

BRUNSWICK REVIEW

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RENAISSANCE NEWSROOM

*Robert Thomson on the merged media strategy
at The Wall Street Journal-Dow Jones*



INTERNAL COMMUNICATIONS

SUPER BOWL-WINNING COACH

Brian Billick on being a maverick and motivating millionaires



CULTURE CLUB

Zappos' unique approach to building customer loyalty



INTO THE VOID

Creative internal architecture inspires interaction



BEHAVIORAL SCIENCE AND INSIGHTS INTO REPUTATION



BEWARE THE RISE OF "HACKTIVISTS"



*Plus RED BULL'S ADRIAN NEWEY ON THE ART
AND PHYSICS OF FORMULA ONE RACING*



TITANIC CALLING



BRUNSWICK

Brunswick is a corporate relations and communications consultancy. We provide informed advice at a senior level to businesses and other organizations around the world, helping them to address critical communications challenges that may affect their valuation, reputation or ability to achieve their ambitions.

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A fridge magnet I came across in America exhorted me to “be the person your dog thinks you are ...” That personal aspiration is also a good goal for those responsible for the corporate character and reputation of large organizations.

It is particularly true in a world where the post-crash climate of public opinion and the growing influence of social media mean there is greater demand for transparency and openness. More than ever, people are interested in how you do business, as well as what your business does. The demands for companies to perform, and to have the highest ethical standards, will only increase. The essential question that stakeholders will ask more and more is, “What is your social purpose and social value?” And among the most interested and important stakeholders are those inside your organization.

Recognizing the value of having good internal communications is not new, but it has never had so many dimensions, and we felt we should dedicate a large part of this *Review* to different aspects of this increasingly complex challenge.

Clarity and consistency are necessary for leadership to deliver the highest levels of performance. This is vividly brought to life by Colonel Thomas Kolditz of the US Military Academy, West Point, who in addition to being a leading academic on the subject, has also served in active military commands; his insight comes from the cutting edge. Other perspectives on engagement, empowerment, and the business of inspiration come from the legendary Super Bowl-winning coach Brian Billick and from Red Bull Racing’s Adrian Newey, the most successful racing car designer in history.

The most effective solutions for internal communication may differ from company to company, but some principles will always remain the same. The winners of the next FIFA World Cup won’t be just the best 11 individuals but will be the

best team, the one that combines skills so well that individuality is lifted to a higher level, one that hardly requires verbal communication. Ensuring everyone inside is onside is not only important when dealing with issues of performance, but critical in determining how those internal audiences can lead the external relations, perception, and value of an organization.

The concept of creating value through smart engagement with stakeholders is central to our philosophy at Brunswick. The research by Professor Witold Henisz of Wharton showing that more effective engagement increases a company’s market worth is one we instinctively recognize. His work in rigorously evaluating and demonstrating the very real impact of communications on a company’s valuation is a powerful piece of thought leadership.

I am delighted to have as our featured interviewee Robert Thomson, Managing Editor of one of the world’s great newspapers, *The Wall Street Journal*, and Editor-in-Chief of Dow Jones. Robert has embarked upon one of the most challenging transformations in the news business today. In a multi-media and “globalized” world where digitization has challenged traditional business models, he has been reorganizing the newsroom so that it can recognize and prioritize the most important news, respond to it across various media platforms, and do so in a profitable way – the Holy Grail of the news business.

We have been enormously privileged to have such a roster of respected contributors and I hope it inspires further thought, debate, and progress in these critical areas. Tomorrow’s organizations, whatever their business or structure, will certainly be those that are the most effective in engaging their teams to deliver their greatest potential. I hope you enjoy this edition as much as I have and thank you for your time and attention.

ALAN PARKER — *Chairman, Brunswick Group*

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THE ART OF INTERNAL COMMUNICATIONS

An organization's every action or inaction conveys a message about the culture, vision and personality of the business and leadership to its most valuable resource: its employees. The world's most successful companies know that communicating internally in a thoughtful and strategic way can have a direct impact on the bottom line.

From the motivational coach of a Super Bowl-winning football team to the CEO of a wildly successful online retailer, from the perils of corporate jargon to office buildings that "speak" to the occupants within, the following section focuses on the internal stakeholders who hold your business's reputation in their hands.





Still from Jacques Tati's *Play Time* (1967) © Mary Evans Picture Library/Everett Collection



THE POINT OF SALE

The “One Team” management initiative at Kingfisher, Europe’s largest DIY retailer, was not about touchy-feely team-building, CEO **Ian Cheshire** tells Brunswick’s Richard Lewis

It sounds like a scene from a high-stakes version of the hit television show *The Apprentice*. It is summer of 2010, in Spain's Catalan capital, Barcelona, and 250 top executives from Europe's largest home improvement retailer are gathered. They are asked to mill around various idea "marketplaces" and each is given a "checkbook" and tasked to "buy" their top five picks from the 20 best ideas identified by the executive management.

This was just one of a number of unconventional techniques used by Ian Cheshire, Group Chief Executive of Kingfisher, to focus the minds of the company's top talent on setting a very different course for the organization. "Nothing like a classic 'receive your PowerPoint and go away' conference," Cheshire recalls.

Indeed, since he took over in 2008, Cheshire has taken his staff on a remarkable journey, with a mission to transform the way the company operates. His first order of business was to turn around the company's finances: "I needed to improve the business radically in a short period of time." To drive the recovery he put in place a plan called "Delivering Value" to systematically improve shareholders' returns. A seven-step program, it included expansion in France, opening new outlets in eastern Europe, and turning around the B&Q China business.

The next phase, "Creating the Leader," formally starts in 2012 and will involve a very different approach to managing the business. It was clear from the outset that in order to achieve

its financial goals and change the management culture, Kingfisher's executive management needed the crucial "top 250" layer of management to be fully on board and motivated. In the past, businesses had been organized into national "silos" with single-country initiatives driving strategy. But the mindset had to change and the business had to embrace being an international retailer with common product lines, while also encouraging "self-help initiatives" to reach sales, margin and cost-cutting targets.

Alongside these programs, the executive management introduced an internal communications initiative called "One Team" in June 2010. This is designed to break down the silos and, through events such as the Spain conference, to "network the business" and forge cross-group connections, Cheshire says.

After Barcelona, the group executive team shut itself away for five days in a retreat in the Cotswolds, a sedate, hilly area in western England. The results from the management exercise in Spain were reviewed and the executive team began to develop a rigorous framework to deliver on the strategy. It was important to make the framework precise as it would be the mechanism through which the line managers would make the new approach work. As Cheshire recounts, the task for the executives at the retreat was to say, "OK, here's a framework: it's not up for negotiation, it's up for clarification," which meant they didn't want to deliver "tablets of stone" but they did need to be as clear as possible. ➤

Do it yourself

- ✦ Kingfisher is Europe's leading home improvement retailer, operating 900 stores in eight countries in Europe and Asia.
- ✦ In 2010 it had sales of £10.4bn (\$16bn) and profits of £670m (\$1bn).
- ✦ Serves everyone from DIY-ers to trade professionals.
- ✦ Retail brands include B&Q, Castorama, Brico Dépôt and Screwfix.
- ✦ It has leading market positions in the UK, France, Poland, Turkey, and China.
- ✦ Grew rapidly in the 1980s with three divisions: general merchandise, home improvement, and electricals.
- ✦ In the 1990s the group began an international expansion program with acquisitions in Europe and store openings in Asia.
- ✦ Kingfisher is included in two leading social responsibility investment indices: FTSE4Good and the Dow Jones Sustainability Index.

Ian Cheshire, Kingfisher Group CEO

Group CEO since January 2008, Cheshire has been described by *Retail Week* as "cerebral and instantly likeable." He joined Kingfisher in 1998 and rose through various senior positions to CEO of B&Q, the main UK unit, before taking the top job. Previously, he worked in senior retail roles, including Group Commercial Director at Sears.

Cheshire has a growing reputation outside of retailing. In March 2011, he called for "a radical reappraisal of capitalism" in *The Guardian* newspaper. He is lead non-executive member on the Department for Work and Pensions Board, a member of the Prince of Wales's Corporate Leaders Group on Climate Change, and a Member of the Employers' Forum on Disability President's Group.

Given Kingfisher's legacy as a series of acquired national retailers, it was important to provide a clear explanation for the change in culture and approach.

Why would the managers support the change? Cheshire identifies three key levers:

One, focus on delivering better margins through the adoption of common buying and a group product range, something that would inspire every manager during recession.

Two, tie an element of managers' bonuses to key initiatives, such as group sourcing.

Three, involve all 250 top line managers to some degree in the company's share incentive scheme. As Cheshire puts it, "They have the Kingfisher hat, now we are also giving them a Kingfisher wallet."

After the Cotswolds, the next stop was Istanbul, where the top line managers were pushed to articulate problems that they normally are reluctant to talk about – issues which are, in some organizations, seen as career limiting to discuss.

Cheshire's view is that if senior managers cannot express their doubts openly and debate what they see as the real issues, they will never fully implement a strategy. He rejected the first round of issues as "too tame," telling managers to raise larger and more recalcitrant problems.

The most important initiatives identified at the Istanbul session are now being worked up by project teams and will form the basis of "Creating the Leader," the next phase of the

development strategy – the full details of which will be unveiled next year.

So what has Kingfisher got out of this novel process? Above all, Cheshire reckons that senior managers knowing each other better was as important as developing the details of the strategy. The company's key managers have come to trust each other and are prepared to do business together in a way that simply did not exist 18 months ago.



"We had previously been very separate units – not everyone knew what we did in Turkey or had ever met their opposite number in France, and so there was this extraordinary feeling of a set of long-lost cousins rediscovering each other and finding that they had a lot of DNA in common and then getting some great ideas from each other," Cheshire says.

Another benefit is that Kingfisher has been able to give internal communications a human face. Communication flows more naturally and, importantly, more easily face to

face from the group executive to the seven country heads, to the top 250, to the next 10,000, and so on.

Cheshire is not blind to the drawbacks and recognizes the difficulty in moving from general principles to specific actions. He describes some of the discussion as a "near religious debate," with some people holding to views with zealous conviction. The hope is that the Istanbul approach of encouraging people to air their biggest concerns will give structure to these debates. However, it is important for the group executive to keep these discussions under control and to take decisive action if required.

Another worry is one that will be familiar to any manager who has undertaken similar initiatives. As Cheshire says, "We could disappear into endless navel gazing and meeting for the sake of meeting, everyone building relationships like crazy and nothing else happening. If I feel that the process is disappearing into treacle, frankly there will be a short sharp kick to make sure that we get back on track."

And if the plan doesn't meet targets? "Making sure that everyone is very clear what the targets are will make it much easier to work out where things are going wrong and how to fix them. It is also important to ensure that internal politics are kept to a minimum and that people consider the success of the project to be in line with their personal success." ☺

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Richard Lewis is an adviser in Brunswick's London office, where he specializes in organizational communications.



CULTURE CLUB

Zappos has a unique approach to building customer loyalty: it starts internally, by focusing on the company's culture, which is defined by its employees. Jennifer Lowney learned more from Zappos' **Robert Richman**

Early in its 12-year history, Zappos.com, one of America's leading online apparel and footwear retailers, made a decision that its business and its brand would be defined by superior customer service. In Zappos' lingo, it would deliver "WOW through service."

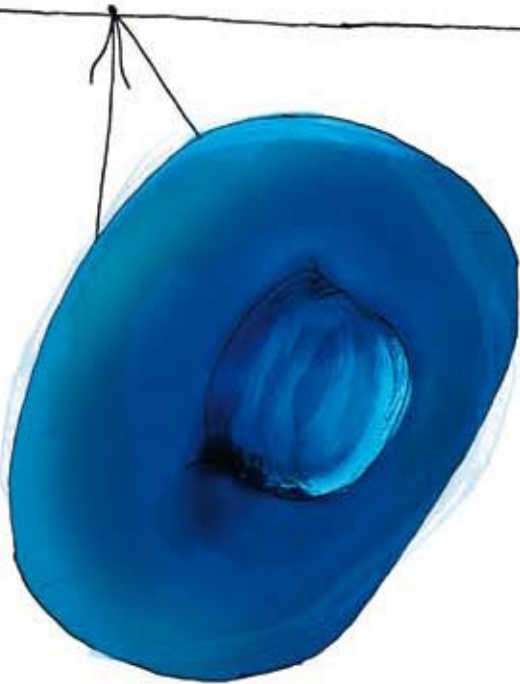
But unlike many other companies which view customer service through the lens of returns policies, loyalty programs or discounts, Zappos believes that its *culture* is the foundation for its brand and commercial success. In his book, *Delivering Happiness, A Path to Profits, Passion, and Purpose*, Tony Hsieh, the CEO says, "We thought that if we got the culture right, then building our brand to be about the very best customer service would happen naturally, on its own."

Honest communication

Zappos, which had annual sales in excess of \$1bn in 2010 when it was acquired by Amazon for \$1.2bn, set out to translate that core belief into successful commercial reality. While culture and values are routinely defined by the corporate communications teams at many companies, Zappos involved the entire company in the process of defining its values. Five years into its existence, Zappos used that input to create a "culture book" – first used as an orientation tool but now available to anyone who wants one, inside the company or out – to provide employees with a forum to articulate their views about what Zappos' culture means to them. Published annually, contributors rotate and their input is published unedited. But talking, reading, or writing about culture does not create culture. Nor is it realistic for the culture of a rapidly growing company to be maintained only by its leaders.

Zappos practices and activates its culture in a number of ways. When recruiting, it is willing to turn away top talent if a candidate does not seem like a cultural fit. Zappos also offers employees \$3,000 if they leave within four weeks of being hired to encourage them to resign rather than ➡





ZAPPOS: BEST FOOT FORWARD

1999 Nick Swinmurn launches online shoe store after a frustrating day shopping in a local plaza. The name “Zappos” is chosen after *zapatos*, Spanish for shoes.

2000 Investor Tony Hsieh joins Zappos as CEO, bringing with him his beliefs in company culture and customer service.

2001 After only two years, Zappos generates \$8.6m in gross sales.

2002 Zappos gains an advantage over online competitors by opening its own fulfillment center, which carries more than 1.5m pairs of shoes plus handbags, clothing and accessories from more than 1,136 brands. Sales grow to \$32m.

2004 The first *Zappos Culture Book* is published featuring Zappos people, events and experiences and the company’s core values. Generates \$184m in sales.

2007 The company expands through strategic acquisitions and adds categories including eyewear and kids’ clothing.

2008 Sales grow to \$1bn.

2010 Zappos is acquired by Amazon for \$1.2bn.

Sources: Footwear News, Zappos.com, Amazon investor relations



remain in a company where they might not be comfortable. Or worse, where they might damage the precious culture that everyone is expected to embrace. It regularly measures the strength of its culture through surveys that ask employees whether they agree with statements such as, “My role at Zappos has a real purpose – it is more than just a job,” and, “I believe that the company has a higher purpose beyond just profits.” The surveys also ask employees how likely they would be to recommend their boss to others. Managers are expected to spend between 10 per cent and 20 per cent of their time with employees outside the office, and Zappos says that there is a direct, corresponding increase in team productivity.

Transparency through regular, plain speaking with employees, customers, and others is inherent in Zappos’ efforts to live up to its values, and the concept of honest communications is represented in the values themselves. Its sixth core value is, “Build open and honest relationships with communication.” The company’s core values document builds on that concept: “As the company grows, communication becomes more and more important because everyone needs to understand how his/her team connects to the big picture of what we’re trying to accomplish.” It goes on to say, “Communication is always one of the weakest spots in any organization, no matter how good the communication is. We want everyone to always try to go the extra mile in encouraging thorough, complete, and effective communication.”

Bootcamps and the bottom line

Zappos doesn’t restrict communication of its company philosophy to its employees – the company is eager to share its approach with the outside business world. It has launched Zappos Insights, a training venture, to run meetings, courses, and even a two-day bootcamp for executives and entrepreneurs. Robert Richman, Zappos Insights Product Manager, says, “The realization that there



was something different about Zappos came from others. There was a reflection back from the world that we were doing something special here, so we created an opportunity for others to learn how we do what we do."

Richman co-hosts events for Zappos Insights and helps train upwards of 2,000 participants each month. He says that the biggest challenge he sees for companies hoping to adopt "the Zappos way" is overcoming their short-term focus. "So many companies are willing to sacrifice what they want over the long-term in order to achieve short-term objectives. Investing in things that might not pay off for a few years is very scary to many."

The best path forward for companies seeking to change and strengthen their culture is to do so organically, says Richman. "The key is to find ways to integrate this effort into current processes and to think about the changes not only in the context of work. We have so many touch points in our lives, and helping employees understand how they can apply core values to their personal lives as well as work is critical to the success of your effort."

Zappos Insights not only provides the company with a medium to promulgate its philosophy that keeping both customers and employees happy is good for the bottom line. It has also created new revenue streams, from expanded tours that cost \$47 per person (the basic tour is free) to the two-day executive bootcamp that costs \$5,000. Zappos' goal is that the unit will ultimately account for 10 per cent of the company's operating profit.

Managing change

Zappos' commitment to transparency and effective communications could have come under pressure when it announced that it would be acquired by Amazon. Instead, the company sought to use it as an opportunity to reinforce its values.

Hsieh informed employees about the deal in a detailed e-mail. In spite of its length, it succinctly explained the

three reasons why he felt this was a good deal for the company which could be summarized as: accelerating growth, allowing Zappos to continue to operate independently and maintaining the ability to run the business with a long-term perspective. It also quickly addressed the questions likely to be on the minds of employees with clear, straightforward answers. Specifically, Hsieh was able to tell each employee that their job was "as secure as it was a month ago" and that Zappos' three founders "had no plans to leave." Hsieh went on to apologize for the suddenness of the announcement and explain both how the deal came about and the evolution of his thinking about the opportunity with Amazon between the time the deal was initially conceived and when it was announced.

The letter was followed by an all-hands meeting that included executives from Amazon. Employee reaction to the announcement was extremely positive. Surprise gifts and a spot bonus likely added to the group's enthusiasm for the "marriage to Amazon," but the relationship that Zappos' leaders had built with employees was instrumental to the reaction it received.

Robert Richman summarizes the reaction, saying, "Employees trusted Tony to do a good deal for us." Exactly one year after the deal was announced, Hsieh reissued the same letter to employees, but added an update on the commitments and perspectives he shared a year earlier.

Amazon's decision to continue to let Zappos run as an independent entity can be perceived as an endorsement of Hsieh, the business model, and the culture. Hsieh's book has topped both *The New York Times* and *The Wall Street Journal* bestseller lists and he is in demand as a motivational speaker, which suggests that a wide audience appreciates that Zappos is on to something. ☺

Zappos' core values

1. Deliver WOW through service
2. Embrace and drive change
3. Create fun and a little weirdness
4. Be adventurous, creative, and open-minded
5. Pursue growth and learning
6. Build open and honest relationships with communication
7. Build a positive team and family spirit
8. Do more with less
9. Be passionate and determined
10. Be humble

Robert Richman is Product Manager of Zappos Insights, which provides training for business leaders, managers and entrepreneurs based on Zappos' own company culture. Previously he developed digital marketing strategies for brands including Sony, and co-founded the Affinity Lab, a collaborative workspace for entrepreneurs. Zapposinsights.com

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BY STEVEN LIPIN, US SENIOR PARTNER,
BRUNSWICK, NEW YORK

When I was at *The Wall Street Journal*, it was pounded into you to write clearly, concisely, and free of jargon; and to write not just for your sources but so your mother could understand it too (or at least your readers' mothers).

If my mother, an erudite and voracious reader, who was not steeped in the business world but followed every story I wrote, couldn't understand what I was writing about, then it was too "inside baseball" (oops, jargon). Now, usually it didn't get to that point, as copy editors at the *Journal* were fantastic about catching corporate-speak. But it wasn't easy. The problem was the subject matter: the corporate world was – and still is – so filled with spools of jargon and made-up words, that avoiding the lingo was nearly impossible.

The worst cases of word-crime often come under the category of firing people. It is a long and ignoble tradition. In the early 1990s, when "downsizing" was all the rage, Citibank wanted to avoid the pejorative and came up with "rightsizing" instead. Ah, that feels better. You've been rightsized. Only it sounds like a variation on the South Beach diet. Or liposuction. In the UK the phrase is even worse. You are "made redundant," a horrible term reminiscent of the "memory holes" in George Orwell's dystopian novel *1984*, where an unwanted fact or an inconvenient truth is wiped from history.

Jargon comes in many forms – the euphemism, the contorted metaphor, the "weasel words." But perhaps the most frequent deployment of jargon these days comes in the form of a noun converted into a verb – I will not call it verbization – of which there seems to be an epidemic. You onboard your consultants, cross-walk your materials, and bucketize your deliverables. Then, once you bulletize your key messages, you can socialize them with your colleagues so you can all calendar a meeting before finally laddering up your documents to senior executives.

After all, you'll need to check that they are operating at the right latitude (and no, we're not talking about an airline). Maybe do a little more dialoguing, to establish perimeters so people know who is doing what – keeping an eye on externalization points, of course, while increasing the numerator of delivery in order to effect change. Did you get that, or should I iterate with you? Orwell and William Safire are most certainly turning in their linguistic graves.

If you are involved in an M&A assignment or something highly confidential, you are over the wall or under the tent, but never over the tent. In the accounting world, there is the forward-facing forecast, not to be confused with the backward-facing forecast – which probably defies accounting logic anyway.

The "jargonization" of the business world is easy to ridicule and has been satirized at least since Dickens took aim at the legal profession. But creating a language is part of creating a culture. Societies need their own languages and terms, whether it's a small Appalachian community or a mega-company with 200,000

employees that needs a language to tether its people together. At best, it allows you to speak in shorthand and cements the fact that you are part of a group – and in the know.

Indeed, languages are constantly evolving or else they are dying. The English of *Macbeth* is not the English of *The Huffington Post* or CNBC. “Pick up Shakespeare, which was modern, educated English at the time, or the English of King Alfred’s time, which reads like German,” says Anthony M. Aristar, Professor of Linguistics at Eastern Michigan University and Director of the Institute of Language and Information Technology. “This is what language does – it changes over time.”

During the first Gulf War in the early 1990s, the US Army came up with the verb “to attrit” from the noun attrition. “It made total sense and served a purpose,” Aristar says – a shorthand phrase for the wearing down of an enemy army. Another reason why language evolves is to keep outsiders from understanding or infiltrating your group, whether it was “thieves’ cant” in 18th century London or the indecipherable language of the intelligence community.

Corporations have their own distinct goals for creating a language that is known to their employees and those that they collaborate with, such as consultants and vendors. “It rapidly encapsulates what they want to say and shows ‘I’m a member of the group.’ Belonging is important,” says Aristar. “I defy people to find any group that functions as a social unit that doesn’t have its own language.”

Journalists have no room to be smug. They are just as guilty as corporations or the military, though their quirky work-speak is mainly confined to their own strange communities, or even individuals. One of my beloved former colleagues at the *Journal* used to “run some traps” (do some digging with sources) before it

was time to “break some glass,” which was the journalistic equivalent of American football’s two-minute warning: a frenzy of calls to company spokespeople, increasing the chance of a leak, or that a company would upend (pre-empt) your scoop.

Widely used terms among journalists include the “nut graf,” which is the paragraph that distills the broader significance of a story. Then there is the “lede” (which just seems like a misspelling left to stand) that is the opening passage of a story; the 10-point (the *Journal*’s inside term for the “What’s News” summary on page one); and “upfiling” the “A-hed” – that is, filing to the editor the quirky story that used to sit in the middle of the front page of the *Journal*.

But corporations are the easiest targets for the language police. They must approach words with caution because of the potential legal implications and also have to consider diverse internal and external audiences – employees, shareholders, regulators, journalists, and so on. The effect can be to dull their corporate utterances as writers strive too hard to speak to everyone. Yet, in dealing with the vast flow of information of varying technical detail that comes out of any large company, the jargon still creeps in. But it is one thing to have your own language internally, quite another to export it when you try to communicate with everyone else.

Companies’ audiences are rarely sympathetic and targeting their use of language is often a shorthand way of criticizing “big business” itself. As Professor Aristar says, “It’s an easy way of criticizing a group you don’t like; and, of course, who likes corporations?” ☹

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Steven Lipin is Senior Partner for Brunswick’s US practice.

SIMPLE ISN’T STUPID: THE CAMPAIGN FOR PLAIN ENGLISH

So, how to reconcile good writing with the demands of your corporate bosses?

In his famous 1946 essay *Politics and the English Language*, George Orwell criticized ugly and inaccurate written English. Here are his six rules of good writing:

- ✎ Never use a metaphor, simile, or other figure of speech which you are used to seeing in print.
- ✎ Never use a long word where a short one will do.
- ✎ If it is possible to cut a word out, always cut it out.
- ✎ Never use the passive where you can use the active.

- ✎ Never use a foreign phrase, a scientific word, or a jargon word if you can think of an everyday English equivalent.
- ✎ Break any of these rules sooner than say anything outright barbarous.

His rules have aged well. Companies should have standards and stick to them – and yes, let it be known to journalists and others.

For guidance, many look to the annually updated *Associated Press Stylebook*. Another tool is Strunk & White’s *The Elements of Style*, which for many years has been required reading for English classes at American colleges.

The website www.unsuck-it.com “translates” corporate-speak into everyday language. For example, the word: “touchpoint” is translated as, “the marketer’s erogenous zone – an interaction between a business and a customer.”

Another enjoyable website on language is the popular [languagelab](http://languagelab.ling.upenn.edu/nll) <http://languagelog.ldc.upenn.edu/nll> published by the academic duo Mark Liberman and Geoffrey Pullum. Theirs is a rather biting commentary on the abuse of language and has a strong following.

Finally, as Shakespeare said, kill all the lawyers. You may get sued but your prose will sing.



NEW WAVE OF EMPLOYEE SHAREHOLDER COMMUNICATIONS

Employee share ownership was once seen as a positive path to productivity and engagement. But stocks not only go down as well as up – these days they swing wildly back and forth. *IR Magazine's* **Neil Stewart** checks in on options and stock grants and how corporations communicate with employee shareowners

From the C-suite to the shop floor, employees have an array of ways to share in their company's success – options, stock grants, or buying shares at a discount. But as anyone knows, being heavily invested in a single stock is not for the faint of heart. After a decade that incorporates the dotcom bust, Enron's disastrous fall, a worldwide financial crisis and a debt crisis that is still unfolding, it is reasonable to ask: has the world soured on employee share ownership?

The short answer is that employee ownership is still seen as an important part of corporate culture that can encourage productivity, boost morale, and eventually increase personal wealth. But years of middling or negative returns – and the stomach-churning volatility of late – have cooled employees and companies alike toward making an equity stake too big a part of pay. This has led to a measurable decline in broad-based, long-term incentive grants.

For executive management, though, equity is still a key part of compensation, helping companies to compete for talent while aligning management and shareholder interests. But there have been significant shifts, such as a move to grant stock outright rather than options to buy, or being more selective with dwindling remuneration budgets, or tying stock grants to performance.

Through it all, employees and executives alike are keen observers of companies' stock performance, which means the investor relations team, in tandem with communications and human resources departments, play to a tough internal crowd.

FROM EXUBERANCE TO REALISM

The 1990s were the heyday of broad-based stock compensation, especially in the US. Then the dotcom crash wiped out a lot of paper millionaires, as did Enron and other scandals. Options, along with other forms of equity-based compensation, started to ➤



SHARING THE UPS AND DOWNS: CASE STUDIES

MICROSOFT

Microsoft pioneered options for employees in the 1980s and 1990s, then paved the way again with a wholesale switch to restricted stock in 2003. Many employees also hold Microsoft shares in their retirement plans and have access to a stock purchase plan. A rough estimate puts ownership among the company's 90,000 employees at around 3 per cent of Microsoft's \$200bn-plus market capitalization.

Two or three times a month, an IR team member can be found speaking to an "all-hands" division meeting. "I get hard questions from these guys. One person had no hesitation telling me I wasn't doing a good job," laughs Bill Koefoed, Microsoft's IR chief.

Then there are the popular Street Talk videos. After big investor events such as financial analyst days, Microsoft's CFO, Peter Klein, grills an analyst or fund manager. A video of the conversation is posted on Microsoft Web (MSW), the company's intranet portal, along with special earnings recaps for employees.

BASF

BASF's incentive shares program is a half-century old and 25 per cent of the German chemical company's shares are in the hands of about 400,000 retail investors, many of them employees. About 40 per cent of visitors to BASF's IR website come from within the company and Andrea Wentscher, the IR executive responsible for retail shareholders, says they are heavy users of an investment calculator as well as a service that sends the closing share price by SMS.

BASF's IR team covers a variety of topical and educational themes in the company newsletter: recently, for example, featuring an interview with the head of IR on dividends, and a look at how BASF achieved its spot on the Dow Jones Sustainability Index.

Investor Relations Forums for employees are held twice a year, once in Germany and once elsewhere. Often, a financial analyst is also invited to speak about the perception of BASF's stock.

COVIDIEN

Covidien, a Mansfield, Massachusetts-based medical device maker (spun off from Tyco, the conglomerate, in 2007) has an employee stock purchase plan (ESPP), as well as stock options, restricted stock, and shares that are tied to total shareholder return against a peer group. "We're constantly asking, 'Do we have the right mix? Do we have the right metrics?'" says Mike Dunford, Senior Vice-President of Human Resources, who works closely with the investor relations and corporate communications teams to coordinate shareholder communications for employees.

A couple of days after each quarterly earnings announcement, several hundred employees gather for a big meeting. CEO Joe Almeida runs through the results and introduces a leader from a specific business to talk. The most recent meeting had a special presentation by the head of Covidien's emerging markets business and was broadcast live to about 16 locations with a video replay posted on Pulse, the company's intranet.

go out of fashion for the ordinary employee. Since the middle of the last decade, the trend away from broad-based equity grants has accelerated.

"Companies found out that individuals didn't value equity as much as they did cash, that dilution was a concern, and that communication about the value of equity – particularly stock options – is always a challenge," says Doug Friske, global leader for executive compensation consulting at Towers Watson, an HR consulting and risk management firm.

There is an obvious reason why companies have eased up on giving employees equity: "Stocks go down and they don't tend to go up so much anymore," says Jonathan Ocker, a San Francisco-based partner at Orrick, Herrington & Sutcliffe, a law firm. Most companies today don't want to put a stock fund in a retirement plan because of the risk of failing in their fiduciary responsibility. Or, if they put their own stock in their plan, they include plenty of protection so employees aren't stuck holding the stock.

Shareholder pressure, including the fight against dilution, has also eaten away at equity compensation. For example, ISS, a company that facilitates and advises on shareholder proxy voting, applies a "shareholder value transfer" test: if a company tries to transfer too much

SHIFT FROM OPTIONS TO RESTRICTED STOCK AND PERFORMANCE PLANS

Prevalence of different types of long-term incentives

| | 2006 | 2011 |
|-------------------|------|------|
| Stock options | 74% | 64% |
| Restricted stock | 61% | 69% |
| Performance plans | 53% | 74% |

PARING BACK BROAD-BASED OPTIONS

Median percentage of total employees receiving stock-based long-term incentives

| | 2006 | 2011 |
|-------------------|------|------|
| Stock options | 2.5% | 1.5% |
| Restricted stock | 1.5% | 2.3% |
| Performance plans | 0.6% | 0.6% |

Based on Towers Watson's Compensation Data Bank™ General Industry Executive Compensation Survey; data primarily reflect US companies

equity to employees, ISS will recommend a vote against its pay plan. So, an issuer whose pay plan is coming up for a vote may ask, for example, whether a cash bonus would make better sense for overseas employees, especially considering the compliance costs and hurdles in many emerging markets.

“Around the globe, we’re seeing much less stock being doled out,” Ocker says, adding a caveat: “China is an exception. It’s the new California.”

Indeed, California is still California in the stock-grant sense, with Silicon Valley start-ups relying heavily on pools of stock to attract talent, often as much as 30 per cent of a company’s share capital. “It’s 1999 all over again,” says Bill Koefoed, Microsoft’s head of IR. “Employment in technology is crazy just now and stock-based compensation is super-important. It’s how you get to be a ‘kajillionaire.’”

TOP GUNS SINGLED OUT FOR STOCK

At the senior management level in other industries many equity grants have been pared back, salaries held flat, and bonuses eliminated amid post-financial crisis austerity. However, executive equity compensation in general is holding steady. And there are some cases where it is increasing dramatically. The reason? Companies are selectively

rewarding high performers at the expense of others. “They’re more surgical about their compensation practices. Instead of spreading stock around like peanut butter, they pick and choose who to reward,” Ocker says.

Boards and shareholders alike want the executives’ and the company’s interests aligned. But now a stock grant is preferred to options – typically restricted stock, which can’t be sold for a period of time. A big driver was the change in US Generally Accepted Accounting Principles (GAAP) rules in 2006 that forced options to be counted as an expense, eliminating one of their biggest advantages.

The transition from options to stock has been good for executives. Straight stock may not have the same upside as a low-priced option, but it has more downside protection: even if the stock price goes down, there’s something left in the employee’s pocket.

From the shareholder’s perspective, there’s more alignment with restricted stock because an executive with underwater options doesn’t really care if his stock is \$5 or \$50 below the exercise price – they’re worthless either way. Plus, restricted stock typically



THE ENRON EFFECT, 10 YEARS LATER

Ever since Enron’s demise, which took many of its employees’ life savings down with it, companies have been hesitant to prevent employees from selling company stock.

The main lesson from Enron, says Joseph Blasi, a professor at Rutgers University, is that companies must educate employees about the risks of different types of employee stock ownership. “Enron aggressively pushed workers to buy company stock with their savings and continued to push them even as the company was falling apart and senior managers were unloading their stock,” he says.

While Enron hawked its own stock to employees, it showered upper-level

management with options, which didn’t have nearly the same risk. “It should have been the opposite,” Blasi says.

Enron’s disintegration in December 2001, in the midst of the dotcom bust, underpinned the trend away from putting company stock in retirement plans. “US companies communicate a lot more to employees about not loading up their 401Ks [pension plans] with company stock,” says Michael Keeling, President of the ESOP Association, a trade body.

Citigroup is another cautionary tale. Sanford “Sandy” Weill, who led Citigroup until 2006, became famous for promoting employee stock ownership, partly to cement

loyalty after his many acquisitions. But Citigroup’s stock price infamously fell from nearly \$60 to below \$1 in the wake of the financial crisis. (In May 2011, Citigroup did a reverse one-for-10 stock split, so although its shares were at around \$30 this autumn, that was equal to about \$3 in old shares).

Citigroup was a target in the recent flurry of “stock-drop cases,” which are lawsuits brought by employees, particularly those in financial services companies that were hit hard by the 2007-2008 financial crisis. These cases are almost always won by companies, even though the Obama administration has voiced sympathy for employees, Keeling notes.

costs the company less and dilutes shareholders less; the rule of thumb is that one share equals three options.

LINKING TO PERFORMANCE

There is another accelerating trend, especially since the financial crisis: tying compensation to performance, with shares granted only when certain goals are met, such as increases in operating revenue, earnings per share, or some measure of total shareholder return. This has inevitably reduced the amount of stock being given out, perhaps by as much as 20 per cent in the last five years, Ocker believes.

On this front, Europe is ahead of the US. According to Mercer's Global Financial Services Executive Incentive Plan Snapshot Survey, published in July 2011, 88 per cent of European companies have long-term incentive stock awards that are tied to performance, versus only 50 per cent of US companies. Some 75 per cent of European companies' stock options plans have performance clauses, whereas none do in the US.

Looking ahead, companies are likely to be even more conservative with equity compensation because of the tremendous volatility in world markets, which puts stock prices even further outside the control of management and employees than normal. "Broad-based equity participation will shrink even more," Friske concludes, though he doubts equity grants for top executives will be pruned: "Shareholders might say, 'We're getting queasy, so why would senior management be let off to settle their stomachs?'"

The trend toward granting shares to senior executives will continue. The big question, however, is how companies set those performance goals given that most don't know what's going to happen in the next six months, never mind three to five years. ☺

Neil Stewart is the New York-based Editor-at-Large for *IR Magazine*, a global magazine for investor relations professionals. In his 16 years of association with the magazine, he has overseen the research behind the IR Magazine Awards in the US and Canada, helped launch *Corporate Secretary* magazine, and chaired events and conferences in 25 countries. www.InsideInvestorRelations.com

WHAT CAN BIG BROWN DO FOR ITS SHAREOWNERS?

United Parcel Service, the Atlanta-based package delivery company, is almost as well known for its "owner-manager philosophy" as it is for its brown trucks. From its founding in 1907 until its initial public offering in 1999, when it sold 10 per cent of its equity to the public, UPS was owned by its employees. Today, about 35 per cent of its equity is in the hands of current or former employees.

Andy Dolny, Vice-President of Treasury and Investor Relations at UPS, has been with the company for 30 years, a typical tenure in a company with a high level of loyalty. Stock forms part of many employees' compensation, with a stock purchase plan open to everyone, and purchases of UPS stock for pension plans are matched by the company. Around 35 per cent of full-time unionized drivers own UPS stock through a discounted stock purchase program, while 100 per cent of full-time management are shareowners. Managers' annual bonuses are paid in stock, which they are encouraged to hold on to as a long-term investment.

UPS encourages its employees to listen to its quarterly earnings calls, which are posted on an employee internet portal. Plus, Dolny holds "town hall" meetings with the leaders of UPS's domestic and international businesses on the days that quarterly earnings are announced so that they can take the feedback from analysts to the whole company.

"I'm really speaking to them as employees of the organization. But at the same time, I'm mindful of my role as an investor relations officer and their role as investors," Dolny says.


With its long history, UPS pays a lot of attention to retiree shareowners as well as descendants of its founders. The IR team organizes two or three webcasts each year specifically for retired employees and meets them in person about three times a year. Plus, they have up to 10 meetings a year for the founding families.

Dolny emphasizes that UPS's IR, PR, and internal communications are closely aligned. The other functions report to a senior vice-president of communications and he reports to the CFO.

MISSION COMMAND

In the military, internal communications defines leadership, often in critical situations, says **Colonel Thomas A. Kolditz**

In the brutal heat of the Iraqi afternoon, the soldier struggled with a pry bar that would help break free the track of the M1A1 main battle tank. Smoke drifted under the tank fender. Part of the track had separated on the detonation of an improvised explosive device. Though the tank had already been pulled from the initial site of the blast by an 80-ton recovery vehicle, the threat of snipers brought an intensity to his efforts. Once he and his team dropped the track from the tank, they would need to replace two 60-pound links of the 4,850-pound stretch of steel and rubber, and then reassemble the track under tension. This kind of work is the unsung part of combat. It is part of the battle, its own kind of fight. As the mechanic's forearm sweated and flexed, a strategic organizational message was visible, etched into his skin in coal black tattoo ink:

"I will always place the mission first
I will never accept defeat
I will never quit
I will never leave a fallen comrade" 

That is internal communication in extremis. The warrior ethos tattooed on the arm of this enthusiastic soldier is part of the Army's internal communication strategy; it tells soldiers what is most important in the absence of more specific guidance.

I've spent the past 10 years or so studying leadership and organizational behavior in dangerous contexts – from combat zones to commercial parachute centers – where decisions are made under extreme duress. One might suppose that case studies and principles gleaned from such experiences are hyper-specialized and difficult to apply to typical business circumstances. The opposite is true. There is a primal honesty about interpersonal exchanges when lives are on the line.

CONSISTENT CORE MESSAGES

Talk of internal communication often focuses on the modes of delivery: electronic mail, memoranda, formal communications, meetings, water cooler gossip. But organizational leadership can control only some of these.

In an ideal situation, internal communication carries predictable and valuable content, is in a clear format, adds clarity, and reduces complexity. But ideal cases are rare. An organization can quickly find itself hamstrung by information that is passed on late, or full of inaccuracies, or by information overload. It can foster a feeling that the organization is fragmented and chaotic.

People who live and work in dangerous contexts communicate in space that is inherently volatile, complex, and ambiguous. So, lessons from these experiences can have value when ambiguity, risk, and uncertainty arise in non-combat situations. Three overarching characteristics of internal communication in dangerous contexts hold true for all organizations: consistent core messages, individualized concern, and the primacy of honesty and integrity.

Typically, organizations use internal communication to tell people what to do and how to do it. However, the best organizations use consistent core messages to empower people to do the right things in the right way, whatever the

circumstances. In dangerous contexts, it is usually impossible to communicate moment to moment or to have perfect situational awareness. This makes it necessary for leaders to empower others through consistent internal core messaging.

An exemplar of this principle was seen in the case of Tulane Hospital, part of Hospital Corporation of America (HCA) located in the center of New Orleans, which had to be evacuated during Hurricane Katrina. CEO Jack Bovender could communicate only intermittently through occasional e-mail. But he had established a four-part core message: commitment to patients, empowerment of staff, individual responsibility and communication when possible. The staff mounted an impressive and successful evacuation, even with sketchy communication and little situational awareness.

Bovender would later explain that the core message was built into the organization day in, day out: "You can't change yourself into something in 30 minutes that you haven't been in 30 years." The internal communication that led to success in the swirling disaster that was Katrina was also the internal communication that guided HCA toward excellence every day. The point is that when you are "on core message" internally, the level of specificity and timeliness in other forms of communication become less critical.

INDIVIDUALIZED CONCERN

One of the most important outcomes of internal communication is the reinforcement of a sense of organizational loyalty and commitment. In a landmark study on trust in combat, Colonel Pat Sweeney, a West Point professor, gathered data on the famous 101st Airborne Division during the attack on Baghdad in 2003. His work revealed that there were two fundamental components to trust among leaders and soldiers in the division.

The first of these, not surprisingly, was competence at doing the deadly business of the organization. The second, however, was loyalty in the organization from the top down, and particularly when that loyalty was expressed in individualized concern for people. Organizational leadership had to make clear, in both words and action, that while the

COLONEL THOMAS A. KOLDITZ, PH.D.

Head, Department of Behavioral Sciences and Leadership; Director, Leadership Center, US Military Academy, West Point

Colonel Tom Kolditz is an internationally recognized expert on leadership in extreme contexts. He holds a Bachelor's degree in Psychology and Sociology from Vanderbilt University, as well as Masters and Ph.D. degrees in Social Psychology from University

of Missouri, a Master of Military Arts and Science from the School of Advanced Military Studies, and a Masters in Strategic Studies from the US Army War College. His 32-year career has included commands on three continents, as well as leadership development positions in the Pentagon, the Center of Army Leadership, and West Point.

Kolditz has published widely. His most recent book, *In Extremis Leadership: Leading As If Your Life Depended On It*, was based on more than 100 interviews on the ground in Iraq during combat operations.

Since 2001, Kolditz has served as coach to the US Military Academy Sport Parachute Team. He weaves his personal experiences and abilities as a soldier, skydiver, and scholar into the study, analysis, and practice of leadership in dangerous circumstances.

In 2007 he was appointed a Visiting Professor at the Yale School of Management and teaches a crisis leadership course in the MBA curriculum. He is a Fellow in the American Psychological Association, a member of the Academy of Management and of the Society of Psychologists in Management.



fighting might be intense and not all would make it, every decision on the battlefield would take into account the wellbeing of soldiers. The soldiers respected both the concern and the honesty in the message, which fostered intense trust. Mention of specific individuals and their recent accomplishments were especially powerful in communicating internally that the organization was tightly bound, mutually supportive, self aware, and protective.

We see this same technique at a national level during the State of the Union address by the President, where ordinary Americans are singled out in extraordinary fashion. Too often, internal communications are structured so as to deliver messages to the entire organization at once, an inherently impersonal, sterile act. Storytelling, on the other hand, can highlight individual actions in ways that not only carry a message but also show an organization's concern for its members. A great general once said that the best leaders look at their formations and see not a platoon of soldiers, but 40 individuals in uniform. It's how all good organizations see themselves – particularly organizations that carry a high degree of risk because of the premium placed on trust.

HONESTY AND INTEGRITY

In combat research, honesty and integrity are among the most valued attributes in soldiers. That is because in the confusion and ambiguity of dangerous contexts, absolute truthfulness, devoid of embellishment or exaggeration, can make the difference between a good decision or a tragic miscalculation.

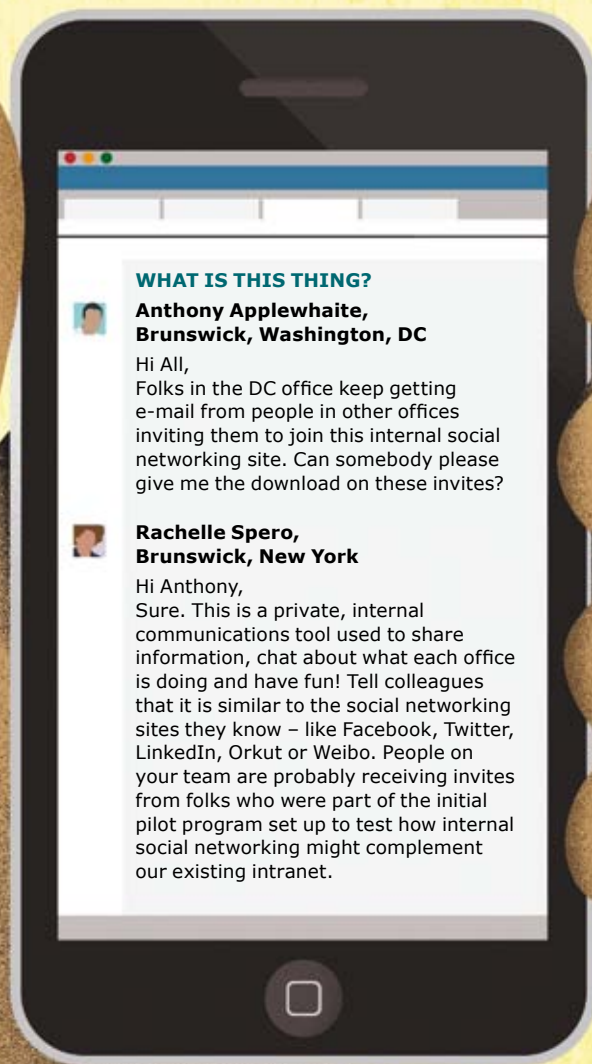
Yet, many organizations fail on this basic point by trying to spin their own members. A disastrous example: on September 14 2010, the Egyptian government newspaper *Al-Ahram* published a doctored photo in which President Hosni Mubarak was portrayed leading the delegation of heads of government at White House peace talks between Israelis and Palestinians. The inevitable result was a blizzard of absurd internet images that put the embarrassed leader's image in lunar landings, running with the bulls in Pamplona, and other improbable situations. This was Mubarak's point of no return – leaders cannot recover from lies that make them the object of ridicule to their people and the outside world.

In dangerous contexts, the urgency of the situation strips away administrative distractions and reveals the core essentials of organizational communication. Whether in crisis or not, internal communication means more to our organizations than the mere passing of information. In the strategic sense, it sets the stage for empowerment, trust, loyalty, and confidence – and the success and joy felt in organizations that achieve those aims. ☺

The views expressed herein are those of the author and do not reflect the position of the United States Military Academy, the Department of the Army, or the Department of Defense.



Warrior ethos:
The US Soldier's Creed



WHAT IS THIS THING?



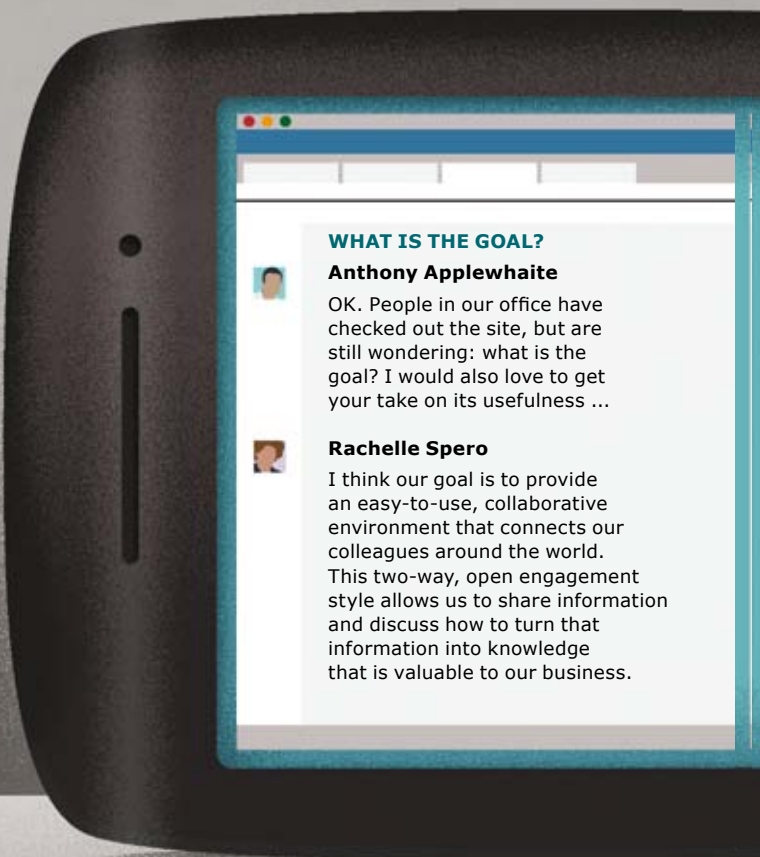
Anthony Applewhaite,
Brunswick, Washington, DC

Hi All,
Folks in the DC office keep getting e-mail from people in other offices inviting them to join this internal social networking site. Can somebody please give me the download on these invites?



Rachelle Spero,
Brunswick, New York

Hi Anthony,
Sure. This is a private, internal communications tool used to share information, chat about what each office is doing and have fun! Tell colleagues that it is similar to the social networking sites they know – like Facebook, Twitter, LinkedIn, Orkut or Weibo. People on your team are probably receiving invites from folks who were part of the initial pilot program set up to test how internal social networking might complement our existing intranet.



WHAT IS THE GOAL?



Anthony Applewhaite

OK. People in our office have checked out the site, but are still wondering: what is the goal? I would also love to get your take on its usefulness ...



Rachelle Spero

I think our goal is to provide an easy-to-use, collaborative environment that connects our colleagues around the world. This two-way, open engagement style allows us to share information and discuss how to turn that information into knowledge that is valuable to our business.

DIGITAL WATERCOOLER

Social media is transforming the company intranet from a dusty old file-sharing technology into a lively, people-driven environment

BY RACHELLE SPERO AND
ANTHONY APPLEWHAITE

Let's face it, the days of the in-house newsletter as the main vehicle for employee communications are over. With so much happening online, companies need to find ways to harness the power and speed of social networking and this is especially true for internal communication.

Luckily there are more and more creative and thoughtful social engagement tools out there, and many corporations are looking at them to capture the popularity of online social interaction. However, many of these solutions live in what is commonly called “the cloud” – meaning they use multiple, interconnected virtual servers as opposed to a physical, corporate-owned network.

Products such as Salesforce's Chatter, Microsoft's Sharepoint, Yammer, and Jive provide secure, private social networks for internal communications. These products can be cost effective on a number of levels as they allow companies both to communicate more efficiently and to eliminate layers of bureaucracy and intranet infrastructure.

Such software can also transform the way we think about employee and internal communications. But not everyone is convinced. Some are worried that it is just another mechanism that adds yet another layer to an already complex and difficult-to-navigate online ecosystem. Who is right?

In these pages we have captured a conversation typical of one that might occur on a platform such as Yammer. The conversation is between Brunswick colleagues, and it touches on some of the more important nuances of taking company communications to these new platforms. We answer questions commonly put to us about the value of these services to internal communications, and we address some of the issues that can arise when introducing these new social networks. ☺

Rachelle Spero is a Partner in Brunswick's New York office specializing in digital and social media.

Anthony Applewhaite is a Director in Brunswick's Washington, DC office. He is a lawyer and specialises in technology, new media, profile raising and public affairs.

Brunswick's **Michael Buckley, Torsten Busse, Jonathan Ward-Brown, and Rob Bagley** also contributed to this story.

**Anthony Applewhaite**

Cool, that sounds good – though I'm having a hard time grasping the strategic vision. I understand that sites like these are another mechanism for employee engagement, but why do employees need another social media tool?

**Rachelle Spero**

Since they are secure, closed networks, employees are free to talk about topics related to work. This is (of course) not to be encouraged on external social media platforms.

In addition, internal social networking can flatten the corporate hierarchy and break silos between departments. This can make the company feel smaller and allow good ideas to come from anywhere.

Finally, I have no doubt that such networks can improve knowledge-sharing and transport the company culture into the virtual world.

**WHAT IS THE PRIORITY?****Anthony Applewhaite**

I guess my next question would be: where does this tool stand in the order of priorities when developing an internal communications program for a company?

**Rachelle Spero**

It's a top priority for highly regulated companies. Especially ones that are exploring ways to exploit social media for marketing, communications, recruiting or customer service. For example, companies in the pharmaceutical, financial and energy sectors are using internal social networking to show employees how to communicate across social media within the company's "rules of engagement," as well as industry regulations.

This will help to establish resource requirements, best practices and measurement goals. It will also reduce the risks before launching branded social networking sites externally.

Using social networking platforms such as Yammer, Jive, Chatter, and SharePoint can also solve lots of internal communications problems and foster deeper engagement at all levels within the organization. For example, companies are launching internal social networking sites to help communicate with employees after a merger or acquisition.

That said, you certainly don't want to underestimate the effectiveness of traditional internal communications tools. The world has become increasingly social and with more communication happening online, you also cannot realistically plan for an internal communications campaign without, at least, exploring the possibility of rolling out an internal social networking platform such as Yammer or Jive.

**WHY DO WE WANT OR NEED ANOTHER TOOL?****Mike Buckley,
Brunswick, San Francisco**

Hold on. Can you just give me a scenario where a Yammer or SharePoint would be the ideal place to communicate with staff as opposed to regular e-mail, or even instant messaging?

**Rachelle Spero**

Hi Mike,
Think about it this way: the conversation we are having now is open to the entire organization. I only have to post the answers to your questions once. It reduces the number of e-mails and increases productivity. And you can get answers to questions even when you don't know who to e-mail or even know what to ask.

**Mike Buckley**

In the spirit of debate ... while I'm certainly open to experiment, I already struggle with information overload. The notion of yet another platform is daunting.

**Rachelle Spero**

I wish I had a solution for information overload. An internal social network is not going to change the world. What it can do is enable you to lead from the front by driving your teams to this more collaborative format. You can then choose what information you consume and the people on the site keep it organized for you.

For example, you can have your teams separated by client, organizational or geographical boundaries. You can easily monitor progress and stay up-to-date with what people are doing and talking about in a single view. This will greatly reduce overlap and duplicated effort, making colleagues more aware of each other's tasks. Also, imagine if you could make decisions faster with fewer phone calls and no more long e-mail chains?

**WHAT ARE THE RISKS?****Anthony Applewhaite**

Honestly, this stuff looks really cool. And conceptually, I am all for engagement like this because I think it ultimately benefits corporate culture. But I am really concerned about who owns the content that I post. Since this isn't a site that is owned by the company, I'm less inclined to engage, because once I type some thoughts, I have no idea where they go and how they will be used in the future. What do you think about that?

**Rachelle Spero**

I can understand your concerns and we're all over it! In fact, we've already engaged corporate communications, HR, legal, and marketing to help us develop the goals, policies, and guidelines, as well as define security requirements. Rob, can you chime in on what IT is up to as it relates to security?

**Rob Bagley,
IT in London**

Hi there,
Sure. This is a secure enterprise social network designed specifically for businesses, but with a consumer-friendly interface like Facebook or Twitter. Users cannot join the community unless they have an authorized brunswickgroup.com e-mail address.

We have a secure license, so information is completely private and can only be accessed by Brunswick employees with a valid password. The site is fully encrypted with back-end security protocols that are arguably the best in the business.

**Anthony Applewhaite**

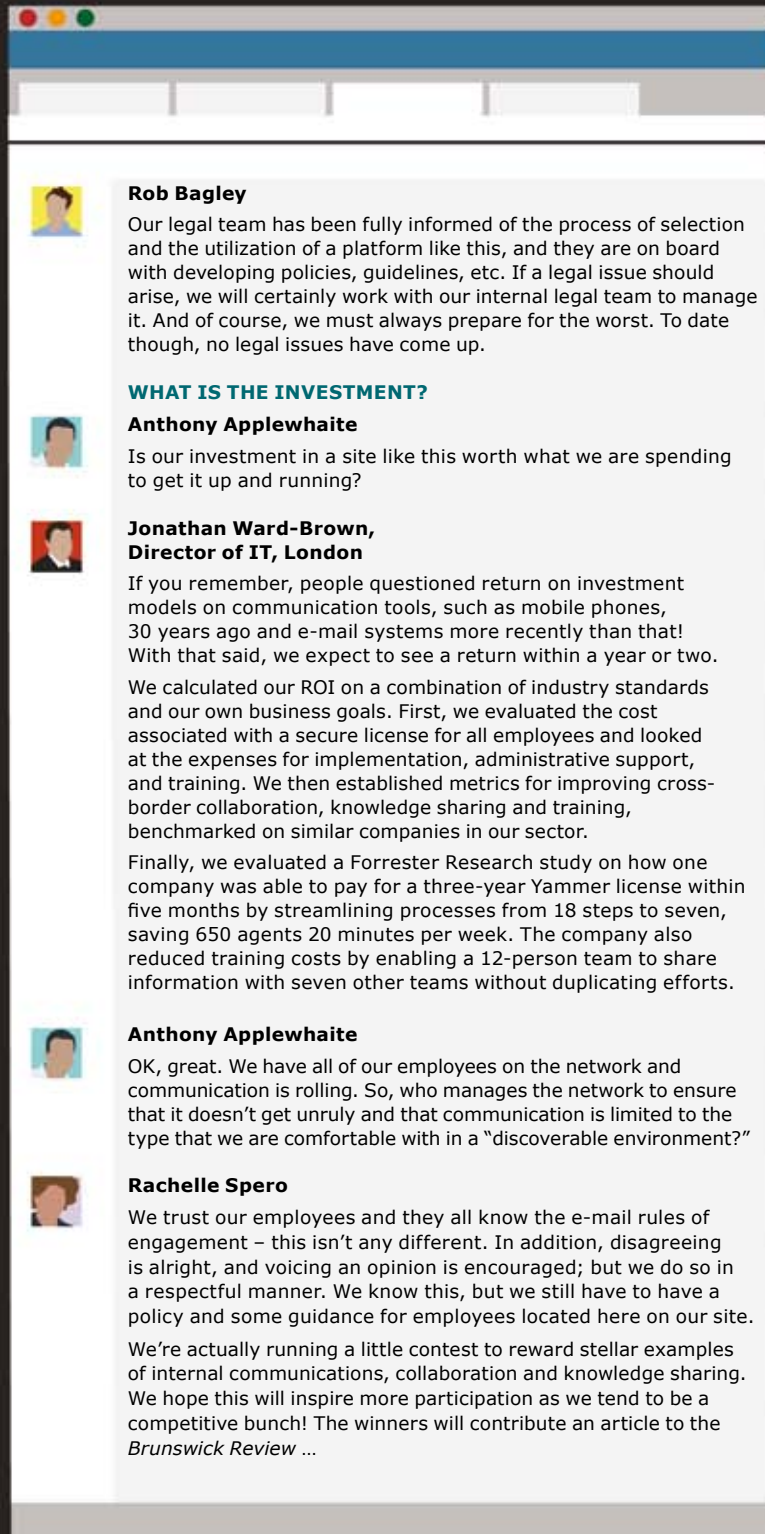
Thanks, Rob. Sounds like you've done your homework. But there must be legal issues involved with using a site like this, don't you think? Especially considering the nature of our work and the sensitive materials we usually handle?

**Torsten Busse,
Brunswick, Frankfurt**

This works for me, news junkie that I am ... There is a ton of material to read in the digital space, but who has the time to consume it all?! Thankfully I have a bunch of engaging colleagues who post interesting reads on here every day. So, thank you for curating the content that is most relevant to our business! Keep on posting, please.

I am wondering if we can use this for other purposes. For example, would it be possible to recruit colleagues with special expertise to help on account teams?

Can we use it to solicit feedback on pitches, advice notes, etc? If we are on here already, creating a record of interests, why not use it for more purposes and in the process create a reference library of our combined know-how? What are the risks? What am I missing?



Rob Bagley

Our legal team has been fully informed of the process of selection and the utilization of a platform like this, and they are on board with developing policies, guidelines, etc. If a legal issue should arise, we will certainly work with our internal legal team to manage it. And of course, we must always prepare for the worst. To date though, no legal issues have come up.

WHAT IS THE INVESTMENT?



Anthony Applewhaite

Is our investment in a site like this worth what we are spending to get it up and running?



Jonathan Ward-Brown, Director of IT, London

If you remember, people questioned return on investment models on communication tools, such as mobile phones, 30 years ago and e-mail systems more recently than that! With that said, we expect to see a return within a year or two.

We calculated our ROI on a combination of industry standards and our own business goals. First, we evaluated the cost associated with a secure license for all employees and looked at the expenses for implementation, administrative support, and training. We then established metrics for improving cross-border collaboration, knowledge sharing and training, benchmarked on similar companies in our sector.

Finally, we evaluated a Forrester Research study on how one company was able to pay for a three-year Yammer license within five months by streamlining processes from 18 steps to seven, saving 650 agents 20 minutes per week. The company also reduced training costs by enabling a 12-person team to share information with seven other teams without duplicating efforts.



Anthony Applewhaite

OK, great. We have all of our employees on the network and communication is rolling. So, who manages the network to ensure that it doesn't get unruly and that communication is limited to the type that we are comfortable with in a "discoverable environment?"



Rachelle Spero

We trust our employees and they all know the e-mail rules of engagement – this isn't any different. In addition, disagreeing is alright, and voicing an opinion is encouraged; but we do so in a respectful manner. We know this, but we still have to have a policy and some guidance for employees located here on our site.

We're actually running a little contest to reward stellar examples of internal communications, collaboration and knowledge sharing. We hope this will inspire more participation as we tend to be a competitive bunch! The winners will contribute an article to the *Brunswick Review* ...

Let's talk



How are these social media platforms different from e-mail or a corporate intranet?

- ✎ Reach a wider pool of internal experts
- ✎ "Conversational" communication
- ✎ Participants are self-selecting
- ✎ More engagement with internal news



What can social networking be used to develop?

- ✎ Culture
- ✎ Collaboration
- ✎ Communication
- ✎ Performance



What are the pitfalls? For example, how will they impact productivity?

- ✎ Another channel to look at
- ✎ Saved time versus wasted time
- ✎ Integration with existing infrastructure



What are the security concerns?

- ✎ Privacy
- ✎ Disclosure
- ✎ Is "the cloud" safe?



What are the benefits?

- ✎ Time and money saved from reducing e-mail exchanges and mailing lists
- ✎ Team building
- ✎ Real-time communications
- ✎ Knowledge sharing
- ✎ Employee retention and productivity



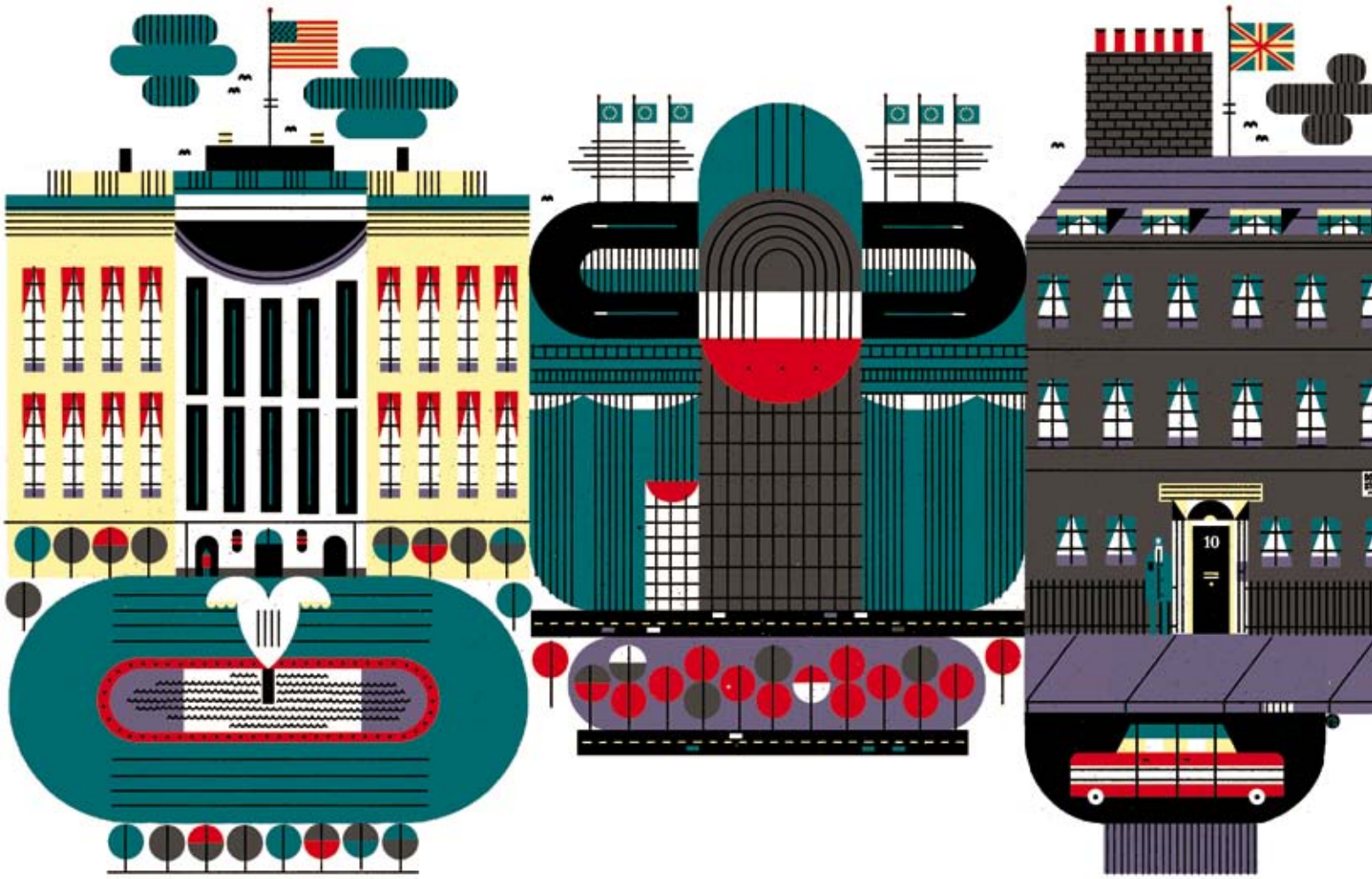
What is the best way to roll them out?

- ✎ Exclusive access
- ✎ Invitation only
- ✎ Launch all at once
- ✎ Inspire participation
- ✎ Training



What can be measured?

- ✎ Number of members
- ✎ Engagement
- ✎ Customer service
- ✎ Increased revenue
- ✎ Lower cost, compared to most knowledge-management systems



ON MESSAGE

The internal communications challenges faced by governments – whether in Washington, DC, Brussels or London – are about as complex as it gets

BY MICHELE DAVIS IN WASHINGTON, DC
DIRK DELMARTINO & NEIL McMILLAN IN BRUSSELS
AND STUART HUDSON IN LONDON



By MICHELE DAVIS
— WASHINGTON, DC

It is like the beginning of a perfect day on *The West Wing*. The President gives a speech unveiling a new proposal to support clean energy and the government communications machine hums into action. The Secretary of Energy appears on television, echoing the message. The White House National Economic Adviser does a webchat. The press offices at the Office of Management and Budget field cost questions.

In the television show, a crisis would then loom in order to ratchet up the dramatic tension. In real life, such a coordinating effort is the routine hard slog of communications in the policy development process.

In my experience working at the White House, policy advisers typically bring together experts from relevant Cabinet agencies to examine and develop policy options for the President. Communications staff are part of that process, and they develop a unified plan as the policy moves toward finalization.

So a new proposal on clean energy tax credits might be announced by the White House, but very likely the Department of Energy, the Environmental Protection Agency (EPA), the Treasury, and others would be involved in the decision-making process throughout. They review White House fact sheets before they are released so that the agencies are ready to echo the message and answer questions. Once it is decided how the President will announce the policy initiative, communications staff in the White House work with agency colleagues to plug in the other voices of authority on each particular issue. They then coordinate the relevant Cabinet officials to create a calendar of speeches, interviews, site visits, op-ed pieces, blogs, and other events to produce a steady drumbeat on the highest priority issues.

Talking points

Washington is a town where being “on message” every day is a critical test for members of either political party. It sometimes feels as if “message discipline” is the highest goal in and of itself. But there is no internal website where everyone goes for their talking points. Instead, there is a coordinated daily planning effort to share the messages before announcements are made.

Most often, as a new policy initiative is being formulated at the White House, the Cabinet agencies with responsibility for the policy are at the table and the messages are jointly agreed. Top aides to policymakers and communicators across the government are kept up-to-date on the President’s decisions via daily and weekly meetings.

During the Bush Administration, the President’s senior staff met every day at 7:30am, followed by an 8:00am meeting of White House communications staff. These were to review the day’s agenda, deal with any surprises that required attention, and to look ahead. White House communications staff would then hold conference calls with Cabinet agencies to share information about news-making events. White House communications staff also

held weekly planning calls with the Cabinet agencies aimed at maintaining a calendar of events to ensure a continuous effort – speeches, interviews, Congressional testimony, and so on – to make the case for the President’s agenda.

Cabinet Secretaries, of course, have agendas of their own. These would be consistent with the President’s overall vision but below his level of approval. It would be analogous to a business unit rolling out a new product – part of the big plan but not requiring a CEO hands-on effort.

For significant Presidential announcements, communicators from across the government are invited to the White House for a briefing. Each year, before the President’s “State of the Union” address, we held briefings in the days leading up to the speech with staff from various branches of government. This included a meeting of all Chiefs of Staff and Public Affairs Directors, as well as meetings with outside allies to share important themes and the news from the address. After the speech was delivered, fact sheets and excerpts that could serve as “talking points” were sent out for those making television appearances, speeches, webchats, or similar outreach opportunities.

Also, to connect with staff on a more personal level, the President made a point of holding occasional “town hall” meetings, as well as dropping in unannounced on holiday parties to thank staff.


Best laid plans

In politics, the best laid plans get swept away by events, to paraphrase the old political adage. A legislative battle takes a sudden twist, a natural disaster causes a state of emergency, or a foreign policy event requires the President’s urgent attention. *Reactive* communication is a daily process too.

Reporters call government departments early every morning looking for reaction to whatever unexpected headline is leading the news agenda that day, or to developments from overseas. It is important to pre-empt off-the-cuff and off-message statements, so the White House media staff huddle very early in the morning – before the Press Secretary’s briefing – to identify the news that may need a coordinated response, to prepare talking points, and to get them out to the relevant Cabinet agencies.

When I worked in the White House from 2005-2006, I would meet with Press Secretary Tony Snow every morning at 6:30am to review what we needed to react to that morning. Cable news might be reporting a comment from the Iraqi government made earlier that day, or a national newspaper might have reported new information about North Korea’s nuclear intentions. We would meet with National Security Adviser Stephen Hadley to devise a comment, then reach out to the State and Defense Departments and other foreign policy agencies to make sure that everyone would be aligned by mid-morning.

While the content varied daily, the internal communication process was consistent and robust enough to manage multiple issues as they evolved throughout the day and to coordinate across government.

The media stage may not be as large, even for big companies, but the challenges – planning new rollouts or reacting to events, for example – are quite similar, with many brands to manage, many different audiences to reach, 

WASHINGTON
IS A TOWN
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“ON MESSAGE”
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OF EITHER
POLITICAL
PARTY

and the job of having to tie it all together at the corporate level. At any moment, a crisis at a particular business unit can become a problem for corporate HQ, disrupting whatever had been planned as the communications priority. The key to managing the rapid flow of news is having the right processes embedded as habit across the company.

Michele Davis is a Partner in Brunswick's Washington, DC office. She spent three years leading public affairs at the Department of the Treasury and before that several years at the White House and working with Congress. She specializes in crisis communications.

BY DIRK DELMARTINO & NEIL MCMILLAN — BRUSSELS

Most political observers have a sense that the workings of the European Union's institutions are of Byzantine complexity. Can the EU – rarely referred to by the three constituent parts: the European Commission, the Council, and the European Parliament – claim to have its internal and external communications under control?

The EU's very essence makes it complex: it is a consensus-driven body, the membership of which comprises 27 cultures, all with their own national interests. Power is spread across the civil service (Commission) and political (Council and Parliament) parts of the organization. This can make it difficult to say who it is in the bureaucracy that stakeholders should appeal to, or on whose behalf a single EU figure is speaking. Understanding its legislative process, meanwhile, can sometimes seem like trying to follow a series of interlinked rollercoasters.

The way policy is formed reflects this complexity and the need to build consensus. Just within the Commission, various "directorates-general" of energy, transport and so on must put policy initiatives through a lengthy process of "inter-service" consultation before they are signed off by all 27 Commissioners. Those draft proposals are then negotiated and often significantly amended by the European Parliament and Council before becoming law.

There are people in Brussels whose main job is to organize inter-institutional dialogue. For example, each Commissioner's cabinet has a member charged with ensuring the Commissioner is in touch with members of the European Parliament (MEPs). Communication across the institutions is necessary if the messages to stakeholders are not to become confused. This is not always easy: each member state, each political party in the European Parliament, might have fundamentally different views on issues. But the EU generally aims to present a coherent view on key issues. One of the most obvious areas for this is foreign policy, though this has had a mixed record.

Spokesperson's role

The 27 Commissioners come to their jobs from a variety of backgrounds and political philosophies, making the task of coordinating external views rather more complex than at national government level.

Playing a central role in coordinating the Commission's internal communications and presenting a unified message to stakeholders – including member governments, business



groups and citizens – is the Commission's Spokesperson's Service. This comprises a close-knit network of people drawn from the cabinets of each of the 27 Commissioners. Their communications efforts are centered on a daily, midday press briefing at which the day's key events and announcements are put to the Brussels-based press corps, sometimes with specialist briefings by policy experts arranged alongside it. This hour-long meeting – which is streamed live in video and audio online – aims to deliver externally a coherent distillation of the Commission's policy plans and reactions to current events.

A meeting of spokespersons each morning plays a central role in establishing a shared understanding of the respective tasks and mutual communications objectives of the Commission, and it creates a coherent message to deliver to the outside world. The role of a spokesperson is pivotal in coordinating the internal messages and forming them into a clear external one. This was the case during the introduction of the euro in 1999, which needed a major external communications effort and an equally large internal one.

Machine politics

The political EU institutions face somewhat different internal communications challenges. The Council of Ministers, comprising the 27 members states of the EU and headed by President Herman Van Rompuy, often faces situations where it must reconcile very different views on policy from each member state.

More complicated still is the European Parliament, with 736 MEPs who have many overlapping and conflicting constituencies – including their voters, national parties, and European political groups.

The Parliament works primarily through committees and policy is arrived at through the usual political haggling. But MEPs are under a constant bombardment of information and arguments from the Commission, member states,

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non-governmental organizations (NGOs), party colleagues in their home countries, and interest groups in Brussels or elsewhere. The influence of political blocs is extremely important, such as the European People's Party (EPP), which includes Union pour un Mouvement Populaire (UMP) in France, and Germany's center-right parties (Christlich-Demokratische Union, CDU, and Christlich-Soziale Union, CSU), plus similar parties from the Benelux countries, Italy, Poland, and a number of other member states. The current presidents of the three main EU institutions – Commission, Council, and Parliament – have all come from the EPP bloc.

Crisis management

No matter how well organized the internal communications, a crisis can test the steeliest of dispositions. And the EU has never faced a crisis as dire as the current one, which combines a series of perilous sovereign debt situations with a banking crunch. At the same time, internal disagreements among the different members of the Eurozone about how best to deal with the crisis have exacerbated the situation. European leaders have been subjected to close scrutiny while they negotiate the complex details. The inevitable disagreements have been aired in public and the crisis has tested to the full Brussels' ability to present a unified and coherent message.

Council President Herman Van Rompuy's office has at times taken control of coordinating internal communications and orchestrating the external message, while Commission President José Manuel Barroso's message of resolute

determination to deal with the crisis in a "State of the Union" speech was widely reported across Europe. However, crises like the present one require speedy action which Brussels institutions sometimes struggle to achieve, with member states still clearly holding considerable power and not always agreeing.

The Matrix is everywhere

The EU has a unique communication challenge in that it must manage the internal communication of an enormously complex organization both vertically and horizontally – within and between departments – and from its technocratic to its political branches. These in turn are subject to the ebb and flow of political alliances in Brussels and the machinations of political parties in the national capitals. At the same time, quite legitimately, these players need to be responsive to the concerns and reactions of a wide group of stakeholders.

No wonder the EU has to work hard to control this information spaghetti junction. Inevitably, there will always be competing views within such a large and diverse organization. Yet there remains a strong argument for developing further the EU's ability to coordinate its internal communication effort and the way it is presented publicly. This is important in avoiding confusion when facing either an external political crisis or market nervousness, as in the present difficult economic situation.

.....
Dirk Delmartino is a Partner in Brunswick's Brussels office, where he advises on corporate communications and public affairs.
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Neil McMillan is a Partner in Brussels, advising clients on European public affairs, specializing in ICT, energy and environment. He was Director of EU Policy in the UK Cabinet Office under Tony Blair and Gordon Brown.
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Elvira Ellert Pignal in Brunswick's Brussels office also contributed to this story.


By STUART HUDSON
— LONDON

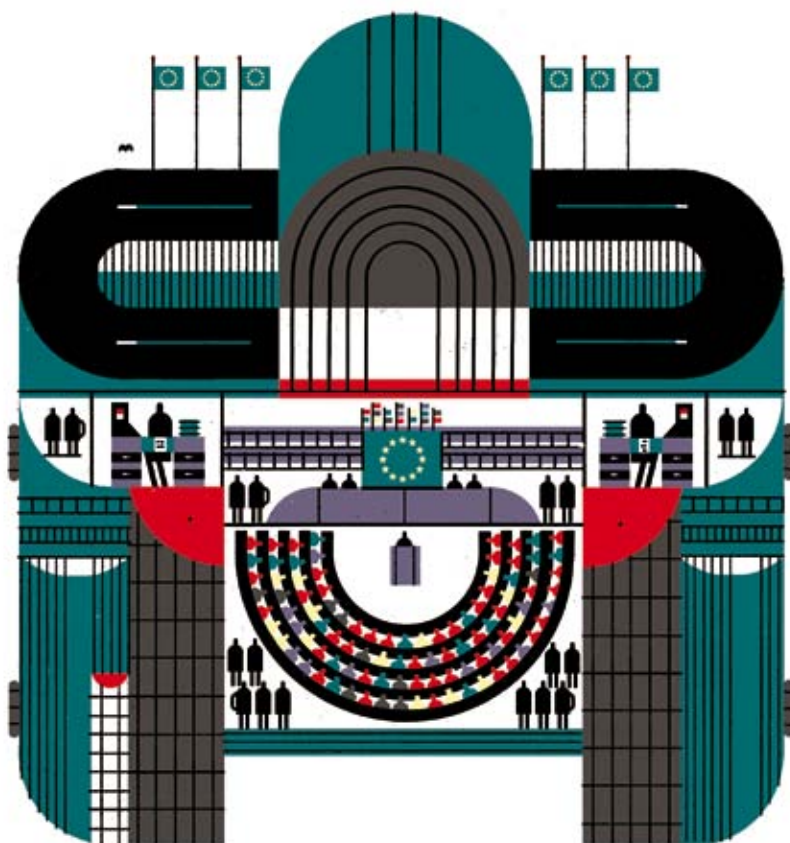
David Cameron has spoken of the "enemies of enterprise," while Tony Blair complained of the "scars on my back," both referring to the often fraught relationship between Prime Ministers and an entrenched and powerful civil service. It will resonate with many organizational leaders.

The BBC's much-loved 1980s television series *Yes Minister*, written by Jonathan Lynn and former public relations man Antony Jay, expertly satirized the cynical view that the citizenry (and many politicians) often have of civil servants, as captured in an exchange between the wily Sir Humphrey Appleby and his neophyte underling Bernard Woolley:

Bernard: "But surely the citizens of a democracy have the right to know." Sir Humphrey: "They have a right to be ignorant. Knowledge only means complicity in guilt; ignorance has a certain dignity."

In the real world, the relationship between politicians, the civil service, and their other advisers is complex.

In recent times, this may have been best illuminated by the controversy surrounding the intelligence reports on 



A KEY TEST OF
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 INFORMATION
 ACT: DOES
 RELEASING
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Iraq's weapons of mass destruction, compiled by Downing Street in coordination with various branches of government and the security services ahead of the 2003 invasion of Iraq. Subsequent public inquiries have given unprecedented insight into the way government and the civil service work on such issues. Specifically, an Information Commissioner's tribunal looking into a request under the Freedom of Information Act (FOIA) for access to an early version of advice examined a key issue for government internal communications: whether releasing such information, "would ... inhibit the free and frank provision of advice and the free and frank exchange of views for the purposes of deliberation."

The tribunal ruled in 2008 in favor of releasing the information to the journalist who requested it, but the case underlines a key question facing ministers and their officials: how frank can they be if the content of their communications might make it into the public domain?

Prime Minister Blair, in his political memoir, reflected on the impact the FOIA had on his government. "Freedom of Information. Three harmless words. I look at those words as I write them, and feel like shaking my head 'til it drops off my shoulders. You idiot. You naïve, foolish, irresponsible nincompoop. There is really no description of stupidity, no matter how vivid, that is adequate. I quake at the imbecility of it ... Where was Sir Humphrey when I needed him?"

Arise, Sir Jeremy

In the British system, the Prime Minister's key ally in navigating the civil service – the "Whitehall machine," named for its location – is the Private Office at Number 10 Downing Street. This consists of a group drawn from the

best and brightest in the various government departments, people who know the workings of their "home" departments and the potential stumbling blocks. The current team is headed by Jeremy Heywood, who was described by former Conservative Chancellor of the Exchequer (finance minister), Norman Lamont, as "the best ever Private Secretary." Heywood, having done a stint in the private sector (as a banker at Morgan Stanley), before returning to work for Prime Minister Gordon Brown (Labour) and now Cameron (Conservative), is still a rarity among Britain's top civil servants in terms of moving from the public to the private sector and then back again.

Another modern phenomenon in the UK public sector is the special advisers ("SpAds"), hired from outside of the civil service to give political advice. Michael Portillo recalled recently that he was just one of five "SpAds" when he started work for the Conservatives in the late 1970s. This had swelled to 20 by the time he was defense secretary in the 1990s, and "SpAds" now number around 80.

Still, 10 Downing Street has relatively few politically-appointed staff compared with Washington, DC; mostly, it is a permanent, professional civil service, whatever the government. As one official remembers, looking back to the change of ruling party on May 12 2010, "One moment we were clapping Gordon Brown out and half an hour later we were clapping David Cameron in."

Toe the non-party line

Internal communication at Downing Street is, of course, fundamental to government and the Prime Minister is always in touch via secure communication, even while abroad.

This hasn't always run smoothly under the current Liberal-Conservative coalition government, the first in 60 years. For example, the propensity for Cameron and his Liberal deputy, Nick Clegg, to text each other constantly on their secure government BlackBerrys is known to infuriate officials who are unable to keep track of how decisions are reached.

The media is demanding too. During a newspaper interview in February while Cameron was in the Middle East, Clegg responded to a question about whether he was in charge, saying, "Yeah, I suppose I am, I forgot about that," leading to a slew of unkind headlines.

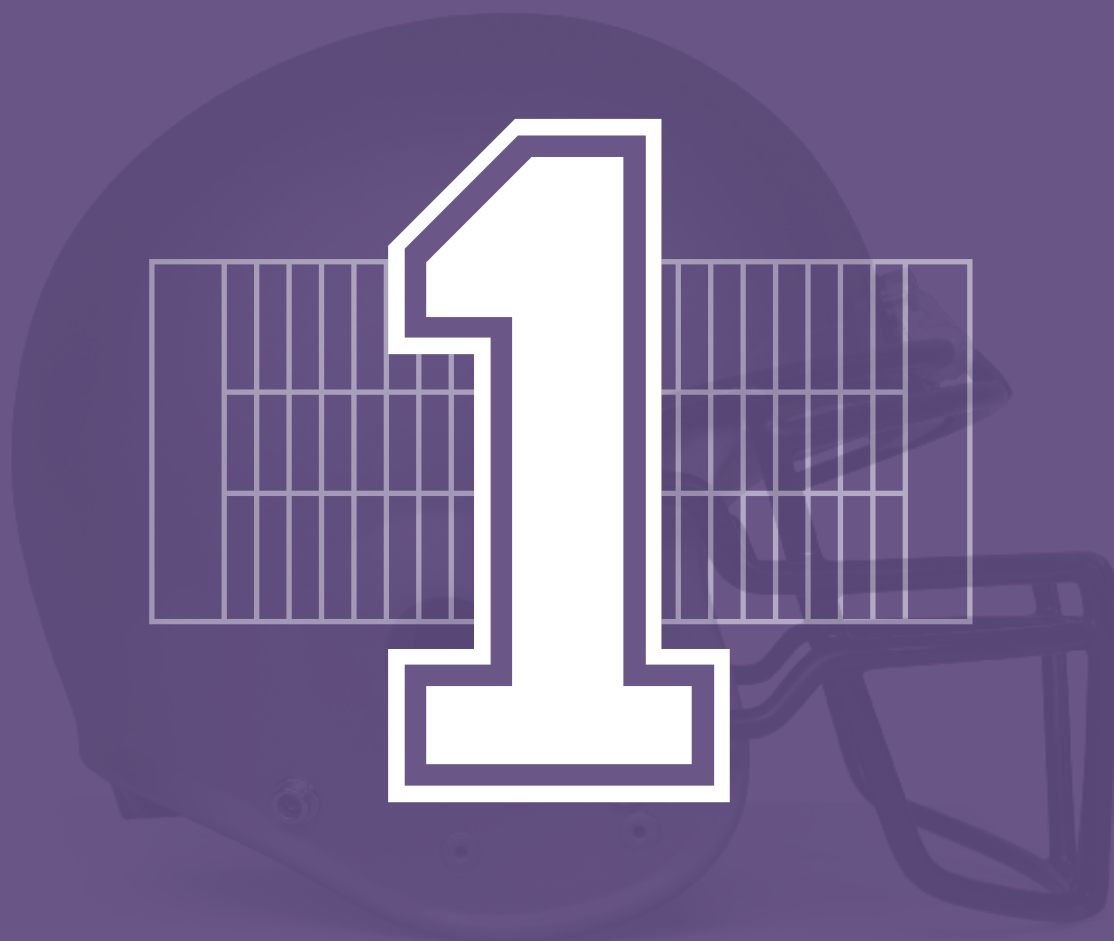
But the coalition has made extraordinary efforts to separate political and government business. A gathering of all the political special advisers was warned not to brief against either side of the coalition and that unprecedented order has held up – albeit precariously – for more than a year.

That is not to say that there aren't public differences between the coalition partners, as has been illustrated over health policy in recent months. But the presence of two parties in the government has led to a more formal process for internal communications and decision-making. The result in the coalition's first year was arguably better communications discipline than had been the case under some single-party governments. ☺

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Stuart Hudson is an Associate in Brunswick's London office. He served as special adviser to UK Prime Minister Gordon Brown from 2008 to 2010. He specialises in competition, regulatory and public affairs.



THE WHOLE NINE YARDS



Super Bowl-winning coach **Brian Billick** tells Brunswick's Tom Williams about motivating millionaires, staying focused, and why the *right* questions matter as much as the answers

For hardened sports fans in the United States, the end of summer and onset of fall means one thing: the kickoff of the National Football League (NFL) season. Baseball may be America's pastime and basketball its most successful sporting export, but for most fans in the States, football – American style – is king.

The pinnacle of the sport is the Super Bowl, the season's final spectacle played in late January or early February, which has become a domestic and global broadcasting phenomenon, with this year's event attracting a record-breaking 111m television viewers in the US alone.

Few have played in a Super Bowl and fewer still have prevailed in one, but Brian Billick is one of the rare owners of a coveted gold and diamond winner's ring. In 2000, in only his second season as Head Coach of the Baltimore Ravens – which ranks as the 10th most valuable NFL franchise out of 32, according to *Forbes* – Billick guided the team to a decisive 34-7 victory over the New York Giants. For seven more years as Ravens' Head Coach, he forged a reputation as an innovator and a maverick. Case in point: on the heels of the team's Super Bowl win, he became the first NFL coach in history to allow HBO – the cable television network probably best known for *The Sopranos* – to film pre-season training camp, uncut and unedited. The show, *Hard Knocks*, subsequently became ritual viewing in the lead-up to the kickoff of the NFL season.

With all this football success, as well as a degree in communications, surely Billick had the pre-match motivational team talk perfected?

"You know the word 'motivation' is an interesting one to me. I found that any motivational speech I gave in the locker room lasted about as long as it took to run down on a kickoff, get knocked on your backside, and come up looking through your ear hole," says Billick.

For him the real key to success is not a speech, it is about effectively communicating a vision internally and ensuring people understand what it will take to accomplish shared goals. It is not a quick fix; on the contrary, "This is where the heavy lifting comes in, because it needs to be constant and continuous interaction. And this interaction needs to be done on an individual basis because each colleague is going to filter that message and that vision differently. So you have to work hard to ensure they understand."

That may sound straightforward, but how easy is it when you are surrounded in the locker room by towering egos with gargantuan salaries? Billick affords himself a chuckle, "I'm often asked how I handle players who, at least in *their* minds, think they're worth more to an organization

THE COACH'S TOP TIPS

- 1 Plan your work and work your plan
- 2 Don't mistake activity for productivity
- 3 Remember you are no more deserving nor are you going to work harder than your competition
- 4 Don't just spin your wheels, it won't just work out
- 5 Never think you have all the answers, you don't

Brian Billick Since leading the Baltimore Ravens to victory in the 2000 Super Bowl, Billick has forged a successful career as lead commentator with FOX and the NFL Network, and is an accomplished public speaker. His Twitter handle is @coachbillick and he can be reached c/o Octagon Speakers phil.depicciotto@octagon.com

than I am. The key for me is to generate a partnership. As a manager, or a CEO, or as a coach, you have to understand that your employees' individual aspirations aren't necessarily in total alignment with the overall goals of the organization. So you focus on making sure that your team understands how their aspirations are going to be best realized by the success of the organization as a whole."

Billick acknowledges that this is time-consuming, but he believes it is critical. "Given the avalanche of information that we now have, nothing is proprietary. Once, the head of an organization could throw down these lightning bolts

of inspiration and direction and be effective, but there is too much noise now. So it's heavy lifting. It's the constant interaction with your team to ensure they share your goals."

TAKE A KNEE

Billick's time as Head Coach of the Baltimore Ravens was hugely successful, but it was not without adversity: injuries, losing streaks and contract disputes with players, all while under the constant and intense pressure of the media spotlight.

How did he deal with it all? Billick is unequivocal: "It's all about good planning. You know you're going to have difficulties during a season. As a leader in any walk of life, if you have a problem and then you wake up the next morning and go 'Oh my God, what do we do now?' Well, then you're dead. You have to make people internally understand that whatever you're doing is not a knee-jerk reaction. It's not a panic. That you have a plan for it because you knew you were going to face that adversity at some point. You need to give people a sense of confidence that the organization has a structure that will deal with whatever adversity we face. Now that doesn't mean panic and anxiety isn't going to set in. But if you've done your homework properly, you've laid out the structure for the team, they can at least draw confidence that there is a process in place."

One remarkable and often overlooked statistic about Billick's time as Head Coach of the Ravens is that six of his assistants went on to become top coaches of other teams in the NFL. Interestingly, this was something Billick deliberately worked towards. "You have to recognize first that your coaches have individual agendas as well. That's human nature. So if you can be an organization that's known for nurturing coaches, and they know that if they come to your organization and do the right thing that you're going to help them achieve their goals, then you can get a lot out of them and they can eventually accomplish the things that they want to."

WIDE PURSUIT

As someone who came up through the ranks himself, perhaps Billick's success at nurturing coaches is down to his appreciation and understanding of what matters most at each step on the ladder. "I heard the legendary Bill Walsh, [three-time Super Bowl winner with the San Francisco 49ers], talk about it. He said it's like appreciating a piece of art. When you're manager of a division of a company or a positional coach, you get so close to your players or your people that you can sense the texture, the brush strokes, and the colors. But by being so close, you lose the bigger perspective. And as you

HARD KNOCK LIFE

Football has always been a tough game that takes its toll on players. According to the American College of Sports Medicine, the average career of NFL players is only 4.6 years. Careers can be cut short for many reasons but injury tops the list. The Ravens' ferocious 36-year-old linebacker **Ray Lewis** (below) is in his 16th year with the club and is a phenomenon. Once told he was too small to make it in the NFL, Lewis describes his job as linebacker thus: "To knock out running backs, knock out receivers and chase the football."



rise through the ranks, you have to step back a little, have that broader vision. In football, when you become head coach, you sacrifice some of the day-to-day interaction with the players because you have to be that guy who can maintain the overall vision for the organization.”

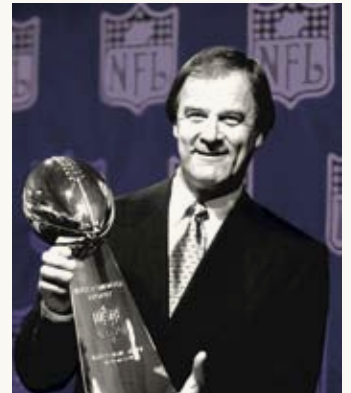
It is a word Billick uses often: vision. So if he always kept sight of the overarching vision, did that mean he always knew what to do, always had a ready answer? He shakes his head, smiling. “The guy you need is not the guy who has all the answers. It’s the guy who knows the right questions. I always found it amazing how informative it could be for an organization if I could simply provide them with the right question.”☺

Tom Williams is a Director in Brunswick’s Washington, DC office advising on public policy, crisis and issues management. Despite the handicap of being British, he closely follows the NFL and is an avid Green Bay Packers fan.

Jamaal Mobley from Brunswick’s Washington, DC office also contributed to this story.

“WINNERS NEVER QUIT”

Vince Lombardi was the near-mythical Head Coach of the NFL’s most storied franchise, the Green Bay Packers. If he wasn’t real, Hollywood would have invented him. He was a workaholic who demanded the same from his players: “Show me a good loser and I’ll show you a loser,” was just one memorable quote on the way to five NFL Championships. The NFL’s Super Bowl trophy still carries his name, a reflection of his unique and indelible influence on the game.



HUT ... HUT HUT

Football, like many sports, used to require players to line up on both offense and defense. This persists in the lower reaches of the amateur game but the professional game requires increasingly specialized roles. The place kicker is perhaps

the best known of the specialized positions (he only does kickoffs and field goal attempts and is notoriously reluctant to tackle). But perhaps the most obscure specialized role to emerge is the long snapper. His job is solely to snap the ball between his legs to a kicker.



POPULARITY STAKES

Baseball was America’s favorite sport for a century but over the past two decades football has gained at baseball’s expense. According to a Harris Interactive poll, NFL is now the favorite of 31 per cent of Americans compared to 17 per cent for baseball. There are many demographic explanations but superior marketing is key. Basketball has also suffered a sharp dip since its peak in the 1990s when Michael Jordan dominated the game.

Photographs: Al Messerschmidt/Getty Images; Larry French/Getty Images; Roberto Schmidt/AFP/Getty Images; Getty Images.



THE MESSAGE HAS TWO FACES

BY TORSTEN BUSSE, BRUNSWICK, FRANKFURT

Internal and external communications differ
in subtle but important ways

Is there a difference between internal and external communications, or do we make an artificial distinction that is simply misleading?

Ask those responsible for internal communications at large companies such as Daimler and SAP and you find unanimous agreement that the story being told always needs to be the same, no matter who the audience. But there are subtle distinctions: the internal storyline tends to have a deeper level of detail, assumes a greater level of knowledge, and the message is often delivered in a more intimate format.

In internal communications, the tone and style tend to be at a more emotional level, as they must address

an audience that is familiar with the circumstances of a message and is often affected by it. An efficiency drive is a case in point, where external shareholders, for example, will be interested only in the broader goals, but employees need to be given specific information about who is doing what. They are, after all, the ones who must implement it.

"All these issues need to be explained in great detail to employees and face to face communications are getting more and more important," says Thomas Fröhlich, Head of Global Media & Marketing at Daimler, who has worked in both internal and external communications roles. ➤

Internal messages usually have specific goals, whereas external ones are often less tangible. “The intention is what makes the difference,” Jürgen Zimmermann, Vice-President, Employee Communications, at business software developer SAP, argues. “Externally you want to influence public perception. Inside the company you must motivate employees to act.” Business leaders must motivate, inspire, and guide people who they want to follow a particular path. “This is especially true in times of change,” says Zimmermann.

Face time

The method of delivery is also important. “The spoken word still counts much more, has more impact and carries more weight, than any e-mail or internal memo we distribute,” says Jochen Endle, Internal Communications Specialist at Q-Cells SE, a solar power company based in Bitterfeld-Wolfen, Germany. “Board members have learned that seeking a direct conversation with employees demonstrates appreciation of them,” says Fröhlich.

That isn’t to say that internal communications has lagged behind external communications in the increasingly diverse methods of delivery. Social media

channels, video, audio, workshops, print, and online publications are all part of the modern internal communications tool kit. All this requires people and technology that need to be managed.

But for all the current focus on virtual communications, countless employee surveys attest to the fact that the personal message, delivered face to face by the CEO, the business unit head, or the

team leader is clearly the preference of the vast majority of employees. “Nothing works better than our CEO’s annual roadshow, which takes him to all our locations,” explains Michael Röhl, Assistant Head of Corporate Communications for Vodafone Germany. Soliciting opinions and questions from employees before the CEO arrives inspires lively debate and allows the communications department to gauge the mood of the employee base and the perception of leadership and strategy. “Town hall” meetings

and similar formats also facilitate debate about subjects such as product quality that might otherwise be held behind closed doors.

For good or for ill, anything that is put into writing these days runs the risk of appearing in the media. What is being said at an internal employee meeting today can

“I want to be regarded as a sparring partner, using intimate knowledge of employees’ perceptions to help shape strategic decisions”

Jochen Endle,
Q-Cells

READY FOR THEIR CLOSE UP

A group of German CEOs were honest enough to admit in a study that communications is a daunting, extremely time-consuming, and complex part of their job. To make matters worse, they recognize that prior work experience did little to prepare them for the limelight.

“The difference between being a board member and the CEO is that the CEO is measured by every gesture and every word,” according to a

CEO quoted in a recent study conducted by global executive search firm Egon Zehnder International and the University of St. Gallen. Their paper is based on detailed interviews with about a dozen CEOs of large public and private German companies. It found that the CEOs consider communications to be an extremely complex task, in part because all of their companies’ stakeholders expect them to have in-depth knowledge of a wide range of issues.

CEOs also noted that the amount of time they spend on communications has steadily increased,

partly because public interest now focuses on them personally as well as on their companies. Furthermore, they found that messages covering all topics require constant reiteration.

The expectation of full transparency is a difficult and stressful conundrum for CEOs. “I am for complete transparency, both inside and outside of the company. However, only at the time when I can really provide an answer,” notes one CEO. Nonetheless, the demand for information from large public and private companies – and from their leaders – is constant and the dividing lines



also be tweeted to the outside world in real time. With this in mind, some communications departments make it part of their playbook: “If you want to place a message in the media, tell your employees. If you want to let your employees know something, tell the media,” said one head of corporate communications somewhat cynically.

The tactic has its risks. How the media interprets the content is beyond a company’s control, so it pays to keep that in mind when drafting “internal” memos. Some businesses simply make their employee publications available to the press and the general public. All too often, departmental managers would also like to delegate their internal communication responsibilities to the communications department. But this is a mistake. Communications departments can facilitate the flow of information from managers to staff, but managers still need to get in front of staff regularly in order to inform, convince, and motivate. Their very presence brings the authority and assurance that is required in certain situations, especially times of tumult.

Jack of all trades

Professionals working in internal communications have seen their roles expand considerably. Duties now run from information broker to editor, consultant, coach, technologist, TV producer, financial expert, therapist, and strategic adviser. An open and honest relationship with the CEO, in which the communications staff can speak their minds, is crucial. “I want to be regarded as a sparring partner, using intimate knowledge of

employees’ perceptions to help shape strategic decisions,” says Q-Cells’ Endle.

Product communication is a clear illustration of the much more complex level of dialogue required internally. Information sent to the press about a product launch is often cursory. Employees, on the other hand, need to be the first to know, and the information must cover technical specifications, marketing strategy, and a whole range of other detailed categories. “We aim to turn our employees into brand ambassadors and that requires a lot of effort,” Daimler’s Fröhlich says. Daimler wants to leverage employees’ enthusiasm for its products and is now taking its new models around to its manufacturing sites and offering employees test drives.

Internal communications specialists see their role becoming more prominent and diverse, while corporate governance and compliance issues are also making communications more intricate. “These are not just legal matters, but issues debated by society which we need to know, be informed about, understand and be able to advise management on,” Daimler’s Fröhlich says. The rise of social media is also challenging businesses to rethink their internal communications policies. “If you have employees publishing blogs and community commentaries, that dialogue can’t be governed by rigid ‘one voice’ policies. We communicators have to learn to loosen up a bit.” ☺

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Torsten Busse is a Director in Brunswick’s Frankfurt office. Drawing on his in-house experience in various communications functions at SAP, he advises on employee, management and integration communications.

between internal and external communications are becoming harder to discern. While CEOs may want to limit certain information to a tight circle of senior executives, they are aware that this is nearly impossible. “Everything is in the public domain,” was a typical survey response. As for a definition of internal communication, one CEO said that it is a “timely distribution of information intended for the public within the company, along with some management commentary.”

CEOs are expected to leave the ivory tower and be “present” and “tangible” throughout the

company. “Employees must be able to see and touch you,” another CEO is quoted as saying. This is particularly the case when there is significant change taking place, such as a restructuring. Communication is key to implementing the changes, placing the CEO in the center of the change process.

The CEOs interviewed for the study expect their chief communications officer to be their “alter ego” and to build bridges between the CEO and the public, both within and outside of the company. CEOs expect their communications

staff to understand the mood and concerns of employees as much as they need to always gauge the media’s expectations. The study concludes that its findings should give us reason to re-evaluate the skills that a CEO needs to bring to the job today: “Communications skills required.”

Communication from the CEO’s perspective – an underestimated challenge? A study by Philipp Fleischmann and Matthias Fritton, consultants with Egon Zehnder International, and Dr Markus Will, Senior Lecturer at the University of St. Gallen, Switzerland.



INTO THE VOID

*Creative architecture uses internal spaces to foster interaction and communication, says **Rob Gregory** of the Architectural Review*

Brunswick Arts works with leading architecture and design practices around the world

The interiors of the Centraal Beheer headquarters in the Dutch city of Apeldoorn (left) have remained unchanged since it was opened in 1975 (unlike the equipment on people's desks), providing a spatial structure of balconies and atriums that invite and promote personalization and interaction in the workplace.

Photograph:
© Willem Diepraam

Buildings have a profound effect on our behavior and the way we interact with other people. Do we chat with our neighbors over a communal garden fence? In the foyer and balconies of the theater, do we engage in the off-stage public performance, seeing and being seen? This interaction binds us socially but it is most important in the context of the workplace, where we spend most of our waking hours. Having a nice desk, a comfortable chair, and a decent view makes a difference in many obvious and subtle ways.

From *The Man in the Gray Flannel Suit* and Jacques Tati's *Play Time* in the 1950s and 1960s (see page 6), to *The Matrix* and *Office Space* in the 1990s, parodies of soulless, battery-hen working environments have stayed with us over the years. But attitudes to workplace design have evolved considerably. Today more enlightened employers realize the importance of design in terms of encouraging interaction between individuals and between departments. Of particular interest are efforts to choreograph the interaction that takes place in between the spaces traditionally designed for the conduct of business.

The Current RIBA Royal Gold Medalist, Sir David Chipperfield, once told me that non-functional space was where he found most opportunity to "make architecture." And this is typical of many of the world's

best architects, who seek to exceed their clients' expectations by producing spaces and places that go beyond the original brief.

Developers and project managers sometimes take a narrow view of architecture's role, seeing it primarily as one of measuring and calculating ways to optimize use of the building's space. This is a valid starting point, especially in these days of frugality, but an architecture based on calculation alone will not produce the best outcome. Architects produce their best work when they are creative, artistic, and thinking laterally, making us look at our environment through new eyes. The intangible magic of a place often lies in the spaces in between its functional areas. Just as our streets, parks, and public squares bring coherence and delight to our cities, it is the foyers, entrances and breakout spaces in buildings that connect their occupants with the building's purpose and with each other. It is essential, therefore, that the designers and developers of our workplaces (both private and public) recognize the potential of "the spaces in between."

A building that led the way was **Herman Hertzberger's Centraal Beheer headquarters** in the Dutch city of Apeldoorn. Here, Hertzberger translated the Insurance company's brief into a series of cubic modules that from the outside give the building a ➤

uniformity that belies its subtle and complex interior. Inside, a series of cavernous voids sit between the cubes, creating deep crevasses and tributaries that encourage interaction and dialogue from each of the terraced balconies. Up to 10 people share each terrace and are encouraged to personalize their space with plants and pictures. Likened by many to a workers' village, in this building it is the voids that enable the staff to feel part of a working community without being lost in the crowd.

A few years later, British architect Norman Foster provided a radical alternative to Hertzberger's design when working for insurance company **Willis Faber & Dumas**, a client that demanded large, unbroken floor plates. Foster provided these in abundance behind the full-height "glass curtain" walls that maximize the building's footprint as they trace the site's curvaceous boundary. Similar to Hertzberger, however, Foster carved out a large void at the heart of the plan that extends up through the center of the open-plan offices. A pair of shallow escalators link the ground floor reception with a rooftop café, bringing a sense of ceremony to the process of moving through the space. Not satisfied with this futuristic touch, Foster also proposed two other innovative devices rarely seen in the corporate world at that time: a

swimming pool on the ground floor and a lawn on the roof, both of which have acted as focal points of interaction and communication for the company's 1,200 staff.

Open-plan offices are not always desired, as was the case with the 2005 **Federal Environment Agency building**, in Dessau, central Germany, designed by architects Sauerbruch Hutton. In response to a vast brief for 800 cellular offices of 129 square feet each, the architects chose to arrange the essentially identical offices around a sinuous central courtyard. Their tactic was to subvert the potential for this building to be too repetitive or modular, using the courtyard as the focus for interaction and communication, augmented by additional breakout spaces and link bridges. Thus, when agency staff leave their offices, the landings, balconies, and bridges of the atrium conjoin to create more generous impromptu meeting spaces, encouraging people to stop and talk instead of brushing past each other as they might do in more conventional, narrow corridors. Providing sufficient space for café, library, and auditorium spaces, this free-form courtyard was very much conceived by its designers to be a new type of internal landscape, extending the sort of natural forms typical of its parkland setting. ➤

The Federal Environment Agency building, in the German city of Dessau (right) balances the privacy of 800 individual offices with generous circulation spaces, bridges, landings and breakout spaces. Overlooking a central landscaped courtyard these spaces offer co-workers the chance to meet with each other, improving communication between departments and individuals.

Photograph:
Jan Bitter
© bitterbredt.de





When designing the new Cooper Union building (above) in New York City, Morphosis proposed a large staircase as the principal means of circulation. Understanding the significance of the spaces in between, the stair was conceived as a vertical piazza, promoting connectivity and interaction between three independent schools previously housed in separate, unconnected buildings.

Photograph:
Iwan Baan

By contrast, within the urban cityscape of downtown New York City, the new **Cooper Union building** by Pritzker Prize-winning architect Thom Mayne and his firm Morphosis, creates an internal void of epic scale and character. Described by Mayne as a vertical piazza, and characterized by *The Architect's Newspaper* Editor-in-Chief William Menking as “precipitous, Piranesian,” the six meter-wide, four-storey staircase takes the form of a folded and inclined public square. It rises through the building, encouraging collaboration and dialogue between the three schools at Cooper Union for the Advancement of Science and Art – Architecture, Art, and Engineering – that were previously housed in separate buildings.

Building big and new is not the only alternative, as demonstrated by inventive Tokyo-based Klein Dytham architecture. That firm’s challenge was to find a new site for the recently merged international advertising agency **TBWA\Hakuhodo**, and it surprised the client by proposing a former bowling alley in downtown Shibaura, a district of Tokyo. In demonstrating how the 30-lane bowling hall could be colonized as a 300-person design studio, they used the geometry of the bowling lanes and verges to create a new planning matrix for areas of open-plan desks. Placed between relatively conventional islands of desk space is a series

of self-contained pods that provide quieter meeting rooms and a patchwork of green gardens. These offer a diverse range of communal spaces that can be used for informal meetings, while creating a unique, distinctive and effective setting in which the agency’s staff can produce unique, distinctive, and effective advertising campaigns.

But if scale is what you want, then look no further than Rotterdam-based OMA’s spectacular **CCTV building** in Beijing, China. This derives its unique looping form from the architects’ analysis of the state-owned television company’s organizational and operational structure. Lead architect Ole Scheeren explains:

“The iconic loop acts as the primary organizational tool for all of the building’s systems: form, program, circulation, structure, and services. Two intertwined paths of circulation – the Visitor’s Loop and the Staff Loop – connect all elements of the building. The Visitor’s Loop introduces the public into the usually opaque process of television-making and allows people to view and experience multiple aspects of the production process. The Staff Loop creates a circuit of collective areas of meeting and exchange, while joining all divisions of the company into a single whole. Progressing partly in parallel, unaware of each other’s existence, or sometimes intersecting or overlapping, both loops produce spontaneous as well as planned encounters, and encourage interaction and a method of working that is more collaborative than atomized.”

So, be they large or small, public or private, when companies and other organizations set about building a new headquarters, or simply want to reconfigure their office interior, they should remember to see real value in the spaces in between. While location and image are key considerations in promoting and sustaining a good external image, as long as human beings are involved, internal communication between individuals and departments will always lie at the heart of great businesses. ☺

Rob Gregory is a British architect and Associate Editor of the *Architectural Review* magazine. Spending six years in practice followed by nine years as Senior Editor of the *Review*, his work has been recognised in the A.J. Corus 40 Under 40 award; exhibited in London’s Victoria and Albert Museum and Royal Institute of British Architects; and published internationally. He is Regional Director of architectural practice Levitate, a teaching fellow at the University of Bath and founder of Articulate, a new architectural agency. www.articulatearchitecture.com

Brunswick Arts was set up in 2001 to provide strategic communications advice to arts organizations, corporates, charities and the not-for-profit sector. It operates in Europe, North America, the Middle East and the Far East.



In Beijing, China, CCTV's distinctive looping form (left) reflects two intertwined paths of circulation within the building. These circulation loops connect all elements of the building, enabling visitors to experience the usually opaque process of television-making, and vastly improving communication between staff in collective areas of meeting and exchange, unifying all divisions of the company into a single whole.

Photograph:
Rem Koolhaas and
Ole Scheeren © OMA

“It takes two to speak
the truth – one to speak
and another to hear”

Henry David Thoreau



**TALKING
INSIDE
THE BOX**

THE WALL STREET JOURNAL.

BRUNSWICK REVIEW, ISSUE V, WINTER 2011

What's News —

Robert Thomson

■ **Editor-in-Chief** of Dow Jones and Managing Editor of *The Wall Street Journal* since 2008.

■ **1961** Born in Torrumbarry, Victoria in southern Australia.

■ **1979** Joins *The Herald* in Melbourne as a copyboy.

■ **1983** Hired as a feature writer by *The Sydney Morning Herald*.

■ **At 22**, writes acclaimed series, later turned into a book: *The Judges: A Portrait of the Australian Judiciary*.

■ **1985** Appointed Beijing Correspondent for the *Sydney Morning Herald*.

■ **1989** Joins the *Financial Times* as Tokyo Correspondent.

■ **1994** Named Foreign News Editor for the *Financial Times* in London. Goes on to be Editor of the *Weekend FT*.

■ **1998** Appointed US Editor of the *FT*, based in New York.

■ **2002** Returns to London to become Editor of *The Times*.

■ **December 2007** Joins Dow Jones when it is acquired by Rupert Murdoch's News Corporation.

The WSJ

■ **1874** Dow Jones & Company founded by Charles Dow, Edward Jones and Charles Bergstresser.

■ **1889** *The Wall Street Journal* is first published.

■ **1902** Journalist Clarence Barron purchases Dow Jones.

■ **1928** Clarence Barron dies and leaves estate to the Bancroft family. Hugh Bancroft takes over as President.

■ **1941** Bernard "Barney" Kilgore is named Managing Editor of the *Journal*, creating the modern front-page design and expanding publication in the US.

■ **1963** Dow Jones goes public, three years later naming William Kerby as CEO; *Journal* circulation passes 1m.

■ **1970s-1990s** Asian and European *Journal* editions are launched. Dow Jones expands newswires.

■ **2007** News Corp. buys Dow Jones for \$5bn.

■ **2009** WSJ.com global editions launched, including Japanese language website and revamped Chinese site.

■ **March 31 2011** *The Wall Street Journal* ranked first in circulation in the US.

Renaissance Newsroom

Under Robert Thomson, the Journal is redefining reporting for the digital age



INTERVIEW BY SUSAN GILCHRIST, US MANAGING PARTNER
AND MICHELLE LEE, ASSOCIATE, BRUNSWICK, NEW YORK

Six decades ago, *The Wall Street Journal* was transformed from an esoteric "trade sheet" into what became the largest circulation newspaper in the US, revolutionizing business journalism. Bernard "Barney" Kilgore, the visionary Managing Editor who drove the paper's metamorphosis, once said, "A newspaper has to set a course and create the impression that it knows what it is about before it has much to sell."

Under Robert Thomson, the current Managing Editor of the *Journal*, Kilgore's adage still holds true, though the task of attracting and keeping readers in the digital age has become more complex and considerably more frenetic than it was in Kilgore's time. Unlike previous managing editors of the paper, Thomson also carries the title of Editor-in-Chief of Dow Jones,

Please turn to next page

Continued from previous page

underlining the fact that old distinctions between various media formats have blurred as readers now have at their disposal a huge array of choices over how and when they access media.

After News Corporation acquired Dow Jones in 2007, Thomson set about creating a system in which journalists were expected to think more about the entire news cycle rather than maintain outdated Chinese walls between reporters at “the wire,” who were concerned mainly with fast-breaking news, and writers on the newspaper, who would concentrate more on interpreting the news for a wider audience and on writing pieces aimed at influencing opinion.

As Thomson says in an interview with *Brunswick Review* on the following pages, Dow Jones these days requires its journalists to be “renaissance reporters,” who “need to be able to write different stories at different lengths at different times of the day.” It helps, too, if they are good on television. Perhaps most important, Thomson says, is that people writing for Dow Jones and the *Journal* must think, as their audience does, about the global nature of business these days and especially about the power shift toward the growing economies of the East and elsewhere.

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Susan Gilchrist is Brunswick's US Managing Partner, based in New York.

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Michelle Lee is an Associate in Brunswick's New York office. She was previously media spokesperson for the Australian government in the US.

■ **Business & Strategy ...**

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■ **Review & Outlook ...**

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Content & Value

Dow Jones “puts news in context in the midst of a maelstrom”

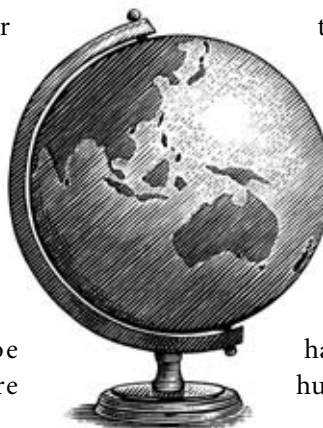
What were you trying to achieve with Dow Jones and *The Wall Street Journal* and have you achieved it yet?

We set out really to understand the true value of the journalism at Dow Jones. To understand its value to other people and to ensure that we had editorial empathy with an audience, not just in the US but globally. The broader issue confronting us – and not only us – at the time of the Dow Jones takeover was, “What is the value of content?” Not long after Dow Jones was acquired, Rupert and, to a lesser extent, I tried to begin not only a national but a global debate about the value of content – the hierarchy of content – and whether the web was evolving in a way that suited the needs of distributors at the expense of creators. If creators aren’t rewarded then there is less creation and that’s not good for Dow Jones. I would argue that it’s not good for society, either, if you can’t afford to have correspondents in Japan, or in Libya, or in Latin America. That debate has evolved; so, we now have a much better relationship with Google, for example, than we did previously. There’s more understanding on both sides of the opportunity. We are constantly in discussion with Facebook about content but, dare I say, more on our terms. Now, clearly, it has to be relevant to them but there

also has to be recognition on their part about the relative value of what we do. We still have a lot of work ahead of us. But we have faith in the news as *content*, as people call it these days in that slightly bland way, that what is created here has a value across platforms, across borders, and across languages. The world around the *Journal* and Dow Jones is changing so profoundly that to stand still is to be left behind.

The role of newsgathering has changed and you now can get breaking news from sources such as Twitter. What value can news brands like Dow Jones and the *Journal* add?

People are still very conscious of the provenance of news – it has to be from someone they trust for them to believe it. I think they could be titillated by certain tweets but do they really feel that they’re being informed by tweets? Now, tweets also come from *The Wall Street Journal*, so it’s as though sometimes when people speak in terms of social media they’re really thinking more of the *social* than the *media*. When it comes to the media bit, then trusted media still have a role. And that’s where you leverage the expertise that you have. If you have close to a hundred people in Beijing,



as we do, then you have a remarkable collection of individuals who speak the language, understand the politics, have a feel for the economy and who know these mysterious Chinese companies that are acquiring businesses in Britain or the US. In the end, you will pay for that expertise, particularly if you're accessing it for a professional reason. There's no doubt there's a value to breaking a story first, particularly if it's market-moving and has a high value in, for example, the currency markets or the equity markets. But also there's a value to users around the world – particularly to professionals – because we're *The Wall Street Journal* and Dow Jones and we put news in context at a time when you really are in the midst of a maelstrom.

Some critics say *The Wall Street Journal* is no longer the essential business read it once was. How do you respond to that?

Balderdash! Actually, we've never had more business-relevant coverage. When Dow Jones was acquired there would be days when there were only a couple of international news stories in the "A" section [the first section of the paper]. If you're a businessperson, you must know what's going on in Japan; you must know what's going on in China, India, Eastern Europe, and Latin America. We've increased the number of pages in the "A" section – there are now four more pages than previously – and most of that has gone to international coverage. The *Journal* is now providing a much better service for businesspeople. Because whether you're in Florida or Phoenix, if you're a businessperson you are acutely aware of the importance of a global



Photograph: © patrickmcmullan.com

Robert Thomson is one of Rupert Murdoch's most trusted executives

consciousness. If you don't have that global awareness, then you're not going to be a successful businessperson.

You've worked all over the world – do you think people in different parts of the world expect different things from the media? Is your Asian consumer somehow different from your European consumer or your US consumer?

In places like Japan and China we are more focused on a business reader who is more prone to pay for content. In that sense, at this stage, it's a more elite audience. In particular, in Chinese companies the executives, whether they work in institutions or in emerging – what we would regard as *independent* – companies, they have simply come to the conclusion that, "I need to better understand the world." So, in helping them professionally, we're also in a good position – and it's not really my job to sell ads – to provide a venue for global advertisers. So, for example, French

luxury brands are now advertising with us in Chinese because the Chinese audience is so important to them. And where do you go for an audience that is globally aware enough to appreciate the value of those brands and has enough money to afford them? The Chinese website of *The Wall Street Journal* is a pretty natural haven for that kind of advertiser ... In China, the website now has more than 3m monthly uniques. In Japan, it's close to 2m. During the period of the earthquake, when the Japanese were looking for reliable, immediate information and analysis about the crisis that had engulfed the country, they turned to the *Journal* in unprecedented numbers and they've stayed with us, having discovered what we do in Japanese. And in Korea, we have only a very modest site but close to 2.9m monthly uniques. So, that gives you a sense of the power of what Dow Jones does, and the aim is really to understand that power.

Business & Strategy

The lines between print and digital have blurred, for journalists as much as for audiences

In terms of digital strategy at the *Journal* and Dow Jones, what have you done and what has worked?

We have a great team of people who have expanded the reach of the website phenomenally. Then suddenly you've had these new devices, particularly the iPad, which have revolutionized the way people read and access content. But however impressive the design, if you don't have the content it's vacuous. So, the combination of form and function in our iPad app was so impressive that Apple itself, in the iPad 2 TV ads, had *The Wall Street Journal* as one of its prime sources. More than 1m people are now paying for online and device-delivered content, whether it's the website, iPad, Samsung Galaxy, and so on ... and mobile. We want to bundle the content across the different devices. The most important thing is that you read the *Journal* and you read Dow Jones, regardless of where you read it.

Is digital profitable and is it becoming dominant at the expense of the print newspaper?

Digital is very profitable, but actually print is very profitable for us, too. Print and digital circulation revenue has risen every quarter since the company was acquired. Our circulation revenue, in an era of falling circulation revenue, was up close to 13 per cent year on year. Advertising revenue was up



The *Journal* By Numbers

■ **The Wall Street Journal** is the largest newspaper in the US with a total paid circulation of 2,117,796.

■ **WSJ.com** has more than 1m subscribers and averages more than 35m visitors per month worldwide, up 43 per cent year-to-date compared to 2010.

■ **Average monthly visitor numbers to WSJ.com** have more than doubled since the News Corporation acquisition.

■ **The WSJ tablet edition** for iPad has been downloaded more than 1m times.

Sources: Audit Bureau of Circulation, Omniture, WSJ, Dow Jones

close to 15 per cent year on year. Digital is increasingly important, but most important is that people have stayed with us, sturdy on principle but very flexible on approach. What would be perfect for us would be if you woke up in the morning and walked to the front step and picked up a copy of the *Journal*, divided up the paper among the family members, read the paper again on the iPad on your way to work, looked at WSJ.com a few times at work, and looked at an updated version on the iPad app on the way home ... and then spent the rest of your night putting comments on *Journal* stories, and ignored your family. Then we can help you with divorce lawyers, too ... But at the moment, people are

Total Average Newspaper Circulation

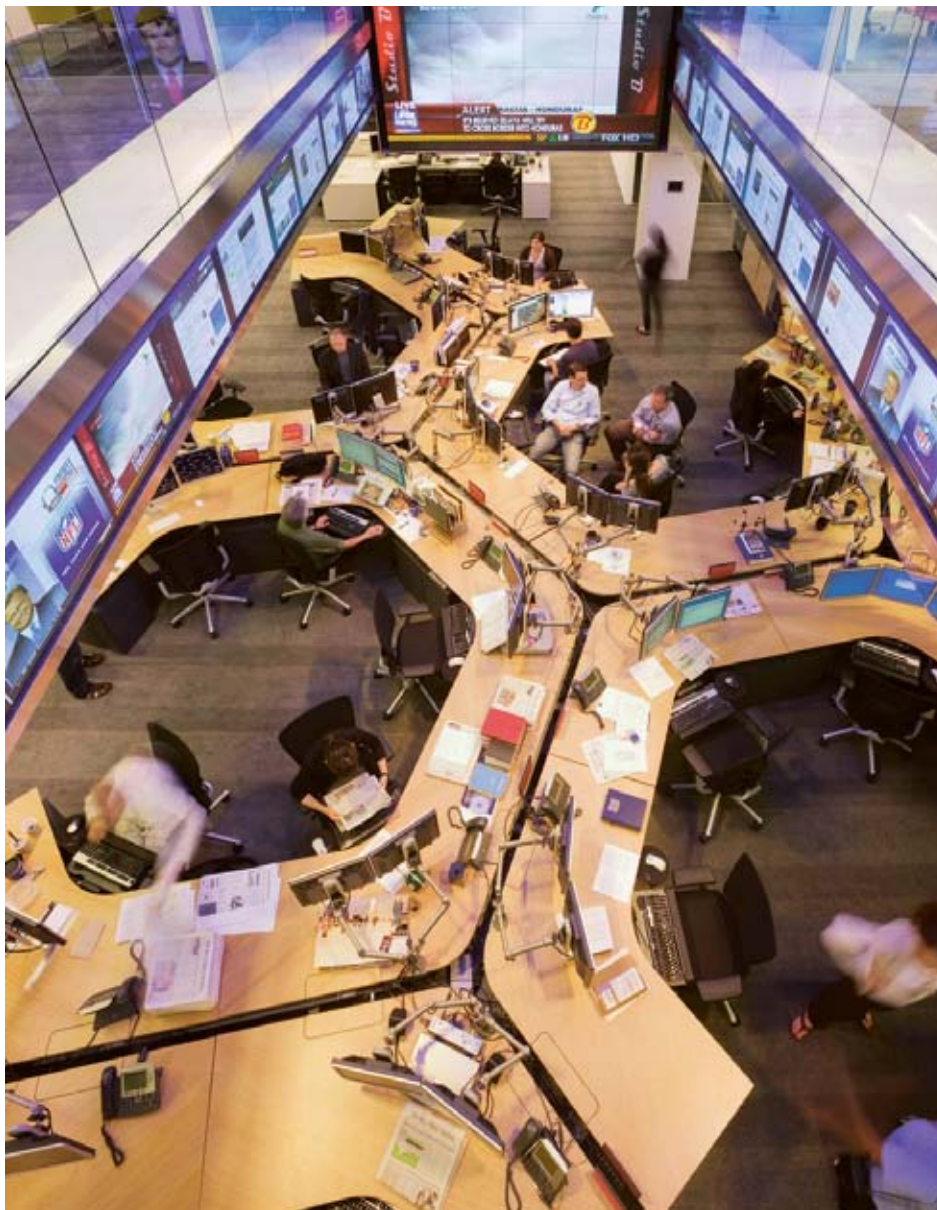
| | |
|------|-----------|
| 2011 | 2,117,796 |
| 2010 | 2,092,523 |
| 2009 | 2,082,189 |
| 2008 | 2,069,463 |
| 2007 | 2,062,312 |
| 2006 | 2,049,786 |

Source: ABC publisher's statements
March 2006-2011

making up their minds about how they want to access the *Journal*, so the most important thing for us is not to force a decision on them. I think over the next four or five years people are going to feel their way and the patterns will become more obvious. But we shouldn't pre-judge because there's so much upheaval in media now.

How has your strategy since the acquisition affected the company internally?

Well, if you look out here [at the newsroom at New Corporation's HQ in mid-town Manhattan], you can't tell where Dow Jones ends and *The Wall Street Journal* begins. That's part of the integration that we've tried to introduce, both architecturally and culturally. So the *Journal* journalists understand the value of the content that



The new Dow Jones/Journal newsroom reflects more open thinking about the reporter's role

they have to the newswire, for example, and the newswire journalists participate much more actively in the production of WSJ.com and *The Wall Street Journal* in its various print manifestations. In the past there had been something of a class system in the company and that stratification has broken down to the benefit of both. The more time that our

people spend with each other, the more they understand the benefit to the *Journal* of the content from the newswire – a successful newswire – and that you're creating more opportunities for the newswire journalists to express themselves journalistically. The most obvious source of ignorance is a lack of communication and the priority in the

way that we've arranged the office here and around the world is that we want to break down those barriers.

Does the increasing importance of digital and the more flexible way you've organized journalists feed back into business strategy?

I'll give you an example. Whenever I go anywhere I ask people about the paper and the website, which is boring for them but interesting for me. We constantly do research and we get feedback on individual stories. You get generalized feedback and then you get specific feedback about the way that people respond to changes in the paywall – we move the paywall backwards and forwards on WSJ.com quite a lot. In the summer [when traffic usually falls off], you don't necessarily sell your entire ad inventory, so it makes sense to move the paywall on certain stories. This summer, we moved the paywall so there was less available for free and subscriptions went up. You could move it either way, to be honest, but in the end you're hoping to create an environment where the editors are having a very refined debate about what to do with a story and where to put the paywall. If you have a great story the choice is, "Okay, this is a fantastic story. Is it the type of story that will actually generate subscriptions or is it the type of story that will just generate audience?"

Are the journalists involved in making those decisions about the paywall?

It's not quite as commercial as that. We've had discussions, if you can imagine, about an X/Y axis where, if you have a scoop from [Federal Reserve

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Continued from previous page

Chairman] Ben Bernanke, say, that he is going to raise interest rates – for the first couple of minutes the value of that is astronomical. Then it declines rather rapidly across the time axis. That’s one way of looking at content. Then there are layers to the value of that content. You can’t be absolutely precise but you have to be constantly discussing it.

As the news business has evolved – as the lines between print and digital have blurred – what do you think is the relative importance of the journalist’s brand compared to the newspaper’s franchise?

The two are related. How much does the journalist need the broader brand as a platform and how much does the broader brand need the prominent

journalist? I think we’re still figuring that out. But in the end the prominent journalist doesn’t want to be an administrator. He or she doesn’t want to run accounts receivable. In some senses the “halo effect” of the broader brand is incredibly valuable to even the most prominent of individuals.

Do journalists now have to think about the lifecycle of stories in a different way?

People do need to be *renaissance reporters*. They need to be able to write different stories at different lengths at different times of the day. I think that helps people understand the value because if you’ve done something on an important story for the website at noon, you must ask yourself, what more are you going to add so that

the next day’s paper has a resonance and a relevance? And then on video ... different people have different levels of skills but we are finding there are far more individuals who can do pieces to camera than anyone would have imagined 20 years ago.

Does this mean you measure journalists in a different way in this multi-media environment?

It’s hard to come up with a definitive metric because journalists work in different ways on different types of stories. But if someone breaks a lot of stories, is good on the web, and articulate when forced to explain something in 30 seconds before a camera, clearly that woman or man has a very bright future in journalism.

Review & Outlook

With so much “blog blather,” there is a need for intelligent reporting

How do you communicate internally about editorial and business priorities?

First, you do have to have a great team around you who can casually, informally, explain to people what we’re doing day after day. I am blessed with such a team. Second, I will send out occasional memos – not too many, not too bureaucratic – and I attempt to make them pithy. Too many memos that too many executives write in too many companies are unreadable. I mean they are virtually semi-literate and certainly not engaging. So, however imperfectly, you have to aim to be read. Then, we have a news conference twice

a day that everyone in the company, through heads of department, will tap into. If you want to change a culture in an environment that itself is changing, the strategy has to be obvious to people.

“I AM DIGITALLY DISCURSIVE,
SO I JUMP AROUND
QUITE A BIT”

A sudden, single announcement doesn’t work. Media is so complicated and the environment so fraught with pitfalls that you do have to guide people. They

are looking to the leadership for answers about questions such as, “How much time should we be spending on this or that? What is the hierarchy of content? Has it changed from five years ago, or five months ago?” A single memo will never solve all of those things, so it’s a series of conversations.

What are your own reading habits; do you have a set of media “favorites” you regularly read?

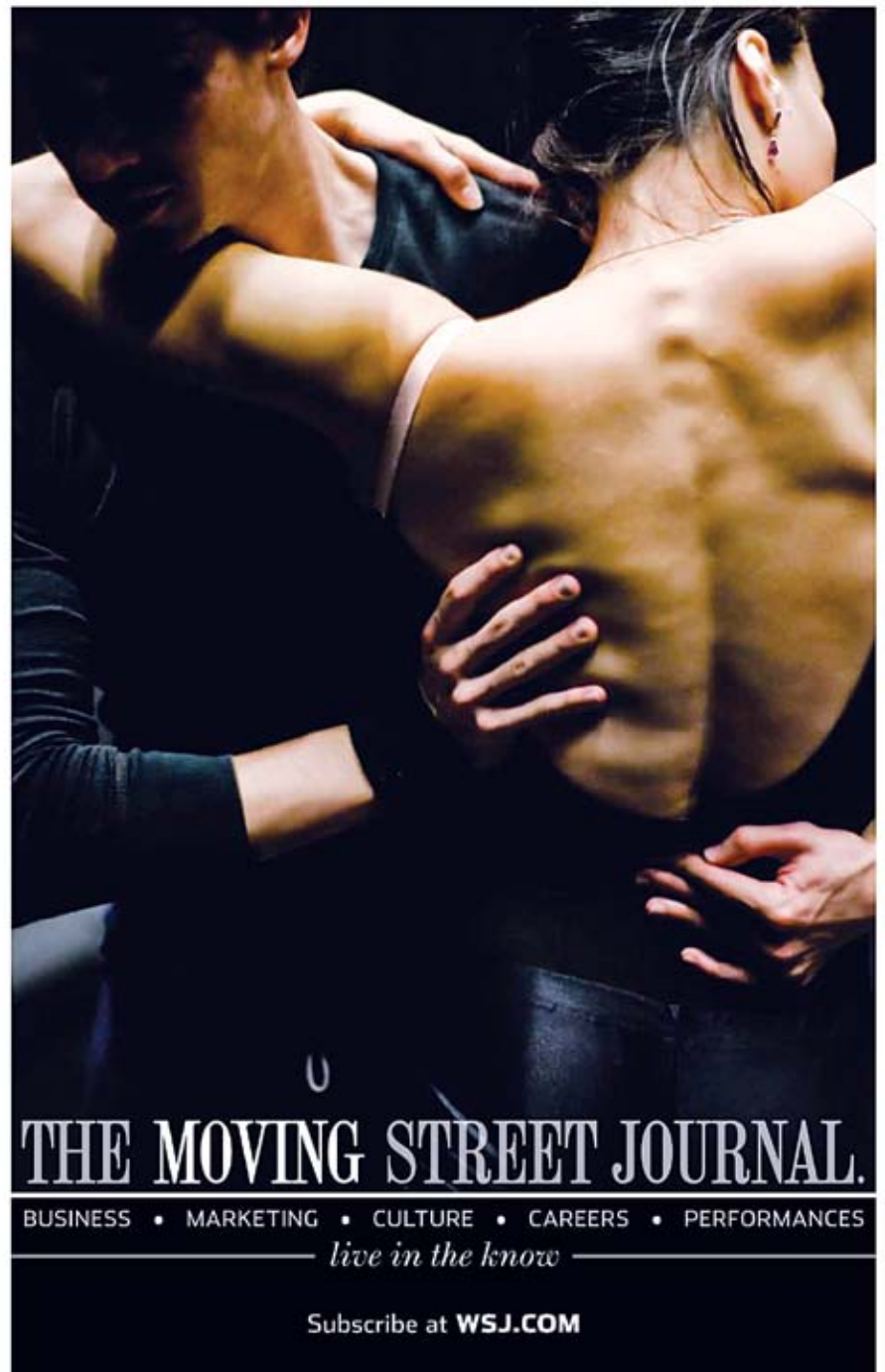
I am digitally discursive, so I jump around quite a bit. If I’m reading someone I like to read rather than someone I have to read, I feel guilty.

Also, what you have to read each day changes because of the news agenda. So, for example, we're looking at a story at the moment about a company trying to change pre-agreed contracts on shipping rates, which may not sound exciting but it excites me. It's a significant story because it raises questions such as whether China is going to honor contracts in the way that we traditionally understand contracts should be honored. So, I try to gain enough of an understanding of that to be able to lead that story as an editor.

A lot of people – especially business people – find that the media has become too “black and white” and that it is rare to find coverage that has texture and nuance. Do you agree?

Yes, it is an issue. Too much of the media has an analog attitude in a digital age. They are monochromatic media and the complexity is neglected for the sake of impact. Now, that's been a problem with journalism through the ages, or with shoddy journalism through the ages. But now there are too many sources ... I mean, there are some brilliant blogs, absolutely brilliant blogs, where people are trying very hard to explain and extend the conversation in an intelligent way. But around those blogs is a lot of blog blather – it's not nuanced, it's nonsense. Yet, a story may launch a thousand blogs – about a country, or a company, or a person. So, you're not only dealing with an ill-informed piece in a certain newspaper, you're dealing with broader consequences in a digital age. And yes, I can understand that people are frustrated when the

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The *Journal's* “live in the know” advertising campaign, launched early in 2010, aims to convey the value that the *Journal's* content has for its readers, giving them “a deeper understanding of the facts and perspectives behind news and events.”

The work, created by advertising agency mcgarrybowen, was the first commissioned since the News Corporation takeover. Jim Richardson, head of the *Journal's* brand marketing, said the aim also was to encourage more women and younger readers to try the paper, in its traditional or various digital formats.

Thomson says the campaign is simply trying to reflect society and will attract readers “only as long as it's relevant to people. You can't fool anyone. In the end, it's the relevance that drives the relationship with content. And we are more relevant – more generally relevant rather than with any specific coverage we've targeted in one direction or another.”

Continued from previous page

technological tide overwhelms them. For example, with China it's similar to the rise of Japan [in the 1980s and 1990s], and the almost xenophobic response to that country in some parts of the media in some parts of America. You're seeing similar strains when it comes to China. Then there's the neglect of important nations like Indonesia, which is almost bizarre in how under-reported it is. We have to ask, "Why are we so ignorant of these really significant macro trends, let alone how ill-informed we are about the texture of individual societies?"

**"THE WALL STREET JOURNAL
CAN BE SO MANY THINGS TO
SO MANY PEOPLE IN SO MANY
PLACES AND SO MANY
LANGUAGES"**

That's a challenge to us all because if we don't report those countries in a more coherent way, then we are really missing the most profound change in the world in the last couple of hundred years.

Do you feel there is a lack of trust of the media?

In the end, intelligent and well-informed readers will judge you by your performance. I'm sure we will make mistakes but those mistakes have to be few rather than many. Some media clearly have a rather lax attitude to facts and principle and they may think in the short term that sensationalism is useful. In the

long term, their reputation will suffer and they will struggle. You certainly see in the digital age that there's a sudden flaring of interest in a certain website, but then will it be enduring or will it flame out?

People constantly talk about the death of the newspaper. What do you see as the future of the newspaper industry?

It depends on the paper. When you look at the demise of a paper – *The Christian Science Monitor*, or in Detroit, or Seattle, the demise of other papers around the world – those papers collapsed but other print products are doing very well, relatively speaking. So how you navigate through this era depends very much on the leadership of individual institutions. It's certainly potentially treacherous. On the other hand, I think it's potentially an era of great opportunity. If you make the wrong decisions – if, for example, you're too deferential to what I would call the journalistic establishment rather than to your readers – then you'll have trouble, there's no doubt about that ... You can obviously see massive digital audiences for high-quality content, across borders and devices. How will they evolve? How flexible will they be? Will you be able to roll up a screen that's as sophisticated as the iPad screen is now? Will that trigger another wave of usage?

With the phone hacking scandal at News International, how have you handled that, in general and

editorially? Some people felt that the *Journal* didn't tackle it head on initially.

Look, of course our competitors will say, "Oh, the *Journal* is avoiding the story." We operate in a very competitive environment so they would say that. But honestly my guidance to people was just to report it on its merits and be straight about it and our readers will judge us accordingly. We've broken a couple of stories in that area. So, we have to be realistic and not report on it just to keep competitors happy. Given what's taken place in News International, anyone who's looked closely at what we have done in the last three and a half years or so, we've been absolutely principled. We don't target competitors with grubby stories in the way that competitors target us with grubby stories. If you did some serious content analysis, people would see that. But journalism should be principled, regardless of whether your competitor is the story or whether we're the story.

Finally, is this the most fun job you've had?

I love journalism. And when you're working for a news organization that has so much potential ... What you feel at the *Journal* and Dow Jones is potential, and it's exciting. When I think back to the first paper I worked for in

Melbourne, *The Herald*, it was always going to be *The Melbourne Herald*. The *Wall Street Journal* can be so many things to so many people in so many places and so many languages. ☺



STAKEHOLDERS DRIVE STOCK VALUES

BY WITOLD J. HENISZ, THE WHARTON SCHOOL,
UNIVERSITY OF PENNSYLVANIA

Here is a bold statement:
Building cooperative relationships
with external stakeholders can double
the value of your company's assets

That is a proposition not usually put in such stark financial terms, but understanding the real value of such efforts has become an increasingly central goal for company executives and shareholders.

The question I've sought to address through research is whether it is possible to go beyond broad statements such as, "It is in my company's interest to foster a good relationship with local stakeholders," and to be able to say something more definitive, such as, "Failure to engage effectively with stakeholders could wipe \$100m off my company's stock market value."

After extensive, long-range academic work with colleagues (Sinziana Dorobantu, of Wharton, and Lite Nartey, a former Wharton doctoral student now on the faculty at the University of South Carolina), we have been able to get a clearer understanding of both how to quantify the value of good (and bad) relationships with external stakeholders, and how specific company practices lead to value-enhancing cooperation (or value-destroying conflict).

Our first paper, *Spinning Gold: The Financial Returns to External Stakeholder Engagement*, studied data between 1993 and 2008 from 26 gold mines owned by 19 companies listed on the Toronto Stock Exchange. We concluded that there was a powerful business case for making

the effort to win the hearts and minds of external stakeholders. Indeed, we estimated that the value of cooperative relationships with external shareholders was worth twice as much as the actual market value of the companies' gold.

A cooperation premium

How did the study work? We had two substantial challenges. First, we needed to be able to measure the opinions of a wide array of external stakeholders, including local and national politicians, community leaders, priests, warlords, paramilitary groups, NGOs, and multilateral bodies like the World Bank. Second, we needed to be able to measure the objective value of each company to shareholders (that is, the net present value before taking account of these stakeholder opinions) as well as its market capitalization.

To measure external stakeholder opinion, we systematically hand-coded more than 50,000 "stakeholder events" found in media reports, developing an index of the degree of stakeholder cooperation or conflict for these mines. The term "stakeholder event" included reports from these groups that indicated cooperation or conflict with the mine owners.

At one extreme, for example, would be militia attacks on mines in the Congo; at the other extreme would be groups



WITOLD J. HENISZ

Witold J. Henisz is the Deloitte & Touche Associate Professor of Management at The Wharton School, The University of Pennsylvania. He received his Ph.D. in Business and Public Policy from The University of California, Berkeley. His research, published in top ranked journals in international business, management, international studies and sociology examines the impact of political hazards on international investment strategy, emphasizing the importance of winning the hearts and minds of pivotal stakeholders. Henisz has won multiple teaching awards, contributes to numerous executive education programs and co-led the redesign of the global required course in the Wharton curriculum. He is currently a principal in the risk management consultancy The Probity Group, which uses information extraction technology, stakeholder visualizations and scenario analysis to offer insight into the relative efficacy of stakeholder engagement strategies. henisz@wharton.upenn.edu

organizing to defend a mine from such an attack. Less extreme events might include peaceful protests by community leaders, demonstrations by environmental NGOs such as Greenpeace, or pledges of additional financial support from multilateral lenders.

We then linked this data to audited information provided to the Toronto Stock Exchange on the quantity of gold reserves, the cost of extraction, and the forecast price of gold. Using this data, we estimated what the value of each mine's gold – thus the market valuation of the parent company – should be, assuming the company can extract the gold with optimal efficiency. When we compared these estimated values to the actual market value it turned out that the companies traded, on average, at a 72 per cent discount.

Next, we examined whether companies that scored higher on the index were expected to have fewer delays and disruptions and therefore had lower discounts. Indeed, the data revealed that by incorporating the cooperation scale into the financial valuation calculation, we could reduce this discount from 72 per cent to as low as 13 per cent.

Disruption discount

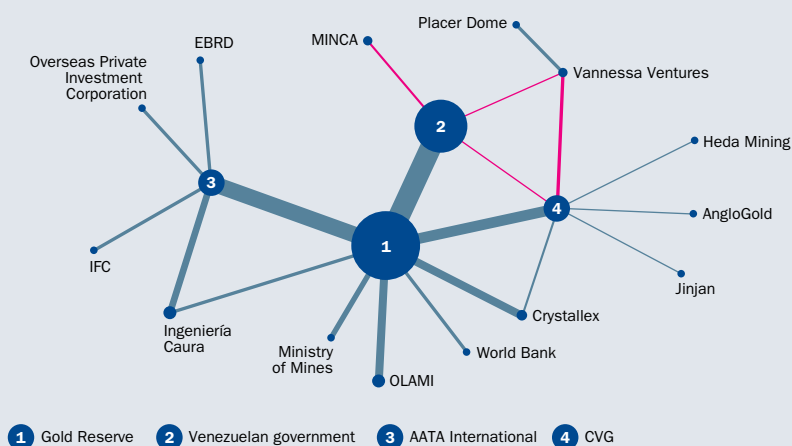
A case study included in our research that clearly illustrated the link between market valuation and stakeholder relations was that of Gabriel Resources. In the late 1990s, this small Canadian mining company began lobbying relevant authorities for permits to develop an open-pit gold mine at Rosia Montana, in the heart of Transylvania, Romania. The project was to be the largest of its kind in Europe and as long as it looked set to go forward, the company's market valuation rose steadily, to more than \$260m on the Toronto exchange.

However, when members of the local community learned about possible disruptions to local settlements and ancient landmarks, they reached out to Stephanie Roth, a well-known Anglo-Swiss environmental activist (already known in the country for her successful opposition to a Dracula theme park), to mount a campaign against the mine on their behalf. 🐉

MAPPING SUCCESS: EVOLUTION OF STAKEHOLDER NETWORK FOR GOLD RESERVE'S BRISAS MINE IN VENEZUELA

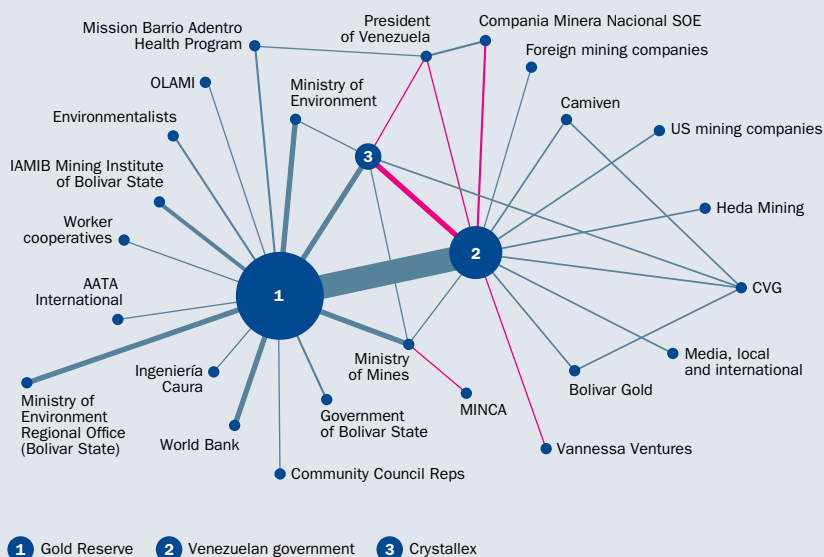
2004

A stakeholder map of Gold Reserve's Brisas mine depicting the strength of influence of the organization (small versus large circles), cooperative or conflictual relations (blue versus pink ties) and the frequency of interaction (wide versus narrow ties). The key issue dominating this period is the Venezuelan government granting approval to Gold Reserve to develop the Brisas mine.



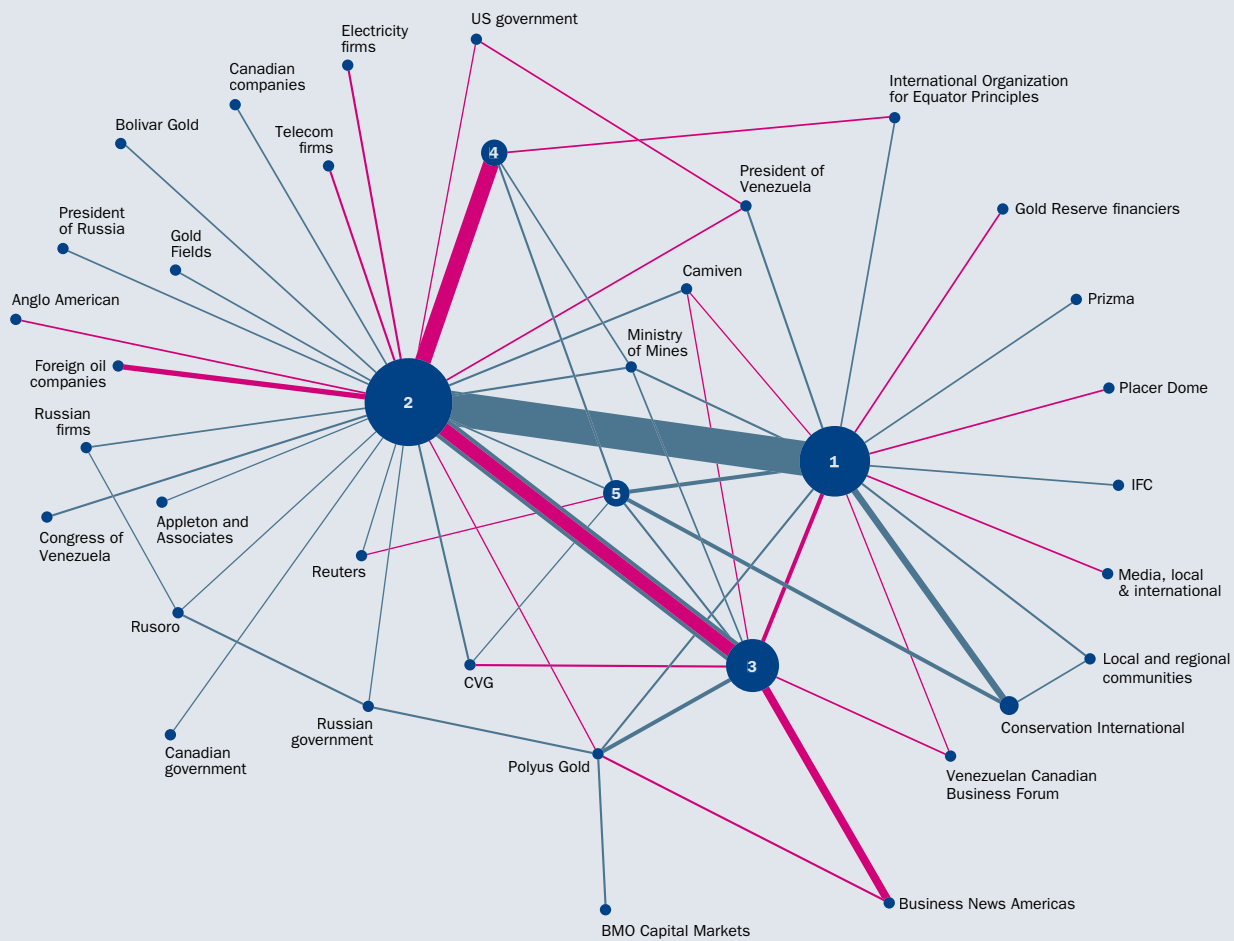
2006

Cooperative relations with Venezuelan authorities continue as Gold Reserve moves to complete its social and environmental impact assessment. The company also holds a public consultative meeting with nearby communities. Venezuelan authorities approve a new mining bill returning inactive mining properties to the State. Meanwhile, operators of the nearby Las Cristinas project (Crystallex and Vanessa Ventures) face possible contract revocation.



2008

Despite growing concern among foreign mining companies about the pending mining law, Gold Reserve obtains the environmental permit. However, Venezuelan authorities consider combining operations of both Brisas and Las Cristinas projects under a Russian operator. As 2008 ends, Venezuelan authorities refuse both Gold Reserve and Crystallex mining permits and despite cooperative overtures by Crystallex, the Las Cristinas mine is nationalized.



- 1 Gold Reserve
- 2 Venezuelan government
- 3 Crystallex
- 4 Foreign mining companies
- 5 Ministry of Environment

Research and data © Witold Henisz

“It is possible to engage stakeholders with the same degree of analytic precision that companies use to model customer retention or supply chain management”

Rising opposition ensued, from a broad spectrum that included the Romanian Orthodox church, the Romanian Academy, the Hungarian minority in Romania, the Hungarian government, Greenpeace, Friends of the Earth and various other environmental organizations. This concerted action translated into a steady decline in Gabriel Resources’ stock in the first half of the 2000s, with its market valuation falling to as low as \$181m.

During the latter half of the 2000s, the company’s shares seesawed in response to the ebb and flow of support. When new management took over in 2005 and embarked on a public relations campaign, shareholders welcomed these efforts by driving the company’s market value above \$1bn. When the Romanian government undermined Gabriel’s prospects by suspending an environmental impact study in 2007, the company’s market valuation slid back to \$344m. The arrival in 2009 of yet another management team, which focused more systematically on engaging stakeholders, propelled the company’s market valuation to as high as \$1.84bn.

The dynamics of conflict

In our more recent work, we have used the data from the same 15-year study to examine the evolution of each gold mine’s

stakeholder network over time, in order to see what specific company practices improve cooperation and minimize conflict.

We have created a strong visual tool to plot the “stakeholder landscape” over time. These dynamic stakeholder maps represent the more powerful organizations by larger bubbles and the strength of ties between organizations by the width of the lines linking them. Color represents the degree of cooperation and conflict. It is possible, by rapidly running a series of annual or quarterly figures through the tool, to form a sort of movie that captures the dynamics of the stakeholder network (see snapshots of the tool in action on the previous pages).

What does the analysis of these maps tell us about the sort of strategies that enhance cooperation and reduce conflict?

For one thing, it is important for companies to build slowly and to avoid short cuts, such as making initial connections to powerful but disliked actors (for example, political power brokers). Such ties may be beneficial at first but likely will lead to conflict. Similarly, making a large number of connections to local stakeholders pays off in the long run. Third, an attempt to make a connection that is not reciprocated is a wasted effort. Reaching out or providing resources to an external stakeholder does not necessarily signal a reduction in conflict or increase in cooperation. The initial action must be reciprocated and, ideally, deepened over time if it is to alter perceptions and, more importantly, behavior. And finally, undertaking activities jointly with stakeholders – such as gathering, monitoring, and evaluating information together – significantly increases cooperation over time.

Taking this work further, we are now exploring the influence of external dynamics – for example, to what extent do these recommendations vary with the degree of press freedom and democracy in a country, or in terms of the magnitude and timing of external shocks investors may be faced with.

The road less travelled

We studied mining companies first because the nature of their business required them

to enter some of the riskiest areas in the world. Industry leaders made every mistake possible and got completely burned – but then they learned. Now, ironically, some of these companies, which are often thought of as environmentally uncaring, are actually at the forefront of sustainability and stakeholder engagement. Other multinational companies could learn a great deal by studying what these mining companies are doing around the world.

Our research quantifies what many companies have realized through experience: that cooperation rather than conflict with external stakeholders improves the chances of delivering a business plan on time and on budget.

Furthermore, it shows that it is possible to engage stakeholders with the same degree of analytic precision that companies use to model customer retention or supply chain management. Such an approach requires thinking of corporate social responsibility and government affairs as central to enterprise risk management and strategic planning, rather than just a cost center. It also strongly supports the case that insufficient investment in political and social capital can turn revenue-generating assets like a mine into a costly liability.

Our results also provide an immediate retort to those who argue that pure profit maximization should be the only goal of a public company. It is a false dichotomy: to maximize profits *requires* a degree of stakeholder engagement. As the head of sustainability for a major mining company recently said, “If a modern mining company thinks its competitive advantage is in mining, they are sadly mistaken.”

The lessons are widely applicable. Any organization or individual with project-specific stakeholder, financial, and operational data can run the exercise. It can apply not only to companies extracting resources but also to those building hotels or retail outlets, or indeed to politicians running for office. Analyzing the data and pursuing a strategy designed to enhance cooperation and minimize conflict with stakeholders is not just socially responsible, our studies show, but is also enlightened self-interest. 🌱

ONCE MORE UNTO THE BREACH

Data security breaches have taken on a new dimension with the rise of “hacktivists,” and require new levels of preparedness

BY MARK SEIFERT, BRUNSWICK, WASHINGTON, DC
AND JOE CARBERRY & BRANDON BORRMAN
BRUNSWICK, SAN FRANCISCO



It's 3:00am and your phone rings. It's your IT department. Hackers have exploited a weakness in your security and accessed company databases, stealing an unknown amount of confidential information. Included are employee salary information, product plans, and sensitive management e-mails. On YouTube, the mysterious group PrivSecRevenge has claimed responsibility for the intrusion. The group has posted thousands of confidential files on a public website and promises more are coming. They claim this is a reprisal for your company's "reckless" behavior in handling the privacy of millions of customers' information. Your nervous IT manager asks: "What do we do?"

No company should wait until that moment to start thinking about how to handle the public aspects of its approach to privacy and data security.

While data breaches have become an unwelcome part of modern business, there has been a shift this year in the type and scale of issues related to privacy and data security. Organizations that have been forced to publicly confront such issues include Sony; Citibank; RSA (the security division of EMC, which provides security to 90 per cent of Fortune 500 companies); the US Senate and Central Intelligence

Agency; the European Commission; the European Union's emissions trading system; and the United Nations.

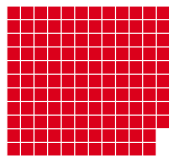
Heightened scrutiny from customers, shareholders, and regulators is requiring businesses to reexamine their approach to security. To complicate matters, new "hactivist" entities, such as the "Anonymous" collective and Lulz Security (aka LulzSec), are upping the ante by making political – and very public – statements against corporations and governments through their hacking activity. This environment has brought privacy and data security issues to the fore. It is now a management-level issue, impacting both the reputation and financial position of the companies involved.

In the United States alone, between 2005 and 2011, there were more than 2,300 data breaches exposing 535m records, according to the Privacy Rights Clearinghouse. A report by the Ponemon Institute in March 2011 found that the average cost of a data breach in the US had risen to \$7.2m, or \$214 per record compromised. In addition, more and more countries are responding to these concerns with increased legislative and regulatory oversight. This, in turn, is driving up the costs of data protection around the world.

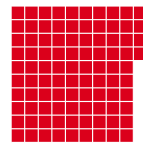
SIGNIFICANT DATA BREACHES

□ = 1m records lost, colored by breach type (hack, stolen, lost or fraud)

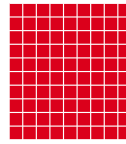
Heartland Payment Sys'tems
130m records lost – Hacked
Jan 20 2009



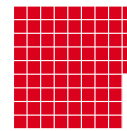
TJX Companies
94m – Hacked
Jan 17 2007



TRW
90m – Hacked
June 1 1984



Sony Corporation
77m – Hacked
April 26 2011



CardSystems
40m – Hacked
June 19 2005



Rock You
32m – Hacked
Dec 14 2009



US Dept. of Veterans Affairs
26m – Stolen
May 22 2006



HM Revenue & Customs
25m – Lost
Nov 20 2007



Sony Corporation
25m – Hacked
May 2 2011



T-Mobile
17m – Lost
Oct 6 2008



Canada Revenue Agency
16m – Stolen
Nov 1 1986



Bank of New York
12m – Lost
Sept 6 2008



GS Caltex
11m – Lost
Sept 6 2008



Dai Nippon Printing Company
9m – Fraud
March 12 2007



Fidelity National Info. Services
8m – Fraud
July 3 2007



TD Ameritrade
6m – Hacked
Sept 14 2007



Chilean Ministry of Education
6m – Hacked
May 11 2008



Data Processors International
5m – Hacked
Dec 8 2008



Source: Nathan Yau, <http://flowingdata.com>



The largest cost component of a data breach is the loss of customers after an event, according to the Ponemon study. In a poll by Harris Interactive, 91 per cent of respondents stated that they would not return to a business where their personal information was stolen. Costs of breaches vary by industry. The top three sectors in 2010 in terms of average per-record cost were communications (\$380), financial (\$353) and pharmaceutical (\$345).

There are regulatory penalties too. "Enforcement actions are on the rise," says Marcy Wilder, a partner at Hogan Lovells, and one of the leading healthcare privacy lawyers in the US. "The new federal health data breach notification law has led to a dramatic increase in investigations. Earlier this year, the Massachusetts General Hospital was hit with a \$1m fine after an employee left documents containing information about 192 patients on the subway. Managing reputational risks with a proactive strategy is often a critical part of managing the related legal risks."

In spite of the costs, many companies are not effectively preparing against the risks. In a global survey of businesses by PwC, *CIO Magazine* and *CSO Magazine*, CFOs and CIOs revealed that 63 per cent either had no plan to deal with the risk of a data breach or believed their existing plan was ineffective.

The cited costs for data breaches do not include the very real expense of reputation damage that inevitably follows such an event. Marc Groman, Chief Privacy Officer for the United States Federal Trade Commission, says that consumer awareness of these issues has risen dramatically over the past few years and for good reason. "When you lose consumer data, this is not merely a number or a record that you've lost – there are real people behind these records and they care deeply about how you take care of their information," he says.

While acute crises can be painful, the real impact of information issues reaches far beyond immediate events. Security or privacy issues leave an indelible impression that can result in significant long-term barriers for organizations, including reduced

business opportunities, costly regulation and litigation, and damaged trust between the company and their customers.

LIVING UP TO CHANGING EXPECTATIONS

Ultimately, the way an organization handles its private information – and the way it communicates how it is handling that data – can strengthen or destroy the trust of its customers and business partners. As such, organizations that deal with large amounts of data must actively manage and take responsibility for three distinct areas: ➤➤➤

"Consumers equate good service with good privacy. Once that goodwill is gone, however, everything changes"

Chris Hoofnagle, privacy expert and lecturer at the University of California Berkeley School of Law

HACKTIVISM: A NEW TWIST FOR DATA SECURITY



Beyond the operational havoc, “hacktivists” also can inflict a second cost on their victims by announcing their feats to the world. Below are quotes from two of the most famous hacktivist groups, Anonymous and Lulz Security (LulzSec).

In response to an announcement by the United States Federal Bureau of Investigation that they would be stepping up enforcement against hacking, Anonymous attacked a number of defense contractors and US government agencies: **“Any private corporation[s] supporting US military or law enforcement operations are legitimate targets in our eyes ...”** eWeek, August 18 2011

Lulz Security defaced the website of a defense contractor in June of 2011 in response to a report that the US was considering classifying hacking as an act of war in certain cases. According to a LulzSec statement, anyone working with law enforcement against hacktivists was fair game: **“White hat sellouts, law enforcement collaborators, and military contractors beware: We’re coming for your mail spools, bash history files and confidential documents.”** SC Magazine, August 19 2011

PayPal, an online payment site, was the subject of a denial-of-service attack after it stopped processing donations for WikiLeaks following the controversial publication of US diplomatic cables. Anonymous and Lulz Security took credit for launching the attack: **“Quite simply, we, the people, are disgusted with these injustices. We will not sit down and let ourselves be trampled upon by any corporation or government. We are not scared of you, and that is something for you to be scared of. We are not the terrorists here: you are.”** <http://pastebin.com/LAykd1es> July 27 2011

In response to the arrests of alleged members, Anonymous posted online: **“These governments and corporations are our enemy. And we will continue to fight them, with all methods we have at our disposal, and that certainly includes breaking into their websites and exposing their lies. We are not scared any more. Your threats to arrest us are meaningless to us as you cannot arrest an idea ... It is our mission to help these people and there is nothing – absolutely nothing – you can possibly do to make us stop ... We become bandits on the internet because you have forced our hand. The Anonymous bitchslap rings through your ears like hacktivism movements of the 1990s. We’re back – and we’re not going anywhere. Expect us.”** <http://pastebin.com/RA15ix7S> July 21 2011

- ❖ Acquisition of data: How does the company acquire its data? Does the company clearly and effectively inform its users and obtain their consent?
- ❖ Use of data: Why is the company collecting this data and how will it be used? Will it be sold to other parties and, if so, how will they use it?
- ❖ Data security: What actions is the company taking to ensure against misuse or theft of private information? Is the information in their care truly safe?

Privacy and security are often in the eye of the beholder. Customers, investors, advocates, and regulators all have expectations of organizations that deal with personal information. They may differ on policy and even on the definition of terms, such as the meaning of PII (“personally identifiable information”), or on who must receive notification in the event of a breach.

A company’s privacy statement encapsulates its approach to all of these issues. It tells customers how it will treat their information and why it should be trusted. If a privacy policy statement is incomprehensible or buried, a company is missing an opportunity to tell its story before a crisis arises.

Adding to the confusion are constantly evolving views of what privacy means. Users have an expectation that their information remains private, is protected and that they will retain control of how it is shared. But they will increasingly forgo some anonymity in exchange for improved services and convenience. They want to understand what is being done with their information through disclosures made in plain and understandable language. They also want to control how it is used and to trust that organizations holding their data are going to be good stewards.

Those failing to live up to these high standards will face the ire of all groups – from self-policing industries, to regulators, to activist groups looking to punish entities operating irresponsibly. It may be as simple as a sub-group of users blasting out tweets or blog posts with their opinions – good or bad. Or it may be more complex, and in some cases more dangerous. Existing or newly formed activist groups – hacktivists – may choose to make an example of your organization.

It may seem tempting to classify all advocacy groups agitating against you as opponents. You may, however, benefit from thinking of some of them

as stakeholders in your organization. After all, they have demonstrated their power to affect your business by inserting barriers and costs into operations. True, some will never see eye-to-eye with any company. But many act in the interests of consumers and might respond to engagement and dialogue. In return, their opinions may inform your business strategy in a productive way.

As a matter of practice, companies should engage with customers directly. As Michael Blum, General Counsel and CPO of Quantcast and former Chair of the Privacy Group at law firm Fenwick & West, says, “Talk with your customers. Invite them into the dialogue. Speak using your privacy policy and listen ... Your blog and user comments will become part of this conversation, in which the clearest voice will be your actions.”

TRUST IS A TERRIBLE THING TO WASTE

Trust is critical when it comes to how much information customers are willing to give up. According to Chris Hoofnagle, a privacy expert and lecturer in residence at the University of California Berkeley School of Law, reputation can help determine why some companies have been able to gain access to large amounts of consumer data, while others – some with arguably more privacy-protective services – can fail.

“Consumers will accept even pretty aggressive information collection if it is done by a company that is trusted,” Hoofnagle says, adding that the top-ranked companies for privacy trust, such as Amazon, have very good reputations for customer service. This can be true even when consumers do not have a clear idea of exactly how a company will use their information. “Consumers equate good service with good privacy,” he says. “Once that goodwill is gone, however, everything changes.”

No matter what you make, sell, or serve, if you have data, your organization is potentially at risk. Privacy issues and data breaches can jeopardize your organization’s most valuable relationships. Understanding the landscape and preparing to handle the inevitable public dialogue can significantly reduce the risk to your organization.

There is good news. As privacy and security have become more visible and important, they are now a core element of trust among stakeholders, especially your end users. Effective management of issues can be a powerful part of building a respected, valued and trusted corporate brand.

Done well, privacy and security can be seen as an opportunity, not just a risk. ☺

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THE RIGHT QUESTIONS



When preparing to deal with complex privacy and data security issues, there are rarely any universal right answers. Every company and every situation requires a unique set of decisions. However, for senior leaders, there are some pertinent questions to ask:

1. What are you doing to build trust now?

Building trust is nearly impossible to do once something has gone wrong. It is best to tell your story before a

problem arises. At least, it will increase the odds that people believe it later when you need them to. At best, it will serve to establish a robust foundation of trust.

2. Do you know what you need to know?

Companies addressing a security problem should start by understanding what their universe looks like and what is important to the stakeholders in it. Risk assessments and policy reviews can help define the starting point for additional efforts, as well as help identify any gaps.

3. Are you prepared to handle the worst-case scenario?

When something goes wrong, it is critical to get your response right the first time. If not, you will spend days or weeks undoing early mistakes before you can even begin to recover and rebuild. Preparing ahead of time to manage an incident response – from media to customers to policymakers – is essential. In these cases, success is usually proportionate to preparation.

TALES OF SHANGHAI



Zhang Xiang, China's former Vice-Minister of Foreign Trade and Economic Cooperation, talks to Brunswick's Jinqing Cai about re-establishing Shanghai as Asia's premier financial hub

It is official policy: Shanghai is aiming to reclaim the status it enjoyed before the Second World War as Asia's center of finance. In 2009, the State Council, China's top decision-making body, formally directed the country's ministries and regulators to support the city's efforts to be ranked by the end of the decade on a par with the world's top international financial centers (IFCs) – New York, London, and Tokyo.

Physical infrastructure is important to reach this goal, but so too is the image the city projects within China and to the world, especially so that it can attract top-level financial talent.

Shanghai has already made great strides. Since it began to develop the Lujiazui Finance and Trade Zone on the eastern bank of the Huangpu river in the mid-1990s, the city has steadily climbed the ranks of international financial centers.

In 2010, when the Chicago Mercantile Exchange, Dow Jones, and Xinhua News Agency launched their International Financial Centers Development Index (IFCDI) – which is based on 66 indicators and more than 2,000 questionnaires – Shanghai debuted at number eight. A year later, Shanghai already had gained a further two places, surpassing Paris and Frankfurt, and closing in on Hong Kong and Singapore.

Shanghai's resurgence has been manifested architecturally in Lujiazui, announcing the city's ascendancy to the world. Rising up opposite the old financial district – The Bund, on the western bank of the Huangpu – is a series of skyscrapers, each one outdoing the last. The Oriental Pearl Tower, with its distinctive spheres and broadcast tower, gave way to the Shanghai World Financial Center (the world's second-tallest building, by some measures), which will be surpassed by the nearby Shanghai Tower in 2014.

However, the IFCDI feedback indicated that Shanghai still lags in certain key areas when compared with top-tier financial centers. The country's financial infrastructure remains unfinished and the slow pace of regulatory reform is likely to hamper the city's ambitions.



Shanghai also lags in financial skills, both in quality and quantity. Better financial education and international experience are needed to build the city's human capital.

Zhang Xiang, former Vice-Minister of Foreign Trade and Economic Cooperation, who as a scholar and policy adviser has spearheaded research into building Shanghai into a top international financial center by 2020, here speaks candidly to Brunswick's Jinqing Cai about what it takes to translate the city's ambitions into reality – and how to communicate that vision to a global audience.

How close is Shanghai to becoming a top-tier international finance center and what are the most important areas that still need to be addressed?

At present, China's financial system still falls short. There is far too much direct

administrative control by the government and regulators, the organizational costs are too high, and the taxation and legal environment also needs to be developed. Personal income tax rates particularly need to be reformed to attract high-caliber people. Also, there are too few products. For instance, there is a lack of derivatives for bond and foreign exchange products, making it impossible for market participants to manage risks adequately. This inhibits investors from investing long term.

To what extent will Shanghai compete with Hong Kong for status as China's main financial hub?

Shanghai and Hong Kong will be complementary to each other in some financial areas and compete in others.

For example, Shanghai's development will mean more mainland companies will want to "go global" and Hong Kong will remain as a key conduit for international investment in those companies. Also, Hong Kong will be essential for the renminbi offshore market, which is expected to develop in a way similar to the Eurodollar market in the 1960s, providing a less regulated environment for trading the currency. Furthermore, Hong Kong has unique advantages as an Asian wealth management center. Look at the US, where New York is the most important financial center while Chicago and Boston have big shares of derivative trading and wealth management, respectively.

Shanghai will develop at Hong Kong's expense in some areas too. For example, Hong Kong's role in listing state-owned enterprises overseas will be weakened.

Is there a risk that Hong Kong's development of an offshore renminbi market could curb Shanghai's financial development?

We should support Hong Kong in its efforts to become a renminbi offshore center. It will accelerate the implementation of the state's financial strategy. As Hong Kong is already an international financial center where foreign currencies can be converted and traded freely, it can make up for the inadequacy of the domestic financial system. It is impossible for Shanghai's market to become a major international finance center until the capital markets are opened up fully.

We should not be afraid of competition. Historically, Amsterdam, London, and New York all took shape amid fierce international competition.

Allowing foreign companies to be listed in China's domestic markets – known as the "international board" – is one of the hot topics for Shanghai. What is your view?

To build an international financial center, it is necessary to push cross-border investment, including "red chip" companies [mainland companies incorporated outside China with Hong Kong listings], "H-share" companies [mainland incorporated companies listed in Hong Kong], exchange-traded funds, and allowing large blue-chip companies of other countries – including Hong Kong, Macau and Taiwan – to issue renminbi stocks and bonds, and expanding the size of renminbi bonds issued by international institutions in China.

But there has been a clamor for international share listings for some time. What is holding them back?

There have been basically two arguments against it – both of which are about sending the wrong market signals. One is that if foreign enterprises issue stocks at high price/earnings ratios compared to domestic companies, it diverts domestic wealth from providing capital for domestic companies. On the flip side, if domestic companies issue stock at comparatively low P/E ratios then it will depress valuations for all domestic companies. ➡





SHANGHAI: BY THE NUMBERS

- ✦ Shanghai (literally “on the sea”) is the image of a 21st century city, with the Pudong business district’s distinctive skyline of super-tall buildings on the east side of the Huangpu river, facing Puxi, the cultural and shopping district, which includes the old colonial quarter (The Bund), on the west side.
- ✦ Shanghai’s population has doubled since the early 1980s to more than 23m. The foreign population in Shanghai has doubled since 2005 to more than 200,000, with Japanese, South Korean and US nationals making up about half that total.
- ✦ Since the beginning of 2010, highly qualified individuals – scientists, executives, investors – can apply for five-year residence permits, much longer than the usual one year.
- ✦ Shanghai is becoming a more expensive place to live, rising from 25th to 21st most expensive city in Mercer Consulting’s 2011 cost of living survey, tied with Melbourne, Australia.
- ✦ Before the Second World War, Shanghai had the world’s third largest stock exchange and ranked behind only New York and London as a securities trading hub. Its original listings included the forerunners of present-day HSBC and Standard Chartered Bank.
- ✦ The Shanghai Stock Exchange (SSE) Composite Index fell from its high above 6,000 in October 2007 to below 1,700 a year later. It has since recovered to about 2,400 but so far plans to list foreign companies have been unrealized.
- ✦ PetroChina is the largest company listed on the SSE, ranking as the second-largest company on the FT Global 500 in 2011, with a market capitalization of \$326bn.

Sources: Shanghai Bureau of Statistics; the Financial Times; Mercer Consulting; China Daily; South China Morning Post.

Shanghai Stock Exchange-listed companies’ values have gradually converged toward those of developed capital markets. It may now be the right time to encourage some of the top foreign enterprises to issue stocks in China, which the domestic market could absorb if done at a steady rate.

Some leading international companies have shown interest in a Shanghai share listing. Preparation for international listings have been under way for several years. Trading rules and procedures have been gradually established, a technical system and a regulatory framework have been put in place, and public market information systems are now installed.

The basic regulatory framework is ready for the international board. However, in light of the uneasy global economic situation and China’s macro control, the specific timing for the launch of the international board will be determined by the central government

balancing the priorities of economic and social goals as well as capital market initiatives. ☺

Zhang Xiang, China’s former Vice-Minister of Foreign Trade and Economic Cooperation, is currently Dean Emeritus of Shanghai Jiao Tong University School of Management and Executive Director of think tank China Center for International Economic Exchanges. Zhang has a Ph.D in applied physics from Columbia University and degrees in engineering from Tsinghua University.

Jinqing Cai is a Partner in Brunswick’s Beijing office providing strategic counsel in cross-border M&A communications, corporate reputation and public affairs.

Brunswick’s recently opened Shanghai office will be led by Po Ling Cheung, a Partner with more than 15 years’ experience of communications in the region, including as co-head of Morgan Stanley’s Asia Pacific corporate communications, looking after greater China and southeast Asia. For contact details, please see inside the back cover of the Review or visit www.brunswickgroup.com

“A MARATHON WITHOUT A FINISH”

How others view the development of the Shanghai International Financial Center

Laura Cha – Non-Executive Chairman of HSBC Investment Asia Holdings

It is only a matter of time for Shanghai to become a top-tier international finance center. Shanghai has some institutional disadvantages, such as law enforcement and taxation. But its advantages include a strong mainland economy, many highly recognized companies and abundant capital resources.

Ha Jiming – Vice-Chairman and Chief Investment Strategist, Investment Management Division, Goldman Sachs China

The key difficulty in making Shanghai an international finance center is the renminbi convertibility, which is beyond Shanghai’s control. Another big obstacle lies in the availability of talent and how it is taxed. Shanghai may be able to lower the real tax rate by providing subsidies or rewards.

Dai Xianglong – Chairman of the National Council for Social Security Fund, former Governor of the People’s Bank of China and former Mayor of Tianjin

A top-tier international finance center is an important marker to show that China is developing financially. The internationalization of the renminbi

is also a core interest for China. These are goals that should not only be important for Shanghai, or a task just for the current administration of Shanghai, but a long-term task for the Chinese government.

Charles Li – Chief Executive of Hong Kong Exchanges & Clearing

The competition between Hong Kong and Shanghai is like a marathon without a finish. We hope that we run together and lead together. The prospect of a stronger China is pushing Hong Kong as well as Shanghai to a level of greater accomplishment. Any measure that pushes Shanghai ahead and makes China more open will always benefit Hong Kong. Hong Kong’s success in the past fundamentally rested in its valuable contribution to China’s reform and opening up. Whether Hong Kong will continue to be the new engine of China’s economic development instead of being marginalized in the future depends on its contribution.

Source: Research report on Shanghai as an International Financial Center, July 2010, led by Zhang Xiang, China Center for International Economic Exchanges



MAKING UP OUR MINDS

BY GRAEME TRAYNER,
BRUNSWICK RESEARCH, LONDON

New thinking in psychology, neuroscience, and economics has far-reaching implications for understanding and building reputation

Starting with Edward Bernays, a nephew of Sigmund Freud and an early pioneer of public relations, manipulation of the mass unconsciousness to sell consumer products or political ideas has always stirred controversy. Bernays argued in the 1920s that “intelligent manipulation” of “the herd instinct” was a necessary part of democracy. But the events of the 20th century and the uses to which propaganda were put have tarnished that notion, and the controversy continues today.

It may be time, however, to reclaim the unconscious from the ghosts of the past. Our understanding of the mind has made great leaps forward in recent years, with neuroscientists and psychologists demonstrating how the unconscious dominates the way we absorb information and make judgments.

Our senses take in more than 11m pieces of information every second, but we can only process 40 of them consciously. Our unconscious does not waste this data, though; it uses the input to inform action.


What we know about the way the unconscious shapes the formation of our opinions – about companies, political issues, and so forth – has far-reaching implications. Key to this are themes and ideas drawn from neuroscience and psychology:

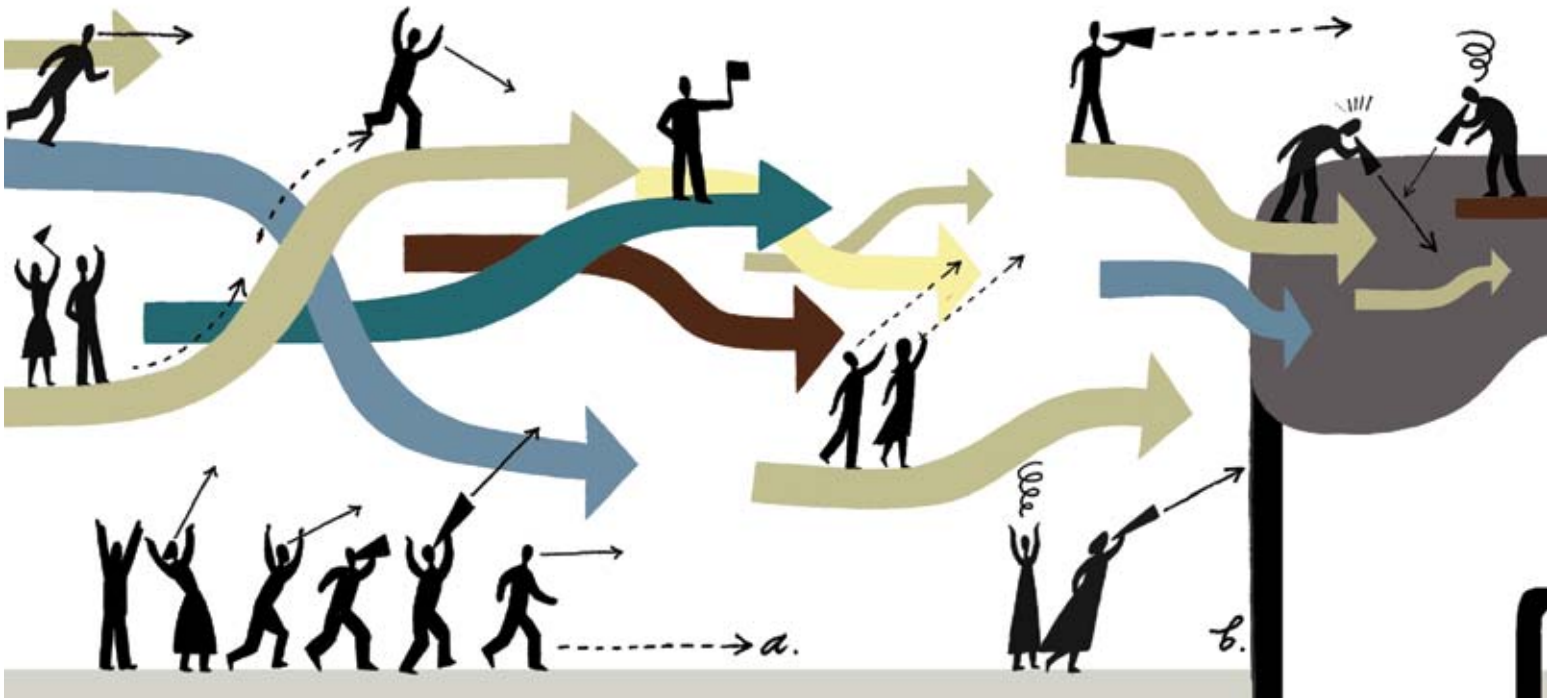
- § **Behavior not opinion.** What we consider to be the motivation behind our decisions is often after-the-fact rationalization. As consumers and citizens, we usually draw on our unconscious to make snap judgments.
- § **The primacy of emotions.** Our emotional brain is quicker than our rational brain – our emotions often trump what we believe are our considered views when it comes to decision-making. This is not to say we are in thrall to infantile whims; our emotions save us time and effort. Our instinctive judgments are often as good as the ones we would make if we had the time to weigh all the options.
- § **Context and choice.** The context and presentation of a choice guide our decisions. For example, it has been shown that we are more likely to pay into a pension if we have to “opt out” to stop payments, rather than if we have to “opt in” to start them.
- § **Low attention processing.** While we do not constantly absorb detailed information about issues affecting society or business, our minds are taking in “low level” information from the cues and signals people and organizations send out. This “low information rationality,” as political scientist Samuel Popkin puts it, helps form our views on companies and causes, even if we have not been fully engaged.

Back to the classics

Much of this newer thinking has come from the field of behavioral economics. A blend of neuroscience, psychology, and economics, behavioral economics has challenged traditional economic theory, which is based on the assumption that people generally behave rationally after weighing up all their options. Indeed, behavioral economics is an echo of some of the ideas developed by the classical economists, such as Adam Smith, who saw micro-economic behavior as heavily influenced by the human psyche. In their updated work, the behavioral economists have applied insights gained from various modern fields of research to those original theories of economic behavior.

A deeper understanding of the unconscious and the concepts behind behavioral economics is starting to re-shape various walks of life. In advertising, for example, the UK Institute of Practitioners in Advertising is applying behavioral economics to examine how advertising really works. In policymaking, the UK government deploys behavioral economics theories via its Behavioral Insights Team in order to help citizens become greener, fitter, and wealthier.

Behavioral economics has also gained a wider audience through accessible works by academics and commentators, including *Nudge* by Cass Sunstein and Richard Thaler, *Made to Stick* by Chip and Dan Heath, *The Political Brain* by political scientist 



Drew Westen, and *The Social Animal*, by David Brooks, a *New York Times* columnist and author.

Re-thinking reputation

Our peers in branding have been quicker to realize that insights into neuroscience challenge how we think about corporate identities. A brand – and by extension, a reputation – exists in people’s minds as a series of associations and connections. In effect, a corporate reputation or brand image can be visualized in the brain as a subway map – a series of connected words, images, and associations – rather than as a static set of reputation attributes, or a top-down pyramid of knowledge.

Consumer research pioneers Wendy Gordon and Caroline Whitehill have highlighted how it can take up to two years to establish a connection or association in our long-term memories, but once it’s embedded, it sticks and is rarely forgotten. This will strike a chord for many communicators; it explains why childhood associations with brands or youthful impressions of political issues are often so ingrained. Also, it explains why it takes time and investment to bring about a change in reputation. Indeed, it is why some corporate crises live on in the collective consciousness for decades.

The principle of loss-aversion from behavioral economics also needs to inform

our thinking about how people weigh up companies and issues. In the consumer arena, behavioral economists have shown how people put a high value on something they already own, and will work harder to avoid losing it than they will to gain something new. Academics such as Dan Ariely and Robert Cialdini have shown that this also applies to attitudes and opinions. In other words, people work harder to justify current points of view than they do to change them. If you have ever watched a focus group you will know how strongly people can hang on to their cause or issue, even in the face of strong evidence against it.

Neuroscience and behavioral economics have also shown the role played by mental shortcuts in decision-making. Confronted by an overwhelming choice, we rely on information shortcuts – heuristics, to use the academic term – to make decisions or form judgments. Think back to when you were in the cereal aisle at the supermarket, or in the coffee shop, confronted with a panoply of options: you don’t have the time or the inclination to weigh every permutation. Instead, you rely on shortcuts.

The importance of heuristics explains why symbols matter when it comes to corporate reputation. We use symbols as a prism through which we form an opinion about a company or a policy issue, whether that is bankers’ bonuses, overseas call centers or trans fats. What do Americans

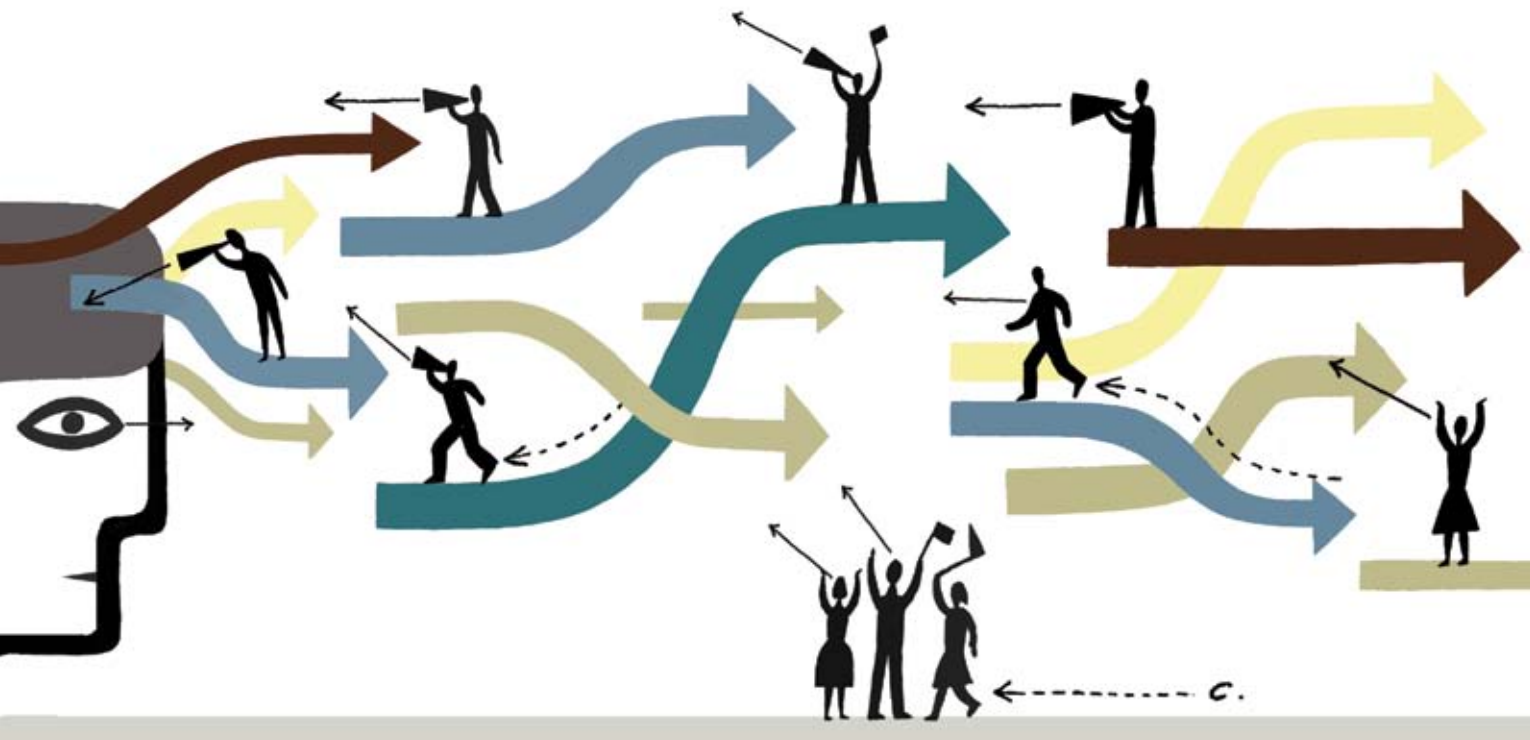
remember about the automakers CEOs’ visit to Capitol Hill to plead for bailout money? The executives’ carefully crafted testimonies or the fact that they flew from Detroit in executive jets?

Brand onion RIP

Often, companies wish to reduce their reputation to a set of six to eight reputation drivers – the criteria upon which stakeholders and opinion formers are evaluating their business – under headings such as “financial performance” or “social responsibility.” There is merit to this as it provides an organizing framework for corporate communications and often brings clarity and simplicity that can apply across multiple markets and stakeholder groups.

However, it can obscure the complexity of a company’s reputation. A corporate reputation, like a culture, is greater than the sum of its parts. We can see patterns emerge that are similar to the way themes develop in a society or culture. The danger with a limited approach is that the dynamism can be missed and we can lull ourselves into thinking that we can change reputation by bluntly “leveraging” one reputation driver over another.

The more subtle approach is to utilize opinion research to map out the mental associations, images and words that define a company’s reputation. The world of branding is on this journey, moving from



concepts of “brand onions” and “bullseyes” – which, by definition reduce a brand down to a set of key terms and often give too much weight to the opinions of brand managers rather than consumers – to concepts such as “brand engrams,” in effect mind maps, which aim to show the complexity of a brand’s profile and image.

As part of this process, companies need to be aware of the cues, signals, and symbols they send out. Mirroring how people formulate their views on political candidates, a corporate reputation is shaped by the cumulative effect of a range of cues and symbols. Reflecting the reliance on heuristics, consumers and stakeholders will draw on symbolic shorthand to describe a company’s image. Identifying that shorthand can be of great value to companies.

Re-thinking people’s perceptions

The role of heuristics underlines the need for companies to have a fresh look at their communications. In a data-saturated society, a significant amount of communication and marketing output has little impact on attitudes and perceptions. Successful politicians know this and realize that to connect you need, in the words of Downing Street head of strategy Andrew Cooper, “10,000 volt initiatives,” in order to grab attention.

Politicians use signature policies to shed light on their wider vision and values – they

create “mental shortcuts.” These are policies that are specific and tangible, yet imaginative and emotive in terms of what they imply. British Prime Minister Margaret Thatcher’s policy of empowering tenants to buy their own council houses (UK social housing) was a hugely powerful, emblematic policy, conveying her central themes of freedom and aspiration. On the other side of the Atlantic, we had President John F. Kennedy’s Peace Corps and President Ronald Reagan’s Strategic Defense Initiative (“Star Wars”).

Harvard professor Howard Gardner calls these distillations of a politician’s or company’s broader mission “representational re-descriptions.” In order to shift perceptions, companies need to develop and promote emblematic initiatives that give context, detail, and an emotive edge to their corporate mission. This cannot just be veneer or spin; a successful initiative has to be grounded, real, and credible. Then it becomes part of the symbolic shorthand people draw upon to cut through the clutter of information overload.

We are still only at the beginning of understanding what behavioral economics means for communications. But it clearly challenges many of our old assumptions and sheds light on how to effect change and to truly influence. 🌐

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CORRIDORS OF POWER

As governments grapple with thorny social challenges, such as promoting energy efficiency or reducing obesity, policymakers have turned to neuroscience and behavioral economics for inspiration. *Nudge* authors Cass Sunstein and Richard Thaler have been the most engaged: Sunstein joined the Obama administration as head of the Office of Information and Regulatory Affairs, while Thaler is advising the British Chancellor of the Exchequer (finance minister) George Osborne.

Policymakers are realizing that providing information is not enough on its own to shift mindsets and behavior. Instead, it is about carefully thinking through how choices are presented and how you go with the grain of social norms. The results of this fresh thinking are starting to be seen, whether it is calorie amounts on restaurant menus, opting out rather than opting in to organ donor registers, or tax forms stressing that most people in the area have paid already.

The approach has its critics from the traditional left and the libertarian right, both wary that “nudging” consumers is just the latest wheeze to meddle in people’s lives. They fear that the approach is reminiscent of George Orwell’s 1984. Politicians’ myopic focus on behavioral issues is also seen as reflecting a collapse in their ability to tackle the fundamental issues of how we structure society, instead focusing on micro consumer issues.



REPUTATION

DEFENDING AGAINST THE VIRTUAL SMEAR



A “cybersmear” is a special kind of virtual attack that risks tarnishing a company’s brand

BY ROD CHRISTIE-MILLER AND JENNY AFIA, SCHILLINGS
AND ANDY RIVETT-CARNAC, BRUNSWICK, LONDON

For a company, a “cybersmear” can unfold like the plot of a Franz Kafka novel. Unidentified perpetrators launch a public smear campaign that seems to grow organically and in such a way that it becomes increasingly difficult to combat. It is like a man being falsely accused – he knows he is innocent but the concocted evidence puts him in the position of having to *prove his innocence*. It can be as grave a development as a cyber security breach (see *Once More Unto the Breach*, page 59), but more insidious and requiring a different mode of defense; it is analogous to libel.

Consider the case of a fictitious energy company called, let us say, SparkCo, the details of which are not far removed from some real-life situations. SparkCo’s overworked head of communications, Jo, checks her BlackBerry before breakfast one morning and sees, buried among the standard summaries and spam, a startling Google update that jolts her wide awake. The headline reads: “SparkCo CEO embezzled company funds.”


Jo uneasily clicks on the link, taking her to a *Huffington Post*-style blog site she’s never seen before. The article, based on spurious quotes

from an “unnamed senior employee,” also carries what it claims to be details of the CEO’s personal tax records. Fuzzy facts are sprinkled in with false quotes, turning the piece into a compelling cocktail of half-truths, complete fabrication, and outrageous anti-SparkCo propaganda.

Jo heads to the office, hoping that the unfamiliar blog is too obscure to be noticed. At her desk, she Googles the company and is shocked to find that her general search now throws up a link to the same article on the initial page of results. So much for not many people seeing it.

As usual, SparkCo’s second Google result is its Wikipedia entry and Jo is dismayed to see that this has been updated overnight, repeating the false allegations and containing a link to the original article as its sole source.

This bears all the hallmarks of a coordinated cybersmear campaign, probably one that was originated by a group with some sort of agenda rather than by a disgruntled employee. In any case, if this is not adeptly managed, it could compromise an invaluable asset for any company: its reputation.

As she begins to process the questions and concerns running through her mind, Jo is 

interrupted by a colleague asking if she's seen the new post on the company's popular Facebook page which links to the article entitled "SparkCo CEO embezzled company funds" on the *Huffington Post*-style blog site. Jo pulls the page up to see five similar posts sitting atop the Facebook "wall."

Jo's phone rings. A well-known business journalist is on the phone requesting a comment about a tweet by SparkCo's CFO. Jo, who wasn't even aware the CFO was on Twitter, says she'll call him straight back. The journalist warns her that the newspaper is going to press within the hour with a "page lead" on SparkCo, so he needs a response quickly.

A prompt Twitter search turns up a tweet with the CFO apparently berating the CEO's management style. A follow-up reads: "Still, won't have to put up with it much longer #SparkCo." Jo's search also brings up a tweet linked to a think tank report: "Three energy companies in peril," including a section on SparkCo with negative comments from experts.

As Jo's morning coffee cools on her desk, she fears – with good cause – that these slurs are spreading like wildfire and rapidly solidifying into negative public perception of her company.

So what can be done when faced with the swelling tide of an anonymous cybersmear attack? The strategy should be to fight fire with fire. But first it is important to identify each and every outbreak of smear and document it carefully. The social media strategy and internal relationships between corporate communications, investor relations, marketing, and customer services should all be brought into play as the rebuttals begin. And in this world of ubiquitous social media, with instant, global access, those rebuttals need to begin as quickly as possible.

First in line for a response would be the prominent journalist, who would receive a courtesy call followed by a public @ message on Twitter directing him to a statement or press release on the SparkCo website that categorically denies the report as a smear. He should be urged to retweet and spread the message far and wide.

In tandem with the first step, a wider audience – employees, journalists, bloggers, regulators, business partners and investors – should be contacted and assured of the falsity of the claims and directed to the same press release.

It is then time to try and identify who was behind the attack. The SparkCo case almost certainly would be one of targeted malice, but sometimes an apparent cybersmear can turn out to be the result of simple computer error.

In 2008 a *Google News* software glitch resulted in a United Airlines bankruptcy

filing from six years before, running as if it were breaking news. An analyst from *Income Securities Advisor*, an advisory firm, repeated the mistake in a newsletter which was, in turn, redistributed by *Bloomberg News*, the financial newswire, to hundreds of websites and other news outlets.

Compounding the mistake, Google's "newsbot" interpreted the story's popularity as confirmation

of its importance, making the story even more prominent on the *Google News* website. By the time trading was halted, United Airlines' shares had fallen 76 per cent. The company was able to deny the rumor but its stock still closed down 10 per cent on the day.

In SparkCo's case, knowing what and who is behind the attack is crucial for planning a defense. When faced with anonymous attacks, using both technical and legal tools can be helpful in unmasking the perpetrator. In England, for example, a "Norwich Pharmacal Order" (NPO, named for a precedent case) compels an internet service provider (ISP) or webhost to disclose the identity and contact information of the person behind the offending online material. These can be obtained within a matter of hours if needs be.

In the US, New York state courts have ordered the disclosure of the identities of anonymous bloggers, when the applicant has demonstrated a good prospect of succeeding in a legal action against the blogger if he or she could be identified. The standard for obtaining an order varies from state to

"THE STRATEGY SHOULD
BE TO FIGHT FIRE
WITH FIRE. BUT FIRST IT IS
IMPORTANT TO IDENTIFY
EACH AND EVERY
OUTBREAK OF SMEAR
AND DOCUMENT IT"



state, though the basic rule is that if the applicant is able to show that a cause of action exists and is likely to be successful, the courts will consider assisting in identifying the proper defendant.

Often, being successful in uncovering online attackers requires a degree of perseverance in order to track down leads. The information obtained initially might not be trustworthy as savvy attackers take steps to cover their tracks. Yet even with the most sophisticated online smears, there will often be a trace somewhere that leaves a digital footprint or clue.

Once uncovered, the best legal strategy can be decided. Sometimes legal action will be appropriate. Laws of defamation apply just as much to online comments as they do to other forms of media. Faced with the ever-expanding technical means at the disposal of online defamers, the English courts have shown that they are willing to adapt old laws to modern situations. They have allowed the service of orders via Twitter and Facebook, for example, when it was the only way of ensuring the offenders would receive notice of the order. There are times when a legal response to the smearer may not be suitable – there is no one-size-fits-all solution for dealing with online smears. But one constant theme is that when attackers lose their cloak of anonymity, they quickly lose their power.

To run through the steps Jo could take to unmask the perpetrators of the SparkCo smear:

THE BLOG POST

SparkCo might not want to engage with the publisher of the blog site directly without knowing how it is likely to react (for example, will it revel in the attention and publicize the complaint?). Instead SparkCo might consider contacting the ISP/webhost to ask that the defamatory content be removed from the blog. Certainly, under English law if an ISP wants to use the “innocent dissemination” defense, it will want to do so promptly. Consequently, a complaint often yields fast results. However, there are limitations to this approach. If the site is hosted in the US, the ISP could point to Section 230 of the Communications Decency Act of 1996, which provides immunity for user-created content, no matter how false or offensive. Even if provided with absolute proof that content is false

and seriously damaging, many ISPs will claim to have no duty to remove it.

THE GOOGLE ADWORD

A practical solution might be to reduce the visibility of the site. In SparkCo’s scenario, Google would almost certainly remove the advert promoting the blog site from SparkCo’s Google search results. The terms of Google AdWords – Google’s main advertising product – prohibit advertisements that “include accusations or attacks relating to an individual’s personal life.” Applying to Google should see the link removed from SparkCo search results within a couple of hours.


THE CFO’S “TWEETS”

Jo is assured by the CFO that he has never tweeted in his life. It transpires that a fake account has been set up in his name, not just on Twitter but also on LinkedIn. Twitter and LinkedIn have procedures to disable false accounts after confirmation that the identities are bogus. Results can be achieved quickly.

THE THINK TANK “REPORT”

A little research reveals that the organization is highly dubious. Contact numbers listed on the site, for example, are not answered and the experts quoted in the report claim to have no knowledge of it. A court order to identify who posted the report online could be sought and obtained within a very short time. Assuming that the person identified is just a technical flunky being paid to carry out the attacks, SparkCo could consider seeking an order against that person compelling him to disclose the identity of his client, thus revealing whoever is masterminding the campaign.

SPARKCO’S WIKIPEDIA PAGE

Armed with the evidence to show that the damaging claims have emanated from discreditable sources, it will be possible to have the offending claims and links removed from SparkCo’s Wikipedia page. Wikipedia has its own reputation as an authoritative source to protect. It is advisable to contact Wikipedia directly and request that the offending content be removed rather than try to change it oneself, as this can just lead to a frustrating cat and mouse game. 

Wikipedia, by contrast, can permanently ban users from amending page entries. A constructive dialogue with Wikipedia's "Administrators" through the article's "talk page" will result in the material being removed if it can be shown to be disreputable and borne out of malevolent motives. If provided with sufficient evidence that the claims are unreliable, Wikipedia can remove material shortly after being contacted.

SPARKCO'S FACEBOOK PAGE

Finally, what about SparkCo's Facebook page, which has been tarnished by the negative posts? A cause of action can usually be found when a brand is hijacked in this way. For instance, there could be a potential defamation claim. However, more often than not in these situations, a legal approach would be counterproductive. The point about social media is that the brand is attempting to be sociable. There is no quicker way of alienating your newly sought friends than by suing them. Better to set up "house rules" on the page in advance, stating that defamatory or hateful posts will be removed. This gives a company's representative recourse to explain his motives when removing unsuitable content from its Facebook page.

CONCLUSION

There is much that can be done when confronted with an online smear. Brands that cope best are frequently those with a coordinated legal and PR strategy, alongside an organizational structure that allows for rapid responses to breaking issues. Companies that have a degree of goodwill from their stakeholders are much better placed to reach out to their wider audiences and call on them to help rebut false claims.

Yet, as cybersmears become more sophisticated, there is a broader cultural shift that is required to deter behavior that in other circumstances could be deemed criminal. The biggest change required is in attitudes toward online anonymity, particularly in the US. While the courts might be coming round to the idea that there should not be an automatic right to anonymity when posting content online, there is currently no requirement that websites, hosts, or ISPs collect or store any information that could be used to connect online activity to a

real person, whether directly (such as storing a name) or indirectly (such as storing an IP address). Such technical and legal limitations create a profound lack of accountability on the web in the US.

In the UK, further legal redress may be on the way. A report ordered by Parliament calls for swift action by a host or ISP if the subject of anonymous material complains. It also calls for a cultural change, supported by legislation, that would mean anonymous online material should not be regarded as reliable.

A cultural shift will be hard to achieve. As demonstrated by the famous Stanley Milgram experiments in the 1960s, behavior becomes more extreme when people cannot see or identify with their victim. Participants in that experiment were willing to administer what they thought were brutal electric shocks (the "victims" were actors) when they could abdicate responsibility to someone giving orders.

Also, anonymity can be regarded as a force for good in the online world in some cases – allowing people to speak out against oppressive regimes, for example. But anonymity as the default position online clearly has its dangers and the harm that online smears can inflict must be recognized. Companies must embrace the digital age and governments need to provide sufficient protection. A first vital step toward achieving this would be to require that ISPs hold identifying information for those who post online anonymously, but that their identities be kept confidential unless there is proof that they have smeared another party.

Randi Zuckerberg, Facebook's former marketing director, declared earlier this year that, "Anonymity on the internet has to go away." Some other Facebook and Google executives concurred. After all, as a *New Yorker* cartoon caption once put it: "On the internet, nobody knows you're a dog." 🐕

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THE CONVERSATION

In China, the phenomenal growth and influence of micro-blogging, or “Weibo,” has revealed an insatiable appetite to share information on topics from pop star gossip to corporate behavior. What should communicators do?


BY GINNY WILMERDING, BRUNSWICK HONG KONG
AND ROSE WANG, BRUNSWICK BEIJING

Weibo (微博), the Chinese term for “micro-blogging,” has become an extraordinary – and increasingly corporate – cultural phenomenon in China, its precipitous growth driven by recent crises amid China’s rapid economic and social development.

In 2007, a Chinese company called Fanfou, which was founded by serial entrepreneur Wang Xing, first used the term “Weibo.” Many believe that the earthquake in Sichuan province a year later marked the birth of Weibo as an influential medium, as millions of people tried to communicate what was happening to them and those close to them via real-time blogs.

However, Weibo should not be seen as simply China’s answer to Twitter. To fully appreciate its much broader significance one must first understand the distinctions, including the fact that it is not a single

company. Weibo is a more robust platform that combines the functionality offered by the main Western social media sites, including Twitter and Facebook, as well as the capacity to integrate with bigger online platforms. There are at least a dozen providers (though just a few are dominant), with 195m unique users in June 2011, by one estimate, and the market is growing at a phenomenal rate – faster than current internet use. Also, market penetration is far greater than it is in the West. Weibo is arguably a richer way of communicating than Twitter, as the post limit of 140 Chinese characters transmits significantly more information than an English-language tweet of the same character length.

A year after the online chatter around the Sichuan earthquake, the Chinese authorities shut down the Fanfou site probably because of its role in spreading 

DIGITAL CHINA AT A GLANCE



- ✦ 70 per cent of micro-bloggers in China use Weibo as their primary source of news, and 60 per cent believe that the news is trustworthy. *Chinese Academy of Social Sciences*
- ✦ About 40 per cent of China's internet users use micro-blogs, compared with just 10 per cent of American internet users. *China Internet Network Information Center (CNNIC), Pew Internet & American Life Project*
- ✦ There were 195m unique micro-blogging users in China at the end of June 2011. *CNNIC*
- ✦ Sina, Tencent and Baidu have nearly 98 per cent share of the Weibo market, with Sina accounting for almost 87 per cent on a "browsing time" basis. *RedTech Advisors, Mirae Asset*
- ✦ Sina Weibo announced in August that registered accounts had surpassed 200m. It continues to add approximately 20m new accounts each month and more than 50m micro-blogs are posted each day. Tencent reported 233m Weibo users at the end of the second quarter, a quarterly increase of nearly 60 per cent. *Sina and Tencent Q2 2011 Financial Reports*
- ✦ About one-third of Weibo users access sites via mobile phones. *CNNIC*
- ✦ China had more than 940m mobile phone users at the end of August 2011. *Source: Ministry of Industry and Information Technology*
- ✦ There were 485m internet users in China at the end of June 2011, up 6.1 per cent from the end of 2010. (*CNNIC*)
- ✦ China's internet penetration is 36 per cent, compared to a world average of 30 per cent and a North American average of 78 per cent. *Internet World Stats*
- ✦ There are at least 12 Weibo services in China.
- ✦ As of July of this year, 4,920 government departments and 3,949 government officials had opened micro-blog accounts. *Shanghai Jiao Tong University*
- ✦ The most followed Sina Weibo user in China is actress Yao Chen, with 11.9m followers, compared to 10m Twitter followers of US President Barack Obama. *www.independent.co.uk*

information and enabling discussion about unrest and ethnic riots in Xinjiang, an autonomous region in the country's far northwest. But Weibo couldn't be stopped. Sina Corporation stepped into the void left by Fanfou and today Sina Weibo is the best known of China's micro-blogging sites, having captured much of the fast-growing urban audience as well as the coveted www.weibo.com domain. Tencent Weibo is its nearest rival, though Sina Weibo has an enormous lead, as measured by browsing time (see box).

As Weibo's popularity has grown, the government has also embraced micro-blogging. "When micro-blogging was just emerging, many government departments and officials disapproved of it and avoided it," says Xie Yungeng, Deputy Director of Shanghai Jiao Tong University's Institute of Arts and Humanities. "But that has changed. More officials have a positive attitude toward it now, hoping more interaction with the public will ease any tension."

There may also be tacit acknowledgement by officials that the Weibo tide cannot be turned. Today, if members of the public observe an event, news of it will travel like wildfire, whatever the official line. This was starkly illustrated in July when a high-speed train accident in Wenzhou, Zhejiang province, killed 40 people. The authorities took hours to acknowledge

Chinese property tycoon Ren Zhiqiang used Weibo to help with an image makeover. Once considered "a public enemy" for making unsympathetic comments about people who cannot afford housing amid China's property boom, he now uses his Sina Weibo account to explain his views and answer his critics, as well as to project a softer side of his character.

the crash, but people across China heard the news and followed developments from people on the stricken trains who were posting Weibo updates in real time with uncensored versions of what was happening.

Reputation risks and rewards

Other incidents have underlined Weibo's power over personal and corporate reputation. When 20-year old Guo Meimei claimed on her Sina Weibo account last summer to be general manager of the "Red Cross Chamber of Commerce" and bragged about her wealth, flaunting photos of herself posing with her Hermès bag and a 2.4m-yuan (\$375,000) Maserati, millions of Chinese "netizens" took this as evidence that money given to the Red Cross Society of China was being siphoned off by corrupt employees. According to the China Charity and Donation Information Center, donations to Chinese charities fell 90 per cent in June compared with the prior month. Incalculable damage was done to the reputation of the Red Cross Society of China, even though it denied any association with Guo Meimei or even that an organization called "Red Cross Chamber of Commerce" existed.

Weibo has demonstrated its ability to both erode reputations and bring about social change on a number of fronts:

Environmental activism In August 2011, more than 12,000 people gathered in the city of Dalian in northeast China to protest the allegedly unsafe operation of a chemical plant that produced paraxylene, a toxic chemical used to make polyester and plastics. The scale of the protest, which was organized via Weibo messages, caught authorities off guard. By the end of the day, Dalian's mayor promised that the factory would be relocated.

Customer activism In March 2011, a Weibo-inspired boycott of ham produced by the Henan Shuanghui Group went viral following allegations that it supplied its restaurants with pork from pigs fed a toxic lean meat powder to boost muscle mass. Separately, in July 2011 consumers boycotted Ajisen, a Japanese-style fast food restaurant, following Weibo-transmitted accusations that it made its soup broth using concentrate and cheap flavoring powders.

Labor activism Weibo has become a place for disgruntled employees to vent their anger and draw public sympathy when they feel they have been treated unfairly. In May, Ku6, a video website owned by Shanda Group, announced its plans to cut jobs by 20 per cent. Hao Zhizhong, a former Ku6 vice-president who lost his job, wrote on both his Sina and Tencent Weibo blogs,

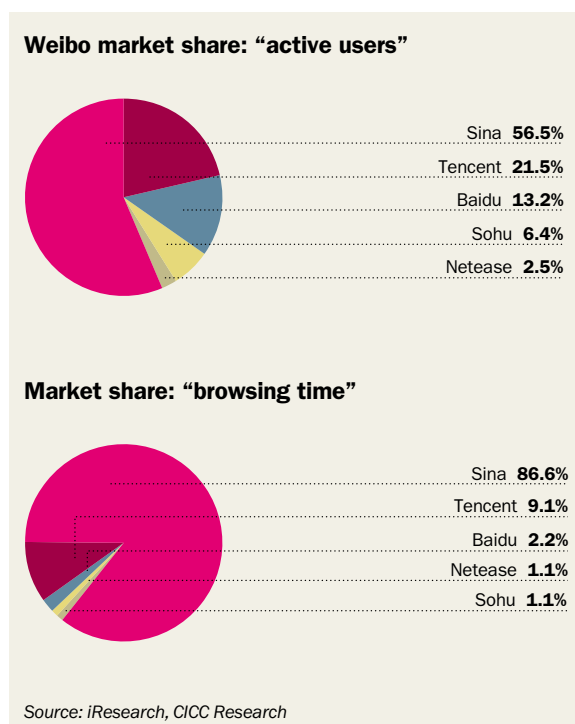


calling Ku6's parent company "stupid, mean, and cold-blooded." He drew support from other laid-off employees who joined in an escalating Weibo fight with Ku6.

Banker bashing (and retaliation) Last January, Li Guoqing, the CEO of DangDang, an online book retailer, used Weibo to publicly lambast investment bank Morgan Stanley for undervaluing his company's shares at its initial public offering in late 2010. DangDang's shares were listed on the New York Stock Exchange at an initial price of \$16 but quickly were trading at double that. Li's messages were full of obscenities and included the remark, "I regret not giving the job to Goldman Sachs." Two Sina Weibo accounts claiming to be held by Morgan Stanley employees fired back at Li, though the bank later denied any association. Morgan Stanley did, however, issue an official statement calling Li's behavior "childish."

Human rights Well-known human rights activist and sociologist Yu Jianrong has used Weibo to expose the plight of poor children and track down victims of kidnapping. Yu called on Chinese "netizens" to wield their cameras to bring child begging to the public's attention by uploading pictures to his blog. In one high-profile case, Yu was successful in reuniting a seven-year-old boy with his parents.

CHINA'S 2010 MICRO-BLOGGING MARKET



Building brands

Though negative stories have attracted the most attention, Weibo sites offer enormous brand-building potential for companies. Sina Weibo now offers "corporate verification" and homepage customization, giving companies more control over how their image is portrayed. Verified enterprises have access to new metrics, including age, gender, and location of followers. Weibo is fast becoming an essential part of any communications strategy. But whether it is a product, an event launch, or reputation building, it is important for communicators to understand the Chinese way of using social media. Some examples of companies and individuals who have used Weibo for reputation building include:

GE Healthcare Communications Manager Larry Kou said his company felt a need to put a human face on its B2B brand. In a recent campaign, he used Weibo as a platform to raise people's awareness of women's healthcare issues and said his team has plans to use the social medium to promote a broader GE topic: "Healthymagination." That is an online effort to get patients, medical researchers, and healthcare innovators to collaborate in order to accelerate innovation (for example, in breast cancer treatments).

Unilever promoted its new Pond's Age Miracle moisturizer in China via Weibo, recruiting bloggers to try the product and share their findings. The risky strategy had a huge upside: if the bloggers liked the product, word of mouth could lead to major success. The product was a hit, leading to the adoption of social media strategies by other Unilever offices and brands in Asia.

Visa China opened an account on Sina Weibo in June to broaden engagement with key Chinese stakeholders. The corporate Weibo account complements its corporate blog, which has more in-depth content.

Huayuan Group, a Beijing property group, used Weibo to rebuild its reputation after CEO Ren Zhiqiang was widely criticized for unsympathetic remarks about people struggling to afford soaring real estate prices in China. Ren used his Sina Weibo to temper his outspoken comments on China's property market and to advocate better management of public affairs. More generally, he shares his outlook on life and the occasional poem. The criticism hasn't disappeared but it has faded.

A checklist

One golden rule for micro-blogging in China is never to engage in an online argument, especially with influential bloggers. Anita Qi, New Media Business Development & Marketing Director at Caixin Media, says, "Company executives should never argue openly with consumers or opinion leaders on Weibo." Those conversations should

be taken offline – they can end up with a favorable outcome in cases where genuinely concerned bloggers take down or reverse negative comments when offered reasonable explanations. Also, Qi counsels, “Companies and organizations should employ a dedicated individual or team to monitor Weibo or other social media, and respond quickly and effectively at times of urgency.”

Here are some more pointers for Weibo:

- ✦ Have a clear Weibo strategy before opening an account. In order to avoid your Weibo account turning into something unintended, such as a customer complaint outlet, one must ask the following questions: What do we need from Weibo? How can our Weibo strategy fit into our organization’s overall communications program? Who is our audience? What image do we want to build for our organization?
- ✦ Content and interaction is the key. Weibo is an interactive medium and success is built on people forwarding or commenting on posts – the greater the value of the content the more impact the post will produce. Do not waste its potential on press releases; rather, consider things that will engage, such as reward programs.
- ✦ Put a human face on your ID. Some companies have successfully used corporate executives’ names to

open an account together with his or her profile photo. These include Kai-Fu Lee, former President of Google China and current CEO of Innovation Works.

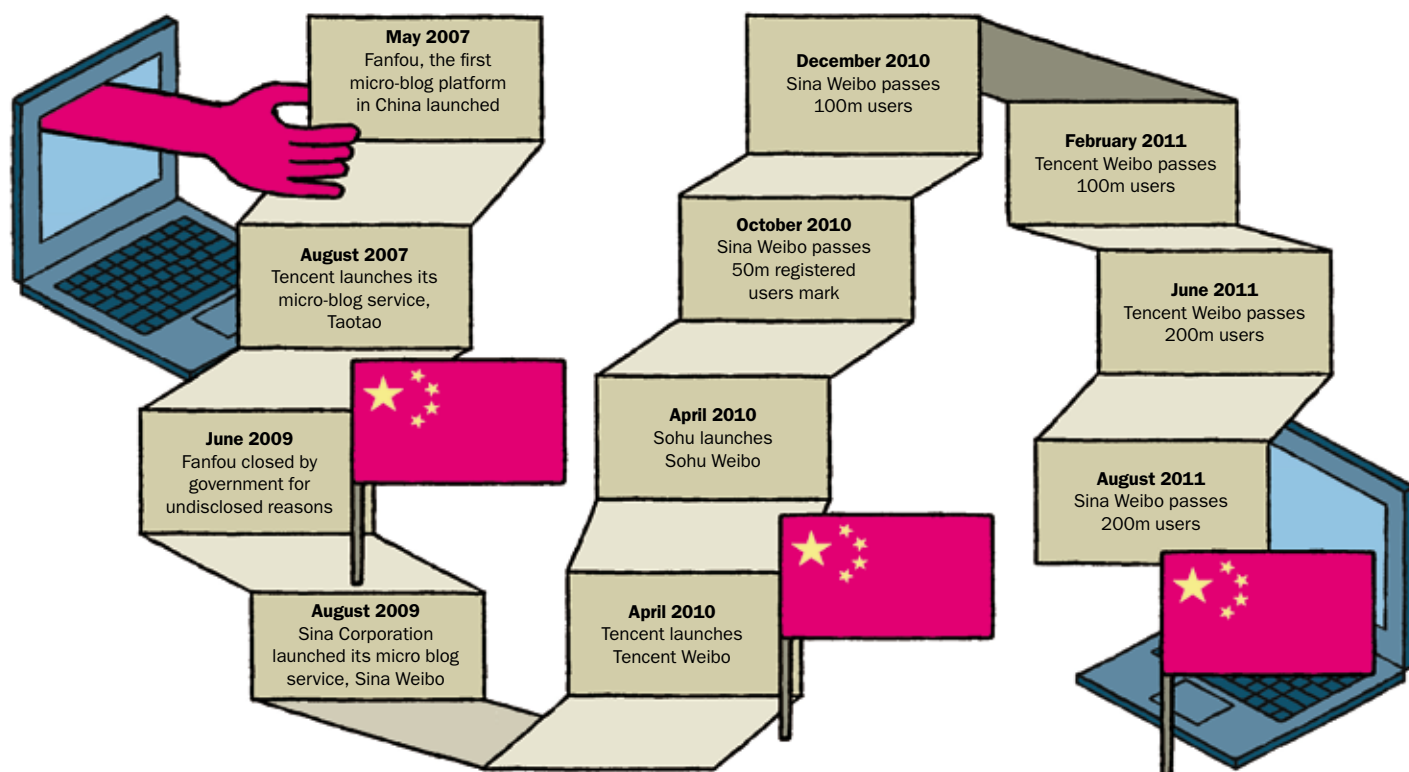
As the *Review* went to press, the Central Committee of the Communist Party of China announced preliminary plans to regulate and rein in social media, potentially by requiring micro-bloggers to register accounts with their real names so that those spreading “harmful information” could be found and punished. Weibo service operators also report that Party officials have been pressing them to be stronger and swifter in censoring posts. While it is not yet clear how far officials will go, the move is part of a trend that is expected to continue as the Party grapples with managing this evolving medium. ☺

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Rose Wang is a Partner in Brunswick’s Beijing office. She advises on public affairs and critical corporate issues.

St. John Moore, Yi Lou, and Helen Zhao, from Brunswick’s Beijing office also contributed to this story.

WEIBO: CHINA’S UNDER-FIVE-YEAR-OLD IS GROWING FAST



DIFFERENT TAKE

A section that focuses on sport, history and culture ... and a touch of humor

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ART, PHYSICS ... SPEED

Anita Scott talks to probably the most successful racing car designer ever

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Michael Hughes on how the poignant news of the tragedy crossed the globe, relayed by Marconi wireless operators

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Michael France considers the “Perp Walk”

“Since I started my career with a small independent, it is very much unfinished business for me – going back to an independent team and seeing what we could achieve.”

“For me, Formula One design is a blend of art and physics. You come up with fresh ideas, novel solutions, from the artistic side of the brain. But if they fail in the wind tunnel, you have to discard them.”

Adrian Newey and Sebastian Vettel celebrate victory in the Malaysian Grand Prix, April 2011
Photograph: Red Bull Racing



ADRIAN NEWHEY

ART, PHYSICS ... SPEED

Adrian Newey is probably the most successful racing car designer ever, winning championships with three different Formula One teams, including Red Bull Racing, where he has been Chief Technical Officer since 2006. Here he talks with Brunswick's **Anita Scott**

"The only things that count are the speed and reliability of the car. There is no premium on styling."

"You can come up with two solutions that are aerodynamically identical. At that point, if one looks slightly more attractive than the other, then you go with the more attractive-looking one."

"Dietrich Mateschitz, the Red Bull co-owner, is passionate about motor sport. And it's good for business. When we won the British Grand Prix for the first time in 2009, Red Bull saw a clear increase in sales."

"When I was 15 I used to race on the local track. But very quickly I became more interested in trying to make the car go faster by modifying it."

"The cars are covered with hundreds of sensors and data recorders, and dozens of gigabytes of data are gathered each time the car runs. But if the car is handling poorly, you won't see from the data what the car naturally wants to do, because the driver will adjust his driving style to compensate. So trying to match the data with what the driver is saying, that's the key."

"Red Bull purchased the assets of Jaguar Racing in 2004. There had been a lot of hiring and firing ... that gave rise to a blame-type culture where people would rather do nothing than do something risky and get the blame if it didn't work. We tried to break that down, to encourage people to explore, take risks, try different things ... be creative."

“One of the things we did pretty quickly was get all 130 engineers into one big, open-plan-area in the factory and arrange it to encourage communication.”

“I’m probably the last guy in the industry still using a drawing board. I often start with a pencil sketch and then it’s just A4 paper, developing it on the drawing board.”

“I prefer verbal communication. You don’t need an e-mail that goes two feet across the desk to the person sitting next to you.”

“My drawings are scanned in. They tend to be pretty accurate – I draw to within about half a millimeter or so. Then if it is to be manufactured, we use computer-controlled machinery. Or it may have to be evaluated in computational fluid dynamics – which is aerodynamics by computer simulation.”

“During a normal week at the factory, I probably spend half my time wandering round, talking to the engineers. The rest of the time, I spend standing at my drawing board.”

“We do not restrict the flow of information between departments – this means a more creative and positive atmosphere around the factory. It’s important that people feel valued and involved in what’s going on.”

“In many ways, design is like a language. Getting ideas from my head on to paper – and then I’ll communicate them to the rest of the company.”

“We probably have about two hours’ worth of meetings a week. But only if there’s a well thought out agenda – and only if we think it will breed ideas.”

“Quite often there are philosophical decisions to be made in terms of coming up with solutions that are elegant, ones that might initially be less efficient than other more brutal solutions. If it’s elegant, novel – then ultimately there can be more development potential than with the brutal solution.”

“Ultimately, it’s just about speed.”

“One thing that worries me is the trend to make the regulations ever more restrictive year on year. If that continues, eventually the cars will all look the same, and indeed will be the same.”

“In terms of the sort of people I admire from the past within motor racing, I would say Colin Chapman, the founder of Lotus, and Gordon Murray [of Brabham and later McLaren], both of whom came up with some very creative designs. And another chap, Jim Hall, responsible for Chaparral in America.”

“Success in Formula One tends to be cyclical – if you go back to the 1960s it was the big manufacturers such as Ferrari, Maserati, and Alfa Romeo that were dominant. Then independent teams started to be successful – then manufacturers again. Now the independents are back. If you have a good budget and a good engine, there is no reason why you shouldn’t do a good job.”

ADRIAN NEWEY

1977-1980 Studies aeronautics and astronautics at the University of Southampton and writes thesis on ground-effect aerodynamics, which immediately lands him job with Fittipaldi Automotive.

1982 Joins March Engineering, designs the March GTP car which wins two consecutive IMSA titles.

1984-1986 Designs the cars that win Indianapolis 500 and CART championships in 1984, 1985 and 1986.

1986 Returns to CART as race engineer for Mario Andretti. Rejoins March, becoming technical director when Leyton House takes over the team.

1990 Joins Williams as chief designer. Williams-Renault is the dominant force in the 1990s, winning 58 grands prix, four Drivers’ and five Constructors’ titles.

1997 Joins McLaren, takes Mika Häkkinen to two world Drivers’ Championships.

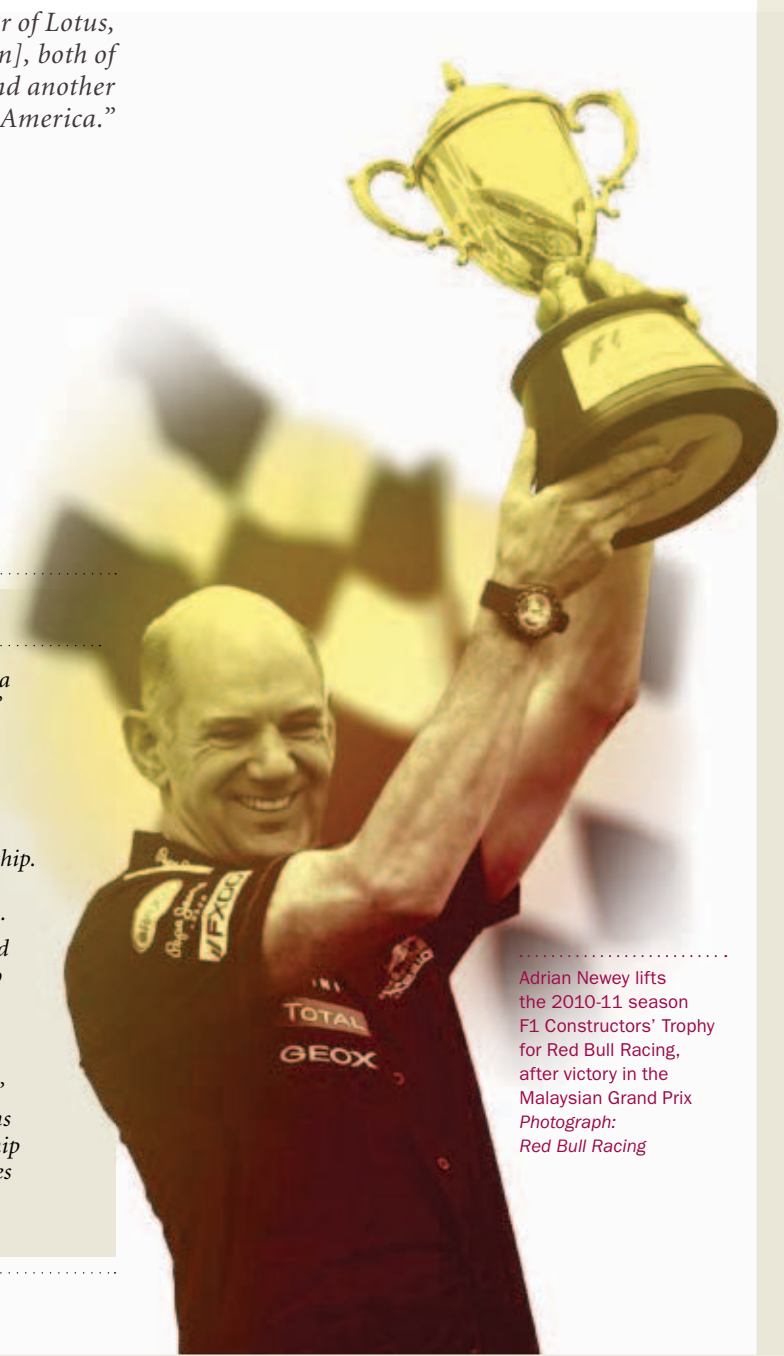
2006 Joins Red Bull Technology.

2009 Red Bull takes six wins to grab second in the Formula One Constructors’ Championship. Sebastian Vettel also places second in the Drivers’ title race.

2010 Red Bull drivers Vettel and Mark Webber land nine wins to take the Constructors’ crown. Vettel claims the team’s first Drivers’ title.

2011 Vettel secures the Drivers’ title in Japan and Red Bull wins the Constructors’ Championship in South Korea, with three races still to go before the end of the season.

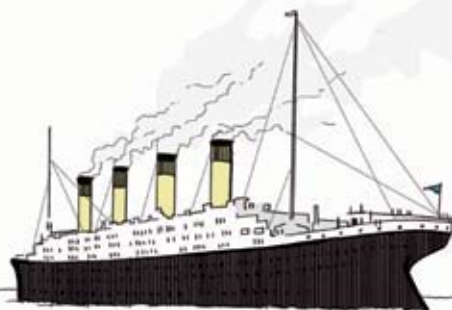
“At the end of the day, Formula One is a show. And people don’t turn it on because they’re interested in the technology or the cars or the design – they’re watching for the entertainment, for escapism. I think the important thing for Formula One is that it continues to put on a good show.”



Adrian Newey lifts the 2010-11 season F1 Constructors’ Trophy for Red Bull Racing, after victory in the Malaysian Grand Prix
Photograph: Red Bull Racing

Anita Scott is a Partner in Brunswick’s London office. She loves classic cars.

12:00 noon April 10 1912 *Titanic* launched from Southampton, England on its maiden voyage. After stopping in Cherbourg, France, it arrives at Queenstown, Ireland at 11:30am the next day. Two hours later it leaves for New York.



TITANIC CALLING

The poignant news of the tragedy as it was first heard
was relayed by Marconi wireless operators

BY MICHAEL HUGHES, SENIOR ARCHIVIST
AT THE BODLEIAN LIBRARY, UNIVERSITY OF OXFORD

"I was in the boat and the boat was upside down and I was under it. And I remember realizing ... that whatever happened I must not breathe, for I was under water" (*The New York Times*, April 19 1912).

Just minutes after arriving in New York, this was how Harold Bride, junior wireless operator on *RMS Titanic*, recalled the moment he was washed from the deck of the sinking ship into the upturned lifeboat which was to save his life. Eventually managing to drag himself on top of the lifeboat, Bride and around 30 other men struggled to keep it afloat in the increasingly rough water until they were finally picked up by the *RMS Carpathia* at dawn. This was not the end of his ordeal. Despite having temporarily lost the use of both legs from exposure, Bride was carried to the *Carpathia* wireless room to assist its only operator, Harold Cottam. Together, they worked without rest, sending vital communications including lists of survivors and messages to friends and relatives of *Titanic*'s passengers, until the *Carpathia* docked in New York on the evening of April 18.

Bride, 22, was one of two operators assigned to the *Titanic* for its maiden voyage. His senior, Jack Phillips, 25, was on his way to bed at around midnight on April 14 when Captain Edward Smith entered the Marconi cabin and instructed the operators to call for assistance. For the next two hours, Phillips sent distress calls continuously to all ships within range of the powerful wireless transmitter, refusing to leave his post even when released by the Captain. Phillips and Bride were among the last to leave the stricken ship, rushing from the wireless room as water was already washing over the decks. Phillips also made it to the upturned lifeboat but perished before he could be rescued.

Almost 100 years on, the *Titanic* disaster continues to inspire interest and study, but the fascinating story of wireless communication has often been overlooked. Nearly all passenger ships were fitted with wireless technology in 1912 and trained operators sent and received

hundreds of messages each day. The distress calls from the *Titanic* and messages from the survivors are deeply poignant, the more so as a result of their brevity. "*Titanic struck berg wants assistance immediately ship sinking passengers in boats his position lat 41.46 long 50.14*" (Oxford, Bodleian Library, MS. Marconi 263, fol. 63). Chargeable by the word and needing to be sent rapidly by Morse code, their short and abbreviated style is surprisingly familiar to a modern audience, accustomed as we are to the staccato nature of Twitter.

The Marconi Archives were donated by the company to Oxford University's Bodleian Library in 2004, along with a sizable collection of historic wireless equipment. Owing to the significant costs of cataloging and conserving large archival collections, and the lack of funding available for this important work, fascinating discoveries are still being made in the collection and material relating to the *Titanic* forms a section of particular interest within the archives. Comprising material gathered by the Marconi Company to be submitted to a UK Inquiry into the disaster in 1912, it contains log books kept by wireless operators on ships and at shore stations as well as an extensive collection of individual messages sent to, from, and about the *Titanic* both before and after the sinking. To mark the centenary of the disaster the Bodleian Library and Bernard Quaritch Ltd have collaborated on a publication, *Titanic Calling*, which draws upon this compelling resource to tell the story of the *Titanic* as it was first heard.

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Katherine Bosworth works at Bernard Quaritch Ltd, specializing in archives. She co-edited *Titanic Calling* and contributed to this story.

9:20pm (ship's time) April 14
The *Titanic's* Captain Edward Smith retires to his room.

10:30pm April 14 The *Californian* stops at the edge of the ice field for the night. The wireless operator turns off his equipment and goes to bed.

11:40pm April 14, four-and-a-half days out from England The *Titanic* strikes the iceberg, 37 seconds after it is sighted. Latitude 41° 46' N, longitude 50° 14' W.

MARCONI

The Marconi International Marine Communication Company provided its services to many shipping lines (including both White Star Line, owner of the *Titanic*, and Cunard, owner of the *Carpathia*), supplying equipment and Marconi-employed operators. Marconi protocols and signals, including the "CQD" distress signal, were well known by all wireless operators in 1912.

CALLSIGNS

Every wireless station, both ship and shore stations, was identified by a three-letter callsign, used in all communications. Each Marconi station callsign began with the letter "M"; the *Titanic's* callsign was MGY, the *Carpathia's* MPA.

CQD NOT SOS

The standard Marconi distress signal, recognized by all ships, was "CQD," from "CQ," a call to all ships, and "D" for "distress." "SOS" had been introduced in 1908 but was not widely used until after the *Titanic* disaster. The *Titanic* sent both signals repeatedly on the night of April 14, a final broken "CQ ..." being picked up by the *Virginian*, one of several ships rushing toward the *Titanic's* position, just a few minutes before it foundered.

No. 1a.

1 MARCONI WIRELESS TELEGRAPH COMPANY OF CANADA, Limited
MONTREAL

No. 5 **2 Camperdown** STATION **3 April 17** 19 12

Prefix _____ Code _____ **4 Words 18**

5 Office of Origin MPA **7 S.D.** Time Rec'd 7:44 By whom Rec'd W.

Service Instructions: **6 via MEA.** Stations sent to **8 7 104** Time Sent 8:55 By whom sent M.B.

9 To Islefrank New York

| | | | | |
|---------|-------------|-----------------------|-------|----------------|
| Deeply | report | advise | you | <i>titanic</i> |
| sank | this | morning | after | collision |
| iceberg | resulting | serious | loss | life |
| further | particulars | later | | |
| | | 10 Bruce Ismay | | |

MESSAGE TO WHITE STAR LINE, NOTIFYING IT OF THE SINKING

1. Marconi ... Montreal The subsidiary company which handled messages sent and received in Canada.

2. Camperdown Shore station in Nova Scotia which received and recorded the message.

3. April 17 Ismay insisted he wrote this message on the morning of April 15 but it did not reach Franklin until the evening of April 17, an unexplained delay only partially attributable to delays in relaying messages between ships.

4. Words – 18 Commercial messages were charged by the word. Although certain official messages were sent without charge, most continued to use this tweet-like shorthand.

5. Office of origin MPA was the callsign of the *Carpathia*.

6. Via MEA, via CPR The *Carpathia's* wireless transmitter had a very short range, so messages had to be relayed via other ships and shore stations. This message was passed on by the *Franconia* (MEA) and the *Princess Royal* (CPR) before reaching Sable Island (MSD) where it was forwarded to Camperdown.

7. Station received from The Camperdown operator's notes of the sender (in this case Sable Island, Nova Scotia, relaying the message).

8. Station sent to The notes of the Camperdown operator sending on the message – it is not clear who this was forwarded to (presumably

New York) but it was not sent on until 13 hours after it was received.

9. To Islefrank New York The codename for Philip Franklin, head of White Star Line's parent company in New York.

10. Bruce Ismay The Managing Director of White Star Line, was on board. He was rescued by the *Carpathia*, having left the *Titanic* in one of the last lifeboats lowered from the ship. He faced criticism for this and according to the *Titanic's* second officer C.H. Lightoller, spent the whole journey on the *Carpathia* confined to his cabin in a state of despair, tormented with guilt at having survived when so many women and children had died.

2:20am April 15 The *Titanic* sinks.

4:10am April 15 The *Carpathia* picks up the first survivors.

8:30am April 15 The *Carpathia* rescues the last few survivors.



HAROLD BRIDE, 1890-1956
JUNIOR WIRELESS OPERATOR

Harold Bride, from London, joined the Marconi Company in 1911 and was just 22 years old when sent to Belfast to join the *Titanic* as junior operator. He assisted his senior colleague Jack Phillips throughout the journey and remained with him in the wireless cabin on the night of the sinking until the power to the transmitter failed and both men fled the ship. He was washed overboard, clinging to an upturned lifeboat, the same boat on which Phillips died. Bride managed to climb on to the boat and was picked up by the *Carpathia* the following morning. On board the *Carpathia* he willingly assisted the ship's exhausted operator, Harold Cottam, despite having temporarily lost the use of both legs from exposure. He continued to work for the Marconi Company until 1917.

THE SAKS MESSAGES

CAMPERDOWN APRIL 17TH 1912
OFFICE OF ORIGIN: MPA [CARPATHIA]

TO: SAKS NEW YORK

LEILA SAFE AND WELL CARED FOR EDGAR MISSING.

A message from Leila Meyer (née Saks) to her family (via their business, the New York clothing firm Saks & Co) informing them that she was safe but her husband, Edgar, a successful engineer and businessman, had not survived.

SEAGATE APRIL 18TH 1912
OFFICE OF ORIGIN: MPA CARPATHIA

TO: SAKS AND CO. NY

36 MENS MEDIUM FLANNEL SHIRTS
12 MENS DITTO DRAWERS 12 PAIRS SOCKS DELIVER IMMEDIATELY
AT PIER 54 TO OFFICER C.H. LIGHTOLLER.

The second message, sent from the *Carpathia* after it docked in New York, is also from Leila Meyer, showing remarkable poise and selflessness. She requests clothes from Saks for the surviving officers and a few of the crew of the *Titanic* who were required to appear the following day before a hastily convened inquiry into the sinking. They would of course have arrived in New York with just the clothes they were wearing when the ship went down.

THE BADENOCH MESSAGE

SIASCONSET APRIL 18TH 1912
OFFICE OF ORIGIN: CARPATHIA

TO: PERCY STRAUS L.H.
MACY AND CO.
HERALD SQUARE NYK

EVERY BOAT WATCHED FATHER MOTHER NOT ON CARPATHIA HOPE STILL.
BADENOCH

A message to Percy Straus of Macy & Co., to inform him that his parents, Isidor and Ida Straus, were not on board the *Carpathia*. Possibly sent by Ida Straus's maid, Ellen Bird, who was the only one of the Straus party to survive the sinking.



JACK PHILLIPS, 1887-1912
SENIOR WIRELESS OPERATOR

Jack Phillips, from Farncombe, Surrey, was already an experienced operator, having worked on ships for five years, when he was appointed senior operator on the *Titanic*. He celebrated his 25th birthday aboard the ship on April 11. Following the collision with the iceberg, he stayed at his post, calling for assistance until just minutes before the ship sank, even after having been released from duty by the Captain. Although he managed to swim to an upturned lifeboat, he died from exposure.

The Bodleian Library

Oxford's libraries are among the most celebrated in the world for their collections of books and manuscripts. Among them is the Bodleian (or Bodley), established by Sir Thomas Bodley (1545-1613), a Fellow of Merton College who had travelled extensively in Europe and who carried out diplomatic missions for Queen Elizabeth I. He married a rich widow whose first husband had made his fortune trading in pilchards, and upon retirement from public life set up a library for the use of students, which opened in 1602. Its collections have attracted scholars from around the

Titanic Calling: Wireless Communications during the Great Disaster will be published in April 2012 by Bodleian Library Publishing in association with Bernard Quaritch Ltd.

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THE CALIFORNIAN

SS *Californian* (callsign MWL) is believed to have been within sight of the *Titanic* on the night of the sinking but failed to recognize the signs of distress. Officers reported seeing flares sent up by a nearby ship but communication was attempted only with Morse lamps, which had a very limited range, rather than with wireless. The ship's only wireless operator was not woken until several hours after the *Titanic* had sunk.

9:00pm April 18 1912, eight days from England The *Carpathia* arrives in New York. 711 *Titanic* passengers and crew survived from a total of 2,201.



MARCONI MESSAGE ROOM ON THE TITANIC

The only photograph of the *Titanic*'s Marconi room was taken by Father Frank Browne, a Jesuit priest who traveled from Southampton to Queenstown, Ireland, disembarking before the *Titanic* sailed for New York. The double-exposed image shows Harold Bride sitting at the wireless key (on which he tapped out Morse messages), wearing headphones through which he heard incoming messages. The equipment on the *Titanic* was the most advanced and powerful technology available, able to transmit up to 400 miles during the day and 2,000 miles at night. There is an ionised layer in the atmosphere which bends electromagnetic waves and is altered by the sun's rays. This accounts for the huge differences in range between day and night. The ionised layer and bending of waves is why long-distance wireless communication is possible; the waves would normally travel in straight lines, leaving the atmosphere, rather than following the curvature of the earth.

world, irrespective of whether they are members of the University of Oxford, a tradition which the Bodleian still maintains (undergraduates, on the other hand, were rarely admitted until quite recent times). Another tradition, still zealously guarded, is that no books are lent to readers; even King Charles I was refused permission in 1645. The Bodleian Libraries (almost 40 affiliated libraries serving the University) care for more than 11m printed items, and the Bodley itself is the second largest library in the UK, behind the British Library. www.bodleian.ox.ac.uk

SHOOT THE MESSENGER

In film and on television, PR people, or “flacks,” are usually morally vacuous – or stupid. At least some of them are funny, says New York talent booker **Celia Converse**

It is rare to find a sympathetic portrayal of a “flack” (or communications professional, if you prefer) in film or on TV – they don’t get the noble whistleblower treatment that journalists, lawyers, cops and doctors often receive. A movie that paints the “hacks” versus flacks relationship probably at its most cynical – both symbiotic and mutually repellent – is the classic *Sweet Smell of Success*.

Set in New York City in the late 1950s and written by the brilliant playwright Clifford Odets, the film depicts J.J. Hunsecker (played by Burt Lancaster) as a ruthless, powerful, and acerbic syndicated columnist – modeled on real-life figures like Walter Winchell – and Sidney Falco (Tony Curtis) as a craven press agent who will suspend all principles to get publicity for his clients.

Falco is climbing “the golden ladder to where I want to get” and Hunsecker has nothing but contempt. But he is happy enough having Falco run around – “match me, Sidney” he says throughout, cigarette at the ready – digging up juicy gossip in exchange for running publicity for his clients. Falco is bothered by a flicker of conscience but he only looks good compared with the complete moral void that is the Hunsecker character.

At least many flacks are amusing, especially if they work in the world of showbiz. Several memorable creations have sprung from the mind of Christopher Guest, from whom we have the foulmouthed New Yorker Bobbi Flekman, played by Fran Drescher, in *This Is Spinal Tap*. She is the chain-smoking artist relations woman for Polymer Records whose bottom line is “money talks and bullshit walks.” In Guest’s Oscar campaign parody, *For Your Consideration*, John Michael Higgins plays the very odd Corey Taft of Corey Taft and Associates (there have never been associates, nor are there ever likely to be). He is a bouffant-haired idiot with an oversized ego and a touch of madness. After a prolonged absence from PR, Taft is handling press for an earnest and awful “indie” film, *Home for Purim*, and is hopelessly out of touch (“The

internet ... is that the one with e-mail?”). In Guest’s satire about folk music, *A Mighty Wind*, the publicists handling a reunion concert – Wally Fenton (Larry Miller) and Amber Cole (Jennifer Coolidge) of the Zizken Group – are cheerfully up-front about their ignorance of folk music or anyone involved in the event. Amber describes what drives the PR duo: “You know, we work together very well. It’s almost like we have one brain that we share between us ... like I’ll have an idea, it will just be a teeny, tiny little spark and then it will get to Wally and he’ll make it a fire.”

The queens of lifestyle publicists are undoubtedly television’s Edina “Eddie” Monsoon (Jennifer Saunders) from *Absolutely Fabulous* and Kim Cattrall as the hyper-expensed Samantha Jones in ***Sex and the City***. Jones is from a less absurd planet than Edina and the world she inhabits bears some resemblance to reality, although her PR work – which seems to consist of launch parties for fashion lines and work for various wealthy entrepreneurs – appears to provide her with an unbelievably large salary along with an insanely varied and pricey wardrobe. But we rarely see her actually work. She is drawn as smart and tough, and as unapologetically aggressive in her career as she is in her sex life.

Where Jones is a woman of absolute cool self-confidence, Edina is more a woman of boundless hysterical self-doubt. As a “PR guru,” Edina’s mania does seem to propel her to pull things off – be they fashion shows or questionable charity events. Even if Edina can’t get a Royal to show up, she can usually pull Lulu (“my best client”) out of her hat to promote her clients. And while Edina seems to spend the same or more on her wardrobe as Samantha, one of the best gags in the show each episode is Edina squeezed into the latest fashion of the moment – usually looking like a psychedelic potato even if it is “Lacroix, darling.”

In the cinematic and small screen worlds of politics, there are occasional noble examples such as the White House communications crew of television’s *The*

West Wing (Alison Janney as C.J. Cregg, Rob Lowe as Sam Seaborn, Richard Schiff as Toby Ziegler – Clintonia as Camelot). But there are more like the gloriously amoral Conrad Brean (Robert De Niro) in the film *Wag the Dog*. He's the spin doctor in charge of fabricating a war to distract the American public from a presidential sex scandal a few weeks before the election. Also, Peter Capaldi as the hilariously profane Malcolm Tucker, director of communications for the UK government in the TV series ***The Thick of It*** (and the film spin off, *In The Loop*). Tucker is said to be loved by real politicians and government PRs, perhaps some of whom worked with Alastair Campbell, former Prime Minister Tony Blair's ornery communications chief. Here Tucker derides someone's appearance in a television interview: "All these hands all over the place! You were like a sweaty octopus trying to unhook a bra."

One of the most compelling, if cynical, fictional PR characters is Nick Naylor (Aaron Eckhart) the smooth talking lobbyist for the tobacco industry in *Thank You for Smoking*. ("Michael Jordan plays ball. Charles Manson kills people. I talk. Everybody has a talent.") And a do-gooder corporate public relations consultant, Ray Embry (Jason Bateman), in ***Hancock*** has faith in his PR talent despite all evidence to the contrary. Describing himself as "the Bono of PR," Embry tries to do an image makeover of an alcoholic superhero (Will Smith) who causes mayhem every time he uses his powers. This flack's sincerity is genuine, but so unusual we could be forgiven for mistaking it for parody. ☹

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 With more than 20 years' experience as a talent booker, **Celia Converse** has handled famous movie stars to presidents (Sophia Loren making tiramisu, Barack Obama talking basketball), animals (the prize-winning boar from the Iowa State Fair), and the occasional vegetable (The World's Largest Rutabaga – although it got bumped). Currently she is a Talent Executive at Central Talent Booking in New York.



Photograph: Bloomberg

CRITICAL MOMENT

SNAPSHOT OF A COMMUNICATIONS TURNING POINT

MAY 15 2011

“Justice should not only be done, but should be seen to be done.”

In the US justice system, this aphorism is exemplified by the “Perp Walk” – the public parading of the accused in handcuffs before any verdict on their guilt. It is a long-established ritual that has been enshrined by the media and is the modern equivalent of the pillory. In Manhattan in particular, it has a long tradition of being imposed on “white collar” criminals. Long before they faced trial, we had indelible images of the crumpled and shackled figures of Raj Rajaratnam, Ken Lay, Lea Fastow and John Rigas, being offered up to a mob of photographers and TV cameramen.

The point for public consumption is that money does not buy immunity from the law – a powerful, if of course illusory, article of faith in the US. On the contrary, the rich businessman is treated the same as the common criminal – or at least the same as celebrated criminals, such as mobsters and serial killers.

So the notion that Dominique Strauss-Kahn, the former International Monetary Fund chief, might somehow be exempted from this custom was always fanciful. The prosecutors must have been fully aware that they would outrage *Le Monde* and the French intelligentsia (philosopher Bernard-Henri Lévy shrieked about “cannibalization” and “high torture”). But the alternative would have been to offend local sensibilities by appearing to offer special treatment to a man who exemplified the global power elite.

Not a tough decision for New York’s elected district attorney.

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