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Business communications in the age of spin Transcript

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Introduction

It's amazing how differently those present will afterwards see an event such as a meeting. It will, inter alia depend on state of mind, beliefs political or otherwise, powers of concentration and/or selective deafness, or comprehension of what was discussed. Of course it's about bias and spin to a degree, but it's also about each person's ability to see even the simplest things marginally differently.

I lived through a particularly glaring example towards the end of my time as CEO of LIFFE, when Tony Blair came to the floor of the Exchange still basking in his undiminished halo following the sensational election result of 1997. His reception was, if not exactly rapturous, overwhelmingly warm, friendly and not a little curious. In the course of a twenty minute visit there were about three boos, half-hearted and inaudible to all but those close to the perpetrators. I was with PM throughout and certainly did not hear them. The next day the Telegraph ran a headline 'Blair booed at City Exchange' as if it were the turning point in his fortunes, based on a story to that effect which had gone out on the Reuters newswire.

Actually what seems to have happened is that the Reuters correspondent on the floor of LIFFE went around the traders there beforehand, and asked them what they thought of the PM's visit. Many of them answered with typical bravado along the lines of 'We're going to show him what for/give him a hard time etc' - and equally typically bottled out when confronted with the event and the prime ministerial charisma. The journalist meantime had already, in her mind, foreseen what in fact did not occur, invented a putative front page story, and, when the facts didn't turn out as she had imagined, turned a few ironic catcalls, amidst a rather successful visit, into what she imagined was a scoop. In fact it was a grossly unbalanced and misleading account of the facts, and did her no good at all. We had none other than Alastair Campbell braying for blood - quite a frightening experience - for the visit had been a carefully orchestrated set piece, designed to show Blair not only as City friendly, but actually with a strong appeal to those who worked there. Reuters backed her and refused to climb down and the Daily Telegraph stood behind their story on the basis that it had come from Reuters, the latter standing for integrity of reporting.

The point of the story is to point up how different views can be of the same event, and just how important is balanced and accurate reporting, followed by responsible commentary. Campbell was hoping for one type of spin and got the opposite. It is a sublime example of how the power, and paucity, of spin have gripped the media, and affect what each of us consume via the latter.

Tonight I shall not focus on the more established forms of business communication, but try to show how the latter has recently and will change. In this I will look at corporate communications of all types, both external and internal, and draw the important distinction between the reporting of the facts and the simultaneous and subsequent commentary and journalistic discussion of them. I will as always in this lecture series be emphasising technology, and will look at the impact of the internet, particularly in its soon to arrive broadband phase. Finally, I will argue that managers have often allowed the media to dominate their decision making to the long term detriment of their employers, and in any event still have something to learn about the various communication instruments available to them.

What are 'business communications'?

When one talks about business communications, the subject in principle falls into three categories: product related, corporate or financial. The means by which messages are broadcast and information is best imparted vary in each case, and there are a wide variety of traditional techniques, starting with the use of old line broadcast media, TV, press and radio advertising for what are generally called 'above the line' marketing purposes - 'above the line' being an accounting related term (how those so and so's creep into every aspect of business life) relating to where in the corporate profit and loss account the costs of this activity fall. We are all to a degree aficionados of advertising of this type, if not experts, and while it will be apparent that style and

approach has moved forward unbelievably (just look at the cringe making telly ads of the 60s) the fundamental techniques have not. What has changed are the number of commercial TV and radio stations, and text/poster advertising opportunities that are available, and I shall touch on this later.

On the other hand 'below the line' marketing spend, which covers a wide variety of activities, has been used for all three types of communication, and it is here that the greatest changes have occurred, both in terms of method, requirement and technology.

Financial communications in the past

I start the story with financial, and to the extent that they overlap, with corporate communications. In order to understand how things have changed, it is important to remember that the two of the greatest influences on corporate activities in the last two decades have been the increasingly rigid and more extensive regulatory environment, and the ever increasing interest in media of all types in business affairs and commentary thereon, the latter enhanced by its more specialised concomitant, those who provide informed analysis to would-be buyers of shares.

I became finance director of Unigate, then a top 100 company, in 1981. In those days, FDs were just beginning to realise that the stock market did not like shocks and that it might be a good idea if would be and actual investors knew a thing or two about the company; in particular they were starting to make sure that their company's likely trading results were in the public domain. Normally the latter took the form of ringing one's favourite analyst, and giving him the answer rather than his having to go through the bother of working it out for himself; or using some code corresponding to a variant of the child's game 'warmer, colder' variety, which was a tad less obvious, and perhaps more professionally satisfying. Apart from this, there was no real effort to cultivate either analysts (despite that they were from the start highly influential in delivering buy or sell messages) or shareholders (although I do remember a once a year ritual slagging off from the Pru). Nor were people particularly active in press relations, despite the fact that even then there was a hard core of highly influential journalists, led as today by the Lex column of the FT. In fact we at Unigate were amongst the first companies to start an internal cottage industry associated with the business of raising and maintaining our profile with the markets and the media.

This was not always without its personal pitfalls. I remember once attending a special presentation organised in our honour by a stockbroker hoping for commission, based on the indiscretions they hoped that we would drop into the ears of their institutional clients who attended. Before the event, I ran into a chap I vaguely knew who worked at the firm. His opening and breathless words were 'Hello old chap, three line whip to attend, frightfully boring old company isn't it, what are you doing here?' It was agonising to see his face as I told him that I was the company's frightfully boring old FD.

Such events were popular, well attended and generative of business for the hosts, and were paralleled by equally indiscreet meals with key financial journalists, after stories of interest to hold their readers. This was the period in which public relations firms of the type which my guest Angus Maitland has led with such distinction were starting up, and within a short period, all well trained plcs were working hard at media training, straining their livers at City tables, and chatting up hacks and hackettes. It was hard work, possibly a little diverting, but most of all was based on personal contact, relationship building and trust. We were of course trying to control not just the provision of fresh information, but, in so doing, to create favourable commentary. But the overriding point is that all parties, we and our listeners, were exploiting the very inequality of information inherent in the system, and the opportunity to use that information to generate positive interest and provide opportunities respectively was central.

Not any more. Whilst there has been an ever increasing interest in corporate and financial activities, as exemplified by City column inches and TV airtime including dedicated business programmes and even channels, the greatest influence has undoubtedly come from regulation, from ever stricter rules on insider information and from the obligation to provide information on as equal a basis as possible to all outside parties concerned: shareholders, analysts, media and the general public. This does not of course run to a regulatory restriction on the subsequent commentary, which inevitably follows the provision of purely factual information, and this creates its own challenges: in the past significant control on bespoke information by the supplier of the latter could result in more ability to direct commentary, whereas now the level playing field requirement for information makes the favourable shaping of post release commentary that much more difficult.

And so the first challenge is what might be called effective immediacy in order to provide price sensitive information to the widest possible audience at the same time. Here the biggest change of recent years is the extensive use of information distribution technology through to controlled or quite literally global audiences. Telephone and fax were the old fashioned way

of doing this, with the restriction that they could only go to a very limited number of receivers, therefore relying heavily on broadcast media, including subscription newswires, for further distribution. These methods also largely lacked the opportunity for interactive comment with as many opinion formers as possible in a short time. A further problem was the baldness of the information, under circumstances where in an ideal world, one would like to provide the recipient with the maximum information of all types, visual and oral as well as textual; and background as well as the bare facts of the information concerned. In particular, video communications, and not just photographic type moving pictures, can be critical in getting across facts and shaping attitudes. For instance, the use of visual digital technology can range all the way from an effective presentation using the standard PC PowerPoint software to a highly sophisticated blend of pictures of real activities and people.

The new technology and financial communications

It is a worthwhile diversion at this point to explain what technology can achieve, particularly in the video and sound area, and how this will change in the future. In these days we are getting increasingly used to 24 hours 7 days a week news ('24/7' in case you have been wondering what that piece of jargon meant) on the television, and increasingly on the internet, since many news sites on the latter are even more up to date. The problem with the latter is that, while video and sound material is available, limited band width (that is the size of the pipes down which the information flows, in most cases telephone wires), particularly for domestic users, has made the quality of the latter jerky and unsatisfactory. It can be a bit like early flicks with people doing a passable imitation of Charlie Chaplin. But this does not bother those who are happy with raw news, as it breaks, and early commentary. If visual quality is not a major consideration therefore, internet technology has become the ideal medium for communication of pristine data and information, and for the first phase of commentary. The information can be made available to anybody who happens to be surfing the net and to click on the relevant site, or it can be restricted to a very limited number of viewers, either through use of a corporate intranet - literally a mini-internet set up by a company with bounds determined by that company's needs - or a password which only the favoured few know. It can be built on text and still pictures, adding sound and moving visuals as required, and remembering the old adage that a picture is worth a thousand words. And, very important for its use on broadcast television, digital quality packages of the same information can be quickly beamed by satellite to stations who may be interested in using it. Increasingly TV journalists working at these stations will have seen lower quality clips on a website dedicated to journalists, and will have called in what they require by satellite.

Time for a jargon break. Transmitting visual moving images and/or sound over the internet, aka the World Wide Web, to universal or limited audiences is known as 'webcasting' - the derivation from more conventional broadcasting is obvious. The content is made available in the form of what is called 'streamed video', quite simply a stream of images passing from the website via the world wide web to the recipient's PC. And one of the most powerful points is that this streamed video can be received either at exactly the time that the webcast event is occurring or at any time afterwards that suits the recipient, provided the relevant website is still making it available. It is truly video-on-demand.

This immediacy and universal simultaneous availability makes it ideal for financial communications and PR. A company wishing to put across an event, or even its routine periodic results for its shareholders can cheaply and easily set up what is called a webcast, in which its top executives can provide the facts in an assimilable way - making full use of sound and video material - and comment on them. In many cases there may be a live audience consisting of those analysts, journalists and shareholders who wish to be physically part of the event, but such webcasts may be universally available - ie to anybody who happens to be connected to the website - or they may have more restricted access. If the former, the key fact is that the information is going, on a level playing field, direct to all interested parties, analysts and journalists, as well as shareholders, both institutional and retail. In the past there would have been tiers of information: analysts would have passed the data plus commentary on to institutional shareholders on a reasonably prompt basis, but retail shareholders would probably not receive the same information for at least a day, and would have depended on newspaper and broadcast comment. Now individual shareholders can literally receive information at the same time as the most privileged commentators and the largest institutions in the financial system, and if they happen to be busy at the time of the live webcast, they can tap into it subsequently. This internet availability solves at a stroke the regulatory problem of simultaneous provision of information, but it creates another for the communicating company - how to ensure that subsequent commentary is as favourable as possible.

Such technology driven events are not always bug free. I well remember - as perhaps can my guest Brian Davis - a key results presentation given by the guest at my previous lecture, Tim Melville-Ross, which was the first of its type in our all singing and all dancing media room, complete with back projection - that is a screen the images on which were projected from behind rather than in front. Endless rehearsals were held, till we were certain that the affair would work like clockwork. In came the journalists,

the photographers, and the analysts and off went the show. Tim went to the rostrum, cameras flashed, and suddenly there was mayhem. The slides appeared to have minds of their own, going backwards and forwards at will on the screen and totally out of synch with what Tim was saying and the commands which were being given to the back projector. It was like *Poltergeist 3*. In the end we had to give up, and do without the brilliant visuals we had all worked so hard on. And the answer was as simple as these things always are: somebody had forgotten to tell us that the screen was photosensitive, and that every time a flashbulb popped, the slide was moved on - or back - at whim. The ghost of Nationwide House was exorcised.

And finally not all of you may be aware that this lecture is being webcast as I speak, although I understand that the number of 'hits' on the Gresham College website tonight is not so many more than this splendid audience. But out of tiny acorns, do mighty oaks grow. However I feel it only fair to tell you that, if you are of a masochistic tendency, edited streamed video of tonight's affairs are indefinitely available through www.gresham.ac.uk.

But back to the immediacy of webcast communications. The point is not so much the availability of such information in real time to individual - and indeed any - shareholders, but rather how to influence the literally hundreds of opinion formers who will have received the information in person or through the webcast, and who will then attach their own observations to those who listen, in all sorts of media, to what they have to say. In such matters first impressions tend to be the most lasting, and negative media comment is extremely difficult to reverse, once imprinted in a recipients mind. The question is how to harness technology to make the best fist of what undoubtedly is an extremely difficult job.

There are a number of mutually reinforcing techniques: for instance virtual press offices - dedicated parts of corporate internet sites, often available only to journalists, which provide not only background to the particular event under discussion, but access to much wider and deeper corporate information as required to back up the story. Complementary to these are sites which provide journalists with similar information not just for the company in question, but for a large number of others as well. This information will be available in many forms, text, sound and video. The quality problems associated with the latter - bandwidth of course, or insufficient size of the electronic pipes - can be overcome by the potential to send any particularly interesting piece of video to a would-be broadcaster by satellite; satellite images are of digital or TV quality. And the availability of such information can be reinforced by the persuasive charms of dedicated intermediaries - working in what has become known as media relations - whose job is to convince commentators to use the multimedia material available, trading on longstanding relationships of trust with the relevant broadcast journalists.

But the most important interaction is human, and here there is nothing like a key, credible spokesman, certainly board level, preferably Chairman and/or CEO for one on one interviews, whether it be talking to journalists, analysts or institutional shareholders. The problem is the instantaneous availability of raw data to everyone on the one hand, and the sheer logistics of talking to as many people as possible. Clearly the ability to do personal one-on-one live interviews in the flesh is important, but the use of satellite technology can be powerful. It is possible, using appropriate satellite linkups from a number of different, perhaps global, points, for a Chairman or CEO to talk to a wide range of commentators, analysts and journalists, as well as, perhaps, some influential shareholders individually, and one interview following immediately upon another. To give some difference to each interview, the backdrop can be altered, and, for the fastidious for authenticity, even the tie. Most CEOs draw the line at shirts. But in the background are the network of contacts with key media and opinion formers which such corporate spokesman need to build up and continuously maintain.

In this context, one of the more fascinating prospects in store for media and communications is that of broadband. In simple terms, this term opens up the prospect of TV quality video on the internet for almost all users; it means that the pipes taking digital communications to most homes in England will be large enough to allow moving pictures and sound of impeccable quality, so that what is available on conventional TV will merge into internet offerings. In corporate communications terms the significant change will be seen in the area of webcasting. Broadcasting and webcasting will become indistinguishable, and intermediaries will provide a combination of instant breaking news, editorial and commentary. From the consumers viewpoint, the offering will range from raw, but impeccably presented, streamed video through to highly edited and specialised information and comment.

In corporate communications terms, this will undoubtedly substantially increase the demand for live webcasting of announcements of corporate events, such as press and results conferences, but the greater challenge will relate to the control of subsequent commentary. The requirement for immediate availability of background text, video and sound material will become even greater, particularly as there will no longer be the need for satellite for downloading suitable clips; it will now be possible to download high quality video directly from a suitable site on the internet. The task of those who ensure that broad/webcasters/print journalists understand and use this resource will be more complex and time consuming. But at the end

of the day there will be no substitute for one on one availability when it comes to influencing opinion formers and commentators.

Technology and corporate and product communications

Given both regulatory requirements and price sensitivity, the increased immediacy that technology does and will further bring through the availability of broadband is of paramount consideration in the context of financial communications. Nonetheless such leading edge techniques for other often overlapping areas of communications will apply, and for the same reasons: the need to communicate important raw news in as comprehensive and assimilable way as possible, and control, to the maximum extent possible, the subsequent comment. Thus corporate communications addressed at other broader stakeholders than shareholders and markets, such as local communities, environmental groups, and politicians will use very much the same instruments, but probably address different broadcast/webcast media and an alternative range of commentators. And those concerned with product and brand marketing and communications, particularly where the retail consumer is concerned will consider webcast product launches in conjunction with satellite media tours, virtual press offices, websites dedicated to corporate information provision to journalists, with media relations executives ensuring that the full availability and range of this material is fully understood.

One fact is blindingly clear. Consumers, in deciding what channels (in conventional broadcasting terms) or sites (in internet terms) have and certainly will have in the future an almost unlimited range of choice. The techniques I have discussed to date tend to focus on either access to raw information for a specific purpose - 'I am interested in watching the ABC results conference, because I follow/am a shareholder in that stock' - or editorial or commentary associated with that information. So far as the latter is concerned the material used and commented upon is likely only to be a small part of a larger programme, to which the viewer will have been attracted because he or she likes/ wants the information/commentary contained in it, such as a business news channel or website. The company has little control over the rest of the programme.

Companies are however beginning to approach this problem from the other side of the looking glass, and provide programmes themselves in which their products/ corporate objective feature all the way from prominently to very subliminally; rather than rely on the more happenstantial use of material resting solely in the choice and editorial comment of a third party. An example might be City fund management groups who could provide regular - perhaps even daily - commentaries on the activities in the market in order to attract a regular audience, and therefore investors loyal to their products. If webcast this material could be available on video on demand, so that the investors could pick it up at any time. Or a drinks manufacturer might sponsor and/or produce a programme on leisure activities, in which bars, pubs and consumption of its products featured regularly.

Staff communications and technology

Of course such programmes could be for more restricted audiences, which leads naturally on to the issue of employee communications. This is an issue of huge complexity, certainly in anything from medium sized companies upwards. Despite huge and well meaning investment in time and resource, I have yet to find a company whose employees feel that communications from the top are perfect. Nor indeed a company whose senior management believe that they have a first class grip on employee sentiment, thought and morale - for the process, if it is to work, must be two ways, up and down.

The subject is huge and sufficient certainly for a lecture in its own right, but most management commentators conclude that it is a key element of corporate motivation and success. Employees are the basic resource of any business, and probably, outside shareholders, its key stakeholders. The two overriding principles are, in my mind, that employees should hear of all important news, before they hear or read of them from the media; and also that they should, as far as possible, understand and accept the company's version of events, and how they fit within the strategic framework that the company has set for itself.

In communications terms, businesses have a huge advantage as compared with their efforts in the external world. They have a captive audience, and a number of different ways of accessing and informing it. They have the human pyramid, which makes up most corporate organisations, for a start, which creates the opportunity for communication in the flesh up and down the line, as well as text opportunities, such as staff bulletins, and magazines. It is here also that technology has the potential to play the largest part, although care must be exercised to make sure that its impact is properly understood. I treasure a story about an airline of long ago called PanAm, and one of its last Presidents, Najeeb Hallaby, who was faced with the implementation of a

major redundancy programme. Advised by the best that money could buy, and wishing to put a human face on the business of sacking staff, he arranged that all those affected should receive a letter which asked them to ring a certain extension number (this was before the days of intranets and emails, of course). When they dialled in, they received a recorded message, the import of which, without too much emblazonment, was 'This is Najeeb Hallaby, your President, speaking to you personally. Times are tough, and you're fired!' He meant well, no doubt, but reactions were predictable.

Today's technology does indeed provide a great opportunity. Most office staff these days have access to a screen, and most well run businesses are beginning to develop staff intranets - an electronic news, commentary and informational system which is internal to the business itself. The same techniques which are used for external communications can be brought into play here - emails, video and oral messages of all types. For instance, a major corporate event, such as a financial results announcement, a restatement of corporate strategy or new product, can be heralded by an email to all staff, inviting them to watch a streamed internal video featuring the appropriate senior management, but also using all the latest webcasting techniques; and then to attend a meeting with their immediate seniors for a more detailed discussion. The intranet can also provide regular, on-demand, programmes on key matters internal to the business; for instance, in an investment bank, regular market commentary. With these sort of instruments available there is no excuse for an under-informed, and therefore potentially under-motivated staff.

More difficult perhaps is how to gauge and to manipulate staff sentiment as it develops. Here technology, at least in its present incarnations, is of less use. Feedback moving upwards - reporting staff attitudes at formal and informal meetings and staff opinion surveys - is always difficult to capture, but is important. But the human element is critical and I have found that, as a senior manager, the best and most effective way to find out what staff are thinking is to cut out all the intervening management and ask them. In my Nationwide days, every executive board member spent at least two days a month on the road visiting branches and subsequently circulating colleagues, and the relevant management lower down, with what they heard. People at grassroots levels often know more about the business, and its challenges and opportunities, than the bosses themselves. And at LIFFE I used to hold an informal lunch twice a month with staff of all levels and, to get conversation going, ask them what they thought were the six best and six worst things about the organisation. Believe me, I learned a huge, sometimes surprising, if not flabbergasting, and often highly influential, amount. It is not for nothing that one often reads that the best ambassadors and marketeers for any company are the staff themselves, not just in formal external situations - selling the products, for instance - but actually talking to their mates in the pub, and to the world at large.

As a topical and technological aside, one of the by products of the internet is the phenomenon of what are called 'chat rooms'. These are sections of websites to which people can tune in and read the comments of others on particular subjects, and contribute their own points of view. Quite a few are dedicated to commentary on specific companies, some of it far from complimentary. Inevitably such gossip, often misguided or malicious, but often with more than a grain of truth contained within it, are watched closely by stock market analysts looking for an angle or a story - not least since it may come from employees with a beef or a concern. These days many a stock market rumour can emanate from such a source, on which there are few practical constraints, and to which disproportionate attention is paid. Apart from effective communications generally, one reasonable antidote is high staff morale and grasp of corporate strategy and events, and the willingness (occasionally and unofficially) of such people to chip and give a countervailing view.

Communications - too much of a management obsession?

So often one reads in the press that senior managements appear to be obsessed with media comment, spending too little time on actually managing the company, and concerned with meeting short term media and market expectations rather than setting long term goals, communicating them properly and then going for them. It is a sad commentary on many plc boards today that they too are prone to be infected with the same myopia.

It is certainly true that executives live more than ever in a gold fish bowl, exacerbated by ever more instantaneous communications and commentators hungry, for their own interests, for stories and a different angle. The rise and rise of investigative journalism is one of the most obvious symptoms of this phenomenon. Is this necessarily bad? The ability of uninspired, or just plain bad managers to hide behind closed doors and to use obscurantism to hide their blunders and mediocrity no longer exists, and to that extent shareholders employees and the public at large have benefited.

Furthermore, there can be no going back. Modern communications and ever more demanding media of all types are a fact of

life. In reality the only way forward is to turn the game on its head, and to grasp the opportunities which this aspect of business offer, recognising that to do the job properly, corporate communications, internal and external, must become as much a central part of management as human resources and product development. The mistake is to imagine that communications, internal or external, can be switched on and off at will, and when the time suits. Rather it is a continuous process, which needs constant attention and manipulation, not dissimilar to the production line of a complex manufacturing plant. Nor can it be done to the exclusion of all the other facets of successful management. Some captains of industry of note spend a disproportionate amount of their time cosying up to the media, giving the impression that this is, in their view at least, the road to corporate glory; their lack of focus and depth always finds them out, of course. It is, quite simply, part of the skills base of the well-rounded executive, although there is of course a cost attached.

Business is of course a risky affair. You can guarantee that things will go wrong, whether for internal reasons or from changed external circumstances. I once heard a service chief say that all war was a series of cock-ups, and that he who made the fewest generally won. Most businessmen will admit that their time is as much spent dealing with problems as it is moving forward, and both are of course intertwined. No business strategy survives or succeeds without major difficulties, and many fail. The knack in communications terms - both internally and externally - is to ensure that every event is put in the light of a positive, well understood strategic framework, flexible enough to absorb change and setbacks, and even to change, very substantially if necessary. Short-term events and activities must be portrayed in a long-term context.

In my experience, the most successful business men were those who had a vision, and let nothing stand in the path of its realisation. Communications and the media have become hard taskmasters for those who have allowed them to dominate and dictate proceedings. Others have seen them as opportunities on which to build towards the realisation of their aims. In this it is as important to keep abreast of the techniques, and the challenges presented by new technology, as on a human level continuously to maintain and satisfy a network of media contacts. Many companies still have a long way to go in both respects.

What then are the points I offer for further debate?

Technology has an ever increasing role in business communications: for instance, webcasting, video on demand, chat rooms, corporate programming and, a pleasure yet to come, broadband. Driven in part by more prescriptive regulation, it has brought total immediacy to corporate events and announcements, even to the man in the street. A continuing challenge is the subsequent commentary on breaking news. Technology helps, but there is no substitute for human contact. Likewise employee communications, always a difficult area to get right, are assisted by technology, but there is in the end nothing like person to person relationships, down as well as up. Good senior managers will seize the opportunity to use leading edge communications to enhance the achievement of their business objectives, rather than to allow themselves to be dominated by the media, or forced into short term expedients.