PR gets short shrift

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Abstract (Summary)
"If we have one consistent challenge with executives in the financial sector it's that they say: 'We'd rather not say anything,' " he said. Because they deal with issues of confidentiality and silence as part of their business practice, they think this applies to this realm as well, which it doesn't.

Full Text (1080 words)

Vandals attacking the home of Fred Goodwin, the former Royal Bank of Scotland head; death threats against former American International Group executives following the announcement that a number of them received bonuses; French factory workers taking their bosses hostage.

The scandals have reached the point that corporate officials have advised employees to avoid wearing the company logo, travel in pairs at night and park in well-lit areas.

How did it get to this? Why after the AIG spa scandal, the car manufacturers' jet debacle and the bonus blowup, do corporate executives continue to make obvious missteps in the public arena that have led to growing anger among employees and the public? The answer is partially due to poor public relations and a deaf ear among many CEOs.

There's an army of public relations people embedded in institutions, but the problem is that many are relegated to middle management and no longer have the ear of senior executives.

Whether it is due to arrogance, entitlement or a sense of invulnerability among senior executives, as one expert suggests, the reality is that many kings of the corporate world no longer put communications at the top of their agenda. Such isolation has made them more vulnerable to crisis.

"Internally, [public relations] people are not perceived as part of the strategic team," said Deborah Thompson, a public relations specialist for the financial sector. "As a result, senior executives become more and more removed from reality."

They miss cues obvious to others, in part because people are afraid to say the emperor has no clothes. That may explain how after seeing contemporaries from failed financial institutions raked over the coals by the U. S. Senate, the CEOs of the car companies did not think twice about flying their private jets to Washington, D. C., bailout cup in hand, and why AIG handed out US$165-million in bonuses to a division that helped create the global credit crisis.

In Canada, the financial community has hit road bumps of its own. The Caisse de depot et placement du Quebec fumbled its handling of the asset-back commercial paper freeze-up, bankers were caught flat-footed over shareholder revolts in February, and Nortel Networks Corp. has damaged its image over issues of severance payments and retention bonuses. While Canada's corporate elite hasn't been hit with the same scandals as its U. S. counterpart, it hasn't exactly been in front of all the issues.

For communications experts such as Robin Sears, a partner at Navigator Ltd., a strategic communications company, "silence is not golden in a crisis."

"If we have one consistent challenge with executives in the financial sector it's that they say: 'We'd rather not say anything,' " he said. "Because they deal with issues of confidentiality and silence as part of their business practice, they think this applies to this realm as well, which it doesn't."

Richard O'Hagan, former senior vice-president of Bank of Montreal in charge of communications, concurs: "While businesses must be discrete ... there's also a public that needs to understand."

Mr. O'Hagan, a press secretary to then prime minister Pierre Trudeau who was recruited by BMO in 1979, said, "There was period at banks when you did have very well placed and very influential communications specialists.

"The opinions of senior communications heads held sway with the chief executives at the time because we won their trust," he said. "Whether it's a policy, a reflex or a phenomenon of the times, I don't know, but there appears to have been somewhat of a pulling back from this connection."

It is not the case that all executives are inaccessible or all communications people unhelpful. Such executives as Bill Holland of CI Financial Corp. and such investors as Stephen Jarislowsky, founder of Montreal investment firm Jarislowsky Fraser Ltd., make themselves easily available to the media, and there are capable inside communications heads throughout the business world.

But many internal communications heads are being pushed further down the totem pole and away from a sphere of influence.

One reason, said Mr. O'Hagan, is lack of trust. Many communications people have been promoted from within and have not had a lot of experience dealing with a range of problems.

Another reason may simply be the fact that good communications is a victim of economic cycles. During good times, when crises were few and far between, executives shun communications expertise and "relegate the responsibility of monitoring that sort of thing much further down the food chain than is wise," said Mr. Sears.

"The problem is that when you don't get into trouble often your muscle tone and sensitivity to the risks of communications disasters are not in good shape," he said.

Take the recent bad press at Manulife Financial Corp. and Torstar Corp. Despite all indicators that show shareholders and the public are disgusted by excessive executive compensation, board members voted to give their exiting CEOs huge bonuses.

There is a sense that some Canadian executives are "out of touch," and don't recognize that such behaviour tarnishes their organizations.

By the time executives realize they have a communications problem it has snowballed. "When they get into difficulty, they are astonished there is a ferocious piece about them where they aren't given fair balance," said Mr. Sears.

So will the current crisis change how communications is handled? Many communications heads now simply serve as deflectors sending such obfuscating e-mails as: "We have to decline this time round.... Thanks for thinking of us."

Is it good media strategy to deflect queries this way? Jeff Keay, public relations head at Canadian Broadcasting Corp., and a former media relations specialist at two Canadian banks, said this kind of response is "nuts."

He noted that media relations at many big financial institutions are now done almost as an afterthought, and many so-called experts "break into a cold sweat even thinking about talking to a journalist."

The economic crisis, however, may force a change in the cycle: "You learn by being brutalized," Mr. Keay said. "When things are going good ... it's easy to say it's not a priority for us. But when you are on the front page of major newspapers being savaged for bad financial decisions, bad regulatory oversight, or bonus stuff, you learn quickly that media relations and issues management is something we should be paying more attention to."

Credit: Karen Mazurkewich; Financial Post

[Illustration]
Color Photo: Chip Somodevilla, Getty Images Files / Edward Liddy, AIG's chief executive, met opposition to insurer's US$165M bonus payouts. ;; Caption: