

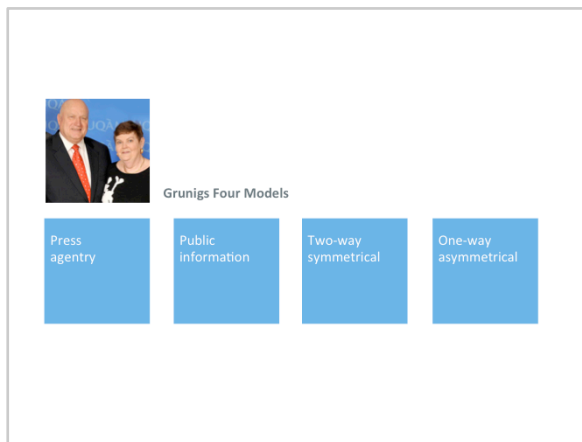


Welcome. Thank you Dr. Toth, Frank Ovaatt, Steve Drake and Pam Grant.

And congratulations to the fine organizing and promotion done by the student group running the show. I felt a great deal of “buzz.”

What an honor it is to be asked to speak at this prestigious university, surrounded by the great legacy of the Grunigs.

As I think back on the dozens of speeches I’ve given in 30 years at FH, this may prove to be the most important ever.



First, please permit me to salute to Drs. James and Larissa Grunig for a lifetime of contributions to the study and advancement of public relations, in particular identifying the Four Models of Public Relations:

Press Agency

Public information

Two-way Symmetrical

One-way Asymmetrical



"So, anyway, my theory of ethics is essentially whenever an organization behaves or is thinking of behaving in a way that will have consequences on a public and the consequences bring about the public, then you have the obligation to engage in dialogue with it."

Dr. James E. Grunig
Arthur W. Page Center Interview
Penn State

I won't lecture this expert Grunig audience on the differences except to note two things:

First, symmetrical communications puts ethics at the heart of the process; whereas asymmetrical communications – that is to say persuasive communications that serve to advocate, may not – and I repeat MAY NOT – have ethics in its process or as its outcomes.

And I dare say that today, more than ever, asymmetrical warfare is the rule, not the exception. That makes our need to raise the discussion level on ethics to a much higher level.

Even in the four model approach, the Grunigs have not let us go without ethical guidance.

When utilitarian ethics are not in play, nor consequential ethics, we have as our guide deontological ethics.

Deontological ethics boils down to having an obligation for dialogue, coupled with an obligation to take that dialogue into consideration even as we advocate for a position.

I think Dr. Grunig's quote here sums up that point.

That is a useful concept in this age of asymmetrical communications.



So thank you Drs. Grunig. Now let me tell you why ethics is so important to me and FH.

This is our relatively new logo, mark, and tag line, The Power of True.

The concept of “True” plays to our heritage as a company that keeps its promises and values a culture built on respect for the individual. But “true” is also a forward-looking concept.

Our clients need a trusted adviser, someone they can count on to help them through the myriad choices they face in today’s confusing communications ecosystem.

And as you probably have largely concluded, ethical behavior is foundational to trust.



Qualities related to building trust:

Honesty

Fairness

Loyalty

Credibility

Wisdom

Selflessness

Ethical

These seem like universally valued character traits.



But is the concept of ethical behavior a concrete notion or subject to interpretation?

Maybe it's dependent on the situation?

Or maybe, as the Godfather once famously said, it's business, not personal.

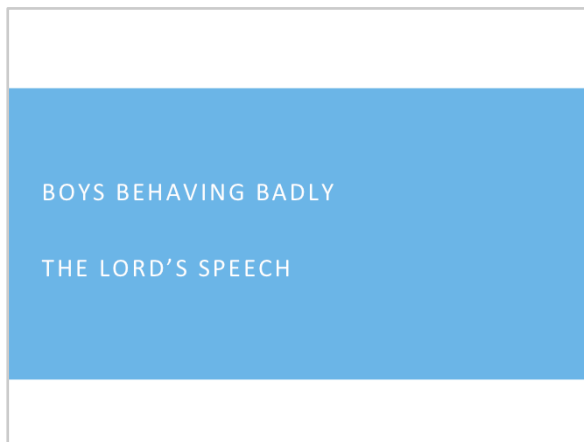
(Look to screen) "But Godfather, does that make it OK?"



I guess one reason I am here is because of the work we have done at FleishmanHillard and the Council of PR Firms to rejuvenate the industry's commitment to ethical behavior.

That resulted in the development and launch of an initiative we called Ethics as Culture.

That's an interesting title, and I'll explain more about that later.



What prompted all of this activity?

For me, two events provided tremendous motivation.

First, there was a classic ethical breach in the US PR industry in mid-2011.

Second, there was a milestone speech at a global conference that provided challenging views about what is acceptable ethical behavior.



Let me first tell you about Boys Behaving Badly. In mid 2011, one technology company conducted a smear campaign against a rival, and did so in the on-line world and tried to do it anonymously. Of course it was a miserable failure and the truth came out.

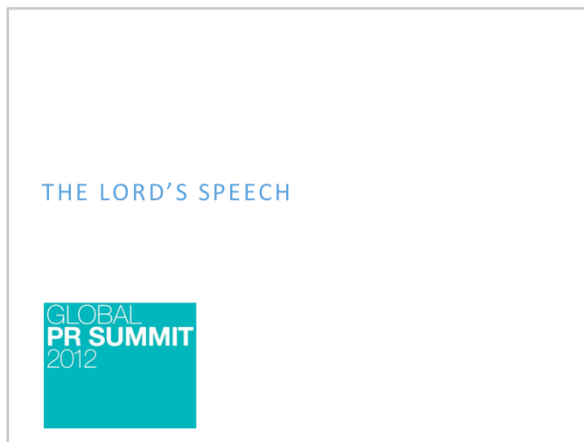
A public relations firm was retained to conduct the smear campaign, but it's unclear whether the smear campaign idea...and its methods...were suggested by the guilty technology company or the agency. Frankly, that shouldn't matter. Not only is a smear campaign a bad idea, doing so without identifying the sponsor of the messages is completely unethical and against all principles of public relations.

I was shocked and saddened at the PR World's response... which was basically a non-response. We all seemed to duck our heads and murmur, "there but for the grace of god go I." It was at that moment I vowed to reject that thinking forever. It is far too fatalistic and implies we are not in control of our actions.

Moreover, the offending PR firm did virtually nothing to show its disdain and rejection for such actions.

But the worst aspect of this episode was that the people who actually did the smearing were two very senior people who had recently come to the agency from the world of professional news reporting. It was evident by their actions that they had a pre-disposition to the notion that public relations behaviors included dirty tricks, that behaving unethically was standard operating procedure.

Well, public relations has a profound and important history. Public relations plays a noble role in society. And public relations does have principles. It proves that you simply cannot become a public relations person by changing your address.



Let's move onto The Lord's Speech.

Last year at about this exact moment, Paul Holmes, a noted industry observer, publisher and thought-leader, was convening his first Global PR Summit in Miami.

One of the highlights of the Summit was the introduction of the very first Grayling Lecture on Ethics, to be presented by the head of Grayling's holding company, The Lord Chadlington. This was to be the first in an annual series of lectures addressing various points of ethical decision-making.

Peter Gummer, a.k.a. “The Lord Chadlington”(1996)

Born Aug. 24, 1942

Founded Shandwick PR in 1974

CEO and Director, Huntsworth, Plc.

Grayling
Red
Citigate
Huntsworth Health

Partnered with China-based Blue Focus



Here are a few facts about The Lord Chadlington.

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CEO and Director, Huntsworth, Plc.

- Grayling, Red, Citigate, Huntsworth Health

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What’s not listed is that Lord Chadlington initially studied to be a priest, focusing on morality. He is a formidable voice in the industry in this regard and a highly respected professional.



Here are two rather lengthy excerpts from the speech. I don't want to be accused of taking The Lord out of context, so I'd rather run a bit long so you can draw your own conclusions.

CLICK TO START VIDEO

WHAT DID HE SAY?

Ask for reactions to that speech

Do you agree or disagree?

WHAT DID HE SAY?

It is impossible to set a global standard for ethical behavior, because:

Our morality is innate and instinctually guides us

Rules on ethical behaviors are useless

Principles of ethical behaviors are useless

Ethical behavior is defined by local customs

PR should observe local customs even if they are unethical by some other standard as long as the agency culture can tolerate it

Major takeaways from Lord Chadlington speech:

It is impossible to set a global standard for ethical behavior, because:

- Our morality is innate and instinctually guides us.
- Rules on ethical behaviors are useless.
- Principles of ethical behaviors are useless.
- Ethical behavior is defined by local customs.
- PR should observe local customs even if they are unethical by some other standard as long as the agency culture can tolerate it.

In fairness to Lord Chadlington, I have heard this before... too many times in my view, from very highly placed public relations officials, including a former White House press secretary.

(I know, what a shock, right?)

DISAGREEMENT:

Rules and principles are useless

Local customs trump orthodox boundaries of ethical behaviors

I agree on some of his points, as you'll see.

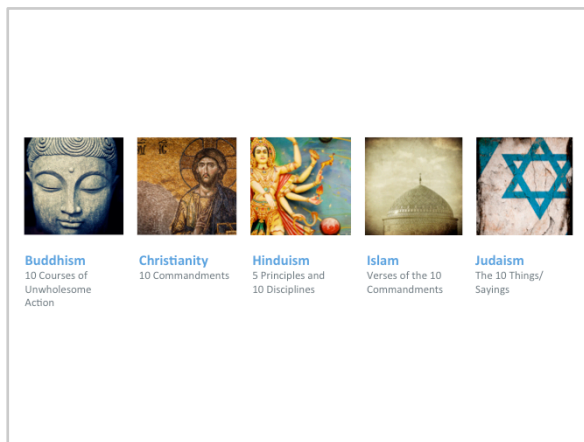
But I disagree with His Lordship on two key points:

- That rules and principles are useless.
- And that we should surrender our idea of ethics to local customs.
- He scoffs at a universal notion of public interest, yet implies that paying off a governmental official may actually qualify as something in the public interest in some region of the world.
- I am amazed at that. The act is not, in fact, in the interests of the public, but in the selfish interests of one greedy and immoral individual.
- So we have clear disagreement there.



Let's explore a central question:

Is it possible that the concept of “right and wrong” differ THAT much by culture?



Actually the definition of good and evil, right and wrong, are pretty consistent across the world.

I asked one of my researchers to see how many religions have a version of the 10 commandments.

Here's the partial list and ALL of them say do not be dishonest. All of them say do not steal.

Organized religions cover about 90 percent of the world population.

The point is that notions of right and wrong are, indeed, universally held beliefs.



We cannot create enough rules to cover each and every situation we encounter, but we can create a set of principles that reasonable people can apply.

This means we are not dependent on instinct alone.

We have, in fact, a civil code of conduct that has been formed over the centuries.

If virtuous behavior was instinctive to man, we would not need such conventions.

And there is a key point there.

It is true that we cannot create enough rules to cover each and every situation we encounter, but we can create a set of principles that reasonable people can apply.

Anything less has us playing at the lowest common denominator of behavior and judgment.

And we need the guidance. We need to actively, willfully and forcefully apply these principles or we will surely, slowly and inevitably, erode our own moral base.

And it's a real and present danger.



"We have grasped
the mystery of the
atom and rejected
the Sermon on
the Mount.
The world has
achieved brilliance
without conscience.
Ours is a world of
nuclear giants and
ethical infants."

Let me give you a favorite quote on the state of ethics in our world today.

"We have grasped the mystery of the atom and rejected the [Sermon on the Mount](#). The world has achieved brilliance without conscience. Ours is a world of nuclear giants and ethical infants."

Would it surprise you to know that this quote was from 1948, delivered during an Armistice Day speech by our last five-star general, Omar Bradley?

It demonstrates how ethical behavior has been an issue for the ages.

I should add in the spirit of transparency that I love this quote, but it is with the greatest sense of irony I tell you that Lord Chadlington used it too!

So what has happened? Are we in a "Godfather" world where we can conveniently compartmentalize behaviors because they are customary or expected? Or because business has become off-limits to morality and ethical decision-making?

Concentration of power

Lack of transparency



So what has gone wrong?

Why has corruption become so prevalent?

It's clear that when you have a concentration of power in any one place and a lack of transparency, you have a breeding ground for corruption.

But I ask you, is that a reason to give in? To give up? Of course not.

Principles of fairness
are being embraced
and transparency is
the driving force.



Worldwide, all of this is changing.

Democratic principles, i.e., principles of fairness -- are being embraced and transparency is the driving force.

Some of this, mind you, is out of an enlightened sense of self-preservation, but make NO mistake...it is happening nonetheless.



WHAT IF THE RULES CHANGE?

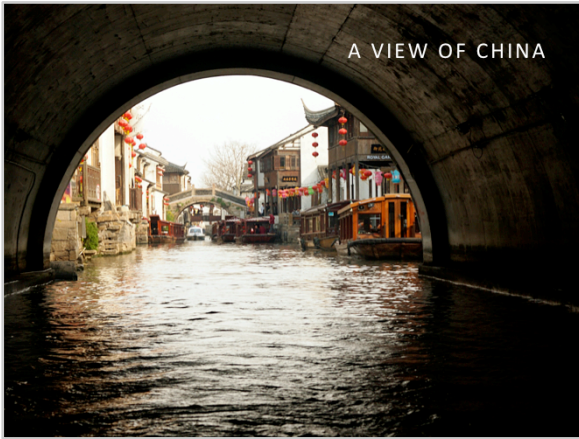
So this is where Mr. Chadlington and others like him have miscalculated. How surprised they must be when the world changes!

Morality may not move you, but how about practicality?

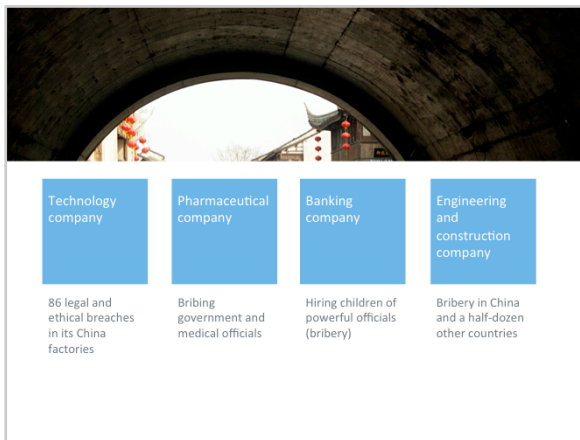
How about massive fines?

How about jail time?

How about being barred from business altogether?



As a case in point, let's turn our attention to China, historically a hot-bed of corruption where, as Lord Chadlington has observed, many companies have for years played by the local rules.



Here is a list of types of multinational companies who are now being singled out in China for years and years of allegedly corrupt behavior.

This list could be a mile long.

(read list from screen)

Some of this behavior goes back to 2001. Remember? Back then all of this was supposed to be acceptable behavior!

Anti-corruption laws	US: Foreign Corrupt Practices Act
	UK: Anti-Bribery Act
	China: Anti-Unfair Competition Law, "The Guidance" became law Jan. 1, 2013

China is not alone in these investigations:

These companies are being investigated by their home country (In the US, FCPA/UK Bribery Act).

You'll note from this slide that China has added more muscle to its own version of FCPA, something called "The Guidance." "The Guidance" became law Jan. 1, 2013, specifically to attack criminal bribery.

The timing is not coincidental.

Anti-
corruption
laws

US: Foreign Corrupt Practices Act

UK: Anti-Bribery Act

China: Anti-Unfair Competition Law,
"The Guidance" became law Jan. 1, 2013

Duplicate for animation purposes.

Major technology manufacturer \$23M Bribery of Iraqi officials	Diversified healthcare company \$70M Bribery and kickbacks in several European countries	Fashion company \$1.6M Bribery of Argentinian custom officials	Pharmaceutical company \$45M Bribery of officials in Russia, Kazakhstan, China and several European countries
Subsidiary of oil equipment company \$579M Bribery over 10 years of Nigerian officials	Major software company \$2M Siphoning revenue for illicit purposes	Manufacturing company \$800M Bribery in Mexico, Venezuela, Argentina, and Bangladesh	Pharmaceutical company \$29M Improper payments to officials in Russia, Brazil, China and Poland

Of course, it's not just China coming on strong today.

Here are 8 companies accused of violating the US Foreign Corrupt Practices Act (FCPA), and the fines they ultimately paid.

All of these companies are based in the US and subject to the FCPA, yet they knowingly and willfully broke the law.

Why?

Because it was the local custom. The US law had not changed, wasn't new or strange or a surprise, but they took the risk anyway.

Clearly something is going wrong inside these companies.



Turning back to China, you have to ask: what has changed?

Who knows who this man is?

Advance slide and reveal he is Xi Jinping, general secretary of the Communist Party of China, Chairman of the Central Military Commission, and President of the People's Republic of China.



Xi Jinping has quite a pedigree.

He is considered a neo-Maoist and no wonder: he is the son of Xi Zhongxun, who was part of the original cultural revolution of Mao.

Like many on the far left he believes China has become too lenient and risks losing its distinctly Chinese...and Communist – identity.

WHY THE CRACKDOWN NOW?

Defining the China identity

Nationalism ... of course

Lost tax revenues

Warning shot to China-based companies

Targeted industries crucial to economic development:
pharmaceuticals, food and real estate

Damage to China's investment environment

Fear that corruption leads to unrest

Why the crackdown now?

As mentioned, it's a reaffirmation of the underpinnings of Communism.

Second, there is more than a small dose of nationalism at play. Many Chinese feel that foreign-based multinationals do too much “taking” and not enough “contributing” to the social and economic largess of China.

Third, China loses a LOT of tax revenues due to corruption.

Fourth, many view this period as a warning shot across the bows of all Chinese companies...and a chance for those companies to get their act together. Indeed, the hammer is already coming down on numerous China-based companies.

Fifth, China sees corruption as a big drag to its investment economy.

And, finally, if you ever really want to understand China, first understand that every action and external message is intended for an internal audience first.

The ruling party of China has only one overriding job: maintain peace and stability. This is no small feat.

The current government has come to realize that corruption is not a sustainable model, and that it leads to distrust, anger and unrest.

It undermines the rule of law...so why obey any law at all?

Moreover, many of the corners cut by corruption end up hurting the public. Food products that harm or kill. Hard goods that are unreliable. Business opportunities that favor those who can pay. Medicines that don't work and streets that don't get paved.

The crackdown, by the way, has swept up many Chinese officials as well. They are being made public examples in very humiliating ways.

China based companies and State-Owned-Enterprises are scrambling to clean up their operations, just as expected.



So what is the point?

The point is that being in PR is not a spectator sport.



We in our industry believe in the nobility of service, but it's time we stood for something more.

It is time for public relations to LEAD!

How many years
will once free and
“innocent” people
spend in jail?



In the case of each company mentioned earlier...and scores of others we don't have time to talk about...what is the cost NOW of surrendering to unethical conduct years ago, when it seemed like an acceptable thing to do?

How many fines will be paid? How many years will once free and “innocent” people spend in jail?

Of course, we know the same thing now that we ignored back then: such behavior was wrong. There is simply no way to justify it and any company with an ounce of decency will have seen it and skipped the chance to enter the market, or do so in a way that made it clear they were following different rules.

And today, even if a company is lacking a bit of decency, I hope they are not lacking in a great deal of fear.



NO COMPANY CAN EXIST WITHOUT
THE PERMISSION OF ITS PUBLICS

But let's get back to a fundamental rule today.

It's almost as irrefutable as a law of nature: no company can exist without the permission of its publics.

If you lose the permission of your publics, you lose your privilege to operate.

And all of this is linked to the actual behaviors of your company.

HOW DO THESE COMPANIES THREATEN
THEIR OWN PRIVILEGE TO OPERATE?

When sales personnel step into the gray
area too many times.

When companies stonewall opponents,
and in doing so, energize them to act.

By fighting regulators to the point of alienation.

By making pricing or distribution decisions
that hurt a special class of individual.

The ethical and, yes, even moral, tone of any company is expressed in the day-to-day behavior of its employees. Corporate leaders who think a “mission statement” can tend to that agenda item might check out the headlines lately.

Most employees in the work environment have no greater personal connection to these statements than they do to the Magna Carta. Employees tend to work with the “volume turned off,” to focus almost exclusively on their tasks.

Likewise, staff units in corporate America define their value by the dimensions of their tasks. Marketers market. Operators search for efficiencies. Sales personnel sell. Corporate counsels litigate. Scientists innovate. HR staff hire, fire and avoid lawsuits.

But no longer can all the moving parts operate independently. In years past, when events were viewed separately, when communications didn’t blend a company’s actions into an immediately accessible record, life was “better.”

Incidents were “isolated,” or at least companies worked very hard to style them as such. They were generally successful, as each set of enforcers, each regulatory or legislative channel, and each special interest group, tended to operate in silos. And corporate organizations tended to reflect the outside world.

Today, the sheer transparency of action, the wholesale availability of information on any topic, at any time, makes the corporate organization of old obsolete. No action occurs in isolation. But in far too many companies, the old days are still around.

How do these companies threaten their own privilege to operate?

- When sales personnel step into the gray area too many times.
- When companies stonewall opponents, and in doing so, energize them to act.
- By fighting regulators to the point of alienation.
- By making pricing or distribution decisions that hurt a special class of individual.

HOW DO THESE COMPANIES THREATEN
THEIR OWN PRIVILEGE TO OPERATE?

When production supervisors find "efficiencies"
where others might find "violations."

When financial accounting becomes overly
aggressive, blurring true pictures.

By believing that logic and science should
overcome human emotion and concern.

By demonizing adversaries instead of listening
and reacting constructively.

- When production supervisors find "efficiencies" where others might find "violations."
- When financial accounting becomes overly aggressive, blurring true pictures.
- By believing that logic and science should overcome human emotion and concern.
- By demonizing adversaries instead of listening and reacting constructively.

The need for change has never been more urgent, or more obvious. More companies today are being forced into accountability across a wider range of audiences.

This is most evident in an industry with great public oversight in the form of regulation, non-governmental organizations, watchdog groups and the like.

Telecommunications. Healthcare. Finance.

Transportation. Energy. Education. All and more come to mind.



This brings us to the seminal question: whose job is it to protect a company's permission to operate?

Let me save you some time.

It's our job.

If it's not our job, then whose job is it?

We are the moral conscience of our organizations.

It's our obligation and duty to speak up.



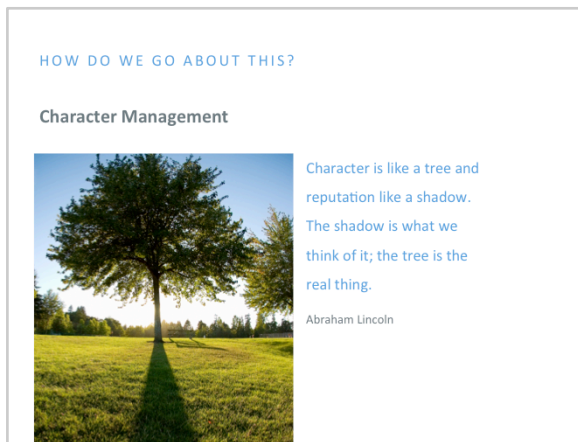
How do we go about this? One answer is to look at the past.

Many companies are quite comfortable with a brand management culture.

That means every decision that is made is filtered through the brand promise.

If the decision is inconsistent with the brand promise, the decision is killed.

I think it's time for companies to establish similar mechanisms for something we can call "character management."



One suggestion is to create a cross-disciplinary steering group within each organization to provide a living, breathing guiding hand and filter for decisions.

“Character management” will become a business strategy. This addresses a very simple truth: unethical behaviors do not build a sustainable business model.

Unethical behaviors create enemies; they risk the ire of lawmakers and regulators, and they disenfranchise the public....in short, unethical behaviors may work in the near term, but they are not sustainable over the long term, as we demonstrated earlier in these remarks.

If we get Character Management right, we will save organizational jobs, save money, protect and drive value, and we will open and preserve markets, and otherwise protect our organization’s permission to operate.

HOW AM I PROTECTING MY COMPANY'S
PERMISSION TO OPERATE?

ARE WE BEING ETHICALLY CORRECT?

IF "NO" OR "MAYBE," ENGAGE!

But what if you are not able to mobilize such a Character Management group? What if you are alone?

You can still make a difference. The question PR people should ask themselves every day is:

Am I protecting my company's permission to operate?

Do I feel what I and my company are doing is ethically correct?

If the answer to these questions is anything short of "yes," then you need to engage...engage!

Only by engaging management will you either change the organization or satisfy yourself that your company is making good choices, perhaps based on information you may not know until you engage.



Often we are deciding between two bad choices.

Sometimes we are making decisions between two good choices.

We know there are miles and miles of moral ambiguity in every day of corporate existence.

Of course, PR people cannot be in every decision, but PR people CAN do something that Lord Chadlington and I agree upon:

do EVERYTHING you can to create a culture of ethical decision-making.



That means when there isn't a directive to refer to, the correct behaviors are almost atmospheric, everyone knows what the organization stands for!

The cues are there, the principles are known, the reinforcement and disincentives are unspoken but well understood.

We at FleishmanHillard and the Council of PR firms are trying to do the same thing for our industry.

We are trying to put tools and methods in the hands of our agency and the Council membership to enable both to create a living, breathing culture of ethical decision-making.

That, of course, is where "Ethics as Culture" comes in.



Let me take you through a time-line of our efforts .

- **July 2011** – Internal discussions on conducting an ethical culture assessment.
- **November 2011** – FH partners with the Josephson Institute, a third-party ethics consultant, to assess our ethics tools, programs, training and ethical work environment.
- **January 2012** – FH receives assessment with includes 23 recommendations and develops the steps and actions to address them.
- **February 2013** – FH presents steps and actions to Josephson’s Board of Directors.
- **May 2013** – FH soft launches Ethics as Culture to group of Council Members at the Council of PR Firms Entrepreneur Forum (Chicago).
- **July 17, 2013** – Ethics as Culture was announced by the Council of Public Relations Firms. The Ethics as Culture resource guide and associated training materials provides a simple and streamlined approach to helping companies create a culture of integrity based on a foundation of ethical behavior.
- **July 31, 2013** – FH receives certification from the Josephson Institute.



Now I want to make this clear that Ethics as Culture goes way beyond training.

It examines every aspect of how we behave...or “how we do things around here.”

All of our policies and procedures tend to drive one behavior or another, so everything goes under the microscope.

On behalf of FleishmanHillard and the Council of PR Firms, I have provided enough copies of the executive summary of Ethics as Culture to hand out today. There is much more to this program which you can find online at the URL that is listed with the materials.

I hope you have time to sample each area of information, guidance and training.



"We are what we repeatedly do.

Excellence, therefore,
is not an act, but a habit."

Aristotle

Before I take questions, I want to leave you with yet another quote that I have used many times.

It's from the great philosopher Aristotle, and it contains inherently good advice. He said:

"We are what we repeatedly do. Excellence, therefore, is not an act, but a habit."

As public relations practitioners, we can help our organizations form a habit of excellence in the areas of ethical decision-making.

This takes courage. This takes conviction. Today, I hope I provided just a small amount of both.

Thank you.

ETHICS AS CULTURE
DAVE SENAY


FLEISHMANHILLARD

