



THE PBN COMPANY

Communicating in the Crisis

What Business Needs to do to Protect its Interests

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You've heard today from business leaders, senior economists, and some of the best analysts in the country. Well, now you can add PR hacks to that illustrious list.

Now I'm sure some of you are out there thinking that having PRs bang on about the virtues of effective communication is like having dentists talk up all the virtues of refined sugar. But my intent here today—I promise—is not to drum up new business for PBN. It is simply to share some ideas about, and a few practical insights into, what constitutes effective communication in times of crisis - in a market that appears to grow ever more unpredictable and volatile by the day.

Before getting into the meat of my presentation, let me just say that I believe the dialogue we have taken part in today is tremendously important. We have entered a difficult period, in which many of us would happily settle for known unknowns but instead have constantly to face what Donald Rumsfeld so eloquently referred to as “unknown unknowns.” The need for dialogue not simply among ourselves but also between our businesses, the government, and the larger community is pronounced. All of us must play our part in navigating through what feels like a crisis of unprecedented severity and unpredictability.

But today I would like to focus in on this question of communication and dialog from a company perspective. And specifically what companies need to do to mitigate risk, to protect their interests during this time of uncertainty, and to prepare for better times ahead.

From a commercial and operational perspective, it's clear that the companies that survive the crisis will be those that are lean and nimble, able

to adapt quickly, and capable of managing risk and zeroing in on opportunities. When it comes to communications, it's important to implement the same kind of approach.

So what does this mean?

Instead of talking about communications, I think it's more helpful to think about relationships. Think about what relationships are most critical to your company and to the development of your business. Are they relationships with your investors? With bankers? The government or regulators? Your employees?

The truth is for most companies it is all of the above, and more. Now you can debate which are the most important, but one thing is clear: *relationships are either built, cemented or destroyed in times of crisis.*

I'm not suggesting you shouldn't think carefully about communications and relationship building in good times. But I am stating unequivocally that, in bad and unpredictable times, relationships are no luxury. And the punishment for poor or inadequate communication tends to come swiftly and brutally.

Today I would like to focus in on what I see as some of the most important audiences for any company - the government, the financial community, the media, and last - but certainly not least - employees. Good communication with these audiences is only possible if you understand their needs and expectations.

Lets start with government. I don't think anybody here needs persuading that relationships with government are king, in an ever-politicizing economy.

Without a doubt, the government can hurt you. We are probably all familiar with companies that could speak to this point directly. I don't think we need to list them. Suffice it to say that there have been many and there will be more. Indeed, no company is immune from Government—unless, the company happens to *be* the government.

At times, the Russian Government can be a bit like Santa Claus. It tends to know if you have been good or bad. And for better or for worse, the

role of the State in business is growing. Rapidly. And while we cannot anticipate the precise outcomes of the substantial state bailouts to date, we can be confident that the influence of the state in business will continue to grow for the foreseeable future.

But it's not all risk and downside. Quite the opposite. If engaged in the appropriate way, the government can also help. The Government today is a source of funding. A source of contracts. And a maker of policy.

Let's be absolutely clear about this: you want the government on your side. But even with the government on your side, you can't just sit around.

Public policy and industry regulations are in a state of flux and revision. The companies best equipped to protect their business in this time of change are those most capable of anticipating changes in legislation and regulation, of understanding when it's appropriate to engage, and how to engage. Neither anticipation nor influence is possible without solid relationships in place with the relevant government entities. Good communication is what forges and nurtures these relationships.

I want to move on now to relations with investors and the financial community. Here, perhaps more than anywhere else, expectations in terms of openness and disclosure have evolved. Whereas six months ago, it would have been unacceptable for a company not to present a clear vision of future development and performance, today not only is a lack of clarity acceptable, it's almost *preferable*. Why? Because if a CEO or CFO says they have all the answers, they are probably lying. Or they are among the few that continue to think that Russia is an *ostrovo stabilnosti* – this is of course a dying breed. And any analyst or investor worth their salt understands this perfectly well.

So don't over-reach. Recognize that these are uncertain times and, as a result, don't make recklessly bold or improbably specific predictions. Each case is different, but it may be sufficient to provide some general context about the directions in which the company and perhaps the industry as a whole are heading.

Now, while realistic assessment and candid acknowledgement of contingencies and uncertainties are in, what absolutely is *not* in is silence. On the contrary, your investors will expect access and dialogue. They won't expect you to have all the answers, but they will expect you to listen to their questions.

A few words about the media. There are risks here, we all know that. But it's now clear that there are risks in much of what we do. And it makes no more sense to shut out the media because of the danger of getting burned than it does to stop eating because we're afraid of salmonella. The point of this analogy is not to compare newspapers to tainted chicken but to emphasize the great opportunities that come from constructive engagement with the media.

Let me give you an example of what I'm talking about . . .

Today, as with investors and analysts, the media have largely revised their expectations. The necessity for hard numbers, hard forecasts, and even hard news is down. Indeed, so many companies have shut up shop that any company executive willing to speak out is likely to find numerous highly willing ears in the media. The objective is not simply to generate column inches, in fact that may not be the goal at all. As with government, analysts and investors, this is about building lasting relationships, relationships that will only grow in importance in time.

A truism in the world of communications is that you go to people when you don't need them. They will then more likely be where you need them to be when you *do* need them.

A meeting with a key analyst or group of analysts doesn't have to be about trying to move your share price. In fact, in the current environment, the market has proved to be somewhat un-responsive to isolated good news.

A meeting with the press is not about generating front-page headlines in tomorrow's papers. You may not even have any headlines to deliver.

And you may not be looking to advance specific goals with government and regulators, or trying to solve problems.

The objective is building relationships. And if there is opportunity in crisis, it is that these relationships are much easier to develop in the current climate, when a wave of reticence has otherwise swept the nation, the world, and its corporate leaders.

Finally, let me conclude with an audience that we tend to take for granted: employees. There's a strong argument for their being the most important audience of all. While they can be the bane of any manager's or owner's existence and are the butt of numerous "you can't live with them, you can't shoot them" jokes, there is no disputing the importance of what they do. And let's be clear: how you treat your employees today is going to have a major impact on your business tomorrow.

You can walk into different offices around town here and in some cases there is abject fear, in other cases there is manageable uncertainty - where employees are pulling together because they see their individual and collective interests are aligned with the company.

What is the difference between these two kinds of employees? Between those crippled by fear and those who have taken the uncertainty in their stride. Not all employees see themselves why their interests are aligned with those of their employer. And how can they be expected to do so if they are kept in the dark about what's happening in their company, and where it is heading. As an employee, there is nothing more un-nerving than to get your news about your employer from the papers.

Confident and productive employees tend to be those who understand how their companies are developing, and what their role is in this development process. This realisation doesn't happen without regular and open communication. Yes, as management, you need to strike a balance between projecting both confidence as well as a sense of realism. But with careful thought and planning, this balance can be struck.

The easiest mistake to make in the current climate is to overlook employee communications because – let's face it – where else are they going to go? That might be true today. But let's cast our memories back more than

6 months. To the days of rampant salary inflation and relentless competition for talent. Those days will return, whether it's in 6 months or 2 years. Again, I say, that the relationships you build with employees today are critical to the success of your business tomorrow.

To conclude. As a representative of the communications industry, the biggest mistake we can make is to advise our clients that they need constantly to make announcements, to generate media coverage, to feed selective good news to the financial community in the hope of achieving short-term share price movements. All perhaps in the name of justifying our existence. This would be a serious error. And would completely undermine what I see as the primary objective of communications in these times of difficulty. Short-term publicity gains are not compatible with long-term relationships. The focus must be on the latter. And it's precisely this approach that will enable companies to develop the broad and diverse relationships that will help to protect and build their businesses going forward.