

CEOs Get PR Challenge

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Congress snuck a surprise into this summer's financial reform legislation, and it's one that could turn into a PR nightmare for corporate America. As [reported](#) in the *Financial Times*, nestled deep within the Dodd-Frank financial reform act is a provision that requires U.S. companies to "disclose the ratio between their chief executive's pay package and that of the typical employee."

The SEC has yet to draw up regulations that will govern the disclosure, leaving many questions still [unanswered](#) (e.g., how subsidiaries, affiliates, and non-U.S. employees are treated in the ratio calculation). But at least one thing is obvious: this is made-for-TV legislation. Attention-starved members of Congress must be licking their chops at the idea of putting the pay ratio between a Fortune 500 CEO and Joe-Six-Pack employees on posters and waving them in front of the nearest camera.

The [best line](#) comes from University of Delaware professor Charles Elson, who refers to the requirement as a "thrill disclosure." He also notes: "This is a political disclosure, as opposed to an economic disclosure, and that's the problem."

Whatever the merit of the legislation, the fact is that America's chief executives and their compensation attorneys have a major PR challenge ahead. And they should understand one big "DO" and one big "DON'T" that will help them get through the disclosure unscathed.

First, the "DON'T": don't argue against the legislation itself. That genie is out of the bottle, and it's not going back in. Larry Burton of the Business Roundtable struck precisely the right note in his comments to the *Financial Times*: "We're not debating the concept of disclosure—we think that's a good thing. . . . But you can do more harm than good if you take a well-intended piece of policy and implement it badly. That's the risk here." By talking about the need to be smart in implementation, the Business Roundtable left itself plenty of wiggle room to lobby the SEC for favorable guidelines, without appearing to reject the premise of the legislation.

Second, "DO" have a message about why your CEO compensation makes sense. The message can take many shapes. It might be a message about how much value your CEO has brought to the company, it might be a message about CEO compensation at your competitor corporations, or it might be a message about something else entirely. Whatever the message is, it should provide context for the ratio figure and make it understandable to even the most simple-minded type of audience: Congress.