

- **Prestige will reside in collecting experiences rather than money.** The new “elite” will share their latest experience – going on a safari, playing basketball with a pro team, or conducting a symphony orchestra – at cocktail parties & business lunches. Talk will be about what you’ve done, not about your career or the money you make. BFG bases its predictions on research within 26 countries. (Full report \$1500 from BFG).

## ETHICAL BEHAVIOR SEEN BY UTILITY CEO AS ESSENTIAL TOOL IN NEW COMPETITIVE ELECTRIC MARKET – A SAMPLE PROGRAM

And William Davis of Niagara Mohawk Power was quick to admit his company & industry weren’t always paragons in the regulated monopoly days. Not badly unethical, he says, but offers an example:

- The old idea “No one gets hired there unless you know someone.” It wasn’t noticed because “Hiring a friend or relative instead of the best-qualified candidate had little impact on customer attraction, retention or purchasing decisions. Growing cash flow easily hid any efficiency losses.”
- Now every efficiency must be employed to be competitive – and customers demand top service relationships by professionally-trained customer satisfiers

In the Sears Lectureship in Business Ethics at Bentley College, Davis outlined Niagara Mohawk’s ethics program step-by-step:

1. **Comprehensive review**, which found need for a) strengthening the ethics structure, b) reinforcing a culture of integrity, c) revamping the code of conduct, d) revitalizing ethics training, e) linking the ethics initiative to the company’s 5 core values
2. **Appointment of an ethics officer**, reporting to the CEO – guided by an Ethics Oversight Cmte
3. **Making line managers responsible for disciplinary actions**, working with the ethics officer
4. **Inserting ethics considerations into performance appraisals**
5. **Including ethics in the revised conduct code & core values**, which now are: 1) respect for people, 2) focus on the customer, 3) continuous improvement, 4) management by fact, 5) ethical behavior

(Full text from Center for Business Ethics, 791/891-2981 or [www.bentley.edu/cbe](http://www.bentley.edu/cbe); info from David Walsh, vp-ethics, Niagara Mohawk, 315/460-1450)

## ITEM OF IMPORTANCE FOR PROFESSIONALS

- ¶ **Help In Doing Performance Appraisals – Or Expertly Wording Employee Com’ns** – is available in 9<sup>th</sup> ed of Effective Phrases for Performance Appraisals by James Neal. Correct phrasing & semantics not only communicate better but help managers do effective appraisals. 2,000 professionally written phrases are organized to clearly describe 56 commonly rated factors – e.g. resourcefulness, dependability, improvement, initiative, writing ability etc. Has special sections on a) 2-word phrases, b) helpful adjectives, c) helpful verbs, d) guidelines for successful evaluations. (\$12.95 from 419/874-4787 or Box 451, Perrysburg, Ohio 43552-0451)

## FEDERAL RESERVE STUDY: CORPORATE REPUTATION BOOSTS RETURNS, ADMIRED FIRMS REGULARLY OUTPERFORM THE MARKET – BEST EVIDENCE SOURCE YET FOR NON-FINANCIAL INDICATORS

Ironically, in a week when blue chips stumbled – with several analysts saying they’re passe – comes a Federal Reserve Bank of NY study by 3 economists stating unequivocally

- **“...firms deemed most admired (in *Fortune*’s annual survey) consistently outperform the market, yielding abnormally high returns, while the least admired consistently underperform it, yielding abnormally low returns”**

Study undertook to examine skeptics’ claims the market is “efficient,” already reflecting future prospects for companies (in some undefined way). Authors used ‘83-‘95 *Fortune* findings to classify 10 deciles from most to least admired, then tracked their stock performance. Conclusions:

1. “A high-quality firm is indeed a high-quality investment”
2. The market “underreacts (authors’ emphasis) to the presence of corporate quality in the short term”
3. “Altho reputation contains information about a company’s future performance, the information is not rapidly incorporated into the company’s stock price”

Well known strategist Larry Newman (Columbia, SC) calls this “the single most significant, impartial study of the importance of the public relations function” to date.

## IRONIES ALL OVER THE PLACE

When P&G reported its earnings wouldn’t meet expectations last Wednesday, the market – led as usual by those know-it-all analysts – downrated the entire consumer products category. Even companies meeting earnings targets! Blue chips are no longer the guides, said many. The reason cited was the high (30+) price/earnings ratios of these mature companies.

Clearly, they’re being compared to glamorous hi-tech stocks. But what are *their* P/Es? The dot.coms in many cases haven’t even got established businesses & it’s agreed many will not survive long. Even the Microsofts show signs of faltering. *But data & economics don’t rule the “efficient” market; psychology (read “pr”) does.* Will we ever stop needing soap & other household items, using them daily as we do? Does one need to buy software or even use cyberspace much more often?

So we have the irony that data in a longitudinal study (granted a few years old, as such research always is) shows the psychology of reputation actually makes stocks better bets. But the new psychology of sky-high growth decides at the same time the study is published that reputation doesn’t matter anymore. But – aren’t Intel, Microsoft et al also “blue chips,” based on their ... reputations!?

**IMPLICATIONS**

When the Monopoly money market settles down & real value – whatever that turns out to be, & it may not be the old line blue chips but a new mix – the market will again face the challenge of predicting as accurately as possible what companies' future prospects are likely to be.

- **Non-financial indicators**, either individually or as compiled into “reputation,” are clearly coming into their own. The “market efficiency” crowd now has some refutation to confront
- **PR is the driver in creating perceptions of reputation** – and in helping shape the policies & practices within companies that make them deserving of sound reputations

A related debate is active vs. passive mutual funds. Are funds that attempt to manage portfolios company-by-company, as money managers try to “beat the market,” better performers than funds which passively follow the market (index funds)? The indices, of course, feature mainly companies with fine reputations. Primarily they've been beating managed funds – more evidence of reputation's value.

**THE CLINCHER**

Finally, the economists who did the study offer these words, which ought to be comforting to practitioners: “*Industry executives' opinions of firm reputation are found to be better predictors of stock returns than the opinions of industry analysts.* The difference is especially pronounced for investment horizons of more than one year [vs. the market's short term mindset]. This suggests executives may have a better understanding of their industry than do analysts....” Ward White's point about the *Fortune* study's accuracy appears justified (pr 11/8/99).

- If blue chips are now as risky as dot.coms, that's bad news for the structure of our economy – but great news for pr, since it is communication, relationship-building & reputation programs that can bridge the gap for *your* organization or clients. This is particularly true when the only hope for investors is to think long term – because, as the Federal Reserve study shows, that's where reputation pays off. (Copy of study from prr)

## STUDY EXAMINES CHALLENGES FACING FOOD & BEVERAGE PR, A SECTOR TRADITIONALLY A STYLE LEADER & TREND MAKER

High-profile food safety issues & increasingly savvy, educated consumers are among the trends. A Delphi study among leaders of the F&B section of PRSA reveals not only the group's biggest challenges & issues – but that increasingly common problem, a dearth of qualified new hires. What is expected from new practitioners coming into the sector may relate to all sectors today.

1. **Consumer trend watching.** Big things to watch include convenience, food safety, declining cooking skills, increased taste consciousness, better-educated consumers, curiosity about food origins, product content & online shopping – *a massive change agenda*
2. **Culinary & dietary trends reveal diversity.** There's contradiction between trends toward simplification and people who seek more sophisticated flavors – *more uncertainty leading to potential additional change*
3. **Business challenges.** Diversification of the workforce & an increase in nontraditional types of competition from new innovative companies – *every field has its dot.com equivalents*

4. **Need for better product/service distinctions.** Practitioners rank working with the media as important, but specialized media is key – *communication techniques are changing everywhere*

**WHAT IS EXPECTED OF NEW HIRES**

The study also focused on what the Delphi group believes new hires should bring to the table. “It boils down to a passion for food,” Ellen Boisvert, dir research, The Compendium Group, told prr. “Food is sensory.” Delphi ranked knowledge/understanding of consumer trends and interest & excitement about the food industry as the top **specialized skills** needed for F&B pr. Other hot, unique skills include hands-on experience in the food industry, knowledge of food and the ability to grasp & communicate complex issues. General pr skills include the typical writing, creative thinking, problem solving, etc.

- **The section has a preliminary plan for getting pr hires ready for the job:** a) examining curriculum enhancement with a key university system; b) producing an intro-to-food-pr toolkit & training course; c) highlighting the critical role internships play in the labor market

(More from Boisvert at 888/256-2667)

## MORE TRENDS: RESEARCHERS FORECAST PERSONALIZED STYLE, INDIVIDUALITY, INTIMACY, HOME-BASED ACTIVITIES

Brandfutures Group's (NYC) look at fads, fashions & trends practitioners might want to consider.

1. If forecasts are on the money, stores like the Gap had better discard the utilitarian unisex look. “**Unisex & uniformity are out.**” Conformity in dress will give way to mix & matching – which usually carries over to behavioral trends. Form & femininity will return. Hi-tech looks (e.g., clothes with pockets for phones) will be big
2. Travel will become more important than ever **as people strive to escape increasing pressures & accelerated pace** of the work world. In are purposeful trips such as archaeological digs, fly-fishing excursions, food & wine festivals. Out are cruises, group tours, travel packages
3. Entertainment will be high tech as people will prefer Web & game consoles over TV, and DVD over VHS. Concurrently, however, **human high touch experiences** such as live theater, concerts & small dinner parties at home will be big. Big parties, discos are fading fast
4. Regarding food, people will strive to reconcile mobile fast paced life style with delicious & nutritious. Out are packaged, processed & bio-engineered foods. **In are organics, basic food groups, & lightened-up fast food cuisine**

**SOME BIGGER CHANGES, TOO**

Interestingly, high tech is big in both fashion and lifestyle, but is countered by efforts to achieve intimacy, individuality & ties to hearth & home. BFG CEO Ira Matathia told *Greenwich Time*, “There is too much technology in running this economy & it will reverberate throughout all facets of our culture.”

- **He also predicts for the near future the end of mass marketing as we know it**, with strategies targeted at specific groups of people, even at a single person via the Internet