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Doing Business Successfully in Global Harmony

Practicing Public Relations in the “New Normal”

Thank you. Good Morning!

First let me tell you how delighted I am to be here in Jakarta. I have fond memories of our IPRA Conference in Bali in 2007, where you provided me and my wife, Jan, with a very positive and pleasant introduction to your great country.

So I have been eager to return, and I consider it a great privilege to address you this morning.

I must admit, however, that I find my assignment this morning to be a bit daunting. When Elizabeth Ananto invited me to speak, she asked me to address:

- The downfall of multinational companies and its impact on social life
- The trends in rising new business economies of Brazil, Russia, Indonesia, and China
- The fundamental strategies required to balance international business and social welfare in different economies and cultures, and
- The challenge to communication professionals in establishing world peace and harmony in the midst of the increasing competitive power among nations

Well, I also wanted to solve world hunger, but since I have only about 25 minutes left, we better keep to the original topic of the role of public relations in achieving world peace and harmony.

Seriously, though, I believe a fundamental purpose of public relations is building harmonious relationships. Corporations and other organizations need to embed collaboration, an understanding of diverse cultures, and a commitment to engagement and transparency, deeply into their operations and practices.

This is not a new concept. PR people much brighter than I were speaking about this decades ago.

Unfortunately “most of us who are trained and qualified (in public relations) are seen ... as communication specialists on our employers' immediate goals – be they productivity, sales, membership, fund drives or pending legislation.”¹

“The employer calls the shots. We are good soldiers and messengers (but) we’re not seen as ... policy advisors. Our work is not (sufficiently) regarded as having an ultimate moral goal such as health to medicine, justice to law, or truth to journalism.”

“On those occasions when (we) are seen as socially oriented – when helping combat (climate change or poverty and disease), we are viewed as implementing a gesture that somehow serves our employer's interest” and not a greater social good.

These words – although I say them with conviction – are not my words originally, but those of public relations pioneer and author Allen Center, speaking in 1986.

Today, the environment in which we live and work has become much more demanding and harder to navigate and is a challenge to all of us who chose public relations as a career. And the landscape in which organizations and businesses operate has changed faster than any of us could possibly have anticipated, and, I'm afraid many people who work in public relations are having a hard time keeping up.

The world is much different ... and it's not going back to how it was even months ago.

It doesn't help that the news we see and hear is generally bad – at a minimum, it makes you anxious. To make things even tougher, our brains may even give bad news higher priority than the softer, good news.

Many companies and brands are desperately trying to bond with consumers and sometimes it can feel insincere, not authentic; untrustworthy. A company's reputation has matters more now than ever.

As Jack Welch, the retired chairman of General Electric has said: “Trust is the very foundation of effective leadership; it's the grease of change. Leaders need to be building trust every single

¹ Allen H. Center, Vice President of Public Relations, Motorola (Retired), September 29, 1986; “*Can we get there from here?*” to the Arthur W. Page Society; http://www.awpagesociety.com/site/resources/hofallen_h_center

day. In every communication, they must ... avoid complexity... (and deliver) just the plain, old truth, delivered the same way to every audience.”²

Our role is challenged even more because some companies clearly violated the public trust; violated their relationship and social contract with consumers, shareholders, regulators and taxpayers.

You don't need to look any further than the mortgage and investment banking industry, where:

- “risk has been systematically mis-priced ...
- credit has been systematically mis-sold ...
- incentive schemes were geared to promote personal greed ...
- business models of permanently rising property values failed ...
- bundles of bad debt were packaged up and sold on as time-bombs ...
- And literally everything involved in this global meltdown was made more complex, more opaque, and more impenetrable, less subject to scrutiny and audit of any kind.”³

It's little wonder, then, that a survey by McKinsey found that 85 percent of senior executives globally said that public trust in business has deteriorated badly.

Polling by Edelman Public Relations shows that increasing numbers of consumers distrust not just the obvious suspects — the banks — but business as a whole.

What I find interesting in the Edelman Trust Barometer is that trust in business appears to be country-specific. The Western World's skepticism about business contrasts sharply with more positive opinions of business in here in Asia Pacific and in Latin America. In Indonesia, the trust-in-business score in Edelman's 2010 research is 64 percent compared to 62 percent in China and 54 percent globally.

This difference of opinions between East and West may be attributed to the fact that people in emerging economies traditionally credit business with being responsible for introducing improved standards of living — resulting in higher levels of trust.

It's interesting data.

Okay. So the news is bad ... trust in companies is challenged ... and business in many countries, our clients, has taken a serious blow.

The point is this: when the world should be turning to the public relations profession

² “Trust in a time of turmoil,” by Jack and Suzy Welch, Business Week magazine, October 16, 2008, <http://www.businessweek.com>

³ “The Death of CSR?” Posted by Jonathon Porritt on October 10, 2008 <http://www.jonathonporritt.com/>

- for solutions that rely on effective multi-directional communication
- for our ability to effectively influence business outcomes
- and for our ability to understand the art and science of relationships with diverse stakeholders, across cultures ...

...instead, business and other organizations increasingly are questioning the fundamental role and effectiveness of public relations in the management mix.

In a widely-circulated report, McKinsey, the consulting firm, suggested that professional responsibility for managing company reputation has been shifting to marketing as a result of the speed, severity, and unexpectedness of recent global events.

Among other things, McKinsey said that these changes include:

- the growing importance of social media technologies
- the increasing significance of non-governmental organizations and other third parties
- intervention by government itself
- and declining trust in advertising and brands.

McKinsey suggests: “These forces are promoting wider, faster scrutiny of companies, and rendering traditional public-relations tools less effective in addressing reputational challenges.⁴

McKinsey goes on saying: “Now, more than ever, it will be action — not spin — that builds strong reputations. Organizations need to:

- enhance their listening skills so that they are sufficiently aware of emerging issues
- reinvigorate their understanding of, and relationships with, critical stakeholders
- and go beyond traditional public relations by activating a network of supporters who can influence key constituencies.”

Adding fuel to the fire, McKinsey suggests that the Chief Marketing Officer – not the Chief Communication Officer – is perhaps the executive most suited to lead these efforts, working alongside the CEO.

According to BusinessWeek magazine: “Not long ago, trust and reputation was the domain of the PR department. Marketing executives, by contrast, pushed products and brands ... spending huge sums to maintain "share of voice" and endlessly reminding consumers of "unique selling propositions.”

“That approach doesn’t work so well now,” BusinessWeek concluded.

Ladies and Gentlemen. Herein lays the challenge facing our profession.

⁴ McKinsey Quarterly, June 2009, *Rebuilding corporate reputations*; www.McKinseyquarterly.com

The world has changed faster and more dramatically than anyone could possibly anticipate and there is a growing and dangerous perception that “traditional public relations tools” are not adequate to meet tomorrow’s challenges.

This should be a call to action within the public relations community.

Among the PR people responding to these attacks on our credibility and effectiveness is Ed Block, former head of PR at AT&T.

Ed believes that managing a company’s reputation should be delegated to the executive who is best prepared, regardless of their functional responsibilities. And that the CEO must trust this person — and make it known to other senior executives.⁵

The person delegated this responsibility must earn it day in and day out by working behind the scenes to help colleagues in other functions make the right business decisions.

“Today’s PR executives mostly aren’t equipped to do that,” Ed wrote in a recent blog post, “and (PR executives) demonstrate their lack of knowledge when they open their mouths in top management meetings, thereby destroying their credibility” within their organizations.

Those are tough words from an industry insider.

The hard truth is that too often public relations people are not equipped to compete with marketing and sales on managing customer relationships, with human resources on employee engagement, with finance on investor relations on shareholder sentiment and awareness, with R&D on innovation, or with IT on application of new technology.

Ladies and gentlemen, we are living in a world that our profession is perfectly suited to serve, but it’s going to require a new model for practicing global public relations, integrating with other functions in the pursuit of overall objectives and refocusing on the skills and competencies expected and required.

In this sense, the path to world peace and harmony starts from within our profession.

Clearly, the years just ahead will be quite different, but they also will be rich with opportunities – all requiring communication and effective public relations.

Let me briefly identify a few specific challenges and opportunities.

GLOBALIZATION 2.0

⁵ PulsePoint Group, June 15, 2009, *Industry Luminary Responds to McKinsey; Block Says Wake-up Call is Warranted*, www.pulsepointgroup.com/tag/reputation/

First, you can't have a discussion about the future of public relations without an understanding and appreciation of what's going on in the world all around us.

I'm reading a new book called "*Sonic Boom*," in which the author Gregg Easterbrook⁶ says that the era of globalization has hardly even begun. He argues quite persuasively that the world is on the verge of a period of integration that will dwarf anything before now; that the coming age of global integration will produce riches that none of us can yet image and scatter them more widely than ever before.⁷

Similarly, the World Bank also suggests that the global economy could expand in size dramatically, to \$72 trillion by 2030 from \$35 trillion in 2005, spurred by growth in developing countries.

As the financial crisis of the past 18 months has shown, robust expansion also causes great dysfunction, and author Easterbrook points out that "rising economic output is no panacea – there are (social and) environmental costs, and much of the world's new output is distributed inequitably."

Nevertheless, Globalization 2.0 points to enormous opportunity for the public relations profession.

As companies – especially in mature economies – attempt to grow their top line revenue, they must turn to new and emerging markets. And you can be sure that economic growth is going to come in a lot of places where we don't yet know how to communicate, engage and build relationships.

- The Walt Disney Company recently announced that after 20 years of relationship-building and negotiation, it won approval of China's central government to build a multi-billion-dollar Disneyland-style theme park in Shanghai.⁸
- The French retailer Auchon is gaining ground against competitors, especially in emerging markets, by appealing to upwardly mobile shoppers – a large new middle class.⁹
- Brazil's leading airline, TAM SA, expects the country's domestic aviation market to grow by up to 12 percent this year as incomes and employment levels continue to rise in Latin American's largest economy, and new promotions attract first-time, lower-income fliers.¹⁰

⁶ *Sonic Boom*, by Gregg Easterbrook. <http://www.randomhouse.com/author/results.pperl?authorid=7732>

⁷ "The Best is Yet to Come," By Adrian Wooldridge, *The Wall Street Journal*, December 29, 2009, pg. A19.

⁸ "China Approves a Disney Theme Park in Shanghai," *The Wall Street Journal*, Nov. 4, 2009, page B1

⁹ "A French Wal-Mar's Global Blitz," *Bloomberg BusinessWeek*, Dec. 21, 2009, page 64

¹⁰ "Brazilian Airline TAM Banks on Growth From New Fliers," *The Wall Street Journal*, Dec. 29, 2009, pg. B1

- In Nigeria, roughly half the population lives in rural regions, and in 2007, Celtel Nigeria (now Zain Nigeria) needed to win the approval of tribal leaders to install signal transmitters and other equipment and to send its employees into tribal areas to maintain the network. With an entrepreneurial spirit and a deep understanding of how to build local relationships, Celtel grew its franchises exponentially and produced a 160 percent return on its original investment within a year of launching the expansion.¹¹
- Vodafone Essar Ltd., an Indian unit of the UK's Vodafone Group PLC, serves the slums of Mumbai, some of the most populous shantytowns in the world, with partners chosen from among the local businesspeople.¹²

Companies like these that are expanding into diverse, unfamiliar or hostile environments recognize the critical importance of establishing relationships that benefit their employees and business partners and the communities in which they work. They get recognition and respect and, in turn, they earn trust and loyalty.

These companies illustrate not only in how to tap complex markets for growth but how to engage and partner with people who may be quite different than I am – or you are..

The question is, what role – if any – does public relations in this?

Globalization is an unfolding story of society and people – how we interact, what we prioritize and where we come together in active coalitions. The PR professional who sits back and watches globalization unfold is the one who will play no part in it.¹³

Which points to another challenge.

TECHNOLOGY

Public relations professionals need to embrace and leverage the relentless advance of technology. If we want relationships with consumers, constituents, members, voters, or investors, we need to innovate faster in order to connect with them using media and technologies to which our audiences are accustomed.

I say this because I along with others believe that the challenges the world faces are, to a large extent, communications problems – information problems.

A year ago this month, the senior vice president for product management at Google – his name is Jonathan Rosenberg – made some insightful observations about the Internet and rapid uptake of communications technology.¹⁴

¹¹ “*Lessons from the Developing World*,” *The Wall Street Journal*, Aug. 17, 2009

¹² Ibid

¹³ “*A New Era of Public Engagement*,” Robert Phillips, UK CEO, Edelman Public Engagement Vol. 2

¹⁴ “From the Height of this Place,” Jonathan Rosenberg, Google, Feb. 16, 2009,

<http://googleblog.blogspot.com/2009/02/from-height-of-this-place.html>

More than 1.4 billion people, nearly a quarter of the world's population, use the Internet with more than 200 million new people coming online every year. In many parts of the world, people access the Internet via their mobile phones, and the numbers there are even more impressive. More than three billion people have mobile phones, with 1.2 billion new phones expected to be sold in the past year.

The mobile phone is one of the best examples of the cultural and behavioral change triggered by advances in technology, and in many emerging countries, it has become a driver of economic growth.

In India, for example, the village handyman who before couldn't afford to open a shop, now has a mobile phone and suddenly is "on call."

The device plays a larger-than-life role there.¹⁵ The technology has seeped down the social strata, into slums and small towns and villages, becoming that rare Indian possession to break through the walls of caste and region and class.

Here's a phenomenal statistic: According to the World Bank, every 10 percent growth in mobile phone penetration brings an increase of nearly one percent in economic growth. Every 10 percent growth in high-speed Internet penetration boosts a country's economy by 1.3 percent.

As the Google executive points out, "putting the power to consume content into the hands of more people in more places enables everyone to start conversations with facts. Information transparency helps people decide who is right, and who is wrong, and to determine who is telling the truth."

"The Internet allows for deeper and more informed participation and representation than has ever been possible."

And when you think about it, the transition toward knowledge based economies makes ideas more valuable than physical resources, and the incentive for war to seize resources declines. "Today, it is more cost effective to buy what you covet than to seize it, and so military spending and military adventurism is declining."¹⁶

"Capitalism causes all kinds of problems," to be sure, "but (it) is so much better than militarism, there's just no comparison."

The question for us is: How can we better build better technology solutions into our public relations strategies, plans and proposals?

¹⁵ New York times, May 10, 2009, *A Pocket-Size Leveler in an Outsize Land*, By Anand Giridharadas

¹⁶ *Sonic Boom*, by Gregg Easterbrook.

The answer points to a third big challenge – which is getting our companies and clients to join conversations.

JOINING THE CONVERSATION

In our business, there's no more capable leader or better trend-spotter than Jon Iwata, who heads communications and marketing at IBM.

The way Jon sees it: "One day soon, every employee – and every retiree, customer, business partner, investor and neighbor associated with every company – will be able to share an opinion about that company with everyone in the world, based on first-hand experience."

This is the profound impact of the ongoing technological revolution. And I am convinced, along with Jon that the only way organizations will be successful in this environment is to participate in the conversations enabled by new mobile and digital and Internet technologies.

Yet, isn't' this where many organizations seem to struggle the most?

"Free speech is no longer just a right granted by law, but one imbued by technology." Communication today is conversation. Sharing, not guarding information has become the golden standard on the Internet.¹⁷

Consumers and other stakeholders tell companies: "Look, if you aren't open with me, then I won't trust you. I won't buy your product or service. I won't dine in your restaurant or stay in your hotel. I won't look for a job in your company."

"I'll look elsewhere, and I'll ask people like me – people I trust – for their opinion about you."

Transparency and trust impact a company's license to operate in today's world, and it is earned through dialogue and conversation enabled by new technologies.

Successful public relations professionals will help companies figure out how to empower their workforces to achieve competitive advantage by building relationships online – and by turn to younger employees, who themselves are expert and thoroughly comfortable with the new communications techniques.

MEASUREMENT AND EVALUATION

A fourth observation is that communication and public relations professionals won't ultimately be influential players unless we measure and evaluate the outcomes and value of our work.

¹⁷ *"From the Height of this Place,"* Jonathan Rosenberg, Google.

Despite progress, PR may still trail the marketing function in providing measurement solutions. Advertising agencies, media planning organizations and interactive firms can seem more adept at providing industry standardized data to drive budget decisions, and meaningful data while programs are being executed, to determine if those front-end decisions were effective.¹⁸

Mark Haas, a Trustee at the Institute for Public Relations, has been vocal on this subject. Mark points out that:

- No two PR firms handle front-end program research the same way. There is always a bit of hocus-pocus in describing how insights which shape a program's creative treatment were developed. (Mark correctly suggests that anyone who has ever attended a multiple-agency pitch knows that research insights are never the same from agency to agency.)
- No two PR firms measure results the same way, but instead, offer techniques they describe as "proprietary" or "unique." Agencies expect clients will be comforted by a measurement solution that relies on a black box process or algorithm. Mark asks: "Would any reasonable person hire a guy to build a house if that was his approach to measurement?"
- Few, if any, PR firms will commit to linking their programs to a client's key performance indicators. If PR programs can't be linked to the key performance indicators that determine business success – and other marketing programs can – guess where the big budgets will go?

Obviously there is much work yet to be done, but I am proud of the leadership role that the Institute for Public Relations and its Commission on Public Relations Measurement and Evaluation has taken in this area.

I encourage you to visit our website – www.instituteforpr.org – and explore dozens of research papers as well as tools and techniques that are available free and can guide you to effective measurement and evaluation of your work.

Before I conclude, there are three additional challenges that I want to touch on very briefly.

¹⁸ Mark Haas blog, August 27, 2009 www.leadershipvoicepr.blogspot.com/2009/08/measure-twice-cut-once.html

BECOMING STRATEGIC PARTNERS

To thrive in an era becoming known as the “new normal,” public relations practitioners must re-assert themselves as strategic thinkers. I’m referring to a need to become true partners with our clients and CEOs in what I call the “business of our business.”

This is difficult for PR people. Immediacy is everywhere. We’re easily distracted by an intense pressure to manage an endless stream of information flowing through traditional and social media and e-mail. The resulting tendency is for us to be communication mechanics.

There is clear and present danger that instant messaging rather than strategic thinking rules decision making. This must change in order for public relations to gain a credible role in business.

To me, this need for critical thinking capabilities is most evident than in our obsession about “earning a seat at the table” in the CEO-suite.

A few months ago, this fixation with having a “seat at the table” was the subject of dialogue among some colleagues who are members of the Arthur W. Page Society – a group of about 350 chief communication officers from some of the world’s largest corporations.

I can’t say it any better than my friend Kristen Bihary wrote on the Page Society blog.

“How can a room full of communications executives – senior enough to have been in the profession for many years – continue to fixate on this subject? How would our profession change if each and every CCO had a seat at the table? How would one’s individual effectiveness change?”

“I’ve been in (public relations) for more than 30 years,” Kristen wrote, “and I’ve had a seat at the table, and I’ve been just outside the room. A seat at the table does not confer legitimacy, trust or respect. We earn it.”

“If our colleagues in senior management know that we will contribute something of importance, our counsel will be valued, no matter where we sit. And if ... the (public relations) perspective is needed but not sought, (then) it’s our responsibility to provide it.”

SKILLS DEVELOPMENT

To complete and thrive in the future, we also need updated curricula at universities teaching public relations. We also need mid-career development opportunities which anticipate the competencies required of people working in a world that is rapidly evolving into a “new normal.”

Research by the Institute for Public Relations identifies several critical skills that will be necessary for PR people to succeed in the “new normal,” including:

- Broader analytical and critiquing skills
- An ability to interpret changes and trends
- Familiarity with Public policy-making, particularly on sustainability and CSR issues
- Greater emphasis on coaching and mentoring in problem-solving
- Engagement with stakeholders including negotiating skills
- Mastering culturally-sensitive communication, its management and coordination.
- Proof of performance as in demonstrating value of communication strategy to the business
- Linking communication strategy more tightly with overall business objectives and less on organizational publicity, and
- Succession planning that involves mentoring mid-level staff in order to develop them as trusted counselors.

ON LEADERSHIP

Finally, to practice public relations successfully in the “new normal” will require inspired leadership from within our profession.

I am talking about:

- Being excited by new technologies and finding their application to PR
- Demonstrating an authentic and transparent style in our communication
- Embracing globalization and practicing business diplomacy
- Letting research results and data drive our strategies and initiatives
- Becoming lead counsel over other professionals for reputation and brand building
- Thinking big and avoiding narrowly focused agendas, and
- Articulating a unified direction for the future of the public relations profession

We have the opportunity to redefine our professional roles to meet challenges in a global environment where “normal” involves a totally new way of communicating and sustaining relationships.

In the process, we can achieve profound impact, not only for the profession but by bringing harmony to relationships in the different cultures and societies where we live and work.

The rapidly changing nature of the world around us is our call to action!

Because I continue to believe that we public relations people are living in a world that our profession is perfectly suited to serve.

Thank you very much.

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