not enough to protect a firm. Further, the challenge to keeping history is an excess of information. One cannot know nor predict well where society will move and preserve documents and testimony that can make the difference 10 years from now. A little known and overlooked part of a company might be the source of the most damage to its reputation later. And in millions of records, a damaging story can be buried deeply.

A company needs to make a judicious choice as to what it needs to preserve for posterity as a defense to evoke the understanding under which it once worked. If there is one rule CEOs and PR practitioners should follow, it is to ask a question about every company product or service: What will it look like if this product or service is in the headlines of newspapers all over the country five years from now? If there is any chance a product or service could be controversial, the company needs to keep a file handy with basic information, a timeline and history of the product or service that can be used in the event of a crisis. An example of such a service is hard-core adult programming distributed by cable and satellite TV. There is always a chance activists will condemn distributors for portraying abusive treatment of women or for pornography. Distributors of these usually lucrative programs need to be ready to defend themselves, if they want to stay in the business.

In some industries, documentation is constant— for example, pharmaceutical testing or health procedures. In other industries there is little need for documentation, such as sheet metal stamping. Industries that have a need to track the past are probably documenting already. The PR practitioner should make it a part of communications protocol to maintain crisis information that can be called up on a moment's notice for major decisions and activities.

Banks and Bunk

The notion that a company can depend on its good reputation in the present to defend against charges from the past is bunk. The idea of a "reputation" bank into which one deposits goodwill for withdrawal is specious. Even if a company

has behaved ethically throughout its existence, it will get sued or blasted at some point by critics who contend it has acted irresponsibly. However, this does not mean companies should behave badly because it makes no difference in the end. Ethical behavior minimizes opportunities for getting criticized, although it does not extinguish them.

A “reputation bank” is an abstraction of how individuals regard an organization and the behavior of persons who comprise it. Everyone has dealt with an obnoxious employee working at a well-regarded company. One’s perception of the whole company is biased by perception of one individual. Reputation comprises cumulative impressions of thousands or millions of individuals who have contact with an organization either as a vendor, consumer, competitor, investor, regulator or influencer, such as the media. Impressions are not and cannot be uniform. Further, cumulative impressions leading to reputation are not sufficient to offset perceptions of power centers. That is, one may be loved by millions but targeted by the Department of Justice. One can appeal to millions for help but the appeal may have little or no influence on lawyers prosecuting a case or bureaucrats who wash their hands today of responsibility for bureaucratic decisions of the past.

CEOs and PR practitioners must accept that a company’s good deeds can go bad through no fault of a company, and its reputation can be scarred because society’s understanding and ethical considerations have changed. There is little defense against that kind of shift except vigilance and fast reaction when a crisis hits. Reaction requires access to pertinent information that allows one to build swiftly a credible defense. Like it or not, past is present, and no good deed is free from punishment.

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