

Communications in finance: The challenge of incremental innovation

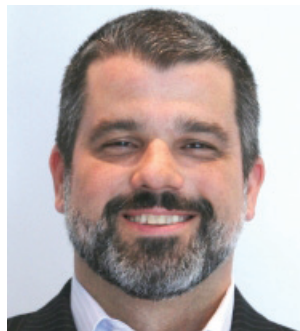
Michael Bayer, Cohn & Wolfe

A few weeks ago, as part of Cohn & Wolfe's "Dinner & Dialogue" series, I was fortunate enough to host dinner for 20 senior communicators from some of the world's largest financial service companies. The goal was not to dwell on the Great Recession and the global financial crisis, but to discuss new opportunities in the new financial landscape.

Many of my guests' firms, from banks to insurers to asset managers, continue to deal with a withered sense of stakeholder trust, particularly those with consumer-facing brands. Some are still wrestling with the branding and communications challenges of market consolidation and merger integration. But, for the most part, these professionals are focused on the future. I sense a renewed confidence, a hunger, and a willingness to try new things, maybe for the first time in years.

That's not to say that communications in the financial sector is undergoing a creative Renaissance. Two systemic industry challenges will continue to discourage the best efforts of communicators: regulatory compliance and an embedded culture of PR conservatism.

The financial sector is already heavily regulated. And the Dodd-Frank Act, with its systemic risk management and new consumer protections, will soon eliminate any remaining regulatory flexibility. In this environment, it will be easy for compliance



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to become all-powerful and trump the needs of strategic marketing and communications.

To most communicators, what you say, to whom you say it, and how you say it are strategic decisions, but in the financial sector these are risk management decisions. In discussing the corporate brand, one guest said: "Marketing doesn't control the brand. Communications doesn't control the brand. Compliance controls the brand."

So, is a communicator destined to be constantly at odds with compliance? Absolutely not. The successful communicator will embrace the compliance function as an essential strategic partner. One guest sent a member of her marketing team to earn his Series 7 license to better understand the complexities of compliance. Another schedules regular meetings with the compliance team to share strategic objectives with a view toward improving understanding and collaboration.

If I'm being totally honest, I believe compliance is often used as an excuse to justify the sector's culture of PR conservatism. When it comes to PR innovation, if technology and consumer companies are trailblazers, then financial firms are distant followers. The natural mindset is not to experiment and innovate, but to rely on what has worked in the past. And this is not just about compliance.

Consider social media. A few of my guests have advanced social strategies, but most remain far behind either because of the compliance risks, the belief that institutional clients don't use social media, or both. We discussed the cost-effectiveness of social media strategies — compared with paid media, for example — but many guests insisted their compliance departments would consider social media to be the most expensive form of communications, if you factor in the legal risks. Of course, no one could name a single social media incident that caused a large fine or settlement.

The key for social media, we concluded, is to aim for happy accidents. One attendee recalled how her reinsurance firm produced an educational video for

lobbying purposes. While not designed to be a viral sensation, the video generated more than 23,000 views within a few weeks and left a (relatively) enormous social footprint among friends and followers. This demonstrates the appetite for information across social media channels, even in the most highly specialized financial sub-sectors.

Communicators in today's financial firms cannot challenge the organization's critical need for risk management, but should partner with compliance and experiment thoughtfully with new media and new messages. Progress will come through incremental innovation, not overnight reinvention, and in this sense, the communicator can be a significant agent of change.

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