

PR and sustainability briefing Part 1: The reputation economy

Posted by [Stephen Gardner](#) [1] on Sep 4, 2011

The public relations industry is facing the challenges of sustainability and transparency, and some agencies are working to help their clients become genuinely sustainable

Public relations used to be a simple business. The PR agency would take a brief about a client's latest ground-breaking product or service, spin it as creatively as possible, and pitch it, normally via a badly written press release, to a well-defined range of media outlets. The holy grail was favourable coverage in a mass market mouthpiece, which in the UK would be a tabloid newspaper such as the Mirror or the Sun.

It was a tried-and-tested formula that worked for everyone. Harassed journalists received a never-ending tide of information that could quickly and easily be turned into stories. The more skilful PR spinners generated coverage for their clients that far outweighed the impact and value of standard advertising.

The PR industry, especially in its symbiotic relationship with popular newspapers, earned a power beyond its relatively small size. In his industry exposé *The Invisible Persuaders*, former PR man David Michie noted that up to half of general news carried by the papers was produced or influenced by PR agencies. The irony of "our consumerist times", he wrote, was that "while we have become acutely aware of the pesticides, growth hormones and artificial additives contained in much of the food we eat, we are largely oblivious to the fact that the media we consume has undergone similar treatment".

Spin doctoring, said Michie, involved "conjuring up front page headlines out of the ether or killing off negative tales at birth". Since the publication of his book in 1998, however, the arena that PR firms operate in has changed dramatically.

Whereas the progression from new product or service to PR campaign to media coverage was once "linear", corporate communications has become "organic - things grow and ebb and flow," says Flic Howard-Allen, UK lead counsel for sustainability at global PR giant Hill & Knowlton.

"You can't just put an ad in the paper and that does your job," she says. That advertisement could now be spoofed, end up on YouTube and only then attract media coverage, when its message has been completely changed from the original intention. "Some of it you can predict, some of it you can't," Howard-Allen says.

The PR industry and its clients are also having to deal with broader social and political pressures that impinge on business in general. Two trends in particular stand out: the pressure for transparency, and the pressure for sustainability.

Shining a light

The pressure to be transparent arises from the alteration of the media and technological landscape through trends such as social networking. Companies are also under more political and legislative pressure to be transparent after a series of corporate scandals, from Enron to Parmalat.

The internet means that companies are in the spotlight more than ever before. "Social media gives a whole level of consumer power that didn't exist previously," Howard-Allen says.

Opinions about brands are now blogged and tweeted, or broadcast on numerous websites from kitchen-appliance-advisor.com to cigarinspector.com, resulting in potential PR headaches. Even the ultimate defensive move of obtaining a so-called super-injunction has been steamrollered by the

internet.

Commodity trader Trafigura discovered this when it obtained an injunction to suppress discussion of an internal report about the offloading in the Ivory Coast of toxic waste, which was alleged subsequently to have been illegally dumped, and then linked to the deaths of 15 people. Circulation of information online quickly rendered the injunction useless.

Technology also means that burying bad behaviour is harder, as News International has discovered from the voicemail eavesdropping scandal, which has escalated into an uncontrollable PR disaster. Technology at first seemed to give News of the World journalists an advantage, as they were able to exploit loopholes to illicitly obtain information. But technology also leaves traces such as email archives and phone records, which can be highly compromising.

One PR executive says companies are only starting to grasp the implications of the new media age. "There's no informational discipline, there's no security; people can hack your phone." The covering up of corporate scandal through devices such as injunctions has become nearly impossible because of platforms such as Twitter, which the executive compares to "kids running into a sweet shop and nicking everything, on the assumption that only one or two get caught". A startlingly appropriate metaphor given the August street riots and looting in the UK.

Opening up

Some PR firms believe that their clients must work with rather than against the information revolution by moving beyond traditional defensive PR and accepting the need to be more open about everything they do.

Walter Gelens, a partner in one of Belgium's leading independent communications consultancies, Akkanto, says the best defence for a corporation in a tight corner is not to try to spin its way out, but to have nothing to hide in the first place. "We are entering the reputation economy," he says.

Akkanto works with the New York-based Reputation Institute, which claims to provide an assessment of how corporations are really seen by their customers. Reputation Institute managing director Kasper Ulf Nielsen, in an online video, says companies depend on "customers to buy their products, investors to recommend their stock and employees to deliver on their strategy. At the heart of all of this is the trust and emotional connection that companies have with their most critical stakeholders."

Only well-reputed companies will prosper in the reputation economy, and transparency means that only companies that genuinely deserve a good reputation will be credited with one. Betrayal of trust will become the corporate cardinal sin.

The idea of the reputation economy implies that the old model of brand building through advertising and PR might become redundant. Brands are a representation of the values of a product, such as its quality or the benefits it offers. But in the reputation economy, consumers are more interested in knowing that the company behind the brand is genuinely working in their interests. This embodies product quality and customer service, but also the ethical performance of the company. "There is of course a clear overlap between reputation and corporate responsibility," Gelens says.

Europe's most reputable company, according to the Reputation Institute, is Lego, which has set itself sustainability targets including using only renewable energy by 2020 and achieving zero product recalls, and which in 2010 recycled 87% of its waste against a target of 80% (though see also EthicsWatch on p8). Other high-scoring corporations are Canon, Google and Kelloggs, according to the Reputation Institute.

Seen to be green

Along with the pressure to be transparent comes the pressure to be sustainable, increasingly a fundamental reputational factor. In this respect, the traditional idea of corporate social responsibility – as a means of offsetting a company's footprint and as a marketing tool – is, like the traditional view of branding, under threat.

This can be seen clearly in the exposing of greenwashing by campaign groups, bloggers and citizen journalists. [Greenwash](#) [2] is rebutted via a proliferation of websites. Greenpeace maintains, while US consultants EnviroMedia Social Marketing and the University of Oregon's school of journalism and communication encourage the [reporting of greenwash advertising](#) [3].

Hill & Knowlton's Flic Howard-Allen says her company sets out to dissuade clients from greenwashing because it "will eventually destroy what they want to do". It leaves "no room for manoeuvre" when exposed, she adds.

Firms that attempt greenwashing PR are in any case behind the times, says Alex Osten, chair of the Public Relations Consultants Association in the Netherlands. Simple statements from companies about "showing their good intentions and spreading the message that they are green is not how it should be. It doesn't impress people any more."

In principle, the dual pressures to be transparent and sustainable mean big changes for the PR industry. It is no longer enough for PR firms to attempt to put a gloss on a bad product when it is likely that shortcomings will be ruthlessly exposed. PR companies must get involved in the business of managing reputational risk by making sure that their clients have nothing to hide.

This is potentially problematic. One former PR consultant says it provokes two main issues: are PR companies qualified to "take on the mantle of sustainability consultants", and, when their fees might be on the line, are they prepared to give "brutal advice" to clients that represent a significant reputational risk?

"Inevitably consultancies are beholden to their clients. Sometimes they're a little bit conflicted," the former PR executive says, adding that in terms of providing the right advice on transparency and sustainability, "broadly they are not really the right people to do this job".

The Chartered Institute of Public Relations (CIPR) also plays down the role of PR companies in driving sustainability. CIPR's communications director, Phil Morgan, says PR agencies still largely work to client briefs rather than working to promote more sustainable behaviour in their clients.

"It depends what the client wants to get out of it," he says. More sustainably minded clients want to highlight what they are doing but, in other companies, there is complete detachment between the CR department and the PR consultancy. Nevertheless, there is a role for agencies going to clients and identifying good sustainable practice that is not being adequately communicated, Morgan adds.

A number of the major agencies have set up sustainability units or practices. Hill & Knowlton in London is one. Howard-Allen says the emphasis is on clients behaving with integrity, and conveying this in order to build reputation. "The more authentic you are, the more ability you have to communicate effectively," she says. "Companies still need communications professionals to spot what they're doing but not talking about, and to find a way to bring it alive."

She says Hill & Knowlton does not follow "hard and fast" rules when working with clients on sustainability. "There are many brands that understand the wider and economic justification for CR." Hill & Knowlton aims to be a "critical friend" that will provide honest advice on thorny issues, she says.

Advertising and PR giant Ogilvy also emphasises sustainability in its offering to clients. Jeff Chertack, managing director of Ogilvy's Brussels office, says that attacks on the credibility of companies' sustainability strategies have become "normal". "It happens all the time," he says. "PR can be helpful [in order] to build issue management into the CR strategy."

According to Ogilvy's sustainability website, reputational risks arise when there is a mismatch between what a corporation does and what is expected of it. Issue management to deal with this can involve either "changing the company's behaviour or its stakeholders, or both".

However, the eight-step Ogilvy CSR issues management programme seems to place the emphasis more on defensive PR, rather than on challenging the business practices of clients. The objective, the programme states, is to anticipate potential corporate responsibility reputational threats arising from a company's activities, and to influence the issue by "changing the course of an issue's progression", rather than changing the company.

Dark arts

There are other indications that the PR industry has some way to go before it can truly claim to be leveraging better sustainability practice in its clients as the best way to build trust and thus increase sales.

The former PR professional says that some PR companies continue to "defend the indefensible", citing Cohn & Wolfe's work on behalf of Asian Pulp & Paper (APP), a subsidiary of Indonesia's Sinar Mas Group. APP stands accused by Greenpeace of being responsible for extensive deforestation, but the company "has a very good story to tell," according to Cohn & Wolfe chief executive officer Donna Imperato, speaking to PR Week magazine.

Another PR executive hints that the emphasis on sustainability and transparency could even result in a defensive PR backlash, and that this could make use of digital technologies in the reputational war. In principle, the internet offers the opportunity to "rewrite history – start with Wikipedia," the executive says. Twitter, Facebook and similar services can be used to "push out ideas", and companies are starting to emerge that "offer services to scrub online reputations". Meanwhile bloggers and other negative voices can be shut down if a company is committed to defensive PR "at a sufficient scale over time".

However, such a strategy would entail risks. Companies "don't want to be seen as going after individual bloggers", and the perception of vindictiveness would be "terribly dangerous", the executive says. Ultimately, a degree of negative information might just have to be accepted.

The PR business - punching above its weight

The public relations industry is surprisingly **compact**. The UK is typical, with the **top 150** PR consultancies generating fee income of **£839m** in 2010, according to the trade press. This, relatively speaking, is a tiny slice of economic activity in the business services sector. It is dwarfed, for example, by the turnover of just one of the big four accounting and professional services firms, PwC, which generated **£6.8bn** in western Europe in 2010.

Britain's biggest PR firm is **Bell Pottinger Group**, which earned fees of **£68m** from 907 clients, according to PR Week magazine. Second and third in the rankings are **Brunswick**, which deals mainly with financial PR, and **Weber Shandwick**. The UK industry is heavily concentrated in London. The leading agency outside the capital is Glasgow's The Big Partnership, which comes in 34th position overall in PR Week's league table.

The business is growing, posting an impressive increase in fee income of about **9%** in 2010 compared with 2009. It even emerged relatively unscathed from the financial and economic crisis, continuing to grow in 2009 compared to 2008, though by a slim **0.75%**.

Despite its relatively small scale, the PR industry is credited with **significant influence**, and this is where the problems start. The so-called "father of public relations", Edward Bernays, regarded it as the "**engineering of consent**", using psychology and the social sciences as the key to the "group mind", which could then be influenced by clever campaigns of subtle messages.

The concept of PR provokes a number of ethical questions. Lord (Tim) Bell, the British godfather of PR and chairman of **Chime Communications**, which owns Bell Pottinger, has said the popular perception of his industry is that it tries to "make a rat look like a squirrel". In an expanded definition, PR aims to emphasise "the good bits of a rat, if there are any, and try and talk about those".

Nevertheless, there are many ways in which the waters get muddied. PR consultancies are frequently **reticent** about disclosing their clients, so it can be unclear which rat is served by the messages being pumped out.

Bell Pottinger is happy to declare on its website clients such as Airbus, Cadbury, Emirates Airlines, Visa and Vodafone. However, the firm is less keen to advertise its work for the governments of Bahrain and Sri Lanka, and for Imperial Tobacco. Lord Bell also advised commodity trader Trafigura, after it allegedly dumped toxic waste in Ivory Coast in 2006.

PR is also problematic when it focuses its power on **politicians** through quiet lobbying. However, shadowy deals are increasingly a thing of the past, according to one PR insider, who says **registers of lobbyists** in Brussels and London mean “it is much harder now to be opaque in your advocacy”.

Opacity may become even more difficult. The **UK Public Affairs Council** maintains a voluntary register of PR firms, which reveals interesting facts such as that Hill & Knowlton lobbies on behalf of the Serb Republic, and Portland Communications represents the Russian government.

The UK’s coalition government has said it will consider making the register mandatory. PR industry body the Public Relations Consultants Association has said it will fight mandatory registration.

Links:

[1] <http://www.ethicalcorp.com/users/stephen-gardner>

[2] <http://www.stopgreenwash.org>

[3] <http://www.greenwashingindex.com>