

Truth-telling and Business Communications: The New Realities of Disintermediation

by

Philip M. Burgess¹

Keynote address for the
Annual Public Affairs Roundtable for
Heads of Function and Senior Practitioners
Centre for Corporate Public Affairs
meeting in
Sydney, Australia
November 23-24, 2006

A.Introduction

I appreciate the kind invitation of the Australia Centre for Corporate Public Affairs to kick off your annual meeting of the Heads of Function and Senior Practitioners.

In the short time I have been in Australia, I have come to respect the Centre's tremendous contribution to advancing public affairs professionalism – expanding the knowledge base, transferring skills, spreading best practices – so I am pleased to be here tonight to participate in that process.

I will do my best to give you some insights into how we view the concepts, strategies and practice of corporate public affairs at the New Telstra, an emerging media-communications company providing advanced services based on digital technologies that are integrated across broadband platforms.

As you know, we take a somewhat different approach to range of public affairs issues – including media relations, internal communications, government relations, shareholder relations, reputation management, knowledge management, and corporate social responsibility. Let me summarize a few to help stimulate discussion.

¹ Phil Burgess is Group Managing Director, Public Policy & Communications, at Telstra Corp., where he reports to the CEO, is a member of the leadership team, and is responsible for public policy, regulatory affairs, government relations, media relations, corporate communications, executive and business unit services, and the Telstra Foundation. He can be reached by email at: phil.burgess@team.telstra.com

B.Changing Role of Corporate Public Affairs Leadership and Business Communications

About this time last year, I presented my view of trends in our profession at the annual meeting of the IABC, held in Melbourne. In that paper, entitled, *From Flak Catcher & Spin Meister to Advisor & S'plainer Man: The Changing Role of the Business Communicator*,² I outlined my view of the **changing role of the business communicator**, a role that has changed dramatically during the 20th century.

1. **The original “PR guy” was a publicist.** His or her job was to spread interest in and promote a favourable picture of a company, association, brand, or person – usually the CEO.
2. As time went on, he was **often referred to as a “flak” or “flak catcher”** – a term used to refer to criticism or abuse, as in “we sure caught a lot of flak today” or “don’t give me any flak” or to refer, in the words of Tom Wolfe in *Radical Chic and Mau-Mauing the Flakcatchers*, to “...an arduous process of warding off, out-manoeuving, beating down.”³
3. After years of getting beat up, **the PR guy tried increasingly to get on the front foot – giving birth to the “spin meister.”** That meant “spinning” stories in real time to put the story or event or person in the best possible light, a pre-emptive strike to try to prevent the bad news. In fact, in many media markets around the world, you now find “spin rooms” where the journos and the spin meisters meet following a political debate or a product launch just to make sure everyone is on the same wave length.
4. **Then things started to change.** Consumerism. Feminism and the civil rights movement. Environmentalism. The corporate social responsibility movement. The shareholder rights movement. The expansion of regulation by government at every level. Re-engineering, re-structuring, and de-layering in response to new digital technologies and what the experts call “disintermediation.” Downsizing and rightsizing – where the term used depends on which side of the pink slip you’re on. And, of course, corporate crises and disasters – from Bhopal and the Exxon Valdez to

² Philip M. Burgess, *From Flak Catcher & Spin Meister to Advisor & S'plainer Man: The Changing Role of the Business Communicator*, Keynote address to the Annual Meeting of the International Association of Business Communicators (IABC) and the IABC Asia Pacific Leadership Institute in Melbourne, Australia November 7-8, 2005.

³ Cited by James B. Flateau in his discussion of the etymology of the word “flak” – one root of which is linked eponymously to Gene Flack, a well-known publicist from the 1930s, and the other root of which is connected to the German word for anti-aircraft fire, an acronym from *fliegerabwehrkanone*. This history is found on the net under “The Mavens’ Word of the Day” at www.randomhouse.com/wotd/.

Tylenol and Chernoble... and most recently, Rupert Murdoch's decision to pull the planned publication of the O.J. Simpson book, entitled, *If I Did It* – widely viewed as a tasteless and exploitative confession of a murder where he was found “not guilty” by a California jury 10 years ago.

5. **Within the span of a decade – beginning in the mid-1960s -- the political, social, and operating environment of the corporate executive became much more complex** and much less pliable – a nice way of saying there were more non-market forces at work, including political landmines and cultural time bombs as well as other players who were often more hostile, less forgiving and more public.
6. At this point, **the business of public relations began to change**. When recruiting “the PR guy” the CEO increasingly wanted to be involved. He was no longer looking for a flak.
7. **The call is increasingly for a trusted advisor**, someone who could:
 - a) identify and provide trusted advice on **issues that require attention by senior management** as well as the operating units;
 - b) provide a **narrative on emerging trends and issues** to inform the business planning process of challenges, opportunities and an assessment of risks;
 - c) generate **forecasts of political, regulatory, and social trends** for senior management and sometimes even the Board.
 - d) **participate in strategic planning** for the corporation; and to
 - e) serve on the corporate planning committee to **advise on their sensitivity to emerging issues** or the agendas and timetables of other community influentials;
8. The CEO also wanted someone who could **advocate the company's position** and explain the vision, purpose, and objectives of the CEO and senior leadership team – a **S'plainer man** (or woman).
9. And the new business communicator comes **armed with much more than the news release. New tools include:**
 - a) **the case study** that shows a situation, solution and results to demonstrate how a customer has improved his or her life using your products or services.
 - b) **the White Paper** that presents a problem, an analysis, and a result to make the case for a company vision, strategy, product, or position.
 - c) **the op-ed** and other by-lined articles that contain facts and data and an opinion about an issue of importance to the company.

10. The new business communicator has many **new channels through which to communicate to stakeholders** – including the Web, email, and blogs in addition to direct mail, news releases – as shown in **Appendix A**.

Summary. As the corporate environment changed, as the external environment became more complex, as technology and other forces drove internal change, the CEO needed a new kind of person with substantive knowledge, strategic expertise and broad communications skill sets to help the executive leadership navigate the shoals of the new business environment. Enter the **communications team headed by the advisor and s'plainer man**.

C. Changing Organization

1. By the latter part of the 20th century, the number of **professionals concerned with non-market forces that operate on the corporation expanded greatly**.
2. **The public relations/communications team now includes a broad range of functions** – including some combination of public relations, media relations, government affairs, community relations (including the company foundation and sponsorships), stakeholder relations (including relations with industry associations, shareholders, and interest groups), internal corporate communications, international (media, public affairs, risk assessment), corporate social responsibility – and with the arrival of new media, perhaps even responsibility for the company web site and the Internet.
3. As the business of communications – both internal and external – became even more important to shareholders with the expansion of non-market liabilities, **reporting relationships changed**. For example, the corporate head of business communications:⁴
 - a) increasingly reports to the CEO,
 - b) sits on the senior executive team
 - c) participates in corporate policy making,
 - d) makes presentations to the Board, and
 - e) sometimes sits as an observer of Board meetings.

Summary. In general, the new business communicator is in on the take-off and not just the landings in the process of corporate policy making.⁵ The point is this: Changes in the

⁴ This function goes by many descriptions: Public Policy and Communications; Corporate Affairs and Strategy; Corporate Affairs and Human Resources; Public and Consumer Affairs; Regulatory and Public Affairs; Public Affairs and Corporate Marketing; Corporate Affairs; etc.

⁵ Surveys in the US and Australia show that, in both countries, about half (50%) the top communications officers report directly to the CEO – and the likelihood increases with the increasing size of the company.

external environment inevitably affect the distribution of influence inside a corporation or any other organization. Examples:

- the influence of the **finance team** increased dramatically at the beginning of the last century when capital formation was the issue;
- the influence of the **legal team** expanded in the 1930s when the skills of negotiation were in high demand with the expansion of government contracting, the emergence of larger organizations, unionisation, and increasing M&A activity that was part and parcel of consolidation;
- the influence of the **marketing team** expanded in the 1950s as corporations around the world emphasized sales and marketing to sell into the pent-up demand from WW II and the great increase in per capita income in many nations around the world,
- the final 25 years of the past century saw the rise of the **communications team** and the **CIO/information systems team** as information in all forms and through all channels became more important;⁶ and
- we are now witnessing new emphasis on the **human resources team**. Reason: **Talent is increasingly the coin of the realm**. Indeed, the need to find, recruit, retain and nurture talent is an increasingly important challenge for businesses in the developed world where fertility rates are dangerously low and educational institutions are not keeping up with the demand for new skills – and the skills that do exist are often globally mobile.

That's where we've come from as a profession. I include this only to provide a context for what I want to address next – and that is:

- how and why the modern advisor or s'plainer man goes about his business,
- the results we seek, and
- the strategies we use.

In addressing these issues, I will refer to some mini case studies from my own experience at Telstra and elsewhere.

D. The CEO and Agenda-setting

⁶ This way of thinking about the skill sets of dominant elites emerges from the study of developmental constructs. On these points, see Philip M. Burgess and James A. Robinson, "The Rise of the ProblemSolver State," in Sarane Boocock and E.O. Schild (eds.). *Simulation Games in Learning Behavior*, Beverly Hills: Sage Publishing Company, 1968.

1. More than ever, **the agenda for corporate public affairs comes directly from the CEO** and the leadership team. It goes without saying that the advisor and the s'plainer man cannot freelance. However, at the same time the business communicator must be in on the take-offs and not just the landings. PR cannot be treated as a garbage collector, simply cleaning up after the messes that are made by the business units or business support groups.⁷
2. Because of the central role of the CEO as the “idea person” in the business, it is very important for the business communicator to be able to **get inside the head of the CEO** – and the leadership team, for that matter.
3. **CEOs come in many sizes and shapes** – the commander, the architect, the coordinator, the coach, the premise-setter and judge, and the traffic cop.
4. One thing is for certain: **The days of the celebrity CEO are over.** Today's successful CEO is more likely to be a **work horse than a show horse.** Result: **the challenge for the business communicator is to amplify and make interesting the work that is being done** *inside* the company and what it means for customers and shareholders. That is a tough job under any circumstances, but especially when the mainstream media are largely indifferent to the fundamental issues of an industry and what its development means for the future of a nation.
5. In my case, the inspiration for our work at Telstra comes directly from our CEO, Sol Trujillo. Sol is a leader who, in the words of Jim Collins, “**know[s] how to simplify a complex world into a single, organising idea...**[engages colleagues in] an iterative process of **piercing questions, vigorous debate, resolute action, and autopsies without blame...**”⁸ in a cycle infused with brutal facts and driven by leaders at every level who have the passion to be best in the world.

E. Realities of the Operating Environment

We can't talk about strategies and approaches, without talking about objectives and the context. In the case of Telstra, some of the realities of our operating environment include:

⁷ Legal faces the same problem, though legal has historically been better positioned to be in on the take-offs. In fact, public relations often has to clean up messes created by overly legalistic approaches. However, I am indebted to my colleague and our general counsel, Will Irving, who properly reminds us that there is often a trade off between legal and PR: The more freedom exercised by PR may result in more work for legal. Good point.

⁸ Jim Collins, *Good to Great: Why Some Companies Make the Leap and Others Don't*. New York: Harper Collins, 2001.

1. **There are only two ways to grow a company: increase revenues and/or decrease costs.** There are many ways to do both, but in our operating environment regulations stunt our ability to increase revenues and regulations greatly increase our costs – both directly and indirectly.
2. **Over 50 percent of our revenues are regulated,** so attention to our business requires attention to the impact of regulation. Those who say, “Just focus on the business and quit talking about regulation” fail to understand that a large part of our business is about regulation – and that our shareholders suffer substantial losses every year because of regulations that require them to subsidize our foreign-owned competitors.

Indeed, the expanded role of government in the last century means that **every business is affected by the actions of government** – and many are materially affected. For that reason, **the business leader cannot be agnostic in his view of the role of government in society.**

3. **Telstra operates in a highly-competitive environment.** Competitors include:⁹
 - More than 900 Internet Service Providers (ISPs)
 - More than 150 licensed telephony carriers, including 11 residential fixed voice direct connect providers
 - 129 wireless broadband carriers
 - 55 licensed commercial television broadcasters
 - 13 satellite providers

So, the idea, often voiced, that “Telstra is a monopoly” is false – and shame on those who use it because they undermine the need for a serious public discussion of Australia’s telecommunications future. In fact, in some important market segments – for example, broadband – Telstra competitors have more than 50 percent of the customers. In other important growth segments – e.g., mobiles used by young people – Telstra competitors have more than 70 percent of the market.

4. **There is a strong tendency among polities and the general public to treat Telstra as a community property.** In fact, many continue to see Telstra as:
 - Community property
 - Government agency, or a
 - “magic pudding” that can be used by the government or the regulator to fund the nation’s social policies – though in fact the money comes out of the back pockets of the shareholder.

⁹ Data are from ACMA, Communications Report, 2005-06, pp. 26, 61.

In the light of these realities, our objectives include:

1. **To encourage policy alignment between the government and the regulator.** There is presently a disconnect between the government's policy of national uniform prices – where everyone pays the same, no matter where they live – and the regulator's policy of “de-averaging” prices, which means that people living in high density CBDs should pay less than people living in the suburbs and much less than people living in rural and remote Australia.
2. **To encourage pro-investment reform.** Australia needs more investment in telecommunications. We need to join a developed world that is rapidly high speed broadband communications capability – up to 100 mbps in Japan and South Korea, 30-50 mbps in most of Europe, and 20-30 mbps in the US. As Rupert Murdoch said last week, broadband speeds in Australia are, to use his word, “disgraceful”.
3. **To encourage pro-consumer reform.** Consumers in Australia are being denied choices in the marketplace because the government and the regulator in Australia are trying to micro-manage the digital revolution through a primitive sort of industrial policy. We have a regulator wondering out loud, in public, whether Australia really needs Fibre-to-the-Node (FTTN). We have a government policy that says there will be no changes in telecoms policy until 2009...even though the current regime was designed more than 10 years ago and since then everything has changed:
 - Technology has changed.
 - Consumer preferences are changing.
 - Competition is changing.
 - But, regulations are not changing.

Regulations are stuck in the past, and regulators have their head in sand. We are living in a “Don't Worry, Be Happy” policy monologue that leads to a cul-de-sac. This is an astounding situation that cannot continue without dangerously undermining the nation's growth, productivity and competitiveness – in an increasingly competitive world.

4. **To encourage public policies that protect shareholder investments,** reward risk-taking, and respect shareholder rights. In today's telecoms space in Australia, shareholders are being pillaged by government policies and regulator practices. A glaring example is the cost of providing service to high-cost areas in regional, rural and remote Australia.
 - **The cost:** Somewhere between \$548 m and \$1.7 b per year.
 - **Cost recovery:** \$158 m

- **Result:** A huge shortfall – and Telstra shareholders get stuck with the bill, more than \$400 million a year minimum, and closer to a \$1.0 b on a full-cost recovery basis.
5. **To achieve a level playing field.** Today there are a whole host of regulations that apply only to Telstra. One of the most abrasive is called “The Local Presence Plan.” The LPP is a very intrusive requirement where Telstra has to spell out in great detail how many trucks, staff, and other assets will be deployed in the bush. Optus doesn’t have to do a LPP. Hutch doesn’t have to do a LPP. Why not? It would be easy – didn’t do anything last year and won’t do anything next year – but why shouldn’t they be required to file that kind of report for public review, just as we do. Singapore gets off the hook and Telstra shareholders get stuck with another piece of red tape.
 6. **To inform our stakeholders** and to make sure they know what is really happening – especially our:
 - Shareholders
 - Employees
 - Consumers
 7. **To mobilize stakeholder support** for a range of issues, including:
 - Regulatory reform
 - Shareholders rights
 - A Plan for Australia that includes high speed broadband for everyone, no matter where they live.

To achieve this end, we have **three major objectives:**

- Convert **consumers into customers**
- Convert **employees into advocates**
- Convert **shareholders into activists**

F. Strategies

There are many strategies. I want to address some ways we can think about our challenges and the strategies we can use in business communications challenges. Here are some ways of thinking that I find useful.

1. **The inside-out, action-is-character strategy.** This involves amplifying the activities and achievements of your leadership team in pursuing the consumer, shareholder, employee, and community-related objectives of the CEO and his leadership team.

2. The **change-the-conversation strategy**. This involves recognizing the cul-de-sac for what it is -- a dead end – and the need to enlarge the arena of dialogue or, sometimes, the arena of conflict.
3. The **change-the-process strategy**. This approach gives credence to the overwhelming evidence from many sources that the decision process affects decision outcomes. This lesson is found in studies of comparative politics at the macro level to micro level studies from game theory and the art of negotiation. This approach tries to shape a decision process with participants and rules where you have a chance to win and, if you are losing, to act to change the process or the participants – or both.
4. The **use-leverage-where-you-can-find-it strategy**. This involves understanding the dimensions that define any relationship – interpersonal as well as inter-institutional – and the realization that many interpersonal and most inter-institutional relations are fundamentally *political* relationships. They are political because they typically involve an effort by one or both to gain more *power* or ability to influence the course of events as a product or by-product of the relationship.

G. Public Relations and the Management of Political Relationships

1. **There are four important dimensions that define a political relationship.** They are listed below along with the way they might be scored shown in parentheses. These are:
 - a) issue position: to what extent do participants agree (or disagree) -- (-10 to +10)
 - b) affect: to what extent do the participants like (or dislike) each other (-10 to +10)
 - c) power: to what extent can an actor make something happen (0 to +10)
 - d) salience: awareness of the importance of the issue to a participant (0 to +10)
2. This list spotlights one of the most important points for those in the public relations business: The point is that **salience** – the importance of an issue among markets, constituencies or the general public – **is the only factor in the political matrix that can be changed over the short term.**
3. **Salience can be changed by increasing people’s awareness of issues that are important to them** – issues that may have escaped their attention or otherwise don’t show up on their radar screen. One of the objectives of effective public relations is to put important issues on the radar screens of those who care about the issues (or take them off or blur their image on the radar screen when salience works against you)..

4. **The other three elements that define an political relationship *cannot* be easily changed over the short term.** For example,
 - a) Leaders don't change their issue-positions readily – unless it's a new issue not yet fully understood, where new information can make a big difference.
 - b) You can't change whether leaders like and trust each other or not (affect) over the short term. Changes in affect can be achieved but change takes time and is best facilitated by contact in non-business situations.
 - c) The power position of a leader or institution -- its influence or ability to make things happen or to get someone to do something they wouldn't otherwise do -- is hard to change in the short term. You can increase or decrease your own power or the power of others, but augmenting or limiting your own power or that of others usually takes time.
5. **Result: The only short-term strategy available to those who would change the course of events in a free society is to increase or decrease the salience of an issue** – and the model above, when fleshed out, will tell you when to turn the dials.

H. Public Relations and the Management of Controversy

1. The **use of controversy as a strategy to clarify ideas and the character of people.** It's not just the well-known idea that you have to break eggs to get an omelette. I like to think about it this way:
 - **Thomas Aquinas** wrote that “Civilization is constituted by conversation – that is, by argument.”
 - However, **G.K. Chesterton** reminded us that arguing is not the same as quarrelling. According to Chesterton, “The principal objection to a quarrel is that it interrupts an argument.”
 - Theologian **Michael Novak** says civilized people treat each other as reasonable – and they argue with one another. Barbarians club each other, as if values are mere “preferences” – and reason is no where to be found.
2. So when people disagree, **we should welcome argument**, and if the other side doesn't want to engage, well, that tells us something too.

I. Public Relations and the Use of Language

1. One of the biggest challenges of the business communicator is the rising above and translating the language used by business leaders. **The abstract and analytical language of the business leader does not connect with most people. The problem is made worse by the rise of “PowerPoint speak.”** In fact, today we have an entire generation of middle managers and the PR people who support them who have lost their ability to write a clear sentence.
2. What we need, first and foremost, is more **PowerPoint-free zones**, where people write what they mean and do what they say.
3. We also need to **use of kitchen-table English to unmask those who would shut out the little guy**. Highly regulated businesses face a formidable problem of communications because too often – in the US, Europe and other advanced countries – the **lawyers, economists, and other “experts” and “specialists” surround their decisions with a specialized language or regulatory jargon that is impenetrable by the ordinary person**. Why is this done?
4. The literature on the history of the professions shows clearly: **Jargon and specialized language are used to keep the discussion hermetically sealed**, to deny access to the conversation, to keep the outsiders out and maintain the debate as an insiders game to be played out in the back rooms under the radar and beyond the scrutiny of shareholders, consumers, and the public.
5. **However, when the life savings of millions of shareholders are at stake, the business communicator has a responsibility to break through the gobbledygook** so they can participate in the decisions that are being made about their savings and their net worth. As the poet Y.B. Yeats said, “...communicate in the language of the people.”¹⁰ To my way of thinking, that means to tell stories.¹¹

J. Public Relations and the New Media

¹⁰ The challenge, however, is to talk straight and to use sound bites in a ways that do not trivialise the issues. If we are to have a conversation, it must be a real one that deals with ideas as well as facts and data. There is a serious responsibility associated with translating complexities into terms that are also understandable and actionable. But that is our challenge and we should not shrink from it.

¹¹ I have written several op-ed columns on the importance of story-telling in communications. For example, see Philip M. Burgess, “Stories Refuel Culture,” (November 25, 1997) and “Family Tales Tell Us Who We Are,” (November 21, 1995) in the *Rocky Mountain News* (Denver, Colorado) and Scripps Howard News Service.

1. **Business communications must give more attention to the new media.** New channels of communications provide new opportunities to communicate.¹² These include:
 - a) Talk-back radio
 - b) Internet
 - email
 - webcasting
 - podcasting
 - alternative web sites
 - c) Instant messaging
 - d) Virtual organizations of grassroots supporters

2. **Consider the Internet.** The Internet is useful because it permits us to transmit more timely, more high-fidelity messages. The Internet is important because it **allows organisations to communicate far more directly**, at more levels and at greater and more varying depths, with more control over the message than provided by traditional channels.
 - a) In addition, the Internet **generates metrics** about who visits your site and the attributes of the visitors – and who downloads what information. So even if you can't select the audience, **you can know who selected you.**

 - b) The result: **We are all now publishers and broadcasters** because the Internet now allows a multiplicity of new forms of publishing and broadcasting, providing outlets that are of growing significance to many of the publics on which we depend. It is an asset we need to learn how to use.

Conclusion. Clearly, the strategies and approaches we can use to advance public understanding of our business leaders and their issues number in the hundreds. When we segment the public into consumers, institutional investors, mum and dad shareholders, special interest groups, suppliers, community influentials, and other stakeholders, we have to use messages they care about and press them through channels they value.

The important point is that our job has changed as the challenges faced by business institutions, their customers and shareholders have changed.

In my own company, **the regulatory threat to our financial performance and the share value of more than 1.6 million shareholders is real.** We need to use all the skill

¹² It should be noted that communications channels tend to complement, rather than replace, each other. The Internet, for example, does not displace news media; it simply provides a new channel that is not mediated by journalists. Put another way, an advantage of the Internet is that it gives organizations more control over messages and channels because organizations can and do run their own web-sites.

and resources available to widen the arena of discussion, to bring all the stakeholders into the debate, to rip away the regulatory jargon of economists and lawyers and the biz babble of the communications industry so that people can actually see what others want to do with their savings and investment.

Then, having done our job, let the chips fall where they may.

###

Appendix A

Approaches to Communication

Direct (high control)	Audience Selectivity (higher)
1. Site visits by CEO, GMDs, BOD	Employees, Customers, Suppliers, Shareholders
1. Analysts Briefings	Analysts
1. Media Briefings	Media
1. Political Briefings	Elected leaders, public officials
1. Employee Forums by CEO, GMDs	Employees, News media
1. Customer Seminars	Customers
1. Shareholder Seminars	Shareholders
1. Vendor Forums	Vendors
1. Media Forums	Media
1. Web Site Postings	Stakeholders, General public, opinion leaders
In-Between (moderate control)	Audience Selectivity (lower)
1. Direct Mail	Targeted stakeholders
1. Employee Communications	Employees, media
1. Feature stories in print media	General public, opinion leaders
1. Interview w/ print media	General public, opinion leaders
1. Interview w/ talk-back radio	General public, opinion leaders
1. Newspaper ads	Stakeholders, general public, opinion leaders
1. Trade media	Stakeholders
Mediated (low control)	Audience Selectivity (lowest)
1. News releases: print & electronic media	General public, opinion leaders
1. Television news	General public, opinion leaders
1. Radio news	General public, opinion leaders