

Foundation for Public Relations Research and Education

Lecture to the 16th Annual Institute of the Public Relations Society of America
College Park, Maryland

July 10, 1974

“The Function of Public Relations in Helping to Restore Confidence in American Institutions”

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I am pleased and honored to be here tonight as your lecturer. But I did feel some momentary misgivings when I recalled Will Rogers' comment that a comedian amused people while a lecturer only irritated them.

When I was invited here I fear the trustees failed to take into account my immaturity, in the incorrect belief that my practice covered half a century. To be exact, the figure is only 47 years and three months.

That hasn't been nearly enough time for me to catch up with the notion apparently held by some people that public relations is a kind of cosmetic device people use to hide the truth.

Of course, no human activity is flawless or devoid of its seamy side, and public relations -- or public affairs as some prefer to call it -- is no exception. But the responsible practitioners of public relations I know adhere to principles of integrity, ethics and forthrightness.

Without these principles, we would not have seen the great growth in public relations activities of the past few decades. This expansion has been stimulated by the mounting complexity and technological advances of modern society, by the communications explosion and the increasing recognition that public opinion is the final human power in the free world.

While we have moved forward in our work, we have no cause for complacency. Let us face up to some cold facts. Virtually all of the institutions in our establishment, as you know, have lost credibility and public esteem in recent years. Business, and especially Big Business, has taken some rough jolts in public opinion.

Now, it is a perfectly logical question to ask: "Why hasn't the great effort by public relations on behalf of private enterprise kept it in better standing with the public?" Since no reliable method has been found to measure the results of public relations, another logical question may be asked: "How

much worse off would business have been without the effort?"

At the same time, public relations cannot escape some part of the blame for what has happened. There are doubtless many cases where practitioners have lacked the aggressiveness, the guts and possibly the capability to make their points stick with corporate managements.

The present is not the first time private enterprise has been under fire.

Twenty-two years ago, William H. Whyte, Jr., wrote a book entitled, "Is Anybody Listening?" Many of you will recall it. He said:

“The free enterprise campaign under way is shaping up as one of the most intensive sales jobs in the history of industry. And it isn't worth a damn.”

Mr. Whyte may have been too harsh in his appraisal, but the fact remains that business is still fighting the same battle. Early in my career in public relations, one of the big problems was that the people, according to polls of the time, thought business profits, after all charges, were 25 percent of sales. The actual figure was then close to 5 percent. After 40 years of hard work by many dedicated organizations, people no longer think that profits are 25 percent. They think they are 28 percent ... and the real figure is still around 5 percent.

The spotlight has been put on profits because after all they are what make the mare go. But profits account for a small piece of the income pie. The biggest slices go to labor and other costs.

The public's misunderstanding of the rate and role of profits goes hand in hand with the difficulty of getting people to understand the importance of increasing productivity in industry. A recent Harris poll revealed that 70 percent of the people polled think of any effort to increase productivity as exploitation of workers.

Don't these facts carry a stinging message to all of us who have been trying for many years to get a few simple economic realities accepted by the people of America?

The message I get is that it is time to go back to the drawing board. Re-examine past activities. Discover, if we can, what business and its public relations have been doing and saying wrong. Other institutions are worried too, but most of them are not under the legislative gun as business is.

Perhaps we should give heed to Dostoevsky, who in “The Brothers Karamazov” said, “If people around you are callous and will not hear you, fall down before them and beg their forgiveness for *in truth you are to blame for their not wanting to hear you.*”

Let's look at the problem confronting us now. We have in America a population that is one of the most highly literate in the world, and, at the same time, one of the most appallingly illiterate in economics. This illiteracy is not in the everyday family sense, but quite understandably, most

people do not comprehend the complicated world of Big Business, of finance or of the international marketplace.

Until very recent years, people were inclined to accept without too much question big government, big foundations, big universities and big unions partly because of their nonprofit nature. But Big Business is out for profit and therefore suspect. This doesn't mean people want Socialism in this country, and, if they stop to think, they wouldn't want Congress to abolish profits. Still, many people are skeptical.

We have some 80 million wage earners. Why do these men and women think of their pay envelopes as something of real concern to them and of corporate profits as something of *little or no concern to them?*

Perhaps the best way to solve this problem would be to try to lift the level of economic education in this country. Some are saying that the only way this will happen is through a big depression and widespread unemployment, God forbid! I lived through the thirties and although there is much anxiety and signs of recession now, I am hopeful that we won't have anything like the thirties again.

There must be a better way for the people, especially our youth, to get more understanding of at least the simplest economic facts. Why isn't this provided by our educational system? The problem there lies in the fact that so many of our educators and intellectuals (thankfully, not all) are either lukewarm toward our system of private enterprise or they outright oppose it. Their ideas have had wide influence in our schools and throughout our society. No one can protest fair and objective criticism but the intellectual critics of business have not always been either fair or objective.

As I think of the past, I become convinced that perhaps the most serious mistake made over the years was that business talked too much to itself and about itself and its needs and too little about what all this means to people. So people are not listening, and they won't listen until we get on their wave length. We need to convince them, in their terms and by our actions, that private enterprise wants just what they want -- to make ends meet and have something left over. Unfortunately, the people, during the period of economic euphoria, have had too many examples, led off by government, of heedlessly piling up debt and living beyond one's means. But that period seems to be coming to an end.

The survival instinct is normal for all of us and I suppose this is why self-interest and material goals are so prevalent among people. But many are motivated by pure idealism and totally selfless attitudes. I have seen peoples' faces light up with joy when they have achieved some good and kind deed which brought them no money but great inner satisfaction.

So life teaches us this simple lesson: People are different. Each individual has his own genes, his own educational and family background, his own IQ, his own likes and dislikes, his own fingerprints. In order to interest people in our problems we need to identify with their problems and interests.

That is what makes it so difficult to know how to talk to people.

The saving grace is that people with like interests, be they economic, ethnic, educational, geographical, cultural or some other, and are drawn together by their common concern. The problem in public relations is to sort out these fragmented groups and find ways to attract their special attention.

We have learned that emotional appeals often win more adherents than logical and factual arguments, but with the rising literacy of people and their growing sophistication, communicators are finding it less and less productive to talk down to them. Truthfulness and forthrightness are the watchwords for people in public relations.

Even so, I doubt if anyone today other than perhaps the President, could get the attention of the whole American public on any national issue that cannot be reduced to simple terms or better still, a slogan. Political men know this well. "He kept us out of war" -- "A war to save Democracy" -- "Get the country going again" -- "War on poverty" -- "Four freedoms." What has happened to those once lofty phrases? They gave birth to no great or lasting programs.

Before we can develop significant programs, we need to probe for the answers to some basic questions.

One of the first is -- What is public opinion? Many people speak glibly and often unthinkingly of public opinion. But because of the fragmentation of the public, the swift movement of events, the massive changes in our society, the enormous influence of the media, and especially TV, public opinion has a tendency to swing like a weathervane in America.

The questions asked by pollsters cannot, by their very nature, be in great depth. Asking how one is going to vote for specific candidates in an election is one thing. But asking for opinions on continuing, involved issues is quite another. How many of us are intellectually equipped or capable of even understanding the scores of national and international problems so frighteningly confronting us today? Even the best economists are not clear or in agreement on what causes inflation or how to cure it. So the average respondent gives answers that reflect his emotions, his gut feelings and hopefully, his common sense.

And of course, there is the consideration that some answers are influenced by the way questions are framed. Some critics of pollsters -- yes, they too are under fire -- contend that questions can be "loaded" to get desired responses.

Opinions on current questions and events can change rather quickly. But imbedded in society is a deep underlying movement of opinion which persists over the years like currents in the depths of the ocean -- irresistible and irreversible. Unperceived by most, they are gradually shaping society and this becomes apparent sooner or later.

For example, Nader did not invent consumerism, which existed under the surface for many years before it became a wide-open issue. Business has no greater problem in the area of public relations than to endeavor to discover, evaluate and, if a threat, to anticipate the currents of opinion existing or taking shape deep in our living society.

One hundred and forty years ago, a perceptive Frenchman, de Tocqueville, wrote that the "drive for equality" was one of the irresistible forces transforming society in America. Daniel Bell calls this the "Master Key" to our society. Time has shown de Tocqueville to be a true prophet. The high level of literacy in this country, the high standard of living and many other achievements evidence the vigor of the American "drive for equality." The gulf, between the haves and have nots is less wide, by far, than it was. But, of course, great inequalities still exist, and the effort to reduce these inequalities is irreversible. No one could say this is not in the public interest, yet are we always so sure just what the public interest is?

Actually, doesn't every group of any potency, speak of its "special" interest as being in the "public" interest? Undeniably, some of them are. Yet many other issues are just as clearly selfish.

Today inflation is the Number One problem in this country and around the globe. Also, problems like product safety and environmental pollution are in the forefront now as primary problems of "public" interest. These issues are real, but they are also complex and highly charged with emotion, and even politics. Most of them cannot be solved easily or quickly.

Nevertheless, demands for more truth in advertising, more safety in product design and more self-fulfillment and participation in jobs and improved quality of life are consistent with the dynamic underlying, forward movement of our society; and so long as these demands are within reason, business is misguided when it fails to give them serious consideration.

One way business has alienated people over the years has been by sanctifying the status quo and opposing many of the measures which people, rightly or wrongly, believed to be in their interest. Often, demagogues have presented frankly anti-business and punitive legislation and regulatory measures as good for the people when time proved many of these to be tragically just the opposite. The result is today that business is caught in a mass of regulations which are hurting the whole economy, at a time when the economy needs support. Yet it is true that some of the laws passed over the opposition of business have turned out to be good for the country, such as the Federal Reserve Act, the SEC and others.

In retrospect, it seems quite clear that whenever business adopted an adversary posture toward government and failed to make effective efforts to help shape legislation constructively, it not only usually lost the legislative battle but the esteem of the people as well.

I think all of us are aware of past mistakes by business and its public relations. The need now is to profit from those mistakes and make a massive effort to develop the best possible directions for the future. Many able minds now are at work on this project.

What I see is that some powerful new force is stirring in industry.

One of the most significant developments of our times is the evidence of, let us hope, a growing change by responsible industry leaders in the concept of their goals and obligations in response to the changing values of society. Added to the profit motive, which will always remain the lifeblood of private enterprise, has been a growing recognition of still other obligations business has to the people.

There is an increasing acceptance by these same business leaders that what they do and say must take into account not only profits, but the implications and consequences to society as well.

There is also some evidence of a maturing process among U.S. businessmen in their relationship to government, hopefully a general moving from an adversary position to one of positive constructive cooperation.

A case in point is the pharmaceutical industry. After 15 years of head-to-head confrontation with government -- a confrontation which had largely served to erode the reputation of an industry which had served the public well -- the drug people changed their tactics. At a meeting not long ago, the directors of the Pharmaceutical Manufacturers Association adopted a positive program to change a number of industry practices which had been unfavorably highlighted in recent Senate hearings.

In policies such as these lie the hope and the way of the future of private enterprise. Business leaders simply cannot stand aside while politicians and others monopolize the "public interest" as their exclusive property. Business leaders have the capability and the obligation to take the leadership in broad, forward-looking issues and help shape society, not selfishly but responsibly, for the good of all.

I am convinced that dialogues should be carried on between business leaders and their powerful and activist critics whenever this is feasible. If there are faults which need correcting by business, isn't it far better that these be admitted and corrected cooperatively and constructively rather than punitively, by anti-business forces? Businessmen can adopt a more conciliatory role without relinquishing their option to oppose unfair, strident and political attacks and impossible demands. That option can never be given up.

Clearly, there is every sound reason for business and society to come to terms. Society cannot demand or expect the impossible and the wholly impractical from business and business cannot turn its back on its legitimate obligations to society. There are growing indications that the long period of good times and affluence have led to unrealistic expectations on the part of great masses of people and that some, at least temporary, revision may be unavoidable in the critical times facing us now.

And so we have business confronted by intensified problems in these three vital areas; serious inflation and an uncertain economic outlook; increasing governmental bureaucratic regulations; and low standing in public opinion polls.

Respecting industry's standing with the public, I see much that is moving in a positive and good direction, yet negatives do persist. We might say that there are assets and liabilities in the balance sheet of private enterprise today.

I would summarize some of the positive points as follows:

- Corporate management is giving increasing recognition to the fact that public relations and public affairs is a united function of the whole organization. Policy decisions, implementation and communications are all closely interlocked. Policy decisions come first because fine words can never substitute for faulty acts.
- More top managements are accepting over-all responsibility, not only for profitable operations but for the organization's relationships with its own publics and with society as a whole. High level officers are being appointed with the specific responsibility of public relations and public affairs.
- Recognition is spreading in business that legitimate complaints and justified irritations of consumers regarding product quality, service, repairs and warranties require prompt and honest attention. The consumer movement is neither new nor a fad and consumers are voters, too, with the ultimate power of life or death over private enterprise.
- A few industries are recognizing that some of the so-called "public interest" groups, which are regarded as anti-business by many companies, do serve a useful public service in alerting both government and business to valid problems. These groups are skilled in legislative work and are busy not only in Washington but in all of the 50 states. Some industries are monitoring and studying the legislative proposals of these groups throughout the country and supporting those clearly in the public interest. In the case of other proposals that are unreasonable or impractical, constructive modifications are offered. When no alternatives can be worked out, then, of course, these so-called "public interest" proposals should be and often are opposed. This process has proven of value to communities and to the country, and hopefully it will become a pattern for more industrial organizations.
- Business leaders are becoming more flexible in their views and acts, in recognition of the fact that society is changing greatly and irreversibly.
- While corporate managements know that their organization cannot long exist or expand without profits, they are becoming aware, and more responsive to the people's insistence upon preserving and enriching "the quality of life." Therefore, efforts are being made to help in the solution of such problems as environmental pollution and other public issues.

These are some of the outstanding actions and policies on the positive side of the ledger which are enabling business to help shape society. On the negative side where progress is still needed, I would include these points:

- Business leaders need to become more aware of the anti-business attitude of intellectuals and other critics and face up to the charges that the moral standards of business are below society's standards; that its behavior is getting worse; that in its anxiety to maximize profits, it has a callous attitude toward the quality of life of the American people; that it often gives only lip service to its responsibilities to society; and that industry is always three or four years behind the people.
- Business leaders need more awareness that their motivations are no whit different from the motivations of the "little guy." The levels of expectations vary, but the principles are the same.
- More management people nationally and in the communities need to show willingness to communicate frankly and forthrightly on subjects people have a right to know about. There is every reason to be available for face-to-face discussion groups to the press, TV and radio, despite occasional exasperating experiences some have had. The more people understand business and its problems in terms of their own daily life, the less they will be alienated from business.
- There is a glaring lack of management people, top and middle, experienced in clearly and effectively explaining the system under which they operate. This lack is highlighted by the fact that some companies are sponsoring management training courses to equip their people to participate in public appearances.
- Ways should be developed to present financial returns to the public which will show where income comes from and where it goes and why profits are in the public interest. Some companies are spelling out the inflation factor in their profits.
- Corporate executives could well take heed of the statement by Irving Kristol that corporations have no constituencies -- no one, stockholders, employees or anyone else who is ready to come to their aid in a controversy. He suggests, among other things, giving incentive to stockholders to encourage them to hold their shares for long periods, also more attention to keeping them informed. This is a subject that needs careful study.

These are among the steps American business can take in support of its own cause. Many more steps will be called for as time goes on.

The truth is that leaders of American industry have responsibilities far beyond their own companies, their own communities or their own nation. The problems of the world are coming to their doorstep. For example, sooner or later American business will have to give what help it can toward solving the gigantic problems of the "have not" nations with their immense populations. Right now, food shortages and starvation are frightening problems in many countries in Asia and

Africa. In the present crisis, we are finding out that the whole world is bound together economically and financially.

The revolution in transportation and communications has created the "one world" Wendell Willkie used to talk about, with a "global marketplace," instant communications and satellite TV. Multi-national companies have multiplied and the most fascinating development of all is the fast deterioration of the Iron Curtain, at least so far as our expanding trade with the Communists is concerned.

All of this local and global stirring in industry is of enormous significance for people in public relations. It is impossible to overemphasize that the public relations function cannot be a thing apart from top management. In the best run companies, it is a vital segment of management and of the organization. This is bringing an ever-increasing demand for trained people in public relations and public affairs.

The need is not only for individuals skilled in the important technical aspects of communications but even more for those who can participate helpfully on policy discussions. Since most policy decisions have public relations implications, the need for experienced counsel is of growing importance at the top level of corporate managements. In arriving at sound policy decisions, in addition to business, financial and legal considerations, the need in today's world is also for information and advice on social, government relations, public attitudes and similar matters. This applies, for many companies, not alone to our own society but to other societies around the world as well. The call will be for people of broad competence and stature.

At the PRSA meeting in Detroit in November 1972, I suggested a public relations postgraduate course in such disciplines as the social and political sciences and other pertinent studies. I know the Foundation has given some thought to this, and I strongly urge that further study be devoted to it.

In public relations, it is imperative that we keep a perspective of history -- where we are and how we got here and where we are going. The present feeling of the people toward Big Business is not new. It has been surfacing on occasion since the beginning of the century and before.

I remember as a Hoosier farm boy in 1904, when my father took me to Indianapolis to hear his hero, Teddy Roosevelt, I stood close to the speakers platform and was thrilled by Teddy's angry denunciation of the "malefactors of great wealth." He was unfair in some of his charges, and Big Business hated him, but the people loved him. He was their champion and in public relations we need to listen to the critics of business just as we want the people to listen to what we say.

Once again business, particularly Big Business, is a political whipping boy. The times call for business statesmanship which will take the lead in forward thinking and actions in the interest of society as a whole. Public relations and public affairs practitioners must be prepared to help bring this about.

The people, including influential intellectuals, would benefit from better understanding of private enterprise, its problems and dynamic contributions to the general good. But also it is an obligation of managements to strive for a better understanding of people and of the valid complaints of a changing society. There is a need for more straight talk by business, but words will carry conviction only when supported by policies and acts, and by a demonstrated feeling for people.

This is the way to get people to listen. It is the clear path toward helping to restore confidence in the American institution of private enterprise.