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SUMMARY REPORT

SURVEY OF IPR CORPORATE + FINANCIAL GROUP PANEL
'CORPORATE COMMUNICATIONS & THE CEO'S AGENDA'

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Corporate Communications & The CEO's Agenda
Survey Report – June 2002



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INTRODUCTION

This document summarises the key findings of a survey conducted among IPR Corporate + Financial Group members on corporate communications and the CEO's agenda.

Echo Research designed a questionnaire, which was then emailed to a panel of 32 IPR Corporate + Financial Group members. Echo received and analysed responses between 10th and 20th June 2002.

OVERVIEW

Issues causing the most anxiety to CEOs

The issue that is believed to be currently causing the most anxiety to CEOs of major organisations is 'Economic uncertainties' - 80% of respondents made it one of their three top choices.

Respondents made considerable comment about 'Economic uncertainties':

"Market dynamics drive the economics of all businesses – if our clients and suppliers are faltering then the revenue we generate from and through them will be under threat. Although to a certain extent businesses can pull through economic downturns by scaling resources, looking at strategic alliances and differentiated marketing, the CEO needs to drive the company with a clear vision; not easy against uncertain scenarios."

'Creating and communicating the company's vision and purpose' and 'Motivating the workforce in a downturn, plus holding-on to 'stars'' were also thought to cause anxiety to CEOs, with both these issues ranked in the top three by 47% of respondents.

While other issues such as 'Shareholder activism / pressure on corporate governance issues' (20%) or 'Institutional shareholders' informal networks to collectively exert pressure' (20%) did not score as highly, the reasons given to justify these choices show a strong interdependence between different issues. Respondents also suggested a variety of issues that they thought are currently causing anxiety to CEOs. Among these issues were:

- ~~///~~ Profitability
- ~~///~~ Pressure from NGOs / single interest / pressure groups to change policies / behaviour (using the internet to form coalitions / undermine the corporate position)
- ~~///~~ Competitor activity / industry understanding
- ~~///~~ Concern over funding pension liabilities
- ~~///~~ The euro
- ~~///~~ Regulatory issues
- ~~///~~ Cultural sustainment

However, with the exception of 'profitability' which was mentioned more than others, there was no real consensus here.

Despite what we have read in the media in recent months, issues such as 'Increased impact of regulators (national / European / global)' and 'CEO's own pay and incentive

Economic uncertainties - currently causing the most anxiety to CEOs

Profitability - also causing some anxiety

'Increased impact of regulators' & 'CEO's own pay and incentive ...' cause little anxiety



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package under media / shareholder scrutiny' were not thought to cause specific anxiety to CEOs, with only 13% of respondents feeling either of them did.

Corporate communications issues which are of most concern / interest to CEOs

While 60% of respondents chose 'Corporate branding, identity and differentiation' as being a top-three corporate communications issue which is of concern / interest to CEOs, only 33% of them said it was the most important. A respondent who thought it was the most important said:

"Because it is the fundamental – what is then communicated to the various audiences eg investors, govt, stakeholders, customers."

Reputational risks make or break a business

'Reputational risk', chosen by one in two respondents, was said to be the most important (priority one) for 67% of respondents who chose this issue. These two quotes put respondents' thoughts into perspective:

"Reputational issues can make or break a business (eg Andersen), and although there is no hiding from the facts of a crisis, CEOs now know the impact that a professional communications function can have in managing negative issues and crises as they arise and in planning for such eventualities. It is an area that a CEO can point to and identify a measurable return."

"In a word – Andersen. The firm's fall from grace in a matter of just months and on an allegation that has yet to be proven has shown just how easily a hard-won reputation can be lost. It also may have hammered home to some chief executives and (possibly) their communications people that no matter how good your PR, it's the reality of what your business does that will win or lose a reputation."

'Annual reports' and 'Maximising effectiveness of AGMs' ranked lowest, with neither appearing more than once in a top-three selection of Corporate Communications issues of most concern / interest to CEOs of major organisations.

Other CEO / Corporate Communications issues which were felt to be of interest included:

- /// Corporate Social Responsibility
- /// Evaluation
- /// Improving understanding of communications to Boards
- /// Lobbying effectively
- /// Managing consistent communications over multi-country sites
- /// Relations with governments / legislators
- /// Valuing reputation.

Other broad areas of interest

- /// Government and regulatory issues
- /// How others perceive PR professionals
- /// Shareholder control
- /// Sharing best practice
- /// Take a mature business-orientated attitude to what a company does
- /// Training



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QUESTIONNAIRE RESULTS

Base: 15 respondents.

Self-administered questionnaires completed: Between 10th June and 20th June 2002.

Note: Totals may sum to over 100% due to computer rounding or multiple coding.

Q1) Which three of the following issues do you think are currently causing the most anxiety to CEOs of major organisations?

<i>Order of importance (from most important to less important)</i>	(1)	(2)	(3)	Total	%
/// Economic uncertainties (national / international)	8	3	1	12	80%
/// Creating and communicating the company's vision and purpose	4	1	2	7	47%
/// Motivating the workforce in a downturn, plus holding-on to 'stars'	-	5	2	7	47%
/// Effective change management	-	1	4	5	33%
/// Shareholder activism / pressure on corporate governance issues	2	1	-	3	20%
/// Institutional shareholders' informal networks to collectively exert pressure	1	1	1	3	20%
/// Questions of professional service advisers & their integrity post Enron	-	1	2	3	20%
/// Increased impact of regulators (national / European / global)	-	2	-	2	13%
/// CEO's own pay and incentive package under media / shareholder scrutiny	-	1	1	2	13%

Q2) Please say why you have selected your leading choice.

Economic uncertainties (national / international)

"Because of the breadth of our business activities, the economy in general in the UK and across the world plays a huge role in business confidence for our customers. Many of our orders are multi-million investments where confidence and the ability to plan long-terms is critical."

"Its a tough call and will be partly sector dependent but inevitably there are short-term economic issues which will weigh heavily in the current environment with longer-term trends taking a back seat."

"The direct impact of economic downturn will go beyond companies' own performance. A fall in market values will hit the values of pension funds (already depleted) and will hit hard on the financial stability of the insurance sector, with a knock-on impact on premia, the cost of finance and wider economic confidence. Couple this with rising consumer debt, unsupportable rises in real estate prices (not necessarily values) and the ageing population and you have a recipe for a crash in consumer confidence that will send shock waves out across the whole economy."

"Market dynamics drive the economics of all businesses – if our clients and suppliers are faltering then the revenue we generate from and through them will be under threat. Although to a certain extent businesses can pull through economic downturns by scaling resources, looking at strategic alliances and differentiated marketing, the CEO needs to drive the company with a clear vision; not easy against uncertain scenarios."



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"There is still economic uncertainty and lack of confidence. Increasingly hostile media/shareholder noise is making CEOs very conscious of what value they bring to their business. Shareholders are no longer passive but increasingly better informed and more challenging."

"It's closest to the REAL thing they're most concerned with: increased profitability and growth."

"Direct impact on the bottom line."

Creating and communicating the company's vision and purpose

"Organised effectively, it will overcome many of the remaining issues."

"Because it is the basis from which everything else flows – if it is got right – the other corporate issues/responsibilities will be easier."

"Shareholder/media pressure is relentless and only the CEO can communicate why a strategy makes sense."

"This selection should always be the navigator – everything else is context or the mechanics of delivery leading to improved performance. Looking at the markets in the last week or so, one can appreciate how the business fundamentals need to be constantly communicated. The impact is long-term."

Institutional shareholders' informal networks to collectively exert pressure

"Depends on the sector however, the shift from sell-side to buy-side seems to be creating a growing group of investors who wish to bring about change in board policy/board composition/performance incentivisation / governance through persuasion working with the board rather than covert pressure through the media or other more public channels."

Shareholder activism / pressure on corporate governance issues

"A CEO of a plc is beholden to his/her shareholders and therefore must take into account their opinions – ultimately the shareholders can directly affect a CEO's position in the company. Increasing pressures in corporate governance, combined with a perceived increase in "shareholder power" - viz M&S, Nationwide, et al – also affects the CEO who is often seen as the "personification" of a company."

"Post Enron, Global Crossing, Equitable... there is more media and institutional spotlight on management's performance. In the sustained boom of the last 10 years, mediocre management and mediocre strategies have survived in a generally upbeat market – now the 'cracks' are appearing. CSR for the majority is 'window dressing' and the nice-to-have of boom times. For some industries (energy, finance...) it is fairly key but I suspect that CSR is largely a passing management 'fad!'"



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Q3. a) Are there any other issues which you feel should be included and, if so, what priority rating would you give them?

Q3. b) Do you feel that such issues / concerns should be on the list for future surveys?

UNPROMPTED	3a)	3b)
Issues	Priority	Include?
/// Pressure from NGOs / single interest / pressure groups to change policies / behaviour (using the internet to form coalitions / undermine the corporate position)	1	YES
/// Competitor activity / industry understanding – a CEO must be aware of his/her competitors and what they are doing – this is a constant learning curve (but obvious!)	1	
/// Concern over funding pension liabilities	1	YES
/// Euro – whether or not we are going in and when – need certainty for business planning	1	YES
/// Euro and Dollar against the Pound	1	
/// Increased profitability	1	YES
/// Regulatory issues is a bit broad – I would include the FSMA market abuse regime issue	1	
/// Profitability	1	YES
/// Managing balance sheet and debt, at a time when balance sheet scares have affected many companies	1	YES
/// Impact of the Euro now and within UK in future	1	YES
/// Corporate growth	2	YES
/// Increasing employment/business regulation from Europe	2	YES
/// Poor educational standard of potential workforce	2	YES
/// The personality CEO – CEOs are fast becoming “Corporate celebrities” – Stelios, Branson, et al. Do these “B” list celebs have sell-by date? Is it not important to balance “personality” with sound business acumen?	2	YES
/// Containing costs	2	YES
/// Cross border M&A & the relevant regulation	2	YES
/// Team building over international networks	3	YES
/// Consistent ‘apples with apples’ auditing and financial reporting across differing companies/industries / countries	3	YES
/// Senior management succession planning	3	YES
/// Understanding post dot.com commercial landscape	3	YES
/// R&D	3	YES

Other broad areas of interest:

(UNPROMPTED)

- ~~///~~ The importance of cultural sustainment
- ~~///~~ Profitability
- ~~///~~ Pension schemes
- ~~///~~ Opening up new markets
- ~~///~~ Maximising new products or services
- ~~///~~ Environment



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Q4) Which three of the following corporate communications issues do you think are of most concern / interest to CEOs of major organisations?

<i>Order of importance (from most important to less important)</i>	(1)	(2)	(3)	Total	%
/// Corporate branding, identity and differentiation	3	2	4	9	60%
/// Reputational risk	4	1	2	7	47%
/// On-going personal / institutional shareholder communication	2	4	1	7	47%
/// Broader investor relations activities	1	2	2	5	33%
/// Strong, effective media relations programmes	-	2	3	5	33%
/// Increased media scepticism re business	2	2	-	4	27%
/// Management of CEO profile	1	3	-	4	27%
/// Internal communications	-	2	2	4	27%
/// Issues management	2	1	-	3	20%
/// Annual reports	1	-	-	1	7%
/// Maximising effectiveness of AGMs	-	1	-	1	7%

Q5) Please say why you have selected your leading choice.

Corporate branding, identity and differentiation

"Supports main issues Q3 and logical comms process known to be effective."

"Because it is the fundamental – what is then communicated to the various audiences eg investors, gov't, stakeholders, customers."

"When so many major corporations are becoming tainted, it is very easy for other sector look-alikes to be seen in the same light. Today more than ever its about having a clear vision of the future; how to get there and the rewards for all stakeholders – all at the heart of the brand appeal."

Reputational risk

"Throughout my career, it has seemed that the negative is more likely to be motivating and bring issues more sharply into focus than even the hoped for returns on 'promotional' activity."

"In a word – Andersen. The firm's fall from grace in a matter of just months and on an allegation that has yet to be proven has shown just how easily a hard-won reputation can be lost. It also may have hammered home to some chief executives and (possibly) their communications people that no matter how good your PR, it's the reality of what your business does that will win or lose a reputation."

"Reputational issues can make or break a business (eg Andersen), and although there is no hiding from the facts of a crisis, CEOs now know the impact that a professional communications function can have in managing negative issues and crises as they arise and in planning for such eventualities. It is an area that a CEO can point to and identify a measurable return."

"Because of the potential downside."

On-going personal / institutional shareholder communication

"All the others are the direct remit of the Corporate Affairs or ANO internal function, what shareholders think therefore their investment behaviour therefore the impact on both cost of capital and the remuneration of the CEO keep the CEO awake at night – the others are either strategy or tactics."

"For a listed company in the current environment, any CEO will feel under pressure to justify the business' performance to his most demanding audience."



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Broader investor relations activities

"From my personal experience dealing with top CEOs."

Issues management

"CEOs know that if an issue is handled badly it can wreak havoc in the business. CEOs are always looking to boost their own profile. CEOs level of understanding of what PR is and can do varies but they're all wanting media coverage!"

Management of CEO profile

"Personal experience of ego-driven CEOs"

Annual reports

"Sadly (for the non-FPR professional) once again the focus here is on shareholder communications. Most CEOs of large companies are more concerned with this function than the more corporate/consumer communications programmes, which they see as the domain of other executives. What is more, in these more financially restrained times, if there is going to be a cut in a communications budget it will more likely be in classic PR than FPR – as the latter function is perceived as being a necessary part of the financial calendar."

Increased media scepticism re business

"This scepticism is linked to CEOs concern about their own profile. They find the media particularly infuriating because they cannot work out how to influence it, unlike customers or even the share price."

"Media scepticism about business (Enron to boardroom pay) is having a detrimental effect. An accountability culture is good – but transparency should be borne out of trust – rather than a cynicism that can breed volatility in share value."

Q6) Are there any other CEO / Corporate Communications issues which you feel should be included in future surveys?

"Improving understanding of communications to Boards"

"Valuing reputation (ie it is an intangible asset)"

"Evaluation. Managing consistent communications over multi-country sites."

"IT in the boardroom – in a period when electronic communications is becoming ever more important to effective management of a company's communication to all audiences, it is vital for CEOs to understand more the vagaries of the IT world."

"One to one counselling."

"How to lobby effectively without being open to allegations of sleaze."

"Relations with governments/legislators. CSR at the widest level – eg relations with suppliers/pressure groups."

"Parliamentary and regulatory authority lobbying."

"Internal communications and the impact of legislation i.e. incorporation of EC directive on information & consultation in the workforce."

"Company and issue-based web sites/portals – these have fast overtaken the 'corporate brochure' as the main 'bible' of the organisation, although insufficient attention is often evident. Where corporate web sites 'ownership' sits between Marketing, Corp Comms, IR, HR and all other contributors is worthy of further consideration."



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Q7) Beyond trying to get closer to and understand the CEO's agenda, what other broad areas of interest would you be interested in the IPR Corporate + Finance Group pursuing?

"Best practice in how others run their communications departments, what works, what doesn't."

"Valuing reputation."

"I think this is a good exercise in demonstrating the industry's willingness and desire to take a mature business-orientated attitude to what it does. I cannot think of further exercises at present."

"Corporate Social Responsibility – how much do CEOs, companies and PRs understand the issues, and how much are they just "jumping on a bandwagon"? Slightly off beam, but it would be interesting to do something around what others' perception of PRs is – how do we get away from the AbFab label? What are the routes to making our profession more "visible" to those outside it? How can we improve our own PR?"

"More training To become definitive mouthpiece for sector representing all comms disciples."

"Perhaps the group could take a closer interest in government and regulatory issues and how they affect its members"

"Regulatory changes and the impact on business and the communications function reaction. CSR (I'm afraid!). Building cultural sustainment programmes"

"Shareholder control (or lack of it)."

"What about a CD-Rom training package leading to a diploma exam in corporate & financial PR as opposed to expensive courses? With reciprocal IRS accreditation?"

"Involvement of CEO in broader society – geopolitical comment, donations, serving on government commissions etc."

"Think that consistently focusing on CEOs' agenda is a key positioning for the Group. In time I'd like to see a more international dimension, ie are there C+FG equivalents in other countries where we could swap similar survey findings to broaden the international appeal of the exercise and show greater international business awareness etc."



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