

A P T E R T W O

Communicating Strategically

In the first chapter, we examined the changing environment for business over the last half century. In this chapter, we explore how these changes have affected corporate communication and why it has become imperative for modern companies to communicate strategically.

Strategic communication can be defined as "communication aligned with the company's overall strategy, [intended] to enhance its strategic positioning."¹ An effective strategy should encourage a company to send messages that are "clear and understandable, true and, communicated with passion, strategically repetitive and repeated, [and] consistent (across constituencies)."

We begin this chapter with a summary of the basic theory behind all communication, whether individual or organizational in nature. We will also briefly discuss influential models in modern communication theory. Although many communication experts have adapted these theories to help leaders communicate in writing and speaking, few have looked at how these same basic theories apply in the corporate communication context—that is, the way organizations communicate with various groups of people.

Communication, more than any other subject in business, has implications for everyone within an organization—from the newest administrative assistant to the CEO. Thanks in part to important strategy work by academics such as Michael Porter, Gary Hamel, and C. K. Prahalad, most managers have learned to think strategically about their business overall, but few think strategically about what they spend most of their time doing—communicating.

This chapter discusses what it means to develop a cohesive communication plan within an organization, emphasizing the critical link between corporate communication and the firm's overall corporate strategy.

Communication Theory

Most modern theories associated with communication can be traced back thousands of years to a single common ancestor, the Greek philosopher Aristotle.

¹ Paul A. Argenti, Robert A. Howell, and Karen A. Beck, "The Strategic Communication Imperative," *MIT Sloan Management Review*, Spring 2005.

Aristotle, who studied under Plato and taught in Athens from 367–347 BCE, is most often associated with the development of rhetoric, the ancient antecedent to modern persuasive communication. In his book *The Art of Rhetoric*, Aristotle defined the three basic components of every speech, which have been adapted to meet the needs of the modern corporation as follows:

This strategy depends on thinking carefully about the same three parts that Aristotle used to describe the components of speech: (1) a “speaker,” or in our case, a corporation, with something to say; (2) a “subject,” or message that needs to be conveyed; and (3) a “person” or group to whom the message will be delivered.

Aristotle’s observations on message communication laid the foundation for modern communication theory, which developed in the United States along with several other social sciences following World War II. In 1948, law professor and political scientist at Yale University Harold Lasswell proposed a communications model that he believed applied especially well to mass communications.² His linear model can be summarized as “who (Aristotle’s speaker) says what (Aristotle’s subject or message) in which channel (medium) to whom (Aristotle’s recipient) with what effect (effect).” Several years later, professor of communication skills Richard Braddock proposed an expansion of the Lasswell model to include more reflection on the intent of the message, as well as more analysis of the circumstances under which the message was being delivered.³

Further in 1948, mathematician and engineer Claude Shannon published his “A Mathematical Theory of Communication” in the in-house scientific journal at Bell Labs. The following year, Warren Weaver helped Shannon to publish the article as a book, and as a result this communications model is called both the Shannon-Weaver model and the Shannon model. The model, used today in social sciences, mathematics, and engineering, is linear and focuses on the physical transmission of information. It follows the creation of a signal by an information source (using a transmitter) to the reception of the signal by the recipient. The model also includes a “noise source,” which can be anything that interferes with the integrity of the signal.⁴

In 1956, professor of communications George Gerbner proposed a communication model that built on both the Lasswell and Shannon-Weaver models and emphasized the important role that perception plays in communication as well as the transactional nature of communications.⁵

The Corporate Communication Strategy Framework presented in Figure 2.1 incorporates these and other communication models to provide a valuable framework for effectively analyzing corporate communications.

Looking at the framework, one can easily visualize the connections between each component. As communication theorist Annette Shelby states: “The unique

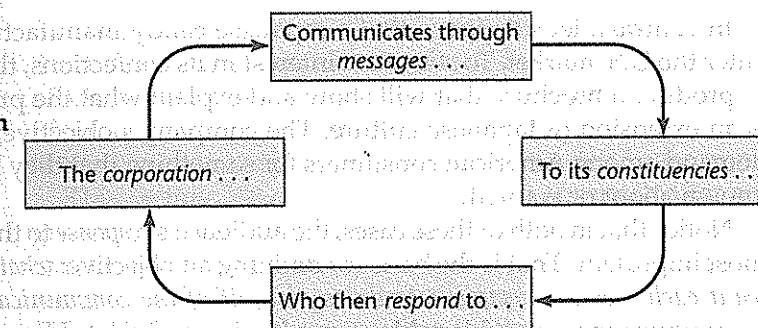
² Harold D. Lasswell, “The Structure and Function of Communication in Society,” in Lyman Bryson, ed., *The Communication of Ideas: A Series of Addresses* (New York: Institute for Religious and Social Studies), pp. 203–243.

³ Richard Braddock, “An Extension of the ‘Lasswell Formula,’” *Journal of Communication*, 8, no. 2 (June 1948), pp. 88–93.

⁴ Claude Elwood Shannon and Warren Weaver, *The Mathematical Theory of Communication* (University of Illinois Press), 1964.

⁵ George Gerbner, “Toward a General Model of Communication,” *Audio-Visual Communication Review*, 4 (1956), pp. 171–199.

FIGURE 2.1
Consolidated
Corporate
Communication
Strategy
Framework



interrelationships of these variables determine which messages will be effective and which will not.” These interrelationships will also determine the most effective tools for communicating the message. In addition, this framework is circular rather than linear, which reflects the reality that communication of any kind is an ongoing process rather than one with a beginning and an end.

Whether an organization is trying to enhance its reputation through social media, to communicate a new health care plan to employees, or to convince shareholders that the company is still worth investing in, it is critical to use a coherent communication strategy. An effective strategy should take into account the impact that the message will likely have on its audience.

Developing Corporate Communication Strategies

Let’s further develop each of these variables and apply them to real situations and see how they operate in practice.

Setting an Effective Organization Strategy

The first part of an effective corporate communication strategy relates to the organization itself. The three subsets of an organization strategy include (1) determining the *objectives* for a particular communication, (2) deciding what *resources* are available for achieving those objectives, and (3) diagnosing the organization’s *reputation*.

Determining Objectives

An organization, like an individual, has many different reasons for deciding to communicate. For example, a company might want to announce to employees a change in its benefits package for the upcoming year. Let’s suppose the organization has decided to eliminate retiree health benefits as a result of increasing health care costs. In this case, its objective is more than just announcing the change; it also must convince employees it has a good reason for taking something away from them. Thus, the objective here is to get employees to accept the change with a minimal amount of protest.

In contrast, let's suppose that a Japanese candy manufacturer has decided to enter the U.S. market. To stimulate interest in its confections, the company decides to produce a brochure that will show and explain what the product is and how it is an extension of Japanese culture. The company's objective, then, is to create a demand among American consumers for something that they have not previously known about or wanted.

Notice that in both of these cases, the audience's *response* to the message is what is most important. That is the basis for defining an objective: *what does the organization want each message recipient to do as a result of the communication?* Management communication expert Mary Munter writes in her *Guide to Managerial Communication* that managerial communication is only successful if you get the desired response from your audience.⁶ To get that response, you must think strategically about your communication, including setting measurable objectives for it.

Deciding What Resources Are Available

Determining how to communicate about something like an employee benefits plan or introducing a new product into a market depends heavily on what resources are available within the organization, including money, human resources, and time.

Money In our earlier example involving cutbacks in health benefits for employees, the company must decide whether it is better to simply announce the program as clearly as possible to its employees—for example, through the company newsletter, via e-mail, or on the company's intranet—or to hire a benefits consultant with experience in helping other companies sell employees on benefits reductions. The first option looks less expensive than the second in the short term, but if the employees revolt because they feel they are losing something for no good reason, the company might end up spending far more than it would have if it had hired the more experienced consultant in the first place.

Most companies, unfortunately, often err on the side of short-term, inexpensive solutions to communication problems because they are not looking at the problem from the perspective of the constituency in question. This issue is similar to a problem individuals often have in communicating: they look at their own needs rather than the needs of their audience and end up having difficulty reaching their communication objective.

Human Resources Human resources are also an important factor in determining the success or failure of a company in achieving its objectives. Typically, too few are assigned to deal with communication tasks, and those involved are often inexperienced or unqualified.

Imagine a company that has just gone public and has decided to create an investor relations function to deal with shareholder relations and communication with financial analysts. It could assign one person to do all of these things, or it could decide that it really needs three. The best approach depends on the size of the company and its shareholder base. Let's look at the case of a well-known, multibillion-dollar company that turned this function over to one person with

weak communication skills rather than devote two or three experts to deal with the different constituencies involved. In this company's case, it wasn't a question of whether it could afford to pay more people to do the job correctly; it was the lack of understanding about how important corporate communication really is and the limitations put on the human resources needed to accomplish a specific task.

This Fortune 500 company changed its approach after analysts started to downgrade its stock despite healthy prospects for the company's future. The CEO discovered that the analysts felt that the investor relations person at the company was not interested in giving them sufficient information to rate the company's stock. This perception led them to believe that something was wrong at the company. The investor relations person, on the other hand, was actually trying to do two or three tasks at the same time and simply could not keep up with the demands of the job. After this incident, the company hired two more professionals to handle the job properly, creating a more effective and efficient investor relations function, and its stock price shot back to where it should have been all along.

Time Time, like human resources and money, is also a critical factor in determining an organization's corporate communication strategy. Let's look at two approaches for dealing with the same problem involving the allocation of time.

In the case of the Japanese confectioner mentioned earlier, the company decided to produce a brochure (with the help of a communications consulting firm) describing its product more than two years before it was actually necessary. So much time was involved, however, in getting everyone in the company to buy into both the proposed text and the design for the brochure that it took almost the full two years to produce an eight-page pamphlet. Cultural differences between Japanese and American business styles contributed to the tremendous amount of time needed to develop the brochure.

For an American firm, it is unheard of to devote so much time to what would be viewed as such a simple project. American firms produce brochures like this from start to finish in a matter of weeks. But is this really a better approach?

The allocation of time, like the allocation of all resources, should be determined by what it will really take to achieve the company's objective rather than to seek a short-term solution. In some cases, this might mean allocating more resources than the organization would like to achieve the desired result, but almost always, the organization is better off allocating the resources up front. Correcting mistakes in corporate communication after the fact can be a costly proposition. Too often, qualified communicators are brought in only after a crisis has erupted or to combat rumors that have materialized to fill a "communications void." This scenario is often the case when a company is in the midst of a merger or acquisition and employees hear details about the company's merger plans through media outlets before they hear it from the company itself. When rampant rumor mills and third-party information inspire fear and uncertainty among employees, productivity and customer service typically suffer—in some cases enough to reduce shareholder value.⁷ The company then suddenly has a much larger—and potentially more costly—problem to deal with.

⁶ Munter, *Guide to Managerial Communication*.

⁷ Michael Kempner, "When RUMORS Thrive Your Deal's in Trouble: Damage Control Techniques to Seize the Communications High Ground," *Mergers & Acquisitions*, May 1, 2005, pp. 42–47.

Diagnosing the Organization's Reputation

In addition to setting objectives for a communication and deciding what resources are available to accomplish that objective, organizations must determine what kind of image credibility they have with the constituencies in question. An organization's overall reputation with constituencies is based on several factors. We will get into this in greater detail in Chapter 4 when we talk about image, identity, and reputation, but it is also a critical factor in the development of all communication strategies, whether specifically related to image or not.

Image credibility is based on the constituency's perception of the organization rather than the reality of the organization itself. As an example, think about a university that is trying to generate positive publicity in the national press. If the university is not well known outside its region, this effort might prove very difficult. Its image credibility in this situation would be low because national press representatives would have limited experience with the institution compared with an institution that already has a national reputation. Thus, no matter what kind of resources the university puts behind this effort, it will be an uphill battle.

Worse than limited image credibility is credibility that is lacking or damaged. In the fall of 2010, top toy company Mattel had to recall 7 million of its Fisher-Price-brand tricycles when 10 young children reportedly injured themselves on the sharp, protruding plastic ignition key. During this same period, 3 million Fisher-Price toys were recalled due to concerns that small parts could cause choking. The 2010 recalls unfortunately followed a series of other reputation-damaging recalls for Mattel, including a recall of magnetic toys with faulty designs in November 2006, a recall of Fisher-Price-brand toys with high levels of lead paint in August 2007, and a recall of lead paint-laden Barbie accessories in September 2007.

Once the most credible of toy makers, Mattel had damaged its credibility with investors and customers. During the height of the high-profile recalls, the stock value fell as much as 25 percent, in the fall of 2007. However, Mattel executives took aggressive action to help upend the credibility crisis, opting for complete transparency and leveraging digital communications channels to deliver messages to constituents. Mattel's communications team also launched an advertising campaign with the headline "Because your children are our children, too," and spokespeople constantly reiterated the company's investigation of the safety breaches and communicated openly with the media. Mattel's response to the recalls of 2006 and 2007 likely reassured investors during the 2010 recalls because the company's stock price actually increased slightly immediately following the September 30, 2010, tricycle recall announcement.

Sometimes, damaged image credibility can result from circumstances beyond an organization's control, rather than from any specific actions or missteps by the company itself. Mattel fits this description to some degree, as some of its recalls were caused by issues with overseas manufacturing partners. Although Mattel's executives should have ensured more stringent safety requirements and monitoring standards, there are really two credibility crises at play: the handling of the product recall by Mattel, and the reputation crisis at Fisher-Price, which was responsible for regulating the overseas production of its toys.

Also victims of circumstances beyond their control, global energy companies faced a collective image credibility challenge in the wake of the Enron collapse. Many began having problems with bondholders, regulators, and investors following the scandal, as they were presumed guilty of engaging in similar practices as the former energy giant. One possible strategy to combat this "guilt by association" would have been for a company to craft a communication program that would actively seek to distinguish it from Enron in a highly visible way.⁸

We can see that an organization's reputation is an important factor in setting a coherent communication strategy. For simple tasks, this is not a problem, but in other cases, the image credibility an organization has built with a specific constituency can make a huge difference in determining the success or failure the organization has in achieving its objectives. Companies increasingly are recognizing this fact and, accordingly, are dedicating resources to assessing their corporate reputation. One such company is FedEx. Once a year, the company's senior executives gather at its Memphis headquarters to assess the different risks the company faces. In addition to considering the possible financial impact and implications for the business continuity of each scenario, they examine what would happen to the company's reputation. "We believe that a strong reputation can act as a life preserver in a crisis and as a tailwind when the company is on the offensive," explained Bill Margaritis, FedEx's senior vice president of worldwide communications and investor relations. In addition to this hypothetical scenario analysis, FedEx conducts a survey to find out how the company is perceived by external stakeholders and performs a similar exercise with its employees annually.⁹

The three considerations for creating an effective organization strategy—setting objectives, deciding on the proper allocation of resources, and diagnosing the organization's reputation—are the building blocks upon which all other steps in communication strategy depend. A second set of issues the organization can turn to is an assessment of the constituents involved.

Analyzing Constituencies

Analyzing constituencies is similar to analyzing your audience when you want to plan a speech or write a memo. This analysis determines (1) who your organization's constituencies are, (2) what each thinks about the organization, and (3) what each knows about the communication in question. We will look at each of these in turn.

Who Are Your Organization's Constituencies?

Sometimes the answer to this question is obvious, but most of the time, it will take careful consideration to analyze who the relevant constituencies are for a particular corporate message. Do not be fooled into thinking that it is always obvious who the main constituency is. Usually, constituencies come from a group that is primary to the organization, but a secondary group also can be the focus for a particular communication (see Table 2.1).

⁸ Duncan Wood, "Not Cleaning Up Your Act Can Be Costly," *Treasury & Risk Management*, September 2004.

⁹ Ibid.

TABLE 2.1
Constituents of Organizations

Primary	Secondary
• Employees • Customers • Shareholders • Communities	• Traditional media • Suppliers • Creditors • Government • Local • Regional • National • Individual bloggers and activists

Companies have different sets of constituencies depending on the nature, size, and reach (i.e., global or domestic, local versus regional or national) of their businesses. Although a company may list its constituencies on a piece of paper, as in Table 2.1, it should resist thinking of them as too fixed or too separate. An organization's primary constituency or constituencies can change over time. In a time of crisis, for example, it may be wise for a company to focus more intently on its relations with the media—which it may normally consider a secondary constituency—to manage its reputation and attempt to minimize negative press. Additionally, constituencies should not be thought about in “silos,” as the lines between them can blur. When employees are also shareholders in a company, for instance, they belong simultaneously to two constituency groups. For example, Starbucks formally blends employees and investors by offering all employees “bean stock” based on the number of hours they work, a practice that Starbucks began in 1991 and considers to be core to its mission.¹⁰

It is also important to recognize that constituencies interact with one another, and that an organization must sometimes work through one constituency to reach another. For instance, if a department store is focused on revitalizing a customer service focus to drive more loyalty (and sales) from its customer constituency, it must reinforce this mission with employees before customers will see results. A classic example can be seen in the employee-customer-profit chain model created by Sears, which tracked success from management behavior through employee attitudes to customer satisfaction and, ultimately, financial performance.¹¹

Companies should acknowledge the role of their own employees as “brand ambassadors”—given that they interact with a large number of external constituencies, the potential for “word-of-mouth” goodwill and image building is significant when employees fully understand what the corporation aims to be in the mind of its customers and other constituencies. Software Company SAS has established itself as a leader in this area, ranking #1 in *Fortune* magazine's

¹⁰ Howard Schultz and Dori Jones Yang, *Pour Your Heart into It: How Starbucks Built a Company One Cup at a Time* (New York: Hyperion, 1997).

¹¹ Anthony J. Rucci, Steven P. Kim, and Richard T. Quinn, “The Employee Customer Profit Chain at Sears,” *Harvard Business Review*, January–February 1998, pp. 83–97.

2011 “100 Best Companies to Work For” list. Its executives offer employees some compelling (and unusual) reasons to advocate the brand: car cleaning, a health care facility on-site, a kids’ summer camp, child care, a beauty salon, and a 66,000-square-foot gym are just some of the perks employees at SAS enjoy. Zappos, a \$1.2B online retailer specializing in shoe sales, and #6 in *Fortune*’s 2011 “100 Best Companies to Work For” list, is another company where employees are valued as significant corporate communication assets. As Zappos CEO Tony Hsieh wrote in his 2010 book *Delivering Happiness*, “we trust our employees to use their best judgment when dealing with each and every customer . . . we want our reps to let their true personalities shine during each phone call so that they can develop a personal emotional connection (internally referred to as PEC) with the customer.”¹²

However, keep in mind also that constituencies can have competing interests and different perceptions of a company. For example, cutting employee benefits may be welcomed by shareholders but will likely be highly unpopular with employees. Finally, keep in mind that communications intended for one constituency often reach others.

The individual communication experience of one marketing vice president (VP) brings this last point to life. The executive VP to whom he reported had decided to cut the group’s administrative support staff due to the increased use of technology to handle communications while professionals were away from their desks. This vice president detailed his plan for cutting the support staff by almost two-thirds in a memo to the vice president in charge of human resources. The plan involved laying off five assistants in the department over a period of six months. Many of them had been with the firm for several years.

As usual, the marketing VP typed up his thoughts in rough form and e-mailed it to his assistant, asking her to format the letter and print the final draft on his letterhead. Although his assistant was not one of the five affected by the layoffs, she couldn’t help but empathize with her colleagues of many years, and within an hour, the marketing VP had a revolt on his hands. Now, with a constant news cycle that is aided and abetted by online communications, a scenario like this one could be prompted by information that gets into the hands of, for example, a blogger, as we’ll see later on in this chapter.

Now obviously, the aforementioned VP didn’t intend for his assistant to be a part of his constituency, nor did he stop to think about her reaction to the change when he asked her to print the letter to the human resources VP. Nonetheless, she became a conduit to a more important constituency—the employees who would actually be affected by the plan.

This simple example is instructive to organizations seeking to communicate at a more macro level as well. Just as we cannot always control the flow of information to one constituency alone on an individual level, on the corporate level, the same set of problems arises.

¹² Tony Hsieh, *Delivering Happiness: A Path to Profits, Passion, and Purpose* (New York: Business Plus, 2010), p. 145.

What Is the Constituency's Attitude toward the Organization?

In addition to analyzing who the constituencies for a particular communication really are, organizations also need to assess what each constituency thinks about the organization itself.

We know from personal experience that it is easier to communicate with people who know and like us than it is with those who do not. The same is true for organizations. If a company has built goodwill with the constituency in question, it will be much easier to reach its objective.

The classic example of good corporate communication is Johnson & Johnson's redemption of the Tylenol brand in 1982, when poisoned capsules killed seven people in Chicago. (See Chapter 10 for more on the Tylenol crisis.) That the company was able to succeed against all odds—when people like advertising executive Jerry Della Femina and several other experts in communication declared Tylenol impossible to save at the time—was a tribute to the hard work the organization had done before the tragedy actually happened. The company was known in the industry, by doctors, by consumers, and by the press as rock solid—willing to stand by its products and do the right thing, no matter what the cost. In this case, the cost ran into the hundreds of millions of dollars, when the company decided to recall over 31 million bottles of Tylenol capsules.

Convincing people to buy a product that had been laced with cyanide was not an easy proposition, but because the company had the trust of many different constituencies, it was able to achieve its objective, which was to revive the brand. If people hadn't trusted the company, or if they had questioned its behavior in any way, this revival would not have been possible.

When goodwill or trust is lacking, communication can be a struggle. And companies cannot expect to be trusted until they prove themselves trustworthy through concerted actions that demonstrate care, concern, and understanding for their constituencies. As stated in "Authentic Enterprise," mentioned in Chapter 1 as a document produced by the Arthur W. Page Society:

In addition to the familiar intermediaries and constituencies with whom corporations have interacted in the past, there is now a diverse array of communities, interests, nongovernmental organizations and individuals. Many of these new players represent important interests, while others are not legitimate stakeholders, but rather simply adversarial or malicious. Regardless of motive, all are far more able to collaborate among themselves around shared interests and to reach large audiences. At the same time, companies and institutions themselves are seeking similar kinds of engagement with multiple constituencies . . . Constituent relationships have always been important for businesses and institutions, but the proliferation and empowerment of new kinds of stakeholders have profoundly altered the landscape. First, in a radically more transparent world, organizations can no longer be different things to different constituencies; an enterprise must be one thing across its entire ecosystem.

Source: Reprinted with permission from the Arthur W. Page Society.

Building trust often must start from within the organization—by communicating up and down with employees, hearing them out on the topics that concern

them, and making constructive changes based on their input. Companies with high levels of trust with employees are also those that take the time to clearly communicate the company's business goals to employees and help them understand the vital roles they play in achieving those goals.¹³

What Does the Constituency Know about the Topic?

In addition to the constituents' attitudes toward the company, we also must consider their attitudes toward the communication itself. If they are predisposed to do what the organization wants, then they are more likely to help the organization reach its objective. If they are not, however, the organization will have great difficulty in trying to achieve its goals.

Consumers are often wary of new or unknown products. The Japanese confectioner mentioned earlier was a victim of such bias as it tried to convince Americans to buy a product that was well known and liked in Japan but completely foreign to Americans. In Japan, the company is seen as the highest-quality manufacturer of *wagashi*, or candy. The company, Toraya, is one of the oldest companies on earth. It can trace its roots back to the ninth century, and the same family has been in control of the firm for 17 generations. It has been serving the imperial family since its inception.

Given its long history and aristocratic roots, the president of the company assumed that the product would speak for itself in the U.S. market. Because no one else was around to compete with the firm, middle managers in charge of the U.S. operation assumed that its introduction of *wagashi* would be a huge success.

Unfortunately, they didn't think about how American palates would react to the taste of a candy made out of red beans and seaweed. Most of the people who heard about the product couldn't even pronounce its name, and when they tasted the gelatinous form of the product, known as *yokan*, they didn't like it.

To get consumers in the United States interested in the product, Toraya had to educate people about the role of *wagashi* in Japanese history and its exclusivity, as demonstrated by its aristocratic roots. Those who tasted the product in focus groups early in the process of its introduction to the United States likened the experience to the first time they had tasted caviar or espresso.

Japanese candy isn't the only example of misjudged consumer feelings. Take Walmart, for example. The retail behemoth tried to break into the German market for nine years before retreating with its proverbial tail between its legs in 2006. Walmart had 85 stores in the country but eventually lost the battle to local rivals such as Aldi and Lidl because it failed to adapt to the German consumer and business culture. Among the many missteps: German Walmarts imported the U.S. practices of bagging groceries for customers at check-out counters and requiring employees to smile and greet every customer. The service-with-a-smile approach was seen as distasteful and unnecessary by shoppers. Executives also imparted the company's American policy of forbidding romances between employees. This restriction was seen as inappropriately intrusive by German standards. In misjudging its target

¹³Shari Caudron, "Rebuilding Employee Trust," *Workforce Management*, October 2002, pp. 28–34.

consumer and subsequently abandoning its German business, Walmart took a \$1 billion hit.

Companies that try to sell an idea to the public are always in danger of failing as a result of the lack of information or the negative feelings consumers may have about it. The U.S. automaker General Motors (GM) realized, after several failed attempts to penetrate the U.K. market with Cadillacs, that rather than spending money on a U.K. advertising campaign, it was better served to hire an automotive public relations specialist to help the company educate people about Cadillac's new approach to the market, including an increased range of right-hand-drive models.¹⁴

When companies are communicating to their employees about something like a change in benefits—from a defined benefit pension plan to a cash balance plan, for instance—understanding what employees know about the topic, as well as how they feel about it, is critical. Without this insight, valuable time and resources can be spent on a communications campaign that ends up completely missing the mark. For example, a company may assume that employees' greatest concern is the competitiveness of their new benefit plan relative to other companies, when, in fact, they are most concerned about understanding how the new plan differs from the existing one. Absent this knowledge, the company's communication strategy may focus too heavily on the benchmarking issue and fail to address the issue of most concern to this constituency.¹⁵

Clearly, then, after a firm has set objectives for its corporate communication, it must thoroughly analyze all the constituencies involved. This requirement means understanding who each constituency is, finding out what each thinks about the organization, and determining what each already knows and feels about the communication in question. Companies should consider allocating a portion of their marketing budget to this kind of research. Armed with this intelligence, the organization is ready to move to the final phase in setting a communication strategy: determining how to deliver the message.

Delivering Messages Effectively

Delivering messages effectively involves a two-step analysis for companies. A company must decide how it wants to deliver the message (choose a communication channel) and *what approach* to take in structuring the message itself.

Choose an Appropriate Communication Channel

Determining the proper communication channel, or channels, is more difficult for organizations than it is for people. An individual's channel choices are usually limited to writing or speaking, with some variation in terms of group or individual interaction. For organizations, however, the channels available for delivering the message are several.

As you can see from Table 2.2, there are now more communication channels than ever before for an organization's internal and external communications. For

TABLE 2.2
Communication
Channels

Old Channels	New Channels
• Spoken word • Letter • Print media	• E-mail • Blogs • Digital newsrooms • Television • Podcasts • Text messaging • Internet • Voicemail • Electronic meetings • Video • teleconferencing • RSS feeds • Facebook • Twitter

example, a company looking to reveal a change in top management may decide to announce the change through a press release, which gets the message out to a broad set of constituencies. In addition, it may announce the change in a memo and an e-mail to employees, as well as posting it on the company's intranet.

Even this simple example has multiple channel possibilities. Should the press release go to local media or national media? If the company is global, should it get the message out on an international newswire, such as Reuters or PR Newswire? Should it display the message on its website? Should the message go to employees as part of a video teleconference or over the company's intranet? Should the company post an update on its Twitter account? Then there is the whole question of *timing*. Should the employees hear about it first? Should the story be given to one reporter before all others, on an exclusive basis?

In December 2010, Yahoo announced the layoff of roughly 4 percent of its workforce, or around 650 employees. Yahoo notified affected employees on December 14. The same day, CEO Carol Bartz issued an explanatory memo beginning with "Yahoos, I want to share some tough news with you" to put the layoffs into context.¹⁶ However, she wasn't the first to deliver the bad news to the affected employees; rumors of impending layoffs percolated throughout both respected media outlets and the blogosphere in the days leading up to the official announcement. With the real-time, 24/7 news cycle that is increasingly dominated by social media platforms, the company didn't address prevalent online rumors, announcing more than a week later that layoffs would indeed be necessary. Thus, despite Bartz's "personal" appeal to employees, online commentary from sources such as the UK's *The Guardian* and *The New York Times* suggests that Yahoo staffers caught wind of the impending layoffs well in advance of the official announcement. It's just one example of the necessary actions companies must take to protect sensitive information and to deliver it to the intended audience before it leaks in cyberspace.

¹⁴ Richard Cann, "Cadillac Media Push Aims to Crack the UK," *PRWeek*, July 9, 2004.

¹⁵ "Communicating Cash Balance Plans," *Watson Wyatt Insider*, April 2000, <http://www.watsonwyatt.com>.

¹⁶ <http://www.guardian.co.uk/technology/blog/2010/dec/17/yahoo-closing-problems>.

After GM announced 25,000 planned job cuts by 2008 at the company's annual meeting in 2005, the company had to work fast to calm worker uncertainty about what lay ahead. Sue Melino, staff director of GM's global internal communications department, explained that the company's goal was to ensure that employees were informed about the layoffs as soon as they were released to the public. The company delivered the news to employees through multiple channels: a webcast of CEO Rick Wagner's speech at the annual meeting, newsletters in company plants, and a segment on GM's daily employee television show. "What we are trying to do," Melino explained, "is provide as much context as we can internally."¹⁷

Each time a corporate communication strategy is developed, the question of which channels to use and when to use them should be explored carefully. Before this step, the company needs to think about the best way to structure the message and what to include in the message itself.

Structure Messages Carefully

According to most experts in communication, the two most effective message structures are commonly referred to as *direct* and *indirect*. Direct structure means revealing your main point first, and then explaining it in more detail; indirect structure means giving context first, and then revealing your main point.

When should a company choose to be direct and when should it decide to be indirect? Normally, organizations should be as direct as possible with as many constituencies as possible, because indirect communication is confusing and harder to understand.

Take the example of Nissan when it introduced the Infiniti series in the United States. Instead of just coming out with photographs of the new cars (as it does now), the company took a more indirect (and typically Japanese) approach by showing impressions of landscapes and creating a mood without actually showing the car. This effort was a creative success compared with the approach its direct competitor, Toyota, took by showing traditional pictures of its comparable Lexus model. Unfortunately, Nissan's campaign didn't sell many cars. The company wanted to create a strong identity in the American market through this type of advertising, but this mixture of product and image advertising was completely lost on American consumers.

A third option in terms of message structure is to simply have *no* message. Today, this approach simply doesn't work with a public hungry for the next sound bite and the media looking for an "angle" on the story. Usually, saying that the company cannot talk about the situation until "all the facts are in" is better than just saying "no comment" or nothing at all, but managers (especially in the United States) are often influenced by lawyers who are thinking about the legal ramifications of saying anything. Deciding to be direct often means taking the court of public opinion into consideration as well, which, to some companies, is often far more important than a court of law.

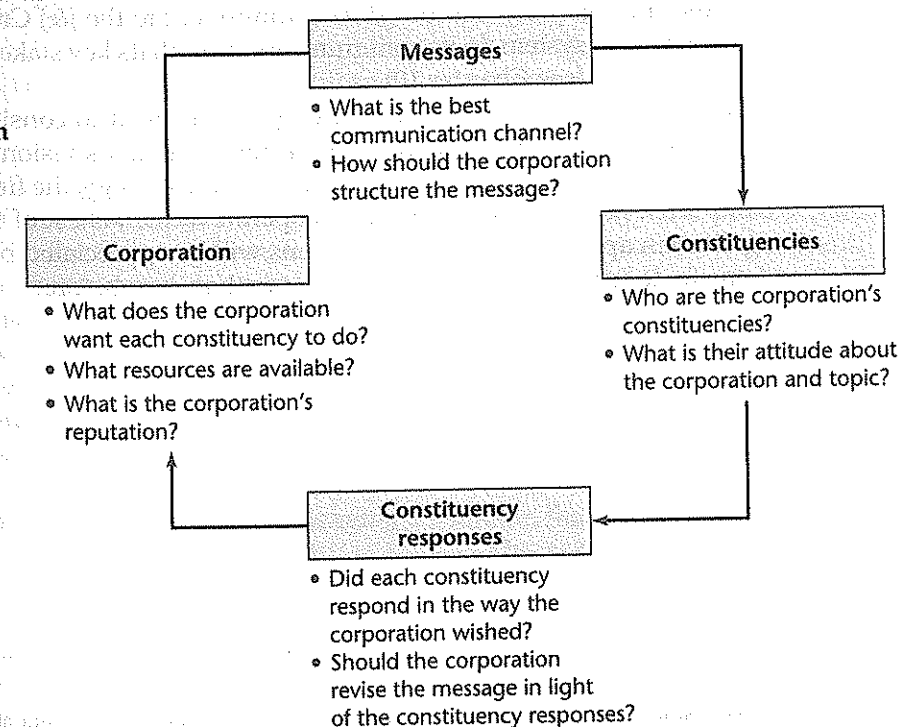
¹⁷ John N. Frank, "GM Pushes Growth Message in Light of Announced Job Cuts," *PRWeek*, June 9, 2005.

Constituency Responses

After communicating with a constituency, you must assess the results of your communication and determine whether the communication had the desired result. In some instances, this feedback can be gathered nearly immediately after the delivery of an important message or set of messages. For example, employees can be provided a short questionnaire to confirm an understanding of the main points of the communication and uncover areas where they would have wanted more information or clarification. In other cases, it may take some time to measure the success of the communication, such as determining whether sales rose in response to an advertising campaign. After the results are in, you must determine how you will react. Has your reputation changed? Do you need to change your communication channel? Hence the circular nature of the corporate communication framework.

Creating a coherent corporate communication strategy, then, involves the three variables we have discussed in detail: defining the *organization's* overall strategy for the communication, identifying and analyzing the relevant *constituencies*, and delivering *messages* effectively. In addition, the organization needs to analyze *constituency responses* to determine whether the communication was successful. Figure 2.2 summarizes this more complete version of the corporate communication strategy model introduced earlier.

FIGURE 2.2
Expanded
Corporate
Communication
Strategy
Framework



Conclusion: The Corporate Communication Connection to Vision

By creating a coherent communication strategy based on the time-tested theories presented in this chapter, an organization is well on its way to reinventing how it handles communications. Just as important for the firm, however, is its ability to link its overall strategy to its communication efforts.

As discussed in Chapter 1, firms are facing increased scrutiny from external groups (for example, the NGO Environmental Working Group, which launched the Skin Deep Cosmetic Database to “create online safety profiles for cosmetics and personal care products”) as well as their key constituencies (such as activist shareholder groups that protest executive compensation increases, and recently have become more empowered to do so by the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act).¹⁸ By linking corporate strategy to corporate communication, managers can mitigate the potential loss in reputation (see Chapter 4) that can result from a weak or negative response from an organization to challenges from external groups and its own constituencies.

The extent to which an organization is affected by external forces also is determined by what industry the firm is in, where it does business, and how public its operations are. In addition to staying competitive, then, the question of how the firm is perceived externally must be considered. Just as the company’s awareness about competitive forces protects it from competitors, its awareness of external forces also protects it from attacks.

Despite a recent series of very public recalls, consumer products company Johnson & Johnson has benefitted from a largely undamaged reputation, simply because the company reinforced its commitment to the J&J Credo, the company’s written values system, in its communications with its key stakeholders during moments of crisis (see Chapter 10).

When developing an overall strategy, firms need to consider their corporate communication effort as manifested in the company’s vision and mission statement. By doing so at the inception of an overall strategy, the firm avoids repercussions later. Because all organizations operate at the behest of the public will, this egalitarian approach to communications will be appreciated by a society that has come to depend on its organizations more than ever before.

¹⁸ “Brief Summary of the Dodd-Frank Wall Street Reform and Consumer Protection Act,” 2010, http://banking.senate.gov/public/_files/070110_Dodd_Frank_Wall_Street_Reform_comprehensive_summary_Final.pdf.

Case 2-1

Galen Healthcare System

The Galen Healthcare System (GHS), a leading and innovative healthcare organization founded years earlier, provided a full spectrum of healthcare services in upstate New York. As the largest health system in the area, Galen consisted of a diverse network of healthcare facilities, including a large academic medical center, six community hospitals, a physician organization that included a network of physician practices throughout the area, a rehabilitation center, nursing homes, and hospice and palliative care services. Prior to joining Galen, member organizations operated as independent entities. Although now under the same organizational umbrella, member organizations continued to operate quite independently, and functions such as procurement were not coordinated. Each site had its own Purchasing Department that issued contracts and purchase orders with local suppliers. The individual purchasing managers determined needs, identified suppliers, and managed inventory logistics without oversight from corporate headquarters. This decentralized approach was indicative of the system’s practice over the last decade of loose management of its affiliated sites.

Leaders within the Galen System, however, began to recognize a trend of rising health care costs and intensified competitive pressures in the region. New specialty practices and outpatient surgical centers sprouted in communities where Galen previously commanded the market. In addition, the system continued to see lower reimbursement rates from Medicare and Medicaid, making it increasingly challenging for the system to meet its annual budget.

Health systems around the country were also experiencing similar challenges, but unlike Galen, many health systems had already joined group purchasing organizations (GPOs). In the 1970s and 1980s, GPOs arose as a means to combine health organizations into larger

unified groups to leverage aggregated purchasing power. GPOs worked with members—which could include academic medical centers, community hospitals, and large physician practices—to help them save money on medical supplies. The purchasing power of a GPO enabled it to command higher discounts when negotiating contracts with manufacturers, distributors, and other vendors, and allowed it to pass on these cost savings to its individual members.

Recognizing the problems associated with a fragmented supplier base, Galen’s senior leadership team made the coordination of system purchasing a priority for the coming year. Dr. Jeffrey Dahmer, the President and CEO of the Galen Healthcare System, created the first corporate Purchasing Department at Galen, and hired an experienced procurement manager, Richard Gunerson, as Vice President of General Services/Supply Chain Management to oversee the procurement of all equipment, supplies, and services. Preparing Galen to join a GPO was one of Gunerson’s primary tasks.

Dahmer gave Gunerson great autonomy and flexibility, and placed Stacie Friberg as Gunerson’s executive assistant. Friberg had worked for 12 years within the Galen system in several different positions, and thus was familiar with many of the local hospital and practice leaders as well as their historic purchasing practices. Gunerson’s appointment was announced in the employee newsletter, published by senior leadership at Galen’s headquarters, and on the GHS intranet.

The end of the hospital budget cycle was nearing its end, and Gunerson was eager to notify each of the local Purchasing Department heads that the entire system would begin to purchase its required supplies in bulk through a GPO contract. To estimate the large purchase

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Gunerson intended to request that local purchasing heads report contracts with suppliers over \$100,000. Gunerson discussed this idea with Jeffrey Dahmer, who discussed it with the Board of Directors.

Gunerson then drafted the following memo to the local Purchasing Departments:

Dear Purchasing Department lead,

The Board of Directors has approved a new procurement process. Henceforth, all heads of Purchasing at local sites of care will alert the Vice President of General Services/Supply Chain Management about contracts above \$100,000, which they plan to negotiate with suppliers at least a week before the day they will be signed.

I know you must understand that this change is critical to coordinate procurement requirements and to eliminate inefficiencies within the system. Today, our member organizations' purchasing habits result in unnecessary redundancies and high prices. This step will provide the head office with the information it needs to ensure that each site of care procures the optimal volume of supplies at the best prices. As a result, the goals for each site of care and for Galen as a whole will more likely be achieved.

Sincerely,
Richard Unger Gunerson II, FACHE
Vice President of General Services/Supply Chain Management

Gunerson gave Stacie Friberg the memo and asked for her input. She told him she thought the memo was great. She also suggested, however, since he had met only two of the local Purchasing Department managers that he might like to meet all of them and discuss this major change in procurement with each individually. Gunerson declined, stating that he was unable to travel to each local site because he had so many things to do at home and at the office and it would be too expensive.

Over the next few days, responses came in from all but a few local Purchasing Departments. Some managers wrote longer responses, but the following e-mail message was typical:

Dear Dick,

Welcome to Galen! We are pleased to hear that you are settling into your position as the new procurement coordinator. We received your recent communication about notifying headquarters a week in advance of our intention to sign contracts with suppliers. This suggestion seems very practical. We would like to let you know that you can be sure of this hospital's cooperation in your new job. ©

Best regards,

Over the next several weeks, Gunerson heard nothing from the local Purchasing Departments about contracts being negotiated with suppliers. When he asked Friberg to follow up with several of the local managers, they frequently reported that they were quite busy. As a result, the usual purchasing procedures continued and Gunerson struggled to build momentum towards GPO membership.

CASE QUESTIONS

1. What problems does Galen Healthcare have that will affect its communications?
2. What specific problems does Mr. Gunerson have as a result of his communications to materials managers?
3. What advice would you give to Gunerson to help solve his and Galen's problems?

Source: This is a fictional case based on real events as well as ideas presented in both the "Dashman Company" case (9-462-001) published by HBS Case Services, Harvard Business School, Boston, 1947, and the "Marathon Plastics" case published in W. H. Newmann, E. K. Warren, and J. E. Schnee's "The Process of Management," 5th ed., Prentice Hall, Englewood Cliffs, NJ, 1982. This revision was developed by Catherine Augustyn T'13 and Abigail Isaacson T'13 under the direction of Professor Paul A. Argenti. © 2011 Trustees of Dartmouth College. All rights reserved. Reprinted by permission.

CHAPTER THREE

An Overview of the Corporate Communication Function

The past two chapters painted a broad picture of the business environment and provided a framework for communicating strategically. Against this backdrop, we will now discuss the corporate communication function itself. More and more companies recognize the value of corporate communication and are adapting their budgets and internal structures accordingly. The sixth Public Relations Generally Accepted Practices (GAP) Study, released by the Strategic Public Relations Center at the University of Southern California, revealed that despite the economic downturn in 2008, 57.8 percent of businesses saw an increase or no change in their public relations (PR) and/or communications budgets between 2008 and 2009.¹ The Communications Executive Board of the Corporate Executive Board Company reported that 96 percent of communication teams expected their staff to grow in size or remain the same between 2010 and 2011.² Dan Bartlett of leading public relations and public affairs agency Hill & Knowlton observed in 2011 that PR and communications "will fare better in budget pressures because the CEOs are seeing the strategic value"³ even while other departments face significant budget reductions. This chapter traces the evolution of corporate communication and the developments in recent years that have led to heightened recognition for the field. After examining corporate communication's roots, we discuss the most appropriate structure for the function within an organization, including reporting relationships. We also briefly showcase each corporate communication subfunction, all of which are developed in greater detail later in this book.

¹ GAP Study, <http://annenbergl.usc.edu/CentersandPrograms/ResearchCenters/SPRC/PrevGAP.aspx>.

² Communications Executive Board, Corporate Executive Board Company, "2010 Resource Allocation Benchmark."

³ PR Week/Hill & Knowlton, "CEO's See Value in PR."