From the Editor

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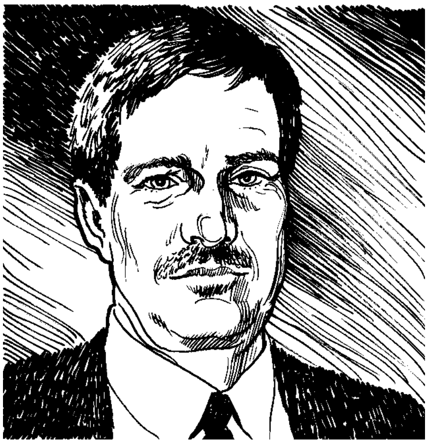
HARDLY a day goes by without a report in the media of the need for corporate Australia to improve its act or face a public backlash.

On the other hand, the Australian public seems to be more enamoured with the corporate sector than ever. People are voting with their wallets *en masse* and becoming shareholders. They proudly festoon their clothing with corporate emblems. Business is far and away the most popular course at our universities and Bill Gates, Sir Richard Branson and Dick Smith are role models for many of our youth. Moreover, polling undertaken by Roy Morgan Research indicates a very high level of public confidence in the corporate sector. Indeed the corporate sector, as a whole, is rated higher by the public than all other institutions except the police and armed forces, and far higher than most of its critics. Polling does show that some industries are on the nose with the public, such as the banking sector, but then it also shows that some industries—such as car making, food processing, brewing, and chemical and pharmaceutical manufacturing—have achieved major improvements in public support in recent years.

What then is going on? Well to understand the apparent contradiction one need look no further than the 'Good Reputation Index' recently compiled and published by the two Fairfax broadsheets—*The Sydney Morning Herald* and *The Age*.

The Index correctly identifies that corporations are more sensitive than ever to their public image and reputation. A good public image is a powerful competitive tool in this 'age of emotion' and, conversely, a bad reputation can literally destroy a firm. Accordingly, firms put significant resources into fostering and protecting their public image.



This heightened sensitivity to public opinion and brand preservation also makes corporations sitting ducks for advocates in the 'reputation industry' who ignite and fan flames of concern about a firm's reputation in order to get a piece of the action.

This need not be a bad thing. If the debate about the reputations of firms is open to a broad set of interests, who themselves are open about their allegiances and motives and who put forward views based on reason and fact, then it may improve the performance of the firms and therefore of society as a whole.

As Gary Johns outlines in this issue's feature article, however, the 'Good Reputation Index' allowed a narrow set of groups with an interest in gaining leverage over firms to put forward self-serving opinion as fact and 'settled' public opinion.

In short, it allowed narrow interest to masquerade as the public interest.

The 'Good Reputation Index' also highlights a serious ethical problem in the 'reputation industry' and the media, which is the failure to disclose conflicts of interest. Many of the assembled assessors have on-going commercial or funding relationships with the some of the firms included in the Index. Indeed, in some cases, this relationship relates to the very set of issues with which they participated in the Index. The newspapers in some cases knew of these relationships, but in no case were they adequately disclosed.

This illustrates general problems which undermine, indeed corrupt, the debate about the role of the corporate sector in society.

First, the media, which are appropriately sceptical of conflicts of interest in the business sector, commonly display a blindness to such conflicts in the NGOs, unions, and other advocacy groups, even when these conflicts are of a commercial nature.

Second, the 'reputation' industry is being allowed to apply standards of disclosure and ethical behaviour well below those it advocates for the corporate sector and below the standards suitable for its roles.

The unions are another important institution under pressure. In the case of the unions, however, the pressure comes not from outside interest groups or the media but from their own members.

As outlined by Murray Cranston on page 26, despite relatively favourable economic conditions, numerous recruitment drives and friendly governments for most of the last two decades, union membership is down to 25.7 per cent of the total workforce and the figure is declining.

This should be a cause of concern for us all. First, many workers need a strong, focused agent to assist them when dealing with their employers—arguably more than ever. Second, the union movement still has a huge influence within the Labor Party, which forms the government in a majority of States and is likely to do so again at the Federal level in the not-too-distant future. It is simply not good for our democracy to have a party of government dominated by a narrow interest group—which is what the unions are rapidly becoming.

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