

VRINDA WALAVALKAR'S VIEWS ON CHALLENGES FROM THE OPERATING ENVIRONMENT

Challenges to corporate reputation...

Corporate Reputation has both internal & external dimensions – and both these can pose a challenge to the corporate reputation of an organisation. Internally, CEOs play a very crucial role. They are almost cult figures. What they do, how they behave and what signals they send downwards through the company can greatly impact the company's reputation.

External challenges...

Externally there are a vast number of factors. External challenges can be formidable during certain times in your company's history especially if you are a market leader. The very fact that you are a market leader makes you extremely vulnerable because there are always people wanting to topple you. These could be your competitors, governments trying to see that you do not reach a monopoly position or the regulators who are going to subject you to a lot more scrutiny than any of your competitors. If your management is the kind that likes to challenge status quo, then obviously you have a very hard time ahead of you. The Enron management typically tends to challenge status quo.

Be prepared for challenges...

Corporate reputation does not necessarily translate from one market to another – so being highly regarded in a certain market does not mean that it will be so in new markets. If you are a company that typically takes the lead in privatisations – i.e. when an economy is transitioning from a public sector, state-controlled economy to a private, market driven economy – you should be prepared for turmoil, challenge, people misunderstanding your business, your intentions and every word that you speak. You also cannot afford to have the attitude that 'we know our business best and nobody else understands it. In a crisis, keeping calm and having empathy for those who criticise you is very important. These are some of the internal and external challenges that your reputation faces.

Keep calm in a crisis...

Macro & micro challenges to corporate reputation...

Corporate reputation is not made overnight or in a day, and cannot rest on past laurels. It is an everyday struggle – an ongoing affair and you must proactively identify what can be the challenges to your corporate reputation both on a macro level and a micro level. The everyday upheavals in your company, a stray conversation that you may have with your colleague in the corridor, a discussion that breaks out during lunchtime – all of these have the potential to grow, sometimes to snowball. Therefore you must be able to pick out those challenges very carefully. Periods when you launch new products and services, a merger or acquisition

and changes in government policies are times when you are particularly vulnerable. Hence you must proactively be able to anticipate what is happening and keep your company's stand on the issue clear especially before the media starts to enquire or the customer and the lender start worrying about it.

PR and HR working in unison...

Internally, layoffs, restructuring, a high profile disgruntled employee, squabbles within top management and business heads – are all factors that lay you open to attack. It helps here for the PR department to work closely with the HR department.

Enron's disadvantages...

When Enron came into India, it failed on a number of counts. It was entering a newly privatising economy. However, the company had very little experience of active democracies because of its operations in developed markets where reputation was a direct result of your products and services. This is not so, especially in markets where the consumer is not the king and is very often taken for granted. Here every other factor plays into your reputation rather than your product or your service. For infrastructure companies it becomes more difficult because you do not have direct access to your consumer. The product is sold typically to a state utility or a standard systems operator and the electricity that you get at the end is not necessarily that supplied by Enron. It is electricity that has come out of a pool – so people don't directly get to interact with you or use your service, so you have a branding problem or a branding issue.

Lack of understanding leading to controversy...

Enron took for granted that there existed a consensus for power reform – for privatisation of power. That was the first and most vital area where the company went wrong. It was a decision taken by the government - a decision that had not been widely debated by the rest of the country. It was taken at a time of crisis in 1992 when India was facing a balance of payments crisis and was actually selling off its gold in the international markets to pay off its debts – it was an emotional issue for the country. Against this scenario a select group of people were piloting economic reforms. The government at the Centre was a minority government and that was an added danger. Enron did not take the time to analyse this scenario from a social, cultural, economic or historic perspective. Consequently, in 1993, when Enron actually signed its power purchase agreement with its main customer, the Maharashtra State Electricity Board (MSEB), it became the biggest controversy in the country.

What Enron did...

Understanding the media and explaining it to the management helped Enron the most in a time of crisis. At

Prioritise in times of crisis...

Enron we familiarised ourselves with every contract and document that the company had signed with any outside party – from the ministry of power, to MSEB, to sub-contractors, to the partners. We came up with a list of constituents that we believed were working against Enron. In a crisis, you have to prioritise – find out who can do the maximum damage and address these constituents.

Important constituents for Enron...

Some of the constituents that were important were the local community in the area where Enron was going to put up its power plant, environmental groups, competitors, industry bodies, regulatory agencies, ideological opponents, media and the company itself. Enron realised that the local community was completely central to its business plan because unless Enron acquired land, there was no way that the power plant was going to come up. Therefore our first goal was to support the business plan and hopefully reputation would get built over a period of time.

The importance of media to the various constituents...

The media is critical because your constituencies are going to use it to their advantage. My first challenge was to change the way Enron looked at the media. Enron at that time had a very 'us- them' mentality - *we're us and the media is them*. And while the company believed in doing things its own way, it didn't realise the power of the media. In any given publication, there were at least six journalists assigned on the Enron beat. One worked on it from the utility end, one from the banking end, one from the corporate end, one from the government end and then there were the smart aleck reporters who liked to report on anything and everything. A lot of time therefore was spent on the media.

In terms of the local community, we started several grassroots programmes - from identifying just about every important person in the community of Guhagar (the taluka where the power plant was to be set up); networking with the collector; with elected representatives i.e. MLAs; identifying NGOs that are active there and of course the main constituents, the people whom Enron was actually going to acquire land from. It is very important to keep talking to the people, not through the media, but personally.

The Dupont story...

When Enron went to acquire land in Guhagar, one other company was working to acquire land in Goa and that was Dupont. Dupont did not get half the publicity Enron got on a daily basis, but three months down the line there were pictures of police firing on the community at the Dupont site and a grave on the site where they were to put up the plant. You don't recover from that kind of disaster and Dupont had to move its plant to Tamil Nadu. Enron continued to get bad publicity, but it acquired land in four months time.

Environmental opposition and steps taken to combat it...

Opposition from the environmental groups was very difficult to anticipate because Enron is a natural gas company (it does not do coal-fired power plants) and deals only with renewable energy and natural gas. It is a company that is usually welcomed with open arms in all developed countries – however, this was not the case in India.

It need not be issue-based environmental opposition, it may just be a ploy to secure better value for your land or to see to it that the company does not take you for granted. Enron defined certain goals for measuring environmental opposition. One of the chief goals was to see that Medha Patkar did not get personally involved in the project. In this, we were successful because the first time she took cognisance of our project was in 1996, by which time the even the media was ready to question as to why she should train her sights on the project at this stage when it had been on the cards since 1993.

Other measures...

We also started an in-house newsletter because we felt it was important to inform our constituents of our businesses and business practices rather than allow the media to tell them. So Enron began a publication in Marathi which showcased our community efforts and was distributed free in the local community. It also acted as a check on all the journalists who report on social and developmental issues.

Other constituents

Another constituent is your competitor. All you can do here is to build trust with the media so that they do not take the word of your competitor regarding your business. Other constituents are industry bodies (it is important for the company to be a member of CII, Assocham and Ficci) and regulatory agencies. At Enron, we interfaced with everyone from the CEA to TERI, to the national working groups on power. With ideological opponents, we mainly relied on winning all the court cases that were launched against us. We did not talk to the media during a court proceeding even though it meant that our opponents were sharing affidavits with the media. We had 28 litigations against Enron, all of which we won. During the entire period we had an intensive system of direct mailers. The goal was to have two direct mailers on Enron reach the table of over 5000 people who were crucial to the company's business. Each of those 5000 people got at least one communication from the company in addition to the newsletter every month and that set up the dialogue within the company.

In conclusion, I would like to say that you are only as good as the last article written on you. Hence you have to continuously evolve your goals depending on your business plans.

QUESTION AND ANSWER

Sharing information across the board

At Enron we put in place a programme called 'excellence through communication groups'. Every region of Enron has these groups which critiques its own management on a continuous basis.

More specific information in terms of the difference between internal & external communication and the kind of budgets involved

In terms of budgets, it depends on various factors – look of the product or hiring of an external agency etc. Internal communications is ongoing. For instance during President Clinton's visit, Enron was to have two signings - in Mumbai and in New Delhi. In the run-up to those signings, it is typical that we send an email to every single employee of the company outlining the signings, why we are doing them, what is our public stance regarding those and are we looking towards making a big media splash or not. If we are, why are we doing so, and if not, why not?

On the day of the signing, the release that goes out to the media goes first to all our stakeholders – employees, customers, bankers, government officials and to our partners. For example, Enron signed a gas sales agreement with the Ispat group in Maharashtra and we were also picking up equity in their plant. It is for the PR department to anticipate the question that would be posed by most people - why Enron would pick up equity in an Ispat group venture when there were numerous stories of FIs reducing

funding to the group? So these kinds of issues are very internal to the company – business heads cannot always explain their business strategy to everyone. Public relations can do that very effectively because the department is generally aware at all times about the group's activities. These are some of the examples of internal communications. We also have set up an intranet where almost every executive's engagements are posted. So internally, people within the company know when a person is available and the best time to get to meet him or her.

(Excerpted from the presentation made by Vrinda Walavalkar, Manager Corporate Communications, Enron India, at PR Pundit's workshop – Pillars of Corporate Reputation, held in Mumbai on March 29, 2000)