

Communications in Hard Times

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It is a recession with no sign of an end. Company executives, economists and consumers are crying woe. Companies are reporting one bad quarter after another. CEOs are reluctant to talk because even if they are doing better than competitors, they don't know if or when they might be next. Deteriorating conditions occupy their waking hours. They monitor numbers daily, hourly and look for trends that business is getting worse or, maybe, better. They have battered the balance sheet and income statement. They have fired non-essential employees, idled plants, closed stores, cut energy bills and scoured expense lines for savings. CFOs have drawn credit lines as a precaution against a liquidity crisis.

Along comes the corporate communicator who advises the CEO to stay visible in the media, but why should the CEO do that? What can the CEO say? How can the CEO take time away from retrenching a company to appear on *CNBC's* "Squawk Box" or talk to a reporter from *The Wall Street Journal*?

The pros and cons of communicating proactively tilt toward visibility, but not necessarily through business media. Consider three scenarios:

- A company in crisis whose existence is not assured. It is teetering on the edge of bankruptcy.
- A company in difficulty that is losing money but has a strong balance sheet and can likely wait the recession out.
- A company that is doing well in spite of the economy. It might be like Wal-Mart that is in a sweet spot of being the lowest-cost retailer of consumer goods to which shoppers flock in hard times.

Crisis

There is no better example of companies in crisis than Detroit auto manufacturers. Two of three surviving domestic makers face bankruptcy, breakup and/or liquidation. Because of this, they have been communicating to anyone who will listen. They are telling their stories and hoping to get help to survive. They know they have to communicate to primary audiences -- dealers and customers, shareholders, employees and politicians -- to make it through. Even with massive layoffs, they need to keep surviving employees productive. Their unions understand the peril of the situation and are exhorting their members to support the survival of the companies. Shareholders that remain invested with the companies -- and there are few of those -- need some confidence that General Motors will be around in five years and Ford Motor will

turn the corner. Bondholders are nervous, and banks are reluctant to extend credit. Dealers are going out of business and unit sales have fallen below the most pessimistic estimates for the industry. Loyalty from remaining dealers and customers is essential, if the companies are to get into gear again. Suppliers are in peril of going broke. They depend on the auto manufacturers to stay alive and need to know what manufacturers intend in order to invest in tooling and production that keep the supply chain open. Politicians and regulators are fearful that if the companies should fail, hundreds of thousands of jobs will disappear. Aside from the faux pas of flying corporate jets to hearings in Washington DC and the outrage that generated, Detroit's CEOs gained a hearing and money to survive months more. They have been communicating their stories to anyone who will listen and are readily available to the business media.

When companies are in crisis, failing to communicate is a death sentence. CEOs may not be able to tell key audiences everything they know, but they dare not put a gloss on a terrible situation. More importantly, they need to tell key audiences enough to win continued support while they labor to turn their companies around. Communicating is a thankless job because audiences will take potshots at CEOs for failing to solve problems. Second-guessers with perfect hindsight will point to where CEOs have gone wrong. Critics will be a chorus of nay saying but amid the noise, the CEOs must project a calm optimism that they know what needs to be done and are doing it as quickly as they can. The business media are facilitators in the process of getting their message out.

Companies not in crisis

The company having difficulties but not on the edge of bankruptcy is in a better situation and may or may not have to communicate depending on its situation. Consider, for example, Caterpillar Inc. or Goldman Sachs. Caterpillar had a huge cut in its heavy machinery and tractor business when commodity prices collapsed and construction fell apart. "Cat" cut white-collar employee salaries by as much as 50 percent. Goldman Sachs was smart enough to avoid the subprime mortgage market meltdown but not completely. Both companies have had losses.

These companies need not communicate as heavily as companies in crisis, but they would be wiser if they did. There is reason to let shareholders know they are surviving, if not thriving. There are strong reasons to let customers know they will be around tomorrow in order to keep their loyalty. In the case of "Cat's" dealers, it is important for "Cat" to let them know how the company is faring, so dealers can adjust their own balance sheets and inventory of equipment. "Cat" and Goldman Sachs also need competitors to hear they are not going away but taking measures to ride the recession out. So too, suppliers who depend on "Cat" and counterparties in trading with Goldman. Local and national level politicians are deeply interested in what "Cat" and Goldman are doing because they represent tens of thousands of jobs and millions in tax revenues.

Even if “Cat” and Goldman wished to keep their activities to themselves, it is unlikely in the political environment that they could. On the other hand, there isn’t necessarily a reason to cultivate general awareness of either company. Their communications could be targeted. They could avoid talking to *BusinessWeek*, *Fortune*, *Forbes*, *CNBC* and *Barron’s* and instead rely on earnings and analyst teleconferences, letters to employees, visits with dealers and customers and suppliers and trading partners. If they see a major threat from rumors or innuendo, they can use the business media to counter it. Otherwise, they can focus sharply on their businesses and keeping them above water. However, why would they want to avoid business media? Even in business media’s own diminished state and dropping circulation, they reach both “Cat’s” and Goldman Sach’s key audiences efficiently, and they have more credibility as third-party observers and reporters.

Companies doing OK

In every business cycle, some companies are positioned to take advantage. Wal-Mart might not need to communicate proactively because it is doing well. On the other hand, it might wish to communicate to shareholders to support the stock price. It might want to keep employees abreast of company progress to counter fears about the general economy. There is justification to let customers and prospects know how well the company is doing well to gain their loyalty and to lure them from competitors. Regulators and politicians will want to know how the company is doing because of jobs and tax revenues. In other words, even a company doing well in a recession has a strong impetus to communicate, if for no other reason than to set itself apart.

Business Media

National business media are an efficiency and credibility tool. However, with downsizings in their own ranks, it is more difficult to win coverage. Large firms have built-in interest because of their size. Smaller firms have to work harder to gain attention. It is this trade-off in size that makes other media appealing, such as advertising, an expanded web page, e-mail outreach, teleconferences or meetings. One can gain more consistency of communications with these media than with an article in *BusinessWeek*, for example, but an article in *BusinessWeek* serves as confirmation that what the company has been saying is true. Moreover, a *BusinessWeek* article can be reprinted and sent to employees, shareholders, regulators, vendors and others.

In other words, there is a trade-off between using controlled communications and uncontrolled business media. A reporter’s impartial reportage carries greater weight. Having the news columns of *BusinessWeek* describing how a company is weathering the recession carries more credibility than a full-page ad in the publication. It might also be less expensive. On the other hand, there is a

chance of creating cognitive dissonance if employees, for example, do not view the company in the same a reporter did. This is why working with business media requires a transparent approach that acknowledges problems while emphasizing advantages.

Does a company need pro-active out-reach? A company in crisis needs it to remain in business. A company in momentary difficulty may or may not need to be pro-active depending on circumstances. A company doing well doesn't need to be proactive but can use it profitably. It is more important to communicate in bad times than in good times because so much can go so wrong so quickly. There are more reasons for communicating than for remaining silent, but that written, a company can still go silent and survive. It is just riskier.

Is communicating something a CEO can do on his own through Management By Walking About? Theoretically, yes but there is tremendous pressure on the CEO, especially in global businesses, to stay abreast of deteriorating conditions. It is more economical to use the communications department to project the CEO's message through multiple media, especially business media. The CEO has little time and needs to pick the spots where his presence and authority carry the most weight.

An economic perspective

A communicator needs to put on an economic and business hat to judge what is best for a CEO and company to do in a recession. Parroting good communications principles is not enough. There needs to be fact-based evidence that communicating is better than not. This is especially true if a CEO closets himself to work on business problems and becomes remote from key audiences – a real temptation during a time of business stress. So, while the CEO may not be willing to talk to the news media, the counselor should get the CEO to talk to key audiences regularly and report on the status and future of the company. This can be done through town hall meetings, through TV presentations, through one-on-ones, through letters from the CEO, through any number of media, including a blog in which the CEO expresses his views. The important factor is not so much the medium but the message and making sure the message reaches key audiences in a timely fashion.

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