

Asia Pacific Public Relations Journal

December 2007

How can the corporate sector concepts of ‘reputation’ and ‘trust’ be used by local government? A study to establish a model of reputation management for local government.

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Abstract

Over the past 20 years, the concept of corporate reputation management has emerged as a credible holistic management technique in the private sector. At the same time, corporate management practices have been implemented in the public sector, not always successfully. Local governments still struggle to develop good reputations and take advantage of their unique public sector position as socially and geographically close to stakeholders.

This paper will examine the increasing importance of stakeholder relationships to local government and will present a reputation management model for improving and maintaining these relationships. It will discuss, from a theoretical perspective, how effective reputation management can improve a council's ability to operate within its own community with decreased transaction costs.

The model approaches reputation management from perspectives presented by Fombrun and Dowling and considers each of the following dimensions from a municipal point of view: organisational culture, financial management (which in the local government model becomes corporate governance), product and service, vision and leadership, social and environmental responsibility and emotional appeal.

Differences between the corporate and municipal reputation models are discussed. The local government version is discovered to be a more rigorous and potentially effective model than that currently used in private enterprise, particularly in the field of corporate governance.

While the model is yet to be empirically tested, it has implications for local government communication practitioners and senior managers in its emphasis on stakeholder relationships within corporate governance activity.

Introduction

Discussion of reputation and its affect on the success of a corporation has been considerable since the 1990s (published in the Harvard Business Review and quoted in Bergen, 1999; 1999; Dowling, 2001; Eberl & Schwaiger, 2005; Charles J Fombrun, 1996, 2002; Nakra, 2000; Ou & Abratt, 2006; Shapiro, 2001). Yankelovich Partners and Fortune Magazine found that companies engaged in reputation management had a price/earnings ratio 12.5% higher than those who were not. For the average Fortune 500 company, this translated into an increase in market value of \$5bn (quoted in Bergen, 1999). This is supported by studies by the University of Texas (Fombrun and Foss, 2001), Vegrin and Qoronfleh (published in the Harvard Business Review and quoted in Nakra, 2000), Pennsylvania State University (Richardson and Bolesh, 2002), Oxford University (Carroll, 1999; Eberl & Schwaiger, 2005), and Heal (quoted in Deni Greene, 2001).

Harvard researchers John P. Kotter and James L. Heskett (quoted in Dowling, 2001; quoted in D Wheeler & Sillenpää, 1997b), in a study of 207 US companies, compared stakeholder and shareholder first approaches to business and studied the effect on sales and employment growth. Over an eleven-year period, large established

companies which gave equal priority to employers, customers and shareholders demonstrated sales growth of four times and employment growth of eight times, that of shareholder-first companies. Wheeler and Silenpää also quoted a study of 32 British firms by the bank Kelinwort Benson that firms using stakeholder inclusive principles rose in value by 90 per cent over three years, while the average FTSE rise was 38 per cent over the same period (p. 60).

Corporate reputation studies have tended to focus on financial performance. In the public sector, however, where the bottom line is not about profits, but benefits to the community (Stalley, 2003), corporate reputation management principles may not necessarily be automatically applied. While private sector management techniques are often transferred to local government, it is accepted that there are fundamental differences between the public and private sector. Black (2002) identified seven:

1. Public expectations
2. Organisational networks
3. Political accountability
4. Clarity of goals and priorities
5. Relationship between need, demand, provision and revenue
6. Decision-making and professional autonomy
7. Legal status

He said that while there were many similarities between public and private sectors, "...these factors are an important consideration for management in the public sector. Critically, they are fundamental aspects inherent in the public sector that are not generally recognised in most management texts and in classical management models. They are also factors that make management in the public sector much more complex and challenging than management in the private sector (p. 7)".

Quantitative research on reputation or reputation management in the public sector, and in particular, local government, is difficult to find – in fact none was discovered for this paper. Few have made the connection between reputation and benefits to the public sector, possibly because the concept of 'goodwill' and sales success have not traditionally entered public sector accounting practice. Those who have made this connection, however, believe that reputation management is critical to the ability to deliver quantity and quality services. They also believe the focus of reputation management on relationships, stakeholder trust and accountability will be the foundation for this (Kumar & Paddison, 2000a; Mower, 2001; R Oxley, 2003).

This paper reviews the literature on reputation management in local government and private enterprise and discusses whether formative reputation management concepts, based on the Reputation Quotient (Charles J Fombrun & Foss, 2005), might be adapted to reputation management in local government. The conclusion from the discussion is that reputation management is a concept that should be considered by local government, if only to reduce transaction costs. However, while the emotional appeal, product and service and vision and leadership dimensions may apply virtually unchanged, the financial performance, workplace, and environment and social responsibility dimensions needed some alteration to apply to the special needs of local government. Suggestions are made to improve the workability of these three dimensions – workplace evolved into a dimension labelled organisational culture;

financial performance became corporate governance; and social responsibility became environmental and social responsibility.

In the next section, this paper will review reputation thought with a focus on formative representations of reputation management in order to determine if any approach might be suitable. Formative models were chosen over reflective models because the discussion considers whether measurement of reputation might be applicable to local government and used as a management tool rather than how reputation might affect local government within the parameters of the dimensions that are explored ((Berens & Van Riel, 2004).

The paper will then, in six sub-sections, provide an analysis of each dimension from the perspective of local government in order to reach these conclusions. Conclusions will be drawn in the section following. The final section will suggest a methodology for testing the validity of the discussion.

Methodology

The size of the topics reputation and reputation management mean that this research that is the subject of this paper has been restricted to a literature review, with a preliminary model developed for later testing. The literature review started with works on reputation that were influential in transferring reputation thought into management consciousness by Fombrun (1996) and Dowling (2001). A wider and systematic search was then undertaken of the literature using the terms ‘reputation’, ‘goodwill’, ‘corporate reputation’, ‘corporate image’, ‘corporate sustainability’, ‘local government’, ‘municipal’ and ‘public sector’, in academic databases Emerald Insight, Academic Search Premier, Business Source Premier, EconLit, Professional Development Collection and Psychology and Behavioural Sciences Collection.

Key articles on reputation by Gotsi and Wilson (2001), Helm (2005) and Berens and van Riel (2004), and local government reputation by Mower (2001) were found along with a number of other articles. The article by Mower was the only to deal specifically with reputation and local or municipal government. Using a “snowball” approach, the bibliographies of these articles were used to find other relevant research, particularly as the paper progressed into the specialist areas within each dimension.

Helm (2005) and Berens and van Riel (2004) guided the selection of the model to be used for scrutiny: ultimately, a simplified version of the Reputation Quotient model was selected as the basis for this research because it is formative (Helm, 2005) and its dimensions closely reflect operational activities in organisations rather than the causal relationships that appear in other models, therefore allowing a better connect between reputation measurement and reputation management application.

With the selection of a model, literature research on each dimension and local government activity in these dimensions was undertaken, with conclusions drawn about the applicability of the dimensions to this type of organisation.

The paper concludes with the development of a Reputation Quotient-based model for measuring local government reputation.

Reviewing models of corporate reputation

Berens and van Riel (2004) determined that reputation measurement literature fell into three main streams: studies where stakeholder expectations were the focus; those that considered corporate personality; and those based on trust. They present a comprehensive review of the literature, analysing the ideas put forward in 76 articles or books (pp. 163-168) published from 1958 to 2004.

They determined that the stakeholder expectations models were more prominent and that of those they considered, Stein's Most Admired Companies published by *Fortune* and the Reputation Quotient scale developed by Fombrun et al were the most widely used (Berens & Van Riel, 2004). These scales measure the behaviour of organisations within the context of stakeholder's expectations and have divided the expectations into clusters relating to certain activities within the organisation. Helm (2005) describes these stakeholder expectations scales as formative models because of their use as a measurement tool rather than a measurement of how reputation affects the dimensions that they suggest (pp. 98-99).

Berens and van Riel's corporate personality stream (2004, p. 169) is based on stakeholders' assigning corporations personality traits that are then used as "...constructs to explain behaviour" and to study gaps in expectations of stakeholders (p. 169). They mention several authors, including Davies, Chun, da Silva and Roper (2003) and their seven factor structure, which is similar to scale developed by Jennifer Aaker in 1997 (Berens & Van Riel, 2004 p. 171). Helms' discussion (2005) would describe most of the personality traits approaches as reflective models as the variables are linked and do not move independently – the clusters of words used to describe personality traits are generally complementary rather than contradictory, so if there is change in one variable, others will also change.

The third stream discussed by Berens and van Riel (2004) views reputation from a trust perspective and is related to "...*predicting* the behaviour of social actors" (p172). Berens and van Riel claim that the trust stream is applicable in business-to-business situations, and this is supported by Fukuyama (1996) and Baron (Baron, 1999). Lafferty, Newell and Goldsmith's scale (2002) of corporate credibility is highlighted in the review by Berens and van Riel and they find that corporate credibility affects the receptiveness of consumers to advertising in similar work by Lafferty and Goldsmith (1999). This then points to the trust scales being reflective models (Helm, 2005).

The discussion of Helm (2005) on formative and reflective models provides a basis on which selection of an appropriate model for this study can be made. Because of the lack of research in reputation in local government and the absence of any model to measure reputation in this field, development of a formative model, which fulfils this need (Helm, 2005), would be a priority. Progress to a reflective model, which measures how reputation affects the indicators or dimensions (Helm, 2005) might be made later.

Among the most commonly used formative models is the Reputation Quotient (RQ) (Berens & Van Riel, 2004) developed from work done by Fombrun and Foss (2001) on developing 20 attributes from interviews and focus groups that asked people to name companies they liked and respected and did not like or respect and why they felt this way (p. 1). From the list of attributes they developed six dimensions, listed in the table:

Dimension	Attribute
Emotional appeal	1. have a good feeling about the company
	2. admire and respect the company
	3. trust the company a great deal
Products and services	4. stands behind its products and services
	5. develops innovative products and services
	6. offers high quality products and services
	7. offers products and services that are good value for money
Financial performance	8. has a strong record of profitability
	9. looks a low risk investment
	10. looks like a company with strong prospects for future growth
	11. tends to out-perform its competitors
Vision and leadership	12. has excellent leadership
	13. has a clear vision for its future
	14. recognises and takes advantage of market opportunities
Workplace environment	15. is well managed
	16. looks like a good company to work for
	17. looks like a company that would have good employees
Social responsibility	18. supports good causes
	19. is an environmentally responsible company
	20. maintains high standards in the way it treats people

Table 1: Attributes and dimensions developed by Fombrun and Foss (2001)

The RQ has been in use since 1998 and has been used by research firm Harris Interactive to measure community attitudes to companies in the US, France, Germany

and other countries (Harris Interactive, 2006) allowing benchmarking within and across national borders.

This model has been selected as a base for exploration of reputation in local government for two reasons: the formative nature of the model as explained earlier; and the practical and easily understood nature of the dimensions from a management perspective as opposed to the more removed personality traits and the more nebulous trust models discussed by Berens and van Riel (2004)

Organisational culture

Gray, in talking about the development of corporate image, discusses the importance of employees in the ranking of stakeholders: “Corporate image results not so much from a single attitude held by the public at large, but from a mosaic of attitudes formed in the minds of those in close contact with the organization. Corporate image formation begins with those inside the organization. Those on the inside include, foremost, employees. The image employees form spills into the community and spreads beyond with a rippling effect” (Gray, 1986 p. 4). He places internal publics – managers, employees and investors - at the centre of his corporate-publics relationship model (Gray, 1986 p. 5)

Organisational culture is considered so important to public and private sector organisations that it has become a discipline in itself. Many larger companies have policies and staff dedicated to developing an organisational culture that supports their activities (Rue & Byars, 1986).

A good organisational culture will provide the following advantages (Cherenson, 2001; Dowling, 2001; P Elliott & S Gardner, 2002; Charles J Fombrun, 1996; Frost, Moore, Reis Louis, Lundberg, & Martin, 1985; Kast & Rosenzweig, 1979; Moorhead & Griffin, 1995; R Parker & L Bradley, 2000; D Wheeler & Sillenpää, 1997a):

- superior relationships with all stakeholders that are built on trust
- high productivity and commitment
- reduced employee turnover
- ability to attract top quality staff, even if remuneration does not compare well with competitors
- superior customer service
- continuous improvement and innovation
- effective organisational learning
- achievement of strategic objectives

The attitude and skills of employees, and the environment they work in will directly affect an organisation’s reputation within the other six dimensions: corporate governance, products and services, financial management, vision and leadership, social responsibility and emotional appeal (Charles J Fombrun & Foss, 2001)

Kotter and Heskitt, referred to by Dowling (2001 p. 106) surveyed more than 200 US companies over 11 years to describe their corporate culture and to determine whether there was a correlation between culture and performance. “... highly profitable firms like PepsiCo, Wal-Mart and Shell had what can be best described as an adaptive culture that emphasized the interests of employees, customers, and stockholders.

Companies with this cultural trait had average revenue increases of 682 per cent and stock price increases of 901 per cent. Firms which did not focus on all three stakeholder groups had relatively poor financial performance, namely, average sales increases of 166 per cent and stock price increases of 74 per cent.” An ‘adaptive’ culture that looks to the ‘interests’ of stakeholder groups spends some time learning what these interests are and changing policies and processes to accommodate shifts in these interests (D Wheeler & Sillenpää, 1997a).

Actuarial firm Watson Wyatt developed the human capital index to measure the correlation between organisational culture and people management with profitability (Moodie, 2003b). Additional research by Dr Mark Huselid of Rutgers University in the US of 825 firms showed that when an organisation practices “what Huselid dubs ‘high performance skill enhancement practices and motivation systems’, it was more likely to show an increased rate of return on assets” (Moodie, 2003a p. 2). Both the Watson Wyatt and Huselid research referred to links between organisational culture and leadership.

While local government does not have a conventional private sector-oriented concern with return on assets (and this will be explored further in the corporate governance dimension), the organisational culture dimension of reputation management is critical in developing stakeholder trust through customer service, emotional appeal, vision and leadership, the service offering and corporate governance. A study of cultural change at Wollongong City Council, NSW, showed that organisational culture affected quality of service delivery and ultimately customer satisfaction (R. Jones, 1999). Goddard demonstrated a link between organisational culture and financial control systems in his study of three local governments in the UK and Canada (Goddard, 1999). Tucker (1997 p85) praised workplace reform and cultural change at Toowoomba City Council, Queensland, which included “workplace redesign, flattened management structures, career pathing, competency based training, payments for competencies, total workplace empowerment and involvement etc.”

The attributes put forward in the Harris–Fombrun RQ for the dimension workplace environment refer to:

- quality of management;
- appeal to potential employees; and
- perceptions of the community relating to whether it would be a good organisation to work for.

It is very difficult to breakdown the measurement of organisational culture, particularly when the perceptions of stakeholders are the measurement tool. At first glance it would seem that these three attributes would provide a shallow estimation of an organisation’s culture – but each of the other dimensions that guide our measurement contain a component of organisational culture and will provide some indication of the organisation’s reputation in this area: customer service and corporate governance are two of these.

So can organisational culture make the transfer from private to public sector in terms of measurement of reputation and reputation management? A large number of studies on organisational culture have reviewed public sector organisations, including Borins (2002), O’Brien (2002), Parker and Bradley (2000), and Wallace, Hunt and Richards

(1999), indicating that the public and private sectors have universal interest to researchers in organisational culture. Research such as this shows that this dimension is central to every organisation but with occasional differences across sectors: according to Parker and Bradley, research has shown that public sector employees may approach their work with different values and motives to the public sector counterparts. “The small body of research on the values of public sector employees suggests that public sector employees are probably more altruistic than private sector employees and that they have a commitment to social development and the pursuit of the public interest.” (R. Parker & L. Bradley, 2000 p. 138). This might be supported by the fact that public sector professionals whose skills are sought in the private and public sectors elect to take a job at a lower salary than their private sector counterparts, although other explanations might come into play. In the right setting, this commitment to ideals, if aligned with the ideals and purpose of the organisation, could present a powerful organisational culture that should be included in any measurement of organisational reputation.

Financial performance/corporate governance

Fombrun and Foss put forward in their development of the Reputation Quotient the dimension of financial management, which encompassed an organisation's record of profitability, attractiveness as a low risk investment and its record of and potential for growth (2001). Of all of the dimensions, the factors within financial management have been most thoroughly linked to reputation (Bergen, 1999; Carroll, 1999; Eberl & Schwaiger, 2005; Charles J Fombrun & Foss, 2001; D Greene, 2001; Nakra, 2000; Richardson & Bolesh, 2002).

Local government, however, does not measure its success in terms of profits and growth (Stalley, 2003). Even the Australian Stock Exchange (ASX Corporate Governance Council, 2003) considers financial management to be important from a much wider perspective than the three factors put forward during research by Fombrun and Foss in the late 1990s. During the period of their research, the Asian Crisis occurred and affected Indonesia, South Korea, Thailand, Hong Kong, Malaysia, Laos and the Philippines (Khan, Islam, & Ahmed, 2005; Wong, 2001) and since then major firms such as Enron, WorldCom and HIH have collapsed (Coghill, 2003; Philomena & Barry, 2003; Williamson-Noble & Haynes, 2003). These collapses have been shown to be the result of poor corporate governance practices and have resulted in tightened legislation such as the Sarbanes-Oxley Act in the US (Davis & Useem, 2001) and publication of guidelines for corporations by regulatory bodies such as the Australian Stock Exchange (ASX Corporate Governance Council, 2003), Securities Commission, Malaysia (Finance Committee on Corporate Governance, 2000) and the Singapore Ministry of Finance (Council on Corporate Governance and Disclosure, 2005).

The ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* (2003) lists ten essential principles of good corporate governance, focusing not on the outcome of good management as the RQ factors do (Fombrun & Foss, 2001), but on the activity that should generate these outcomes:

- laying a solid foundation for management and oversight
- structuring the board to add value – looking at size, composition (internal or external appointments) and commitment
- promoting ethical behaviour and decision-making
- safeguarding the integrity of financial reporting
- timely and balanced disclosure
- respecting the rights of shareholders
- recognising and managing risk
- encouraging enhanced performance
- ensuring remuneration is fair and responsible
- recognising legitimate interests of stakeholders

The reason corporate governance has been included in this examination of the reputation measurement dimensions is that community and government demands the public sector be transparent (Marshall, 1997b) in every aspect (Australian National Audit Office, 1997; The Audit Commission, 2003):

- financial management, including purchasing
- operations
- which services are offered to whom and the reasons for this offering
- presentation of value for money to the funding ratepayers and taxpayers.

Local government has the foundations of good corporate governance already established in meetings that are open to the public, but due to scrutiny by the community, government stakeholders, community groups and customer groups such as developers, must make this transparency absolute.

In local government, the concept of corporate governance put forward by the Municipal Association of Victoria (Good Governance Advisory Group), Australia, (Good Governance Advisory Group, 2004 p. 6) outlines corporate governance as:

- participatory
- consensus oriented
- accountable
- transparent
- responsive
- effective and efficient
- equitable and inclusive
- law abiding

The outlines of the ASX (private perspective), the Municipal Association of Victoria and the ANAO (both public perspectives) are compared in the table below, using the private sector model as a benchmark and, as a result, a local government model developed. These three models have been selected because of their Australian perspective and because they are models that could be adapted by any local government in Australia:

Australian Stock Exchange – principles of good corporate governance (ASX Corporate Governance Council, 2003)	Municipal Association of Victoria – Good Governance Guide (2004)	Auditor-General, Australian National Audit Office – Public Sector Governance: Better Practice Guide (2003)	Summary – a model for local government?
Management and oversight – strategic planning and guidance; clarification of roles and responsibilities of board and senior staff to facilitate accountability; ensure balance of authority.	Strategic planning – set clear sense of direction for community, council and the organisation. Clarifying roles and responsibilities of councillors.	Legislative regulation of boards and senior staff; resource management with responsibilities delegated and accountability for results. Monitoring – systems and people.	Management and oversight supervision of: <ul style="list-style-type: none"> • planning • stakeholder relationships • monitoring performance of the organisation
Structure the board to add value – competence; commitment; independence; ability to challenge the performance of management	Democratic election of councillors – legitimacy of their election will affect the community’s perception. Robust debate, acceptance by councillors of majority	Leadership – ANAO refers to CEO as sole leader as most public sector organisations, with the exception of local government, do not have a board. Once chapter deals	Ability of the council and senior management to work together with common purpose; legitimacy of councillors’ seat at the table.

Australian Stock Exchange – principles of good corporate governance (ASX Corporate Governance Council, 2003)	Municipal Association of Victoria – Good Governance Guide (2004)	Auditor-General, Australian National Audit Office – Public Sector Governance: Better Practice Guide (2003)	Summary – a model for local government?
	decisions, efforts to reconcile divergent views, teamwork and mutual respect between councillors; emphasis on roles and relationships.	with the role of boards and another with monitoring board performance (ANAO, 2003).	
Ethical and responsible decision making	Commitment to fairness and effectiveness in dealing with the community; respect for the law; honesty, integrity, fiscal responsibility, prudence and probity; accountability, openness and transparency; acknowledgment of the importance of conflict of interest; focus on outcomes intended for community. An ethical culture should permeate every level of the organisation.	Ethical structures that allow control of fraud and other risk, and at lower levels of the organisation, “exercise consideration and sensitivity in their dealing with members of the public and employees” (p3). Emphasis on conflict of interest, with two chapter devoted to this aspect of governance.	Ethical responsibility in decision-making and in dealing with stakeholders at every level of the organisation.
Safeguard integrity in financial reporting – concerned with internal and external auditing set up and independence; annual report. Timely and balanced disclosure.	Integrity in financial reporting with a requirement for fiscal prudence, responsibility and accountability. Focus is on the community – transparency via two-way communication. Responsibility of councillors and the organisation to make sure community is informed and to encourage participation and feedback that can be used from planning through implementation and operational activity.	Financial management structures – legislative controls including establishment of audit committee and external auditing; publication of financial statements yearly. Internal and external accountability – more comprehensive than private sector; role in increasing the confidence of stakeholders; ensuring consultation and feedback sought.	Accountability in financial management, planning and performance, service delivery, community expectations. Emphasis on transparency in the processes used to make decisions, develop and implement policies and to oversee the running of a local government authority.
Respect the rights of shareholders – communication and “making it easy for them to participate in general meetings” (p39). Recognise the legitimate interests of stakeholders – ‘legal and other’ obligations to this group in natural, human, social and other environments.	Community consulted as a matter of course and participation encouraged. Rights of sectional stakeholders respected and balanced with the rights of the general community.	Considers this principle under internal accountability – refers to stakeholders generally with no reference to ownership.	Relationships with all stakeholders – use of community consultation and participation at much deeper organisational level than simply input to councillors/elected representatives. Responsibility to the community (and knowing what the community expects and needs) is the focus of most corporate

Australian Stock Exchange – principles of good corporate governance (ASX Corporate Governance Council, 2003)	Municipal Association of Victoria – Good Governance Guide (2004)	Auditor-General, Australian National Audit Office – Public Sector Governance: Better Practice Guide (2003)	Summary – a model for local government?
			governance activity.
Recognise and manage risk – management of systems so that fraud can't occur; issues managed before they become crises. The ASX principle relates mainly to financial and management systems.	Not referred to specifically by Hunt et al, but assumed to be included in fiscal and administrative management.	Identifying, analysing and mitigating risks that could prevent an agency from achieving its objectives, covering operating performance, information technology and management systems, financial management.	Risk management: <ul style="list-style-type: none"> regularly audited systems in operational, management, financial and IT fields workplace health and safety systems reducing exposure to financial risk including insurance management systems implemented to prevent fraud or mischief disaster mitigation and management.
Encourage enhanced performance – focuses on board and management performance with fair and regular reviews of both.	Performance management and measurement of the organisation, councillors and staff – against objectives of the strategic plan and measuring outcomes rather than outputs, sensitive to local needs. Accountability of councillors and staff.	Internal and external accountability structures – resource management. This aspect is difficult to compare because the Auditor-General's principles have been developed for public sector organisations answerable to government rather than a board.	<ul style="list-style-type: none"> Councillor-CEO relationship Unity of direction and command Monitoring of performance of staff and councillors. Continuous improvement
Remuneration – policies that attract talented and committed directors and employees “to encourage enhanced performance of the company” (p51).	Hunt et al do not make reference to councillor or staff remuneration.	Public sector organisations and state and federal levels in Australia answer to government rather than a board.	Local government is required to work to, and to publish in the annual report each year, a councillor remuneration policy. Accountability in staff remuneration within performance management system.

Table 6.1 Comparisons of corporate governance guidelines, developed from ASX (ASX Corporate Governance Council, 2003), MAV (Good Governance Advisory Group, 2004) and ANAO (Australian National Audit Office, 1997).

Emerging from this comparison is a clear picture of a corporate governance framework for councils that may provide the foundation for sound reputation if the benefits of good corporate governance transfer across sectors. The feature of this and the MAV models for corporate governance is the recurring theme of stakeholder relationships throughout the framework, detailed previously.

This framework can be summarised:

- Management and oversight – planning, managing stakeholder relationships and monitoring organisational performance
- Council/senior management unity
- Ethical decision making
- Accountability and transparency
- Stakeholder relationships based on consultation and engagement
- Risk management
- Performance management
- Remuneration – fair and transparent

However, there are two corporate governance activities outlined in the ASX Good Governance Guide that can not be transferred from private to public models of corporate governance:

- Ensuring the composition of the board adds value to the organisation is not possible in local government, where ‘board members’ are democratically elected; and
- The shareholder focus of private sector corporate governance models (ASX Corporate Governance Council, 2003), if applied to the public sector, would result in public sector goals focused on budgets rather than community needs and the building of social capital (Jennifer Bonfield, 2002; Stalley, 2003).

Adherence to principles of corporate governance may have helped the range of councils across Australia that have been sacked by departments of local government for offences ranging from disunity preventing decision making through to corruption, conflict of interest and financial mismanagement (Cetinic-Dorol, 2002; R Oxley, 2003; Sexton, 2004; Unknown, 2007). These sackings alert the community to the shortcomings of local government and highlight the importance of corporate governance at municipal level.

Product and Service

In research by Dowling (2001), Fombrun (1996), Davies et al (2003), product and service has been related to product and brand management, with images developed to market products thought to contribute to reputation. In the RQ, product and service share a role in reputation management with the five other dimensions and in some cases can be the only contact a stakeholder has with an organisation.

There are two aspects to this dimension:

- The product/s and service/s; and
- The way products or services are delivered – customer service (Davies et al., 2003; Charles J Fombrun, 1996).

According to Evans and Lindsay (2002), good quality product and service can provide organisations with a competitive edge, reduced manufacturing and development costs, and increased productivity, profits and other measures of success. “Most importantly, good quality generates satisfied customers, who reward the organization with

continued patronage and favourable word-of-mouth advertising...” (p4). They base quality management on three principles, which are closely aligned with certain dimensions of reputation management: focus on stakeholders and customers (corporate governance and product and service), participation and teamwork by everyone in the organisation (organisational culture) and a way of doing ‘business’ that is supported by continuous improvement and learning (vision and leadership, organisational culture, product and service, social and environmental responsibility and corporate governance) (p 17).

Offering value for money is one of the aspects of reputation development in the product/services dimension of the Reputation Quotient, and is particularly pertinent to the public sector with its taxpayer focus and its efforts to provide value for money for all stakeholders.

In the private sector, product and service offerings are determined by market demand. In local government, products and services offered have developed from the property-based services of roads, rates and rubbish of the pre-1970s to more social and intangible offerings such as immunisation, aged accommodation, child care, tourism, urban renewal, youth development, crime prevention and health (Marshall, 1997a). Johnson (2002) divides these into public (services to property) goods and merit (services to people) goods. Public goods are those, such as parks, roads, environmental protection and public safety, that are services from which members of the community can not be excluded. Merit goods are those that “...society thinks people should consume or receive, no matter what their incomes are and are goods that the government ought to provide even if society does not demand them” (A. K. Johnson, 2002 p. 2).

In this article explaining the differences between public and merit goods, Johnson was writing about the expectation gap between the community’s expectations and the organisation’s activity, something that has become a focus of local government in recent times (Adams and Hess, 2001; Marshall and Wray, 1999; Marshall, 1997). Reputation was found by to be the fit between a person’s cognitive and emotional values and the ability of an organisation to fill this expectation gap. Johnson wrote that while local government continues to improve the level of services and product, so the expectations of the community rise. Johnson surmised from research that this raising of the bar was due to increasing education, which in turn has led to people wanting a better life. “This desire to achieve higher quality of life leads to greater expectation from all levels of government ” (2002 p. 2).

Jones describes traditional local government levels of service and product offering as developed from an attitude that, as many government products and services are subsidised, staff feel they are doing the client a favour (1993 p. 199). Examination of private enterprise shows that a number of early organisations also had this attitude – Henry Ford is famous for offering his motor cars in ‘any colour as long as it’s black’ (Williamson, 1991 p. 1). This attitude, however, doesn’t fit with the progression of stakeholders up Maslow’s hierarchy of needs – when the service was first introduced, it may have felt like a favour to the client who initially might have been grateful, but the progression up the ladder of expectation has left this attitude behind. A bad reputation in the area of product and service offering will eventually lead to a consumer backlash and even pressures through regulation if this is ignored (D.

Wheeler & Sillanpää, 1997). If local government is examined closely, it has actually changed according to community demands over the years, something easily measured within each council by comparing today's population and number of services with those services offered in the past. Davison and Grieves (1996) have found that local government, in the UK at least, has been delivering value for money and changing its service offering to suit demand since 1893. Research into similar change in Australia and the US may produce similar results – the change of focus from 'services to property' to a blend of services to property and services to people tends to support this (G. Johnson & Scholes, 2002; Marshall, 1997b; Tucker, 1997), although many might argue that these changes were made reluctantly and under pressure from the community and other spheres of government (Chapman, 1997; Marshall, 1997b).

The local government attitude described by Jones (1993) has its roots in the rule-dominated version of bureaucracy. Jones gives examples (pp 199-200):

- Government salaries are only rarely dependent on service use; so many governments are really involved in de-marketing to limit the demand for a product. Councils in beachside residential areas of Sydney want to limit the use of a beach, not increase it, for example.
- Governments are usually monopolists: if people do not like the municipal garbage service, for example, they cannot get a refund and go elsewhere. A resident has to have a house plan approved by the council. The comparison is the opposite to the private sector situation where people usually have a choice. Public servants are not selected for their ability to sell products; most councils have no selling or marketing section of any significance. Public relations in local government is usually about image building and about dealing with mistakes and scandals. Government in selling mode usually means providing information, which is not marketing, selling or customer service. Public servants often have a moral arrogance because they are, after all, 'serving the public' and do not have a profit motive as a goal. Good intentions, however, are no longer enough."

This has been a problem in the past for local government as this sector has traditionally considered itself an administrator rather than a service provider, and clients have no choice but to accept the offering. This may be the root of the generally mediocre reputation local government has held in the past. Over the past 20 years, however, local government in Australia and the UK have worked on the customer service and quality of product and service offerings, with several organisations - particularly Oxfordshire County Council in the UK, councils in the states of Victoria and Queensland, and Wollongong City Council (Asser & Haines, 1995; R. Jones, 1999; Kloot, 1999) - leading a general shift to better product and service quality and customer service. The councils that have pioneered this shift have implemented these programs with a change in organisational culture, which supports the earlier assumption in this paper that organisational culture is central to reputation. The fact that the changes have been for the better from a customer's point of view has been supported by customer service surveys by both the benchmarkers and those attempting to follow their lead. The benefits to those organisations proceeding along the quality and responsiveness path have been (Asser & Haines, 1995; R. Jones, 1999):

- support from stakeholders against government forced amalgamation (Oxfordshire);

- reduction in the number of complaints to the ombudsman or other independent agencies;
- increased services with no corresponding increase in cost or the requirement for additional revenue;
- increased trust of internal and external stakeholders (Wollongong); and
- increased citizen participation.

In the UK, the Local Government Association engaged research that revealed that there are 12 products and services, which, when offered well, can improve a council's reputation (Local Government Association, 2006). These are divided between products and services and communication and are described as (2006):

Cleaner, Safer, Greener:

- adopt a highly visible, strongly branded council cleaning operation;
- ensure no gaps or overlap in council cleaning and maintenance contracts;
- set up one phone number for the public to report local environmental problems;
- deal with 'grot spots';
- remove abandoned vehicles within 24 hours;
- win a Green Flag award for at least one park; and
- educate and enforce to protect the environment.

Communications:

- manage the media effectively to promote and defend the council;
- provide an A-Z guide to council services;
- publish a regular council magazine or newspaper to inform residents;
- ensure the council brand is consistently linked to services; and
- communicate well with staff so they become advocates for the council.

This research points to the importance of products and services to municipal reputation, in the UK at least, with work on this area proving to be one of the most direct and effective methods of improving council reputations. This correlates with the importance of quality product and service to the private sector. Any reduction in complaints by residents and business stakeholders, and subsequent removal of the threat of regulation by governments at other levels, must improve the ability of local government to function more smoothly and also must improve its prospects of sustainability.

Vision and Leadership

The soul of an organisation is, according to Dowling (2001 p. 67) its vision and the cohesion and shared values that the organisation's leaders can develop.

Fairholm describes leadership very simply as a method of involving "...developing people and the organization in order to deal and cope with both complexity and change" (2001 p. 2). Fairholm joins other leadership and organisational development researchers and writers (Kotter, 1995; Manus, 1992; Napolitano & Henderson, 1998; Robbins, Millett, Cacioppe, & Waters-Marsh, 2001; Wright, 1996) in making a clear distinction between 'leadership' and 'management', which he describes as 'headship' and is not the same as leadership. Managers can be leaders, but leaders do not have to be managers (Barry Posner in the foreword of Napolitano & Henderson, 1998 p xv)

and leaders can appear anywhere in an organisation. A more detailed explanation of leadership comes from Manus (1992 p 10):

Leaders take charge, make things happen, dream dreams and then translate them into reality. Leaders attract the voluntary commitment of followers, energize them, and transform organizations into new entities with greater potential for survival, growth and excellence. Effective leadership empowers an organization to maximize its contribution to the well-being of its members and the larger society of which it is part. If managers are known for their skills in solving problems, then leaders are known for being masters in designing and building institutions; they are the architect of the organization's future.

Vision is "...an ideal that represents or reflects the shared values to which the organisation should aspire" (2001 p 69). If organisational culture is "...the way we do things around here," (Peter Elliott & Scott Gardner, 2002 p 10), then leadership is the technique used to move the organisation from its existing culture to one that reflects the vision of the organisation. "The key lies in effective interpretation of these standards and principles by executives and managers charged with making sustainability happen both strategically and operationally (Peter Elliott & Scott Gardner, 2002 p 10)." These executives and managers, if they are to effect the change needed to make this change occur, and if they also build integrity and character throughout the organisation, would effectively be 'visionary leaders' rather than simply managers (Miller, 2000 p 1).

In fact, Ross cites a range of research that shows that the chief executive officer is central to organisational development activity and thus the culture with the organisation. He cites a series of research on failures and success in attempts at organisational change as due to the support for and understanding of (or lack of) the concept of organisational development on the part of the CEO. However, he goes on to say that successful organisational development can be implemented at lower levels of an organisation even though such efforts "...are accomplished with much less efficiency and fewer and more labored results than those from the top down (Ross, 1986 p. 35)."

The link between vision and leadership and reputation can be made through the effects of leadership and vision on organisational culture. We have already seen that organisational culture is central to an organisation's reputation.

Two common threads in vision and leadership thought is that success in this field can be attributed to:

- a) the trustworthiness and integrity of leaders within an organisation; and
- b) their capacity to continue to learn.

As a critical stakeholder group, employees need to trust their leaders, which links back to the concept of stakeholder trust providing a platform for a good reputation. Miller (2000 p. 3) lists the values that are used in Fortune Magazine's ongoing study on the 100 best companies to work for in the US:

- credibility/trustworthiness;
- respect;
- fairness;

- meaning of work; and
- sense of family/community.

In a similar Hewitt and Associates study in Australia (Tabakoff, 2000), employees were surveyed for the factors that make a company a ‘best’ employer: total compensation, *culture and purpose of the organisation, leadership (credibility and trust)*, relationships with co-workers, managers and customers, quality of life, opportunity and job tasks.

In the private sector, vision and leadership pays off. Collins and Porras, in their book *Built to Last* (1998) about visionary companies, defined visionary companies as “...premier institutions - the crown jewels – in their industries, widely admired by their peers and having a long track record of making a significant impact on the world around them...visionary companies prosper over long periods of time, through multiple product lifecycles and multiple generations of active leaders” (p1-2). They found that visionary companies were 15 times more profitable than the general market. Dunphy, Benveniste, Griffiths and Sutton (2000 p. 241) summarise Collins and Porras’ findings:

There were other significant differences. All of these elite companies have a core ideology that gives guidance and inspiration to the people inside the company. They place great store in a company culture and in inculcating staff with common values. They also have stable management and tend to recruit their CEOs from within the company. Perhaps most importantly, they set audacious goals for the organisation such as Du Pont’s aim of becoming a ‘zero waste’ manufacturer.

In local government, however, where growth (in the organic sense) is a negative quality and success is measured by the level of service and facilities provided to the community, the success of leadership is difficult to measure. The culture of the organisation and the resulting quality of interaction with stakeholders might appear to be an effective measure, despite Lord’s (2001 p. 433) reservations about using reputation measures to do so. In discussion on local government or public sector leadership, the terms ‘community’ and ‘leadership’ often appear together (Hartley, 2002; A. K. Johnson, 2002; Campbell, Jones and Richardson quoted in Rod Oxley, 2002)

Local government, therefore, adds a new dimension to leadership that happens to be part of the double-loop feedback process: the community. Johnson (2002) refers to the gap between the community’s expectations and reality, and the requirement for local government to provide leadership in reducing the gap. According to Johnson, this gap can only be closed if it is recognised by local government leaders, and this recognition will only come from double-loop learning in the form of serious consultation. Oxley’s explanation of leadership working with corporate governance is based on the Campbell, Jones and Richardson model of leadership progress in local government (quoted in Rod Oxley, 2002): from ‘we rule’, which is characterised by control and rules, through ‘we care’, characterised by consultation and customer service, to ‘we build’, where connections and collaboration develop from consultation and participation and changes are made as a result. This third component of the model moves local government from ‘what are *you* going to do about it?’ to ‘what are

we going to do about it' (Rod Oxley, 2002 p. 5). This collaborating model is supported by work done by Hartley (2002), who found that community leadership is based on three assumptions: governing by giving each group a voice; the democratic mandate to represent the whole community and to plan for the future; and to develop partnerships to help local government meet the needs of the community. Hartley's assumptions are based on this leadership coming from both political *and* operational levels of local government, and she asserts that local government management is starting to play a more central role in the community leadership process.

In research for this paper, no quantitative information was discovered on the effect of the CEO on the reputation of local government, or in fact any public sector organisation. The situation could be problematic, because local government authorities themselves would be reluctant, politically, to investigate any aspect of the organisation's leadership that might show that the CEO or general manager has more effect on reputation of an organisation than the mayor. This is despite similar research on the impact of private sector CEOs on organisational culture, and the positive relationships that exist. It is also despite the transient nature of the political element of local government, the long term nature of the task of building stakeholder trust, and the community's requirement for its local government to have the values that Dunphy, Benveniste, Griffiths and Sutton believe underpin sustainability (Dunphy et al., 2000).

Given the interdependence of organisational culture and leadership and vision, and that research on leadership has pointed to well led organisations becoming more efficient, innovative and able to satisfy consumer demand, the dimension of vision and leadership would be transferable to any reputation scale that measures reputation on local government. While vision and leadership is measured in the private sector in terms of growth, stability and long term return on investment, similar measurement in local government is not meaningful. The payoff might appear in value for money for ratepayers and development of appropriate services for the community that are well adopted – but this is a question for further research and not easily answered in a literature review. It seems that the solution to the dilemma of measuring vision and leadership in local government might be found in measuring the expectation gap – the very 'reputation' type of research that Lord (2001) warned against.

Social and environmental responsibility

Joseph outlines the positive aspects of adopting a socially and environmentally responsible approach to business. Access to investment is primary: in the UK, it is believed that the value of the ethical investment market is £8bn (Cowe and Williams, 2000 quoted in Joseph, 2001 p. 121). Joseph also believes that environmental and social responsibility leads to improved recruitment and staff retention. Investment company, Innovest, has researched the effect of social and environmental sustainability on financial performance in a variety of different sectors, including food, paper and forest products, computers and peripherals and textiles, and has found that sustainability leaders outperform those not practicing environmental responsibility with operating profit margins between between 3% and 10% higher than companies not deemed to be responsible in either arena (Crago, 2003; Kiernan & Foroodian, 2003; McGeachie, 2003; Silva, 2003). The sustainable leaders were taken from Innovest's EcoValue 21 framework, which gives companies across the world

ratings for their environmentally sustainable practices. However, while these studies indicate that social and environmental responsibility adds value, the researchers of one of these studies admit that their work is not conclusive (Kiernan & Foroodian, 2003 p. 1). “Even at that, the Innovest study cannot provide general conclusions about SRI either; what it does demonstrate is that, with a *robust platform* (their italics), SRI can strengthen portfolio performance across a wide variety of investment styles.”

In their book *Built to Last: successful habits of visionary companies*, Collins and Porras (1998) devote a chapter to how long-lived organisations – those that have survived beyond their founders and were started before 1950 – consider “more than profits”. They studied companies such as Ford, Motorola, Merck, Hewlett Packard and Johnson and Johnson, who without exception, have considered the community (social and environmental) an important component of their business since their foundation. Even Henry Ford (quoted in Collins & Porras, 1998 p. 53) claimed not to have been motivated by profit when he began manufacturing cars:

I don't believe we should make such an awful profit on our cars. A reasonable profit is right, but not too much. I hold that it is better to sell a large number of cars but at a reasonably small profit...I hold this because it enables a larger number of people to buy and enjoy the use of a car and because it gives a larger number of men employment at good wages. Those are the two aims I have in life.

Karake tested the benefits of being ‘socially responsive’ by comparing the relationship between reputation indices and return on equity of 178 firms who had announced staff cutbacks from 1990-92. She found a positive relationship, and determined “partial support for the belief that socially responsive corporations are achieving better return on equity over those companies which are less socially responsive” (Karake, 1998 p. 213).

Public views of corporate responsibility might also be an indicator of the importance of this aspect of reputation management to the organisation. MORI UK found in research for UK corporate membership organisation Business in the Community that 50% of people thought that companies should give equal attention to social, environmental and financial management (Dawkins & Lewis, 2002 p. 3). The research also discovered that of the number of people making buying decisions based on high levels of social responsibility, there had been an increase of 20% from 1997 to 2002, with 44% of respondents believing social responsibility to be very important, and a further 42% believing it to be fairly important in 2002 (p4).

The bottom line in local government is measured in terms of societal gains rather than dollar profits (P Black, 2002; Jennifer Bonfield, 2002; Stalley, 2003). Therefore social services and environmental rejuvenation and restoration could form part of the economic growth of local government and might be argued to be the major component of a council's bottom line.

Local governments across the world have provided a wide range of services: child care and aged care facilities, police forces and firefighting services, immunisation, housing, schools, welfare services, health care systems, infrastructure and transport. In Denmark, local government is active not only in social and environmentally

responsible programs, but in requiring its suppliers and partners to be the same (Fisker, 2003).

Public expectations reflect this history. In a survey of residents' satisfaction of Tasmanian local government, a 17% gap was found between importance to the community and satisfaction with the services provided in the area of 'social and community services' (Enterprise Marketing and Research Services Pty Ltd, 2001). In a survey of residents of Toowoomba in Queensland, Toowoomba City Council found that respondents' importance of council's environmental activities sat on 70.3% and their satisfaction rated 63.3%. Importance of social aspects were 76.5% and satisfaction of these aspects was 65.5% (Wuoti, 2000). Measures of the contributions of local councils in Australia to environmental maintenance and repair are available, with the benchmark being about 20% of all council current expenditure in 1998-99 (Trewin, 2000). Similar statistics on social expenditure for local government are not available. These contributions to the environment, and the small amount of information available on expectation gaps relating to environmental activity, might indicate that:

- a) councils' communication of their environmental activity is lacking;
- b) there are shortcomings in the understanding of residents of environmental activity (in which case point a) should be improved); or
- c) the expectations of residents are higher than the available resources can provide.

Several authors on local government refer to 'social capital' and the value of this social capital (Peter Black, 2002; Jenny Bonfield, 2002). Stalley (2003) says that local government's bottom line is measured in terms of societal benefits. Bonfield gives definitions that relate closely to reputation and goodwill (2002 p. 1) and considers community consultation and engagement central to the success of a council's ability to build this social capital. She quotes Mark Latham, the Australian Shadow treasurer at the time, on his strategies for building social capital, which he believed was also tied to skills and social entrepreneurship (2002 p. 2):

- community-led identification and solution of problems;
- partnerships and collaboration;
- practice of stakeholder politics;
- focus on people and places rather than structures;
- creation of learning cities and communities.

In conclusion, local government's activity in social and environmental spheres seems to be somewhat taken for granted, but is high on the list of expectations of the community. As McIntosh, Leipzig, Jones and Coleman (1998) recommend, if local governments know the size of the expectation gap in these areas of their operations, they can include social and environmental activity in their strategic planning process and work toward closing the gap with the resources they have available. In Australia at least, this has already occurred, if environmental expenditure is any indication. The importance of social capital to the bottom line of local government would lead to the assumption that management of social and environmental activity in local government would be an important inclusion in any reputation management activity.

Emotional appeal

Emotional appeal is the most difficult of the dimensions to measure because of the obstacles presented in defining just what it is. In the context of the Reputation Quotient, it is measured by respect, trust and a general good feeling about the company, all of which developed as a result of activity in each of the other dimensions. Fombrun (2002 p. 22) and Fombrun and Van Riel (2003 p. 93) say that analysis of the annual Reputation Quotient research in the US shows that emotional appeal is the key driver of reputation and is most influenced by products and services.

While products and services are said to have the greatest effect on emotional appeal, this dimension of reputation develops amongst stakeholders as a result of a wide range of information and experiences, including :

- personal experience with an organisation, its product and/or services
- the experiences of friends and family
- information the person has received about the organisation from a third source
- advertising, and publicity that the organisation attracts
- presentation of the organisation
- the reputation of the industry to which the organisation belongs

Of all of the dimensions, emotional appeal relates most closely with the values that Dowling (2001) says create the fit between image and reputation. Businesses must develop a character that most closely fits with the values of all of its stakeholders in order to establish and keep a good reputation (Dowling, 2001). This alignment of values is promoted by Fombrun (1996 pp. 62-70), who first outlined the values that each stakeholder group expects and which should be pursued by the organisation. He proposed the following principles (Charles J Fombrun, 1996 pp. 62-70):

- consumers expect **reliability** – “We want their claims for their products to prove true.”
- investors and suppliers demand **credibility** – “We want them to accurately convey the risks of their strategies, warn us of impending problems, and disclose material facts that might influence our assessment of their performance.”
- employees expect **trustworthiness** – “We count on being treated fairly and honourably in job assignments, salary decision and promotions.”
- communities expect **responsibility** – “...communities ask that companies recognise their responsibility to participate in the social and environmental fabric of their neighbourhoods.”

He and Van Riel (2003 pp. 89-97) later developed a set of activity that helps achieve these principles – an organisation must be:

- visible
- distinctive
- authentic
- transparent
- consistent

Fombrun’s principles were primarily related to trust. The Macquarie Dictionary (Delbridge et al., 1996 p. 1875) uses reliability and responsibility as key descriptors of trust, and defines the adjective credible as “worthy of belief or confidence; trustworthy” (p. 419). Trust emerges in literature as a platform for reputation in

business: scholars ranging from Weber (1947) to Fukuyama (1996) and O'Neil (2002) have written about trust as a foundation principle for business. This foundation is disputed by Budd (2000) who discusses 'credibility' as the common denominator to trust, truth and transparency, which he believes is preferable to the other three terms because it is "concrete, non-ambiguous, immediate..." and more useful for his purpose of "persuasion in decision-making". The Macquarie Dictionary definitions of trust and credibility certainly indicate a greater depth and application to the word 'trust' than it does to the word 'credibility', with 22 entries to explain different interpretations of 'trust'. 'Credible', however, has just two, indicating that trust is most likely the more useful of the two to describe the intangible, positive relationship that organisations should strive for between themselves and each of their stakeholder groups. The difference of opinions may have occurred here because Budd's use of the term was for one business activity – public relations – rather than a foundation for all business activity.

Trust is widely discussed as the most important factor in a successful business. Fukuyama (1996) states that trust is the reason that differences in business success and development rates lie along cultural lines. He has found that family oriented cultures that have little trust outside the family network are less likely to develop successful and global business beyond the second and third generations than cultures that have both strong patterns of trust in volunteer and social networking, and in nuclear, rather than extended or single-parent, families. He places cultures such as China and Russia in the former group and Japan, Germany, UK and US in the latter. He also believes that a nation that exhibits high levels of trust in a range of social settings will achieve prosperity and high economic results.

Even government is recognising the importance of trust to the ability to provide relevant services and value for money. The UK Audit Commission (2003 p. 8) quotes a report from the Strategy Unit in the UK Cabinet Office, "*Creating Public Value*" that says: "Trust is at the heart of the relationship between citizens and government. It is particularly important in relation to services which influence life and liberty – health and policing. But it also matters for many other services - including social services and education. In these cases, even if formal service and outcome targets are met, a failure of trust will effectively destroy public value."

The Audit Commission further found that loss of trust will cause the community to disengage, by not wanting to participate in service delivery, choosing other service options if they can or withholding the very information that allows government to determine which services to offer (p 8). A recent Audit Commission report on corporate governance in local government in the UK considers a framework for trust for use by councils to improve their services (The Audit Commission, 2003).

Discussion on trust in local government generally occurs through research into public attitudes to government in general (Atkinson, 2003; McGinnis, 1997; McGregor Tan Research, 2001). However, in the UK, trust has emerged as a central theme, with services and outcomes, to the search for improving public value. The UK Audit Commission, in particular, has taken an interest in the role trust plays in developing economically and socially sound communities (The Audit Commission, 2003). The Audit Commission has published several management guides that outline management methods aimed at developing trust within local councils and between

local councils and their residents (The Audit Commission, 2003), centred on corporate governance and community consultation and engagement. The UK Cabinet Office's Strategy Unit's development of a framework for public sector reform (Kelly & Muers, 2003) also points to the development of trust as important to the success of any government organisation, linking public value to the values of the public (p4): "Value and values are closely linked. Seen through the lens of public value, the ethos and values of any public organisation, service provider or profession must be judged by how appropriate they are to the creation of value: better outcomes, services and trust. Inappropriate values may lead to the destruction of public value." The importance of values is central to the McKinsey 7-S model developed by Peters and Waterman (1982), and Dowling believes that the gap between an organisation's values and those of its stakeholders can be used to measure the organisation's reputation (2001).

Central to this interest in the importance of trust is the Audit Commission's belief, quoted from the Kelly and Muers (2003 p. 17), that:

Trust is at the heart of the relationship between citizens and government. It is particularly important in relation to services which influence life and liberty – including social services and education. In these cases, even if formal service and outcome targets are met, a failure of trust will effectively destroy public value (2003 p. 8).

The importance of the trust of stakeholders in local government in Australia was pointed out by Jennifer Bonfield (2002), who as Mayor of Coffs Harbour, presented the concept to a forum of local government representatives in 2002. She equated social capital with trust, with her definition of social capital being "the capacity of individuals and communities to solve their own problems", and referred to the importance of social capital in activity such as economic development and sustainable land development within local government areas.

In Scotland, however, the use of trust as a foundation for better systems and working relationships was canvassed in 2000 by Ashok Kumar and Ronan Paddison in their review of the Scottish local government planning system (Kumar & Paddison, 2000b). They link trust and collaboration as inseparable activities, and this supports Murphy's view that relationships are the method by which trust can be built (The P.R. Coalition, 2003 preface). This brings us back to the double-loop learning systems model discussed previously; it highlights a shortcoming of the 'roots of fame' model developed by Fombrun and Van Riel (Charles J. Fombrun & Van Riel, 2003) in its application to local government via the lack of a two-way communication mechanism.

Traditionally, trust in the public sector, including local government, has been low. Research by MORI for the UK Audit Commission (Atkinson, 2003), the South Australia Local Government Association (McGregor Tan Research, 2001) and the US Council for Local Government Excellence (Hart & Teeter, 1997, 1999) have indicated this. In the UK, MORI found that only 48% of the 1,708 people interviewed said they had a "great deal" or "fair amount" of trust in their local council, with 48% saying they trusted their local council "not very much" or "not at all".

The 2006 South Australia Local Government Association survey ranked trust in politicians, comparing local, state and federal politicians (McGregor Tan Research, 2006). Local councillors came out in front, but the survey instrument asked the 400 respondents to rank each government tier in relation to the other rather than give them an independent rating that would give an absolute score of trust. The survey was also conducted in 2001 and 2004. In the 2006 version, 52% of respondents ranked local councillors first (up from 45% in 2001), 28% ranked state politicians first (up from 7% in 2001), and 21% ranked federal politicians first (up from 9% in 2001). The survey went on to measure perceptions of performance and value for money of each tier of government.

The MORI regression analysis for trust in UK councils (Atkinson, 2003) revealed that the drivers of trust in councils are:

- tendency of councils to keep promises (20%);
- councils' ability as quality managers (20%);
- councils' ability to learn from mistakes (19%);
- friends and family saying positive things about a council (16%);
- staff treating people well (15%); and
- council not interested in the views of individuals in the community (9%).

Of these drivers, UK local councils scored a negative public perception in all except treatment of people by staff.

Emotional appeal is difficult to measure, even to define. The Reputation Quotient defines it as (Charles J Fombrun & Foss, 2005):

- To have a good feeling about the company;
- To admire and respect the company; and
- To trust the company a great deal.

A 'good feeling' and 'respect' for an organisation can be included in definitions of trust, and for this reason, emotional appeal has been interpreted as trust for the purpose of this paper.

The increasing interest worldwide in the role trust has to play in government and business is evidenced by the recent literature on the subject, particularly from Fukuyama (1996), Shaw (1997), Huemer (1998) and organisations such as the UK Audit and Cabinet Offices and the Council for Excellence in Government. The UK Strategy Unit of the Cabinet Office's development of the public value model of government (2003), characterised by services, outcomes and trust seems to be the forerunner of a wider incorporation of trust as a foundation for any organisation, and in particular, local government.

It seems that while this may be the obvious path for local government to take, developing trust does not come easily. Local government, while the most widely trusted of the three tiers of government in Australia, the UK and the US, is still not a trusted institution (Atkinson, 2003; Hart & Teeter, 1999; McGregor Tan Research, 2006).

Development of trust through careful management of the other reputation dimensions such as organisational culture, trustworthy systems via corporate governance, quality

products and services and vision and leadership may help local government develop sound reputation management systems and sustainable government. If trust is the basis for social and public value, then this is almost an imperative course for local government to take.

Conclusion

This literature review lends strong support for the adaptation of a corporate reputation management and measurement scale for local government.

The following table summarises the discussion within this literature review, comparing the private sector dimensions with those developed from analysing research on local government. This discussion considers accounts for differences between the two and emerges with a possible reputation quotient for local government:

Harris Interactive Reputation Quotient	Local government reputation quotient
Workplace environment <ul style="list-style-type: none"> - well-managed - good to work for - good employees 	<i>Organisational culture</i> <ul style="list-style-type: none"> - shared values, superior relationships built on trust - high productivity/commitment - reduced turnover/attract top staff - superior customer service - improvement and innovation - big picture teams
Financial performance <ul style="list-style-type: none"> - strong record of profitability - low risk investment - prospects for future growth - out performs competitors 	<i>Corporate governance</i> <ul style="list-style-type: none"> - management and oversight - unity of purpose - ethical conduct - transparency and accountability - performance management - stakeholder relationships - risk management - remuneration
Product and service <ul style="list-style-type: none"> - stands behind products and services - innovates - quality - good value for money 	<i>Products and services</i> <ul style="list-style-type: none"> - timeliness - quality - customer service - community needs
Vision and leadership <ul style="list-style-type: none"> - excellent leadership - clear vision - recognises and takes advantage of market opportunities 	<i>Vision and leadership</i> <ul style="list-style-type: none"> - recognises community needs - facilitates the community's vision - divided between CEO and elected representatives
Social responsibility <ul style="list-style-type: none"> - supports good causes - environmentally responsible - high standards in treating people 	<i>Social and environmental responsibility</i> <ul style="list-style-type: none"> - sets direction/regulation according to community wishes - enables community to drive both social and environmental agendas

Harris Interactive Reputation Quotient	Local government reputation quotient
Emotional appeal <ul style="list-style-type: none"> - good feeling about the company - admire and respect the company - trust the company a great deal 	<i>Trust</i> <ul style="list-style-type: none"> - shares values with community - keeps promises - learns from mistakes - treats stakeholders with honesty and courtesy - interested in and acts upon views of the community

Table 11.1 Comparison of corporate and local government reputation quotients

The shortcoming of this local government reputation quotient is that, unlike the Harris Interactive RQ, it was not developed as a result of consultation of stakeholders into the qualities they seek in local government. However, it does provide a starting point for such research, and certainly allows any local government to develop an audit of reputation management activity.

The next step is for the measurement framework to be used as a basis for consultation with the community on the qualities they look for in a council, and then to use these qualities to confirm or dispute the model developed here.

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