

Recession: A Note

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Whisperers are saying this recession is edging toward depression. Images of destitute people in the Dust Bowl, wan mothers with dirty children and hoboes riding boxcars come to mind. The public is furious with a loss of life savings, jobs and a sense of security. Regulatory pressure is on the rise as government steps in to save failing companies and to bolt doors belatedly against misbehavior. Economic news does little to allay fears – retail sales are down, housing sales are down, auto sales are down, manufacturing is down. Three things are climbing – home foreclosures, the deficit and money spewing from Federal Reserve printing presses. Already economists are worried that government profligacy will spark raging inflation in months to come and won't be enough to get the economy moving again.

CEOs have slashed marketing and communications budgets, cut staff and hunkered to fight losses of business and revenue. A few months ago, they readily appeared on CNBC to talk about their businesses. Today, they don't answer press calls. The corporate communications manager has a hard time getting the CEO on the phone and harder time arranging a meeting with him. Counseling CEOs on communications doesn't register, especially pointing out that staying engaged with key audiences in hard times positions a company to gain market share when the economy improves.

VPs of communications are being ordered to cut media to essentials, but determining what is essential is never easy. Theoretically, all communications are important to ensure employees, shareholders, customers and vendors understand a company and where it is going.

Basics

Strategic communications begin with key audiences -- customers, employees, shareholders, vendors, regulators. It works backward from them to media and messages a company needs to send in order to survive as an economic entity and to grow. If a communications department does not have a handle on media going to key audiences, it should perform an audit and enumerate them. A spreadsheet will do to list media by title, type, author (or writer), message, target audience and circulation. Sorting the spreadsheet will tell one whether the same audiences are covered more than once, whether there are gaps and the key messages reaching each group. This kind of audit should be done regularly in any event, and it shouldn't be surprising if one finds dozens of media between corporate headquarters and divisions.

With the spreadsheet, one can estimate how cost-effective each medium is. This may be difficult. An e-mail costs a fraction of a printed newsletter, but if recipients treat e-mail as spam and read the newsletter, then the newsletter is more cost-effective. Years ago, an advertising agency head made this point when discussing why he used television to advertise a luxury car brand. He said TV was the least-efficient medium to reach a high-income target audience but the most effective in gaining awareness. In assessing media, it may not be clear what is effective and what isn't, especially if there is no systematic measurement of reader- or viewership. One may need to use anecdotal information and guesswork.

One should ask as well whether there is a need to communicate to an entire audience. Should one concentrate media on the largest customers, on managers rather than employees, on major vendors but not small ones? Making this decision is not unilateral. It should be done in concert with marketing, HR and operations. For example, after massive layoffs, employees may be reeling and morale suffering. Communicating only to managers would be shortsighted and dangerous. On the other hand, if 1000 customers represent 85 percent of a company's business and 5,000 customers 90 percent, reducing communications to 4,000 would probably not hurt an organization. Stopping communications would be shortsighted. Business credibility has ebbed in the current crisis. Regulation is on the rise. There is major government intrusion already in financial markets and the auto industry, which will reshape these sectors significantly. CEOs will have to work with legislators and bureaucrats whose ideologies may be harmful to business health.

The question of how much one should be spending overall on communications is never easy to determine. Budgeting communications as a percentage of sales is crude, even when broken down by discrete audiences. Budgeting by audience and rolling up to a number is better, but it might be unrealistic if an organization doesn't have money to spend. There can be a collision of interests and expectations in determining a budget number. A stone-eyed controller or CFO may wish to cut the budget to a fixed percentage with an order to the head of communications to figure out what to do. The head of communications may be forced to appeal to the COO or CEO to protect expenditures.

Media costs

Media costs vary widely. There are high-expenditure and high-effectiveness media, such as face-to-face communications. There are low expenditure and mid to low effectiveness secondary media such as web pages, blogs, e-mail. The head of corporate communications may be forced to sacrifice the most-effective medium because there are few alternatives. Media costs must include senior managers' time spent in communications, especially if the best course of action is Management by Walking About – i.e. getting the CEO out to talk to key audiences.

The task facing the corporate communications leader is zero-based budgeting – determining the least one can do while preserving essential company interactions with key audiences. That is, what is affordable given constrained budgets? It would not be surprising if one decided to move most communications to online, since it is the least expensive publishing medium. But, that is not necessarily an easy solution. Too many changes too quickly can upset audiences and backfire in rumors and fears that the organization is in worse shape than it appears. One may have to budget a transition period for media to be stopped with an explanation of why a new approach is better and faster.

One area to analyze is operational procedure. The question is how a department can operate better, faster and less expensively than it does today? There are alternatives that can cut the cost of operations, such as cloud and collaborative computing and open-source software. Since personnel costs are the highest part of departmental expenditure, one should ask how many personnel are actually needed, particularly if media are being cut back. For example, most departments operate with few administrative assistants. It might be time to operate without any. The question is how to structure procedures to make this possible. This may require changing work habits, always difficult to do, but when employees understand the urgency of a cutback, they tend to pay closer attention.

Another area to examine is reporting procedures. The question is how to simplify reporting but still show cost-effectiveness? Reporting is often too elaborate and an exercise in self-justification. Ask if there is a way to report simply against strategic goals that takes a minimum of weekly or monthly time. Might this be a collaborative document where each department fills out its section as it goes along? The key task is determining what to measure. PR is difficult to measure in the best of times. How does one gauge it in the worst of times, especially if senior leadership has taken an unfortunate posture of going silent?

Summary

While it is hard to distinguish the nice to have from essential messages, in a recession it must be done. On the bright side, the painful process of stripping back a communications organization has the advantage of returning the organization to its economic roots. It forces the communications department to justify communications based on supporting economic transactions. In so doing, it places communications closer to the business of the company while increasing credibility with senior leadership.

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