

- Formal review of CEO performance by outside directors. This makes the CEO more accountable to boards. (369 adopted/seriously considering)
- Board nominating committees conduct independent screening & selection of candidates for director. Instead of simply rubber stamping the CEO's choices, boards identify their own candidates, further increasing their independence. (320 adopted/seriously considering)

CONSENSUS ISSUES

- Directors have direct access to mgmt at more than just board meetings. (581 adopted/considering)
- No mgmt director on audit committee or compensation committee to eliminate conflicts of interest. (508 adopted or seriously considering)
- Majority of board must be outside directors. (70% presently follow this)
- Mandatory retirement age for directors. Brings new faces with new ideas & experience onto the board & provides a graceful way to remove dirs who may have lost some of their effectiveness. (63% have mandatory age)

"THUMBS DOWN" ISSUES (by more than 75% of respondents)

- Establishing shareholder advisory committees
- Limiting the number of simultaneously held board memberships
- Setting term limits for directors
- Formally designating a lead outside director
- Having the board meet directly with investors or other stakeholders
- Prohibiting a former CEO from sitting on the board of directors
- Separating the position of chairman & CEO
- Setting up a procedure for formal evaluation of individual directors
- Regular meetings of outside directors separate from the CEO & mgmt

(Info, copy of study from ASCS, 521 Fifth Ave, NYC 10175; 212/681-2012)

SHANDWICK JOINS GROWING TREND, APPOINTS CHIEF LEARNING OFCR

Bruce Benidt (svp, Mpls ofc) will become CLO Nov 1 -- the first in the industry, to the firm's knowledge. He led the creation of Reputation Mgmt U this year -- a 16-course program for Shandwick staff on subjects ranging from presentation skills, crisis counseling, to courses on clients' businesses.

In his new position, Benidt plans to spur learning with electronic tools such as e-mail & Shandwick's intranet, & to spur discussion, debate & pass on experience in brief one-on-one exchanges during the workday. "We're going to have people learning at their desks, in the lunchroom, in debates with experts, in explorations of ideas with clients & in quick post-mortems on what's working & what's not. My job is to be a catalyst, to provoke people into thinking & examining." (More from 212/686-6666)

"People are eager to learn. It's part of how you challenge, motivate & reward them. Creating this job shows we're increasing our investment in people. Bruce's charge is to keep us learning. If we continually question & improve what we do & share what we learn, we'll be smarter, find more personal reward, have more fun, & do better work for our clients," believes Scott Meyer, CEO of Shandwick Americas.

WORD-OF-MOUTH STILL MOST POWERFUL, IF WE KNOW HOW TO USE IT

Word-of-mouth is a) "incredibly important," b) "extraordinarily powerful & influential," c) "out there working while we sit here," but d) "we don't know quite how it works & how to use it to achieve our com'n goals," notes Noel Turnbull of Turnbull Porter Novelli (Australia). Why it has power:

1. **People are increasingly turning to friends, relatives, community members** for info because it involves 2-way com'n with trusted sources. We believe our neighbor more often than we believe the company spokesperson
2. **Sales producer:** 7000 Europeans were surveyed to find out what makes them try a new product. 60% said recommendations by family & friends
3. **The barrage of 1-way info from media, ads, direct mail, etc** doesn't necessarily enhance awareness & knowledge. It just adds to the clutter & noise, *reducing* any chance of being heard
4. **Word-of-mouth comes first**, then is complemented, extended & supported by traditional com'ns methods. Reinforcement is still an exemplary strategy
5. **If the media is not trusted** & word-of-mouth is significant, there is a problem with leads & lags in public opinion we need to take into account. Word-of-mouth works slowly. Media put what they think is news on the front page, then get bored with it & move on. *All the while the issue's real impact is slowly percolating thru the community by word-of-mouth*

WORD-OF-MOUTH AT WORK

In July '91 Telecom Australia's monopoly ended. Research showed that without action, 59% of customers would stay, 27% would seek a competitive service, 13% didn't know what they'd do. Qualitative research revealed customers were confused but prepared to trust Telecom & wanted Telecom to offer choice. Company studies showed Telecom was perceived as an uncaring, bureaucratic org'n without a human face. Strategies & tactics devised to deal with the situation:

- **There was a clear need for someone to show leadership** & guide the public thru the confusion. Cornerstone of Telecom's strategy was to demonstrate leadership by being the trusted org'n which communicated the change
- **"Family" program:** Tho conventional internal & external media were used, core of external com'n was the creation of a "family" -- a group of people who matched the age, gender & background of the various sections of the markets that were most vulnerable. These employees were sent to schools, elderly citizens' clubs, service clubs, etc. to communicate the info to people who were just like them & thus most likely to trust them



- **Enormous potential reach:** Tho the normal adv'g, direct mail, special events, free info line were being used as in previous years, the difference was introduction of a human dimension -- people who could become the generators of word-of-mouth publicity. **5 employees** were used at the beginning, **every employee** was used when full deregulation hit. Telecom had 80,000 employees. Including their immediate families they represented almost 200,000. If each then contacted 2 or 3 people, the numbers start to get massive
- By Dec '91, only 2.3% of market share, not the feared 27%, had been lost
- Research showed a 10% improvement (over prior year) in the attribute "informs public about activities"
- **Ambassador program:** In Jan '93, a 2nd carrier came into the market. Shifting to a competitive position forced Telecom to reduce staffing, leading to morale problems. Telecom had to motivate staff while fighting competition & protecting market share. It developed *Telecom Friends* campaign -- an internal marketing program designed to inspire staff & gain their help in keeping customers. It was a voluntary after-hours program involving a range of staff activities linked to an equitable reward system structured so as not to undermine existing work-based performance & motivation programs
- **Within 6 months, 10% of staff** in eligible locations became *Friends*. Customers were impressed seeing Telecom staff actively promoting & selling their company on their own time
- Today, *Telstra* (as Telecom is now known) *Friends* still exists & generates community activities & word-of-mouth publicity

WORD-OF-MOUTH IN THE WIRED WORLD

Some people believe technology is a simple extrapolation of the power of word-of-mouth. To an extent it's true but with provisos.

Australia is 2nd to US in Internet penetration -- but only 11% of households are connected. And the average Internet user is still likely to be male, Caucasian, 18 to 35 & earning more than average. A couple billion people don't fit into that category.

- "To the proponents of Internet, I recommend some humility. If in doubt -- or infected by hubris -- remember that famous comment by the nuclear industry that eventually electricity would be 'too cheap to meter.'"

Still, notes Turnbull, new technology is transforming word-of-mouth communication. Chat groups link people around the world. Israeli company Mirabilis has a program called ICQ ("I Seek You"). In May this year ICQ registered 11 million users -- without adv'g. 50,000 people download it daily, about the same as the new Web browsers from Microsoft & Netscape.

- **ICQ has 30,000 chat rooms** which organize parties, focus on hobbies, play games & generally behave like communities. "It is the wave of the future, but it ain't here yet & the more traditional village means of com'n are still crucial."

(More from Turnbull Porter Novelli, 644 Chapel st, South Yarra Victoria 3141, Australia; e-mail nturnbull@porternovelli.com.au)

MAYBE IT'S OK WE CAN'T CONTROL IT

"We can only influence, be involved, or participate -- rather than persuade & control -- because we can never totally understand exactly how this strange human phenomenon, communication among trusted channels by word-of-mouth, actually works. As a citizen of the world who would like his children to live in a world where even the most powerful can only influence, be involved or participate, rather than be able to persuade or control, I ask you -- is that such a bad thing?"

UNIONS HAVE PERSUADED AMERICANS EXPORTING JOBS IS UNWISE

National phone survey by Wirthlin Worldwide reports, "One area where unions may have scored a great victory is in convincing the American public that US companies should not expand in other countries at the cost of American jobs." Survey was conducted 3 weeks into recent GM strike.

- 63% say a US company should not be able to replace American workers with foreign workers even if that is the only way the company can stay competitive & profitable. (Study didn't measure whether people believe such claims)
- 31% say US companies should never be allowed to build new plants & hire new workers outside the US, regardless how desperate they are
- 61% say US companies should be allowed to build new plants & hire new workers outside the US only if it does not replace existing workers & plants in the US

BUT UNIONS SEEN IN DECLINE, EVEN BY UNION HOUSEHOLDS

Even among "union households" (members or living with a mbr), 26% feel unions are no longer as important as they

used to be. Among all respondents (1,001 adults), 48% say unions aren't as important today. (More from Wirthlin Worldwide, 616/954-0200)

BOARDS ARE GAINING GREATER INDEPENDENCE & CLOUT

Boardroom reform is being institutionalized, finds a survey by American Society of Corporate Secretaries. 2,500 corporations were surveyed; 600+ responded. Society's '95 survey serves as a baseline to reveal trends. **Corporate boards generally set the tone for boards of all types.** Findings:

EMERGING TRENDS

- Regular meetings of outside dirs without the CEO or other mgmt present. (183 adopted/considering)
- Periodic board meetings to review strategies. (476 adopted/considering)
- Reduction of board size. (143 adopted/seriously considering)
- Written guidelines for board practices or corp governance principles. Also a trend to make these available to shareholders & the public as well as to publish in ARs, proxy statements, etc. (143 adopted/considering)
- Periodic self-assessment of board functioning & effectiveness. Greater productivity & effectiveness can be expected from regular interim evaluations instead of reactive assessments after problems occur. (246 adopted/seriously considering)