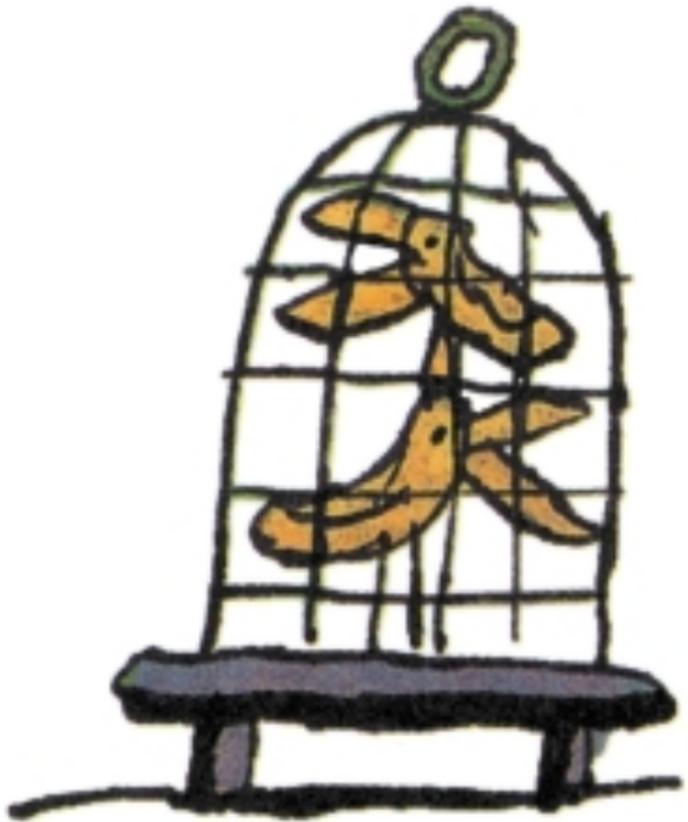
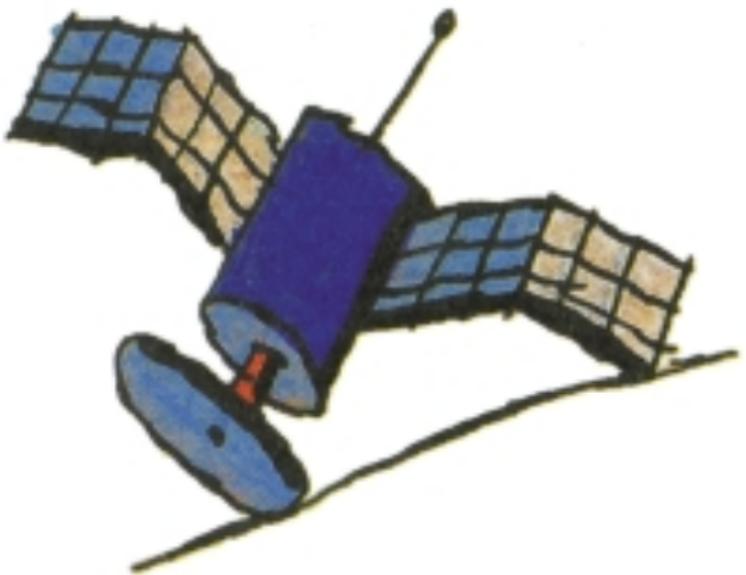


naturist or veiled?
corporate behaviour
for the next millennium



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The illustrations by Benoit Jacques were originally published in the 1997 award-winning Annual Report of WPP Group plc, designed by Addison, and are reprinted here with kind permission of WPP.

Introduction

The way you make sense of the future, according to Charles Handy, is by taking charge of it. For companies, some future certainties are already self-evident. Both investors and consumers will require more disclosure, not less.

Digital technology will mean instant information, and online questioning by shareholders. And with commerce conducted increasingly from a remote computer screen, consumers will seek familiar and trusted corporate brands.

Taking charge of such a future will involve actively and creatively explaining new technology and interactive media. It will mean constantly redesigning the content and flow of information to investors and customers. No mere duty, but a competitive necessity. And it will require careful stewardship of the corporate brand.

For a flavour of the challenges companies will face at the start of the next millennium, we have stepped forward to the year 2010. With the help of the Henley Centre we have looked at the macro trends currently effecting corporate and financial communications and made a series of predictions about future patterns of corporate behaviour.

The information superhighway is a reality and McLuhan's global village has arrived. The first step in taking charge of the future is to anticipate it. We hope you enjoy the journey.

creating clarity



2 naturist or veiled?

In the past twenty or thirty years the world has changed almost beyond recognition. Most of us expect this upheaval to continue, even to accelerate.

Developments in communications are breaking traditional barriers between businesses, industries and nations, and spawning new ways of working and living. The Information Age has brought unlimited possibilities and unexpected problems, a proliferation of choice and a barrage of competing claims on our time.

The challenge for tomorrow's organisations is to create clarity amid this confusion, to develop a strong and consistent voice that will be heard above the din.

This presents our thoughts on the choices and challenges that face business today and, is a result of research conducted between ourselves and the Henley Centre into the macro trends effecting corporate communications and financial reporting.

are you like this?



4 naturist or veiled?

Our research suggests that, broadly speaking, companies fall into two categories with regard to how they communicate. The two categories differ in their attitudes to stakeholders and to disclosure, and in the kinds of messages and media they prefer to use.

We call one 'naturist': the other, 'veiled'.

The veiled company

- cares primarily for its investors who, in turn, care primarily for financial gains
- has its ownership concentrated in a few institutional hands
- provides only the information required by standards and regulations. This is largely quantitative
- is otherwise opaque or implicit about its activities
- uses highly controlled, traditional one-way media, such as print
- relies on its AGM for feedback.

As a consequence,

- its investors are fickle and happy to trade in high volumes, so
- the company is forced to focus on *short-term shareholder value*.

or this?



6 naturist or veiled?

The naturist company

- exists to satisfy all its stakeholders including customers, investors, suppliers, employees, regulators and the wider community
- has fragmented but stable ownership
- cherishes long-term investment relationships
- believes in full disclosure of the facts as well as the figures
- embraces new performance indicators
- has a vision, which it shares
- is open, accessible, consistent and fair in its dealings
- invites continuous stakeholder feedback, using online media to encourage dialogue.

As a consequence,

- its stakeholders, although vocal, remain loyal
- it can focus on building the *long-term integrity of its brand*.

Businesses today still fall into the veiled category. But some are discovering that naturism may be the answer for tomorrow.

To see why, you have only to look at the big picture, the specific macro trends that are affecting all of us in corporate communications and investor relations ...

a global marketplace



8 naturist or veiled?

The world is now a global marketplace. Trade barriers and sanctions are almost a thing of the past. Deregulation and improvements in communications are allowing huge capital flows across national boundaries.

In the last 25 years the size of the world market has more than doubled. And, more significantly, power has shifted from the US – once the dominant force – to a more balanced situation as Japan and the emerging economies come into play.

As a result the traditional Anglo-Saxon model of shareholder interests is being challenged by the more inclusive stakeholder approach.

Many major companies now operate internationally and are having to learn to think globally. Their customers live from Bali to Bogota, their investors from Manhattan to Melbourne. These new stakeholders are a varied and multi-cultural group, united only by their interest in one business, but highly diversified in most other respects.

So?

- companies must decide whether to adopt a global persona or retain their local roots. They must identify which approach works best for which groups of stakeholders and for which products or brands.
- companies will explore new ways of tailoring their communications to suit different stakeholder needs. This will be more demanding than their existing communications programme.

without global financial standards



Although many companies now operate worldwide they are not obliged to conform to global accounting standards. Indeed, no such mandatory standards yet exist.

For many businesses, local rules can flatter figures that would appear lacklustre in an international light. This presents a problem for the foreign investor, making it hard to judge a business's true performance or compare it with competitors'.

Even so, three quarters of multinationals say they want to address this by adopting global standards. Many claim they will embrace the 1999 benchmarks of the International Accounting Standards Committee.

Some are also grappling with new measures of shareholder value, but there is still hot debate as to which are most revealing and relevant.

We predict that

- accounting policies will not be fully harmonised within the next 10 years

- multinationals will take on benchmarking standards to a greater or lesser degree depending on whether they are naturist or veiled by disposition

- nevertheless, the move towards global accountability will continue, driven by the needs and demands of international investors.

where companies are
more powerful than
nations



At a time when top global companies like General Motors, Shell and Mitsubishi have larger revenues than the GDPs of all but the world's biggest nations, when the commercial community is assuming many of the powers and responsibilities of the state, companies must be – and be seen to be – good corporate citizens.

This isn't altruism but good business. Stakeholders – from customers to staff – are increasingly aware of the impact of commerce on their lives. For them, ethical and social reputations can matter as much as financial performance. They are increasingly vocal, and organised, in saying so.

Even among investors we are seeing, for the first time, major institutions siding with pressure groups and individual shareholders on 'soft' issues. Multinationals are learning the hard way that they must earn respect and confidence by being demonstrably ethical. We now find ourselves, to borrow the words of one UK chairman, in a 'show me' not a 'trust me' world.

In the next decade

- companies will accept they are accountable to their wider stakeholders. Naturists will embrace this and build strong relationships. Veiled companies will still focus on institutional investors who will ultimately retain the most influence, if not the loudest voices
- we'll see more disclosure and the use of new social, ethical and environmental performance indicators. These will be adopted willingly by naturists, grudgingly, if at all, by veiled companies.

where the boundaries
between businesses are
blurring



Here we face a paradox. While companies are downsizing, re-engineering and outsourcing to focus their operations, entire industries are converging. It is no longer clear, for example, where telecommunications end and computing begins, or whether the distinction between manufacturing and service businesses now has any relevance.

Meanwhile, strategic alliances and joint ventures are turning competitors into partners, suppliers into investors and leading companies into new markets and territories. Competition has given way to 'co-opertition'.

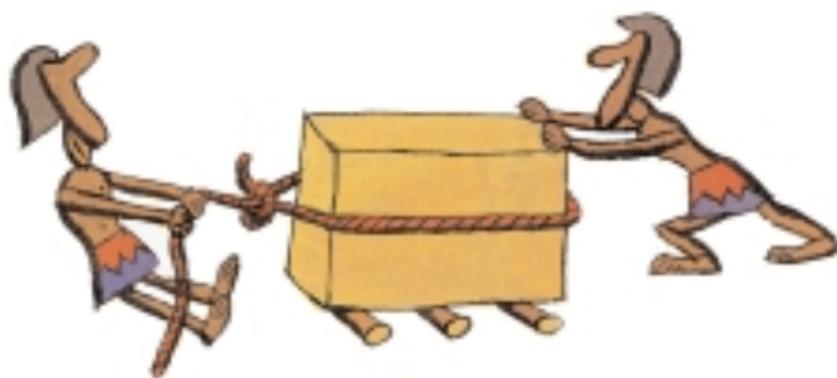
We're also seeing strong corporate brands extending into new sectors. Mitsubishi has done it for years. Virgin is a more recent example, a brand that stretches from insurance to condoms, planes to publishing.

In this fluid world of alliances and brand extensions financial performance becomes much harder to track, predict and compare. Stakeholders are more easily confused about the nature and aims of their business.

Which means that

- companies must work much harder to communicate their activities and performance, their strategy, ideology and values. This demands new standards of clarity, consistency and openness
- as a result, we'll see corporate mission statements become 'manifestos' – public statements of intent and policy. The naturists will, of course, lead the way.

where you must fight to
be heard



Another paradox. There is huge – and growing – demand for corporate disclosure and for companies to share more information about their activities, performance and plans.

But, in this fast track-world with its proliferation of competing media, we have less time to consume and digest that information and make choices and decisions based on it.

As a result, the information consumer won't waste precious time with a company that is sending complicated or confusing messages. The companies that will command respect – and get more air-time with stakeholders – are those who have a reputation for good business ethics and clear, accessible communications.

Expect to see

- an emerging culture of open information, particularly via two-way communications channels which allow continuing dialogue. This will be led by the naturists with the veiled reluctantly following
- simple and streamlined communications plus new mechanisms for tailoring communications to the information needs of different stakeholder groups, ultimately of different individuals.

and no one knows what
the explosion of new
media will bring



We are in the midst of a media explosion which is having profound implications on how we communicate. Information technology is rapidly becoming integrated into our daily lives and user confidence is growing fast.

The Internet, intranets and other interactive networks offer companies opportunities to develop a two-way dialogue with their stakeholders that traditional print cannot provide.

But accessibility can also bring vulnerability. With networks comes 'network power', the ease with which individual stakeholders, lobbying and pressure groups can mobilise their resources and bombard your business with their views.

We predict that

- you'll have to use parallel media for the next few years. It'll be more expensive but it will enable you and your stakeholders to evolve a new style of communication
- naturist companies will exploit this two-way dialogue and carefully analyse their electronic exchanges. Veiled companies will get caught by surprise if they don't pay attention to this new media tool
- even though electronic media allow ongoing feedback and instant voting, the AGM will remain an annual chore for some years to come.

come on in,
the water's fine



We have highlighted just a few of the global trends that are causing confusion and driving change. In time, they will all have profound effects on how your business communicates.

Stakeholders – now a more diverse and powerful community – expect greater transparency from companies. They want communications that are clear, convenient and ongoing. They want brands and businesses they can trust.

All of this puts 'naturist' companies at an advantage. For them, transparent communications are already a way of life. Some of these naturists are new businesses, created for new times – but others are long-established institutions who are learning to unveil and are discovering that nudity is the best policy.

We can help you to make that transition, as quickly or slowly as you wish by working with you to create communications that are:

clear: we help you to define and express your mission, values, vision, brand, past performance and future plans

focused: and translate them into media and messages that work for each group of stakeholders

distinctive: in a style that supports your brand, builds trust and recognition and helps you to be heard.

If you'd like to know more, we suggest you talk to us or let us put you in touch with one of our recent clients. It's time to peel off that first layer.

Come on in, the water's fine.

addison naturist or veiled?

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was the recipient of a
WPP Atticus Award
1998: merit for original
published thinking in
marketing services.



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