

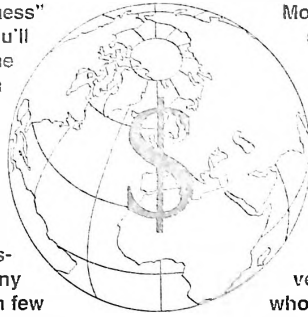
BUSINESS FORUM

The Journal of the School of
Business and Economics
California State University, Los Angeles
Winter 1992 • Vol. 17, No. 1

How to Make Your Company a Powerhouse in the 21st Century

*Kenneth D. Makovsky, President
Makovsky & Company Inc.
Public Relations Counsel*

Anywhere you find the words "21st century" and "business" in proximity, odds are you'll also find "global." In the last quarter of the 20th century, the world has moved from what was known as "international trade" to global business. By the time the next century dawns, there will no longer be a question of whether a company should "go global." With few exceptions, those who haven't already done so will be in trouble.



The majors are already there. Most U.S. mid-sized and small companies are far behind their overseas counterparts in reaching abroad, but some are at least starting to look. They're lining up distribution, establishing facilities, and forming joint ventures. And those who will be most successful are developing global communications strategies.

The Power of Perceptions

Communication is an essential ingredient of corporate success throughout the world. Perceptions have a profound effect upon the values ascribed to the company's products and capital securities, to the company as an employer, and to the company as a corporate citizen and neighbor. That is as true in Thailand as it is in Toledo.

Moreover, in an age of lightening-fast news transmission, perceptions created in one place can have far-reaching impact. The off-hand remark of a U.S. congressman in Washington causes a run on the Citibank branch in Hong Kong. A disastrous event at a chemical plant in Bhopal, India brings about tighter regulation for the Union Carbide plant in West Virginia. The Exxon Valdez runs aground in Alaska, and competitors worldwide begin emphasizing their own safety records.

Crises are the most visible examples of global impact from local events, but more subtle perceptions are just as widely spread. Tourists carry home impressions along with souvenirs from their trips. Foreign students -- those most likely to assume positions of business and political leadership in their home countries -- do not confine their learning to the classroom. In the early 1970s, a major U.S. manufacturer had unusual difficulty in obtaining the necessary permits to move into a developing country. Suspecting corruption, the company confronted the minister in charge. It soon came out that the minister himself was the stumbling block. While he was a graduate student in the U.S., the manufacturer's plant in his university's city was involved in a long, bitter, and highly publicized strike. More than a dozen years later and thousands of miles away, one person's concerns about the company's labor practices almost cost it a profitable market. Obviously, the company hadn't communicated its current desirability as an employer as part of its approach to the market.

Developing a Global Communications Strategy

As in other aspects of international business, the most effective way to develop a worldwide communications strategy is to think globally and act locally. The European Economic Community may erase the barriers to trade and the mobility of labor and money, as well as other physical and legal boundaries, but it will not erase the differences in culture and language on the Continent. The Pacific Rim encompasses widely divergent cultures and markets. Even within the North American Free Trade Area, covering Mexico, the U.S. and Canada, diversity is very wide.

The challenge is to achieve a global consistency in messages about the quality of your products and the company itself as an investment or a place to work, while accommodating and even taking advantage of local differences to deliver those messages effectively. Actual product marketing communications almost always need to be tailored to a specific market. Therefore, companies expanding globally need communications expertise that combines a thorough understanding of the company's business and strategic goals with indigenous understanding of specific cultures and markets.

The Seamless Six

Six areas of communications require a "seamless" global approach:

1. Crisis communications -- No one can predict when and where a crisis will occur, but a thorough risk analysis will uncover vulnerabilities. Of course, where those vulnerabilities can be eliminated, they should be. Others may be inherent to the business, so that the strongest preventive measures cannot

assure fail-safe operation, but identification will at least help to build readiness. Some crises simply can't be imagined, much less predicted, but that does not mean the company cannot be prepared to respond quickly and globally. The establishment of a global crisis team that extends across all corporate operations worldwide is essential to any company.

2. The environment -- Environmental issues increasingly know no borders. Whether the issue is production processes or product ingredients, use or disposal, the company's position on environmental issues should be carefully formulated and clearly communicated throughout the company and in the markets where it operates.

3. The global economy -- Corporations have a major stake in and therefore an obligation to speak out on global economic issues such as trade and market access, taxation and currency controls, and the cost, availability and movement of capital. How a company positions itself in relation to the issues and then communicates its positioning strongly influences perceptions of it as a leader and as a knowledgeable corporate citizen. Self interest is not a liability so long as that interest is presented in the light of broader, societal ramifications.

4. The corporate entity -- Positive perceptions of a company stem from more than a good product at a fair price. A corporation is the sum of many parts, many of them difficult to distinguish. For example, acceptable corporate ethics and practices may vary considerably from culture to culture, but no company has suffered over the long term from being known as highly and consistently ethical. A demonstrated and well-communicated commitment to quality not only attracts customers, but also the kinds of employees that make it possible to sustain quality. For public companies, potential investors are as influenced by a corporation's reputation as they are by its balance sheet. It is therefore crucial that the company's "image" be clearly defined, vigilantly protected, and consistently communicated.

5. Financial information -- In many ways, the financial markets have led the way toward the globalization of business. Thanks to technology, the financial markets are likely to be fully integrated by the next century. Consequently, any financial or investor relations program will have to be global in scope.

6. Internal communications -- It is amazing how often companies that have highly sophisticated programs to communicate with external audiences lack effective organization-wide programs to communicate with employees. Particularly where there are language differences or separate lines of business, employee communications tend to be diffuse and uncoordinated. Obviously, the principal goal of internal communications is to keep employees informed and to give them a sense of belonging to the organization. Too often, that

sense of belonging does not extend beyond their own work unit or the country in which they are employed. In such cases, corporate headquarters become an ephemeral and sometimes dreaded "they" -- something best ignored or circumvented. When crisis hits or business drops, the company often has to overcome a chorus of negatives within the company while attempting to cope with the issues at hand. Effective and consistent company-wide employee communications, however, can equip a virtual army of "spokespeople" to carry the company's messages to the customers and suppliers they deal with every day, their neighbors in your corporate communities, and their political representatives.

Global Control, Local Execution

Once the global positions and approaches have been established for each of these "seamless six" communications areas, they must be shaped to meet local needs. To do this, local help is almost always required. Even so, strong central control must be exercised to make sure the messages, the positions, and the "images" stay consistent.

In some ways, local help is a practical necessity. I know of a company that did its own planning for a financial road show to drum up interest in its securities in Europe. The company had done many such tours throughout the U.S. and had earlier appeared at a successful meeting in London sponsored by its U.S. underwriter, so it felt no need of local help on the Continent. The whole tour was undermined by a simple misjudgment of how long it would take to go from one place to another - not just city to city, but within a city. The company was terribly late for

most of its meetings. A local advisor might have recommended hotel accommodations closer to meeting sites, could have arranged better transportation or would have stretched the time between appointments.

Just as important as being in the right place at the right time is presenting the message effectively. Yes, with the "seamless six," the basic message would be consistent throughout the world, but the context within which it is presented and the means of delivery can and should vary widely. Again, local help can be a valuable guide to what works and what doesn't and, particularly, the local media. Cable News Network may go around the world, but most other broadcast and print media vary considerably in what they cover and how they cover it, particularly business news.

To achieve the necessary combination of strong central control and local insight for Europe, we formed an international corporation, PRX International, composed of leading public relations firms that cover all of North America, the entire EC, and Asia. They have all the advantages and special skills that

***Perceptions
created in one
country can have
far-reaching
impact in others.***

come from long experience in their markets, while working well together to meet the needs of seamless communication.

Product Marketing Communications

For some kinds of products -- high technology industrial equipment, for example -- the strongest communications approach closely follows that for the "seamless six." Trade media covering industrial and technology subjects are increasingly international in their coverage. Product marketing communications goes beyond publicity and advertising. Knowledgeable local help can guide the selection and execution of special events and other promotional activities.

Consumer product marketing will still require strong local orientation. Many companies are moving toward universal advertising campaigns, particularly in television advertising, through which the same commercial, adapted to different languages, is shown throughout the world. At the same time, the targeted marketing most easily achieved through public relations is increasing. Both trends will undoubtedly continue in the next century, but the targeted approach will be the most important aspect of consumer marketing.

Through technology and other kinds of research we are increasingly able to pinpoint the existing and potential customer for a particular product, almost to an extent that we can identify him or her by name. This individualized marketing will depend upon thorough understanding of the customer's cultural and demographic profile. A broad range of highly flexible public relations techniques will enable the marketer to reach that specific customer economically and efficiently.

Targeting for demographic differences is not new, particularly among major U.S. consumer product companies. In addition to the long-standing practice of target marketing programs to African-Americans, Hispanics, teenagers, or senior citizens, more and more companies are recognizing other cultural differences. Consumers in New Orleans are not the same as consumers in New York. Companies like Campbell Soup not only alter their marketing strategies by regions, they also make small changes in product ingredients to cater to local tastes. That kind of targeting, as part of an overall global strategy, will be essential in the multi-cultural global village of the 21st century.

***Effective positioning
will continue to be a
market magnet that
reaches across
national borders and
regional trading
blocks.***

Nine Positioning Formulas

Effective positioning -- building the perception that distinguishes one product from its competitors -- will continue to be a market magnet that reaches across national borders and regional trading blocks.

We've identified nine positioning formulas that are working for companies now and that we believe will be valid in the U.S. and abroad in the decades ahead. The appropriate positioning or combination of positioning will help a company to make the kind of news that gets it noticed by potential customers. Nine effective positionings that should endure in the next century:

"The Sizzler" -- The company and its product(s) are aligned with a "hot" issue or topic.

"The Sage" -- The company is presented as the authority on its market segment to give an image of being knowledgeable, current, and insightful.

"The One and Only" -- Niche marketers position the product as the only one able to meet particular market needs.

"The Guinness Book of Records" -- The product that is the fastest, cheapest, easiest to use - whatever superlative is appropriate.

"The Champion" -- Being the largest company in the market almost always gets media and customer attention.

"Better Mousetrap" -- A significant product or technological breakthrough should be emphasized.

"Rat Race" -- The fastest growing company in the market is an attention-getter.

"The Rub-off" -- The company emphasizes an impressive customer roster or an association with a celebrity spokesperson.

"The Big Cheese" -- Particularly useful for young companies, this positioning takes advantage of the uniqueness and drive of the entrepreneur who runs the company to gain visibility for its products.

With proper positioning, a consistent global communications strategy, and the intimate knowledge of individual markets required for targeting, any sized company can become a powerhouse in the 21st century!

Makovsky & Company is a full-service public relations firm with divisions in Finance, Technology, Health Sciences and Professional Services. It is the founding member of PRX International, a corporation of independent public relations firms throughout the world.