

- If your fiscal year coincides with the calendar year, **pay profit-based bonuses as far ahead of the year-end holidays as possible**, so they are understood to be based not on warm feelings, but on performance. Give your whole staff holiday presents if you like, but distribute the big money only for results.

### TOP 5 FACTORS IN CHOOSING A PUBLIC RELATIONS FIRM

1) provides good service to clients; 2) meets deadlines; 3) keeps promises; 4) thoroughness; 5) attention to detail, finds a study by Thomas L. Harris & Co (Highland Park, Ill). These far outweigh factors such as industry leadership, new business success, being well-known.

Also rated of critical importance by more than half the respondents (460 pr/pa directors of mid to large-size corp'ns) were factors related to financial management: *has a fair fee structure & provides accurate, honest billing* were more highly rated than any particular skill or area of expertise. Other findings:

- **Firms were not highly rated on the criteria clients consider most important**, e.g.: 58% agree that firms provide "well above average" to "outstanding" service; 49% believe firms have a fair fee structure.
- **Rated highly by clients are ability to provide good strategic counsel** (63%), *measurement of results* (47%), *quality of writing* (46%), *good media contacts* (42%). [Note which item is first, which last]
- **43% use outside counsel for special projects only**, among the 73% who use pr firms. Only 30% report an ongoing relationship. "This may be an indication that client-agency relationships are shifting away from traditional agency-of-record relationship," explains Tom Harris.
- **Leading uses of pr firms:** research (50%), special events (46%), crisis management (40%), consumer marketing (34%), corporate comms, public affairs & gov't rels (33% each).
- **Dpr's predict most growth** over the next 5 yrs in areas where least amounts are invested today: ethnic marketing, international comms, sports/entertainment marketing, environmental affairs, financial rels. Expect least growth in corp & internal comms -- 2 areas that currently consume the largest amount of internal pr budgets.
- **5 yrs from now**, they think greatest use of pr firms will be in areas of business-to-business marketing, environmental affairs, international comms, issues mgmt, gov't rels.

### WHO'S WHO IN PUBLIC RELATIONS

**HONORS.** New alumni building at U Arizona will be officially named for Marvin "Swede" Johnson on 11/4. Now vp-corp afrs at Coors (Golden, Colo), he was longtime vp-univ rels at U Ariz, later at U NM. 1980

chair of CASE, Johnson has won statewide kudos in Ariz, NM & Colo for community service -- probably an unduplicated accomplishment. Will also receive an honorary degree.

### STUDY: WHICH COMMUNICATIONS DO / DON'T WORK IN DOWNSIZING

Is management repeating an earlier mistake? Corporate restructuring (primarily downsizing) in the 80s didn't work. A Wyatt study found most companies didn't achieve the improved profits & reduced expenses sought. On top of that, surviving employees' morale & motivation declined badly.

Wyatt recently launched an update to chart restructuring practices in the early 90s. 531 execs responded (26% CEO/pres, 51% sr hr execs, 23% other execs). The findings, including some that raise warning flags:

- The rhetoric is about re-engineering & competitiveness but **the most frequent action taken is downsizing** -- 62% in '91, 74% in '92.
- *Reducing expenses* (90%) & *increasing profitability* (85%) top the list of goals. Next come *increasing competitive advantage* (64%) & *improving customer service* (61%).
- **1 in 4 org'ns reduced their workforces by more than 20%**, cumulatively, in the early 90s. Study notes "The catch phrase, 'employees are our most valued asset,' is not being touted as loudly these days. Perhaps the better question is, which employees represent strategic resources?" [How about pr staff?]

### COMMUNICATION IS CRITICAL TO SUCCESS BUT TRADITIONAL WAYS DON'T WORK

Study finds employee publications at bottom of effectiveness evaluation. Typical letters & memos are rated next to last. Top rated are small group meetings, briefings, & sr. mgmt visibility (see box) -- **signaling once more the rise of face-to-face, personal communications.**

However, **special** publications gained a high rating from the execs.

Use & Effectiveness of Communication Tactics in Support of Restructuring		
	Used By	Rated "Very Effective"
Letters & memoranda	83%	28% (7)
Briefings for mgrs/supvrs	74	51 (2 - tie)
Small group meetings (<30 employees)	65	63 (1)
Develop communication strategy	63	41 (4)
Large group meetings (>30 employees)	60	38 (5)
Regular employee publications	44	25 (8)
Increased senior management visibility	43	51 (2 - tie)
Telephone hotline	18	32 (6)
Special restructuring publication	13	42 (3)



1. **4 in 10 companies did not develop a communication strategy to support restructuring.** 74% with 10,000+ employees did; 48% with less than 2,000 employees did. This is curious in that, after the 80s restructuring, execs said one thing they'd improve would be how they communicated about it. They're saying it again now (see below) -- but someone's not heeding this desire. [Is it them or pr staffs?]
2. **57% ended up replacing from 1% to 30+% of their downsized workforces.** "Not only does this work in opposition to the expense reduction goal, but, for surviving employees, it calls into question the need for downsizing in the first place. As a result, *management credibility suffers.*"
3. **Internal barriers impede restructuring success** -- making effective communication vital. (Only 17% point to outside forces as barriers.) Leading the way: resistance to change (58%), dysfunctional culture (43%), inadequate mgmt skills (37%), lack of line mgmt support (35%).
4. **Factors that facilitated restructuring success:** a) clear business imperative (72%) -- makes it easier to communicate a difficult message & facilitates employee buy-in to solutions; b) handled downsizing in a humane manner (65%); c) senior mgmt visibility (61%); d) clearly articulated vision/objectives (52%); e) line mgmt commitment (41%); f) effective employee comms [note low ranking] (41%); g) employee involvement in change (34%).

Wyatt finds this last factor curious: "Many companies employed involvement strategies & described them as being effective.... Write-in comments from many respondents suggest that the *low level or low quality* of employee involvement was something they would **not** repeat."

#### MAJOR CHANGES COMPANIES WOULD MAKE IN RESTRUCTURING ARE MAINLY PR TASKS

- Improve communications to employees
- Increase the speed with which restructuring occurs
- Increase managerial & employee involvement in the process
- Improve restructuring planning
- Increase sr management visibility, decisiveness & involvement
- Steps taken must provide for fundamental, not cosmetic, change

#### WORD "RESTRUCTURING" A PROBLEM

Not only are there problems with the *process* of restructuring -- specifically *downsizing* -- but the terminology is troublesome. Wyatt finds the word *restructuring* implies "static" changes -- a one-time, lasting event. This sets the expectations for manager & employee behavior.

When change is seen as an *event* rather than a *process*, behavior tends to be reactive, shaped to accommodate the particular event, and it's passive. Wyatt suggests the terminology "corporate renewal" instead, which connotes a fluid culture, where the "process of becoming" is seen in employees' ability to learn & act.

(Copy of study, "Best Practices in Corporate Restructuring," from Wyatt Co, 303 West Madison St, Chicago 60606-3308; 312/704-0600)

#### RISK = HAZARD + OUTRAGE SAYS LEADING EXPERT

Hazard is what experts define as the death rate. *Outrage* is the emotional content that sets people off on an issue. (See *pr* 9/13). "The risks that kill you are not necessarily the risks that anger & frighten you," explains Peter Sandman.

His new book "Responding to Community Outrage: Strategies for Effective Risk Communication" focuses on the *outrage* factor in the above equation -- the sources of outrage, some ways to deal with it, & why organizations find it so difficult to address... cognitively, organizationally & psychologically. (\$25 from AIHA, Box 27632, Richmond, Va 23261-7632; 703/849-8888)

Also available on the **subject of risk communication is a publications list** from Center for Environmental Communication of Rutgers U, Cook College, Box 231, New Brunswick, NJ 08903-0231; 908/932-8795, fax 908/932-7815.

High outrage is not just a barrier to sound risk management, but also a tool -- it can motivate action. Book uses two illustrations: 1) MADD's ability to achieve a serious reduction in drunk driving; 2) passive smoking. "According to risk assessors, passive smoking (2nd-hand smoke) represents less than 10% of the smoking hazard; I have seen some estimates as low as 1%. But it is responsible for more like 90% of the smoking outrage -- 90% of the media coverage, 90% of the regulatory activity. The focus on passive smoking already has saved tens of thousands of lives, at least 90% of them the lives of smokers. The work of the environmental movement obviously has followed these same paths. When the hazard is high, the risk communication job is to increase the outrage to match." [Or decrease it if you're defending]

#### MANAGERS: WHAT MESSAGE ARE YOU SENDING WITH BONUSES?

Typically, bonuses are meant to reward performance but frequently are given to all employees across the board -- whether they're equally deserving or not. "It tells the 'drivers' that exceptional performance is *not* appreciated. And it tells the 'riders' -- the one-half whose performance is below average -- that they can coast forever," explains George Johnson, editor of The Yellow Sheet. He suggests this method for firms (applicable with alterations to dep'ts also):

- About Nov 1, estimate the firm's net profit after taxes. Retain 1/3 in working capital. Pay another 1/3 to the owners. Distribute the remaining 1/3 to employees as follows -- **80% to the top 20% of performers (professionals & support staff)**; 20% to the next 30%. Thus, half the staff -- the lower half in performance compared to your staff as a whole -- will get what they have earned: nothing. Ask yourself, "would you rather reward superior performance, or run a popularity contest?" How do you judge performance? Most judge it on the basis of the billable hours worked, plus the quality of work produced.