

## **Virtuous Circle**

### **Employees**

Organisations that treat their employees well enjoy a virtuous circle. When employees have fair terms and conditions, good consultation, clear expectations, incentive pay and a meritocratic environment, morale rises and helps to boost productivity and profitability. Good consultation allows employees to suggest improvements and to actively engage in their implementation. Strong employee morale and higher profitability facilitates growth. Employees recommend the company to friends and relatives. The company ends up with talented people who help to perpetuate this virtuous circle.

The starting point of this virtuous circle is the employer's fair treatment of employees. Even if they are not the best rewarded, managers are genuine in its efforts to treat people with respect and fairness. They strive to be open with employees, to be frank about the business and its prospects. They make clear what they expect from the staff, who feel listened to and an important part of the organisation.

### **Customers**

Again there is a virtuous circle whereby fair dealings with customers lead to improved customer relationships, increased loyalty and increased success for the company. Where a company sets out honestly and clearly what it is selling in language that the customer can understand, the customer will be able to make an informed decision about the value of the product or service. Where the company ensures that it sells in a fair way – with a clear contract and respect for the customer, the company will probably gain repeat business. Where the company is good at responding to complaints, is honest and apologises if mistakes are made, customers are more likely to accept the explanation and remain loyal. Where the company takes into consideration possible vulnerable consumers, such as the elderly or disabled, the company not only wins business directly from these groups but also gains respect and custom from their friends and families.

There is a clear and indisputable business case for treating customers fairly. They remain loyal even when mistakes are made and may recommend the company to others. Strong customer relationships not only increases sales, but can also enhance the profitability of those sales.

### **Suppliers**

A virtuous circle emerges where a company pays its suppliers on time; is clear about its contracts and expectations; is fair about how it uses its power over suppliers; protects suppliers' intellectual property and uses suppliers' feedback to improve ways of working. In such cases, suppliers respond by valuing the customer. They make efforts to ensure that goods and services meet the contract, are delivered on time and are competitively priced. As a result, suppliers give priority to the business of fair customers over that of unreasonable ones.

Good communication is the crux of building this long- term relationship. By seeking feedback from suppliers and discussing products and services, the company fends off problems before they occur and improves the value obtained from the supplier.

*The text below was taken from GoodCorporation/BBC Learning Guide: From Principles to Profits 2004*

### **Community**

There are many ways to make a positive contribution to the community. Some companies make charitable donations to local activities while others go further and set up programmes in the community. Employee involvement in community activities can boost overall morale as well as raise employee's skills and understanding of the local market.

Best practice is for the company to evaluate and align its own business needs with those of the community. Enlightened self-interest produces benefits for all when a business develops activities in the community that meet its own needs or shares its expertise with local institutions. As a result, the community will genuinely appreciate the sponsorship and the business will be more likely to survive and thrive.

### **Environment**

A virtuous circle emerges where an organisation understands its effect on the environment and puts in place systems to minimise them. This makes good business sense because most programmes to curtail environmental impacts also reduce input costs, such as those for electricity and water consumption. Companies also reduce costs by cutting waste as exemplified in the case study below.

Programmes designed to cut waste and promote recycling have knock-on effects that go beyond the quantifiable reductions in environmental impact which companies themselves can make. They involve employees directly, for example in recycling, car-pooling, switch-off campaigns and so on. As noted above the vast majority of people already recycle in their homes so it is not surprising that employees are happy to do their bit for the environment at the office. Where environmental impacts from noise, light or heat emissions affect neighbours directly, an active programme can eliminate complaints and improve community relationships. Overall these cost savings combined with improved employee and community relationships have real benefits for the business and encourage further improvement over time.

### **Shareholders**

Where investors receive useful information that allows them to evaluate risk and return easily. When funds are used as agreed, when the data is accurate and honest, then financial providers have confidence in the enterprise. A trusting relationship with investors can help with further funding requirements, if the need arises.

A virtuous circle emerges where a company aims to make a positive contribution to the community and where it works to remove any negative impacts. In such cases the positive interaction with the community enhances reputation and helps the company to recruit people, make sales locally, enhance its knowledge of the local market and through community activities increase the skills of its employees.