Harold Burson Speech
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Ladies, Gentlemen, My Fellow Public Relations Practitioners:

The thesis of my talk today is rather simple. It is a statement articulated a number of years ago and it reads:

"War is too important to be left to the generals."

What does that imply for public relations or communications or whatever term you use for the function that has been central to my life for the past 50 years.

A literal transliteration would say "Public relations is too important to be left to public relations specialists."

In a corporate context, that statement means that public relations is so important that it should be a concern of the Chief Executive Officer.

Despite my long commitment to the practice of public relations, that statement causes me no concern. I believe it to be true. Moreover, I believe that CEO involvement enhances the public relations function.

In fact, I would go even a step further. I believe the public relations -- the function responsible for a company's perception, the function responsible for a company's reputation, the function responsible for a company's good name -- is so important to today's publicly-owned, multi-national corporation that even the board of directors should exercise ongoing oversight of a company's public relations.

In his opening address to this conference, my associate, Jim Dowling, described for you the importance and value of a corporation's reputation, the importance and value of a company's good name. The same principle applies to all other institutions in our society. Those for profit and those not for profit like universities and hospitals and libraries and the numerous other public and private entities in today's complex world.

Most of us recognize that reputation has a tangible monetary value. Some attempts have been made to estimate that value using complicated formulae that take into account the premium customers are willing to pay for a specific brand over the cost of a generic brand. For example, the value of the Coca-Cola name has been placed at more than $40 billion. The Marlboro name has a value of that same magnitude. Indeed, some corporations are considering putting the value of their corporate and brand franchise on their balance sheet. In the United Kingdom, generally accepted accounting principles allow corporations to put brand values on their balance sheets as an asset.

My premise is that the single most important person when it comes to establishing or maintaining or reinforcing a company's reputation is the Chief Executive Officer. He, the CEO, is the company's ultimate spokesperson.

The effective public relations officer counsels the CEO. He or she implements programs and other initiatives as an agent of the CEO. But it is the CEO who speaks for the company. When the chips are down, it is the CEO who speaks -- for the company, for its products or services.

The oft-cited example of a CEO who shaped the outcome of a potentially damaging corporate crisis is Jim Burke, the Johnson & Johnson CEO during the two Tylenol crises in 1982 and 1985. Organizationally, Jim Burke was somewhat removed from the product whose tampering caused the crisis. Burke was CEO of the parent company whose McNeil Laboratories business unit produced Tylenol. McNeil Laboratories has its own president/CEO. Tylenol, in turn, had its own brand manager. The name Johnson & Johnson does not appear on Tylenol packaging.

But Jim Burke regarded the problem as a parent company (Johnson & Johnson) problem. Intuitively, he knew neither J&J nor he could be shielded by the McNeil Laboratories business unit. Moreover, J&J and Jim Burke had a strong interest in preserving a product which was the number one seller in the over-the-counter market. He decided early on to use his biggest chip, the good name of Johnson & Johnson.

And it worked. Not once, but two times in three years. Today, more than a decade later, Tylenol still holds the number one slot in the OTC market.

Earlier, I said that company reputation is so important that even the board of directors should have ongoing oversight to assure itself that initiatives are undertaken to protect that reputation. My basis for that belief is simply that the CEO is the person on the organization chart who has ultimate responsibility for his company's good name. The CEO reports directly to the board. The board should be interested in how well the CEO is fulfilling this part of his overall charter.

After all, there is ample evidence that when the going gets especially heavy in the large publicly-owned corporation, it's the board that steps in to do something about it. It happened five years ago at General Motors. It happened three years ago at Eastman Kodak. It happened just recently at Archer Daniels Midland. And the main reason it happened was the incessantly adverse media coverage that dramatically reduced shareowner value. My point, therefore, is that the board of directors should monitor and be continuously aware of the company's reputation.

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Let me take a minute or so to trace the organizational evolution of the modern corporation. That evolution started with the Industrial Revolution in the Eighteenth Century. For more than a hundred years, even into the Twentieth Century and as late as World War I, the organizational structure reflected the pressing need to develop and manufacture products the public would buy. The emphasis was on product development and production. The heroes of that era were inventors like Eli Whitney and Alexander Graham Bell and Thomas Edison and manufacturing geniuses like Henry Ford. The CEO job was filled by an entrepreneur who had a product to sell or a production specialist who often began his career on the factory floor.

It became evident in the early part of this century that manufacturing efficiencies could be achieved by large enterprises that could benefit from what was termed "economies of scale." Names like John D. Rockefeller, J. P. Morgan, Andrew Carnegie, Commodore William K. Vanderbilt, Will Durant and Alfred Sloan took on importance as entrepreneurial financiers who provided the capital to consolidate many of our basic industries. Later, many of these industries were to be de-consolidated after Congress passed legislation defining a monopoly.

But during that era, the heads of companies were often financial people able to work out consolidations and mergers.

Nothing much changed among the functions represented in the CEO job until the 1960s. Production capacity, especially in the United States, caught up with consumer demand. The public was no longer as eager to purchase anything a manufacturer chose to make. Rather, the consumer started demanding choice. Marketing came into its own with the simple premise that the consumer would henceforth dictate what the manufacturer produced rather than the other way round. The new corporate heroes were marketers like Lee Iacocca and Sam Walton and Ray Kroc. Their finger was on the collective public pulse. They knew instinctively what people would buy and, equally important, the marketing mechanisms that had the most consumer appeal.

But the corporation is a constantly evolving organism. The Viennese economist Joseph Schumpeter, who finished his career at Harvard, was on target in describing the capitalistic system as inherently self-destructing. For the sake of efficiency and market advantage, it must constantly reinvent itself. The current wave of downsizing and right-sizing and reengineering and restructuring prove Schumpeter's 60-year-old theory.

One result of corporate evolution is the need for a corporate CEO who possesses not only leadership qualities but also the ability to communicate with its many constituencies -- its board of directors, its employees, its customers, its stockholders both institutional and individual, its suppliers, the political and business leaders of the communities in which it has facilities, the media and the public-at-large.

The CEO who communicates in today's environment must, first, recognize the importance of communications. But he/she must also be able to project a sense of credibility to the many audiences he/she must address. In today's milieu of television, where more than two-thirds of all the people get more than two-thirds of their news, this requires the ability to look and sound believable to the TV audience.

Take a moment and think about some of the major corporate turnarounds of the past decade. And think about the communications role of the Chief Executive Officer. One of the first to go through the restructuring process was Chrysler. More than anything else, Chrysler had to buy time. Time in which to effect a massive overhaul, time in which to create new products, products that had business-as-usual lead times of as much as three years. Lee Iacocca decided to take his message to the public in the form of a series of television commercials. In a short while, he became America's best known business leader and, because he had some God-given quality that projected trust, one of its most credible.

At IBM, Lou Gerstner didn't use commercial television to deliver his message, but deliver he did. He wrote personal messages on his own PC and circulated them to IBM employees around the world. He made himself available to the news media, both print and electronic, and he took to the speaking circuit. He told the IBM story as it was, without embellishment. The interested public had a running play-by-play, with warts and all. In less than two years earnings improved and the price of IBM stock has more than doubled. And though IBM is a somewhat leaner company today than it was five years ago, structurally it is still pretty much the same company as it was when Gerstner took over. There have been no dramatic new products and no major divestitures. The biggest difference is a CEO who has the ability to project confidence and credibility.

Does this mean that every CEO must now have the kind of charisma that projects well on television? The answer, of course, is no. There are still many highly successful companies whose CEOs are rarely, if ever, seen on television. General Electric and Jack Welch, Coca-Cola and Roberto Goizueta, Intel and Andrew Grove.

But in each case, these CEOs understand the role that public relations and communications play in helping them achieve their objectives. Each of them knows it is simply not enough to have a vision for a company. Each of them understands that success requires them to share their vision with all the audiences who will have a role in making that vision come to pass.

They know, too, that they must be at the center of their company's public relations/communications initiative. They know that public relations and communications are too important to turn over totally to their public relations professionals, either internal or external, no matter how competent. They know, often intuitively, that they must be part of the process. They know that they must be in on the takeoffs if they are to avoid the crash landings.

Am I saying that today's CEO must spend a large part of his business day in the company of his public relations staff and with the media? The answer is "no." Obviously, the role of the CEO is substantially broader than the public relations/ communications process. What I am saying is that he must devote sufficient time to public relations/communications to assure himself that his aspirations and goals as CEO are reaching all the requisite corporate audiences in a form that's credible and understandable.

Certainly, I am not suggesting that the CEO grant every interview that is requested by the media. Rather, I think the most effective use of a CEO's time and presence is when they work with the media proactively. When his public relations advisors think it is time for a specific message to be delivered and they proactively approach a media person with the offer of an opportunity to meet with the CEO. When such a situation arises, the effective public relations professional will have developed the kind of relationship with reporters and editors that enables them to make such an initiative come to pass.

One cautionary note: not all corporations, even the very largest corporations, are equally newsworthy. Not all corporations are of equal interest to the media. What I call a "reality check" is in order for all companies. How newsworthy is it when weighed against the factors that make a company newsworthy?

<u>Size</u>: Large companies tend to be more newsworthy than small companies. But large companies that are not industry leaders aren't always newsworthy. The number three and number four companies in large industries are not likely to get much media attention.

<u>Earnings growth and consistency</u>: If there is one truism about a company's newsworthiness, especially in terms of media coverage, it is that consistent earnings growth is a basic requisite for favorable coverage. Conversely, when a company fails to meet expectations, either its own or analyst consensus, it is newsworthy.

<u>Accessibility to CEO and his/her willingness to talk</u>: Many companies are frequently in the news because of a personable and accessible CEO.

<u>Nature of the product</u>: Computer makers are in the news more frequently than mine operators. Or food processing companies. Or apparel manufacturers. Today's magic word is technology. That covers a broad spectrum, everything from electronics to biochemical to genetic.

"<u>Vulnerability</u>:" Not so much nowadays in the U.S. as a decade ago, "vulnerable" companies were those engaged in environmental cleansing programs. Steel, pulp and paper, chemicals, petroleum transportation. Now that most of them have made the required environmental fixes, they are not so much in the news.

"<u>Trendy" industries</u>: Industries like fashions have their "trendy" cycles. At the moment, it's media and telecommunications. The business pages and the TV business shows are full of news about media companies and telecommunications companies.

<u>Troubled companies</u>: Companies that have suffered a major crisis with either positive resolution like Tylenol or not totally-accepted resolution like the automobile manufacturers are likely to be in the news over a long period. The reason is that reporters depend so heavily on data

bank searches to flesh out their stories. Once in, it is almost impossible to get out of a data bank even though the data bank material is not in proper perspective.

In closing, let me summarize.

My principal thesis is that I believe the CEO should be an active participant in the public relations/communications process.

Second, I believe the CEO should be accessible to deliver the company's message when it is believed he will be the most effective in so doing.

Third, I believe company's CEO should be proactive in undertaking those initiatives that build reputation and form public perceptions.

Fourth, a company's reputation is so important and the CEO's role is so necessary to the public relations/communications process that I believe it merits continuing board oversight.

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