CASE STUDY: JAMES HARDIE INDUSTRIES AND THE AUSTRALIAN WHEAT BOARD

Building-products giant James Hardie Industries and the Australian Wheat Board (AWB) are the companies at the centre of the two biggest Australian corporate public relations scandals of recent times. James Hardie tried to shirk its responsibilities towards former workers suffering and dying from hideous diseases caused by exposure to asbestos, which the company used to manufacture. The AWB was involved in bribery and corruption in Iraq, during the time of the former regime of Saddam Hussein, in order to secure markets for Australian wheat.

Both are complex stories with many lessons of critical importance for corporate public relations professionals. Yet both are notable for remarkable images of individual people that did much to influence public perceptions.

The late Bernie Banton was the public face of the fight against James Hardie. Banton was a former company employee whose health had been destroyed by asbestos. By the time of his death in 2007 from the incurable asbestos-related disease mesothelioma, he had become a national hero and was honoured with a state funeral by the government of New South Wales.

Because of his medical condition, Banton had to carry an oxygen tank with him wherever he went. Banton had many admirable qualities and would have been an effective campaigner regardless. But there is little doubt that the image of those everpresent oxygen tubes graphically reinforced Banton’s message in each of his frequent media appearances.

Former AWB chairman, Trevor Flugge, unwisely allowed himself to be photographed in Iraq, bare-chested and holding a handgun, which he pointed at the camera. The story of AWB’s activities in Iraq was damaging enough without the existence of the photograph. The image itself was not directly relevant to the 2006 Cole inquiry into the affair; it did, however, strongly influence public perceptions of the company at the time and severely damaged Flugge’s personal reputation. These two examples illustrate the impact of image on public perceptions, as well as the interplay between image and reputation.

The most important lessons of these two cases for corporate public relations relate to stakeholders and ethics. In 2001, James Hardie Industries established a new parent company based in the Netherlands. Almost $2 billion in assets from James Hardie companies in Australia was transferred to the new entity. Subsequently, these assets were legally insulated from claims for compensation from asbestos victims in Australia. It seems the Netherlands was chosen because it does not have a treaty with Australia that enables the enforcement of civil judgments obtained in Australia (Australian Council of Trade Unions 2004). The compensation fund James Hardie set up to meet the needs of victims in Australia proved to be grossly inadequate and the company had reneged on a pledge that the assets transferred to the Netherlands would still be available to claimants. The whole point of establishing a Dutch parent company and the associated legal manoeuvres had been to save the company money by depriving the asbestos victims of their rightful compensation—legally valid perhaps, but morally reprehensible.

The company seemed completely unprepared for the public furore that swiftly followed. Devastating publicity, the threat of product boycotts, a highly effective union-backed campaign, and government condemnation left James Hardie’s reputation in tatters. Eventually, the company was forced by the sheer weight of moral outrage and adverse publicity to do what it should have done in the first place—sit down with the stakeholders and negotiate a fair settlement of the legitimate compensation claims. Had James Hardie done the right thing by the victims at the beginning, the final cost to the company would have been much lower and its reputation would still be intact. As it is, it will take many years for the company and senior executives involved to live down the scandal.

In December 2005, the AWB was facing an imminent judicial inquiry into its murky dealings in Iraq prior to the 2003 US-led invasion of that country. The company hired American crisis management expert Peter Sandman, who provided some sound advice—apologise. Sandman even drafted a letter of apology in the name of then AWB CEO Andrew Lindberg (Elliott 2006). Foolishly, the company decided not follow Sandman’s advice. Instead it chose to tough it out and deny everything. The draft letter came to light several months later after the AWB lost a court battle to keep it secret. Once the draft apology was made public, the extent of the AWB’s dishonesty was painfully apparent, which made an already horrendous corporate crisis even worse. As is often the case in situations such as this, a ham-fisted attempt to cover up wrongdoing probably caused more
damage than the initial bad behaviour, in this case bribery to secure access to the Iraqi wheat market. As in the James Hardie case, the corporate reputation of AWB was utterly shattered. At the time of writing, key executives involved in both scandals still face serious charges.

The role of corporate public relations includes helping to ensure that stakeholder needs are understood, acting as the corporate conscience, and helping to articulate and frame messages. With James Hardie and the AWB, it is apparent that much reputational damage could have been avoided if the advice of high-level public relations professionals had been taken.

**Contributed by Nigel De Bussy**