



A TIME OF CHANGE: HOW CCOS AND CMOS ARE HANDLING A NEW PRESIDENTIAL ADMINISTRATION

This paper is an analysis based on in-depth interviews with 22 senior communications and marketing executives in large companies about what they are doing differently with the new presidential administration. This is not a political piece advocating for any position; rather, this is a paper focused on what interviewees reported.



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I.

INTRODUCTION

The initial purpose of this project was to interview leading communications and marketing executives about the emerging challenges and opportunities they experience in today's hyperkinetic business world. However, in nearly every interview, participants spoke about President Donald Trump and the uncertainty of the new presidential administration.

Because of the number of interviewees who cited President Trump and the extent to which they discussed him and his policies, we decided to focus on a report solely devoted to how the new administration is having an impact on their function, organized by key themes that emerged from the interviews. Included is also an outline of a plan confidentially shared by one CCO. A subsequent report will cover the spectrum of other opportunities and obstacles today's Chief Marketing Officers (CMOs) and Chief Communications Officers (CCOs) currently face.

Trump is causing unprecedented uncertainty for these executives. According to *Yahoo Finance*, as of February 2017, Donald Trump has used Twitter to call out more than 60 different organizations in the eight years since he opened his account in 2009. Some examples include:



2014:
Donald Trump tweets at T-Mobile CEO John Legere, calling the company's signal strength "terrible."

2015:
Donald Trump chastises Apple for a "dumb" decision and announces he sold his holdings in the company.

December 2016:
President-elect Trump slams Boeing for alleged cost overruns on new Air Force One planes.

January 2017:
President-elect Trump chastises GM for making vehicles in Mexico.



Even for brands accustomed to dealing with thousands of consumers on a regular basis, President Trump referencing a company can create challenges. In early February, President Trump criticized Nordstrom – using not only his personal Twitter handle (@realDonaldTrump) but also the official @POTUS handle – for dropping his daughter's line of clothing and jewelry.

Nordstrom issued a statement explaining its business reasons for the move, but the retailer continued to be assailed from both sides. Some Trump supporters called the move politically motivated while some Trump opponents took credit for the decision, claiming it was driven by a boycott threat. Nordstrom was drawn back into the fray to defuse all of these claims.

Interviewees said they have seen (or even experienced) the effects of the President mentioning an organization, especially on Twitter, and the issue this can create for their organization and others. They also discussed the impact of Presidential executive orders and the White House's legislative agenda. The new administration has also created a heightened focus on the rise of fake news and alternative facts, changing how consumers rely on traditional institutions for information. Communications and marketing leaders reported they are preparing their organizations as best they can in anticipation of any issues, for better or worse.

II.

BEING FLEXIBLE IS IMPORTANT IN THIS UNPREDICTABLE ENVIRONMENT

Communication professionals are paid to see around corners. The best ones are adept at identifying reputational risks as well as devising complex strategies and plans to mitigate these risks. Some consultants and agencies have built entire subsectors of crisis communications to help corporate executives be prepared. But a Trump presidency brings unprecedented new challenges. Most interviewees said they need to be prepared for potential issues that could arise from an early morning Tweet from the White House, the president mentioning their company in the speech, or an unexpected, off-the-cuff comment.

Some interviewees said they are unable to gauge when, how, and to what extent their organizations could be targeted. Additionally, they said they are unsure of how to respond. If the president criticizes their business model, how do they defend themselves without alienating stakeholders? If the president gets certain facts wrong, how do they correct him without starting a digital dust up with @POTUS?

“President Trump is just unpredictable in what he says. He woofs and calls out one company or another for something. That’s definitely something that’s on people’s minds.”

+ pharmaceutical executive

“There’s an external factor that in my life I have never experienced, which is this incredible need to anticipate, positive or negative, what’s coming. [It’s an] almost impossible job to anticipate in the current environment.”

+ financial services leader

In some cases, even when the president praises an organization, executives are forced to shift into overdrive to respond. One of our participants needed to postpone their interview for this study because the president-elect had just recognized and acknowledged his organization during a speech. “I have been inundated,” he admitted. “Trump just gave a shout-out to our CEO by name at a press conference, so I just responded to another 15 media interviews.”

Regardless of their preparation, communications and marketing executives said that they must be able to adapt to everyday changes. One CCO in the financial services industry said, “To me, what will change is the need to be incredibly adaptable, incredibly nimble and flexible. We’re already experiencing it, and I think every company is already experiencing it.”



III.

LEADERS ARE TRYING TO BE PROACTIVE AND PREPARED

Faced with such a high level of uncertainty, many communications executives said they have ratcheted up their efforts to become better prepared and better educated.

Organizations need to tackle two important work streams in parallel. The first is planning for a potential issue or crisis. The second is creating a strategic blueprint to best position their respective organizations to communicate both internally and externally about changes from the new presidential administration.

When it comes to crisis planning, leaders said they need to be agile.

"We created a crisis PR plan. We estimate that in the event that we're called out for one thing or another, we'd have about 30 minutes to respond in an effort to maintain our reputation."

+ chief communicator in the manufacturing space

Communications professionals find themselves weeding into new areas of the business in order to parse emerging risks to the company's reputation. Some interviewees said they are considering how certain changes or spotlights affect their operations. Questions they are asking include, How many immigrants do we employ, and where were they born? How will we be affected by a travel ban? How much do we pay in corporate taxes overseas versus the United States?

One executive said that he's asking, "What are the implications of the policy changes that are being made? What are the implications, frankly, of the executive orders in real-time?"

While prepping their organizations for a rapid response, leaders simultaneously are trying to plan for the long-term and are seeking external sources to guide them. They are reading case studies, analyzing trends, and studying analyst reports.

One leader said she has been following events in the media where Trump calls out a company. "We've actually been looking at the recent examples, as well as companies' responses to those examples as a guide to being anticipatory and just planning for the possibility that it could happen to us. We are trying to learn in real time."



Some are proactively broadening the scope of their strategic vision. One financial services executive said, "In terms of what I'm reading and what I'm focusing on with my team, it's...not just financial services. [It is] more broadly on what's happening in the world in terms of business and what impact these trends have."

Potential policy reforms from the current administration may also affect business models and organizational structures. Some interviewees are concerned that Trump will question their operations, and even their commitment to the United States. One executive worries that her company, which executed a corporate inversion a few years ago and moved its U.S.-based company overseas to a country with a lower tax rate, will have to answer for its strategy considering Trump's tax plans.

"We're actually a foreign company now. So we [may get questions about] who are traitors, who has left the country and who isn't paying their fair share. We have played that game for years and can only imagine that'll come back. So we've hypothesized particularly around five or six scenarios, and we do have some plans in place if that were to materialize."

+ foreign business executive

Some executives are beginning to realize that being proactive may require additional external resources due to overwhelming information, speculation, and repercussions. One VP of public relations said, "One option is to buy data that tells us where different parts of the ecosystem are headed under the new administration or under large pieces of legislation."

LEADERS THINK ABOUT WHEN AND IF TO ENGAGE

According to the interviewees, it's not just President Trump that has communications and marketing executives concerned, but also other political, economic, and social issues around the world, such as Brexit. Interviewees also are thinking about when to engage in conversation and when to back off.

"With all the anger and hysteria around something, do you respond or not respond?" said one healthcare executive. "In these moments, every CEO seems to be asked their opinion [related to executive orders, policy, etc]."

One communications leader from a European manufacturer that builds products in North America has had to deal with the president's misinterpretation of his company's business model. "The interesting thing is, we actually export more products from America than we import to America; we're a net exporter," he explained. "But we took a hit from Trump in the papers the other day with him saying we should be building in America. Well, we are. I'm not sure how that's going to play out yet. Do I really want to comment on that?"

Communications leaders who help promulgate their company's culture of diversity and inclusiveness are trying to decide how aggressively they can continue to push those messages under the current administration. One CMO said his organization's pro-diversity messaging would be shifting in favor of the company's contributions to the U.S. economy and society.

Others executives, however, see an opportunity to engage with stakeholders on some of these issues and even take the lead in these conversations, albeit in a very deliberate manner.

"People see us as an organization that has a higher-road viewpoint on things, and so we're watching this stuff all the time," said one airline leader. "I believe it's a privilege. It's an honor to be able to do that. But you have to treat it very, very carefully, because somewhere along the way our customers have given that to us; they've given us the privilege to do that."

Exercising that honor in today's climate, however, requires constant monitoring of controversial conversations and continuously taking the pulse of the White House, the media, a company's customers, and all other stakeholders.

"It's a challenge for a brand that has an ability [to offer] social commentary," the airline executive said. "Sometimes we're obligated to do it and other times, because of the circumstances, we just watch the commentary and not dive into it. You can't dive into it all the time."

ONE CCO'S TRUMP PLAN PROVIDES LESSONS FOR ALL

Sometimes, maybe oftentimes, the best ideas emerge over food and drink.

Over cocktails at a company event one evening in January, a *Fortune* 500 CCO and her colleagues were discussing the many ways a Trump presidency might affect their business. The conversation covered a good deal of ground and generated solid substance. It's the kind of discussion that's been happening at some companies across the United States.

But this dialogue was different, because it wasn't all talk.

The team realized the organization's urgent need for a strategic plan to respond to any communication by the current administration – either positive or negative – directed at the company or its industry. Back at the office, the CCO and her team set about creating such a blueprint.

The result is a written plan that runs nearly two dozen pages. It's comprehensive from both strategic and tactical standpoints. It clarifies how President Trump's and/or White House announcements can impact a company's reputation, share price, or market value. At the same time, it details specifically how staff should respond to different types of Trump/White House pronouncements.

The journey of this CCO, who agreed to speak to us and share her blueprint in exchange for confidentiality, provides a roadmap for all communications executives to follow. Some of the best practices include:

Move quickly:

Coincidentally, the response plan was sent to upper management for review just days before her industry's leaders were summoned to the White House for a meeting with the president.

Stay true to your core values:

The CCO works for a company that's very vocal in its commitment to diversity and inclusiveness. Even in this period when those values have become politically charged, she says the organization's communications won't waver from those values. The key, she says, is continuing to express their values in ways that are apolitical and show their positive impact on the business.

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v.

LEADERS STRUGGLE WITH THE GROWTH OF FAKE NEWS AND “ALTERNATIVE FACTS”

Amid their anxiety over Twitter attacks and culture wars, perhaps one of the biggest concerns on the minds of corporate communicators, spurred by the current presidential administration and the last election, is the rise of fake news and “alternative facts”.

Even some of the interviewees said they were trying to make sense of the information and its authenticity.

“I’m watching the White House press briefings. One of the things I’m trying to understand in the policy realm right now is what is fake or drummed up to generate outrage, versus what are true substantive facts about policies.”

+ cco, healthcare field

Another executive said one of his company’s unions was trying to get information out using alternative facts, and the company had to make a decision of how to respond. “I decided not to react on it because if you react on it, for sure it would have had more attention than now.”

A brand’s reputation can quickly be damaged — and its bottom line affected — by false “news” stories that spread like a firestorm through social media. Pepsi learned that the hard way when Trump supporters called for a boycott of Pepsi products after the company’s CEO allegedly told Trump backers to “take their business elsewhere.” The allegations were false, but Pepsi communicators had to swing into crisis mode to defend their chief executive and the company.

One CCO in the pharmaceutical industry said mistruths being widely spread is a challenge for the organization. She added, “In many ways, while it might be handled by communications, if it gets very extreme it’s directly hurting our bottom line. So, it’s a very serious business issue that we have to get smarter about dealing with.”

One U.S. executive of a company based in Europe said he’s ready for Trump to call out his organization for doing business on American soil. And he’s also aware of the need to respond to the fake news and false accusations that may follow. “The president is talking all the time about creating jobs. Of course, we’ve prepared ourselves for that case,” he admitted. “But, unfortunately, the problem with alternative facts is you don’t know what alternative facts will show up. You have to be aware of it, and have to be fast to react on it.”

Another leader said that she is painfully aware the truth is being twisted by both left- and right-wing blocs. She wonders how to communicate real information in this polarized environment. “How do we maintain relevance while staying true to the facts?” she asked. “There are things that [constituents] need to know about our company.”

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Seek broad buy-in:

The CCO realized that she needed input and sign-off from as many leaders as possible. Even though the company holds some progressive views, it still has a bit of a conservative tilt. She needed to make sure she took into account multiple viewpoints.

Be laser focused:

The plan tells communicators exactly if, when, how, and how often to respond to different types of scenarios, whether Trump’s statements are positive or negative, true or “alternative facts.” It also details how quickly they must respond on social media — as soon as 15 minutes if the president tweets about the company.

Think outside your walls:

The blueprint also outlines company responses if the president or White House make statements that affect the industry as a whole.

Even when you plan, expect the unexpected:

A comprehensive blueprint can’t consider every scenario or account for human behavior. When one consumer asked a company employee to show her support for a progressive event, the employee innocently complied. Of course, the consumer mentioned it on social media, from where it was picked up by mainstream media.

When questioned about the situation by reporters, the company calmly explained that individual employees sometimes comply with customer requests to support their causes, and cited previous apolitical examples.

The lesson is clear:

When you’re a *Fortune* 500 company, stakeholders will assume that even individual gestures represent the organization’s views. Employees from the top down need to be reminded that seemingly insignificant actions can have major repercussions. But employees should also be shown on a regular basis that the company will stay true to its core values.

VI.

POLARIZED STAKEHOLDERS CREATE CHALLENGES

The Trump administration has made its “America First” policies clear to all. The White House promises sweeping changes to immigration, outsourcing and tax inversions. For companies doing business in the U.S., this means stakeholders may be divided along national versus global lines.

According to a recent survey from the Associated Press-NORC Center for Public Affairs, Americans are even at odds over what it means to be “American.”

Nearly two-thirds of Democrats said a combination of global cultures was extremely or very important to American identity, compared with 35 percent of Republicans. Less than 30 percent of Democrats saw Christianity as that important, compared with 57 percent of Republicans.

Many of the corporate communicators interviewed said these gaps cannot be ignored. In this new normal, companies must adhere to their values and may have to adjust or change their strategies to protect their reputations and keep their brands thriving.

Some leaders, especially those who work for challenger brands that tend to have a more progressive culture, see this as an opportunity to double-down on their messages of open-mindedness and tolerance.

“[We have] sort of an anti-establishment attitude. As [Americans] start to define themselves along the lines of Trump, those values that we have become more of an issue,” said one automotive CMO. “What that also means is that to people who don’t view themselves along those lines, our proposition might become more appealing to them.”

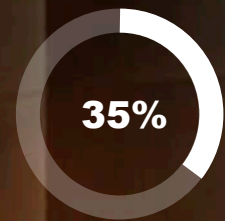
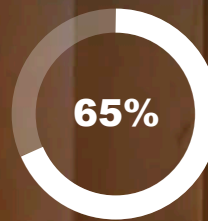
Other executives are closely monitoring their stakeholder perceptions. The questions they face are: Do they attempt to stay apolitical and above the fray? Or do they seek to appeal to the powerful emotions stirred since the election last November?

Some leaders see this as an opportunity to put a stake in the ground in the conversation. “From the point of view of our customer’s mindset, we are going to start to really crystalize things that people will rally behind,” said one CMO. “People are really starting to think about what it is to be American. Are you happy to be associated with what’s going on [in the nation]?”

“People are...defining who they are by how they react to what Trump is doing. The way the country’s going, we’re going to have to piss off 50% of the people to sell to the other 50%.”

+ cmo, automotive company

QUICK STATS



Combination of global cultures was extremely or very important to American identity

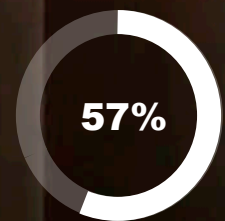


Democrats



Republicans

Christianity as important to American identity



Source: Associated Press - NORC Center for Public Affairs

FINAL THOUGHTS

Overall, companies are taking steps to proactively prepare for opportunities and challenges in the new presidential administration. With potential changes to regulation, immigration, and other government actions, CCOs and CMOs are anticipating the impact on their organization and industry. It's vital they create a framework for collaborating cross-functionally with other teams, such as government relations or affairs, to ensure they are being proactive and strategic.

OUR NEXT REPORT: CHALLENGES AND OPPORTUNITIES FOR CMOS AND CCOS

Our next report will focus on the key complex challenges and opportunities senior communication and marketing executives face in today's rapidly changing world.

One CCO in the insurance industry said his company is focused on the long term, rather than the ever-changing political climate. He said, "We spend more time talking about...the fundamental drivers of growth [in my industry] in Asia [that] are more powerful than short-term economic and political volatility."

In a future report, we will provide a detailed analysis of the additional topics that are keeping executives awake at night. These include:

The CCO's expanding role:

Some companies are relegating the responsibilities once held by marketing executives to the regional or product-line level and elevating the CCO to oversee communications and marketing. This expanded role includes a position as the brand's reputational officer.

The chaotic organizational structure:

We found that the communications marketing-structure, in general, is in disarray. The functional configuration varies widely from one company to the next, with too many functions still disparate and siloed.

The mysteries of digital and data:

With digital technology producing more information than ever, executives are struggling with how to draw insights from it. Leaders need to be able to master analytics tools or risk becoming obsolete. At the same time, they are trying to learn to combine data with experience and instinct to make command decisions.

Connecting culture and purpose to success:

As companies become more purpose-driven, the opportunity emerges for CCOs and CMOs to lead the charge throughout the entire organization. Culture is becoming a true differentiator. But are executives pushing too hard when they insist that employees, partners and agencies profess these values?

Budgets and resources under the microscope:

Even with their responsibilities growing, CCOs and CMOs see their budgets shrinking. We will discuss how they are reacting to this squeeze by blowing up the agency-of-record model and turning to new strategies to succeed in cost-conscious ways.





METHODOLOGY

Peppercomm conducted in-depth telephone interviews with 22 senior executives responsible for communications and/or marketing in large enterprises between October 2016 and February 2017 to uncover the key challenges and opportunities these professionals face in today's rapidly changing world. Because President Trump came up in every early interview, two questions were added to the interview schedule relating to the new administration. Only one interviewee said that because their company does not do business in the U.S. that they are unaffected by President Trump. After the election and through February, we asked executives questions specifically about the impact the new administration has already had or what they believe will have on their function. Half of the interview subjects carried a C-level title: either chief communications officer or chief marketing officer. Two individuals were either group head or head of communications. Seven others held various vice president positions, from executive VP to assistant VP.

These leaders were drawn from a diverse set of both consumer and business-to-business industries, including automotive, financial services, healthcare, insurance, law, pharmaceuticals, retail and transportation.

All interview participants were assured confidentiality in order to elicit the most candid responses. After the interviews, we used key themes that emerged from the discussion and transcripts as section headers in this report. Secondary research sources also informed our insights and analysis; they are quoted directly when relevant.