

# COMMUNICATING FORWARD

## Guideposts for Navigating Uncertain Times

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As we approach 2009, the pressing question on everyone's mind is "How do I move forward when the terrain looks so uncertain?" Given the complexity and global reach of this "once in a century" economic storm, there is no simple answer.

One needs to look only to the election of Barack Obama for a clue as to just how challenging the environment is right now. The feeling that a new era had begun didn't take long to begin fading. In the 72 hours that followed, a further drop in the financial markets, negative corporate reports, and news about record-high unemployment levels threw a bucket of cold water on the hope and optimism of that historic night.

The old saying reminds us: "When the going gets tough, the tough get going." But in what direction do we go? The answer might surprise you: It's not how much you spend, but how you spend it.

A 2002 McKinsey report showed that, in difficult economic times, winning companies refocus their spend: "While most companies tightened their belts during the recession of the early 90s, successful leaders, trading lower short-term profitability for long-term gain, refocused rather than cut spending. Indeed, these successful leaders, perhaps reasoning that a soft market required greater effort or provided greater opportunity, actually spent significantly more on selling, general, and administrative (SG&A) costs than did companies that lost their market leadership."

These leaders also bet more money on the future than their competitors did. "Furthermore, successful leaders, seeking to extend their position through innovation, more than doubled their already higher-than-average level of spending on R&D during the recession relative to their former peers," the McKinsey report noted. "Thus, when other companies simply battened down the hatches, seeing only risk during the recession, the more successful competitors found opportunity and pressed their advantage." \*

### Why Commit to PR?

Today's harsh environment requires all companies to do what only the leaders have done in the past. This is especially true for a company's investment in public relations. The dramatic changes in the rules of the communications game over just the past few years have enormous implications for how a company protects its reputation and how a consumer makes a purchase decision.

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The influx of the Millennials into the workforce has had a tremendous impact on the ways in which all of us—whether consumer, investor, policymaker, media, or employee—gather and share information. Stakeholders don't just want to have a say in how a company performs or how its products are made—they expect it. They will offer their opinions whether solicited or not. They will not be "messed to," but rather, want to be informed so they can construct their own opinions, draw a conclusion, and share with others.

This is why public relations, as the manager of content and the host of conversation, is now at the center of the communications wheel. PR can be the catalyst to drive an organization forward, support management teams, and ensure that communications is central to achieving business goals. PR offers a credibility advantage

no other marketing channel can. It engages multiple stakeholders simultaneously. It can be flexible and nimble, and can capitalize on a range of tools and channels to rapidly address shifting circumstances. The role of PR is unique; it is an accelerator focused on listening, conversation and incorporating feedback, leading audiences from conversation to participation.

How, then do we move—and communicate—forward? Here are some guideposts for the journey:

**Stay future-focused.** Savvy investors like Warren Buffet seize opportunity in the face of a downturn because they know that better days will return. That fact spurred a number of firms (e.g., BMW, Cisco, Dell, and, Wal-Mart) to invest aggressively during the recession of 2000-2001, and as a result, these firms captured market position from their weaker competitors.\*\* Investing in communications demands the same kind of long-term commitment. Is your company taking advantage of now to position itself against the competition when the economy improves later? Stay true to your three- or five-year strategic business plans; keeping a focus on the future can help rally employees toward a common objective.

**Avoid a bunker mentality.** Companies that stop investing in communications now will give those that continue to invest a distinct advantage. As competitors cut back and weaker competitors drop out completely, a company still in the game will multiply its “share of voice.” A 2005 article in the International Journal of Research in Marketing outlined that some “firms view recessions as opportunities to strengthen their businesses, invest aggressively, and overtake their weaker competitors. For example, brands such as Camel cigarettes and Chevrolet seized top market positions from their competitors through aggressive marketing campaigns during the Great Depression in the U.S. in the 1930s. Procter & Gamble, a company noted for consistent spending during periods of recession, heavily promoted some of its best-known brands (e.g., Camay, Ivory, and Crisco) at that time.” \*\*

**Stay engaged.** Some of the most brilliant finance and business minds in the world have been unable to confidently provide a roadmap forward out of the confusion and turmoil. This has unnerved markets, investors and consumers. But leadership is exactly what stakeholders want at a moment like this. Company management should remain engaged in and transparent about the current state of affairs. For example, Charles Schwab has set an appropriate leadership tone as a statesman by talking candidly to consumers about market uncertainty and how to best navigate these times.

**Optimize today's integrated world.** Communicators have more tools at their disposal than ever before. This represents an enormous opportunity. President-elect Obama's campaign made the most of every tool imaginable, from broadcast to phone to e-mail to social media. Equally important, the campaign didn't just push messages out, but engaged supporters to co-create. It was “surround-sound marketing” of the most extraordinary kind. Marketers should follow this lead by engaging consumers in innovative, targeted ways while remaining relevant to key audiences—and sharing their work internally so that employees are aware and fully participate in a company's achievements.

**Create a unified sense of urgency.** In his book “A Sense of Urgency,” John Kotter argues that one must “move and win now.” Stay constructive in a crisis; banish complacency. At Starbucks, Howard Schultz, upon his return as CEO, enlisted his entire work force to share the belief that Starbucks was in the fight of its life and that a return to its roots as a company focused on “coffee first” was the key to its future. As Starbucks has demonstrated as it works toward its recovery, in a crisis people will rally and contribute to success. Schultz continues to invest in his people as exhibited by his recent Leadership Conference in New Orleans.

**Understand what motivates.** Communicators are in the business of translating and facilitating understanding of goals, messages and discussion. One can only do this successfully if the context in which a conversation is being held is understood. Your consumers are being bombarded with messages, and they're anxious. But does your company know what is driving them? What is your CEO's objective in connecting with stakeholders? Making certain to check framework of interests and motivation before engaging is critical.

**Above all, act with honesty and integrity.** In good times or bad, relationships are what matter and what endure. The strength of any relationship is tied to the level of trust each party holds in the other. This is perhaps most crucial during difficult times. As the author Flannery O'Connor wrote, “The truth does not change according to our ability to stomach it.” Trust is achieved through candor, engagement, openness to the views of others, and willingness to change. Achieving trust provides the license to operate—and move forward.

*November 12, 2008*

\* “Learning to Love Recessions,” Richard F. Dobbs, Tomas Karakolev and Francis Malige, McKinsey 2002

\*\* “Turning Adversity into Advantage: Does Proactive Marketing During a Recession Pay Off?” Rajiv Srinivasan, Arvind Rangaswamy, Gary L. Lilian, International Journal of Research in Marketing, 2005