

Vernon C. Schranz Distinguished Lecture in Public Relations
Christopher Komisarjevsky – 2002

Good evening, ladies and gentlemen.

It is such a privilege for me to be here with you. I am awed as we gather together here in Cardinal Hall of Ball State University just take a moment to look around and think about the extraordinary minds sitting next to you or down the aisle.

I am awed by the idea of following in the path of so many distinguished professionals and leaders in the public relations business who have stood at this podium in earlier years and shared their knowledge, insights and experiences as part of the Vernon C. Schranz Distinguished Lectureship series.

I am awed by the example set by Vernon Schranz who, during his 25 years at Ball Corporation, built a public relations capability that was based on openness, honesty and community service. He recognized integrity's preeminent role in the leadership of a company and acted on his beliefs. But most of all, I am awed by the important role that our profession plays in the world today. Indeed, public relations has been at the center of some of the toughest decisions made in the offices of companies, the corridors of government and the private chambers of leaders of State the world over.

And then again, it is clear that public relations has not always been at the center of the toughest decisions that have been made in those offices, halls and private chambers. Therein lie both the smiles and the tears.

Because, quite simply, something has been missing of late. And that something has been integrity.

There cannot help but be tears when companies with proud histories that span decades fall by the wayside and, in some cases, even disappear in a matter of months because someone in a leadership position, quite simply, didn't do what was right.

So, we might be bold enough to ask ourselves, "Does a company's future hang in the balance of the public relations professional?" "Are we responsible for our companies' and our clients' ultimate success or failure?" "Are we the guardians of integrity?"

What do you think? In my view, the answer is both NO and YES.

NO, because unless we are also the CEO, we don't make the final decision that is the responsibility of the CEO with the senior management team and, ultimately, the board of directors.

But the answer is also YES. We are responsible because it is our professional duty to advise. In the best-managed companies, our position and earned credibility give us a strong vote. We have the responsibility to share our professional point of view and counsel, not only on what the communications should be and on which audiences should count most, but also on what the behavior must be.

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In some cases, no one understands this better than we do. We are the ones who devote our careers to studying human behavior, anticipating reactions and, in some cases, knowing better than anyone else what the implications will be.

Our mandate is to observe the market place and the social and economic environments, understand public opinion, identify what will make for success and what will make for failure—and then, courageously, to share that understanding.

Our mandate is first to participate in the decisions that result in behavior. And then our mandate is to create clear, honest communications that reflect behavior and meet the needs of the public and our client or company.

Our mandate is to act accordingly—and with conviction. Sitting alongside leaders in business, government and the private sector, we are indeed in a unique position among other things to be the guardians of integrity by identifying issues during their earliest stages and before they grow into a crisis. We play a very important role in shaping organizational values and behavior.

Today, we face a challenge like no other.

In my view, we are at the doorstep of the final frontier—much like those who pioneered the uncharted oceans of the world and the dark reaches of deep space.

Today, though, the territory being chartered is integrity.

Integrity is what always has and always will determine that fate of our organizations and our fate as individuals and professionals

Withstanding the Pressures

In the great Jules Verne novel *Twenty Thousand Leagues Under the Sea*, Monsieur Pierre Aronnax, professor at the Museum of Natural History of Paris, sits on the deck of the Frigate, the *Abraham Lincoln*. The date was 30th of July in 1886, three weeks after setting sail. The Frigate had already crossed the Tropic of Capricorn, with the Straits of Magellan now to the south and then the open waters of the Pacific Ocean, last known sighting of the undersea monster. Monsieur Aronnax talks with Ned Land, the expert harpooner from Canada, about what they will find in their search for this monster that is able to live in the depths and then surface to pierce the iron plates on the hulls of passing steamer ships.

Early in the search and not yet having set their eyes on the monster, they argue about whether it could be an animal or something else. Monsieur Aronnax says, *“If it frequents the strata lying miles below the surface of the water, it must necessarily possess an organization the strength of which would defy all comparison.*

Then with science as his ally, Monsieur Aronnax talks about atmospheres of pressure. *“Very well, when you dive—as many times 32 feet of water as there are above you, so many times does your*

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body bear a pressure equal to that of the atmosphere— at 320 feet this pressure equals that of 10 atmospheres, of 100 atmospheres at 3,200 feet, that is, about 6 miles; which is equivalent to saying if you could attain this depth in the ocean, each square three-eighths of an inch of surface of your body would bear a pressure of 5,600 lbs.

What he described is pressure of an unbelievable magnitude. If you're not a scientist, it is almost impossible to imagine.

To me, Jules Verne was not only an extraordinary novelist, but also one with an understanding that was well before his time. He called on physics to refer to the structural strength of what was the Nautilus, a submarine that made it strong enough to dive great depths beneath the ocean and remain intact through pressure chambers and mechanics the world had only begun to see.

Jules Verne called upon science to make his point.

In his time — the later 19th century — the deep sea was the unexplored frontier.

In the just-finished twentieth century, deep space was the new frontier, putting men in aircraft and on to the moon far beyond the earth's surface.

Now the in the 21st century, in my view, integrity is the final frontier.

But integrity requires strength and the ability to withstand pressures of all kinds—in order to do what is right.

The Nautilus was able to withstand extreme pressure from many sources. It was strong. The materials were chosen carefully. It took knowledge, understanding, superior construction, regular maintenance, daily review, strict procedures and conviction. There was no choice—it had to withstand the crushing power of sea water at the depths of the ocean.

Like the Nautilus, CEOs must be able to deal with and withstand pressure. It clearly is not the same kind of pressure. Yet, as we've seen too often lately, the pressure certainly can be just as crushing.

Values, Beliefs, and Above All, Integrity

Today's CEO must be among those who are best able to lead in spite of pressures of all kinds.

CEO's and their company's integrity depends on it. There must be a strong foundation of values and beliefs.

As never before, values are what are important. And integrity stands at the top of the list.

Coordinated by a team of academics at universities around the world, the Global Leadership and Organizational Behavioral Effectiveness (GLOBE) Research Program — referred to as GLOBE — conducts surveys on the topics of leadership and organization practices. According to the findings of their international sample of middle managers in 62 countries, it was integrity (defined as

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trustworthy, just and honest) that was among the top-rated universally endorsed leadership elements.

Integrity is a quality that leaders need to own and communicate tirelessly throughout the organization, through both words and deeds.

When asked what keeps him up at night, Jeff Immelt, chief executive officer to the General Electric Company, remarked, it's always an integrity issue of some kind. With 300,000 people, you always worry that someone doesn't get it. We can survive bad markets. What you can't live through is anybody who takes from the company or does something wrong in the community.

As never before, integrity now stands at the top of the list when people evaluate organizations and their relationship.

The legendary Warren Buffet made the same point, only slightly different. He said, if you lose dollars for the firm by bad decisions, I will be understanding. If you lose reputation for the firm, I will be ruthless.

Interestingly enough, we are beginning to see signs of an even clearer focus on integrity when it comes to the training of future business leaders. Many of the leading graduate business schools have now pioneered new ground with a new laser-like focus on ethics. Some are now asking candidates in their application forms to discuss an ethical quandary they have experienced. Others are verifying the application's letters by calling those who wrote them, and, in some cases, asking them to rank the candidate's integrity on a five-point scale. And Wharton has hired ADP to conduct random tests to authenticate the details on the applications themselves.

In our own Burson-Marsteller research, when asked about the most important leadership characteristics, what we found was that chief executives, influentials and opinion leaders around the world have put belief in the CEO at the top of the list, identifying credibility as the single most critical leadership ingredient. Influencers are asking, "Can I believe in this person and, in turn, can I believe in this company?" "Will they do what they say?" "Will they walk the talk, not just talk the talk?"

Let me share our research with you.

We initiated this research before it was a hot topic. We performed the first-ever study on CEO/corporate reputation in 1997 and, after three waves of research, the findings give us strong signals of what is needed to succeed in this new century.

"Building CEO Capital," our most recent research, was released at the end of last year and its findings are dramatic. From speaking with more than 1,100 business influentials – CEOs and other senior executives, financial analysts, institutional investors, members of the business media and government officials in the United States – it is clear that the CEO's reputation is a key factor in a company's reputation. This finding has not merely persevered but has become more pronounced that never despite recent events that have tarnished some reputations. In fact, our research data

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shows that CEO reputation accounts for a staggering 48 percent of a company's reputation – this percentage continues to climb. When we conducted similar surveys in the U.K., Australia and Germany, the estimates are strikingly high. In the Nordic countries, it is climbing but is still somewhat less, at one-third.

Companies whose CEOs were rated "most admired" achieved a 13 percent compound annual shareholder return over a three-year period. Companies with CEOs who were rated less favorably delivered a negative return.

Eighty-eight percent of respondents said that the CEO's reputation would influence whether they would recommend a company as a good place to work. Ninety-four percent would believe the company if under media pressure. Ninety-two percent would maintain confidence in the company when share price is lagging.

As you can see, if the person at the top is perceived to be credible, then financial capital, human capital and "trust" capital will follow. These intangible assets are priceless and must be invested in and sustained. According to the Federal Reserve, 47 percent of a company's value is due to intangibles such as reputation, talent and intellectual property, up from 22 percent 50 years ago.

Significantly, "beliefs" – "values" in other words – came out on top in the most recent study while in earlier phases of the research, it ranked mid-level

Does all this tell us something?

Absolutely.

And our research was completed before anyone had heard a single word in the press, in financial newsletters or even on the Internet questioning the integrity of the leadership at Enron, Global Crossing, Tyco, WorldCom, Arthur Andersen, or the quite, well-timed stock sales and private retirement deals by a few CEOs in companies in various parts of the world.

Beliefs and values serve as touch stones, guideposts for people. They signal integrity and serve as indicators of how people have behaved and how they will behave in the future. Integrity can emanate from the top or be written into the company's credo, as was done by Johnson and Johnson, whose credo – lived and acted on by management – successfully steered the company through the Tylenol crisis.

And, as we are reminded time and again, integrity is precious. It is earned only if it is genuine and consistent. It is earned only if it is communicated through behavior. Words alone do not suffice.

You might think about it this way: integrity is the way companies behave when no one is looking.

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Merck & Co.'s development of a drug for human river blindness is an example of leading with integrity. In West Africa, river blindness had affected millions of villagers and for years this disease was controlled with pesticides. However spraying could not be done on a large scale and river blindness continued unabated.

Back in 1978, a research scientist at Merck & Co. believed he found an agent that successfully combated similar disease-causing parasites in livestock. He asked the laboratory director, Roy Vagelos, for approval to develop a form of the drug for human use. This effort would cost millions of dollars and require extensive testing in African villages. And even if the drug was able to cure human river blindness, there was virtually no chance that there would ever be consumers who could afford to pay for the drug.

For Vagelos, denying the request, even knowing the financial risk, would conflict with the company ethic that health precedes wealth. So he approved the request and the drug, named Mectizan, was developed.

In 1985, Vagelos was named CEO. One of his greatest challenges lay ahead- distributing the drug that took a decade to produce. Although Merck's credo made health its first priority, freely offering and distributing the drug was without precedent. Ultimately, Vagelos decided to provide the drug to all who needed it, free of charge and for as long as the need remained. "Sometimes in your life," he said, "you've got to take a leadership position and make a decision."

Merck had created a values system that surpassed profitability and had fostered an environment in which the Mectizan decision seemed consistent. By 1995, river blindness was nearly eliminated at a cost of more than \$500 million. In 1996, Vagelos reported that not a single shareholder had disagreed with his decisions. It was, in his view, Merck's "fines hour."

Public Relations and Corporate Social Responsibility

Understanding the pressures of the undersea world was as important to the Nautilus's success as understanding the concerns of stakeholders and the views of the public are to corporate leaders. Carefully listening to others and doing the right thing are key tenets to leadership and long-term success in the corporate world.

If anything, the lessons from the past year have taught us that the social contracts in which we individually and collectively live have changed, and changed forever. The covenants between the individual and the community, the employee and company, the country and unions, and friend and foe are unalterably changed.

The Harvard Business Review published an excellent article by Roger Martin, dean of the Rotman School of Management at the University of Toronto. He wrote:

"But corporations don't operate in a universe composed solely of shareholders. They exist within larger political and social entities and are subject to pressures from other members of those networks, be they citizens concerned about environmental protection, employees seeking to strike a

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balance between work and family, or political authorities protective of their tax bases—clearly, then, shareholder value and social responsibility are not necessarily incompatible."

I would take that one step further.

I would argue that with beliefs and integrity now so important in the minds of opinion leaders, as our own research documents, we are not in a century — The Responsibly Century — where corporate social responsibility is a key to success.

And, once again, this is where we — as public relations professionals — come in.

No one has ever made the case for this as powerfully as Harold Burson, the founder of Burson-Marsteller, the proud firm I am privileged to lead.

In a speech delivered 30 years ago, Harold said, "My subject pertains to the relationship between public relations and corporate social responsibility. I do not believe there is a relationship between the two. They are not cousins or even siblings. They are even closer than identical twins. They are one and the same."

Harold went on to say very clearly that "Once of the prime functions of the professional public relations practitioners to act as mediator between the corporation and society. The public relations executive provides qualitative evaluation of social trends—helps formulate policies that will enable the corporation to adapt to these trends—communicates — both internally and externally — the reasons for those policies. Public relations," Harold emphasized, "is involved in all the steps — from analysis through action to communications—those obligations are numerous and constantly changing."

Harold continued, "The corporation is not moralistic by nature; it's pragmatic—the pressure for change, then, must come from outside the corporation— [corporations] must have built-in sensing devices that can detect changes in the social winds. The job of detecting those changes and charting a new course belongs to the public relations [professional]. The real measure of a corporation is not whether it has organized itself to respond to social change."

From a personal perspective, now you know why I am so proud to be part of Burson-Marsteller and to have my office one door away from Harold.

From a professional perspective, Harold's voice of three decades ago looms to those of us in this profession.

The fact is that no one understands better than we, the environment in which companies communicate are given the license to operate. That is our training. That is the foundation of our profession.

That is the enormity of our responsibility.

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That is why ñ similar to the armored plates of the Nautilus ñ those in the public relations profession are so critical to the survival of companies in this, the final frontier.

Because we feel so strongly about our role in helping our clients understand the environment in which they must behave and communicate, at Burson-Marsteller, we have designated one of our most senior company officers ñ a member of our worldwide Executive Board ñ to be responsible for our knowledge and research capability, our worldwide Insights & Ideas Group. This group monitors the global business environment and perceptions among stakeholders, generates ideas, and develops insights from its research that help our clients deal with the pressures that are thrust on companies today.

In search of just those kinds of insights and ideas into the link between companies and corporate social responsibility, we partnered with the Prince of Wales Business Leaders Forum. Together, we conducted our own research and what we found was the following:

ï Sixty-six percent of opinion leaders agree strongly that responsible corporate citizenship will be important in the future.

ï Sixty-four percent of opinion leaders strongly believe that the health of a company's reputation will affect their own decisions as legislators, regulators, journalists and NGO leaders.

Forty-two percent of opinion leaders strongly agree that corporate responsibility will affect share prices in the future.

Communications Mirror Behavior

Clearly, corporate social values ñ what we say ñ and responsibility ñ what we do ñ is at the foundation of integrity. And, in this new century, we clearly are hearing an ever stronger, more vocal cry for corporate actions that underscore integrity.

And as professional communicators, we know better than most that actions speak louder than words.

As a result, when we work with our clients, we have three basic tenets:

"First, credible communications mirrors behavior and strengthens reputations."

"Second, communications is a strategic resource that helps build a foundation of informed opinion."

"And third, sophisticated communications builds on knowledge and beliefs, respecting differences of all kinds."

For all of us in the business world, we know that a company's value is built on both tangible assets ñ plants and machinery ñ and on intangible assets or its intellectual capital. In fact, in this new century,

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those intangible assets ñ what the textbooks describe as Market Capital, Human Capital, Structural Capital and Relationship Capital ñ are now much more important.

At Burson-Marsteller, we believe that the business school textbooks should be rewritten with a Fifth Capital. That is Communications Capital. This is the strategic reservoir of communications that will serve you well in good times or tough ones. That reservoir can be used to leverage and make evident a company's intellectual capitalÖand as a result, gain even more value ñ higher valuations ñ than might otherwise have been possible.

Building Communications Capital, in my view, is a key CEO responsibility. To do his or her job to the fullest, he or she needs the best that communications can bring. Failing to accept this challenge can create gaps between what is real and what is perceivedÖand can result in a company being undervalued by employees, customers, potential joint venture or strategic alliance partners, possible merger or acquisition targets, the financial community, shareholders and citizens.

We are at the Final FrontierÖwe are guardians of Integrity.
In my view, integrity is the final frontierÖand we are there.

We've seen the signals of this for centuries. Jules Verne used his imagination and talked of the structural strength needed to resist thousands of pounds of atmospheric pressure and keep the Nautilus from breaking apart in the depths of the ocean.

Consider then, he wrote, "what must be the strength of their organization to withstand such pressure."

In my view, the final frontier is here, in the coming years, success will be determined ñ of course, by a company's financial performance ñ but also by how constituencies assess the chief executive's integrity and the company's actions.

In my view, it is the chief executive ñ the company's chief communications officer ñ who must live the beliefs, communicate what those beliefs mean and communicate how the company behaves. And critically, the chief executive must behave in accordance with those beliefs.

And, to do that effectively, each chief executive must listen to what we, the public relations professions, advise. Because sometimes we really do know best. We know what the expectations are. We know what the repercussions can be. And we know how and when to act.

As Arthur Page ñ advisor to United States Presidents, vice presidents of public relations at AT&T for some 20 years and the devoted public relations professional after whom the Arthur Page Society was founded ñ wrote, "Öall business in a democratic country begins with public permission and exists by public approvalÖ"

Arthur Page viewed public relations as the art of developing, understanding and communicating character ñ both corporate and individual.

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Today, six Page Principles help guide our profession and they are deceptively simple:

Tell the truth - Prove it with action - Listen to the customer - Manage for tomorrow - Conduct public relations as if the whole company depends on it - Remain calm, patient and good-humored.

In my view, there is no question that we must be the guardians of integrity. There is no more important role that can be played.

Thank you.