

## We're in a mess... and how to get out of it

The world's political and business leaders are desperately trying to chart a way forward in what has been dubbed as the "first recession of the globalised era". But what role should communications directors be playing in these turbulent times? RL's Andrew Fairburn draws on some of the lessons the consultancy has learnt from working with some of the world's most successful organisations and explores key actions communications directors should be taking in today's fragile environment.

**T**he world is in an economic mess and "history provides no clear map" for how to get out of it, the UK Prime Minister Gordon Brown told reporters at the World Economic Forum in Davos. He was referring to what has been called the first financial crisis of the global age and the resulting challenges being faced by policy makers around the world.

It is not only governments facing difficult and uncharted waters. Businesses are too. Markets are shrinking, investors are spooked and the media is searching for fall guys.

We do not pretend there are simple, one-size-fits-all solutions but we do believe there are some common themes:

### 1. Be an effective watch keeper

It has always been important for businesses to understand the environment in which they operate, but in today's environment good intelligence and understanding is especially important. Society's expectations are changing and the old rules and assumptions can no longer be relied on.

The current trouble banks are in over the issue of bonuses perhaps provides the clearest example. It might have been acceptable to pay large bonuses in the economic boom years, but these days such action carries a very large reputational price tag. Consumers are in no mood to see the people they perceive as having contributed to the economic crisis being rewarded with big bonuses. The arguments of the banks about contractual obligations, staff retention and the need to reward significant pockets of success are falling on deaf ears.

The debate matters because the hard balance of power between banks and public opinion has also changed. Factors behind this include the merger of retail and wholesale banks and the rise of activist shareholders, but the main reason is that for many banks their - electorally accountable - governments now call the shots. The bailouts and guarantees have come at a price.

The net result in the shift of consumer sentiment and the balance of power is a dramatically different operating environment for banks. The challenge for communications directors is to spot these changes ahead of time, which requires stepping outside the institutional bubble, staying abreast of changing societal expectations and factoring in the shifting balance of power amongst stakeholders.

### 2. Reach out, don't hunker down

In difficult times it can be tempting to say as little as possible and hope that the situation goes away. "Let's not stick our heads above the parapet", will be familiar words to many communications directors.

It is certainly true that there are times when it is better to say very little. Nonetheless, our experience is that with any major issue the risks of reaching out and communicating are usually hugely outweighed by the risks of saying nothing, especially when the media and politicians are hunting for a fall guy. The default position should be to communicate unless a strong case can be made not to do so.

It is important to stress that communicating effectively does not necessarily mean talking through the pages of

the Wall Street Journal or the South China Morning Post, but it does mean talking directly, if sometimes quietly, with the people who matter to your organisation.

Reaching out successfully depends significantly on leadership and corporate mindset. Suzanne Bates, author of *Motivate like a CEO*, says that a business leader's real challenge is to recognise first and foremost they are their organisation's communicator-in-chief. CEOs need, she says, to communicate the organisation's mission, purpose and plan so that it inspires people, especially in difficult times. It could be added that in difficult times they also need to manage expectations, steady nerves and overcome obstacles. Achieving these fundamental tasks is impossible when holed-up in a bunker of silence.

So, what can the communications director do to help their CEO? Great leaders like Willie Walsh and Steve Jobs in the world of business, or Barack Obama and Tony Blair in the political realm, instinctively 'get' the importance of communication. Whilst working with these types of leaders can bring its own challenges, at least communications directors are working in a 'can-do' culture.

Other leaders are instinctively more introspective. Some even ooze unease at dealing with outsiders who they do not understand and cannot control. Here, the communications director's role is considerably more challenging - and immeasurably more important.

The first task is often to educate the CEO and his or her board about the balance of risks of communicating in difficult times. A short scenario planning workshop can often make the point effectively.

Once the balance of risks has been properly judged, the door is at least open for the communication strategies and tactics to be deployed. The introspective CEO is, however, likely to require a huge amount of guidance and support from the communications director - as well as for him or her to pick up any slack.

### 3. Earn a licence to be heard

Deciding to communicate is only part of the equation. Creating an environment in which people actually want to hear what a business has got to say is just as important. The banks are pretty much public enemy number one at the moment, weighed down by their own highly toxic reputation debts. But individual companies as diverse as Starbucks, Google and UK supermarket giant, Tesco, all face difficulties being heard by the public at large, despite having compelling arguments for those who will give them a fair chance.

So, how should the banks and others get their messages across? Good arguments are essential, but they are not sufficient. These organisations first have to earn a licence to be heard. Above all else, this means connecting emotionally, not just intellectually, with their audiences.

“Organisations first have to earn a licence to be heard”

A communications director should certainly be mustering the facts and figures for the intellectual debate. But equally importantly they should be thinking about the humility, understanding and emotional intelligence their organisations will need to demonstrate in order to get their case across. They need to earn their organisation's licence to be heard.

### 4. Make internal communications a priority

It is especially important that a company delivers high performance in difficult economic times. Any failure to do so is likely to be punished harshly by customers. Yet it is in difficult economic times - times of change and uncertainty - that disillusionment, rumour and doubt can most easily take hold amongst employees. The result for any business is inevitably a drop in performance at the time of maximum risk.



To help break the vicious circle, good internal communications is essential. If there is good, reassuring news to communicate, so much the better. If there is difficult news to get out, then the importance of communication is even greater if trust is to be maintained.

The greatest danger for any organisation is a rumour-inducing, confidence-sapping information vacuum.

Good internal communications can not only encourage behavioural change and enhance performance, but it can also pay significant reputation dividends. Every journalist

on the hunt for a scoop knows that a disgruntled member of staff is often the most promising source of news for a story. The flip side is that motivated staff can be an organisation's most compelling advocates.

Communications directors should think about internal communications every bit as much as outward facing challenges.

## 5. Take the long-term view

Warren Buffet, arguably the world's most successful investor, famously told his business managers: "lose money for the firm, and I will be understanding; lose reputation for the firm, and I will be ruthless". Buffet is a man who appreciates the long-term value of a company's - or brand's - reputation.

Any organisation's reputation is always under threat. There are no 'time-outs' in the world of business. But research demonstrates that businesses are most at risk

of reputation crises at times of internal structural change, laying off staff (when there is less 'slack' in the system to deal with operational glitches), and economic uncertainty, the very time when such crises can least be afforded.

**“Protecting and building a reputation costs money; failing to do so costs even more”**

The lesson for communications directors is clear: in difficult times, when budgets are under pressure and new threats are emerging, it is more important than ever to focus resources on protecting your organisation's long-term reputation. In practical terms, this means identifying

both the short and long-term reputation risks that need measuring and managing. It also means spotting and exploiting opportunities to strengthen your organisation's reputation, putting additional capital on the reputation balance sheet. Protecting and building a reputation costs money; failing to do so costs even more.

In a storm it is important not to ditch the things that are most important. Sound communications - listening and talking, humility and clarity - are indispensable for a company to make it through with its reputation intact.

## Share your experiences

Do these experiences ring true for your organisation? What's your take on the most important priorities for being a communications director in today's changing world? We want to know your views, so please do get in touch.

Andrew would be happy to hear from you and can be reached at [andrew.fairburn@registerlarkin.com](mailto:andrew.fairburn@registerlarkin.com).

