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THE HORSE'S MOUTH

A Necessary Role for the Chief Executive Officer

In idiomatic English, we have an expression that very likely makes no sense to many fluent non-Anglo English speakers.

The expression is "straight from the horse's mouth."

That translates into Swedish as "Direkt från källan".

"Straight from the horse's mouth" has come to mean that the message is authentic, unfiltered, direct.

It's an expression I have heard since childhood. I thought it originated with horse traders and was peculiarly American. A prudent horse buyer would go "straight to the horse's mouth." He would look at the horse's teeth— the longer the tooth, the older the horse, the lower the value of the horse. Nowadays, people of my age are sometimes irreverently referred to as "long of tooth."

But my research also disclosed a European origin for "straight from the horse's mouth." During the Napoleonic wars, the British employed prostitutes as spies. Their mission was to seduce French officers and give British intelligence the information they were able to obtain. When intelligence officers reported to their operational superiors, they were frequently asked if the information was authentic. The usual response was "I got it straight from the whore's mouth." Somehow, the English language pronunciation similarity got mixed up in the translation.

Either way, I think you have a pretty good idea of the connection between the title of my speech and the message I want to leave with you.

That said, let me now turn to my thoughts on the responsibility of the chief executive officer as the ultimate persona of the institution he or she heads.

When I say CEO or chief executive officer, my comments are not limited to corporations or businesses. My comments have equal application to all institutions whose successful existence depends on the understanding, tolerance and support of the many and varied subsets of our society. Employees, customers for products, patients for medical services, stockholders and the investment community, suppliers, legislative and regulatory bodies - to name a few. I include hospitals, universities and other not-for-profit institutions. I also include the many manifestations of government ranging from the department that administers retirement funds to, as we know so well in the United States, the military services.

Of course, my remarks are in the context of a democratic society that enjoys an economy governed by market forces.

My second clarification relates to communications. I speak of communications in its broadest sense. To me, communications has both a strategic and a tactical component. What to do and when to do it are strategic elements of the communications process. How to say it can be both strategic and tactical. And I use communications in a context much broader than disseminating a message.

My purpose is to persuade you that the person in the institutional hierarchy who bears ultimate authority for defining and articulating an institution's mission and its principal messages is the chief executive officer. He is the steward and the protector of the institutional reputation. Ultimately, the CEO is its chief spokesperson.

Certainly, trained professionals are needed to advise, to implement, to otherwise support the CEO in formulating and implementing strategies and programs that create public perceptions that will most effectively benefit the organization. More so than with any other corporate function— even more so than finance, legal, manufacturing or marketing— the CEO and corporate reputation and public perception are connected. He or she who holds that title is the flesh and blood representation of the institution. It's a responsibility that can neither be avoided nor delegated.

Theoretically, this has always been true. The person at the head of an organization— as we have long recognized with governments— is ultimately responsible for everything that happens while he or she is in command. Our first postwar President, Harry Truman, had a small plaque on his desk with four words that, very tersely, defined his authority and responsibility: "The buck stops here." Harry Truman was that kind of man. Historians rate him as one of our few "near great" Presidents.

Practically, however, the bright spotlight on the CEO's public accountability for reputation and perception is a relatively new phenomenon. I date it to the early 1980s. Ironically, a highly successful outcome to a major corporate crisis served to set a standard for a CEO's responsibility to the public and to the corporation's many constituencies.

That defining event was the Tylenol tampering crisis in 1982. I am proud that the firm I founded, headed at the time and with which I am still associated, Burson-Marsteller, was a partner in the publicly-acclaimed resolution of that crisis. The flashpoint was the death of seven people in the Chicago area who had consumed Tylenol capsules that had been removed from supermarket shelves and tainted with cyanide.

Then, as now, the parent company name, Johnson & Johnson, was not on the Tylenol package. Its manufacturer is McNeil Consumer Products. Few consumers know the McNeil name. But assuming the media would soon learn that McNeil is a subsidiary of the well-known and highly regarded Johnson & Johnson, its then Chief Executive Officer, James E. Burke, chose to publicly identify both the parent company and himself with the tragic event. A successful outcome, he reasoned, would come only if the ensuing process became the company's highest priority.

Jim Burke immediately designated himself chief crisis manager. He personally announced the recall of all Tylenol on retailers' shelves— more than 100 million packages, the then-largest product recall in history. It was also CEO Jim Burke who designated himself chief corporate spokesman throughout the crisis. He was so passionate about his responsibility that he, personally, took the initiative to visit newspaper editors and TV anchormen to clarify, face-to-face, his company's role in the widely reported tragedy.

Jim Burke carried out his mission with astounding credibility and with great style. But we must ask ourselves the question, why did the CEO of one of America's best known and best performing and most trusted companies feel personally compelled to interpose himself in so direct and in so personal a manner? In Jim Burke's mind, it was really what we call a "no brainer." The answer was so obvious. The answer was that Johnson & Johnson's reputation was at stake. Burke regarded reputation as Johnson & Johnson's most valued asset. He felt the stakes were too high to delegate to his competent public relations staff and advisers. He sought their advice. He followed much of their counsel. But he knew that ultimate responsibility for the outcome was his alone. Like President Truman he recognized that the buck stopped at his desk— for better or for worse. The company's side of the story would be more believable if it came straight from the horse's mouth!

Jim Burke felt that who else but the CEO was the totem, the icon, so to speak, of his company's credibility. He also recognized that the fundament of a good reputation is behavior, that good behavior is the basis for good public relations.

"Good behavior is the basis for good public relations."

That's a critical statement that we should think about. Conventional wisdom is that a corporation will generate "good PR" when it has either its own competent internal public relations staff and/or outside consultants. More conventional wisdom is "the better they know the media, the greater certainty of good PR."

The fact is, that's merely the start of the process. Good public relations, from which reputation is the end-product, does not start with good media contacts. Good public relations, a good reputation, starts with behavior. Ivy Lee, one of the early practitioners of public relations in the early 1900s, had a very simple explanation of what public relations is all about. Public relations, he said, is doing what's right and getting credit for it.

Doing what's right and getting credit for it.

Who in the corporate hierarchy should be more responsible for doing what's right than the CEO? With his business plan, he establishes the agenda. He sets the direction from which corporate behavior will flow.

By the way he conducts and expresses himself, through his persona and presence, he sets the tone and style from which individual employee behavior flows. This is a function that cannot be delegated. It is the basic building block for how well or how poorly the public will think of a business— even those businesses that have long traditions and ingrained cultures.

Corporate behavior as exemplified and articulated by the CEO is under great scrutiny by the media nowadays. They no longer live in the secluded and protected ivory towers of years past. The fact is, CEOs of the very large publicly-owned companies are almost as much public figures as elected government officials. The institutional shrouds which once offered seclusion and privacy are now transparent.

Just as in politics, much of that transparency has come from the intensive, never-ending scrutiny of the media.

There are three factors that help explain this new phenomenon.

The first is the imposition of codes and standards relating to governance of publicly-held companies. This has come about largely from the growing ownership of corporate shares by mutual funds and public sector pension plans. They argue that, because of their huge individual holdings, they can no longer simply dump their shares when they no longer approve of the way a company is managed. They claim it will trigger a precipitous drop in the stock price which will affect their constituencies adversely when they sell their shares. Their alternative is to exercise greater oversight of corporate boards, a process that has added the term “corporate governance” to the business lexicon.

The second factor affecting CEO stewardship and tenure is the media’s expanded and increasingly intensive coverage of business. This, too, is recent. It started with the gasoline shortage in 1973. Because so many people around the world were inconvenienced by long lines at service stations, a supply-and-demand business story was on Page One and led the evening TV news. Media interest in business accelerated in the United States with corporate restructuring and downsizing and the attendant unemployment of hundreds of thousands in the late 70s and early 80s. Business news moved from the back of the paper to the front page. This has happened around the world.

Since then, business news media, both print and electronic, have proliferated. Business news, once mainly stock market tables, now merits special sections in most of the larger newspapers. Television networks devote entire programs to business news. The CNBC network transmits business news around the world. THE WALL STREET JOURNAL’s circulation is the largest of any daily newspaper in the United States.

Today’s appetite for business news is voracious. Business news editors have lots of space and lots of time to fill. And while business news reporters two decades past were largely content to depend on news releases for much of their content, today investigative reporters ferret out business news. The intensity of business coverage is on a level with politics, sports and entertainment.

And it's no surprise that negative news gets bigger headlines than positive news. The "gotcha" syndrome is every reporter's dream come true. I can remember the day when major business magazines published only corporate success stories. The emphasis now is on failures and shortcomings and exposes even relating matters once considered personal and outside business.

Beyond that, today's media have a herd instinct. One publication or TV reporter comes up with a startling disclosure and competitors quickly follow suit. But their goal is to introduce a fresh angle more sensational than earlier disclosures. As in other businesses, the competitive instinct also motivates reporters and editors.

Let me quickly mention another pressure that today's CEOs face. It's the pressure for higher and higher quarterly financial results. Financial analysts set expectations, stocks are priced on the basis of those expectations, the CEO is expected to deliver results that measure up to expectations. The problem is, both media and the financial community are impatient for improved results. Miss your earnings estimate one quarter, your stock drops and you get a personal pass from the media. Miss two or, heaven forbid, three quarters in a row, and you, Mr. CEO, find yourself very much in the news in a negative context.

In that kind of environment, it's easy to understand why today's CEO is not only more interested in but also more directly involved with the media than his or her predecessors. They know that their boards of directors read the newspapers and watch television news. They have learned also, many the hard way, that peer group pressures are forcing board members to show they are in control when a company becomes the subject of continuing adverse news coverage. Board members don't relish an association with a company or a CEO who is being pummeled by the media. They are uncomfortable when negative stories begin appearing about companies on whose boards they serve.

The result is that the communications function has captured the CEO's attention more so than at any time in my forty-plus-year career. In most companies I know well, the relationship between the CEO and the senior public relations/communications officer is close. Their dependence, one on the other, is great. So much so that it is not infrequent nowadays when a new CEO takes office, a new senior public relations person is not far behind.

Because of these external pressures, public relations and communications and reputation have become top-of-mind issues with the CEO community. All too often in recent years, it has been demonstrated that survival and tenure are at stake. It's only natural to develop and nurture a strong defense mechanism.

But the enlightened CEO goes a step further to maximize his company's public relations/ communications function. He starts with his business plan. He recognizes that understanding, buy-in and support are critical to successful implementation. He knows that understanding, buy-in and support are a by-product of effective communication to critical corporate audiences— employees, stockholders, the investment community, customers, suppliers, plant communities, legislators and regulators.

Beyond that, the enlightened CEO has a vision of his enterprise that he wants to project. He wants to head a company with a good reputation. He wants his company to be perceived as a purveyor of quality products or services. He wants his company to be perceived as a good corporate citizen, a good neighbor, a good place to work.

A CEO with notions of that sort is not content with letting nature take its course. Since he has a vision of how he wants his company to be perceived, he expects his public relations and communications people to develop and implement programs that communicate his aspirations. More important, he makes certain that his company delivers on its promise. He intuitively knows that actual behavior, performance, is basic to favorable long-term public perception. Remember Ivy Lee's definition, "doing what's good and getting credit for it." That's what public relations is all about.

Such a CEO recognizes, too, that, when properly planned and implemented, monies spent on public relations and communications is not simply an immediate cost item. Rather, when effectively directed, it's an investment in the future. Increasingly, customer preferences are influenced by the familiarity and reputation of the company behind the brand name on the product. This kind of consumer behavior can be expected to intensify as product differentiation and price narrow. Already in many product categories, that has already occurred. The financial market place offers a comparable scenario. A good performing company with a known positive reputation is likely to sell at a larger multiple of earnings than a lesser known company with equal performance.

By no means am I advocating that the Chief Executive Officer assume the role of Chief Public Relations Officer. What I am advocating is that the public relations function, the communications function, what my associates at Burson-Marsteller term the Perception Management function, or call it what you will, requires the CEO's ongoing hands-on participation. He must have a voice in overall strategy and planning and he must himself step forward with the media and other public audiences when the institution's reputation is at stake.

This does not mean that the CEO responds to every request for an interview. Or that he appears at every press gathering. But a good workable premise is that he should demonstrate that he's in charge whenever the company's reputation is at risk, whenever his or his company's integrity are seriously challenged, whenever the company's valuation is being eroded on the basis of incorrect information.

THE WALL STREET JOURNAL recently reported on a situation that illustrates my point. The CEO of Starbucks was awakened early one morning to learn that three Starbuck employees had been murdered in a Washington D.C. Starbucks coffee shop. He hurriedly dressed, went to the airport and was personally consoling grieving relatives and co-workers just a few hours after the tragic shooting.

Contrast that with the behavior of the then Exxon CEO who, after one of the largest oil spills in history, delegated the head of a subsidiary company to speak for the company at the site of the accident at Valdez in Alaska. Some five years after the fact, Exxon continues to defends its position on Valdez.

Another “must do” for the CEO is, I believe, to prepare himself (or herself) to communicate with the media and other public groups. This requires two inputs.

The first is the ability to communicate one-on-one, with larger groups and, most important in the present environment, in front of a television camera. Many, if not most, of the CEOs I have known and worked with are confident they are able to cope with each of these scenarios without preparation. Some are strong-willed enough to plow ahead and “wing it” with the media. Some very few can actually do that successfully. But they are, I can assure you from long experience, a small minority. One CEO I know, the head of one of the world’s great corporations, regularly schedules as many as ten simulation/rehearsal sessions before his company’s annual meeting. And this is a person who knows as much about his business and industry as any CEO I have worked with.

Communications preparation (it's really a training exercise but few public relations officers are willing to tell the boss that he or she needs training) …. communications training is in two parts. The first is what I call the techniques of communicating. Some obvious pointers like:

"Never let your guard down with a reporter, never flatter yourself that they are your friend fifteen minutes into an interview."

"Never make a "throwaway comment" after the reporter has folded his or her notepad, even after an interview that has been a totally pleasant experience -- unless you want to see it in print." Remember Jimmy Carter's comment, delivered after what he thought was the completion of the interview, something about "having lust in his heart."

"When on television know what you want to say and say it fast. The ten-second sound bite is for real. If you take a full minute making your point, the person who edits the tape will use the ten seconds with the most bite."

"When facing hostile questions, know how to provide responses that put your position in perspective rather than responses that reinforce the points the editors want to make."

The second aspect of communications training involves the substance of what you want to say. In today's jargon, we call them message points. It's the responsibility of the public relations team to work with the CEO and others in the business to identify the specific messages about the issue under discussion.

The "no-no's" are rather obvious:

"Never go into an interview without knowing those messages or points you want to make."

"Never allow yourself to be totally dependent on the reporter's agenda. But never forget the reporter has every right to have his or her own agenda. And so do you as CEO. However, you must understand the techniques that enable you to break through the reporter's agenda and, above all, you must know, by priority, those messages you wish to disseminate."

As non-public relations or communications specialists, you might, very understandably, question whether I am a Don Quixote questing for the impossible dream. And, based on my own past experience, you would be asking a highly pertinent question.

My response likely will come as a surprise to you. By no means do I think I am a Don Quixote tilting at windmills. Rather, I have conclusive substantiation that, increasingly, CEOs have come to recognize public relations and communications as a priority requisite to achieving their greater goals.

The fact is, I have met, over the past several years, many CEOs whose understanding of the need for and the use of public relations and communications exceeded that of the professionals in their organizations responsible for this function. There are, I can assure you, CEOs who no longer believe that only the public relations staff is responsible for the company's public relations and reputation.

Rather, public relations and reputation start with a management cadre and a work force that understands and supports the corporate mission. Reputation is gained by producing a quality product at a price customers are willing to pay. Reputation is gained by the selling transaction, by how well the product is serviced when it requires maintenance or repair or replacement. And, increasingly in many products like tires and batteries and computers and refrigerators, it's part of the disposal process.

Nor is this a new concept. Arthur Page, who headed public relations for AT&T more than half a century ago, had the same idea. He said the telephone company in the United States existed only at the sufferance of the public it served. He preached that the essence of public relations was not in the news articles that appeared in the press. Rather, for the telephone company, public relations had to be part of the job descriptions of the then-thousands of telephone operators who made the connections and responded to information calls, by those who installed telephones in homes and offices, by the telephone linesmen and maintenance workers, by those who responded to customer questions about bills.

If that is an acceptable concept, who else but the Chief Executive Officer can really make it happen?

And who on the corporate organization chart will be held accountable when the board of directors evaluates CEO performance?

We in public relations and communications have had a natural and powerful alley whose influence may have been dormant in days past. I believe that this dormancy is now behind us. CEOs the world over are recognizing the importance of public understanding and support as requirements for corporate success.

The challenge that faces those of us who regard ourselves as professionals in the field is not only to be abreast of our bosses. Rather, we must run ever faster to get ahead of them.

And, believe me, that's straight from the horse's mouth.

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