



**Corporate Communication Institute** at Fairleigh Dickinson University

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*Meeting the Global Challenges  
of the  
Contemporary Business Environment*

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RSA – Royal Society for the  
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Thank you Sir Paul.

*Overview*

- *The Challenges of the Global Business Environment: Rising Anti-Americanism, the War on Terror*
- *The Challenge to Restore Trust in Business*
- *Corporate Reporting Challenges: Communication in the Wake of Corporate Scandals*

Since my topic is Meeting Global Challenges, and at the risk of preaching to the choir, I'll mention three lists of challenges, starting with the RSA's ([www.theRSA.org](http://www.theRSA.org))

- Encouraging enterprise
- Moving toward a zero-waste society
- Fostering resilient communities
- Developing a capable population
- Advancing global citizenship

And the list of the Business Roundtable's [an organization made up of CEOs] Task Forces and Issues ([www.businessroundtable.org/taskForces](http://www.businessroundtable.org/taskForces)):

- Civil justice reform
- Corporate governance
- Education and the workforce
- Environment, technology, & the economy
- Fiscal policy
- Health & retirement
- International trade and investment
- Security

And the “checklist” of *Wall Street Journal* columnist E.S. Browning (“Back to Work for Investors – What Could Affect Stocks Now? Grab a List,” September 7, 2004, C1 & 3):

- The economy
- Terrorism/Iraq
- The election
- Corporate profits
- Valuation
- Inflation and interest rates

Each of these lists present similar important social, political, and economic issues. Unstated are the challenges of keeping pace with rapid change, of communicating and building reputation, and of modeling the concepts of “truth” and “trust” as the common currency of civilization.

I only have 20 minutes to solve these problems, so I’ll speak quickly.

### **The Challenges of the Global Business Environment: Rising Anti-Americanism, the War on Terror**

A hostile business environment exists for multinational companies and their global brands, fueled in part by misperceptions, misunderstandings, and anti-Americanism. The latest Pew Global Attitudes Project Report ([www.people-press.org](http://www.people-press.org)) in March 2004 points to one of the causes, a stark contrast between what the world thinks of Americans, and what Americans think of other nations:

An important factor in world opinion about America is the perception that the U.S. acts internationally without taking account of the interests of other nations. Large majorities in every nation surveyed (except the U.S.) believe that America pays little or no attention to their country's interests in making its foreign policy decisions. This opinion is most prevalent in France (84%), Turkey (79%) and Jordan (77%), but even in Great Britain 61% say the U.S. pays little or no attention to British interests.

By contrast, 70% of Americans think the U.S. takes other nations' interests into account a great deal (34%) or a fair amount (36%); just 27% think the U.S. is mostly unconcerned with other nations. Republicans are nearly unanimous (85%) in the view that American foreign policy takes other nations into account, while a much smaller majority of Democrats agree (56%). (Pew Global Attitudes Report, March 2004)

In this environment of strongly differing perceptions, the challenge for multinational businesses is how to respond to increased anti-American attitudes that may be explained in part as:

- 1) a response to globalization moving at a slower pace because of an economic downturn;
- 2) cultural shifts brought on by heightened cultural sensitivity;
- 3) the proliferation of corporate scandals in the wake of Enron, and a deterioration of trust in the capital markets.

- 4) And a fourth factor that business has little control over, the ramifications of government policy decisions related to the War on Terror. For example, corporations must deal with direct protests, boycotts of products and services, increased “transaction costs” as a result of increased security, American businesses as global targets, and strained business relationships. Indications point to an impact on the bottom line.

Selected results of The Edelman Annual Trust Barometer (January 2004) presented at the Annual Meeting of the Arthur W. Page Society (New York, NY, April 1, 2004) indicated that 19% of those surveyed in France, and 12% in Germany were “more likely to purchase” US products; and 64% in France, and 66% in Germany were “less likely to purchase” US products. And *The New York Times* front-page article, “War and Abuse Do Little Harm to U.S. Brands: Most Products Escape Rising Anger Abroad,” (*New York Times*, May 9, 2004, pp.1 & 11) reports the opposite, citing McDonalds and Coke as little affected by the negative attitudes. Of course, that assertion was based on anecdotal data, interviews with corporate officers.

Dr. Paul Leinberger, Global Managing Director, Market Opportunity Center of Excellence, NOP World, offered an explanation (Remarks at “Driving Growth Across the Marketing Cycle,” May 6, 2004, New York City): we are in a “Hinge Period” – a time of great risk, but also of great leaps forward and great opportunities. Hinge periods are times of great extremes, and Leinberger noted that President George Bush may be an icon of the times – love him/hate him. Hinge periods are like thunderstorms, the air is still as clouds gather and humidity rises, and areas of low and high pressure collide. And as the borders fell in the European Union, we observed a rise in nationalism across Europe.

One effort to combat anti-American sentiment occurred shortly after the September 11<sup>th</sup> attacks on the World Trade Center. Charlotte Beers, Under Secretary for Public Diplomacy and Public Affairs in October 2001, launched a “Brand America” initiative. She brought her expertise from “Madison Avenue to Foggy Bottom.” The effort was short lived, and she resigned her position in March 2003. Attitudes swung from “We are All New Yorkers” *Le Monde*, 9-12-2001, to sizable anti-war demonstrations in most major markets and “Boycott Brand America.”

Ashley Alsup’s “Brand Lessons of 9/11” (*The Observer* (UK), 2 December 2001) was insightful:

- Brands are about perceptions
- A global free market diluted the Nation state as brand
- Consistent messages – bad behavior and isolationist/imperialist foreign policy undermine trust and meaning
- Great brands bring audience with them, – they are careful not to alienate the “left-behinds”

In this current unstable business environment, some brands, according to Business for Diplomatic Action, are particularly vulnerable:

- Icons: such as Coke, McDonald’s, Levi’s, Disney
- Names: such as American Express, American Airlines
- Politics: such as Boeing

Four factors may help Americans to understand the negative perceptions that others throughout the world hold of them:

- Exploitation – American companies take more than they give
- Corrupting influence – American brands enhance thinking and behavior that clash with local customs or cultural or religious norms
- Gross insensitivity & arrogance – failure to use the local language; belief that Americans want everyone to be like them
- Hyperconsumerism – money is more important than people; U.S. companies more interested in money

What's a Global U.S. Corporation to Do?

Combating anti-Americanism around the globe is too important to be left to the government alone. Business, led by multi-national companies, must step up to the job of restoring trust and improving America's reputation. Keith Reinhard, chairman of DDB Worldwide and president of Business for Diplomatic Action, made the case clear at the Corporate Communication Institute symposium held April 28, 2004. In the face of increasing negative attitudes, Reinhard said, "business must take collective action to change perceptions of this country." What is happening overseas is having a negative impact on global brands.

Reinhard said that it doesn't have to be that way. U.S.-based multinational businesses can do a better job to communicate universal values, increase social capital, and build lasting, enriching partnerships with local communities around the world."

([http://www.awpagesociety.com/newsroom/rep\\_symposium.asp](http://www.awpagesociety.com/newsroom/rep_symposium.asp) and see Reinhard's presentation at <http://www.corporatecomm.org/archive.html> )

Why Should Business Get Involved?

Representatives of U.S. multinationals working overseas are more likely to be locals and thus more culturally sensitive than government representatives. Companies can often move forward without bureaucratic constraints. And companies do not have to change policy with every election.

But corporations must do their homework. Numerous organizations constantly monitor corporate behavior, such as:

- Transparency International [www.transparency.org](http://www.transparency.org)
- Social Accountability International [www.sa-intl.org](http://www.sa-intl.org)
- [www.stopspending.org](http://www.stopspending.org)
- Adbusters Media Foundation
- Media reports (CNN & others) on "offshoring" and the "jobless recovery"

For business, winning hearts and minds is truly global. For instance the Organization for International Investment, made up of non-U.S. based multinationals doing business in the U.S. such as Unilever and Michelin, have opposed "Buy America" provisions in U.S. laws. The U.S.

Chamber of Commerce and the National Association of Manufacturers, and many other trade organizations do the same for U.S. based companies in markets outside the U.S.

The implications for action on the part of global businesses are to plan for the global impact of a local act, and the local impact of a global act. Companies mentioned in *The New York Times* (9 May 2004) article appear to have figured out a solution. They define themselves as global organizations, and according to *The Times*, “Companies that have been operating internationally for decades seem relatively immune to anti-American attitudes, in part perhaps because they avoid being perceived as particularly American.” (p.11). The successful approach of these companies may be a best practice others can adopt, as instability is likely to continue for some time.

Whether stated or not, a path toward solution is found in the Ten Principles of the UN Global Compact, endorsed by more than 1,700 companies worldwide, and 97 of the Global 500 such as Pfizer, Hewlett-Packard, Johnson Controls, Renault, Royal Dutch Shell, Starbucks, Unilever, Novartis. <http://www.unglobalcompact.org> (see also *Raising the Bar: Creating Value with the United Nations Global Compact*, Edited by Claude Fussler, Aron Cramer, and Sebastian van der Vegt. Sheffield, UK, 2004.)

The Global Compact's ten principles in the areas of human rights, labor, the environment and anti-corruption are derived from:

- [The Universal Declaration of Human Rights](#)
- [The International Labour Organization's Declaration on Fundamental Principles and Rights at Work](#)
- [The Rio Declaration on Environment and Development](#)
- [The United Nations Convention Against Corruption](#)

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment, and anti-corruption:

#### Human Rights

- [Principle 1](#): Businesses should support and respect the protection of internationally proclaimed human rights; and
- [Principle 2](#): make sure that they are not complicit in human rights abuses.

#### Labor Standards

- [Principle 3](#): Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- [Principle 4](#): the elimination of all forms of forced and compulsory labor;
- [Principle 5](#): the effective abolition of child labor; and

- [Principle 6](#): the elimination of discrimination in respect of employment and occupation.

### Environment

- [Principle 7](#): Businesses should support a precautionary approach to environmental challenges;
- [Principle 8](#): undertake initiatives to promote greater environmental responsibility; and
- [Principle 9](#): encourage the development and diffusion of environmentally friendly technologies

### Anti-Corruption

- Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

## **The Challenge to Restore Trust**

In September 2003 the PR Coalition, an association of more than twenty organizations dedicated to public relations, public affairs, and corporate communication, issued a white paper that was distributed to the CEOs of the Fortune 500. It is titled “Restoring Trust in Business: Models for Action,” PR Coalition Summit, New York, NY, September, 2003.

([http://www.corporatecomm.org/pdf/PRCoalitionPaper\\_9\\_11Final.pdf](http://www.corporatecomm.org/pdf/PRCoalitionPaper_9_11Final.pdf)) In brief it recommends that companies follow this three-part plan of action:

- Articulate a set of ethical principles that are closely connected to their core business processes and supported with deep management commitment and enterprise-wide discipline. These principals should balance the interests of all stakeholders, ensure investors receive full and timely information about the company, and compensate all employees in accord with their contributions to the company's success.
- Create a process for transparency and disclosure that is appropriate for their company and industry in both current and future operations. It should include a senior oversight committee, "culture" audits and consistent messaging.
- Make trust and ethics a Board-level corporate governance issue and establish a formal system of measuring trust that touches all parts of their organizations

## **Corporate Reporting Challenges: The Sarbanes-Oxley Act of 2002; & Transparency and Reporting Implications**

In the wake of Enron, a wave of corporate scandals involved large groups of upper management, and led to the implosion of respected companies such as Arthur Anderson, as well as the loss of jobs and employee retirement savings. It has also had an impact on the capital markets:

- Significant downturn in the economy
- Loss of trust

- Pressure from investors for SEC to act with regulations to restore confidence

William Donaldson, Chairman, SEC, said less than a year ago, “Scandals have undermined the structure of corporate America. ... No area of American business has been spared,” (Address, FEI Annual Meeting, 17 November 2003, New York, NY). The Sarbanes-Oxley legislation of 2002 was an answer to corporate scandals. It was intended to restore confidence in capital markets. The legislation created the Public Company Accounting Oversight Board (PCAOB) for enforcement and oversight. (See “After Sarbanes-Oxley: Communicating Transparently” Mary Sjoquist, Special Council, PCAOB at [www.corporatecomm.org](http://www.corporatecomm.org)). It called for:

- Independence of auditors & Boards of Directors
- Certification of financial reports (CEO, CFO)
- A culture of accountability
- Greater financial control & non-GAAP guidelines

To meet these challenges and to pursue transparency, the PR Coalition provided a “Checklist” ([http://www.corporatecomm.org/pdf/PRCoalitionPaper\\_9\\_11Final.pdf](http://www.corporatecomm.org/pdf/PRCoalitionPaper_9_11Final.pdf)) for action in 2003; much of it is now law and best practice:

- Create a process for transparency and disclosure
- Set social and environmental performance targets
- Engage stakeholders in dialog on transparency
- Monitor external environment; understand & respond
- Form internal committee; disclosure committee
- Publish corporate governance policies on website
- Address issues of public concern
- Address tough questions (e.g. CEO compensation)
- Conduct a “culture audit”

The communication challenge is:

- to regain the trust of the workforce
- to communicate sustainability efforts continuously and clearly
- to make transparency a reality as a means to demonstrate trustworthiness through behavior
- to over comply with the rules – begin to see rules as a minimum for the license to operate (just as high tech manufacturing seeks six sigma as a standard of excellence to reach for)
- to foster an independence of mind on the part of directors and analysts
- and, in the light of an instantaneous 24/7 media environment, to remind the press of its journalistic integrity to get the facts right, at the expense of a “get it first” mentality

### The Corporate Obligation

Corporations, after all, have an obligation to provide willingly to shareholders and other stakeholders the information they need to make decisions.

The act of clear and honest communication is essential to building, maintaining, or restoring a relationship of trust.

In the face of these challenges, what does a corporate leader do?

- Demand high ethical standards
- Exude believability
- Communicate clearly
- Retain, motivate and inspire their employees to meet the challenge
- Assume responsibility and accountability -- everyone inside the company, and out, expects a corporation, and its leaders, to do so

Thank you.

**Michael B. Goodman, Ph.D.** is founder and director of the Corporate Communication Institute at Fairleigh Dickinson University, and professor of Corporate Communication at FDU. He has taught at New York University, Baruch College CUNY, Northeastern University, University of Alaska Fairbanks, and SUNY at Stony Brook.

Since 1981 he has been a consultant in corporate communication, managerial communication, problem-solving, new business proposals, change, and corporate culture. He has published widely, including seven books. His recent publications are: "Today's Corporate Communication Function" in *Handbook of Corporate Communication and Strategic Public Relations* (Routledge, 2004), *Corporate Communication for Executives* (SUNY Press, 1998); *Working in a Global Environment: Understanding, Communicating, and Managing Transnationally* (IEEE Press, 1995). He is at work on "*While You Were Looking the Other Way -- Forces Redefining Corporate Communication Strategy*" with Peter Hirsch of Porter Novelli and DDB Worldwide Executive Cleve Langton.

Dr. Goodman is a member of the Arthur W. Page Society, a Fellow of the RSA, a Fellow of The Society for Technical Communication, and member of the Board of Advisors for Business for Diplomatic Action. He is also a member of the PR Coalition, a partnership of 21 major organizations representing corporate public relations, investor relations, public affairs, and related communication disciplines. He was a contributor to *Restoring Trust in Business: Models for Action*, published by the PR Coalition in 2003.

Michael Goodman received his Ph.D. and M.A. degrees from the State University of New York at Stony Brook, and his B.A. degree from the University of Texas at Austin.