

Harold Burson Speech

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I've Never Met a Multinational Customer

If I correctly understand my assignment, I have been allotted no more than 25 minutes to tell you all I have learned during the 36 years Burson-Marsteller has been overseas.

My short answer would be somewhat akin to how Conrad Hilton summarized his 40 years in the hotel business. "My most useful lesson," he said, "was to learn that it works better when you put the shower curtain inside the tub." My public relations equivalent to that is, "when you visit offices or clients in Australia, it's nicer when you fly first class."

When Burson-Marsteller began to think about going overseas, I had never heard the word "globalization." But I had a gut feeling something like that was about to happen. I use the term "gut feeling" advisedly. I was not smart enough to figure it out.

I had, of course, heard the term "international public relations." Back in late 1959 and early 1960, to me, that meant putting an office in Europe and another in Tokyo. And, ergo, you were in the international public relations business.

The catalyst that caused us to think about expanding to Europe was the Treaty of Rome in 1957. That document, subscribed to by six European nations not including the United Kingdom, created the European Common Market, effective 1958. We at Burson-Marsteller regarded that as an opportunity both to work in new markets with our larger clients and to grow our business by obtaining new clients.

Looking back, I cannot believe we were so foolhardy as to risk setting up an office more than 3000 miles distant from our home base. The year we went to Europe, 1961, our total fee revenues were \$745,000 (something like \$3 million in today's dollars) -- most of it from our three U.S. offices. Less than ten percent of the year's costs of our new office in Geneva were covered by domestic clients who wanted our services.

We selected the Geneva location because Switzerland was what was then referred to as a "tax haven." That means that the Swiss tax rate was

much lower than the U.S. Accordingly, many U.S. corporations put their European headquarters in Switzerland in the late '50s and early '60s.

With an office in Geneva, I thought we were fully capable of doing international public relations -- at least in continental Europe. After all, Geneva was almost equidistant from Frankfurt, Paris, Brussels and Milan. I thought we would have all of Europe well covered when we added an office in London.

How wrong I was!

It wasn't long before we felt we needed an office in Paris to do meaningful business in France. We needed an office in Milan to do meaningful business in Italy. And so it went with other major European countries.

Markets, I quickly realized, are not international. They are national and, in some cases, regional as in Spain, where we have offices in Madrid and Barcelona, and Germany, where we also have multiple offices.

As this process unfolded, my first worthwhile discovery was that there's no such thing as international public relations. I learned public relations is one market at a time. Niall FitzGerald, the chairman of Unilever, provides the reason in a recent speech. He said, "there is no such thing as a multinational customer." Of course, he's right. "There is no such thing as a multinational customer."

And to transliterate the message in our context, no such thing as international public relations. There are global, worldwide and transnational public relations programs. The target of such programs may be as few as two nations, or an entire region or continent, or most of the nations in the world. And such programs may be coordinated and managed from a single location or, heaven forbid, multiple locations.

My second discovery came easier. It had to do with how a business claiming to deliver a worldwide public relations service should be structured. I learned that lesson as our own business expanded in Europe and later in Latin America, Asia and Australia. I figured out that one myself. More, I suspect, a case of intuition rather than brains although financial restraints could have been a factor.

It seemed to me that we would be stronger as a business if we grew organically rather than by acquisition. As I inferred earlier, we did not have enough money to make acquisitions even at what we would now regard as ridiculously low costs.

The result is that most of Burson-Marsteller's offices in 35 countries grew organically. Almost invariably, when we targeted a country -- Germany or France or Holland, for example -- we would identify someone in our organization who knew the language and the culture and was willing to take on an overseas challenge.

That person's immediate task was to hire the best available local public relations talent. From their first day at their new jobs, they were exposed to what we believe to be the unique Burson-Marsteller culture. They learned our methodology. Our vision as a firm became their vision. They committed themselves to our values. Today, I believe our special culture is Burson-Marsteller's greatest differentiation from its competitors.

From the beginning, our objective has been to train local nationals to manage Burson-Marsteller offices in our overseas locations. Our objective was to have our Paris office as much a French office as any locally-owned competitor. We avoided positioning ourselves as an American firm with branch offices in faraway places. Instead, we saw ourselves as a business global in outlook and local in implementation. It pleases me greatly that most of Burson-Marsteller's sixty-plus offices are headed by local nationals. Of 1200 employees outside the United States, only 30 are Americans and many of them are at mid-level positions.

Early on, we made a commitment to training and development. Over some 35 years we have invested literally millions of dollars in training. We are bigger believers in, and supporters of, training and development programs than ever before. Today's multinational clients expect uniform quality service. The client's market manager in Malaysia wants as good service as his or her counterpart in Germany or the UK or the United States. When we drop the ball in one place, no matter how remote or how tiny, we hear about it. Bad news travels fast. There's just as great a predisposition to place the blame on the public relations agency overseas as there is at home.

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A question I am often asked is, "how has overseas public relations changed during the past forty years?" The temptation is to say a great deal.

It is certainly true that the practice of public relations has grown exponentially over the past four decades in most developed and developing countries. The fall of the Berlin Wall and the opening of China brought public relations to more than a quarter of the world's population. If anyone needed proof that public relations can be practiced

only in a democratic and/or market-driven environment, one needs but to look toward Central and Eastern Europe and even China which is adapting to a market economy. Put another way, it would be difficult finding a public relations consultancy in Iran or Iraq or Libya.

The fact is, nowadays more people are practicing public relations and public affairs -- with consultancies, with private sector corporations, with not-for-profits and with governments -- than ever before. I am pleased and proud that many thousands of them, in many countries and of many nationalities, were trained by or have had work experience at Burson-Marsteller.

Many more public relations firms now have more “dots on the map” than even a decade ago. I can attest first-hand that, for consultancies, there’s more competition than ever before -- and especially overseas. And for clients, there are more choices.

The global public relations/public affairs work product is much better. It varies, of course, by region and by country and by category of service. Largely because of firms like ours, there has been tremendous technology transfer from one country to another. We today seldom encounter the NIH syndrome -- if it’s “not invented here,” it won’t work. Our people worldwide want their offices to deliver the most sophisticated and up-to-date methodology to their clients. Locally-owned firms seek to deliver the same quality service as the larger global firms.

And so it is that we nowadays find constituency relations programs under way in Poland. We are implementing brand and corporate positioning programs in China. With a new governmental structure in Hong Kong, we are proposing ways to communicate effectively to government influentials. We do investor attitude studies in major money markets the world over. Increasingly, our client’s programs are based on research findings. And this is the way for our competitors, both the international firms and the local firms.

But the bad news is that many of our corporate clients are not realizing the full potential of effective public relations programs in overseas markets. Several reasons account for this. And you may be surprised how many top corporate public relations/public affairs officers agree with me.

The first reason is the way many multinational companies are organized. Like Caesar’s Gaul, many multinationals view the world in three parts: the Americas, Europe/Middle East/Africa and Asia/Pacific. Many, if not most, decentralize regionally or by business category or both. The senior

public relations/ public affairs officer has management control over what happens at corporate headquarters and in the company's home market. But in many companies, relatively little control over the function across the Atlantic or across the Pacific. Public relations reports to the regional geography manager, which is good. But only if there is close coordination with the overall corporate functional leader. Otherwise, there is the possibility, even the probability, that the same multinational corporation may be singing from three different hymn books.

A second reason is that some multinationals -- I am pleased to say a decreasing number -- do not accord the status or the priority to public relations in overseas markets that it deserves. Few staff or fund the function at anywhere near the same level as in their headquarters country. Few recognize that the cost per unit of communication outside the United States is substantially greater than in the United States. Few recognize how costly it is to communicate to multi-language markets. Few recognize that it is more costly, per unit, to communicate in small markets.

But it pleases me that we are witnessing growing sophistication in the way some multinationals are now organizing their public relations/public affairs resources. An industry that is leading the way is the pharmaceutical industry. Pharmaceutical companies are increasingly viewing their marketplace in a global context. They have recognized the dynamics of information transfer. They have recognized how critical it is for the corporation to speak with a single voice. They -- many of them -- have learned that the news media are more efficient at transmitting news around the world than corporations are at responding to it.

It would be difficult, if not impossible, to exaggerate the impact the media have had on the way we in public relations organize and implement the press relations function. This applies especially to news emanating overseas. I can remember when a business story that broke in France would usually remain within the borders of France. To be candid, I can remember when a business story that broke in France was unlikely to get into print or on the air even in France.

Two factors have changed all that in the past twenty years or so.

The first is the proliferation of business news coverage, both print and electronic. I date that phenomenon to the oil shortages in 1973. Suddenly, business news jumped from the back pages to the front page. Photographs of long lines of automobiles, driven by angry females, made the front pages of newspapers worldwide. And the lead item on evening TV news. Media publishers and editors began to recognize that a broad

spectrum of the reading and listening public was interested in business news.

The result was that business news coverage intensified. Editors and news program producers no longer depended on press releases and leads from public relations specialists for their content. Instead, they began to cover business news much the same way they covered crime or politics or entertainment or sports. Investigative reporters discovered that business leaders also had their share of the warts.

With the glare of the spotlight focused more sharply on corporations and their leaders, the importance attached to the public relations function has increased exponentially. Though this phenomenon is at a peak level in the United States, it is happening also in other countries around the world. In countries like France and Germany and Spain and Italy, large corporations are re-examining their public relations policies and practices. A number have upgraded the position in their organizational hierarchy and some have sought to upgrade their people to accord with both the opportunities and challenges they face.

Within the corporation -- our clients or hoped-for-clients -- the relationship between the CEO and senior public relations officer is changing. I am pleased to say for the better. The senior public relations officer is seen not only as the protector/defender of corporate reputation but also as protector/defender of the CEO's public persona. Media pressure is the cause of this. CEOs the world over are aware that the business press has a profound impact on how they are regarded by their boards of directors.

Media influence and more widespread ownership of corporate securities by large public pension and mutual funds has profoundly changed corporate governance in the United States. Boards of directors, in both the private sector and even in the public sector, are being held to higher standards of accountability. The day of the "old crony" board of directors is on the way to becoming relic of the past. When corporations are reported to be ill, directors now suffer the pain.

With the rapid globalization of markets, this "invented in America" phenomenon, corporate governance, is spreading to other countries and continents. As it does, it emphasizes the reality that reputation is more about behavior than about communications.

Certainly, good communications can enhance a firm's reputation. It can spread the word more rapidly and to a wider audience. It can strengthen and prolong the bonds between an institution and its stakeholders. But

the best communications will break down and prove for naught if behavior is at variance with the message.

As I look into the future, I believe our work, as public relations practitioners, is cut out for us. This applies equally in the United States and overseas. Because the United States is a more mature market for public relations, some of my colleagues believe growth will not be as rapid as in markets that are now catching up. I don't agree.

My feeling is that the U.S. market for public relations services, provided internally as well as externally, will continue to grow at a brisk rate. But the kind of services our bosses want is changing. Increasingly, they are looking to us for more strategic direction and content.

You can see it in the title and salary escalation at the top FORTUNE 500 companies. You can see it in the composition of the management or operating committee. You can see it in the hiring patterns of the larger public relations firms. Another sign of change is that many who have not had the traditional public relations career path are being brought into senior public relations jobs. I have worked with a number of them -- attorneys, an economist, a finance specialist, marketing executives. In almost every instance, each has become a competent public relations/communications professional. Usually with the additional attribute of being a good manager of people and resources.

Why is this happening?

It's happening because our bosses, our employers and our clients, seek something beyond the ability to communicate. CEOs I know are no longer content with the accepted -- I would say stereotyped -- role of the professional public relations person. They are looking to public relations for input in the decision-making process. At the very least, they seek to avoid surprises when decisions are announced. They are asking questions like, "how will the media react?" and "how will the financial analysts react?" And if the reaction is less than positive, what must we do to gain favorable reactions from important stakeholders.

Knowing the business of the employer/client company and knowing the business of business have become two requisites for advancement to higher management positions in public relations. Ten years from now, I suspect a substantial percentage of those embarking on a public relations career will be required to have an MBA degree or an equivalency in public policy, law, science and other fields served by public relations professionals.

Yet, this comes at a time when the communications process has become exceedingly complicated. Not only with the proliferation of public media, both print and electronic. Or the coming of the Internet and the spawning of web sites. Or the ability to pinpoint direct messages based on buying decisions reflected in credit card charges or on the census. Mastering this maze of communications will require knowledge of a high order. And it will make the purveyor of that knowledge very “measurable.” The results, unlike counsel and advice, are there to see. The story either makes the evening TV news or it doesn’t. It gets picked up by THE WALL STREET JOURNAL or it doesn’t. It gets buried in the back pages of THE NEW YORK TIMES when the CEO thought it should be on page one. The vote is either for or against. The goods/merchandise leaves the warehouse or it doesn’t.

This raises the question: how to reconcile these two somewhat disparate needs. I think the issue pertains equally overseas and in America.

The future model could well be what we have seen in government and politics for more than 20 years. Its first manifestation that I am aware of was in the Nixon White House. Herb Klein was the President’s Director of Communications. Ron Ziegler was his Press Secretary. The job of the director of communications was strategic, long-range, proactive. The job of the press secretary was more-day-to-day, more responsive, more implementation. That’s been the White House model in every succeeding Administration and it’s also the usual model in political campaigns.

I can foresee this model in use in both domestic and overseas businesses as well as in overseas operations. While I can speculate on where the talent pool for the strategic counselors will come from, I find it more taxing to identify a source of qualified press relations specialists.

In years past, press relations jobs were populated largely by former news reporters and editors. In recent years, however, the stream of reporters and editors moving from the media to public relations has been reduced to barely a trickle. There are a number of reasons for this. Some economic --there is no longer the substantial disparity between entry level media salaries and entry level public relations salaries. Some philosophical -- a lot of young news people believe working in public relations is akin to selling out.

Perhaps I am reflecting my own background, but I believe actual experience on a daily newspaper or with a press association is a necessary credential for a person who has responsibility for press relations. Somehow, we must renew our efforts to re-engage young journalists and bring them into public relations.

To sum up, these are the messages I have tried to convey to you:

1. The differences in public relations in the United States and other developed or emerging countries is narrowing. Over the past two decades, the technology and methodology transfer has been enormous.

Increasingly, we at Burson-Marsteller are moving professionals trained overseas to demanding jobs in the United States.

2. Despite more than three decades working in overseas markets, I do not believe anyone actually practices international public relations.

There is no such thing as an international or multinational customer.

Markets and audiences are addressed one country at a time.

3. As in the United States, the status of public relations as a corporate discipline has increased quantumly.
4. Our bosses and clients are looking to us for greater strategic input and a better knowledge of and relationship with the media. The private sector may be headed in the direction of the government practice of dividing the responsibility between the strategic/counselor and the press secretary/implementor.
5. The market for our services -- as employees of corporations and other institutions and as public relations firms -- is growing at a rapid rate.

Most certainly, the demand for our services exceeds our ability to provide them.

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