

## PUBLIC RELATIONS

by

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There has been very little discussion in this General Managers' Conference, I am glad to say, which has not been upon public relations. That is as it ought to be. Mr. Carter quoted Professor Willets to the effect that the most noticeable progress in personnel work during the past ten years is the fact that personnel work has become a part of operations. Public relations is a part of operations. It always has been and can't be otherwise. Good public relations is just a method of operations, just as good personnel work is a method of operations. They are integral parts of management and no management can be good that does not do them well.

The operating departments actually conduct relations with the public. What does the Public Relations Department do?

The Public Relations Department does a staff job. It plans, studies, observes and analyses the business to see what are the results of its conduct on the public mind, and it advises with the operating departments on the best methods of giving service that is satisfactory to the public. This staff function, if properly conducted, ought to be of great assistance to successful management in watching the course of events both inside and outside the business.

Besides this staff function the Public Rel. Dept. in the Bell System is responsible for advertising, publicity, motion pictures, speeches, employee magazines, etc. This is an operating function which it is convenient to put under the same head as the public relations staff function.

I am not going to talk to you about the operating side of public relations. We discuss the technical aspects of that in the Public Relations Conference just as plant engineering is discussed at the engineers' conference. I am only going to say one thing about it. I think it is helpful every once in a while for the higher operating people to engage in publicity by talking or writing, for it is clarifying to one's ideas on public relations to explain them to other people.

The bulk of our public relations are handled by the plant, traffic, and commercial departments for

public relations are relations with the public and these are the people who have them. Besides the contacts with the public of the plant, traffic, and commercial people, there are those of the management and the very important contact of the treasurer's office. The man or woman who gets a dividend check either from the A. T. and T. or an associated company has a very important contact with us—one which is the foundation of our financial reputation.

However, confining ourselves for the minute to the public contacts of our operating departments—for a long time we have given good technical service by people of high morale. We have had good relations with the public for that reason: for a man with a good job who does it well is generally a pleasant person to deal with. He is in a good state of mind and that has been the basis of the Bell System's good record in the past.

Fairly recently we have made a conscious effort to improve on this naturally good performance. We have tried to add a special consideration for the customer's point of view to the good technical performance. I think we have made great progress in that direction. The intentions of the management and the forces are highly developed. The limitation on the effectiveness of our efforts is the limitation of our understanding of what the customer's point of view really is. I think we have been a little apt to assume what it is and to give him what we have assumed he wants—or ought to want. I believe we can profitably further analyse his desires so that our efforts to give him what he wants will be more effective.

Mr. Gherardi mentioned an instance of a further development in the public relations of our employees. He gave an instance of an installer who was not only courteous and considerate, but who took it upon himself to depart from his instructions and accepted practise. He had a sufficient understanding of what was behind the routines and his instructions to know that in that particular case, it was right not to follow them. Only continuous and careful training will give a working force—even one of high morale—the understanding of what lies behind routines so that the force can

be counted on to convincingly explain the reasons for what they do and in rare cases to depart from the routine. Without that knowledge the employees cannot safely be given the freedom to depart from routine even in exceptional circumstances, for they will not really understand what they are departing from. And without that training their explanation of the company's practises is likely to lack convincing force. They may even drop back to the old statement that they do as they do because it is a rule of the company.

How highly we develop our forces as creators of good public relations depends upon selection and training—depends upon how seriously management undertakes this task. To anyone who has tried other means of reaching the public mind, the Bell System employee body appears as a Godsend. They provide a better circulation than can possibly be had by printed matter or radio. In the first place, it is a tremendously wide circulation. Telephone people have millions of contacts a year with the public. Unlike the newspaper and the radio, the employee circulation usually reaches the public when it is interested in telephone matters. And unlike the press and the radio the employees do not have to merely tell the public something about the telephone, they can tell them what they happen to want to know about it. Moreover, as the employee is not confined to one set message, he can adapt his explanation to the type of person he is dealing with. It is like the difference between telling a story by advertisements and telling a story by a salesman attuned to the person he is talking to.

We have an advantage in our employees' contacts with the public over almost any other business you can think of. We have used it to a considerable degree and successfully. We can use it in greater degree and more effectively than we have. If a constantly higher degree of training in public relations and an increasing use of the employee contacts is the way of good management, there can be no better time than the present to emphasize it. There is no better time to give good service with courtesy, understanding and discrimination than now when business is hard to get and keep and when the public is critical and irascible. Moreover, this is a favorable time for training, for the turnover in our forces is low, we are not hard pressed with work and everyone is eager to improve the situation. The real difficulty is not for the employees but for management. It

takes a real effort on the part of management to reach this higher standard. But it is not a burden on the rank and file. It adds a certain novelty and change in interest to them. The added knowledge does not make their job harder. I think it makes it easier and pleasanter.

Mr. Gherardi spoke of the disadvantages of keeping good men in narrowing jobs too long. The ordinary jobs in the lower ranks are less narrowing and more interesting if they are accompanied with more understanding of what lies behind them. This affects all employees. This greater information is also an opportunity and stimulus to the exceptional men that come into the System in the lower grades and from whom we derive so many of our supervisory people. The selling of stock added variety. The employee sales campaign has done likewise. The training for these things made the regular jobs more interesting. Training in public relations ought to do the same. I do not know how fast these things should succeed each other, but I am certain that a constant succession of new angles to the job adds to the morale and the zest of the work.

Having added to their technical knowledge a consideration of the customers' point of view and a knowledge of what lies behind the routines they practise, can we go further? Can we give the rank and file sufficient knowledge of the business in general to enable them to act as its advocates and spokesmen? To make that concrete, what message have we that we would like to give to the public? We have one that has been thrust upon us. The price of almost everything is going down. Everyone is out of step but us. Theoretically, for us, to be in this singular position at such a time would cause unfavorable comment. And it is beginning to do so. We are beginning to hear questions here and there of why, when other prices are going down, telephone rates should go up.

At the Presidents' Conference and the Public Relations Conference last Fall we discussed at some length the advantages of portraying to the public the cheapness and value of our service.

The public has no absolute way of judging whether the price of a service is high or low. It has two rough methods of guessing at it. If the people rendering the service make great fortunes the public is apt to assume that the price is high. Whether those who render the service make great fortunes or not, if the price goes up the public is



apt to think it is high and if it does not go down in times like these, that is likely to give the same impression. The public does not in general believe that the associated companies make too much money. And the suspicion of too great profits in the A. T. and T. and the Western Electric is diminishing. We may not have convinced all the public that our profits are reasonable, but we have the facts to do so, and we have made some progress in presenting them.

But we have also an answer to the question, why don't local telephone rates go down? We answer that instead of the price going down, the amount and quality of service goes up. If this is the best explanation we can give I believe that we ought to be busy giving it to forestall the criticism that is arising. But I think it possible that there may be a better explanation. If the subscriber gets more for what he pays it might be possible for us to find out what he pays for what he used to get. I have not the solution of that problem, but I have seen some indications that the operating people may get it. At least one associated company is working on the problem in a very interesting way.

But by whatever method we do it we must meet the question of price. If we adopt the policy of silence, our very silence will condemn us. Other people talk both price and quality. If we talk quality only we shall leave a complete opening for any one who wishes to attack us on price—we almost invite such attack. And if such an attack comes we shall then have to discuss price, only then we shall be doing it on the defensive.

And, of course, if the employees can persuade the public that our prices are low for what we give in return, that is one of the best backgrounds for the sales efforts, on which we count so much.

These are the reason why it seems to me we should give our employees the best explanation we have on both price and quality and send them forth as spokesmen for the company. It may be that even with the best training we can give them, some will acquire only a little knowledge. And I know that a little knowledge is a dangerous thing. But while a little knowledge is dangerous, less knowledge is still more dangerous. Our people will have to answer questions about price and quality. If we do not give them the information, they must answer from rumor, gossip or with indifference. Answers based on gossip, or on indifferent attitude are worse than the answers they would give with

the help of training. Whether we assume the responsibility for the way they represent us on these questions, they represent us just the same. They are doing it every day.

I am quite certain that the general body of our employees can be trained to represent the company effectively even on complicated subjects. You have furnished convincing proof. Every time there is a rate case or a franchise case, you take the whole crowd in and tell them the story and send them out to tell the public. It is custom in the Bell System to do this under the hardest circumstances, when opposition has started. It seems to me that it would be easier to do it continuously and without pressure—to use our employee contacts to present our case in order to prevent attack rather than wait until it has developed to meet it.

After the conference last fall in which we discussed the advisability of affirmatively presenting our case both as to price and quality, the Information Department of the A. T. and T. stressed the ideal of cheapness in all its institutional advertisements. We sent out some samples of a similar nature to the associated companies. Mr. Gherardi, Mr. Carter and I have been over a pamphlet—which we hope to send out soon—designed to help in the kind of training I have been talking about. Some of the associated companies have been talking price and value in their advertisements and in the company magazines. My impression is that not much has been done directly with the employees either in training courses or joint conference.

We are not sending out the pamphlet I have just mentioned as a "standard practise." I am not certain that it exactly fits any company's requirements. Each company is responsible for its public relations and the means of making them good. And each company must have the freedom to act in order to fulfill that responsibility. We are endeavoring to make our analyses of the situation as clear as we can and to make our suggestions concrete that they may be understandable. What is done is a management function.

When I came to the telephone company there was a very fundamental survey of public relations going on. It was not called that. It wasn't called anything particularly. What I saw going on was this. Mr. Gifford was engaged in surveying the then position of the Bell System from every angle with an eye to what it would be like three, five,

ten years later and at the same time studying the trends of thought in the country to see what their probable course would be and finally from these two studies to determine as nearly as possible how to keep the Bell System happily synchronized with the public.

There have been a good many results of this process—which continues—the continued effort for higher standards of service, the policy of personalizing the service which includes, of course, courtesy, consideration of the customer's point of view, comfort and convenience, and a vast ramification of ideas that come naturally from the original conception. Then there was the crystallization of the financial policy of the American Telephone and Telegraph Company—and its announcement at Dallas—and this led, naturally, to the scrutiny of Western Electric profits and the relation of the Western to the rest of the Bell System, which has resulted in a series of price reductions. It led also to the change in the license contract resulting in the charge being reduced to one and a half per cent.

It would be hard to say just what would have happened if these things had not been done. But I think we can make a fair guess. For instance, this year we had an annual report which was headlined across the United States under the general title, "The First Five Billion Dollar Corporation." We arrived at a most dramatic size in the midst of a depression and the critical state of mind that goes with it. Yet no newspaper warned the country against the dangers of our size—none said we were as bad as we were big. It took something positive to prevent that.

We can get another measure of the situation by the Illinois rate case. The progress of legal thought on intercorporate relations was going in a certain direction. This thought was crystallized by Chief Justice Hughes in the questions he asked the three judges of the lower court in sending the case back to them. Those questions indicated a different point of view towards the relations of the A. T. and T. under the license contract and the Western Electric Company with the associated companies. If Mr. Gifford's survey had not raised those questions before the Chief Justice raised them, his action, in this particular, might have been embarrassing. As it is, as Mr. Gifford told you the other day, we believe it will be an advantage to us.

Time and events seem to show that our overall strategy has been sound. Our general picture is good. The question is now whether by company, area, division, exchange we can manage our affairs so as to get the full benefit of the major plans. To my mind—and this is coming back to an old subject—our chief difficulty in getting the full benefit of our fundamental conception is the matter of price. We make the service as cheap as we can, the public can make it of unlimited value. A man may make a sale, get a job or hear his children talk over the telephone. No one knows the value of these things. Our services have fixed costs but infinite values. Some way or other we must present this picture so that because the local rates have not gone down, the fundamental fact that the public constantly gets more for its money shall not be lost sight of.

Looking at our situation from a somewhat broader point of view there is another problem that affects us. Monopoly is still on trial, and we are a part of monopoly. However I think there is a very distinct change in the situation. Until recently it is fair to say that while monopoly has been under suspicion, competition has been taken on faith. The American people believed that it could do no wrong. It was not only the life of trade but the protection of the public. However, some doubts had begun to arise about its efficacy and the present depression has very much accentuated those doubts. As long as competition was adjudged perfect on faith and monopoly was judged by what it actually accomplished the comparison was difficult. But as competition gets to be judged on what it accomplishes, and the critical eye seems to be turned in that direction, the comparison will be much fairer.

Some time back competition was not as ruthless as it now is, not because it was intrinsically more forbearing but because it lacked the capacity to attain its present pressure. The development of public financing providing funds for large enterprises, the quantity production necessary for low costs, and the national distribution necessary for quantity production—these and the increasing rapidity of transportation and communication have changed the picture so that where organizations competed here and there before, they now face each other in every city, town and crossroads in the country. An organization confronted with this kind of competition at every point must have surplus capacity with which to wage war on his



neighbors. At any point where he gets an advantage he must push it whether the times be good or bad for if he is not prepared to get his rivals' trade they will be prepared to get his. The very definition of this kind of competition is over-production. With that come the cycles. Probably they would come anyway but certainly such competition accentuates them.

Under these circumstances I think we can expect the public to begin to compare competition and regulated monopoly on the basis of their performance. To give you some idea of what I mean let's take some rough comparisons between the performances of the competitive automobile business which has been hailed as the author of our recent prosperity and has enjoyed the public favor and the light and power business which is under general attack.

- I. There has been considerable complaint of the power business on the score that it must have robbed the public for how else could it have produced the great fortunes it has. If the automobile industry is to be judged by the same criteria it will have the same question to answer in fact, an even harder question because the actual investment in the power business constitutes a larger part of its capital than in the motor business. No one in the power business, I think, ever rivalled the record of one of Henry Ford's partners. He put \$2,400 in the Ford business and took out \$39,500,000.
- II. The power people have been accused of meddling in politics to gain franchises, rates, etc., which were profitable to their business. I doubt if they ever succeeded in getting from governmental agencies anything as valuable to them, as the good roads built by the government have been to the automobile companies—and they heavily supported the good roads propaganda. I mention this only to show that propaganda is no more inherent in one kind of business than another. There is ample evidence that both can be conducted without meddling in politics and obviously the reverse is true.
- III. The power companies are constantly referred to as a trust. There are approximately 38 big holding companies, 18 big independent units, and innumerable small concerns. In the automobile field there are two large companies—General Motors and Ford—who do 75 per cent. of the business, four others who together do 17 per cent. of the business, making 92 per cent., and some 20 others altogether. In

other words the automobile business is much more concentrated, much more of a trust than the light and power business.

- IV. Some years ago there was a suspicion that monopoly tended to deaden an industry, that it stopped scientific advances. Whether there has been more advance in the automobile than the power industry or vice versa there has been enough in both to dispel that notion.
- V. On the other hand there is pretty good reason to believe that the consolidation of some 400 automobile companies into 26 has been attended by much waste and loss while the consolidation of the power companies has not been.
- VI. There has been a disposition on the part of the public to assume that monopoly maintains high prices to get its profits rather than pushing sales to get the greatest volume. As a commentary on this a comparison between the Detroit Edison Company and Henry Ford is interesting. During the last five years the per kilowatt hour income from domestic consumers in Detroit came down 22.7 per cent. At the same time the price of the Ford Sedan came down 15.9 per cent.

These are rough comparisons, but if they are at all indicative, they show that when judged by results the monopolistic power business has been as good if not a better public servant than the competitive automobile business.

Judged on these same criteria,

- 1) The Bell System has no great fortunes.
- 2) Plays neither politics nor political propaganda.
- 3) It has a far larger percentage of the telephone business than any power group has in its field, and about as much as the two leading automobile companies together.
- 4) Its technical progress has been as great as in any industry.
- 5) Its consolidation has been accomplished without loss and waste.

But on the vital matter of price and sales, whatever may be the facts, the public impression is not favorable. From 1918 to 1930 the rates on second class mail matter went up 82 per cent., on third class 21 per cent., on fourth class 10 per cent. and there is an annual deficit of \$150,000,000 on first class matter. Our record is not like that but the public impression is that while our toll rates go down, exchange rates either go up or stay put—that on the whole we depend on high rates rather than sales effort and reducing prices.

For us, it is exceedingly important that we change that reputation. In the first place we need the income from sales. Mr. Gherardi showed us some charts the other day which indicated that the Bell System has maintained a more even business through this depression than most other fields of endeavor. I rather think we would not have shown so well without the selling we have been doing. What has been done has helped us immensely. The added program that is within our reach is one way for us to pull ourselves out of this slough without waiting for Providence. We need to sell, then, because we need the business. We need to sell because, as Mr. Ogden said the other day, it keeps our people public relations minded and produces favorable reactions with the public. Beyond that we need to sell to remove the suspicions that still flourish against monopoly. Our major program of public relations can not be wholly fulfilled without it. We believe in our kind of organization. We want the public to believe in it. In our effort to attain that major end we need sales. And we have an extraordinary opportunity. Instead of having a poor reputation in this respect we have within our grasp the best reputation in the country. You heard Mr. McHugh this morning speak of selling at a cost that would make us the outstanding sales organization in the country. Can you name another business that can sell at

a cost of one and a half or two per cent.—or for that matter twice or three times that percentage? When we have such a record as that effectively demonstrated and spread before the public we are going to have one of the best and most effective arguments for regulated monopoly and one that will particularly appeal to the American public.

Old General Forrest's analysis of the art of war was "to get there first with the most men." Public relations is to get there first with the right idea. Our main idea is right. We are ahead of the crowd. The current of thought is turning in our favor. In spite of present conditions the years ahead show unusual opportunity for good management. Good management will take every advantage of these favoring circumstances. Good management by precept and example will train and educate the people of the Bell System. That, of course, is the big step in public relations as in all other aspects of management. The Bell System really is its people. Without them the plant is as dead as the pyramids. But with a well managed organization there will be good people, good service, and good repute with the public. There will always be problems. The job would neither be human nor interesting without that, but may I say again that in spite of the temporary difficulties the main tide is in our favor and it is time for us to put forth all effort to make the most of it.