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INVESTOR RELATIONS

update

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A large magnifying glass with a silver handle and frame is positioned over the word "Business". The word is written in a large, white, sans-serif font and is the central focus of the magnifying glass's lens. The background of the entire cover is a dark blue gradient with various financial terms like "Stock", "Investment", "Business", "Real estate", "Money", "Market", "Successful", "Stock exchange", "Real estate", "Investment", "Business", "Money", "Market", "Successful", "Stock exchange" repeated in a lighter blue, semi-transparent font, creating a textured effect.

A Close Look at Financial Trends

BY LYNN CASEY

“Integrated Communications” has long been a hot topic within the IR profession as the intersection of IR and PR is increasingly recognized as vital to a company’s reputation management. The following is adapted from a talk given at the Carlson School of Management at the University of Minnesota by Lynn Casey, CEO of Padilla Speer Beardsley, who brings the perspective from a career that spans the era when PR and IR were very separate, to today.

Performance Recognized

When I started my public relations career in the late ‘70s, it was safe to say that the practice functioned primarily as a corporate news bureau. After the marketing and advertising plan had been set in stone and a new product was about to launch, the rep would be brought in to “PR it.”

Back then, it was a rare practitioner who was asked by the CEO to help strategize about ways to maintain confidence with the Street, customers and employees when the first quarter wasn’t looking good. And major events like mergers, layoffs and plant closings? They were often kept from public relations reps until it was time to distribute the news release. Since many of us were former journalists, the thinking went, we couldn’t be trusted to keep the news to ourselves.

It also wasn’t unusual to be expected to deliver one-sided propaganda that deflected attention from a potentially harmful truth. To “let the PR people work their magic,” as [President] Richard Nixon used to say. I’m not talking about framing a company’s position in the most favorable way; that’s a basic part of any messaging strategy. I’m talking about gross misrepresentation along the lines of, well, Watergate for example.

Every organization co-exists among a variety of stakeholders, many with conflicting agendas. But building relationships with people who are important to your success doesn’t have to be a zero-sum game. Which brings me to the definition of public relations that’s become my favorite over the years. Quite simply, *Public Relations is Performance Recognized*.

Performance first. Recognition second, achieved by professionally planned and executed communication. At its best that means that a publicly held company walks its talk with all the people who are important to its success — customers, employees, Wall Street, lawmakers, special interest groups, the communities in which it operates. Then it communicates with them about its performance — clearly and consistently — so they will recognize that the company is trying to do what it said it will do.

The modern role of public relations as a strategic partner really came of age in the late ‘80s, driven by changes in technology and society. The Big 3 networks’ grip on our TV sets began to loosen. And news media in general began to fragment. I can track the growth of my firm’s crisis and critical issues practice to the growth of CNN. If a chemical plant caught fire in a small town in the southeastern part of the country in the ‘70s and early ‘80s, it would make the local news of the nearest metro area. Maybe an Associated Press wire photo would run in a handful of newspapers in other markets. But by the late ‘80s, that fire might burn continuously on continuous news channels — sometimes even after the fire was under control if it was a slow news day.

Enter the Internet

In the mid-90s, the World Wide Web went mainstream, changing the game for every public relations practitioner willing and able to venture beyond traditional news media relationships.

Seventy percent of adults use the Internet — this according to a recent Pew study. Blogs? Those personality-driven online diaries about politics, travel, food and thousands of other topics? They’re out there — more than 47 million of them, and 28 percent of Internet users read them. The online version of Padilla’s headquarters city daily newspaper attracts more than three quarters of a million visitors, and approximately 30 percent of them don’t subscribe to the printed version. Those are new customers for the *Star Tribune* — new relationships that its publishers and publishers around the country are figuring out how to monetize.

The public relations business has always run positive with the macro economy. But in



Ethics at Work

Corporate Transparency in the Internet Age

the latter half of the '90s, my industry outpaced GDP growth by as much as a factor of four. It wasn't all new money. Some of it came from advertising budgets as marketers began to recognize the value of non-paid media (AKA publicity) as a brand-building tool. A recent survey by the Association of National Advertisers found 89 percent of respondents rated public relations — publicity — as either very important or important to the success of their companies' marketing efforts, ranking higher than any other brand-building tactic, including advertising.

Recognition — Performance

So what does this all really mean? It's not just about assimilating new tools and techniques as fast as they come on stream to achieve **recognition**. Those of you who influence the **performance** of an organization — and here I include anyone who supervises people, manages a function or business unit, or leads an organization — have an unprecedented opportunity to ensure that your principles align with your performance.



Lynn Casey

Many of our clients are examining relationships with their stakeholders in light of this brave new world, and expanding that list of stakeholders to include the communities in which their employees live and work, and society in an even broader sense. Various phrases describe this expanded effort to connect with the wider world: responsible capitalism, triple-bottom-line, cause-marketing, corporate social responsibility.

Fifteen years ago, a company could build and maintain its reputation largely through formal, one-way communication channels — advertising, publicity, the annual report, the employee newsletter. Back then, it was a lot easier to hide behind these formal channels if the company wasn't performing according to its principles.

Today, inconsistent performance — and damaging news of any kind — can be recognized immediately and will jump stakeholder fences thanks to that great leveler of the information playing field, the World Wide Web.

Which Brings Me to the Topic of Transparency

Smart companies in every sector are making transparency work to their advantage. They also are giving themselves more frequent performance check-ups to make sure the digital microscope doesn't catch them up short. They're asking: What issues could damage our reputation, and should we address them sooner than we'd planned? Are we walking our talk in every corner of our operations? Do our employees understand how we make money, how we lose money, and what's behind the trade-offs we make in order to stay competitive?

For better or worse, employees have always been our front-line ambassadors. Organizations that use transparency to their advantage

are giving employees the information they need to be *positive* ambassadors. Back to those early definitions of PR as a two-way relationship: Those highly effective managers out there are probably doing more listening than telling.

Whatever you call it, businesses are taking a more active role in addressing tough social issues. The green movement is one visible example. Hundreds of companies are betting on sustainable technologies, even at the expense of short-term profits. General Electric's "Ecomagination" initiatives come to mind.

Some of these kinds of efforts are pressure-induced. In a recent *Harvard Business Review* article, author Michael Porter reported that 360 different shareholder resolutions related to corporate social responsibility were filed in 2005. European countries are considering various social responsibility mandates.

CSR — Enlightened Self Interest

Regardless of the stimulus, corporate social responsibility is — or should be — sustained by enlightened self-interest. Myriad studies have found that people prefer to buy products and services from companies that they perceive treat their employees well and give back to their communities.

I would be less than transparent myself if I didn't acknowledge that the corporate social responsibility movement is not without its detractors, the late economist Milton Friedman among them. Nor do we have proof of a causal relationship between a business' corporate social responsibility initiatives and its financial success — not yet, anyway.

But maybe that doesn't matter. A new relationship between business and the world in which it operates appears to be taking hold — driven in part by the transparency brought on by this brave new digital world. And that's giving more organizations more opportunities to practice good public relations. As you've learned here and most likely experienced yourself, the methods of building those public relationships have changed significantly over the past two decades. They continue to evolve, and those in my business will evolve along with them.

What *won't* change is the need for organizations that want to build enduring reputations to take into consideration a variety of stakeholders — including those with competing agendas — as they go about their business. And to communicate their actions in ways that will resonate positively with people who matter.

Or to put it more succinctly: **performance recognized.**

IRU

Lynn Casey is the third chief executive officer to lead Padilla Speer Beardsley, a communications firm with headquarters in Minneapolis and an office in New York. In addition to numerous national awards for clients, the employee-owned firm has been named Midsize Agency of the Year and one of the Top 20 Best Agencies to Work For.