

"NEW CAPITALISM" EMPHASIZES
VALUES TAUGHT BY PUBLIC RELATIONS

Participative leadership, decentralizing hierarchical organizations, shifting focus from selling to serving customers, profits vs. social welfare, strategic planning & issue mgmt are all aspects of the "New Capitalism," writes George Washington U mgmt prof William Halal in The Futurist. Tho not new to prr readers, these mgmt techniques are finding their way into org's & restructuring them.

Two other features of the New Capitalism include: 1) The old adversarial business-gov't relationship is being replaced with partnerships between corp & civic leaders to foster economic progress. At the national level, there is interest among politicians, businesses & the public in forming tri-partite councils to improve macro-economic policy. "In time, the growth of business-gov't partnerships may produce a powerful new form of economics that combines both democratic collaboration & free-market competition -- a system of "Democratic Free Enterprise."

"The New Capitalism seems to be moving on inexorably -- not out of enlightened ideas, benign intentions, or even good planning, but because of the hard necessities of survival in a turbulent, competitive global economy." For instance, Japan's entry into American markets encouraged flexible, participative forms of organization; potential bankruptcy forced Chrysler, Eastern Airlines & others to share control with employees.

2) A new economic system is evolving that combines collaborative problem solving & entrepreneurial freedom. Not only are firms collaborating with their constituencies, but also with their competitors -- e.g., Microelectronics & Computer Technology Corp, a joint venture of 20 firms working together to advance state of the art in information technology. "The advent of cooperative R&D has been called the most significant step forward since the computer chip."

"These trends show that a New Capitalism powered by democracy & free enterprise is relentlessly emerging -- not because of devotion to principles, but because the Information Age demands it." Even the Soviet Union & China are heading in this direction. "There exists an empty niche for this more productive, more civilized form of political economy, and the main question is which nation will be the first to develop it." Public relations has a major opportunity here.

ITEM OF INTEREST TO PROFESSIONALS

Pro bono work: how does pr compare to other professions? The American Medical Association estimates that 17.6% of US physicians donate an average of 4.4 hours per week of unreimbursed care, while the American Bar Association figures that 15% of lawyers are involved in pro bono work. This compares to 84% of pr practitioners who report voluntary activity, according to prr's 23rd Survey. Doctors & attorneys are being encouraged to donate at least 50 hours of annual pro bono work by editors of their professional journals. (Note: Independent Sector currently recommends 5 hours per week volunteer time, roughly double what the existing average is.)

WHO'S WHO IN PUBLIC RELATIONS

ELECTED. 1988 PRSA Distric Chairpeople: E. Central, John Bock (pres, Bock & Assocs, Northville, Mich); Mid-Atlantic, bj Altschul (Norfolk, Va.); Midwest, Gerald Stone (prof, Memphis State U); N. Pacific, Brian Bell (Ogilvy & Mather, Portland, Ore); No. East, Margaret Root (vp-corp com, Ct Nat'l Bank, Hartford);

So. Pacific, Thomas Santley (San Marino, Calif); SE, Edward Aebischer (assoc dir-pr, Martin Marietta Energy Systems, Oak Ridge, Tenn.); SW, C. Forrest Brokaw (mgr-area pr, Sun Co., Tulsa); Sunshine, Dorothy Lewis (pres, Einhorn & Lewis, Daytona Beach); Tri-State, Robert Stone (sr vp, Hill & Knowlton, NYC).

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WHEN MOVE AWAY FROM BUILDING SOUND RELATIONSHIPS TO BEAN COUNTING
MAKES \$\$\$\$ THE ONE TRUE RELIGION, QUALITY & PEOPLE OFTEN GET LOST;
AFTER BLACK MONDAY EVEN FINANCIAL INDUSTRY FINDS THIS TO BE TRUE

Current examples: deregulated airlines whose customers suffer. Hospitals where competition for volume takes precedence over patients' needs. Schools where illiterate students graduate & teachers are underpaid. Takeovers with huge layoffs.

The financial industry -- often the motivator of such moves -- is itself an example. Two decades ago, "relationship banking" (where a corporation gives most of its business to an investment banker it has known for years) gave way to "transactional banking" (investment houses compete for clients on a deal-by-deal basis). Resulting competition drove profit margins down, increasing the need for volume and entering new areas of business with higher profit margins.

Change motivated Salomon Brothers to get bigger, trying to be all things to its customers. But fast growth, poor internal operations (see NYTimes Sunday Mag 1/10 for details) & a volatile market are bringing changes to this investment banking house. CEO John Gutfreund now says Salomon will not try to be all things to its customers. "One of the things we're going to look at very hard is to reaffirm relationship banking." And rankings, which use to mean everything, will mean little, he adds.

How Is Wall St. Faring
Following Black Monday?

How is the stock market trying to rally investors? Using similar tactics in the debacle's aftermath:

Strengthen
Relationships

1. Since "market volatility is here to stay" until the gov't does something about programmed trading, remaining individual investors are more precious than ever, feels Kalt, Rosen & Assocs (SF). "It will be extremely important to cultivate these individual investors & communicate the basic strengths of your business, industry & marketplace to them. Not only in annual reports, but in quarterlies, news releases & other materials." KR&A also recommends "increased communications & personal contact with specialists & major market makers."

2. "Take a whole new look at present & future investment banking relationships," continues KR&A. "Companies which have not maintained open communications to several investment bankers will be lost in the blur when things settle down. As in all banking relationships, the time to establish rapport & make yourself desirable is precisely when you do not need a banking relationship."

3. Talk to your employees, advises Georgeson & Co. (NYC). "Relieve anxiety & promote stability by reassuring employees that stock market activity does not threaten your organization's existence or their jobs."



4. Challenge institutions to function as long-term investors concerned with strengthening the company & economy, advises attorney Ira Millstein. By doing so, companies "can convince shareholders they are owners, not just transient investors." He advises companies to begin a dialogue with institutions, using the board of directors' nominating committee as the basis. This would enable institutions to recommend director candidates, open the door to discussion & make them a part of the process, helping to remove their hostility.

Misinformation/Rumors 5. Increase the degree to which you listen for & respond to misinformation about your company & its markets. It can come from (& be multiplied by) employees, competitors, media, shareholders, professional investment marketplace, gov't regulators, etc, advises KR&A.

Key Questions 6. Georgeson recommends asking these: a) Are you communicating any value distortions effectively to the professional investment community, institutions & shareholders?

b) Do you have in place mechanisms to quickly monitor & analyze stock price changes, ownership changes & investor attitudes & opinions?

c) What questions are employees asking & how effectively are you responding?

Investor Decisionmaking 7. New groups of scholars, called investor behaviorists, have found that investors do not react rationally, according to a 1/7 WSJ article. This is contrary to the 2-decade-old "efficient market" view which gives investors credit for rational decisionmaking.

Investor behaviorists say people overreact to unexpected or dramatic news events, especially negative ones, causing prices to fall further than they should. But as market sentiment reverses, prices rise again. Moreover, those reversals appear to follow seasonal patterns, usually taking place early in the year. Investors who are rational decisionmakers during times of bad news & big price drops stand to make big gains.

Oct. 19 crash supports theory. Beforehand, over-optimistic buyers pushed prices high. When bubble burst, panic & stock-selling fed on each other bringing prices low. Couple days later, market had one of the biggest one-day-gains in history.

Despite October crash & recession fears, 35% of 127 major national advertisers plan to increase their public relations activities. Here's what they told D'Arcy Masius Benton & Bowles in a recent survey:

<u>PR Emphasis</u>	<u>Total</u>	<u>Goods</u>	<u>Food</u>	<u>Other</u>	<u>Svcs</u>	<u>NEast</u>	<u>South</u>	<u>West</u>	<u>Central</u>
Greater	35%	45%	21%	33%	42%	29%	33%	33%	43%
Lower	6	5	14	5	3	11	5	4	3
Unchanged	57	45	59	63	56	58	57	63	51
Not Sure	2	5	7	0	0	2	5	0	3

BROAD GENERALIST BACKGROUND IS LACKING IN PR EDUCATION & AMONG JOB APPLICANTS

Especially if we want to be more than communication technicians, observes Dave Ferguson in his remarks as Vern Schranz Distinguished Lecturer in Public Relations at Ball State U.

Job applicants were frequently thrown off-base when Ferguson ended the interview by asking, "What are your present feelings about the state of the economy?" Most couldn't comment. "Invariably a glazed & horrified look came over their faces & it was clear they never had related their desire for a career in public relations with the economy." But how can we counsel organizations -- particularly top management -- without an understanding of the world in which they operate?

Ferguson's observations concur with results of a study of practitioners. Respondents (all PRSA or IABC members) perceived they had adequate communication skills, but felt weak in such areas as accounting, economics, interpersonal relations, marketing, principles of management, law, international affairs, ethics.

STUDY UNCOVERS 3 MARKET SEGMENTS AMONG UPSCALE CONSUMERS

Tho based on single topic (banking behavior) among residents of upscale neighborhoods in Minneapolis area, results parallel an earlier national study.

1. Traditionals comprise largest (53%) segment & are least educated; almost 60% have less than a college education. Tend to prefer credit unions, S&Ls, local bank credit cards, & financial services offered by mass marketers. Rely heavily on mass media for info on banking services. Want courtesy & tellers to know them by name.

2. Sophisticates represent 31% of consumers studied, with higher incomes & education. Most interested in dealing with large banks; convenience is a primary issue. Quick & efficient service more important than friendliness & would rather do business with banks that specialize in services to affluent. Though they use newsletters on stocks & investment trends, they are more highly influenced by friends.

3. Technicals form smallest segment (16%) & have futuristic orientation, e.g., prefer cashless society, paying bills by phone. Are very information-oriented & value seminars sponsored by bank, VCR tapes on financial topics. Do not rely on friends for financial info, but turn to sophisticated media ("Wall Street Week," articles in nat'l financial pubs).

BANKING SURVEY
HIGHLIGHTS GENERAL CONSUMER TRENDS

1. Courteous, face-to-face service is still preferred over impersonal means; majority of us are slow to adapt to technological innovations (ATMs, banking by phone or computer, etc.).

2. Customers not enthusiastic about 1-stop shopping for financial services; they view negatively bank trends to broaden services with insurance, stocks, etc.

3. Sponsorship of community-related events received a negative response; banks appear to be viewed primarily as a place in which to keep money.