

# PR in a Dying Business

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U.S. landline telephone companies are in trouble. They are losing customers to cell phones and internet telephony. Landline telephony – the copper wire that has strung America for more than 100 years – is declining. Internet callers bypass central office switches. Cell phone users find they need one phone, and the one with a cord isn't it. In addition, Regional Bell Operating Companies are weighed down by tens of billions in analog equipment with little value in a digital age and employee populations that are becoming redundant.

For PR practitioners, there is irony in this. Telephone companies were the first users of “modern publicity” in the early years of the 20<sup>th</sup> Century. Publicists planted stories in New England newspapers on the benefits of owning a phone. Arthur W. Page at AT&T was the proponent of relationship and trust theories that drive much of public relations today. At one time, AT&T had the largest PR staff of any corporation in the world. But the staff is mostly gone, and AT&T is a shadow of a company and brand. PR couldn't save a dying company in a commodity market.

The decline of telephone companies, however, is not unique. Businesses and industries are superseded constantly. America is outsourcing industry. Chinese goods drove US textile makers into bankruptcy. Wal-Mart chased small and midsized retailers from the scene. Economist Joseph Schumpeter explored the evolutionary nature of capitalism in 1942 when he published *Capitalism, Socialism and Democracy*. He wrote:

*The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers, goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates.*

New business assumes old business will fade. Sometimes new business comes from transforming old business. Sometimes new business destroys old business. Either way, assets, skills and employees linked to old businesses are redirected or disappear. Compelling examples of this are in the Mercer Museum in Bucks County, PA (<http://www.mercermuseum.org/>). There, technologies of the 18<sup>th</sup> and 19<sup>th</sup> Century are displayed as artifacts. It is difficult to understand what workers did with some of the tools.

For PR practitioners caught in a dying business there are many questions – most unanswerable. Because PR is a staff function, it is easy to feel helpless as sales decline and plants close. But, it needn't be that way. One can leave or fight with communications tools at hand.

Consider Wang Laboratories, a technology company that invented and marketed the first dedicated word processor, then failed by 1990. Wang grew from a \$100 million R&D company to a billion+ manufacturer in a few years on the strength of its word processor. When the personal computer appeared, Wang's CEO refused to look at market research that showed his customer base eroding. He refused to accept that the new IBM personal computer could jeopardize his business. There was nothing practitioners could do or say. Wang disappeared. Corporate communicators would have been better off leaving early in this case because the CEO would not face the reality of obsolescence. (In an irony, IBM sold off its PC division to a Chinese company not quite 20 years later. The current leading PC maker, Dell Inc., knows it must keep costs down, or it too will go the way of competitors.)

During the high-tech mania of the 1980s through 1990s, PR practitioners understood business failure, but they jumped fairly easily to the next company. There was work aplenty. When the internet bubble burst in 2000, there was nowhere to go, and many have yet to find employment back in PR. Practitioners in dying companies have tougher decisions now:

- **Stay or leave?** If I stay, there is no guarantee of success. If I leave, there may be no place to work.
- **Focus on remaining customers or abandon them for new customers?** If a company is attempting to transform, catering to disappearing customers may take time and resources from a new customer population one needs to reach.
- **How does one support management's message to dispirited employees?** Brave words ring hollow when not accompanied by brave deeds. Maintaining a fiction that all is well is a lie that employees recognize quickly.
- **Where to cut activities and budgets?** A dying company is starved for cash. Without cash, one cannot continue with PR plans. It is not always clear where cuts should be made: One must sacrifice people and programs.

There are no formulaic answers because every situation is different. There are guidelines practitioners can use to determine what to do.

## Take Charge

You are responsible for your career. In a dying company, don't expect someone to watch out for you. Senior managers are under pressure to turn the situation around. Either you contribute to a solution or add to problems. If you feel you are tossed in a sea of uncertainty and unable to act, you have lost already. It's

time to leave. It is tempting to believe one can hang in, and the situation will right itself. But, that is unlikely.

Some stay under the assumption they will work as long as they can for a paycheck rather than register for unemployment. This is a form of taking charge, but it should be done with care. One should be hunting for a new job. The worst one can do is nothing, especially if employees from a failed company are perceived as tainted by its collapse.

## Analyze

If it is unclear how close the end is near for the company, the following analysis might help.

- **State of customer mind:** Find out the extent of erosion in the customer base. Is rapid or slow? Is there time, or is the situation an emergency? The rate of customer decay is a sure sign of the ability of a company to survive its troubles. With commodity industries like steel, price differentials are a sign of what customers are thinking and will do. When foreign steel flooded the US at a fraction of the domestic price, customers bought the cheaper product and the integrated industry in the US was doomed. On the other hand, if there is customer loyalty to a product or company, decay is slower. Eastman Kodak experienced a decline in film use over a period of years but not a plummet as customers moved to digital cameras. It gave Kodak time to establish its own brand of digital photography and printing services.
- **State of mind of CEO and board of directors:** If the CEO and board are in denial, the company is doomed because the CEO's decisions will kill it. If the CEO recognizes the problem and is motivated to fix it, there might be a chance of survival. The practitioner should be objective about the CEO. This is not easy to do amid inside gossip, rumors, stock analysts' reports and news stories that collide and conflict. Even though the CEO grasps the situation, he or she might be at sea about what to do. Or, the CEO might charge into the crisis and do exactly the wrong thing. From below, one might not know the challenges a CEO faces. But still, the practitioner should decide whether the CEO can turn the company around or not. If the practitioner believes the CEO cannot do it, the practitioner should start a job search or leave.
- **State of company:** Even if a CEO is willing to fight for survival, the company might be a *Titanic* – fatally gashed and taking on water. This condition is not always clear, especially when it deals with employees' abilities to transform, but the practitioner should get a sense of it. For example, AT&T's employees continued to think in the monopolistic mindset of the company before it was broken up. No CEO was able to change that mindset as the company slid toward dissolution. AT&T had

technologies to effect a turnaround. It didn't get decisions or implementation to do it. On the other hand, when employees do understand the peril, they can be an extraordinary force. That is what happened at Continental Airlines after disastrous years when it nearly liquidated. A new CEO, Gordon Bethune, spoke candidly to employees who believed him. They effected a turnaround that continues – even with the troubles of the airline industry. Motivated employees understand transformation means change: They are prepared to act. The practitioner should have a good feel for the state of employees' minds. Talk to employees in a number of locations, especially away from headquarters where distortion of reality is a fact.

- **State of strategy:** A motivated CEO and fired up employees are not enough. There must be a right strategy of where and when to concentrate resources and energy to reignite growth. A company needs a direction that is not only practicable but shows success. Too many companies flail from one strategy to another in a solution of a moment. CEOs buy firms only to sell them. They spin off assets they realize later they should have kept. They abandon the primary business when there is life left in it. They charge into new businesses the company doesn't know how to run. In situations of strategic confusion, there is little practitioners can do. On the other hand, when a company adopts a firm direction and seems to be making progress, the practitioner has a positive sign.
- **Trust:** The critical component is trust. The practitioner has to know that he or she can work with the CEO to revive the dying firm. If the CEO and practitioner do not trust each other, there is no point in staying. Every action is second-guessed, every message looked at for subtext more than meaning. The practitioner must believe that when the CEO says something, the CEO means it, and the CEO will do what it takes to make the message stick. The CEO must believe the practitioner will be with the CEO every step of the way.

## Act

The CEO should have a direction and need for communications to move the company. The practitioner should be ready to support the CEO through long days and weekends. CEOs who run dying companies are emergency room physicians working against the clock to stabilize a victim. Backing them up is exhausting. Practitioners must be prepared to give up family life and let spouses and children know that. Practitioners must understand that the most important communications tool in a dying company is the CEO.

The CEO must be out front and motivating employees, vendors, customers and investors to stay with him. The practitioner supports the CEO with speechwriting, interviews, Q&As and any other communications the CEO needs. The practitioner also bends the company's secondary media, such as intranet news

pages, to the CEO's needs and reports CEO visitations, opinions, decisions and anything else that helps moves the company forward. Practitioners should not sugarcoat changes, but CEOs set the tone.

Issues such as whether to focus on remaining customers or to abandon them are decided at the CEO's level, but the practitioner must act quickly. The toughest decision to implement is maintenance of communications to existing customers while creating communications for prospects in another market. The communicator is pulled two ways. To use Eastman Kodak as an example, the practitioner would maintain PR programs for film camera users while developing new PR programs for digital media users. That is not only costly, but it crosses technology bases. A communicator steeped in one technology might not be able to handle the other. The question of who and what to cut might be forced onto the practitioner by the strategy. It can be difficult, but the same decisions are being made elsewhere in a dying company. There is little time for grief.

Even a dying company, practitioners should never underestimate the intransigence of corporate culture when they send messages. CEOs know basic issues must be pounded home over and over before a new message is incorporated into an organization. One annual report and an e-mail report or two are not enough. Communicators should be prepared to hammer an issue for years. If there is one failure of corporate transformation, it is a naïve belief that saying something makes it so.

The same intransigence infects Wall Street. Stock analysts have abandoned dying companies, and they have embedded skepticism from having heard a company's story but not seen success. Yet, CEOs are often desperate to get the stock price up because institutional investors are pushing them, and the board of directors is getting nervous. However, impressing Wall Street analysts is less important than moving employees whose actions increase the value of the company's stock. Wall Street eventually catches up to good performance. On the other hand, PR practitioners may need to buy time for the CEO and to defend him against naysayers and critics. Even a little good news is better than none at all, especially when a CEO is feeling insecure and sensitive.

Practitioners should monitor closely how the CEO views communications priorities. Too much time spent telling the company's story to investors and too little time spent with employees is a wrong choice. Practitioners should let the CEO know that. It takes time to change an analyst's skepticism, the same time it takes to change corporate culture. When a company has a string of quarters that meet expectations, analysts reconsider. After analysts, the media reconsider because the media largely follow what analysts say. Journalists do not have resources or skills to investigate companies the way analysts do, so they rely on expert points of view. This is why the investor relations department should be working hand-in-glove with practitioners to coordinate messages across

investors, media and employees. Unfortunately, even in dying companies, IR departments are often confined under CFOs who don't understand the need to coordinate.

Ultimately, a practitioner needs the will to continue, the same commitment and endurance a CEO has. It is easy to give up in a dying business. It is hard to fight, but when there is hope, fighting is often what to do. There are days in dying companies when it is unclear which way the business will go. The temptation to despair is powerful. That is when CEO and PR practitioner need to sustain each other with a belief in their ability to get the job done and be able to communicate that belief persuasively.

There are many dying businesses. There will be many more. Chances are every PR practitioner will deal with one or more in a career.

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