

I N S I D E T H E M I N D S

**Public Relations
Best Practices
2008-2009**

*Industry Leaders on Understanding Client Needs,
Staying on Top of Trends, and Utilizing
New PR Approaches*



ASPATORE

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Organizing and
Communicating for Success in
a Globalized World: One
Company's Experience

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ASPATORE

As our company approaches its twenty-fifth year in business, it provides us with a unique opportunity to reflect on how the world has changed and how that change is affecting business. When we started our business in 1984, we were issued electronic typewriters, which we soon turned in for our first word processing machines. The developments since that time have been both rapid and profound. The global economy has almost tripled (now well over \$50 trillion), and according to Fareed Zakaria, international editor of *Newsweek*, and his book, *The Post-American World*, more than half of that growth has come from the so-called emerging markets, with an increase in global trade of more than 133 percent.

This global interdependence has been cemented by the parallel changes in communication. During the past quarter century since APCO was founded, the world has moved from traditional media determining what we know and when we know it to the formation of thousands of news sources with citizen journalists and activists breaking news via YouTube, Twitter, and blogs. The online world is rapidly becoming the dominant communication channel affecting reputation. Consider these facts:

- There are now more than 1 billion broadband Internet users and by 2012, there will be 1 billion mobile broadband users.¹
- 80 percent of the most influential Americans go online to post opinions or join discussions.²
- 60 percent of active Web users look to blogs and user-generated media as “more trustworthy” than corporate Web sites, press releases, etc.³
- 84 percent of journalists have or would use blogs as a primary or secondary source.⁴
- 54 percent of journalists say blogs have sparked story ideas.⁵

Successful companies have had to move from telling their stories to customers to successful engagement and dialogue with a variety of constituencies important to their success and “permission to operate.”

The watchwords for this new era are transparency and authenticity. There are no secrets in the modern world of online communication. Successful enterprises have to get used to operating in a world where all things are public and everyone can be a reporter.

Compounding this dramatic change, which has brought us new markets, new competitors, and a new way of communicating, we also have all become aware that the resources of the planet are limited and to have a sustainable future, we must figure out how we conduct our business in a more responsible way. Creating a sustainable future is not just about doing the right thing, but is also the right thing to do for the future of business.

It is against this backdrop that our firm has developed, with an average annual organic growth rate of 20 percent, and helped our clients successfully navigate the global marketplace.

We hope that our story will enable others to do the same.

How We Have Achieved Success for Ourselves and for Clients

In some ways, our approach to success has been simple and quite straightforward. We started with an idea that served as our vision, we found people who believed in that vision and we developed common values about how we wanted to work together to execute against that vision. Our simple idea was not to be a traditional public relations or government relations firm. It was to find a way to examine a problem or opportunity for a client that required “buy in” or support from key influencers (*e.g.*, government, media, business, customers, nongovernmental organizations (NGOs), or employees) and then to address that problem or opportunity with an integrated approach that engaged the appropriate influencer groups. Whether someone was looking to develop their brand, enter a new market, attract a partner, create a dialogue with an unfamiliar government, gain regulatory support, or improve the efficacy of their contributions, we approached the challenge with a strategic analysis of the situation and then organized a team to achieve the desired result.

To do this, we had to create an environment that was not tactic specific and where professionals from different backgrounds and life experiences could work together, respecting each person’s unique contribution to the whole. And, we had to find common ways to address problems across these backgrounds. As we globalized our business, creating that common culture and value system became even more essential and a significant factor in our success.

Working as an interdisciplinary, interactive global team has not only helped us grow to a firm of more than 600 people across twenty-nine offices from Sacramento to Shanghai, it has also yielded many benefits for our clients.

The regular flow of business across geographies provides for a continuous learning environment and sharing of information that gives us great peripheral vision. We are constantly sharing information about how events and factors affect—or could affect—our clients. The ability to look over the horizon is especially valuable to companies as they enter new markets or expand their existing markets. Being able to predict events and their impact gives a head start in mitigating risks and taking advantage of opportunities.

An essential part of being able to offer this counsel is having the right people. Thus, a constant ingredient in our business, and really any business, is to focus on finding, training and retaining the right people. It is not just people with the right skill sets, which in our case come from a very broad pool of talent: business, media, nonprofits, electoral politics, the diplomatic corps and government—people who have “sat in the seats” of our clients—or the people our clients are trying to reach. It is also about having the right environment and incentive system to make sure that the integration takes place and the best people for a project are working on that project.

As we have analyzed what we have learned from our experience, one thing has been clear. Having an idea is important. Having the right people is essential. Having the right culture that allows you to respect local differences, while empowering and enabling the right people to leverage the idea and execute to a result, is the only sure road to success. The marriage of global resources with localized expertise is something we have termed “*glocal*.” Glocal service has been a hallmark of our philosophy and a great contributor to accomplishing success on behalf of our clients on some of the most challenging opportunities and obstacles in recent times. As the world changes, this kind of integrated service is becoming not just desirable, but essential. This is evidenced by the fact that more than half of our clients today use our services in five or more offices around the globe.

In the following paragraphs, we explore three areas we feel are essential to the success of our clients:

Putting Concept to Action: How Our Experiences Have Translated into Success for Our Clients

1. Stakeholder Engagement

As the world has changed, so has the requirement for how companies do business. Our research company, APCO Insight, has conducted research in more than 80 countries on what are the current expectations of society on public companies. The overwhelming result was that today's corporation is seen as a public institution with many constituencies. Those constituencies have expectations of the company, which differ by industry and brand and when taken together form the basis of that company's reputation. The expectation is that a company will engage and interact with those constituencies in a manner that reflects the DNA of that company.

Therefore, today's corporate relations strategies can no longer center around traditional means of communication. As corporations have to consider a larger group of stakeholders—media, government, nongovernmental organizations, employees, the public—communicators have to develop a strategy and programs that allow them to be more proactive in understanding these constituencies, how best to dialogue with them and what kind of mutual expectations can be created in order to conduct business in a more sustainable and responsible manner. This approach will help a company build or reinforce its reputation, which, in turn, is an important part of establishing a company's value. This is especially important for companies coming from the new markets of the past twenty years or those entering those markets. While companies have always understood ROI, we believe these actions create a different kind of value for a company, albeit a little more intangible, and eventually yield great benefit to shareholders, as well as society. We call this return on reputation (ROR).

The three foundational elements of how we help corporations earn a ROR include building clients' reputations and helping them define what they stand for; defending their reputations in times of trouble; and monetizing that reputation over time to enhance corporate value.

Investing in reputation is like making a deposit to the bank of consumer goodwill. Inevitably, rough times will come, and a strong reputation pre-positions you to withstand whatever the market throws your way. This is especially important for companies coming from emerging markets that are the next generation of multinationals. Those organizations are unknown, and often their reputations are established by preconceived notions based on the history and politics of the country of origin.

When a company is in a defensive position and it has invested in a solid reputation, the organization has a much stronger stance in the court of public opinion when facing litigation, financial issues, or other major crises. Effective stakeholder relations allow businesses to have that deposit of goodwill where, should a problem arise, they will get the benefit of the doubt.

We help clients leverage their good reputations to advance their business interests, all resulting in a stronger bottom line and corporate valuation.

Those companies that wait to prove themselves until moments of crises end up with the unpleasant discovery that they are behind where they need to be. Since they have neither a reservoir of goodwill nor operating practices that enable them to demonstrate the societal benefits of what they do as the company, they are left with few defenses. The obvious key moments are those of great crises. However, when you explore the process of reputation management, it becomes clear that how companies operate on an everyday basis, when nobody in particular is paying attention, often determines how, and *whether*, they can weather a storm.

After a crisis, a public relationship must be rebuilt. Companies often do too little, too late. They do not take the necessary steps to get ahead of the story or a crisis situation, and make the critical error of waiting until a bump turns into a full-blown crisis. Smart companies take thoughtful steps to prevent those crises from happening at all. Should, despite those best efforts, a critical problem arise, effective systemic preparation can put a company on solid ground. This includes scenario planning and creating a plan for who will speak for the company, which saves critical time during the definitive first moments of a crisis.

Companies can take definite steps to manage reputation risk. When they fail to do so, or when unfortunate situations arise that were truly unforeseeable, they are obligated to step up and take responsibility for their actions. Pointing fingers is not a useful exercise. Strong leadership realizes that whether or not it was their fault, they have to accept responsibility, come up with a course of action, and implement it efficiently so that they can get on with the business of business. Though it may be counterintuitive, open communication and transparency in times of turmoil are an absolute reputation necessity. This often requires a delicate balancing act, since this is a litigious society and the things you say can get you into trouble. This is one reason why professional guidance and a closely knit crisis team are essential.

2. Entering New Markets: The Practice of Business Diplomacy

One of the areas where we have assisted clients is in their effort to enter new markets. This has become even more important as companies look to create their strategy for entering countries like India, Russia, China, the Middle East, and parts of Africa where market entry and market success can be a little more challenging. (The same is true for companies coming out of these markets to more traditional Western markets). Over the past twenty plus years, we have offered our clients a set of services to help them succeed as they look to enter new markets. These services usually help our clients understand the landscape of the market, figure out the right approach and people with whom to engage, understand the political risk and regulatory climate and generally think about how to move forward. Since many of the skills needed for business engagement in these markets are the same skills an embassy would provide for a country, we have called these services “business diplomacy.”

The world of international business today is challenged like never before. Multinational firms acquire, divest, open plants and close others, move facilities and establish new research centers in developed and emerging markets everywhere on the planet. Understanding what is required in advance helps companies make good decisions and, in the long run, saves them from costly mistakes.

The demographics and sophistication of customers in markets around the world are also changing very quickly. For example, what worked in China ten years ago is very different from the expectation today. Many of the companies we have been working with over the years are looking more globally than they have before. As new multinationals emerge from dynamic markets just reaching out into the international space, they are faced with a demanding learning curve about the rules of the global economy. Many of these growing companies come from very different business environments. They have been working in their local markets, which play by a different set of rules. Part of the challenge in helping these companies go global is to assist them in unifying their desire for more global trade and their need to understand what that entails: a new set of standards for transparency, social and environmental awareness, regulatory oversight, and even business culture. These emerging “corporate superpowers” face a significant need for a diplomatic corps to help their representatives open the right doors, say the right things and reach the right audiences abroad—and tell that story effectively back home.

Thus, it is important not only to have the business plan for what the market brings from an ROI perspective, but also to have the game plan to assure the reputational aspects of entering a market are covered. You can have a very sound business plan overturned by unanticipated political or external actions in a market that might have been avoidable or better anticipated. Success or failure can depend on the skills of business diplomats and the use of those skills in the new market.

Sometimes governments need the same kind of support around the world. Globalization has provided opportunities for and pressures on governments that were once insulated and isolated to become part of the global community and understand the roles and responsibilities of living in a global economy. We work hard to help these governments better understand how to implement programs that help improve practices and laws, attract investment and enhance the lives of their citizens.

Business has a role to play in this evolution as well. Through strategic public-private partnerships, companies can help their home governments move into the global society and improve their standing in the world by engaging in dialogues outside of official channels. These efforts can further

build corporate reputation at home and around the world, while also improving the lives of the citizens in their home countries and those where they operate.

We have strongly lived by the idea that there can be no successful business in a failed world, so understanding the ways business and government can help each other is an important part of improving the future of the world.

We have learned that doing business in 2008 and beyond requires new thinking about partnership, innovation, and integration. That is why we now have 3 billion new capitalists in India, Brazil, and the Persian Gulf. It is why we see corporations like Coca-Cola in partnerships with Greenpeace, it is why AID is supporting a program to streamline regulations in a number of developing markets such as Vietnam, and it is definitely proof that the agenda for the future will no longer be determined by the West.

3. Understanding and Mastering Online

No single factor has had an impact on our clients and our work more than the movement to online, real-time communication. Understanding how to operate in the online space is both a challenge and a new opportunity for our industry and for our clients. The online channel moves information quickly. In a channel where everyone has equal footing, the most influential voices tend to be those that are the most shrill, provocative, and entertaining. The corporate voice is generally unwelcome and often untrusted; online users react with particular hostility to efforts that seem like “spin.” Transparency is an absolute necessity, although classic editorial screens are largely missing.

On the positive side, the channel offers myriad new opportunities to engage with and earn the validation of both highly influential stakeholders and individual customers and employees. The overall reach of online is huge and global, making it a highly cost-effective communication platform. Targeting opportunities abound, allowing nimble communicators to push discrete messages to highly specific audience segments at just the right time and place. There are natural checks and balances in place, with key referral agents like Google judging based on dispassionate algorithms and rewarding increased visibility to the winners.

Many of these factors are foreign and uncomfortable to the external communication processes in place at many corporations. Companies are typically careful, controlled and methodical, requiring exhaustive fact-checking, and layers of management and legal review before allowing highly trained spokespeople to release information to the public. This is in basic conflict with the core attributes of online, which rewards speed, plain-spokenness, informality, decentralization, and a highly collaborative approach.

Another major challenge of online is the rapidity in which new tools and techniques emerge. Companies therefore tend to rely on channel experts, who are current on latest trends but often less well-versed in overall communication strategy. As a result, many online projects fail due to an over-focus on tactics. New innovation is exciting and seductive, but it is important to remember that actions in the online space have consequences, just like everything else. If you lack credibility in your online communication, it can affect your “real world” brand.

At its foundation, online communication is no different. It requires a deep understanding of the sociology, behaviors, and characteristics of target audiences and demands that the communicator adapt to the culture of the community rather than the opposite. Bloggers, for example, have their own unwritten code of conduct. If you are not going to be fully transparent and committed to building enduring relationships, find another channel.

Developing relationships with online communities will only increase in importance. One of the fastest forms of communication and stakeholder interaction is in the area of social media. Identifying, organizing or joining social networks of people with similar interests is the fastest way to reach a targeted group of like-minded people. Social networks have become a customized way to communicate and will grow in importance over the next few years. These interactions skip the filter of the gatekeepers and allow for one-to-one interactions. As we have generational change, people are becoming very accustomed to making their own decisions on products, services, and policies. We will be watching and participating, along with our clients, in the growing reach of these networks and how they affect the way in which we do business today and tomorrow.

Looking Ahead

The future of our industry is hard to predict. When we started twenty-five years ago, if a client needed or wanted something, it took days to get that around the world. You had time to think, respond, anticipate, and prepare. Now you have fifteen-minute news cycles and instantaneous transmission of information, so in fifteen minutes—if you're lucky enough to have even that much time—things can emerge on the Web and instantly turn into a global story. This is a bold new set of challenges, and those businesses that will be most successful in this era of instant news are those who are organized to respond in real time. It will also be the companies that are committed to transparency. Once the crisis hits, you are already out of time. This requires that clients be much more proactive in responding and not be afraid to engage. If you are known as a company that is arrogant and unresponsive, there will be little tolerance for mistakes. A responsive company develops a good reputation and can earn the benefit of the doubt.

If the past is any indication, we can expect to face continued opportunities and challenges as the world changes. There is no doubt that globalization will continue to accelerate and that the world as we know it will no longer exist.

It is no longer a choice about whether to globalize, but rather how to deal with inevitable globalization. Understanding and communicating in a more diverse business world continue to increase in importance. Multiculturalism will be central to everyday business. As more and more of the economy is based in what is commonly referred to as emerging markets, those that will have the clear advantage will be companies that adopt glocal thinking and action.

While all of this is a little frightening, we believe that the next decade will be transformative and will provide opportunities for great innovation and change. At the center of these changes will be the necessity to be able to communicate and interact across geographies with individual stakeholders and to learn how to grow business that is both relevant to the customer and contributes to a sustainable future for all of us. We look forward to helping our clients turn these challenges into opportunities.

Margery Kraus, *president and chief executive officer of APCO Worldwide, a global consulting firm headquartered in Washington, D.C., specializes in public affairs, communication, and business consulting for major multinationals.*

Ms. Kraus founded APCO in 1984 and has transformed it from a company with one small Washington office to a multinational consulting firm in major cities throughout the Americas, Europe, the Middle East, Africa, and Asia. In September 2004, Ms. Kraus led a management buy-out of her firm, making APCO one of the largest privately owned communication and public affairs firms in the world.

Throughout the years, Ms. Kraus' approach has been to fuse the best local experience with a global perspective, resulting in an international agency with a unique culture based on seamless teamwork. Ms. Kraus' achievements have been recognized through a number of prestigious awards, including the Ernst & Young Entrepreneur Of The Year® Award in the Services category in Greater Washington (2006), Best Entrepreneur-Service Businesses-up to 2,500 employees (Stevie Awards for Women Entrepreneurs, 2005), one of twenty-five "Top Women Business Builders" (Fast Company, 2005) and one of fifty "Women Who Mean Business" (Washington Business Journal, 2004). In addition, APCO was named PR Agency of the Year (PRNews, 2007), Agency of the Year (PR Week, 2006) and European Consultancy of the Year (Public Affairs News, 2007, 2006 and 2005).

Prior to starting APCO, Ms. Kraus assisted in the creation and development of the Close Up Foundation, a multi-million dollar educational foundation sponsored in part by the United States Congress. Ms. Kraus continues to be involved with the foundation by serving on its board of directors.

Ms. Kraus is active on other institutional and corporate boards and committees, including Northwestern Mutual Life (trustee); GML Limited (advisory board); the Catherine B. Reynolds Foundation (trustee); the Public Affairs Council (past chairman); the Institute for Public Relations (trustee); the Council of Public Relations Firms (board of directors); the Eurasia Foundation (trustee); and the Arthur W. Page Society (trustee). She was recently elected as the chairman of the Women Presidents' Organization, an association of more than 1,000 women business owners.

In addition, she serves as a trustee of American University and sits on the advisory board of the J.L. Kellogg Graduate School of Management at Northwestern University, as well as the steering committee of the school's Center for Executive Women. She is a member

the JFK School of Government Women's Leadership Board and an advisory board member of the Council on American Politics of the George Washington Graduate School of Political Management.

Ms. Kraus has authored numerous articles in the fields of public affairs management and corporate reputation and has been a guest lecturer throughout the world. She holds a Bachelor of Arts and Masters of Arts in political science and public law from the American University.

Mara Hedgecoth, *vice president and director of marketing, leads the global corporate marketing team at APCO Worldwide. She sets the strategic direction and oversees corporate communication, global marketing, and business development initiatives on behalf of the company. Ms. Hedgecoth has more than ten years of events, marketing, fundraising, and consulting experience.*

Prior to joining APCO, Ms. Hedgecoth served as senior convention services manager with the Baltimore Area Convention and Visitors Association. During that time, she organized meetings and events for up to 30,000 people on behalf of numerous corporations, nonprofit organizations, and government agencies. She was also responsible for marketing the city of Baltimore to associations and corporations around the United States.

Ms. Hedgecoth's experience included designing and producing promotional materials, advising local business on ways to improve their marketing efforts, serving as a liaison between Baltimore city agencies and Baltimore's tourism clients, and implementing innovative programs to provide visitors to the city with a quality experience. She is a certified meeting professional.

Ms. Hedgecoth has previous experience in hotel management, working for Renaissance and Sheraton hotels, and theme park management, working for Walt Disney World.

She serves as a steering committee member for Goodwill Industries' annual Gridiron Halloween fundraiser. In 2005, she was named "Good Person of the Year" by Goodwill Industries. She has a Bachelor of business administration with a specialization in hospitality and tourism management from James Madison University and a Master of business administration with a specialization in marketing management from Johns Hopkins University.



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