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REPUTATION AND PERCEPTION:
Getting Credit for Doing What's Right

You would be amazed how many times I am asked how public relations has changed during the course of my career.

Yes, there have been changes. But I am struck, when I think about it, about what has not changed since my first public relations job. That was when I was a student at the University of Mississippi more than 50 years ago. During my last three semesters, I was acting director of the Ole Miss News Bureau. One of our principal tasks was to write "home towners".

"Home towners" were short articles about students. Students who joined fraternities or sororities. Students who were elected officers of student organizations. Students who excelled scholastically and appeared on honors lists. We mailed news releases, often with a photo, to students' hometown newspapers, usually small circulation dailies and county weeklies. Their purpose was simple and clear-cut: to drum up student enrollment and to encourage alumni support when the state university went knocking on legislative doors for more money.

We in public relations do some things differently today. We think we are smarter. We think we are more sophisticated. We think we have developed a methodology that is,

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to use two late 20th century buzz words, more "focused", more "targeted". Maybe so; maybe not.

Because, the way it looks to me, the basic objective of public relations has remained rather constant during the entire span of my career.

Public relations has to do with reputation and perception. It is the discipline that's used to motivate people to a desired course of action. They can be individuals; they can be narrowly defined groups; or they can be large masses of people.

Public relations is brought to bear when we want people to do something. When we want them to act, to behave, in a certain way that suits our purpose. When we want to affect not only their opinions and attitudes but also their behavior.

We do that by working with our employers and our clients to establish behavioral patterns and courses of action that are acceptable to the publics they want to reach. Our clients and employers must embrace policies that accord with that commitment. And, equally important, they must communicate in a way that's both understandable and persuasive.

Public relations, simplistically put, is doing what's right and making sure you get credit for it.

Ivy Lee, to many the founding father figure of the public relations consulting business, put it this way in a 1934 speech to the London School of Economics:

> "Extensive experience in assisting large corporations to adjust themselves to the demands of public opinion in making their purposes and policies understood and in creating for themselves a favorable position in the public mind has shown that no amount of propaganda is any value unless the policy of an institution is in

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> the first place sound and honest, and is responsive to the high demands of enlightened public sentiment."

Nothing really basic has changed in the sixty years since Ivy Lee made that statement. Nor has what we public relations practitioners do to implement our mandate changed since the Washington syndicated columnist Walter Lippmann explained the public opinion formation process in his Harvard dissertation in the early 1920s.

Lippmann wrote that there are only three ways one can impact public opinion and public attitudes:

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First, one can attempt to create an opinion or attitude when none exists.

Second, one can attempt to change a prevailing opinion or attitude.

Third, one can reinforce a presently held opinion or attitude.

That, I believe, continues to be the essence of the public relations process. First, to counsel our clients on policies and actions that respond to and serve the public interest. And, second, to communicate our clients purposes, policies and actions to targeted audiences with the objective of motivating those audiences to a desired course of action that is both in our client's and the public's interest.

This constancy of public relations' basic purpose reminds me of a story about Conrad Hilton on his 40th anniversary as a hotel owner. When a questioner asked him to cite the most enduring lesson four decades of experience had taught him about managing hotels, he replied simply: "It's always better when the guest puts the shower curtain inside the tub".

In public relations, as in hotel management, what's basic is basic. It doesn't change. To repeat, what we are all about is to work with our clients and employers to bring about policies and programs that result in actions and behavioral patterns that elicit desired responses that serve both their purposes and the public interest.

When corporations do this right, they create good reputations. When they do this right, they create positive perceptions in the minds of their beholders. And, come to think of it, it's pretty much the same for you and me as individuals. What we do and what we say makes a difference in what our friends think of us. What we do and what we say

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have a lot to do with whether we're invited to the party. It's no different with corporations or other institutions in our society.

And just as individuals have a lot of control over how they are perceived -- what their reputations are -- so do corporations. They can play a role in managing their perception destiny or they can sit back and wait for others to set the agenda to which they must respond.

It's encouraging to me that fewer and fewer CEOs are sitting back nowadays. If anything, they're ahead of many of us in public relations when it comes to knowing how directly reputation and perception impact their ability to carry out their corporate missions.

To be sure, it's not public relations or communications that turns them on. What they are interested in is the reputation and perception of the companies they head. They're interested in their own reputations as well. They are concerned about how they are perceived and evaluated by their customers, by their shareowners and, perhaps most of all, by their directors. Public relations and communications are the means necessary to achieve their corporate goals.

Most of us have a pretty good fix on the meaning of reputation. Let me tell you what I mean by perception.

Ask a CEO whether he thinks his company's stock is fairly valued. Chances are he'll say it's undervalued -- 10, 15 as high as 35 per cent below what it's really worth. Then ask the follow-up question, how much of that shortfall is based on operating performance and how much of it is based on false perceptions by the investment community. The answer to that one invariably adds up to "it's their perception of us that's all out of whack". Quantify that shortfall in terms of lost market valuation and you are

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into large numbers, tens or even hundreds of millions of dollars that should be accruing to shareowners.

The same logic applies to product pricing. The price variance for some product categories ranges up to a hundred per cent, even more. The intrinsic cost of the product, materials and labor, is often within a narrow range.

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Question: why does a customer pay twice as much for a product whose intrinsic cost is about the same as the lower priced product? Answer: simply because the customer's perception is that he or she receives greater value and derives greater benefit from the higher priced product.

In other words, the higher priced product has created a perception of higher value and greater benefit that translates into a higher selling price.

I am encouraged because many CEOs of my acquaintance have begun to do something about forming and managing perceptions. They have come to believe that perceptions are subject to a disciplined process akin to the management of research or human resources or other staff functions.

I am encouraged that many CEOs I know are now placing so high a value on good reputations and favorable perceptions.

As a public relations professional, I am encouraged most of all that they are recognizing that good reputations and favorable perceptions are the result of an organized logical process, which we at Burson-Marsteller choose to call perception management.

One barometer that demonstrates corporate attention to reputation and perception is the escalation in officer titles applied to senior corporate public relations officers. When I first encountered the corporate world, the person holding the senior public relations job usually bore the title "Director" -- Director of Public Relations. A one-step-lower hierarchical title, "Manager", also had wide usage.

To be sure, a few companies bestowed an officer title on their senior public relations person, usually Vice President. Two of those companies were among America's largest corporations, AT&T and General Motors. If you delve into their histories, you will find that their CEOs -- Theodore Vail at AT&T and Alfred Sloan at General Motors

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-- were fervent believers that the success of their enterprises depended on how effectively they could earn the trust of the public their businesses served. Recognizing that AT&T then exercised a monopoly over telephone services in the U.S., Mr. Vail was especially sensitive to the need for public understanding and support. And as a result, AT&T's Arthur Page was one of the earliest corporate public relations practitioners who gained a corporate Vice President title.

Today, while most FORTUNE 500 companies provide a Vice President title for their senior public relations officer, the title in a number of larger companies is now Senior Vice President. It's not only the title that has escalated. The positioning of the function has escalated as well. Public relations often sits at the policy-making table as a member of the CEO's management or operations committee. And he or she usually reports directly to the CEO; when not a direct report, it's usually a de facto direct report. At a time when news travels with the speed of light, that's the way it has to be. Sensitive CEOs, concerned about their own and their company's reputation and perception, recognize this.

Let me share with you my observations on what I believe to be the causes of what I like to describe as "the maturation of public relations" -- the organizational function that bears responsibility for reputation and perception.

The process began post-World War II. Emerging from the war, corporations hurried to reconvert to peacetime production. Pent up consumer demand for products and services was enormous. And even though most wartime businesses worked around the clock meeting production schedules, confiscatory high taxes prevented them from building their capital base. The U.S. tax rate for what was then termed "excess profits" was as high as 88 per cent.

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Companies had to compete for capital -- the vast sums of money needed to expand physical facilities and create products and marketing and service organizations to fulfill peacetime customer needs. New securities listings, for a time, were almost a daily happening on the New York Stock Exchange. And, remember, this predated the large institutional ownership of securities that we know today. Main Street was important to Wall Street. Reaching and persuading individual investors -- the little old lady from Dubuque who waddled around in tennis shoes -- took on new significance.

Out of that situation grew the now specialized practice of investor relations. At the time, no one in the corporation had specific responsibility for communicating with investors beyond publication of what we would today regard as perfunctory quarterly and annual reports. Corporate public relations concerned itself largely with press relations. Conventional wisdom of the time was to turn this new need to communicate with investors over to those who were already communicating with the press.

And so it came to pass that investor relations became part of the public relations portfolio. That was a significant step forward for public relations. The investment community was vastly more important to the CEO than the media of that era. It has become so important that, in mosst large companies, investor relations is now a stand-alone function.

The second development that made CEOs more conscious of the public relations function started evolving in the sixties and hasn't stopped yet. This time, the "happening" had its origins in Washington and in other world capitals -- in legislation and governmental regulation that has influenced the way companies everywhere conduct their business.

In the United States, it started with the civil rights movement. Successful activists quickly recognized their leverage as customers. They learned to use that

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leverage to help them achieve their social agendas. Lunch counter sit-ins, product boycotts, picket lines at the workplace. For most CEOs, this was a new experience. And it was happening in real time and had to be dealt with.

Reporters were on the telephone. TV camera crews were in the reception room. Pickets paraded at plants and stores and office buildings. These actions early on made the public relations officer more than a writer of press releases. The boss was no longer dictating what should be said in the news release; the fact is, he usually didn't know what to say because it was a totally new experience for him. And so it came to pass that bosses began asking their public relations officers "what do I say?" and, ultimately, "what do I do?" to address the crisis at hand. That, I believe, was one of the most significant steps in the "maturation of public relations" as a corporate discipline.

Next on the screen came the "consumer's right-to-know" movement. It brought with it a polyglot of legislation ranging from "truth in lending" to "language simplification". Governments at all levels -- national, state and local -- stumbled all over themselves establishing Offices of Consumer Affairs. Their publicly proclaimed goal was to protect supposedly innocent, gullible and unsuspecting consumers from allegedly rapacious manufacturers of unneeded and defective consumer products. Many, if not most, approached their task with unbridled zeal.

The dissemination of information was industry's first line of defense. Here again, CEOs saw their relief in public relations. And, again, the issue served to escalate the importance of public relations in the corporate pecking order.

Meanwhile, a little noticed event had occurred in 1955. It was a book by an unknown author named Rachel Carson. It was titled "Silent Spring". A decade passed before Carson's warnings about the environment were translated into legislation. In the United States, Congress passed the first Clean Air and Clean Water Acts in the mid-60s.

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Their passage was marked by acrimonious public name-calling that identified the "bad guys" whose products and plants polluted both the streams and the skies.

Here again, both a challenge and an opportunity for those of us who claimed public relations as a career. The environment became perhaps the ne plus ultra determinant of reputation and perception for corporations around the world. Thirty years later, the environment remains a top-of-mind criterion on which the public makes judgments about companies.

Each of these matters contributed to moving corporate news from the business page to the front page. They were matters that directly affected company reputations and share prices. They were matters where the buck went beyond public relations. They were matters where the buck stopped with the CEO. And so it came to pass that the CEO accepted the reality that he himself must be an ongoing participant in the reputation/perception process. Like it or not, corporate spokesperson was added to the CEO job description when the chips were really down.

There was more to come. Yet another pressure that has caused the CEO to be even more reputation and perception sensitive. It goes by the name of "corporate governance".

Nothing in recent times has had a more profound effect on how CEOs and boards of directors are defining -- in many cases, redefining -- their responsibilities to shareowners and the public alike.

There are two triggers that usually energize the corporate governance process. One is unsatisfactory earnings -- and that's outside the direct purview of public relations. The other is adverse media coverage. That, I can promise you on the basis of vast personal experience, is considered within the purview of the public relations function.

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The result I am witnessing is that, increasingly, CEOs are now devoting more of their time and energy to taking a proactive role in shaping their company's and their own reputation and perception. While satisfactory earnings top their list of corporate priorities, reputation and perception are not far behind.

The globalization of business and the new advanced technology underlying the news dissemination process have combined to exacerbate corporate news coverage. An important lesson of the late 20th century is that news, especially bad news, is no respector of national boundaries. An environmental accident in Country X, no matter how remote, makes its way with the speed of light to a satellite beamed to the rest of the world. The news article once confined to a single locale now pops up everywhere.

During a large part of my career, you found business news in the back section of the newspaper somewhere between the comics and the help wanted ads. And all you got were a couple of dreary pages filled mostly with stock prices. On radio and on television, you were lucky to get the Dow Jones closing averages on the nightly news.

Then, somewhere along the way, business news coverage changed. The defining moment, I believe, was the oil crisis in 1973. That was the year when long lines of cars waited to buy gasoline. Mostly, the drivers of those cars were women, angry women who wanted to know why? Why were they sitting in lines to make a purchase that had always been so easy? Why were they paying prices double or triple what they had paid just weeks before?

It was that crisis that moved business news from the hard-to-find business pages to the front page. It was that crisis that made business news the lead item on the nightly news. It was that crisis that energized curious business reporters to dig deeper into how business managed its business.

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When the gasoline lines went away, our country -- and much of the rest of the industrialized world -- went into a period of runaway inflation and high interest rates. Business news stayed on the front page. Television networks created special shows that dealt only with business news. The major networks hired specialized business reporters. "Investigative" reporters no longer confined their stalking to politicians. Companies and business leaders were now fair game whose foibles could also be counted on to draw large audiences.

Certainly, there was enough happening in business to fill the additional space and the additional air time. In the steep recession of the early 80s, two new words, "restructuring" and "downsizing", were added to the lexicon. Lots of people -- family, friends and neighbors -- lost their jobs. We read about it in the daily newspapers, we saw it every night on television.

And even when the world was well into the prosperity of the 80s, business continued to lead the news. Who would ever have thought, as recently as ten or fifteen years ago, that the whole world (if you read the newspapers or look at television news) would await with baited breath a Federal Reserve Board decision on the inter-bank lending rate?

The fact is that the media now cover business more intensively. Business news is now also a prime subject for the tabloid equivalents of television, the so-called expose or magazine shows. It's a subject of radio talk shows. It's covered by political reporters who once confined their purview to politicians and lawmaking.

The fact is that business today has come of age as a topic of interest. After all, business, in one way or another, impacts the total population. Business provides jobs. Business provides the products and many, if not most, of the services that sustain us in our daily lives. Business, directly and indirectly, is government's biggest taxpayer.

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None of this is about to change. Business will continue to get microscopic media scrutiny. Its policies and its actions will continue to be subjects for investigative reporters. Business will continue to be judged by activists representing a broad spectrum of interests. Business will continue to be the focus of government oversight.

The making of corporate reputations will continue, some for the better and some worse. Corporate stakeholders will continue to form their perceptions, some for the better, some worse.

In that context, corporate executives have one of two choices: one, to react to external pressures by reacting to agendas set by others; or two, to embark upon a course of managing perceptions, of setting ones own agenda, as part of the managerial process.

Coming to you with a bias that's explicit, I have confidence in the choice that will appeal to most CEOs.

That makes me very bullish on public relations as we move toward a new millennium.

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