



# **Why Use Corporate Media Relations?**

## **Five Questions to Ask**

### **A Discussion Paper**

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John D. Wren, president and CEO of Omnicom, the advertising and marketing communications giant, doesn't believe in talking to business reporters. In fact, according to one industry publication\*, as of January 2006, Wren had given a total of three interviews in 3.5 years and two of them were to the same advertising industry publication. Wren declined to discuss the financials of his company in all three interviews. The irony of Wren's position is that Omnicom claims to be the largest owner of PR firms with PR billings approaching a billion. It is those PR firms that try to convince CEOs to speak to national business media to position their firms and themselves.

The days of "superstar CEOs" are over, or so say news media, while personal investing no longer has a lure of instant riches. So why should CEOs deal with business reporters from *Dow Jones*, *The Wall Street Journal*, *Reuters*, *Bloomberg*, *Fortune*, *Forbes* and *BusinessWeek* who can write unflattering and sometimes damaging stories about CEOs and companies? This is a question more top executives ask.

In a quest for value creation, using the business press beyond regulatory earnings releases seems to yield less return with greater risk than building relationships with Wall Street analysts, creating web pages or funding advertising. General and outside counsel paint dire pictures of litigation and time-wasting depositions for anything said to reporters during mergers or stock flotations. CEOs remain mum in the media, even though they understand silence lends credibility to criticism. They might speak if their boards push them, but if directors are skittish, CEOs would rather say nothing.

A CEO's challenge is knowing when to engage with business reporters and when to focus attention elsewhere. Some companies work with Wall Street analysts through an investor relations department, ignore reporters' calls and see no harm to their stock price or business positioning. For others, particularly large corporations and companies in crisis, there is little choice. They can hunker, but stories keep coming, and their businesses are impacted. For most organizations, the answer is unclear. They can build relationships with reporters, but they can as easily depend on quarterly earnings teleconferences.

CEOs understand if one engages with reporters today, stiffing them tomorrow for no good reason hurts trust and understanding. But CEOs are busy people so they want to know when it is economically worthwhile to deal with business press and why. Regrettably, there is no formula one can use to determine ROI. There are parameters. The parameters assume CEOs understanding that concentrating on any one audience – such as investors – to the exclusion of others has its own problems.

We believe there are five questions CEOs should answer to judge whether they ought to work with the business press.

**1. How do economically essential individuals and audiences perceive the company and its leadership?**

2. **Do perceptions and opinions of economically essential individuals and audiences help or hinder the company and CEO in achieving economic goals?**
3. **What message(s) should the CEO send to economically essential individuals and audiences to change or maintain their perceptions and opinions, so the company and leadership can reach economic goals?**
4. **What media are the most effective and least costly to communicate to economically essential individuals and audiences?**
5. **What economic value does business press have among the most effective and least costly media?**

### Question 1 **How do they see you?**

Like a former mayor of New York City who constantly asked “How am I doing?” CEOs and companies monitor perceptions and opinions of individuals and audiences to detect changes that are economic opportunities or threats. They listen to customers, to investors, to employees, to competitors, to regulators, to activists, to local community leaders. And, they listen partially through monitoring media. CEOs know they cannot control independent publishers, especially in an internet age when publishing is widespread, low cost and tens of millions of web sites, internet bulletin boards and blogs comment on just about anything. Uncontrolled expression of opinion and perception is valuable because it can be a closer depiction of reality than information sanitized through company communications channels.

What CEOs worry about are opinions that sway perceptions about their leadership and their companies. *The company is lagging competitors. The company is building faulty products and giving lousy service. The company is cheating employees. The CEO is running the company into the ground. The company is stodgy or cyclical or locked into one industry.* Business reporters monitor perceptions and opinions just as CEOs do, and they write stories about them along with evidence supporting or opposing opinions and perceptions. (Increasingly, business reporters find ideas for stories online as well as from Wall Street.) Business reporters write whether or not CEOs cooperate. Their news stories reach millions of customers, employees, investors, traders, analysts, opinion leaders, vendors and others who can react positively or negatively to what they see, hear or read. As a result, they can sometimes be a formidable force shaping perceptions about a company’s leadership and prospects. Or, in the case of companies about whom reporters rarely write, business reporters may be no force at all.

CEOs’ concerns focus on individuals and audiences who are essential to economic survival and success. At the simplest level, they are customers, owners and employees. Organizations exist – and CEOs keep their jobs -- only when they have support from all three. For large corporations and businesses in industry segments, such as pharmaceuticals, there are more economically es-

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sential audiences than these three, such as government regulators.

Economically essential individuals and audiences have expectations about what companies can and should do for them and for those around them. Expectations color their perceptions and opinions. Moreover, independent influencers, such as Wall Street analysts and business media, compare and contrast companies and their leadership to help individuals and audiences stay informed and develop correct perceptions, opinions and judgments.

The CEO's challenge is that expectations of essential individuals and audiences are not necessarily the same and not always aligned.

- Customers want goods and services that meet their expectations for quality and cost, but a company might not be able to produce competitive goods and services in existing facilities with existing workforces.
- Owners want to know they will get expected economic return, but to meet customer demands, a company might require greater reinvestment.
- Employees want to know they will get paid, work in humane conditions and have a legitimate expectation of advancement, but employee demands might make the business too expensive to operate.
- Governments want to know an organization is abiding by rules of behavior and paying taxes, but to build quality products at a competitive price might require moving the plant, firing workers and devastating the tax base.

While direct experience with a company and its leadership is the most powerful shaper of perception and opinion, indirect information from business news, blogs, bulletin boards, web sites, and other media colors direct experience. Indirect information can also subvert direct experience by calling into question intentions of leaders.

The CEO's challenge is to keep direct experience and indirect information about a company and its leadership sufficiently aligned that it provides economic opportunity rather than threat to leadership, strategy and execution. Companies must operate well, but they also need to maintain the perception and opinion that they operate well. Inaccurate perceptions and opinions can:

- Wreck the credibility of leadership as General Motors and Ford have learned.
- Lead to inaccurate company valuations as the Google! frenzy for its stock has shown.
- Accelerate leadership turnover as Carly Fiorina discovered at Hewlett-Packard.

- Lead to inaccurate expectations for performance and distort the internal view of a company and its leadership about itself, as any number of defunct dotcom companies demonstrated.

Inaccurate opinion and perception include overvaluation as well as undervaluation of what leaders and companies should be doing. Both extremities influence what economically essential individuals and audiences believe and both limit CEO flexibility.

## Question 2 Do perceptions and opinions help or hinder?

A company whose economically essential individuals and audiences have a positive and accurate perception of the company and its leadership may not need to work with business media. Their messages are being carried for them. A company that does not have a positive or accurate perception may need to communicate to close perceptual gaps or rebut inaccuracies.

Every organization has misalignments of perception and opinion. The question is how serious they are, or could be, economically. The CEO assesses whether perceptions and opinions harm or help. The CEO also decides on the steps, resources and time a company needs to correct misperceptions and inaccurate opinions. The steps might be:

- Execute better.
- Explain the business better.
- Execute and explain better.
- Change strategy and explain a new course

Time is a critical factor. CEOs have less of it. The median tenure of a CEO in the S&P 500 is now four years, according to study published annually by Spencer Stuart, a global executive recruiting firm\*.

Dealing with opinion and perception is something CEOs do so frequently they might not reflect on how critical communications are in making and executing strategic choices. For some, well run operations speak for themselves. For others, operations are insufficient to gain positive support to pursue strategy. Each company's case is different based on its position in the marketplace and pressures on it. CEOs also have preferences in their management styles. Some communicate intensively: Some don't. As in all leadership, the only gauge is what works.

## Question 3 What to say?

The first and most important communication to economically essential individuals and audiences is an accurate description of what the company is and

does. Some marketers call this the “brand.” It is the culture, strategy and execution of an enterprise based on the facts of what the enterprise does daily. The challenge of creating a “brand” message is that there is no absolute truth about a company or its leadership that all accept. Facts are interpreted positively or negatively about any person or organization, but a “brand” message is more of an operational statement than marketing communication. A “brand’s” essence may not change for long periods, but expression of it might, given shifts in culture, technology and scale of a business.

Sometimes a “brand” is broken, and messages need to clarify what a company will do to change actions and behaviors that bring a “brand” into disrepute, obscure it or fail to differentiate it. The greatest failing in communicating “brand” to economically essential individuals and audiences is complexity. CEOs talk at length but do not make clear what the company is and why. PowerPoint slides overwhelm what should be a few short sentences.

Beyond the brand message are communications that clarify how the brand applies to business execution -- where it is going, who is taking it there, how they will execute and the time it will take. It is the CEO’s job to ensure that brand communications are presented in forms that are palatable to essential individuals and audiences and their colliding expectations. In one case, a message might be blunt. In another, soft-pedaled.

As a final step, CEOs assess the size of gaps between perception/opinion and message/execution. In well-aligned companies, the gap between what essential individuals and audiences perceive and a company’s “brand” is small. In misaligned companies, the gaps are large and require more action and communication to close.

#### **Question 4 What media are the most economical and effective?**

Message-sending is controlled or uncontrolled. A CEO and company control expression of message(s) and distribution, or a CEO and company talk to third parties (Wall Street analysts, business reporters, etc.) who independently examine and verify messages and report on them. When all else is equal, CEOs opt for controlled messaging because they can state messages precisely and deliver them in a tailored manner. But, all else is rarely equal. Most people place less credibility in controlled messages because they come from obviously biased sources. Thus, CEOs assess whether controlled messaging can achieve positive perceptions and opinions among a critical mass of economically essential individuals and audiences. Secondly, CEOs determine whether controlled media is affordable because it tends to be more expensive.

Before a CEO chooses uncontrolled media, there are several considerations. The first is that uncontrolled media are a factor already. The second is that lack of control increases value but also risk and the third is that “brand” messages might not withstand third-party scrutiny.

Wall Street analysts are uncontrolled media along with business reporters,

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product/service reviewers, activists and random observers. Analysts command attention because they question CEOs during quarterly earnings teleconferences. However, with analysts, as with all uncontrolled media, CEOs face challenges:

- No coverage. Wall Street research coverage has declined since the Sarbanes Oxley law.
- Insufficient, erroneous or biased coverage. Analysts are people too, and they distrust CEOs and company messages.
- Computerized stock picking using screens and models.

CEOs should worry about computerized stock picking because it reduces stocks to commodities without differentiation other than numerical rankings. Companies are not numbers but flesh-and-blood enterprises running on human judgment and emotion. To condense enterprise to numbers and only numbers is a mistake. Secondly, numbers are historical artifacts and not future intent. They are a record of what a company has done and not what it is doing or going to do, and numbers do not account for elements not isolated in financials and stock prices such as training programs, R&D choices, logistics skills, etc. Third, models that depend on stock momentum incorporate the irrationality of market movements that may or may not depend on underlying company performance. Finally, if computerized stock picking advances and human analysis continues to decline, CEOs will compete for attention among remaining analysts: Inevitably, good companies will be overlooked.

The second challenge with uncontrolled media is that users of information and not senders assign credibility and economic value to it. Economically essential individuals and audiences may change opinions and perceptions of a company based on one good third-party report. Or, they may dismiss a report as unbelievable. But, CEOs understand the economic value of credibility that comes from uncontrolled media even if they fear its consequences. They know, for example:

- Customers who choose autos after reading auto reviews make economic choices based on the greater perceived credibility of information from disinterested third parties than from controlled company messages.
- Investors who buy stock in a company based on positive research reports and news articles make economic choices based on the greater perceived credibility of information from disinterested stock analysts and reporters.
- Employees who read or see positive news reports on their companies have greater trust in the business.
- Governments that read or see positive news reports on companies have more reason to cooperate with them than to examine them.

They also know that one can never gauge exactly how economically essential individuals and audiences will react to news and information. This is why companies that only work with Wall Street analysts have less flexibility in dealing with misperception and bad opinion.

A third consideration for CEOs is confidence that “brand” messages can withstand third-party scrutiny. A CEO may state a company’s “brand” intentions but not have business or evidence to back them. (This is more common than one might think.) Lack of evidence comes when a company enters a new phase by expansion, extension or change in strategy. Opening a “brand” message to third-party scrutiny in these instances invites criticism unless a CEO makes clear the “brand” is changing.

CEOs also know they can lose positive third-party support through no fault of their own and spend enormous time dealing with the consequences, time that would be better spent pursuing strategy and execution.

### Question 5 **What economic value does the business press have?**

CEOs conduct an economic trade-off analysis to determine whether it is worth the time and effort to work with business media. The analysis is somewhat analogous to linear programming in which one sets mathematical boundaries inside of which a range of solutions are workable. In this case, boundaries are eight in number, and they are unequally weighted depending on a company’s position in the marketplace, external pressures and CEO preferences. In some cases, one boundary may be enough to justify working with business media. In others, all eight boundaries are insufficient to justify time and expenditure to build relationships with business reporters.

Dealing with business media IS important economically to the strategy and execution of the company and its leadership when:

- **The risk of damaging perceptions and opinions of essential individuals and audiences is greater by remaining silent. The metric is the CEO’s judgment based on experience and events.**
- **Targeting of economically essential individuals and audiences is too narrow. There is need to reach more than investors to tell a company’s story.**
- **The depth of understanding of essential individuals and audiences is insufficient to gain their positive perception and opinion through controlled media. The metrics are media and personal monitoring, attitude and opinion surveys and focus groups.**
- **Controlled communications reach to essential individuals and audiences is too narrow to gain a majority of positive perception and**

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opinion. The metric is total exposure gained from advertising versus editorial.

- **The speed by which messages targeted to essential individuals and audiences is too slow through controlled media. Uncontrolled business media include the wire services and business TV programs that compete on reporting news first, and they reach trading rooms worldwide in seconds.**
- **The cost of controlled media is too great to gain positive perception and opinion from essential individuals and audiences. One can hammer home a message using advertising, web pages, meetings, seminars, etc. but cost can skyrocket. A major corporate media relations program is usually smaller than a low-key print and TV advertising campaign.**
- **The credibility of controlled communications is insufficient to gain positive perception and opinion from essential individuals and audiences. There is need for corroboration of messages sent directly through controlled media. The metrics are media and personal monitoring, attitude and opinion surveys and focus groups. (There is a reason companies merchandise reprints of positive news stories.)**
- **The frequency of communication is less important than the credibility of it. Controlled media have an enormous advantage over uncontrolled media in that one can choose the time and place of appearance. Controlled media, in spite of its expense, is more effective in raising awareness, if not credibility.**

In some companies, a mix of controlled media and relationship building with Wall Street analysts is enough. In others, the mix needs to be richer and audiences addressed far larger. In an era when power has shifted from CEOs towards boards and impatient shareholders, corporate media relations remains a tool in fostering positive perception of a company's strategy and execution and correcting misperception about organizations and their leadership. Corporate media relations is one more voice CEOs use to get brand messages and leadership intentions to economically essential individuals and audiences.

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# Duties of Corporate Media Relations

Corporate media relations has four main tasks:

- **Monitoring uncontrolled media**
- **Development and presentation of messages**
- **Distribution of messages**
- **Measurement of success in getting corporate messages into uncontrolled media**

## Monitoring

Corporate media relations finds and informs leadership of what is being said about the organization and them in uncontrolled media – print, electronic and online -- so leadership can respond effectively and persuasively. Monitoring is most often done electronically using outside services that scan tens of thousands of news sites, blogs and web pages automatically and deliver data daily to a company. Corporate media relations sifts the data, discards what is unimportant and delivers essential news and information to a designated list of corporate officers. As part of monitoring, corporate media relations pays close attention to expressed opinions and perceptions of economically essential individuals and audiences. A second part of monitoring is to contact publishers of inaccurate information about leadership and the company and to correct them. This is usually done through supplying accurate facts and discussing misperceptions and incorrect opinions where possible.

## Message development and presentation

Corporate media relations helps develop messages and message presentation to business reporters for the purpose of informing economically essential individuals and audiences. Corporate media relations helps:

- **Maintain message accuracy.** Individual and audience perceptions are unstable and can change quickly based on company and leadership action and what is said and written about a company and its leadership. There is constant need to present an accurate, positive picture of a corporation, its strategy and results. Keeping corporate media relations in the dark about company events and activity reduces its ability to deal with reporters reactively or proactively.
- **Ensure accurate understanding of a company's "brand" promise in**

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**the minds of essential individuals and audiences.** Messages can be stated accurately but still be misunderstood. Corporate media relations is responsible for assessing through monitoring uncontrolled media that a company's brand is understood correctly.

- **Counterbalance narrow presentations of the company's brand message.** Financial representations of company and its leadership are too narrow to provide an accurate picture of a company's brand and execution. Corporate media relations is a counterweight to short-term thinking and perception. On Wall Street, there is little patient capital and a handful of Warren Buffets.
- **Serve as the persuasive agent for the CEO and organization by developing multiple forms of message presentation.**

## Message distribution and relationship building

Corporate media relations helps get organizational messages to essential audiences through uncontrolled media by fostering relationships with business reporters and answering their queries. It:

- **Identifies fair and open-minded reporters and approaches them with facts about a company, its leadership, strategy and execution.** Business reporters tend to be generalists who do not observe any one company in depth and over time. Hence, they tend not to know the historical background of a firm or of its CEO, and they tend to rely on what experts tell them. Frequently experts are Wall Street analysts.
- **Gains attention for a company's message among reporters in key media who have been ignoring it.**
- **Corrects "conventional wisdom" among reporters about organizations and their leadership.** Many companies struggle with prevailing but incorrect views about their strategy and leadership. Errors frequently come from reporters talking to buy-and-sell side financial analysts, shorts, hedge funds and others who have self-interest in denigrating leadership and a company. Business media and Wall Street analysts are part of a feedback loop and they are co-dependent. Financial analysts rely on reporters to distribute analysts' views and personal positioning to investor audiences. Business reporters rely on analysts for deeper examinations of a company and its leadership than a reporter can perform. Each group's opinion builds on the other and amplifies it. When opinions are positive, CEOs and companies reap the benefit. When opinions are negative, it is difficult to break the loop.
- **Serves as a distribution point for financial information that Regulation FD requires to be disclosed.** On August 15, 2000, the SEC adopted Regulation FD to stop selective disclosure of information by publicly traded companies and other issuers. Under Regulation FD, when an issuer dis-

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closes material nonpublic information to securities market professionals, such as stock analysts or anyone who may trade on the basis of the information, the issuer must make public disclosure of the information.

- **Coordinates with investor relations and marketing to insure an integrated presentation of company message(s).**
- **Deals with and counteracts interest groups who have used uncontrolled media to advocate changes in policy or behavior, whether or not this is in the best interest of investors, employees and others.**
- **Works with general counsel and outside lawyers who influence information distribution, especially in cases of crisis, stock flotation and mergers and acquisitions.** Corporate media relations is subject to SEC regulation especially during quiet periods before and after stock issuance. Securities lawyers inconsistently apply terms of the Quiet Period. Some lawyers are more liberal in interpretation than others. Some shut down all corporate media relations activities, which in retrospect and under new rules appeared to be unwise. The SEC reformed its rules recently to encourage more communication to increase transparency and new regulations took effect on Dec. 1 2005. (Release No. 33-8591 — Securities Offering Reform).

**Measure success in getting messages into uncontrolled business media and before economically essential individuals and audiences.** Corporate media relations develops and implements metrics that gauge the economic value of its activity.

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