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What's in a perception?

Global Strategic Communications' Peter Firestein on using perception studies as an important risk-management tool

Monsanto, in an elaborate advertising campaign several years ago, asserted that its genetically-modified seed held the answer to feeding the world's hungry. At the same time, the company pursued a radical marketing plan. Instead of selling the seeds, Monsanto decided to license the technology inside them, like software, in a way that farmers and their sympathizers found abusive. Opponents of genetically-modified food seized on the resentment and leveraged it into a general antagonism so strong that the European Union banned all genetically-modified seed for five years. Monsanto Chairman Robert Shapiro acknowledged the company's failure. "Because we thought it was our job to persuade, too often we forgot to listen," he said.

Last fall News Corporation put forth a lucrative executive options package that caused such outrage among investors as to force its rapid withdrawal. An embarrassed Chairman Rupert Murdoch had not seen the opposition coming: "I was surprised that people didn't tell us," he said.

After their respective ordeals, both Shapiro and Murdoch recognized that there had been critical factors in play that they could readily have identified if only they'd asked. Their experience addresses the current reality in which failure to engage investors and other stakeholders poses greater danger for companies than ever. In the wake of notorious cases of fraud and failure of corporate oversight, all companies, guilty or not, face an unprecedented degree of suspicion, skepticism, and scrutiny.

As a consequence, it is more important than ever to know what the market and other stakeholders think. Only from the deliberate gathering of market intelligence does management come to understand the implications of its actions, the adequacy of its communications, and the ways both translate into the willingness of investors to buy and hold the company's shares.

The traditional means of understanding market attitudes has been the Perception Study, an exercise in which market interviews are conducted from a fixed set of questions. Confidence in perception studies, however, is often marginal. One hears IR directors say: "We do them just to confirm we're on the right track." Or: "We learned what we already knew."

This seems ironic, since attitudes in the market – being diverse, complex, and highly individual – present company managements with the constant prospect of surprise. So, if a company is hearing only what it already knows, the strong implication is that it is asking what it has asked before.

The question is: How can the company expand its conversation with the market? The answer is that a perception study can be conducted in a way that reveals not only the answers to questions the company asked, but also to questions it didn't know to ask. The key to this expansion of scope lies in using the questionnaire not as a defining boundary for the study, but as a point of departure for a much larger conversation.

Instead of recording answers and moving on to the next subject, the interviewer probes with questions relevant to the answer, prompting respondents to explore their opinions fully without regard to limitations of the questionnaire. Such an un-boundaried approach often yields surprising results. It exposes thought dynamics that underlie opinions, and it enhances opportunities to draw associative conclusions.

For example, listening to respondents' views on the company's specific business segments can contribute to management's insight on how certain acquisition or divestment strategies will impact share value. In this way, conclusions can be drawn to shed light on attitudes toward many areas of the company's activity that were not contemplated in the questionnaire and, in any event, may have been too sensitive to raise directly. The technique takes on a predictive quality and becomes a significant risk management tool.

Such a comprehensive brand of engagement is critical because sustainability depends on information. And in an age when external corporate concerns cover not only capital markets, but issues of corporate governance, social responsibility, and shareholder activism, sustainability means having the capacity to predict the effects of corporate actions.

Shapiro's and Murdoch's true misfortunes lay in the fact that the answers were sitting there waiting for them. All they had to do was ask.

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