

## The art of corporate influence

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Tomorrow evening at Sydney's City Recital Hall Igor Stravinsky will be the "composer of the evening" and the "energetic and passionate" Richard Gill will conduct the Sydney Sinfonia whilst being the audience's guide in an "illuminating blend of concert and commentary".

I'd love to go but despite the offer of free tickets, I won't be attending.

For many years, I've been our house analyst for Leighton Holdings. It was this company that offered to cover the cost of our tickets (the company is a key sponsor of the event) and provide refreshments for more than an hour after the event.

Anyone who's studied basic psychology (or read Robert Cialdini's excellent book *Influence*) will know what's going on here. Leighton wants to plant the seed of "reciprocity" in my mind.

It's in our nature to reciprocate when someone (or some company, in this case) does us a favour. In *Influence*, Cialdini writes that this principle "possesses awesome strength".

"So typical is it for indebtedness to accompany the receipt of such things," Cialdini explains, "that a term like 'much obliged' has become a synonym for 'thank you,' not only in the English language but in others as well."

## Way of sway

I've been an active student of such psychological traps for more than a dozen years but, such is the power of reciprocity, I almost fell for it. At first I believed that I could attend this event at Leighton's expense and emerge with my objectivity and independence intact.

Fat chance. As Cialdini explains, "The impressive aspect of the rule for reciprocation and the sense of obligation that goes with it is its pervasiveness in human culture...there is no human society that does not subscribe to the rule."

Leighton isn't alone in its attempts to subtly sway people's thinking. Look at the corporate boxes at any major sporting or cultural event and you'll see members of the finance industry schmoozing clients and "influencers" like me. It's such a common practice that it's no longer even questioned.

At *The Intelligent Investor* such clear attempts to influence our thinking are rejected. But many situations are less clear-cut.

What about a company-sponsored site visit? A big mining company flying analysts to one of their sites and putting them up in a nice hotel, while filling them up with expensive food and wine?

How about lavish hospitality at analyst briefings? One blue chip company CEO recently hosted a briefing with our analyst at Masterchef judge George Calombaris's swanky The Press Club restaurant in Melbourne. Should he have declined the meeting?

Perhaps even the extravagant catering at annual meetings should be questioned. It seems silly to expect analysts to refuse the tea and scones but, when cast in the light of such powerful psychological factors, why not question our ability to remain objective?

## **What to ask**

The fact is there's a long but taut thread from the lavish spreads at an AGM and free tickets to music concerts through to big-ticket corporate donations to political parties.

All are attempts to influence thinking and all rely on the law of reciprocity - I'll scratch your back knowing that you'll feel obligated to scratch mine.

As clients of an industry where this behaviour is endemic, what is one to do?

Many analysts, financial advisers, fund managers and accountants are not going to voluntarily disclose the favours they've received from the businesses trying to influence them (sometimes referred to as "soft dollar commissions").

So if you want to find out how their thinking may have been influenced, you're going to have to ask.

So make a nuisance of yourself. Ask your financial adviser whether they've been on any fund manager-funded junkets lately; question your broker about what was included in any company site visits, overseas trips and invitations to cultural and sporting events.

If they willingly disclose this information without hesitation, you'll be aware of how their sense of obligation to the other party may (or may not) be influencing their thinking.

If they don't, or sound uncomfortable when you ask, well, that tells you something equally important. And perhaps more revealing, too.