



CEO VIEWS ON REPUTATION MANAGEMENT

A report on the value of
public relations, as perceived
by organisational leaders

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This report summarises a series of interviews, conducted mid-2004, with 14 Chief Executive Officers and Chairmen from major UK and international organisations. The purpose was to determine what CEOs perceive to be the value of public relations, their own role in reputation management and how they assess the contribution that public relations makes to their overall business and organisational performance. Thumbnail sketches of their companies and organisations can be found together with the questions which guided the interviews at Appendices I and II.

In recent years, leaders and senior managers of business and other organisations have recognised that important relationships involved in running a business and ensuring organisational effectiveness represent significant but under-managed resources. Behaviours, beliefs and perceptions within relationships have the potential to impact – positively and negatively – on the ability of organisations to survive and prosper. The importance of managing business relationships has also been acknowledged in recent UK government initiatives and has increased pressure on organisations to report on how they are responding to the interests of key stakeholder groups.

The management practice concerned with important relationships – referred to by a variety of terms, the most common (and possibly least satisfactory) of which is ‘public relations’ – tends to be undervalued and overlooked. A recent study by the Institute of Public Relations in the UK and the national Department of Trade and Industry (Unlocking the Potential of Public Relations: Developing Good Practice Report, November 2003) concluded that public relations does have a substantial contribution to make to business and organisational performance. This view is borne out by our research.

This study was conducted initially for presentation at an international research symposium. The results are presented here for wider distribution because we believe there are important conclusions for senior management and public relations practitioners. These have to do with the level of commitment to, and investment in, the management of important relationships, the qualifications and abilities of those providing advice in public relations, the evaluation of public relations activities, and the changing demands being made on business and organisation leaders.

We hope you find this report a useful contribution to the wider debate on the continuing development of public relations.

Business leaders interviewed

- 1 Stephen Carter, CEO, OfCom*
- 2 Sue Cheshire, Chief Executive, The Academy of Chief Executives
- 3 Sir Anthony Cleaver, Chairman, Medical Research Council*
- 4 Hugh Collum, former Chairman, BNFL plc*
- 5 Mick Davies, CEO, Xstrata*
- 6 Sir Peter Davis, former Chairman, J Sainsbury plc*
- 7 Nigel Doggett, CEO, Autoglass
- 8 Manny Fontenia-Novoa, CEO, Thomas Cook UK
- 9 John Hancock, CEO, MFI Group*
- 10 David Michels, CEO, Hilton Group plc*
- 11 Sir Bryan Nicholson, Chairman, Financial Reporting Council
- 12 Barbara Stocking, Director, Oxfam GB
- 13 Kevin Wale, Chairman and Managing Director, Vauxhall*
- 14 Roger Whiteside, CEO, Thresher Group

* Interviewed by both authors

We have written this report around a number of key issues and themes which emerged during the interviews. In our view, this provides the best way of understanding the issues which preoccupy CEOs about public relations and their own role in reputation management.

In the main body of the report we illustrate the themes and questions outlined below with key quotes from the CEOs and Chairmen we interviewed, before going on to make our recommendations.

The key themes and issues that emerged:

- Must expenditure on public relations demonstrate a measurable return on investment (ROI)?
- What contribution can public relations make to organisational reputation?
- Who owns the management of corporate reputation and what is the CEO's link to that reputation?
- What do CEOs see as the main benefits of public relations?
- How would CEOs describe the function of public relations and the role of its practitioners?
- How do CEOs rate the calibre of people in public relations?

Main findings:

- CEOs and Chairmen “intuitively” value public relations, see it as an essential cost of doing business, and essential to business performance and organisational performance (“mission critical”).
- CEOs do not feel that PR effectiveness is amenable to precise measurement, being long-term and iterative in effect, or being an aid to avoiding surprises or mistakes. They do not feel a great need to demonstrate a return on their investment in PR.
- Practitioners need greater confidence in the use of available measures, but more importantly better training and preparation to argue the value of the business and organisational contribution they can make.
- CEOs recognise a shortage of talent and expertise among practitioners, which – if addressed – would also answer questions about the value of public relations practice. The majority of those interviewed referred with confidence to their own advisers.
- CEOs feel that there is under-investment in the practice of public relations.
- All the CEOs interviewed felt they owned reputation – mostly because this was derived more from what the organisation did than from what it said.
- There is a correlation between overall corporate reputation and the CEOs' personal reputation.
- Good PR – initiated through listening and reporting back - can act as the conscience of the organisation and inform top management decision-making. However, many CEOs worry that they do not have a good enough ‘radar’ for emerging issues.



- PR can only enhance, not create, reputation. We need to live the reputation we want to have.
- Public relations practitioners have a primary role in facilitating reputation management, and should articulate more clearly to their CEOs how they do it! They should also take a more proactive role in coaching and helping CEOs and other communicators to reach their target audiences.
- The CEOs personal role in reputation management can help generate increased discretionary employee effort, which in turn delivers better performance and a better reputation: the real driver of good reputation.

Outline recommendations

- Implement better organisational listening and embed more systematic ways to manage reputation.
- Create more effective corporate radars for issues which could impact on the business and its key stakeholder relationships.
- Ensure stakeholder mapping to protect key relationships (and utilise the momentum from non-financial reporting compliance (Turnbull, Higgs and OFR).
- Communicators not only need to be doers, but become facilitators for providing messages and skills coaching for all contacts with key stakeholders.
- Improve training and calibre of PR people (develop their performance in the art and science of public relations).
- CEOs need to use internal communications more effectively to ensure they get the best out of their employees and maximise the chances of increasing discretionary effort.
- CEOs need leadership “points of view” and a strong personal brand to help them to get things done and to consider the very real benefits of developing a personal brand.
- CEOs need external public relations advisors “who can look them in the eye” and sometimes tell them what they don’t want to hear, but have to know.

Summary

CEOs are generally quite clear that there is no single formula for measuring the real value of public relations. They do not feel a pressing need to establish a precise measure that determines the value of their public relations activities. Nevertheless, they believe in its value. It's recognised that Return on Investment (ROI) in public relations can vary enormously. One CEO said that there is little doubt that some companies have suffered disasters that have wiped millions of pounds off their share prices because they handled issues badly. Good public relations could minimise the damage and prove invaluable.

A number of CEOs emphasized the role of intuition in assessing the value of public relations. Several other CEOs express doubts about whether or not public relations can ever be satisfactorily measured. One said, "We have a sense of the worth of our investment and are certain it makes a contribution to the bottom line but we can't be clear on the direct bottom line benefits." Another said that it was difficult to put a financial value on the returns given by public relations but had "a terrific sense of the value" of public relations, backed again by measures such as share of voice compared to competitors, frequency of quotes, messages carried, column inches, radio and television time etc.

The value of public relations becomes apparent over time, but the problem today is that managers don't have the patience to wait for longer-term results. Some CEOs said that measurement is important because "if you can't measure it, you can't manage it". Targets are also important. Where they are attempted, measures should be carefully designed and industry and business leaders should be willing to invest more in processes to find the real value of public relations.

Another CEO said he believed that as an industry, his company and others "under-invest massively in public relations." Like many other CEOs interviewed, he believed sufficiently in public relations that he did not feel that he had to measure it, but if he had the right measures, they would enable him to spend even more on it. Until its worth can be proved, PR spend will be cut in tough times along with any other discretionary spend.

Kevin Wale, Chairman & MD, Vauxhall:

I do not believe that PR can demonstrate a return on investment. It is a fair question but it is not an obvious science. Generally, good PR is badly underestimated. Relative to marketing expenditure, PR finds it tougher to get a fair share of money. Better measurement would make it easier for resource allocation.

The challenge is the difference between long-term and short-term thinking. Reputation building is a long-term activity which is about sustainability.

It is tough to measure for the long-term, and cannot compete with marketing which can deliver instant results and be measured very precisely for short-term tactical activities.

For this reason one usually makes PR decisions based on one's judgement. There are many decisions in business which have to be based on the leader's assessment of what is needed and what is right at the time.



Hugh Collum, former Chairman, BNFL:

I don't really know how to measure this. I can think of ways to measure this in points but not in money. An exception might be a PLC, where the share price gives an indication of the value of reputation. But the real value of a good reputation comes from the supportive behaviour of the key people that the company needs to have relationships with in order to achieve its objectives.

I don't believe I can track a return on our PR investment. You have to spend more than you think you need. You should never start by saying can we afford it? That is a fatal attitude as the world will have moved on. You simply have to get on and make the investment.

You can measure with surveys that benchmark opinion and enable you to track improvements. But listening is also important to help you determine messages and understand how better to manage relationships.

Better listening helps to achieve better informed decisions and helps run the business. It will help us to take all informed factors into account but not necessarily influence what we decide.

Sir Bryan Nicholson, Chairman, Financial Reporting Council:

All parts of the business should have game plans and should measure how they are doing. However this is not as easy in public relations but you do need to use the best tools available. Measure the number of lunches done, the number of meetings achieved, how well people understand your goals and objectives.

Mick Davis, CEO, Xstrata:

All our PR is done in-house with some help from an agency. I tell our executives that our PR activities add at least 20-30% to our share price. It is through our PR man's work that we do a great deal more thinking about how we relate to our environment, to different communities and how we communicate. I cannot quantify the value but feel intuitively that we get enormous value from PR. People trust us and trust has an enormous value.

Sir Peter Davis, former Chairman, J Sainsbury plc:

It's very difficult to measure the return on investment. You can monitor coverage in all the right media. I believe the return on investment analysis is necessary and we do look at the cost and how we do things. Our main external costs are City and national media, but much of this is fire-fighting. It is difficult to look at the value of pounds spent, but I believe that our reputation would be much worse if we did not spend enough.

As a team we believe strongly in public relations, but we also have to try to justify the cost relative to other expenditure.

Stephen Carter, CEO, OfCom:

In the advertising industry everyone is very clear about the importance of return on investment. In public relations it is however even more difficult to define. But public relations is the opposite - no one defines it. It could be about transactional services such as press releases, or in crisis management. But the real value of good public relations comes from the interactive and iterative process where the good practitioner has a deep involvement in the company and with the CEO client discusses ways to get to the best solutions. The more this happens the more the CEO understands the value.

I don't believe there is any formula for measuring the real value of PR. But I do believe in its value. It more than pays back any investment you make in it. If you took the FTSE 250 and asked the chief executives for their perception of value against spend, I'm sure they would all say that it is a multiple.

I do not believe that the question of value is one of PR's problems. I believe that pricing is the real challenge. This doesn't matter to the buyer but does matter to the sellers, and has everything to do with the quality of people in the job.



Do we need to determine a Return on Investment (ROI) measure to understand the value of public relations?

Sir Anthony Cleaver, Chairman, Medical Research Council:

Return on investment in PR can vary enormously. There is little doubt that some companies have suffered disasters that have wiped millions of pounds off their share prices because they handled an issue badly which really wasn't so bad. Good public relations could minimise the damage and prove to be invaluable.

It is difficult to find many direct measures other than opinion polls, or media coverage, but these are nevertheless very important. They can help to track changes over time and it is true that the value of public relations comes over time. The problem today is that managers don't have the patience for that. However, it is dangerous to say that you don't have to measure because if you can't measure it, you can't manage it. The measures should be carefully designed and industry and business leaders should be willing to invest more in appropriate measures to find the real value of public relations.

Sue Cheshire, Managing Director, The Academy for Chief Executives:

There are many who voice negative statements about public relations and it is difficult to demonstrate a return on investment. Very often there is no rigour around the process and therefore little proof it really works. I believe you should always measure what you can measure. However, I think it is more important that the chief executive must acknowledge the true opportunities that public relations delivers. The brief must be clear. A sense of lack of value always comes from a woolly strategy.

I keep a note of the added value of things that come from our public relations activities - a sort of PR balance sheet, if you like. The job of the CEO is to make the invisible benefits of public relations visible by making clear what benefits have come as a result.

Roger Whiteside, CEO, Thresher Group:

We measure through tracking studies on attitudes and general feedback. This is done mostly with consumers and employees. It is true that those attitudes will be more affected by the way the company behaves and what management does than by public relations, but PR has a role to play in all of this.

As a CEO I am inclined to measure everything. In public relations terms that means measuring media space relative to advertising spend. Mostly I take on trust that good public relations generates a positive response. I do believe there is huge value in public relations and don't feel a great need to find the ultimate answer in measurement.

Manny Fontenla-Novoa, CEO, Thomas Cook UK Ltd:

It is difficult to put a financial value on the returns that public relations gives me but I do have a terrific sense of value. There are measures that we use such as share of voice compared to our competitors, how often we are being quoted, what messages are being carried, how often we are being sought for our opinions and so on. We look at column inches, radio and television time etc.

But it is very clear to me that public relations brings to life our advertising campaigns and creates word-of-mouth that goes way beyond our advertising spend. Good PR helps inject fun, create greater awareness, enhances the brand and drives extra sales. Even so, I believe as an industry (travel industry) we under-invest massively in public relations. Just as it is difficult to know which half of your advertising is working, it is sometimes difficult to know which public relations activities are working.

I believe enough in PR not to feel that I have to measure it, but I know I should because if I found the right measures it would enable me to spend more on it. Unless I can prove its worth then it will be cut in tough times along with any other discretionary spend.



Barbara Stocking, Director, Oxfam GB:

We put a high-value on our time working on our reputation but don't really have a way to evaluate it. Clearly it shows in the levels of funding we get, and it also shows in the hearts and minds we have won over to enable us to deliver our mission to overcome poverty and suffering. This means that it is often about the help that we get from other people in delivering our mission, rather than just in raising money.

The difficulty in understanding the real value of public relations is in attribution. Is the help and funding coming because of our work on the ground, our lobbying in New York, or the media attention we are getting?

I don't however feel a great need to measure it. If we were to increase our spend hugely then I would need to make a case for it, and I'm confident I could.

David Michels, Group CEO, Hilton Group plc:

The Hilton group does not measure public relations effectiveness – how can we precisely measure it? The eight people in central PR probably save us more in annual report costs than they cost us. Intuitively, I understand that PR provides good value and don't bother about trying to prove it. I am certain that good communications pays off inside and outside the company.

John Hancock, CEO, MFI Group plc:

Companies have a responsibility to communicate and some methods of public relations can be measured through good feedback. However, it is a primary responsibility of a PLC to communicate effectively and be transparent. Your value can be driven by the communication of facts and how effective you are in talking to the city.

I don't believe there is a return on investment for public relations - it is a necessary cost. It is the cost of doing business. I can gauge how much I need to spend by comparing the cost of my PR resource with other costs and get a sense of what is appropriate. But you really just need to do it.

Summary

CEOs recognise that public relations, by itself, cannot create reputation. Reputations are gained by consistently delivering on promises. Public relations activities can only enhance what is already there and cannot substitute for great services and products.

It's the role of public relations to make sure that the organisation is getting credit for the good it does. Great reputations are built on doing this consistently over a period of time in which a track record of delivering on promises and engendering trust are evident to everyone. All members of an organisation have a contribution to make to building and sustaining reputation.

The role of the public relations departments/advisors is to ensure that the leadership of the organisation communicates effectively with all of the stakeholders, both by coaching management into a better communications performance and by helping to articulate messages that matter. In addition, it's essential that practitioners make sure that management knows and understands the views of stakeholders critical to their performance, so that they can make better informed decisions and retain the support of those stakeholders. All these elements of relationship management are at the heart of creating, enhancing and retaining a good reputation.

David Michels, Group CEO, Hilton Group plc

Companies have different reputations with different audiences. The City expects good results but good corporate PR can help to oil the wheels between the company and the City audience. It can teach leaders how to get the best out of situations and how to handle difficult communications.

With customers it is the products that will drive reputation, and PR will help to get those products noticed. With employees, internal communications is hugely important in helping to ensure that they make a difference in serving the company's customers in the right way.

Kevin Wale, Chairman & MD, Vauxhall:

Public relations cannot create a reputation by itself. It is important in communicating achievements and enhancing a reputation but it cannot generate a reputation. There needs to be some substance first.

A key driver is the way the company behaves, as well as the morals with which it conducts its business. The reputation will come from achievements over time. The role of public relations is to take all of this and reinforce positive messages.

Sir Bryan Nicholson, Chairman, Financial Reporting Council:

Public relations can contribute to a good reputation but you must have a good service and products in the first place. PR is only one element of a great reputation.

Public relations is terribly important and you cannot treat it differently in good times than you do in bad times. You have to build goodwill constantly. How you survive bad times depends entirely on how you behaved during good times.

Sir Peter Davis, former Chairman, J Sainsbury plc:

Public relations can only enhance what is already there. You have to have good products, good service and good ethics. You have to work with the grain of the good aspects of the business. But good PR can aid with each of the stakeholders. Employees, customers, government, opinion formers, city analysts and commentators - these are no longer different and watertight compartments. For example we try hard to keep our staff informed but they may believe what they read in The Sun newspaper. Customers can decide to go somewhere else if they read about poor sales. Government can make decisions on planning that affect our ability to buy stores, when influenced in the media by others.



Nigel Doggett, Managing Director, Autoglass:

In the short-term good PR could counter bad product or service issues, but not in the long-term. Your reputation is determined by whether you actually are a genuinely customer focused organisation with all the people you employ delivering great service, and whether you deliver good business results.

Sir Anthony Cleaver, Chairman, Medical Research Council:

Good public relations enables you to optimise that which you already have. But you must have a solid reality of performance and good behaviour by the organisation. People have to believe that the organisation will do what it says it will do. You cannot be inconsistent - there are no longer any watertight compartments between your stakeholders so things come to light faster and retribution is quicker than ever.

Roger Whiteside, CEO, Thresher Group:

A good reputation cannot be built by PR alone. It has to be earned by the organisation by the way it operates and the service that it provides. Public relations can help to get credit from that but it cannot portray an organisation as something it is not. The basic truth is you have to live the reputation you want to have.

The real driver of reputation is the day-to-day experience of the organisation by any of the stakeholders in the chain. Reputation is done huge damage by bad experiences. Good public relations can counterbalance these bad experiences but only for a very short time.

Manny Fontenla-Novoa, CEO, Thomas Cook UK Ltd:

Public relations can help to deliver a good reputation and can help to overcome a bad one. But it cannot do it by itself and needs the organisation to perform.

The drivers of a great reputation are simple. You need to have a clear vision of what to do for customers. The customer has to understand what you can do for them. You have to deliver what you say you will. You have to handle problems brilliantly and recover well. You have to make sure that all your people are aligned to the customer. You have to make sure you get credit for doing well.

Barbara Stocking, Director, Oxfam GB:

Public relations is important in helping us to build a reputation, but only if it is real in the first place. You cannot fool people about what you really are. But you can make public what you are doing and be more open and accountable. You can be honest about weaknesses and what you're doing about them. You can be honest about conflicts that you face and problems you are dealing with. People trust NGOs but you have a long way to fall if you are not being honest.

Integrity, absolute honesty, continual communications, and excellent listening. Reputation comes from doing good things, and making sure that what you do is what your key audiences want you to do.

Mick Davis, CEO, Xstrata:

We communicate with investors all the time as we recognise that they are constantly influenced by others. By carrying out effective communications with them we try to ensure that they can distinguish relevant information, interpret that information correctly and are exposed to a consistent set of messages which accurately reflect our position.

However, you cannot build a good reputation if the product is bad. You can only do this for a very short period. Your reputation will come from the results you deliver, your social responsibility and consistent communications.



Summary

The survey reveals overwhelmingly that CEOs believe they own management of reputation, with help from their Chairmen and Boards. Public relations professionals provide advice on how reputation can be managed and oversee various communications activities. All recognise that reputation is perhaps the most important single asset the company has, and many go on to say that they are simply the stewards of that reputation for the period they are in office. Their intent is to leave it in a better condition than when they inherited it.

The ability to deliver a good reputation rests on CEOs' ability to influence what the organisation does and good performance is the primary driver of a good reputation. As one CEO put it, "We have the ability to drive up the discretionary effort that we need every employee to give." When this discretionary effort is translated into better commitment and better performance, the experience given to customers is what really builds positive perceptions. The CEO is in charge of trying to align people to the cause of great customer service.

The CEOs are modest in the claims they make regarding their role in building the organisation's reputation. Many commented on how inappropriate it is to have so much attention focused on the CEO alone when so many people contribute to the operation of the company. They are also clear that the communications function cannot by itself own reputation; this is an organisation-wide challenge. Nevertheless, CEOs see themselves as responsible and accountable. Very few commentators and journalists look beyond the CEO for accountability.

In fact, CEOs have never been so intensely under the spotlight and so aware of the dangers of making mistakes so publicly. This risk is exacerbated by the requirement for them to be excellent communicators in their role of representing the values of the company externally. No longer afforded the option of not being visible, CEOs recognise they need to become better communicators and are turning to their public relations practitioners for advice and support in this area.

They also turn to those practitioners for early warning systems to help protect reputation when there is danger ahead or when they run into crises. As one CEO said, "You have to respond to problems and recover excellently."

The importance of the CEO's personal reputation

CEOs also recognise that there is a strong (and potentially dangerous) link between the reputation of the organisation and the person who heads it (which means its reputational capital may rise and fall in line with the perception of the CEO). If the CEO has strongly held beliefs then the organisation is likely to reflect those values, beliefs and behaviours.

One CEO said that the reputation of the company and the reputation of the CEO are one and the same thing. The CEO defines by example the way things work in the business. People need to see the right behaviours from the top. Personality traits of the CEO often define the way people see the business. If the boss is old-fashioned and blinkered then that can be the way of the business is perceived.

Another stated that the leaders of companies are – wrongly - being judged on the effectiveness of their communications and their performance in this area reflects on the company. Good public relations can help to train and rehearse these people to perform better. They have the responsibility of the company at stake in an increasingly intrusive world and they need to prepare well.



David Michels, Group CEO, Hilton Group plc:

Most CEOs recognise that reputation is the responsibility of the Chairman and the Chief Executive or someone at Board level. It is a joint responsibility that will be weighted differently in different organisations. Overall, however, the Chief Executive is responsible for the day-to-day management of reputation. The Chief Executive will inevitably be the face of the organisation but it is the role of the Chairman to appoint the Chief Executive and ensure that the strategy is right. Members of the executive management team also have a responsibility. They must also be the public face of the organisation.

Reputation is owned by the company and the reputation of the company is in the brands. This is the great strength of the Hilton group. As the Chief Executive I am temporarily in charge of shepherding the company's reputation. I am in charge of the direction of those employees who deliver the brand. I give instructions and PR tells me how to say it best and most effectively.

Wrongly these days, the leaders of companies are being judged on the effectiveness of their communications and their performance reflects on the company. Good public relations can help to train and rehearse these people to perform better. They have the responsibility of the company at stake in an increasingly intrusive world and they need to prepare well.

John Hancock, CEO, MFI Group plc:

The Board is responsible for reputation internally and externally but it is the Chief Executive who is mainly in charge of managing the reputation, with help from the CFO and the Marketing Director or the Sales Directors.

Kevin Wale, Chairman & MD, Vauxhall:

No single individual can be responsible for the reputation of the company. As a Chief Executive you can influence it positively or negatively. But the CEO really is a steward of the reputation while he or she is in post, ably assisted by public relations people inside and outside the company.

Hugh Collum, former Chairman, BNFL:

The Chief Executive manages the ship but the Chairman and the Board have to oversee strategy and policy. Non-Executive Directors must be involved. Day-to-day, it is the Chief Executive with help from the CFO and the Public Affairs Director.

Mick Davis, CEO, Xstrata:

The Chief Executive owns reputation. People increasingly and wrongly read the reputation of the company through the Chief Executive. They will do this by reading into who he is, by interpreting his actions and what he says. These days commentators do not go much beyond the Chief Executive. This is wrong because good ideas and good judgement come from all over the organisation and from outside as well. But the Chief Executive is seen as omniscient and omnipotent.

Sir Peter Davis, former Chairman, J Sainsbury plc:

The Chief Executive is responsible for the reputation. The Board has a role and the Chairman has a role. The Board must be comfortable with the policies and strategy of the company and must judge the performance of the top team. Even the audit committee has a role by determining behaviour through pay, for example. Transparency is vital and Non-executive Directors must be able to probe what's going on to ensure the right strategy and policies. The Turnbull recommendations on risk assessment are very important in making sure that our reputation is protected and built. It has become an internal audit and strategy process that keeps us all in touch about the issues that management should be worrying about.



Who owns reputation management and what are the links with CEOs' own reputations?

Stephen Carter, CEO, OfCom:

The Chairman and Chief Executive are responsible. This will be a joint responsibility which will be weighted differently in different organisations. But it does fall to both. The Chief Executive will inevitably be the face of the organisation but it is the role of the Chairman to appoint the Chief Executive and ensure that the strategy is right. I also believe that any member of the executive management team has a responsibility. They must also be the public face of the organisation.

There is too much of a link between CEOs and their organisations and whether you love it or hate it you have to live with that. As a Chairman I would be wary of a CEO who actively sought personal profile. But I would also be wary of one who hated it. It is a very necessary part of the job these days and it is not possible to have someone who will not get involved in representing the organisation.

Sir Anthony Cleaver, Chairman, Medical Research Council:

Reputation needs to be owned by the Chairman or the Chief Executive or someone at board level. You can debate whether it is the Chairman or the Chief Executive and it will depend on the structure and the weighting, but it must be at that level. Without doubt, Non-Executive Directors also have a role as ambassadors to customers, but additionally as change agents in the organisation. Who manages reputation depends very much on the size of the organisation, but I believe this person should report to the Chairman or the Chief Executive.

Sue Cheshire, Managing Director, The Academy for Chief Executives:

The Chief Executive owns it. He or she must have a direct report who has a responsibility for monitoring the reputation of the business. This person must warrant equal status to the Marketing Director and not be subsumed into marketing. The board has responsibility too and the way it operates must be representative of the organisation's values and beliefs - especially important with Non-Executive Directors and Non-Executive Chairmen. These people must take responsibility equally with the Chief Executive for a company's reputation in the marketplace. Their role is to pick up all the negative stories, feed them into the organisation and work to make sure that these are confronted and fixed - especially where they are issues that impact on the reputation.

The reputation of the company and the reputation of the CEO are one and the same thing. Organisations reflect the leadership of the company - the values, beliefs and attitudes of the leadership. If the CEO has strongly held belief, then the organisation is more likely than not to reflect those values, beliefs and behaviours.

Manny Fontenla-Novoa, CEO, Thomas Cook UK Ltd:

The Chief Executive is responsible, but I believe that everybody in an organisation owns reputation. In Thomas Cook we are the holders of an amazing asset and we have to make sure that we maintain it, protect it, and build it so that we can pass it on in a better condition. Together public relations professionals and marketing professionals monitor and help us to manage our reputation. But we have to remember that millions of people touch us every day and they don't all touch me, nor the logo outside. They touch our employees and our employees deliver the reputation.



Barbara Stocking, Director, Oxfam GB:

The Chief Executive and the Board own reputation. The board must have a view and endorse the Chief Executive, who is the single point of day-to-day responsibility. The board's role is to question and challenge to make sure that the reputation is being handled safely.

Nigel Doggett, Managing Director, Autoglass Ltd:

It is hard to separate the role of the Chief Executive from the reputation of the organisation, they are so closely linked.

But I think the biggest link comes from the role that the Chief Executive plays in strengthening the culture of the organisation - by increasing the discretionary effort of employees to perform better. This has an impact on reputation and is direct cause and effect.

Most companies have very high levels of discretionary effort which if managed correctly can make a huge difference to results.

Roger Whiteside, CEO, Thresher Group:

There is a pivotal link between the Chief Executive and the reputation of the company. The CEO defines by example the way things work in the business. People need to see the right behaviours from the top. Personality traits of the CEO often define the way people see the business. If the boss is old-fashioned and blinkered then that can be the way the business is perceived.



Summary

In general, the benefit of public relations is seen in developing both profile and positioning. It is agreed to be both proactive and reactive – anticipating and heading-off potential nasty surprises, acting to put companies in the best position with consumers against competitors, creating a favourable environment with other stakeholders and responding to crises and bad news.

The focus of public relations may vary from company to company – one size does not fit all. For example, a small emerging business would want to achieve much greater awareness and get attention from its audiences. On the other hand a large company would want to protect its most valuable asset and would, on balance, be more likely to be defensive.

On the proactive side, public relations also delivers benefits in terms of upholding, strengthening and looking out for risks to reputation, so that people understand the company's market position, integrity and professionalism. The practice meets a responsibility to communicate – “there is no choice but to try to communicate because this feeds into the way people perceive the organisation.”

Public relations is seen generally in terms of media relations and communications, and its major benefit is in influencing behaviour in relationships. Much of its role is seen to be managing the expectations of key audiences to ensure that the organisation gets credit for delivering what it said it would. A further, primary, benefit is ensuring that those audiences know and understand the goals of the organisation so that they support the organisation in the achievement of those goals.

Internally, public relations can benefit the organisation through giving clarity of communications and messaging in the organisation – “good public relations should be a coaching and advisory service to top management”, but in this much depends on the calibre of practitioners and their strengths, in combination with the people in leadership.

Increasingly public relations can benefit CEOs in helping them to align and inspire employees.

David Michels, Group CEO, Hilton Group plc

Public relations facilitates relationships but is not responsible for them. It oils the wheels and facilitates what the company requires. Correctly used, public relations can enhance the value of products, the value of relationships with the media, and the value of people in the company (through their image) in a commercial sense.

Public relations does not have an effect on one's products or services. It can however have an effect on the ethos of the company. Public relations can train people to better deal with issues and communicate more effectively.

John Hancock, CEO, MFI Group plc:

We undertake a certain level of communications to ensure against miscommunication. With 2.5 million customers, the brand is very well-known and has a personality in its own right. Our communications aims to develop that. Advertising can only do so much - it is biased and simplistic and highly focused. Public relations is a far more flexible method of telling your story.

You have to communicate these days whether you like it or not. Good communications and public relations can help to limit damage and build support.



Kevin Wale, Chairman & MD, Vauxhall:

Public Relations should deliver a lack of unpleasant surprises and distractions; a clarity of expectations of the organisation by external audiences; understanding by those external audiences of what the organisation is trying to achieve; an absence of wasted energy by delivering mixed messages. Knowing who we should be talking to, and knowing what we should be saying to them.

Public relations is about both sorting out key messages, and trying to influence people to behave differently. The purpose of PR is to deliver messages that in turn influence people to behave in ways that are supportive of your objectives. One needs to spend time identifying which are the key relationships and which messages are key to those relationships. Which messages will be most likely to generate behaviour change? But it always starts with ensuring you have the right messages.

You do this right, by listening first. Good PR will be the conscience of the organisation and strategically help it to understand how it should be positioned. PR people are not the only ones who do listening in the organisation but they should be the ones to help managers and all functions to both listen better and deliver messages more clearly.

Hugh Collum, former Chairman, BNFL plc:

No public surprises. People understand our plan and how we are doing against the plan. Help in smoothing ongoing relationships especially when there are problems.

Sir Bryan Nicholson, Chairman, Financial Reporting Council

Externally people understand the ethos and direction and image of the company. This has tremendous value, especially if the company is seen as being transparent and trustworthy. Another benefit is the avoidance of pitfalls. And finally, good PR can help you in effectively dealing with issues.

It is clear that good PR is about advice on handling stakeholders and the company's relationship with those stakeholders. Public relations can help with the management of relationships. This will depend on the kind of organisation. Some will need to deal more with government and opinion formers, others will have to deal with the financial community and journalists, but everyone has to look at key audiences and consider both the tools to do the job and the messages needed for each of those audiences. It is the job of public relations to think about this, to give advice on how to best listen to those audiences and then how best to put across messages in the most effective way."

Very often it is all about trying to change behaviours. You have to start with that in mind when you consider communicating with people. What is it that you can realistically expect them to do that will support you in achieving your objectives?

Stephen Carter, CEO, OfCom:

It is very often about no surprises. The real benefit is about being able to see around corners and anticipate, in PR terms, what is vital to us. Newspaper proprietors pay editors for their intuitive understanding of their readers. A CEO pays the great PR person who has an ability to understand the perspectives, prejudices and needs of the publics with whom the company has important relations.

In some cases our PR is about not seeking profile and avoiding gratuitous publicity. But it is definitely about the vital handling of a multiplicity of stakeholders.



What do CEOs see as the chief benefits of public relations?

Nigel Doggett, MD, Autoglass Ltd

It gives us a chance to widen our appeal and be seen as a reputable organisation involved in the community and supporting more than just a bottom line. It can also help you deal with unexpected situations. For these reasons it can increase brand awareness and propensity to buy. I believe that good public relations has both an indirect and a direct effect on the bottom line and business results.

Sue Cheshire, Managing Director, The Academy for Chief Executives:

Reputation is a composite of a number of things and public relations is mission critical. Good public relations can be a guardian of our image, providing an objective view on what perceptions will be created by our decisions, actions and messages. It also helps to reinforce our culture, our brand and beliefs. It can provide consistent messages that help to align our stakeholders.

Public relations is fundamentally about relationships and influencing behaviours. All the stories we tell should reinforce our beliefs and change the beliefs of others so that ultimately it impacts on their behaviours.

Manny Fontenla-Novoa, CEO, Thomas Cook UK Ltd:

Public relations benefits are huge. It brings the organisation to life, gives it character and personality, delivers important business opportunities and commercial value.

Mick Davis, CEO, Xstrata:

PR is one element of a total plan to position the company in the right way. It is more than just the message. It is all about what initiatives we take to influence communities. The role does influence how the company behaves - for example our PR Executive has captured our business ethics policy and it is our PR Executive's job to set policy for Community Investment - how much money we put into it, how we do it, where we do it.

To an extent we are trying to influence behaviours. Among our investors we are trying to achieve a perception of risk about us that makes them value us more than others and invest in us.

We want people to reach the same conclusion about us that we have. If they come to these perceptions it will influence their behaviour towards us favourably.

Sir Anthony Cleaver, Chairman, Medical Research Council:

One should not be communicating unless the objective is to influence relationships and change behaviours. This is what it is all about. I have seen companies who are very good but whose image is non-existent. They believed that virtue was its own reward. When they have gone out to publicise their achievements they have been hugely rewarded in their share price because of it.



Barbara Stocking, Director, Oxfam GB:

Our PR activities are all about relationships and behaviours. Whether it is from our supporters or from the people we need to influence to achieve our mission, it is all about understanding what they do and why they do it in order to change their behaviours.

For us the benefits can be seen in our fund raising. But to get those funds we need to understand why people want to support us and what it is they want us to do. The benefit is having them understand that we understand and that they know exactly what we're doing. This is what motivates the people who give us money. We have to make sure that we're giving them the information that meets their interests and needs

Roger Whiteside, CEO, Thresher Group:

It will be different with different audiences. For the consumer, public relations will act as an extension of marketing, building our brand equity and answering the question: what do we want to be famous for? It also builds on our mission and values and makes these clearer to everyone. With employees, who believe the press more than they believe us, it's just as important to ensure our internal reputation is maintained. You cannot leave a vacuum in the media - if you do there are plenty of other people who will simply fill that gap with speculation and it will create suspicion if you have nothing to say.

These days with shareholders there is a huge need to get around and communicate. It is imperative that these audiences understand what you want to do. If however you have private equity, it is surprising how often they say they would really rather not get publicity at all.

Public relations has a definite role to play in helping to change behaviours. I see this as a natural extension of any change programme. I see public relations mainly as media relations because media is one of the main channels to your various publics.



Summary

Every CEO acknowledged that public relations is assuming much greater importance. The role of practitioner, too, is being taken more seriously with CEOs often drawing directly on advice from their own in-house advisors. Some CEOs recognised that public relations makes a contribution to organisational strategy. This comes mostly through its role as the communications radar for the organisation, ensuring that the decision-makers are aware of the views and sensitivities of stakeholders, thus enabling better board-level decision-making.

Public relations is also seen to influence strategy in the context of key relationships. For some business leaders, it does not influence decisions on business models or corporate structures but it does have a role in influencing behaviours with key audiences. If public relations can influence behaviours, then it's important to know what it will take to change those behaviours so that this can be factored into CEOs decision-making and strategic thinking. To this extent it can be seen as providing the "corporate conscience". It can also give guidance on which social and ethical policies to adopt.

A majority of those interviewed made a distinction between public relations and corporate communications. When pressed, many of the CEOs interviewed said that public relations is responsible for handling the media. They see public relations agencies as providing media relations services. However, the more visible the public relations person was in the communications process, the more likely those communications would be conceived of as "spin" by receivers.

CEOs were more comfortable describing the function of public relations as facilitating all organisational communication – including making leaders better communicators, helping the organisation to communicate better with itself and ensuring the right communications with all external stakeholders, including the media. The role was crucial for both listening and messaging.

CEOs are living in challenging times, with unprecedented demands from a wide variety of stakeholders. In a hostile environment in which mistakes are quickly uncovered and retribution is swift, they recognise that they need an early-warning radar system and reliable intelligence to enable them to make better quality decisions. They have reservations, however, about the reliability and quality of early warning detection processes.

John Hancock, Chief Executive, MFI Group plc:

I do see a distinction between a communications function and public relations. Good communications is vital for any company, whereas public relations can be about propaganda.

By over-hyping you can create a reputation gap where expectations simply cannot be met. The best reputations come from delivering what you say you are going to deliver.

When you have a complex array of relationships - as we do with so many million customers, or with the environment through our manufacturing - then you have to take responsibility for effective communications. The danger of letting lots of different managers do this is that you can be very inconsistent. That is why public relations does need to coordinate what is happening - to ensure consistency. We need a small number of key people in the company well trained to do this type of communications.

David Michels, Group CEO, Hilton Group plc:

Public relations is the responsibility of all managers. They are the ones who have to take responsibility for managing relationships, whether those relationships are with government or with customers or with staff, and the role of public relations practitioners is to enable them to perform at their best when communicating within those relationships.



Sue Cheshire, Managing Director, The Academy for Chief Executives:

There is another very powerful value in public relations. This is the concept of tipping points. Getting people to talk about mission critical things and have this reverberate around the organisation. This is much more significant than talking to just a few people. Getting to a point where there is so much alignment that behaviours are able to change quickly and seamlessly. It also means you must have an absolute clarity around the perception you want to have among those receiving the message.

Manny Fontenla-Novoa, CEO, Thomas Cook UK Ltd:

Public relations is at the heart of everything we do. Exactly what PR does depends on the situation. It could be promotional, it could be crisis management, it could be internal PR.

Stephen Carter, CEO, OfCom:

Good PR is a poor phrase which does the practice harm. It is more about actively managed relationships and the value that this brings. However, managing relationships will not de facto give you a good reputation. You must be doing the right things as well.

No Chief Executive is an all rounder and they will need expert advice to compensate for weaknesses, but this must be the number one responsibility for the CEO of any major PLC, government or public entity.

Who manages it depends on the organisation, but this person must be capable of and have the license to express their opinions at the highest levels of the organisation in order to ensure that the opinions of external stakeholders are heard and acted on in the organisation.

Roger Whiteside, CEO, Thresher Group:

I believe it is the responsibility of the CEO to manage stakeholder expectations of the business. In today's world those opinions are informed often by the media, and business needs professional help in dealing with the media. Public relations can be an objective external pair of eyes that can hold up the mirror to the organisation and help it to change. In fact I believe its value is to be a catalyst for change by exposing realities to the management.

I would expect public relations to be looking out for risks to our reputation, changes to our business environment and generally wake up every day thinking about how to get onto the front foot with our audiences. But I also expect public relations to formulate the position we should take on issues of importance.

The public relations industry needs to find ways to make me think more about how it can help me and what it does, than I am inclined to think. Distinctions about what public relations is do not really affect me. To make headway you have to drive a different thought process into my mind. But the industry - senior practitioners - need to drive into me a change of thinking



What do CEOs consider the role of public relations to be?

Barbara Stocking, Director, Oxfam:

Public relations is about building a true and coherent picture among our audiences about who we really are, and what we are doing, in a way that people understand.

I am uncomfortable talking about all of our reputation building activities as public relations. I am much more comfortable talking about this as our communications strategy. Perhaps there is an issue here for you in the name?

Hugh Collum, former Chairman, BNFL:

Public relations should help us to get onto the front foot in our relationships with external audiences, from government, to media and other key groups. This must also include in communicating with staff. When it is done well it enables you to be proactive and to set the agenda. It has a role anticipating issues so that the organisation is prepared if issues arise.

Sir Bryan Nicholson, Chairman, Financial Reporting Council:

Good public relations can help you to have a clear view of your identity and the articulation of what you are about. The Board or the CEO decide what it is that the company stands for and PR people can help to articulate that and set context. They need to be involved at every stage and not be an add-on.

Mick Davis, CEO, Xstrata:

PR should deliver good positioning of both the corporate point of view and the Chief Executive point of view. People need to see the company in the right context and we should not find ourselves on the defensive where people do not understand us.

Public relations does not have a primary role in influencing how we decide to build our business model or corporate structures. But it does have a decisive role in influencing how we behave with all of our key audiences and how we execute our business strategy and decisions. To this extent it is our corporate conscience. So it does have an influence on strategy.

Nigel Doggett, Managing Director, Autoglass Ltd:

It does depend on the audience - with our motorist consumers, public relations can really help them understand our positioning in the market as it is made more relevant to them in specific news stories.

With our business customers, public relations can similarly demonstrate our positioning as well and in some cases enable us to have forums and dialogue that we may not have in a strictly commercial 1:1 environment.

With our employees, public relations can generate a sense of pride in our business in the way we do things and that they are part of this.

Lastly, public relations does work to both uphold and strengthen our reputation - both in response to industry issues or when we take a proactive view on specific issues.



Sir Anthony Cleaver, Chairman, Medical Research Council:

First, you have to define your targets. You have to have a clear view about who you want to understand you and who you want to know about your agenda.

Good public relations will be able to get you the attention you want, and the right response, from the people you choose as your important audiences. There is a distinct correlation between organisations which are inclusive in their relationships with all stakeholders and the performance of those companies.

Listening to the City is like driving by the rear-view mirror - not an effective way of predicting the performance of a business. They're not interested in the things that really drive a company, and these are all around relationships. The role of PR is to help to understand those relationships and influence the organisation to relate well to these stakeholders.

Kevin Wale, Chairman & MD, Vauxhall:

Public relations should provide guidance in managing external relationships. It should also give clarity in image and messages to convey to the public. Internally it should assist in giving clarity of communications and messaging in the organisation. Good public relations should be a coaching and advisory service to top management.

Ultimately PR needs to help you create a cleaner set of activities that will improve your reputation and help you to get to where you need to go.

Sir Peter Davis, former Chairman, J Sainsbury:

Our PR Director is on our Executive Board because we believe that our management team must have a communications person on it in the centre. First of all this means that they know what is coming down the line both good and bad, and influences our decision-making processes and our strategic decisions by representing our external audiences and ensuring our decisions are stakeholder friendly. This role is much more than just a messenger.

I expect both a reactive and a proactive service from public relations. We are operating in a world in which business has been popularised to such an extent that many brands, especially retail companies, have become household names. In this environment we need to be able to very quickly respond to what is being said and what is appearing in media. Proactively we need to put ourselves in the best position with consumers against our competitors. We also look to public relations to create a more favourable environment with all other stakeholders.

Risk processes can help to deal with media hysteria and give pointers about how really to deal with issues.

The big question from management is how to absorb and respond to things when you're being buffeted from all sides? It is easy when you're riding high but the challenge is to hold your nerve in the midst of turmoil and avoid knee-jerk reactions.



Summary

A number of CEOs, unprompted, commented on the calibre of public relations practitioners. CEOs admitted that they are working in a more complex, transparent and difficult operating environment and valued the counsel of excellent practitioners. The real value, one said, came from the iterative process of seeking solutions to communication and reputational challenges. Everything depended on a person experienced and forceful enough to put these matters on their agenda.

When CEOs dealt with high-calibre advisors, their perceptions of the value of PR were higher. This breed of person showed an acute understanding of stakeholder needs and desires, an awareness of the organisation's business model and key performance drivers, an awareness of the operating environment and the confidence to challenge the leaders of the organisation ("to look them in the eye"). The good practitioner should also be able to understand perspectives, prejudices and the needs of the publics with whom the company has important relations, and provide a guard for the image of the company, providing an objective view on the perceptions that are likely to be created by decisions, actions and messages. He or she will also have a role to play as a coach and facilitator, helping organisation leaders to become more effective communicators.

Many CEOs recognised that they under-invested in this area, but all recognised that public relations, today, was "mission critical". The practice, they believe, will be more valued when public relations advice is offered by practitioners who have the background, knowledge and standing that will enable them to contribute to decision-making at the highest levels. Barriers to entry to the practice are, at the present time, too low and the practice fails to attract the most able candidates. However, most CEOs felt there were too few high-calibre practitioners, and too few quality people coming into the industry.

The more experienced practitioners are, the closer to the heart of the organisation they can be. There is an increasing burden on them to educate management in the role of communications in relationship building.

Mick Davis, CEO, Xstrata:

I believe that most companies under-invest in public relations. They put the wrong people in place, who are under-skilled and under-experienced. They only realise that PR is important when they get into crisis.

Even when they do bring good people into their organisations they then make the mistake of not putting them at the centre of decision-making.

I believe that it is critical that the PR Executive is at the heart of the decision-making coalition in a company.

David Michels, Group CEO, Hilton Group plc:

PR is both an art and a science. When you watch a good professional at work you can see that it is art and science working together. It is a serious part of the armoury of many public companies today.

Kevin Wale, Chairman & MD, Vauxhall:

Much depends on the calibre of the PR person and their strengths, in combination with the people in leadership. Together they can create a great strategy that allows the PR person to implement really well.



Sir Bryan Nicholson, Chairman, Financial Reporting Council:

It is very important that top management uses public relations to give it an external view that helps to make better decisions. This is because good PR people can provide balance and objectivity. It is also necessary to get help from external PR people and not rely solely on the internal PR person. This is because it can be tough for the internal person to look to CEO in the eye and deliver messages. External advisers are expert at doing this.

Stephen Carter, CEO, OfCom:

The barriers to entry in PR seem to be too low. If the value of PR is to increase, the quality of people will have to improve. What organisations want is top-level advice with authority and credibility if it is to impact on the choices. It is those choices that impact on reputation.

Management of reputation is a fantastically interesting subject. In the end it is all about people and all about the talent. The fundamental question for public relations is how to get the industry to be the number one destination for the right talent.

Manny Fontenla-Novoa, CEO, Thomas Cook UK Ltd:

I believe that as a career, PR doesn't attract sufficiently high quality people that would in the end help to put it higher up in organisations. It is far more important to organisations than they think but it takes calibre people to make us understand that. It is a complex subject and needs high-quality practitioners. I think this is a challenge for the PR industry.

Nigel Doggett, Managing Director, Autoglass Ltd:

In the world which is much more transparent, the role of the public relations person is more in the spotlight. The more visible that person is in the communications process, the more there is a chance of perceptions of spinning. The role of the public relations adviser is increasingly going to be about equipping top people to do more of that themselves. They will have to make the transition from being doers to being coaches and facilitators.



When the authors presented the report on these interviews at the 2004 International Public Relations Research Symposium in Bled, Slovenia, we decided to stage a mock interview before a live audience of 150 delegates to summarise what we had learnt from the survey interviews.

Our full report had already been submitted for delegates to read before the conference, and the purpose of the “staged” interview was to provide them with the essence of our findings. It was also designed to resonate with many of the themes emerging from the conference. Jon White posed the questions, Kevin Murray responded as follows:

Question: *Recent reports such as the Institute of Public Relations/Department of Trade and Industry study on the potential of public relations have emphasized the need to establish the value of public relations. What is your view of the real value of public relations? Is it, for example, really able to influence business strategy?*

Answer: *Yes, to a degree. I see the role of public relations as that of radar and conscience. As the radar of the organisation it is the job of the public relations practitioner to “see around corners” by being in touch with all of our stakeholders, to ensure that we are aware of their views and sensitivities. By doing this the public relations person can make sure we are aware of the consequences of our decisions and so enable us to make better quality decisions. When they bring us intelligence from the marketplace they can make sure that we do the right thing, and can act as the conscience of the organisation.*

Q: *In academic developments, public relations has come to be seen as more than a communication practice. It’s now seen as a practice that is aimed at influencing behaviour in relationships. Do you see public relations in this way?*

A: *Absolutely! This is an old discussion and I cannot see what else public relations is for if it isn't about facilitating good relations with all the stakeholders I depend on for success, and helping to influence those people to supportive behaviours. That means not only their behaviours but also our behaviours.*

Q: *Is public relations about monitoring relationships in order to anticipate risks and problems?*

A: *It should be! We’re living in a much more complex and difficult world in which as a CEO I have increasingly demanding stakeholders and much less time in which to deliver results. I look to my public relations advisors to ensure I am not falling into obvious traps or walking blind into dangerous situations. But, I am not convinced that practitioners have sufficiently good systems and processes in place to pick up all potential risks.*

Q: *Is public relations valuable – do you believe that it is possible to measure public relations in terms of return on investment?*

A: *It is certainly valuable, but I’m not convinced that it can be measured precisely in terms of return on investment. Intuitively, I know that it is of huge value to me and to the organisation I represent, and I am not too concerned about being able to prove a return on investment. It is very difficult to quantify and we recognise that we have to use a number of proxy measures which at best are indicators. If I was able to prove ROI then we might be able to justify even more investment in public relations. (I think many companies under- invest in this area.) However, I see this as more of an issue for sellers than buyers of public relations services. Being able to prove return on investment enables sellers to increase their prices, so it is not of great concern to me.*

The value of the practice will increase as the calibre of practitioners improves. I don't believe there are enough really good practitioners in the industry and I don't believe that the industry is attracting sufficient numbers of high calibre recruits. The good ones are very good and can show you that public relations is both an art and science, and can help to educate the company to higher standards of communication and relationships. I wonder if the industry is able to bring in enough of the right kind of high calibre people to make a difference?



Q: Looking at key drivers of reputation, does public relations deliver reputation?

A: Yes and no - and partly. Yes, because it is the function of public relations to help me to communicate well inside the organisation and thereby to drive up the discretionary effort from employees that makes all the difference to customers. When customers have a great experience, reputation goes up. My role is to lead people inside the company to greater levels of discretionary effort, so my link to reputation is very direct. No, because public relations cannot by words alone influence how people see us. Partly, because it can ensure greater cohesiveness of our communications and greater clarity of message, so that our audiences understand us better.

Q: What then does drive good reputation?

A: Doing what you promise, consistently. Being transparent, having integrity and doing everything you can to build and maintain trust. But I cannot stress enough how important it is to do what you say you will do. It is this track record of delivery that builds great reputations.

Q: Does public relations own reputation management?

A: No, I do! With the help of my Chairman and my Board I take full responsibility for the reputation of the organisation I represent. I must either set the values of the organisation or represent the existing values, and constantly be aware of reputation risks. Reputation is so important to the future of the organisation and has to be one of my top priorities. The communications department cannot own reputation but it can help to facilitate and ensure we are doing the right things - the things that deliver a good reputation.

Q: Do you take public relations seriously?

A: Yes I do, increasingly so in today's world. But it is your job as a public relations practitioner to make me think more about the responsibilities I have as a contributor to society. It is also your job to make me think more about the importance of communications and relationships than you currently do.

There is a problem with terminology. When you say public relations, I really think about media relations only. When you talk about "communications" I am more comfortable, because I understand that this role is about facilitating relationships with all of my stakeholders, both inside and outside the company. So in the context of everything we been talking about today, I think corporate communications is a better descriptor.

Q: Is public relations a necessary part of management?

A: Yes, very much so and in many different ways. Today, the compartments between audiences are no longer watertight, mistakes are found out quickly and retribution is swifter than ever. It is a more complex world and in this environment good public relations is mission critical.



This study is unusual among studies of public relations practice in that it has drawn on the views of Chief Executives - major clients for public relations services - rather than relying on practitioners' views of public relations. From them, we take the following conclusions and recommendations for the practice of public relations.

- 1 Public relations is valued, and in the current environment, it is recognised that the practice has important contributions to make to organisations, their success and performance (mission critical).
- 2 Measuring the value of public relations is dealt with intuitively, or through acceptable proxy measures. Arguing for a demonstrable ROI would be helpful but is neither demanded nor expected.
- 3 The current debate about measurement in public relations among practitioners reflects a lack of confidence in skills, knowledge and professional backgrounds rather than real difficulties with establishing measures for what is done in public relations practice.
- 4 Public relations will depend for its quality on the calibre of the practitioners able to provide advice and service. CEOs perceive the barriers to entry to public relations practice as being too low. As a result, there are not enough high-calibre people working in the industry.
- 5 Contributions from public relations improve decision-making, help organisations avoid difficulties and meet responsibilities. They also strengthen reputation, and help senior management improve capabilities in managing relationships and communication.
- 6 Public relations is seen proactively as helping to develop both profile and positioning, and defensively as heading-off or pre-empting unwelcome surprises.
- 7 CEOs and Chairman consider that managing reputation falls under their responsibility and that the reputation of the CEO is an important factor in overall corporate reputation.
- 8 So far as managing their company's and their own reputations is concerned, CEOs are now increasingly under the spotlight and increasingly need first-class PR support.
- 9 Public relations can enhance but cannot create reputation. Organisations have to live the reputation they want to have.
- 10 Public relations practitioners have a primary role in facilitating reputation management and should articulate this more clearly to their CEOs
- 11 The CEOs role in managing reputation can help drive increased discretionary effort from employees
- 12 Good public relations should provide a coaching and advisory service to top management.
- 13 Public relations can make a contribution to corporate strategy and influences strategy in the context of key relationships. The main role is in public relations being able to provide intelligence from critical audiences that enables top management to make better quality decisions.
- 14 Public relations can be used not only as part of the corporate listening process, but, at its best, to act as the conscience of the organisation. In this regard it is being used to capture the business ethics and corporate social responsibility programmes and policies for organisations.

5.2

Recommendations for public relations' practice



5.2.1 Value and measurement

The debate about the value of public relations needs to move on. The practice is valued, and can be measured, using available measures in full recognition of their limitations.

5.2.2. Improving quality

Practitioners can be confident in their potential contribution, but need to realise that to make this contribution they will need the training, qualifications and experience that will give them recognition as members of senior management teams.

5.2.3. Making the case

The practice of public relations, through consultancies, larger in-house departments and professional associations, needs to invest more in developing measures of practice, and case studies of successful and unsuccessful practice. This investment will lay the foundations for real practice development (for example, a detailed study of public relations interventions to avoid mistakes in the management of important relationships could demonstrate the potential cost of those mistakes and generate an estimation of the value of public relations).

5.2.4. Communications function - facilitating and coaching

In-house communications professionals, in addition to being doers, need to move beyond this to become facilitators. It is their responsibility to make the CEO a better communicator. The communications function needs to be made responsible not only for the messages but the effectiveness and the skills shown by the organisation in communicating with its audiences – it needs to take on a genuine coaching role.

This is not just about communicating with the press and media. It is facilitating and assisting each of the points of contact the organisation has with its external stakeholders to communicate more effectively and report back on the state of the organisation's relationships with its key audiences. This needs to be managed systematically and rigorously with regular communications appraisals and audits to ensure that progress is being made and maintained.

5.2.5. The calibre of future public relations professionals

The public relations industry needs to present people judged as high calibre by CEOs (proficient at both the art and science of PR). This breed of person must display an acute understanding of stakeholder needs and desires, an awareness of the organisation's business model and key performance drivers, an awareness of the operating environment, and have the confidence to challenge the leaders of the organisation. The good practitioner should also be able to understand perspectives, prejudices and the needs of the publics with whom the company has important relations.

The public relations professionals of the future will become advocates in the court of public opinion. They may well be training as barristers, or professionals of some other kind, today. They should be commercially aware and numerate. They will be nuanced, psychologically astute, streetwise, yet able to think rigorously and apply themselves to complicated and challenging problems. Above all, they will be able to read the relevant zeitgeists and communicate this to the people who need their counsel most, unafraid to look them in the eye.

Finally, they will be able to present a case masterfully and understand that winning an argument means nothing unless it brings about the desired practical and emotional consequences.

5.3.1. Create the listening organisation

CEOs and Chairmen accept that they are largely responsible for managing their company's reputation. To do this properly requires managing their company's greatest asset in a systematic way; they need to know the real problems and issues which, so far, may have not been properly grasped. They need to ask people who work at the coal face what they see and what they think. They need to be able to turn to a variety of people for assistance.

To do this, CEOs need to create an early-warning system, a communications radar, and for this they need better and more rigorous systems and processes for enabling "listening" inside and outside the organisation. As people who are also in touch with external opinion, non-executive directors, too, need to bring the outside story back to the board.

To facilitate this, communications directors need to be given responsibility for the task of "holistic listening" around the various key audiences and stakeholder groups. It is essential that the findings of this listening be analysed and pulled together – the compartments between the various stakeholder groups are no longer (if they ever were) watertight. What are the key messages emerging and what do they mean for our behaviours? How do we model this?

5.3.2. Strengthening internal communications

There is a strong link between the CEOs role in managing the company's reputation and an increase in discretionary employee effort. It is within the power of CEOs to drive-up this discretionary effort and it is this which makes all the difference to the company's reputation with its customers. To achieve this objective, internal communications, often seen as the "poor relation" in terms of strategic communications, needs to be taken much more seriously by CEOs. Some CEOs, for example, pointed out that employees are more inclined to believe what they read in the press about the company than the company line. Internal communications is more than just a range of channels for telling a one-sided story and exhorting employees to work harder. It is about persuading employees that the CEOs point of view is worth believing in.

5.3.3. CEOs need to develop personal brands and points-of-view

CEOs need to develop their personal brands and articulate their points of view. This should not be seen as some optional self-indulgent, preening exercise. It can form a critical part of providing genuine leadership by enabling the CEO to be seen to stand-up and stand-out. The fact is that stakeholders project a personal brand onto the CEO in any event and unless this is actively managed, a false and detrimental image can emerge. In some cases, the impact on personal and corporate reputation can be profound. Given that CEOs have such raised profiles in any event and cannot avoid being in the spotlight, it makes sense to ensure that the narrative that does get told is proactively developed rather than passively endured. All leaders are expected to have, and give voice to, points-of-view which serve to inspire and build trust.

5.3.4. Develop reputation management processes for the board

Clear evidence exists that CEOs do not feel confident about whether they have rigorous processes in place for managing reputation. A major opportunity exists, in the authors view, in the forthcoming Operating Financial Reviews which will be mandatory for most businesses. CEOs must take advantage of the combined force of Turnbull, Higgs and OFR compliance (collectively referred to as THOR) to place communications at the centre of the organisation's internal value chain. Much of THOR compliance is centred around the risk management of intangible assets and the protection, management and responsibility for non-financial performance indicators, especially in relation to stakeholder relationships. Boards need to familiarise themselves with the stakeholder mapping and relationship-tracking which will form a mandatory part of compliance.

CEOs should ensure that this high-grade compliance information is then used for active communications and senior management decision-making. CEOs can take advantage of THOR compliance and use it as a stepping-stone to transform their companies, becoming more genuinely communications-focused, with reputation management placed firmly at the centre of corporate consciousness and CEO priorities.



Corporate thumbnail sketches of participating CEOs' companies and organisations at time of interviews

Stephen Carter, CEO, OfCom

OfCom is the regulator for the UK communications industries, with responsibilities across television, radio, telecommunications and wireless communications services. It exists to further the interests of citizen-consumers as the communications industries enter the digital age. It intends to:

- Balance the promotion of choice and competition with the duty to foster plurality, informed citizenship, protect viewers, listeners and customers and promote cultural diversity.
- Serve the interests of the citizen-consumer as the communications industry enters the digital age.
- Support the need for innovators, creators and investors to flourish within markets driven by full and fair competition between all providers.
- Encourage the evolution of electronic media and communications networks to the greater benefit of all who live in the United Kingdom.

Sue Cheshire, Chief Executive, Academy of Chief Executives

The Academy for Chief Executives is a community of over 400 business leaders with a shared vision; passionate about leading responsibly in the 21st century; passionate about growing people, about enhancing business performance and building and supporting a community of CEOs and MDs that really care and support each other, to achieve extraordinary things.

Members, chairmen, and expert speakers bring to the Academy; inspiration, best practice, wide powerful networks, creativity, wisdom, knowledge and expertise. Academy group membership is open by invitation to Chief Executives, Chairmen, Managing Partners or Business Owners. There are also Leaders' Forum groups for leaders of smaller organisations and senior managers and directors of larger organisations.

Sir Anthony Cleaver, Chairman, Medical Research Council

The UK Medical Research Council (MRC) promotes research into all areas of medical and related science with the aims of improving the health and quality of life of the UK public and contributing to the wealth of the nation.

The MRC is funded by the UK Government and receives an annual grant in aid from Parliament via the Office of Science and Technology, which is now part of the Department of Trade and Industry.

Working through its Council, scientific boards and committees, the MRC is independent in its choice of which research to support. It does, however, work in close partnership with Health Departments, other Research Councils, industry and others to identify and respond to current and future health needs.

Hugh Collum, former Chairman, BNFL plc

BNFL is an international nuclear energy business that employs some 23,000 people in 16 countries. Its activities span the entire nuclear energy cycle, from reactor design and fuel manufacture to power station decommissioning and clean-up. BNFL has around a 12% share of the world nuclear market.

Michael Davis, Chief Executive, Xstrata AG

Xstrata is a major global diversified mining group, listed on the London and Swiss stock exchanges and based in Switzerland. Xstrata manages a portfolio of major metals and mining businesses. In 2002 it joined the FTSE - and, following two major acquisitions, is now worth more than \$7bn (£4.2bn).

The group, which has its headquarters in Switzerland, employs some 18,000 people worldwide with operations across four continents in six countries: Australia, South Africa, Spain, Germany, Argentina and the UK. The Group's operations span four continents and six countries: Australia, South Africa, Spain, Germany, Argentina and the UK.

Sir Peter Davis, former Group CEO and Chairman, J Sainsbury plc

J Sainsbury plc is a leading UK food retailer with interests in financial services and property. The Group comprises Sainsbury's Supermarkets and Sainsbury's Bank. The Group employed 172,900 people at the end of the year.

The Group's objective is to meet its customers' needs effectively and thereby provide shareholders with good, sustainable financial returns. It aims to ensure all colleagues have opportunities to develop their abilities and are well rewarded for their contribution to the success of the business. Its policy is to work with all of its suppliers fairly, recognising the mutual benefit of satisfying customer's needs. It also aims to fulfil its responsibilities to the communities and environments in which it operates.

Nigel Doggett, CEO, Autoglass

Autoglass is the UK's leading vehicle glass repair and replacement company, part of the Belron group, the world's biggest vehicle glass company. It has about 2000 employees, 1100 of whom are mobile technicians, working out of 130 branches.

Autoglass was the first company in the industry to establish a vehicle registration number database, with direct access to all 28 million registered vehicles in the UK. Customers only need to give us their vehicle registration and contact details. Autoglass also runs a strong environmental policy only replacing glass where necessary and re-cycling where possible.

Manny Fontenla-Novoa, Chief Executive, Thomas Cook UK Ltd

Thomas Cook AG offers 'The Whole World of Travel'. The international leisure group works across the travel value chain - airlines, hotels, tour operators, travel and incoming agencies - thus providing its customers with the right product in all market segments across the globe. The Group encompasses 33 tour operators, about 3,600 travel agencies, a portfolio of 76,000 controlled hotel beds, a fleet of 80 aircraft and a workforce numbering some 26,000. The company is represented in the sales markets of Germany, Great Britain, Ireland, France, Belgium, Luxembourg, the Netherlands, Austria, Hungary, Poland, Slovakia, Slovenia, Egypt, India and Canada.

In the 2002/2003 financial year the Group achieved sales of some € 8 billion and served more than 13 million customers.

John Hancock, Chief Executive, MFI Group plc

MFI is the largest retailer of kitchens and bedrooms and integrated appliances in the UK with a market share of over 30% - more than twice the nearest rival. MFI stores also feature comprehensive ranges of home office furniture, beds, and lounge/dining furniture.

Originally founded in 1964, MFI stores were re-branded MFI in 1994 with the aim to make the store environments lighter, fresher with a more contemporary look-and-feel. In addition, the cash and carry format was replaced with a nation-wide distribution system offering customers free home delivery to any address on the UK mainland.

MFI offers consumers the leading brands in each product sector, including: Hygena (kitchens and bedrooms), Schreiber (kitchens and bedrooms), Bosch (appliances), Diplomat (appliances), Silentnight (beds), Slumberland (beds), Rest Assured (beds), and Home-2-Office. There are today over 180 out-of-town stores nation-wide.



David Michels, CEO, Hilton Group plc

Hilton Group plc is a leader in the leisure sector, with interests in hotels, health clubs, and a range of UK regulated betting and gaming services. It owns a portfolio of world-class brands including Hilton, the world's most famous hotel chain and Ladbrokes, the world's biggest bookmaker. The Hilton International (HI) hotels division operates the Hilton brand some 250 hotels throughout the world except North America and sells and markets more than 2,400 hotels globally with its Alliance partner, US-based Hilton Hotels Corporation* (HHC). HI also operates more than 150 mid-market Scandic hotels, 175 time ownership properties in Egypt and Scotland and, through its Alliance with HHC, jointly operates 18 luxury Conrad hotels.

Hilton Group's LivingWell Health Clubs division operates health and fitness clubs in many Hilton hotels and a nationwide network of stand-alone Premier clubs in the UK.

Hilton Group employs more than 83,000 people across more than 70 countries worldwide.

Sir Bryan Nicholson, Chairman, The Financial Reporting Council

The Financial Reporting Council (FRC) is a unified, independent regulator, which:

- sets, monitors and enforces accounting and auditing standards;
- oversees the regulatory activities of the professional accountancy bodies, and regulates audit; and
- promotes high standards of corporate governance.

Initially, the FRC was established in 1990 to promote good financial reporting through its two subsidiaries, the Accounting Standards Board (ASB) and the Financial Reporting Review Panel (FRRP). The membership of the Council includes wide and balanced representation at the highest levels from the business, investor, professional and other communities interested in corporate reporting and governance.

Barbara Stocking, Director, Oxfam GB

Oxfam is a household name associated with campaigns to relieve poverty and suffering around the world. Oxfam GB is a member of Oxfam International, which is a confederation of 12 organizations working together in more than 100 countries to find lasting solutions to poverty, suffering and injustice.

Kevin Wale, Chairman & Managing Director, Vauxhall

Vauxhall Motors is the UK division of global automobile giant General Motors, and more precisely a direct subsidiary of Opel, GM's Europe-wide operation. Founded in London in 1903, Vauxhall is now part of the largest automotive company in the world. Producing thousands of vehicles every year at its van plant in Luton and car plant in Ellesmere Port, General Motors and Vauxhall are major contributors to the local economies and communities in both Bedfordshire and Cheshire. Total sales in the UK for 2003 were 376,306 vehicles (326,433 cars and 49,873 vans), making Vauxhall the second largest player in the market.

Roger Whiteside, CEO, Thresher Group

The UK's leading independent specialist drinks retailer, Thresher Group is the company that includes Threshers, Wine Rack, Victoria Wine, Bottoms Up, Haddows, Huttons and Drinks Cabin. The company owns around 2000 shops and employs over 15,000 people across the country. More than half the UK's population live within 10 minutes walk from one of the company's stores.

Authors' biographies

Kevin Murray



Kevin Murray (50) is Chairman of the Public Relations Division of Chime Communications. The division comprises a network of 14 leading public relations brands – including Bell Pottinger, Good Relations, Harvard, Insight and QBO Bell Pottinger. The division employs nearly 300 people and serves more than 400 blue chip clients.

Kevin specialises in the field of strategic communications and reputation management and has years of experience advising chairmen and chief executives, as well as managing complex and global communications projects and departments.

While at Chime, Kevin has worked with clients such as:- Stagecoach, KPMG, BP, Freshfields, BNFL, KLM, Marconi, IMG, BHP Billiton, MFI, Vauxhall, Emirates Airline, BSI, British Gas and BAE Systems.

Previously he was the Director of Communications for British Airways and, before that, Director of Corporate Affairs for AEA Technology, the international science and engineering business floated off from the United Kingdom Atomic Energy Authority. In both these organisations he had experience of major change programmes.

Prior to AEA, Kevin was Group Public Relations Manager for Bayer companies in the UK. Bayer is one of the world's major chemicals-to-pharmaceuticals companies.

He is also a former national newspaper journalist, magazine publisher and marketing director. He has won several international awards for his public relations work, as well as national awards in both South Africa and the United Kingdom.



Jon White



Jon White is a consultant specialising in management and organisation development, public affairs, public relations and corporate communications management. He is an Associate of the Henley Management College, as well as a visiting faculty member teaching public affairs at USI Lugano, Switzerland. He is also an honorary professor of public affairs in the University of Birmingham's School of Business and a visiting professor at the University of Central Lancashire. He has worked in public and private sector organisations in the United Kingdom, the United States, South Africa, Australia, and Canada where he lived and worked for fourteen years from 1972 to 1986. Clients have included Shell, Motorola, Siemens, AEA Technology, Electrolux and the Swiss-based biotechnology company Serono International, as well as governments in the UK, Norway, Slovenia and Macedonia. From 1986 to 1991 he was a faculty member at Cranfield University School of Management, where he was responsible for the School's teaching and research activities in public relations, public affairs and corporate communications.

He has written articles and books on public affairs, public relations and corporate communications practice, including *How to Understand and Manage Public Relations* (Business Books, 1991), *Excellence in Public Relations and Communications Management* (Lawrence Erlbaum and Associates, 1992), as part of a research team with James Grunig from the University of Maryland and others, and *Strategic Communications Management: Making Public Relations Work*, with Laura Mazur (Addison-Wesley, 1995). He has also written a number of management case studies for teaching purposes. One of these, on Dunhill Holdings, won an award from the European Case Clearing House as the European marketing case of the year for 1991, and another on the South African company, Barlow Rand, appeared in *Public Relations Cases: International Perspectives* (edited by Danny Moss, Routledge 2001).

He holds a doctorate from the London School of Economics and Political Science, where he teaches corporate communications. He has made presentations to university and professional groups in the United States, Canada, Australia, China, Malaysia, Hong Kong, Singapore, France, Belgium, Denmark, Norway, Sweden, Austria, Germany, Slovenia, Macedonia, Spain, Nigeria, Zimbabwe and South Africa, as well as the United Kingdom and Ireland.

Interview schedule

CEO expectations of a changing public relations practice Bled International Public Relations Research Symposium

July 2004

Interview schedule for CEOs

Introduction: We are examining realistic expectations of clients – particularly CEOs – for public relations services. What, of value, do you expect to gain from making use of public relations services?

- 1 A study completed late last year by the Department of Trade and Industry and the UK's Institute of Public Relations concluded that public relations' value needs to be established. Could you answer a number of questions aimed at finding out what you expect from public relations services?
 - 1.1 What do you see as the benefits of good public relations?
 - 1.2 Do you believe good public relations helps to deliver a good reputation?
 - 1.3 What are the drivers of a good reputation?
 - 1.4 Who, ultimately, is responsible for an organisation's reputation?
 - 1.5 Who manages the reputation of your company?
 - 1.6 How closely linked is the reputation of a chief executive with that of his/her organisation?
- 2 Emerging from downturn, there is an expectation that public relations will need to be more professional, more capable of demonstrating value. There is also a suggestion that the practice has changed, that it has progressed through message development and delivery, through the building of understanding and reputation, to trying to influence behaviour, of the organisation on whose behalf it is practiced as well as among important groups, inside and outside the organisation.
 - 2.1 Do you have a sense of the return on investment made in public relations services?
 - 2.2 How could this be measured, if at all?
 - 2.3 Do you feel the need to measure PR, or do you believe enough in it's value not to have to measure it.
- 3 Does your experience support the following suggestion: do you see public relations as an aid to management, trying to influence behaviour in pursuit of business and organisation objectives?
 - 3.1 If you don't see it in this way, how do you see public relations, as communication, as contributing to reputation, or moulding behaviour, or in some other way?
- 4 The results of this and other interviews with CEOs will be used to prepare a number of articles on changes in public relations practice. Do you have any other comments that would help us as we prepare these articles?

Thank you for your time - we will send copies of articles, papers resulting from our work.

Chime Communications

Chime Communications is Britain's leading independent communications group and comprises 25 specialist communications companies, with 650 people and 900 clients.

Lord Bell is Chairman of the company, which comprises three divisions: public relations, marketing services and market research.

Public relations companies in Chime have been shaping public opinion for years.

We have helped clients to announce important results, win investor confidence, shape regulatory environments, encourage employees to change, to win more customers, increase sales, build brands and thrive and prosper.

We have also saved companies from ruin, defended reputations, calmed hostile media and prevented unwelcome takeovers, advised governments how to win elections and campaigned to change national agendas.

The division comprises leading brands in the industry, including Bell Pottinger, Good Relations, QBO Bell Pottinger, Harvard and Insight. Together, they serve more than 400 major UK and international brands, as well as governments, government departments, charities, not-for-profit organisations, professional service firms and famous people.

The Bell Pottinger, Good Relations and Harvard PR grouping is ranked No 1 in both the PR Week and Marketing public relations consultancy league tables.

Bell Pottinger goodrelations QBO Bell Pottinger Harvard insight

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