DEFINING CORPORATE COMMUNICATION

1

Chapter Overview

This introductory chapter provides a definition of corporate communication and lays out the themes for the remainder of the book. The chapter starts with a brief discussion of the importance of corporate communication followed by an introduction to key concepts such as corporate identity, corporate image and stakeholders.

INTRODUCTION

1.1 There is a widespread belief in the management world that in today's society the future of any company critically depends on how it is viewed by key stakeholders, such as shareholders and investors, customers and consumers, employees, and members of the community in which the company operates. Globalization, corporate crises and the recent financial crisis have further strengthened this belief. CEOs and senior executives of many large organizations and multinationals nowadays consider protecting their company's reputation to be 'critical' and view it as one of their most important strategic objectives.[1] This objective of building, maintaining and protecting the company's reputation is actually the core task of corporate communication practitioners. However, despite the importance attributed to a company's reputation, the role and contribution of corporate communication is, in many companies, still far from being fully understood. In such companies, communication practitioners feel undervalued, their strategic input into decision-making is compromised and senior managers and CEOs feel powerless because they simply do not understand the events that are taking place in the company's environment and how these events can affect the company's operations and profits. There is therefore a lot to gain when communication practitioners and senior managers are able to recognize and diagnose communication-related management problems and understand appropriate strategies and courses of action for dealing with these. Such an understanding is not only essential to the effective functioning of corporate communication, but it is also empowering. It allows communication practitioners and managers to understand and take charge of events that fall within the remit of corporate communication; to determine which events are outside their control, and to identify opportunities for communicating and engaging with stakeholders of the organization.

The primary goal of this book, therefore, is to give readers a sense of how corporate communication is used and managed *strategically* as a way of guiding how organizations can communicate with their stakeholders. The book combines reflections and insights from academic research and professional practice in order to provide a comprehensive overview of strategies and tactics in corporate communication. In doing so, the book aims to provide an armory of concepts, insights and tools that communication practitioners and senior managers can use in their day-to-day practice.

In this introductory chapter, I will start by describing corporate communication and will introduce the strategic management perspective that underlies the rest of the book. This perspective suggests a particular way of looking at corporate communication and indicates a number of management areas and concerns that will be covered in the remaining chapters. As the book progresses, each of these areas will be explained in detail and the strategic management perspective as a whole will become clearer. Good things will thus come to those who wait, and read.

SCOPE AND DEFINITIONS

1.2 Perhaps the best way to define corporate communication is to look at the way in which the function has developed in companies. Until the 1970s, practitioners had used the term 'public relations' to describe communication with stakeholders. This 'public relations' function, which was tactical in most companies, largely consisted of communication with the press. When other stakeholders, internal and external to the company, started to demand more information from the company, practitioners subsequently started to look at communication as being more than just 'public relations'. This is when the roots of the new corporate communication function started to take hold. This new function came to incorporate a whole range of specialized disciplines, including corporate design, corporate advertising, internal communication to employees, issues and crisis management, media relations, investor relations, change communication and public affairs.[2] An important characteristic of the new function is that it focuses on the organization as a whole and on the important task of how an organization presents itself to all its key stakeholders, both internal and external.

This broad focus is also reflected in the word 'corporate' in corporate communication. The word of course refers to the business setting in which corporate communication emerged as a separate function (alongside other functions such as human resources and finance). There is also an important second sense with which the word is being used. 'Corporate' originally stems from the Latin words for 'body' (*corpus*) and for 'forming into a body' (*corporare*), which emphasize a unified way of looking at 'internal' and 'external' communication disciplines. That is, instead of looking at specialized disciplines or stakeholder groups separately, the corporate communication function starts from the perspective of the 'bodily' organization as a whole when communicating with internal and external stakeholders.[3]

Corporate communication, in other words, can be characterized as a management function that is responsible for overseeing and coordinating the work done by communication practitioners in different specialist disciplines, such as media relations, public affairs and internal communication. Van Riel defines corporate communication as 'an instrument of management by means of which all consciously used forms of internal and external communication are harmonized as effectively and efficiently as possible', with the overall objective of creating 'a favourable basis for relationships with groups upon which the company is dependent'.[4] Defined in this way, corporate communication obviously involves a whole range of 'managerial' activities, such as planning, coordinating and counselling the CEO and senior managers in the organization as well as 'tactical' skills involved in producing and disseminating messages to relevant stakeholder groups. Overall, if a definition of corporate communication is required, these characteristics can provide a basis for one:

> Corporate communication is a management function that offers a framework for the effective coordination of all internal and external communication with the overall purpose of establishing and maintaining favourable reputations with stakeholder groups upon which the organization is dependent.

One consequence of these characteristics of corporate communication is that it is likely to be *complex in nature*. This is especially so in organizations with a wide geographical range, such as multinational corporations, or with a wide range of products or services, where the coordination of communication is often a balancing act between corporate headquarters and the various divisions and business units involved. However, there are other significant challenges in developing effective corporate communication strategies and programmes. Corporate communication demands an *integrated approach* to managing communication. Unlike a specialist frame of reference, corporate communication transcends the specialties of individual communication practitioners (e.g., branding, media relations, investor relations, public affairs, internal communication, etc.) and crosses these specialist boundaries to harness the *strategic interests of the organization at large*. Richard Edelman, CEO of Edelman, the world's largest independent PR agency, highlights the strategic role of corporate communication as follows: 'we used to be the tail on the dog, but now communication is the organizing principle behind many business decisions'.[5] The general idea is that the sustainability and success of a company depends on how it is viewed by key stakeholders, and communication is a critical part of building, maintaining and protecting such reputations. An illustration of this idea is the presence of Google in China (case example 1.1).

Example 1.1

Google and the People's Republic of China

From its founding in 1999, Google, the world's leading internet search provider, initially served Chinese internet users with a Chinese-language version of Google.com that could easily be reached by users in China. In 2002, the company learned that the site was frequently unavailable to Chinese users. Many search queries, including queries on politically sensitive issues and human rights, were also filtered out or censored. In 2006, Google then decided, after consultation with its stakeholders, to take a different strategy. The company launched a new country-specific website, Google.cn, which, while subject to Chinese self-censorship requirements, would nonetheless expand access to information for Chinese users. As Elliott Schrage, Google's Vice President for corporate communication and public affairs explained to the US government at the time, the thinking behind this was that the original strategy was largely ineffective because of lack of access and the active filtering and censorship. Besides the commercial benefits, the new site, he explained, would also contribute to Google's vision of making the world a better place.

Google's mantra is 'Don't be evil', which refers to ensuring that the company's decisions do not knowingly harm anyone. In more positive terms, the company tries to make the world a better, more informed and freer place by expanding access to information to anyone who wants it. In China, Google was also hoping to contribute to this kind of positive social change: users would be fully notified of blocked content, their privacy (including emails) would be fully protected, and they would generally be able to access all but a handful of politically sensitive subjects. The backdrop to Google's decision for launching Google.cn was the explosive growth of the internet in China. The company recognized that the internet was transforming China for the better, and as part of this development, Google.cn would help accelerate and deepen these positive trends towards social and political change. A few years later, however, in December 2009, Google announced that it would reconsider its presence in China, and that it may even pull out of the country altogether. Its server and private email accounts of users had been targeted and attacked from within China. One of the primary goals of these cyber attacks was to access the Gmail account of Chinese human rights activists. The attacks and the surveillance that they have uncovered, as well as the Chinese attempts to further limit free speech on the web, have led the company to reconsider its position. Google decided that the arrangement with Google.cn did not work and the company started to discuss with the Chinese government the possibility of operating an unfiltered search engine, if at all. Initially, the company had taken a pragmatic approach, accommodating its moral stance in the light of commercial opportunities. Despite its best communication efforts, Google got a lot of criticism for this at the time, with journalists, industry analysts, government officials and users questioning the company's ability to uphold its moral stance in the face of commercial opportunities in a fast-growing market. With the worsened situation for free speech and the attacks on its servers, Google executives believe that its reputation with all of its stakeholders and its very identity are at stake if they continue with their current operations in China.

Source: http://googleblog. blogspot.com/2006/02/testimony-internet-in-china.html

A variety of concepts and terms are used in relation to corporate communication. Here, the chapter briefly introduces these concepts but they will be discussed in more detail in the remainder of the book. Table 1.1 lists the key concepts that readers will come across in this and other books on corporate communication and that form, so to speak, the vocabulary of the corporate communication practitioner. Table 1.1 briefly defines the concepts, and also shows how these relate to a specific organization – in this case, British Airways.

Not all of these concepts are always used in corporate communication books. Moreover, it may or may not be that mission, objectives, strategies, and so on are written down precisely and formally laid down within an organization. As will be shown in Chapter 4, a mission or corporate identity, for instance, might sometimes more sensibly be conceived as that which is implicit or can be deduced about an organization from what it is doing and communicating. However, as a general guideline, the concepts in Table 1.1 are often used in combination with one another.

TABLE 1.1 Key concepts in corporate communication

Concept	Definition	Example: British Airways*
Mission	Overriding purpose in line with the values or expectations of stakeholders	'British Airways is aiming to set new industry standards in customer service and innovation, deliver the best financial performance and evolve from being an airline to a world travel business with the flexibility to stretch its brand into new business areas'
Vision	Desired future state: the aspiration of the organization	'To become the undisputed leader in world travel by ensuring that BA is the customer's first choice through the delivery of an unbeatable travel experience'
Corporate objectives and goals	(Precise) statement of aims or purpose	'To be a good neighbour, concerned for the community and the environment', 'to provide overall superior service and good value for money in every market segment in which we compete', 'to excel in anticipating and quickly responding to customer needs and competitor activity'
Strategies	The ways or means in which the corporate objectives are to be achieved and put into effect	'Continuing emphasis on consistent quality of customer service and the delivery to the marketplace of value for money through customer-oriented initiatives (on-line booking service, strategic alliances) and to arrange all the elements of our service so that

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TABLE 1.1 (Continued)

Concept	Definition	Example: British Airways*
		they collectively generate a particular experience'... 'building trust with our shareholders, employees, customers, neighbours and with our critics, through commitment to good practice and societal reporting'
Corporate identity	The profile and values communicated by an organization	'The world's favourite airline' (this corporate identity with its associated brand values of service, quality, innovation, cosmopolitanism and Britishness is carried through in positioning, design, livery, and communications)
Corporate image	The immediate set of associations of an individual in response to one or more signals or messages from or about a particular organization at a single point in time	'Very recently I got a ticket booked to London, and when reporting at the airport I was shown the door by BA staff. I was flatly told that the said flight in which I was to travel was already full so my ticket was not valid any further and the airline would try to arrange for a seat on some other flight. You can just imagine how embarrassed I felt at that moment of time. To make matters worse, the concerned official of BA had not even a single word of apology to say' (customer of BA)
Corporate reputation	An individual's collective representation of past images of an organization (induced through either communication or past experiences) established over time	'Through the Executive Club programme, British Airways has developed a reputation as an innovator in developing direct relationships with its customers and in tailoring its services to enhance these relationships' (long-standing supplier of BA)
Stakeholder	Any group or individual who can affect or is affected by the achievement of the organization's objectives	'Employees, consumers, investors and shareholders, community, aviation business and suppliers, government, trade unions, NGOs, and society at large'
Public	People who mobilize themselves against the organization on the basis of some common issue or concern to them	'Local residents of Heathrow Airport appealed in November 2002 against the Government and British Airways concerning the issue of night flights at Heathrow airport. The UK Government denied that night flights violated local residents' human rights. British Airways intervened in support of the UK Government claiming that there is a need to continue the present night flights regime'

TABLE 1.1 (Continued)

Concept	Definition	Example: British Airways*
Market	A defined group for whom a product is or may be in demand (and for whom an organization creates and maintains products and services)	'The market for British Airways flights consists of passengers who search for a superior service over and beyond the basic transportation involved'
Issue	An unsettled matter (which is ready for a decision) or a point of conflict between an organization and one or more publics	'Night flights at Heathrow Airport: noise and inconvenience for local residents and community'
Communication	The tactics and media that are used to communicate with internal and external groups	'Newsletters, promotion packages, consultation forums, advertising campaigns, corporate design and code of conduct, free publicity'
Integration	The act of coordinating all communication so that the corporate identity is effectively and consistently communicated to internal and external groups	'British Airways aims to communicate its brand values of service, quality, innovation, cosmopolitanism and Britishness through all its communications in a consistent and effective manner'

*Extracted from British Airways annual reports and the web.

A *mission* is a general expression of the overriding purpose of the organization, which, ideally, is in line with the values and expectations of major stakeholders and concerned with the scope and boundaries of the organization. It is often referred to with the simple question 'What business are we in?'. A *vision* is the desired future state of the organization. It is an aspirational view of the general direction that the organization wants to go in, as formulated by senior management, and that requires the energies and commitment of members of the organization. *Objectives and goals* are the more precise (short-term) statements of direction, in line with the formulated vision, and that are to be achieved by strategic initiatives or *strategies*. Strategies involve actions and communications that are linked to objectives, and are often specified in terms of specific organizational functions (e.g., finance, operations, human resources, etc.). Operations strategies for streamlining operations and human resource strategies for staff support and development initiatives are common to every organization as well as, increasingly, full-scale corporate communication strategies.

Key to having a corporate communication strategy is the notion of a *corporate identity*: the basic profile that an organization wants to project to all its important stakeholder groups and how it aims to be known by these various groups in terms of the *corporate images* and *reputations* that they have of the organization. To ensure that different stakeholders indeed conceive of an organization in a favourable and broadly consistent manner, and also in line with the projected corporate identity, organizations need to go to great lengths to *integrate* all their *communication* from brochures, advertising campaigns to websites in tone, themes, visuals and logos.

The *stakeholder* concept takes centre-stage within corporate communication at the expense of considering the organizational environment simply in terms of markets and publics. Organizations increasingly are recognizing the need for an 'inclusive' and 'balanced' stakeholder management approach that involves actively communicating with *all* stakeholder groups upon which the organization depends and not just shareholders or customers. Such awareness stems from high-profile cases where undue attention to certain stakeholder groups has led to crises and severe damage for the organizations concerned.

All these concepts will be discussed in detail in the remainder of the book, but it is worthwhile to emphasize already how some of them hang together. The essence of what matters in Table 1.1 is that corporate communication is geared towards establishing favourable corporate images and reputations with all of an organization's stakeholder groups, so that these groups act in a way that is conducive to the success of the organization. In other words, because of favourable images and reputations customers and prospects will purchase products and services, members of the community will appreciate the organization in its environment, investors will grant financial resources, and so on. It is the spectre of a damaged reputation – of having to make costly reversals in policies or practices as a result of stakeholder pressure, or, worse, as a consequence of self-inflicted wounds – that lies behind the urgency with which integrated stakeholder management now needs to be treated. The case study (1.1) of Barclays Bank illustrates the importance of managing communications with stakeholders in an integrated manner.

CASE STUDY 1.1

BARCLAYS BANK: HOW (NOT) TO COMMUNICATE WITH STAKEHOLDERS

In 2003, Barclays, a UK-based bank and financial services group, appointed a new advertising agency Bartle Bogle Hegarty (BBH). BBH was hired to spearhead a 'more humane' campaign, after the bank was lambasted for its 'Big Bank' adverts in 2000 that featured the slogan 'A big world needs a big bank'. Barclays had spent £15 million on its 'Big' campaign, which featured celebrities such as Sir Anthony Hopkins and Tim Roth. The adverts were slick and had received good pre-publicity, but they turned into a communication disaster when they coincided with the news that Barclays was closing about 170 branches in the UK, many in rural areas. One of the earlier adverts featured Welsh-born Sir Anthony Hopkins talking from the comfort of a palatial home about the importance of chasing 'big' ideas and ambitions. The adverts provoked a national debate in the UK when a junior government minister, Chris Mullin, said that Barclays' customers should revolt and 'vote with their feet'. Barclays' image crisis worsened when it was revealed that the new Chief Executive, Matthew Barrett, had been paid £1.3 million for just three months' work. At the time, competitors, including NatWest, quickly capitalized on the fall-out from the Big Bank campaign and were running adverts which triumphed the fact that it has abolished branch closures.

Local communities that had lost their branch were particularly angry with the closures. The situation was further aggravated by the arrogance with which Barclays announced and justified the decision. Matthew Barrett had explained the branch closures by saying, 'We are an economic enterprise, not a government agency, and therefore have obligations to conduct our business in a way that provides a decent return to the owners of the business. We will continue to take value-maximizing decisions without sentimentality or excuses.' Barclays was openly admitting that their main focus was on shareholder returns and larger customers across their investment and retail businesses. Perhaps the most amusing story of the many that emerged during that period was of the fact that the village where Anthony Hopkins was born was one of the victims of the branch closures. He was seen as a traitor to his heritage, and the local Welsh Assembly Member wrote to him as part of her campaign about the closures. Hopkins was moved to write back to her, complaining about being used as a scapegoat when in fact he was just an actor and felt that he needed to set the record straight by pointing out that he did not run Barclays Bank. In an attempt to respond to the image crisis, Barclays extended opening hours at 84 per cent of its branches and recruited an extra 2,000 staff to service the extra hours.

Despite its best efforts, the bank very quickly found itself in another image crisis. In 2003, the CEO Matthew Barrett made a blunder by saying to a Treasury Select Committee that he did not borrow on credit cards because they were too expensive and that he has advised his four children not to pile up debts on their credit cards. The press jumped on his comments, saying that he would be dogged by what he said for the rest of his life. Journalists also said that he had 'done a Ratner', in memory of the famous blunder committed by jeweller Gerald Ratner in 1991 when he admitted selling 'crap' jewellery products in his high street shops. According to some analysts, the press jumped on the comment because the general public and, by proxy, the media had been waiting to land one on Matt Barrett and Barclays for three and a half years. The media openly linked Barrett's comments with what they saw as the other blunder of closing branches while launching an advertising campaign extolling the virtues of being a 'big' bank.

In 2008, at the height of the global financial crisis, many banks and financial services institutions (including the Royal Bank of Scotland and Lloyds TSB) turned to the UK government for cash injections. Barclays, however, decided not to turn to the government for aid. The Bank instead raised billions from investors in Qatar and Abu Dhabi, who together now own almost a third of the bank. The reason for this was that it would allow the bank to retain 'complete control' over running the business,

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including the freedom to pay bonuses to its top executives and investment bankers. The move had the full support of the board and shareholders. Chairman Marcus Agius commented at the time that 'the unanimous view of the board was that our shareholders would be better served by the unconstrained path'. The view inside Barclays Bank was that having the government as a main shareholder would lead to all sorts of complications. Its business decisions would be put under the microscope and rewards and bonuses to staff would be critically looked at by journalists and taxpayers. Financial analysts also largely thought that the move was a smart one and they felt that the Bank came out of the crisis with its balance sheet and credibility intact. While Barclays was not directly 'bailed out' by the UK government, the bank has been heavily criticized, alongside other banks, in the media for its excessive risk-taking and for the remuneration packages given to its top executives and investment bankers. The general lack of public trust towards bankers and banks has engulfed the whole sector, offering significant challenges to Barclays as the bank sets out to restore and maintain its reputation with shareholders, customers and other stakeholders.

QUESTIONS FOR REFLECTION

Discuss each image crisis for Barclays? What was the exact cause or event that led to each of these crises? What could Barclays have done to avoid these crises, or to anticipate the potential fallout?

Source: Garfield, A. (2000) Everything's big at Barclays. The chairman's pay has quadrupled just as 171 branches are closing, *The Independent,* 31 March 2000; Wilson, B. (2003) Barclay chief's gaffe recalls Ratner howter', *BBC News*, 17 October 2003; Daily Mail (2008) Barclays Shareholder protest at meeting to rubber-stamp Arab's £7bn baily-out, Daily Mail, 24 November 2008.

CHAPTER SUMMARY

1.3 All organizations, of all sizes and operating in different sectors and societies, must find ways to successfully establish and nurture relationships with their stakeholders, upon which they are economically and socially dependent. The management function that has emerged to deal with this task is corporate communication and this chapter has made a start by outlining its importance and key characteristics. The next chapter describes in more detail how and why corporate communication historically emerged and how it has grown into the management function that it is today in many organizations.

DISCUSSION QUESTIONS

1 Pick a company with which you are familiar or that you may have worked for in the past. Describe the company's corporate communication in terms of its corporate identity, image and reputation.

2 In your experience, how integrated is this company's communication? And how does the company compare on this dimension with its direct competitors?

KEY TERMS

Corporate communication	Corporate identity
Corporate image	Corporate reputation
Integration	Issue
Market	Mission
Public	Stakeholder
Theory-practice	Vision

FURTHER READING

Christensen, Lars Thøger, Morsing, Mette and Cheney, George (2008), *Corporate Communications: Convention, Complexity and Critique*. London: Sage.

Fombrun, Charles and Van Riel, Cees (2004), *Fame and Fortune: How Successful Companies Build Winning Reputations*. London: FT Prentice Hall.

NOTES

1 See, for example, AON's global risk management survey, 24 April 2007 (www.aon.com/nl/nl/about/perscentrum/persberichten_nederland/archief2007/Global_RM_Survey_07_Key_Findings.pdf).
2 Argenti, P.A. (1996), 'Corporate communication as a discipline: toward a definition', *Management Communication Quarterly*, 10 (1): 73–97.
3 See, for example, Christensen, L.T., Morsing, M. and Cheney, G. (2008), *Corporate Communications: Convention, Complexity and Critique*. London: Sage.
4 Van Riel, C.B.M. (1995), *Principles of Corporate Communication*. London: Prentice Hall, p. 26.
5 'Public Relations in the recession: Good news', *The Economist*, 14 *January* 2010, p. 59.

CORPORATE COMMUNICATION IN CONTEMPORARY ORGANIZATIONS

2

Chapter Overview

This chapter describes the historical development of communication within organizations and the emergence of corporate communication. It starts with a brief discussion of the historical development of separate communication disciplines, such as marketing communication and public relations, and moves on to explain why organizations have increasingly drawn these disciplines together under the umbrella of corporate communication. The chapter concludes with discussing the ways in which contemporary organizations organize communication activities in order to strategically plan and coordinate the release of messages to different stakeholder groups.

INTRODUCTION

2.1 The evolution of communication disciplines and techniques that are used by organizations to promote, publicize or generally inform relevant individuals and groups within society about their affairs began at least 150 years ago. From the Industrial Revolution until the 1930s, an era predominantly characterized by mass production and consumption, the type of communications that were employed by organizations largely consisted of publicity, promotions and selling activities to buoyant markets. The move towards less stable, more competitive markets, which coincided with greater government interference in many markets and harsher economic circumstances, resulted from the 1930s onwards in a constant redefining of the scope and practices of communication in many organizations in the Western world. Communication practitioners had to rethink their discipline and developed new practices and areas of expertise in response to changing circumstances in the markets and societies in which they were operating.

This chapter is about the changing definition, scope and organization of communication in organizations, and about the societal and market dynamics that triggered its evolution. A brief sketch will be provided of the historical evolution of the two main individual communication disciplines in each organization: marketing and public relations. The chapter will describe the development of both disciplines and will then move on to discuss why organizations have increasingly started to see these disciplines not in isolation but as part of an integrated effort to communicate with stakeholders. This integrated effort is directed and coordinated by the management function of corporate communication. As a result of this development, managers in most corporate organizations have realized that the most effective way of organizing communication consists of 'integrating' most, if not all, of an organization's communication disciplines and related activities, such as media relations, issues management, advertising and direct marketing. The basic idea is that whereas communication had previously been organized and managed in a rather fragmented manner, a more effective organizational form is one that integrates or coordinates the work of various communication practitioners. At the same time, when communication practitioners are pulled together, the communication function as a whole is more likely to have an input into strategic decision-making at the highest corporate level of an organization. By the end of the chapter, the reader will have an overview of the historical development of communication, of the strategic role of corporate communication and of the various ways in which communication can be effectively organized.

HISTORICAL BACKGROUND

2.2 Communication management – any type of communication activity undertaken by an organization to inform, persuade or otherwise relate to individuals and groups in its outside environment – is, from a historical perspective, not new. But the modernization of society, first through farming and trade, and later through industrialization, created ever more complex organizations with more complicated communication needs.

The large industrial corporations that emerged during the Industrial Revolution in the nineteenth century in the UK, in the USA and later on in the rest of the Western world required, in contrast to what had gone before, professional communication officers and a more *organized* form of handling publicity and promotions. These large and complex industrial firms sought the continued support of government, customers and the general public, which required them to invest in public relations and advertising campaigns.[1]

In those early years and right up until the 1900s, industrial corporations hired publicists, press agents, promoters and propagandists for their communication campaigns. These individuals often played on the gullibility of the general public in its longing to be entertained, whether they were being deceived or not, and many advertisements and press releases in those days were in fact exaggerated to the point where they were outright lies. While such tactics can perhaps now be denounced from an ethical standpoint, this 'publicity-seeking' approach to the general public was taken at that time simply because organizations and their press agents could get away with it. At the turn of the nineteenth century, industrial magnates and large organizations in the Western world were answerable to no one and were largely immune to pressure from government or public opinion. This situation is aptly illustrated by a comment made at the time by William Henry Vanderbilt, head of the New York Central Railroad, when asked about the public rampage and uproar that his company's railroad extensions would cause. 'The public be damned,' he simply responded.

The age of unchecked industrial growth soon ended, however, and industrial organizations in the Western world faced new challenges to their established ways of doing business. The twentieth century began with a cry from 'muckrakers': investigative journalists who exposed scandals associated with power, capitalism and government corruption and raised public awareness of the unethical and sometimes harmful practices of business. To respond to these 'muckrakers', many large organizations hired writers and former journalists to be spokespeople for the organization and to disseminate general information to these 'muckraking' groups and the public at large so as to gain public approval for their decisions and behaviour.[2] At the same time, while demand still outweighed production, the growth of many markets stabilized and even declined, which led organizations to hire advertising agents to promote their products with existing and prospective customers in an effort to consolidate their overall sales.

In the following decade (1920–1930) economic reform in the USA and the UK and intensified public scepticism towards big business made it clear to organizations that these writers, publicists and advertising agents were needed on a more continuous basis, and should not just be hired 'on and off' as press agents had been in the past. These practitioners were therefore brought '*in-house*' and communication activities to both the general public and the markets served by the organization became more systematic and skilled.[3] This development effectively brought the first professional expertise to the area of communication within organizations and planted the seeds for the two professional disciplines that defined for the majority of the twentieth century how communication would be approached by organizations: marketing and public relations.

Both marketing and public relations emerged as separate 'external' communication disciplines when industrial organizations realized that in order to prosper they needed to concern themselves with issues of public concern (i.e., public relations) as well as with ways of effectively bringing products to markets (i.e., marketing). Both the marketing and public relations disciplines have since those early days gone through considerable professional development, yet largely in their own separate ways. Since the 1980s, however, organizations have increasingly started to bring these two disciplines together again under the umbrella of a new management function that we now know as corporate communication. This trend towards 'integrating' marketing and public relations was noted by many in the field, including Philip Kotler, one of the most influential marketing figures of modern times. Kotler commented in the early 1990s, 'there is a genuine need to develop a new paradigm in which these two subcultures [marketing and public relations] work most effectively in the best interest of the organization and the publics it serves'.[4]

In 1978, Kotler, together with William Mindak, had already highlighted the different ways of looking at the relationship between marketing and public relations. In their article, they had emphasized that the view of marketing and public relations as distinct disciplines had characterized much of the twentieth century, but they predicted that a view of an integrated paradigm would dominate the 1980s and beyond as 'new patterns of operation and interrelation can be expected to appear in these [marketing and public relations] functions'.[5] Figure 2.1 outlines the different models that Kotler and Mindak described to characterize the relationship between marketing and public relations, including the integrated paradigm (model (e)) where marketing and public relations have merged into a single external communication function.

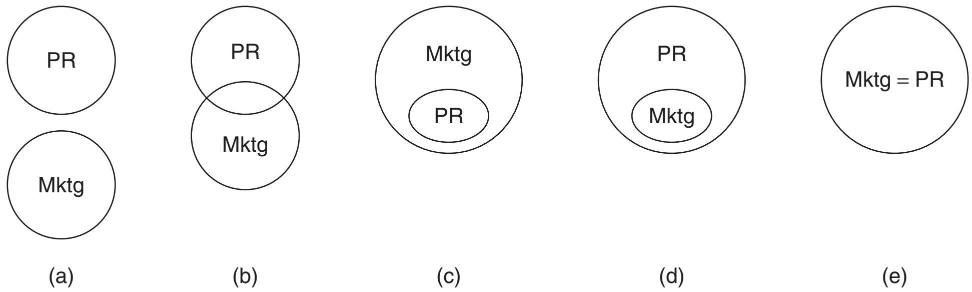


FIGURE 2.1 Models for the relationships between marketing and public relations

INTEGRATED COMMUNICATION

2.3 Until the 1980s, marketing and public relations were considered as rather distinct in their objectives and activities, with each discipline going through its own trajectory of professional development.[6] Central to this traditional view (model (a) in Figure 2.1) was the simple point that marketing deals with markets, while public relations deals with all the publics (excluding customers and consumers) of an organization. Markets, from this perspective, are created by the identification of a segment of the population for which a product or service is or could be in demand, and involves product- or service-related communication. Publics, on the other hand, are seen as *actively* creating and mobilizing themselves whenever companies make decisions that affect a group of people adversely. These publics are also seen to concern themselves with more general news related to the entire organization, rather than specific product-related information. Kotler and Mindak articulated this traditional position (model (a)) by saying that 'marketing exists to sense, serve, and satisfy customer needs at a profit', while 'public relations exists to produce goodwill with the company's various publics so that these publics do not interfere in the firm's profit-making ability'.[7]

Over time, however, cracks appeared in this view of marketing and public relations as two disciplines that are completely distinct in their objectives and tactics. Rather than seeing them as separate, marketing and public relations, it was recognized, actually shared some common ground (model (b) in Figure 2.1). In the 1980s, for instance, concern over the rising costs and decreasing impact of mass media advertising encouraged many companies to examine different means of promoting customer loyalty and of building brand awareness to increase sales. Companies started to make greater use of 'marketing public relations': the publicizing of news and events related to the launching and promotion of products or services. 'Marketing public relations' (MPR) involves the use of public relations techniques for marketing purposes. It was found to be a cost-effective tool for generating awareness and brand favourability and to imbue communication about the organization's brands with credibility[9] (see case example 2.1 for a recent example). Companies such as Starbucks and the Body Shop have consistently used public relations techniques, such as free publicity, features in general interest magazines and grass-roots campaigning to attract attention and to establish a brand experience that is backed up by each of the Starbuck and the Body Shop stores.

Example 2.1

The use of marketing public relations to promote the Passion of the Christ

The movie, *The Passion of The Christ*, released in 2004, tells the story of the last 12 hours in the life of Jesus Christ. Directed and produced by Mel Gibson, the film tells in Aramaic (believed to have been Jesus' native language), Latin and Hebrew the moment of Christ's arrest, trial and crucifixion. Because of the subject, the graphic violence in the film and the fact that the movie-going public had to watch the movie with subtitles, Gibson reportedly had difficulty finding a company to distribute the movie. Newmarket and Icon Films eventually agreed to distribute the movie in the USA and around the world.

To promote the film, Gibson did not rely on traditional advertising but instead used public relations (pre-screenings and publicity in the media) and grass-roots marketing techniques. Gibson recognized that creating controversy was the key to building awareness of the film. He therefore invited prominent Christian and Jewish church leaders known for their political and social conservatism to watch the movie. An early version of the movie script was also leaked by an employee of the production company to a joint committee of the Secretariat for Ecumenical and Inter-Religious Affairs of the United States Conference of Catholic Bishops and the Department of Inter-religious Affairs of the Anti-defamation League. This committee concluded that the

> main storyline presented Jesus as having been relentlessly pursued by an evil cabal of Jews headed by the high priest Caiphas, who finally blackmailed a weak-kneed Pilate into putting Jesus to death. This is precisely the storyline that fueled centuries of anti-Semitism within Christian societies.

When the movie was released, although some Jews were supportive of Gibson and the movie, the overwhelming reaction from within the Jewish community was negative. Jewish religious groups expressed concern that the film blames the death of Jesus on the Jews as a group which, they claimed, could fuel anti-Semitism.

Through the pre-screening of the movie to church leaders and the leaking of the script, Gibson had created an enormous amount of media coverage focused on how incensed certain people were about the film and its message. This controversy in turn created so much buzz and word-of-mouth around the movie that it stimulated a core audience of Christian moviegoers, and also general moviegoers, into wanting to see the movie.

A further step that Gibson took to raise awareness, and to further increase the controversy surrounding his movie, was to claim that the late Pope John Paul II had seen the movie at a private viewing of the film shortly before its release. He claimed that the Pope had allegedly remarked to his good friend, Monsignor Stanislaw Dziwisz: 'It was as it was.' Dziwisz later denied that this ever happened, but it was widely reported by CNN and other news organizations that the Pope had said those words.

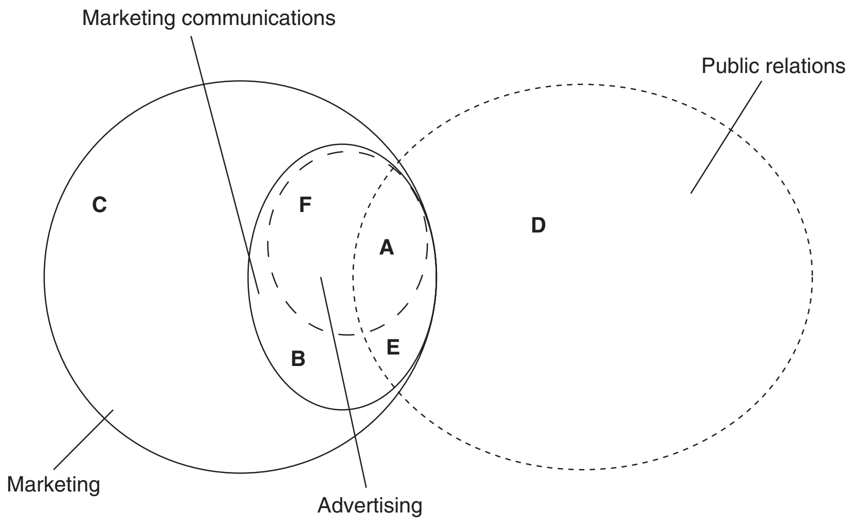
Finally, Gibson also undertook a grass-roots marketing effort with local church groups, who promoted the film with their constituents through free tickets and discounted ticket prices. In this way, he ensured that the core audience would not only watch the movie but would also spread favourable word-of-mouth about it to others.

In the end, many moviegoers went to see *The Passion of The Christ* and the movie went on to gross $611,899,420 worldwide ($370,782,930 in the USA alone) in 2004, putting it among the highest-grossing film of all time.

Source: Quelch, J.A. Elberse, A. and Harrington, A. ( ) 'The Passion of the Christ', *Harvard Business School*, Case 505–025.

'Marketing public relations' (MPR), because it is focused on the marketing of a company's products and services, is distinct from 'corporate' activities within public relations. These corporate activities, which are sometimes labelled as 'corporate public relations' (CPR), involve communication with investors, communities, employees, the media and government. Figure 2.2 displays a number of core activities of both the public relations and marketing disciplines, and outlines a set of activities (including specific tools and techniques) that are shared, indicating the overlap between the two functions.[10] Figure 2.2 also displays the difference between 'marketing public relations' (MPR) and 'corporate public relations' (CPR).

Starting on the left of the figure, marketing of course involves a range of activities such as distribution, logistics, pricing and new product development (area 'C' in Figure 2.2) besides marketing communications. Marketing communications, in the middle of the figure, involves corporate advertising ('A') and mass media advertising ('F'), direct marketing and sales promotions ('B'), and product publicity and sponsorship ('E'). Two of these activities, corporate advertising ('A') and product publicity and sponsorship ('E'), overlap with public relations. Corporate advertising involves the use of radio, TV, cinema, poster or internet advertising to create or maintain a favourable image of the company and its management. Although it is a form of advertising, it deals with the 'corporate' image of the company, and, as such, is distinct from mass media advertising ('F'), which is focused on the company's products



Key:

A = corporate advertising (advertising by a firm where the company, rather than its products or services, is emphasized)

B = direct marketing (direct communication via post, telephone or email to customers and prospects) and sales promotions (tactics to engage the customer, including discounting, coupons, guarantees, free gifts, competitions, vouchers, demonstrations and bonus commission)

C = distribution and logistics, pricing and development of products

D = 'corporate' public relations (public relations activities towards 'corporate' stakeholders, which excludes customers and prospects in a market); includes issues management, community relations, investor relations, media relations, internal communication and public affairs

E = 'marketing' public relations (the use of what are traditionally seen as public relations tools within marketing programmes); includes product publicity and sponsorship

F = mass media advertising (advertising aimed at increasing awareness, favour or sales of a company's products or services)

FIGURE 2.2 Marketing and public relations activities and their overlap

or services to increase awareness or sales. Product publicity and sponsorship involve activities that aim to promote and market the company's products and services. Both sets of activities draw upon techniques and expertise from public relations. Publicity in particular is often achieved through coverage in the news media. Sponsorship of a cause or event may also serve both marketing and corporate objectives. It can be tied into promotional programmes around products and services but can also be used to improve the company's image as a whole.

Besides the direct sharing of activities such as sponsorship, there are also a number of ways in which marketing and public relations activities can complement one another. For example, there is evidence that a company's image, created through public relations programmes, can positively reflect upon the product brands of a company, thereby increasing the awareness of the product brand as well as enhancing consumers' favourable impression of the brand.[11] Another complementary relationship that exists is the guardian role of public relations as a 'watchdog' or 'corrective' for marketing, in bringing other viewpoints and the expectations of stakeholders to bear upon strategic decision-making besides the need to boost sales with customers.[12]

This overlap and complementarity between marketing and public relations suggested to organizations that it is useful to align both disciplines more closely, or at least manage them in a more integrated manner. Not surprisingly, a lot of discussion and debate during the 1980s and 1990s took place on the importance of 'integration' and what such integration should look like within organizations. Back in 1978, Kotler and Mindak three models of described, integration (models 'c', 'd' and 'e' in Figure 2.1). Each of these models articulates a different view of the most effective form of integration.

Model 'c' involves a view of marketing as the dominant function, which subsumes public relations. In this model, public relations becomes essentially part of a wider marketing function for satisfying customers. An example of this perspective involves the notion of Integrated Marketing Communications (IMC), which is defined as:

> a concept of marketing communication planning that recognizes the 'added value' of a comprehensive plan that evaluates the strategic role of a variety of disciplines (advertising, direct marketing, sales promotions and public relations) and combines these disciplines to provide clarity, consistency and maximum communication impact.[13]

Within IMC, public relations is reduced to activities of product publicity and sponsorship, ignoring its wider remit in communicating to employees, investors, communities, the media and government.

Model 'd' suggests the alternative view that 'marketing should be put under public relations to make sure that the goodwill of all key publics is maintained'.[14] In this model, marketing's role of satisfying customers is seen as only part of a wider public relations effort to satisfy the multiple publics and stakeholders of an organization. An example of this perspective involves the notion of 'strategic public relations', which assumes that all 'communication programs should be integrated or coordinated by a public relations department' including 'integrated marketing communication, advertising and marketing public relations' which should 'be coordinated through the broader public relations function'.[15]

Finally, model 'e' favours a view of marketing and public relations as merged into one and the same 'external communication' function. In the view of Kotler and Mindak: 'the two functions might be easily merged under a Vice President of Marketing and Public Relations' who 'is in charge of planning and managing the external affairs of the company'.[16] Despite Kotler and Mindak's preference for this model, it is not a form of integration that is much practised within organizations. Instead of merging the two disciplines into one and the same department, organizations want to keep them separate but actively coordinate public relations and marketing communication programmes. In hindsight, then, most organizations appear to practise model 'b', to coordinate marketing communications and public relations.

DRIVERS FOR INTEGRATED COMMUNICATION

2.4 In short, marketing and public relations disciplines are not merged or reduced within organizations to one and the same function. This may not be feasible in practice given the important differences in activities and audiences addressed by each (see Figure 2.1). However, both disciplines, while existing separately, are balanced against each other and managed together from within the overarching management framework of corporate communication. This management framework suggests a holistic way of viewing and practising communication management that cuts across the marketing and public relations disciplines (and activities such as advertising and media relations within them). According to Anders Gronstedt, a communication consultant, corporate communication 'inserts the various communication disciplines into a holistic perspective, drawing from the concepts, methodologies, crafts, experiences, and artistries of marketing communication and public relations'.[17]

The importance of 'integrating' marketing communications and public relations in this way has resulted from a variety of factors or 'drivers', as these can be more aptly called. Generally, these 'drivers' can be grouped into three main categories: those drivers that are market- and environment-based, those that arise from the communication mix and communication technologies, and those that are driven by opportunities, changes and needs from within the organization itself. All these drivers are set out in Table 2.1.

TABLE 2.1 Drivers for integration

Market- and environment-based drivers
Stakeholder roles – needs and overlap
Demand for corporate social responsibility (CSR) and greater transparency
Audience fragmentation
Communication-based drivers
Greater amounts of message clutter
Increased message effectiveness through consistency and reinforcement of core messages
Complementarity of media and media cost inflation
Media multiplication requires control of communication channels
Organizational drivers
Improved efficiency
Increased accountability
Provision of strategic direction and purpose through consolidation
Organizational positioning

Market- and environment-based drivers

The environment in which organizations operate has changed considerably over the past two decades. The *demands of different stakeholders*, such as customers, investors, employees and NGO and activist groups, have forced organizations to put considerable effort into integrating all their marketing and public relations efforts.

This integration is also important when one considers the multiple stakeholder roles that any one individual may have, and the potential pitfalls that may occur when conflicting messages are sent out.[19] Organizations are also facing increased demands for *corporate social responsibility* (CSR) and for *transparency* about their operations. In their efforts to respond to these social expectations and to present themselves as coherent, reliable and trustworthy institutions with nothing to hide, organizations across sectors increasingly embrace measures of integration. Organizations often adapt to the growing demand for information and stakeholder insight through *policies of consistency*, that is, by formalizing all communications and pursuing uniformity in everything they say and do. Stakeholder groups have also become more fragmented and less homogeneous than before. Customers, for example, have become much more individual in their consumption. Similarly, when organizations want to communicate to the news media, they are faced with a huge and diverse range of media organizations and outlets, including, these days, social media on the web. This greater *fragmentation* of stakeholder groups means that when organizations want to communicate with any one stakeholder group they have to use more channels and different media to reach them.

Communication-based drivers

In today's environment, it is more difficult for an organization to be heard and to stand out from its rivals. Media and communication experts have estimated that on average a person is hit by 13,000 commercial messages (including being exposed to company logos) a day. Integrated communication strategies are more likely to break through this *clutter* and make the company name or product brand heard and remembered than ill-coordinated attempts would. Through *consistent messages* an organization is more likely to be known and looked upon favourably by key stakeholder groups. Organizations have therefore increasingly put considerable effort into protecting their corporate image by rigorously aligning and controlling all communication campaigns and all other contact points with stakeholders.

Organizations also realized that *messages in various media can complement one another*, leading to a greater communication impact than any one single message can achieve. Because of the increasing costs of traditional mass media advertising and the opportunities afforded by the internet, many organizations have therefore re-examined their *media presence and how to control it*. As a result of these two developments, organizations now tend to look at media in a much broader sense and across the disciplines of marketing and public relations. Organizations have also become more creative in looking beyond corporate and product advertising to other media for communicating with stakeholders.[20] Many organizations today use a range of media, including corporate blogs and internet communication such as websites, banners and sponsored online communities.

Organizing drivers

One of the main organizational drivers for integration has been the need to *become more efficient*. By using management time more productively and by driving down the cost base (e.g., as research and communication materials are more widely shared and used for more than one communication campaign), organizations have been able to substantially improve the productivity of their communication practitioners.

The 1980s saw a powerful restructuring trend where every function was examined on its *accountability*. This led many organizations to restructure communication disciplines such as media relations, advertising, sales promotions and product publicity. This restructuring of communication, basically consisting of bringing various communication disciplines together into more integrated departments or into specific working practices, proved productive in that it offered direct organizational and managerial benefits. The consolidation of communication disciplines into one or a few departments enabled organizations to *provide strategic direction* to all of their communication with different stakeholder groups and to guide communication efforts from the strategic interests of the organization as a whole. Organizations recognized that fragmentation and the spreading out of communication responsibilities across the organization were counterproductive. Fragmentation is likely to lead to a situation where 'each department sub-optimizes its own performance, instead of working for the organization as a whole'.[21] Many organizations therefore developed procedures (e.g., communication guidelines, house-style manuals) and implemented coordination mechanisms (e.g., council meetings, networking platforms) to overcome fragmentation and coordinate their communication on an organization-wide basis.

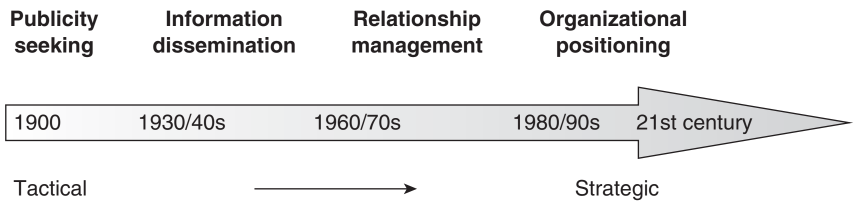


FIGURE 2.3 The shift from a tactical to strategic orientation to communication

A further driver for integration at the organizational level was the realization that communication had to be used more strategically *to position the organization* in the minds of important stakeholder groups. Since the early 1990s, organizations have started to become concerned with ideas such as 'corporate identity', 'corporate reputation' and 'corporate branding', which emphasize the importance of this positioning and of linking communication to the organization's corporate strategy. Figure 2.3 displays this development from a tactical orientation in communication to an orientation that emphasizes the strategic role of communication in 'positioning' the organization. Obviously, when organizations adopt a strategic perspective on communication and aim to build a distinctive reputation for their organization, the activities of marketing and public relations practitioners need to be actively coordinated so that messages to different stakeholders communicate the same corporate values and image for the organization.

ORGANIZING COMMUNICATION

2.5 This chapter began with a description of the historical context of communication in organizations and reviewed different perspectives on the relationship between two main disciplines of communication: marketing and public relations. These different perspectives on the relationship between marketing and public relations each present different views of how communication in organizations is managed and organized. The historical developments which led to a view of these two disciplines, first as distinct then as complementary, and finally to a view that sees them as integrated, provides a stepping stone for understanding the emergence of corporate communication. Corporate communication is a management framework to guide and coordinate marketing communication and public relations. Figure 2.4 displays this integrated framework of corporate communication.

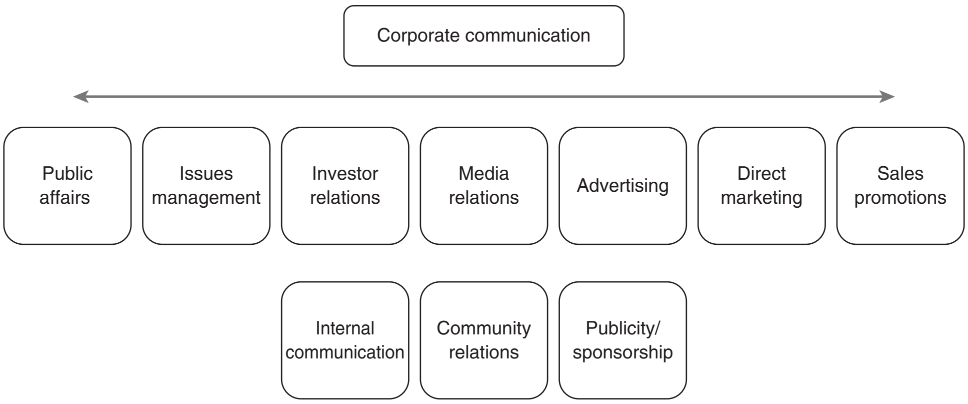


FIGURE 2.4 Corporate communication as an integrated framework for managing communication

Within this framework, coordination and decision-making take place between practitioners from various public relations and marketing communication disciplines. The public relations disciplines are displayed towards the left in Figure 2.4, whereas marketing communication disciplines are aligned towards the right. While each of these disciplines may be used separately and on their own for public relations or marketing purposes, organizations increasingly view and manage them together from a holistic organizational or corporate perspective with the company's reputation in mind. Many organizations have therefore promoted corporate communication practitioners to higher positions in the organization's hierarchical structure. In some organizations, senior communication practitioners are even members of their organization's management team (or support this management team in a direct reporting or advisory capacity). Marks & Spencer and Sony are two examples of companies that have recently promoted their most senior communication director to a seat on the executive board. These higher positions in the organization's hierarchy enable corporate communication practitioners to coordinate communication from a strategic level in the organization in order to build, maintain and protect the company's reputation with its stakeholders.

Many organizations have also started to bring the range of communications disciplines together into a single department so that knowledge and skills of practitioners are shared and corporate communication is seen as an autonomous and significant function within the organization. Some communication disciplines might still be organized as separate units or devolved to other functional areas (e.g., finance, human resources), but the general idea here is to consolidate most communication disciplines into a single department so that communication can be strategically managed from a central corporate perspective. Figure 2.5 illustrates this greater consolidation of communication disciplines in Siemens, one of the world's largest electrical engineering and electronics companies. Figure 2.5 highlights the different disciplines within the central corporate communication department, including media relations, corporate responsibility and employee communication. In addition, there are specific project teams for mergers and acquisitions (M&A) and crises, incorporating staff from these different areas within corporate communication. Interestingly, Siemens has organized market communications as part of the wider corporate communication function rather than as a separate department. The explanation for this may be that Siemens is mainly a business-to-business organization and does not market itself to end-consumers or end-users of its technology.

Larger organizations, such as multidivisional companies and multinational corporations, often locate the corporate communication department at a high level, vertically, within the organization. The *vertical structure* refers to the way in which tasks and activities (and the disciplines that they represent) are divided and arranged into departments (defined as the departmental arrangement) and located in the hierarchy of authority within an organization. The solid vertical lines that connect the boxes on an organization chart depict this vertical structure and the authority relationships involved (see Figure 2.5). Within such vertical lines, the occupant of the higher position has the authority to direct and control the activities of the occupant of the lower position. A major role of the vertical lines of authority on the organization chart is thus to depict the way in which the work and output of specialized departments or units are coordinated *vertically*, that is by authority in reporting relationships. The location of the communication department close to senior management also means that staff of this department directly report to the CEO and executive team. Most multidivisional and multinational corporations have a communication department linked to the CEO and executive team in an advisory capacity. In practice, this typically means that the communication department is a staff function at corporate headquarters, from where it can advise the senior decision-making team, and that the most senior communications practitioner has a direct reporting or advisory relationship to the Chief Executive Officer or even a seat on the executive board or senior management team.

The vertical structure divides each organization's primary tasks into smaller tasks and activities, with each box on an organization chart representing a position assigned to undertake a unique, detailed portion of the organization's overall mission. However, such vertical specialization, and the spreading out of tasks over

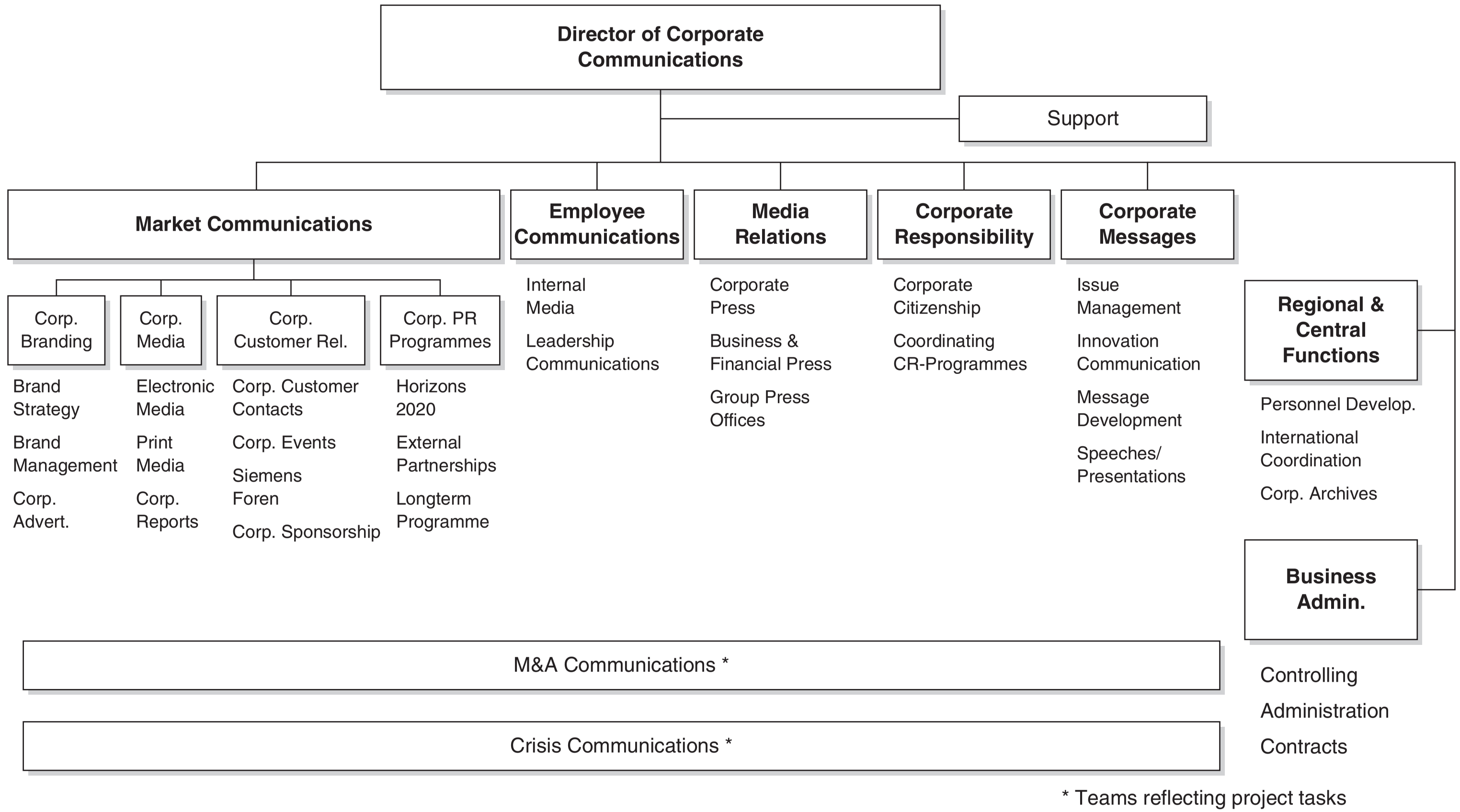


FIGURE 2.5 The organization of corporate communication within Siemens

different departments, requires some coordination or integration of work processes. This coordination or integration is achieved through so-called horizontal structures, which ensures that tasks and activities, while spread out over departments, are combined into the basic functions (i.e., human resources, finance, operations, marketing, and communication) that need to be fulfilled within the organization.

In the area of communication, horizontal structures are important as these enable companies to respond fast to emergent issues, provide control and ensure that consistent messages are being sent out through all the various communications channels. A final point, stressing the importance of horizontal structures, is that these may offset the potential disadvantages (functional silos, compartmentalization and 'turf wars') of the vertical structure and allow for cross-functional teamwork and flexibility. Horizontal structures can take various forms, including multidisciplinary task or project teams, standardized work processes and council meetings, and these are not normally displayed on an organization chart.

Multifunctional teams are an important mechanism in the coordination and integration of work of different communication disciplines.[22] Teams can be further distinguished in terms of the natural work team, permanent teams that work together on an ongoing basis (e.g., a cross-company investor relations team), and the task force team, created on an *ad hoc* basis for specific projects (e.g., around a crisis or a corporate restructuring). Task force teams are also assembled when an issue or crisis emerges in the company's environment (Chapter 11), and an adequate response needs to be formulated and communicated to key stakeholders.

Organizations can also use various tools to document work processes across disciplines and departments in visual and standardized formats, such as flow charts, process maps and checklists. Such process documentation creates a shared understanding among all communication practitioners about the processes of integration, institutionalizes processes of integration, thus making the organization less dependent on certain individuals, facilitates continuous improvements of the processes of integration, enables communication practitioners to benchmark their processes against other companies, and creates opportunities for cycle-time reduction.

In addition to documented work processes that are explicit and formal, integration also occurs through more informal channels. Much of the interaction among communication practitioners in fact takes place informally, in the email system, over the phone, and in the hallways. Companies can facilitate such informal communications by placing communication professionals physically close to one another (in the same building), by reducing symbolic differences such as separate car parks and cafeterias, by establishing an infrastructure of email, video conferences, and other electronic communication channels, and by establishing open access to senior management. In large organizations, it is also important that communication practitioners from different disciplines (e.g., marketing communications, internal communications) frequently meet at internal conferences and meetings, where they can get to know one another, network and share ideas.

Council meetings are another horizontal structure often used in multinational corporations.[23] A council meeting usually consists of representatives of different communication disciplines (e.g., media relations, internal communication, marketing communications), who meet to discuss the strategic issues concerning communication and review their past performance. Typically, ideas for improved coordination between communication disciplines bubble up at such council meetings, and the council appoints a subcommittee or team to carry them out. Generally, communication councils support coordination by providing opportunities for communicators worldwide to develop personal relationships, to coordinate communication projects, to share best practices, to learn from each other's mistakes, to learn about the company, to provide professional training, to improve the status of communication in the company, and to make communication professionals more committed to the organization as a whole. For all of this to happen, it is important that council meetings remain constructive and participative in their approach towards the coordination of communication (instead of becoming a control forum or review board that strictly evaluates communication campaigns), so that professionals can learn, debate and eventually decide on the strategic long-term view for communication that is in the interest of the organization as a whole.

A final mechanism for horizontally integrating work processes of communication practitioners involves the use of communication guidelines. Such guidelines may range from agreed upon work procedures (whom to contact, formatting of messages, etc.) to more general design regulations on how to apply logotypes and which colours to use. Many organizations have a 'house style' book that includes such design regulations, but also specifies the core values of the corporate identity. For example, Ericsson, the mobile phone manufacturer, has a 'global brand book' that distils the corporation's identity in a number of core values that communication practitioners are expected to adhere to and incorporate in all of their messages to stakeholders. Ericsson also convenes a number of workshops with communication practitioners across the organization to familiarize practitioners with the Ericsson identity and the brand book.

Case Study 2.1 illustrates how communication is organized in Philips, a large multinational corporation. It shows the choices that were made within Philips regarding the vertical and horizontal structuring of communication and how these relate to changes in the corporation's corporate strategy, the company's culture and the geographical complexity of its operations.

CASE STUDY 2.1

ORGANIZING COMMUNICATION IN PHILIPS

Philips, an international electronics corporation, started off as a manufacturer of light bulbs and electrical equipment in the Netherlands. Since its founding in 1891, the company has been at the vanguard of technological innovation and is credited with several inventions, such as the audio-cassette, the CD and the DVD. However, despite its strength in technological innovation, the company's financial health deteriorated in the 1990s because of a lack of focus, as the company operated in too many industries and markets, and because it was lagging behind its competitors in terms of marketing its products. Through the 1990s, Philips initiated several

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restructuring exercises which included selling off several businesses. In 1992, a restructuring exercise called Operation Centurion (guided by C.K. Prahalad, a well-known management expert) involved reducing the workforce, effecting a change in the company's culture (which had become rather bureaucratic and resistant to change), and streamlining internal processes so that the time of bringing products to market could be reduced. In 1996, another intensive restructuring exercise included further job cuts, outsourcing component manufacturing, and selling off unprofitable as well as non-core businesses, including the computer, defence electronics and semi-conductor businesses. In addition, the restructuring in 1996 meant that responsibilities and activities became heavily decentralized, with each business unit having to work on its own to become profitable. In 2001, when Gerard Kleisterlee took over as CEO, he introduced a more cooperative approach through a programme termed 'Towards One Philips' (TOP). Kleisterlee's intention was to move away from promoting each division as a separate entity. In his view, Philips had, over the years, become rigidly compartmentalized with each division focusing only on its own activities and on its own bottom line. The TOP programme set out to promote a more cooperative approach, with divisions working together across the company and streamlining their operations. In doing so, the company would be able to cut costs and to become more focused on its customers and other stakeholders. In the words of Kleisterlee: 'The customer doesn't want to deal with individual product divisions, with individual product lines. He wants to have one treatment from a company called Philips and experience a brand called Philips in one and the same way.' In 2003, Kleisterlee also redefined the company's business domains and product portfolio as restricted to healthcare, lifestyle and enabling technologies. The company now includes three major divisions: lighting, healthcare and medical systems, and consumer electronics, including domestic appliances and personal care, with more focused business units within each division.

BRAND POSITIONING AND COMMUNICATION

The Philips brand itself also underwent change as a result of these changes in the company's strategic focus, product portfolio and internal structure. In 1995, Philips launched the 'Let's make things better' campaign, which was meant to rejuvenate the Philips brand after a period of fragmented and ineffective product-led communication. The objective of the campaign was to project Philips as a company that delivers technology to improve people's lives. The campaign tried to convey that Philips technology, while improving people's lives, could also improve the world. In some ways, the campaign reflected the rich heritage of the company. This heritage goes back to the founders of Philips, Anton and Gerard Philips, who carried on a tradition begun by their father, Frederik, of providing housing, pension and free medical care, a sports centre (which led to the founding of PSV, the Philips sports association that is well known for its football team) and a foundation to finance the older children of Philips' employees through college. In true Dutch fashion, they even provided their early factories with full-time bicycle repair men. Anton and Gerard Philips set out to improve not just the lives of customers, through advanced technological products such as the light bulb, but also those of their employees and of community members. Their founding belief was that by daring to make choices that improve the lives of people both inside and outside the company, they would be successful. Though the 'Let's make things better' campaign was successful in profiling the company as a single brand, senior managers of the company felt that it failed to convey the design excellence and technical superiority of Philips' products. Therefore, in 2004, the 'Sense and simplicity' campaign was launched.

The 'Sense and simplicity' brand positioning is rooted in Philips' traditional strengths of design and technology. In line with this positioning, the company set out to launch high-tech products that meet customers' needs but have simple designs and easy-to-use interfaces. By 'sense', Philips meant 'delivering meaningful and exciting benefits of technology that improve people's lives' while 'simplicity' referred to its ability to provide easy access to these benefits. Technological products had to be advanced but easy to operate and designed around the needs of the customer. In this way, the brand positioning is both a brand promise to customers as well as a potential differentiator from the company's competitors in the marketplace. While companies like Samsung and Apple are also working towards simplifying technology for customers, Philips is among the first to make it part of its brand positioning and as core to its product design. The emphasis on simplicity not only related to marketing and the design of products, but was internally also linked to the TOP programme in that both initiatives shared the objective of making Philips itself a more simple, lean and internally aligned company.

REPUTATION MANAGEMENT

Corporate communication within Philips incorporates the new brand positioning in communications towards customers and the market. The company has set itself the target of becoming recognized as a market-driven company known for the simplicity of its products, processes and communication. Besides more market-focused communication around the theme of 'sense and simplicity', senior corporate communication managers of the company have also identified a further set of messages that they feel need to be consistently communicated to the company's core stakeholder groups.

These messages relate to its care and support for people inside and outside the business, the company's leadership in innovation, the company's vision, leadership and strategy, its track record in social and environmental responsibilities, and the company's ability to communicate effectively and engage with different stakeholder groups. Across the company, corporate communicators embed these messages in their ongoing communication with different stakeholders, an approach that Philips has termed 'themed messaging'. In essence, the idea behind this approach is that it allows Philips to 'manage' the drivers that contribute to its corporate reputation with different stakeholder groups. By using this approach, corporate communicators aim to change public perception of the company from a traditional consumer electronics group into a diversified healthcare and lifestyle company with a more unified voice and more consistent image being directed towards its stakeholders. The company

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tracks the contribution of its themed messages and communication campaigns on its corporate reputation.

VERTICAL AND HORIZONTAL STRUCTURES

The themed messaging approach and the continuous measurement of Philips corporate reputation reflect the company-wide importance that is now attributed to the company's reputation with different stakeholder groups. Reputation management is seen as wider than just the remit of corporate communication as it involves all of the business and many other functions (e.g., human resources, finance) that engage with stakeholders. The company has therefore formed a reputation committee with representatives from corporate communication and other key functions across the company and chaired by the CEO.

The committee is responsible for overseeing the deployment of improvements in the areas of the seven drivers of the company's reputation (leadership in innovation, performance management, care for employees, quality products and services, leadership in sustainability, market orientation and strong communication) in which action is thought to make sense. Corporate communication is organized as separate from marketing and is directed from the headquarters of the company in Amsterdam by Jules Prast, Global Director of Corporate Communication. Prast and his colleagues in the global corporate communication department are responsible for company-wide reputation issues, measurement and the formulation and planning of corporate communication and stakeholder engagement programmes. In the words of Prast, he and his colleagues had to 'select a communication model that fits and supports the culture, strategy and configuration' of Philips. The model that was adopted to organize communication involves an 'orchestration' model, whereby individual 'businesses participate in a global communications management system'. In other words, the global corporate communication department sets the themed messages for all corporate communication and supports local corporate communication functions in different regions (Europe–Middle East–Africa, North America, Latin America, and Asia Pacific) with their local communication to stakeholders. As Prast put it, 'we organized our internal and external communications around themes that served as a common reference point' for communication with stakeholders across global and at local levels of the company. Hence, like most multinational corporations, Philips has a combination of a centralized 'global' corporate communication department at the corporate centre and decentralized 'local' communication departments, teams and professionals in business units around the world. The themed messaging approach is one way in which the company tries to ensure consistency in its corporate communication across the organization.

Besides themed messaging, Philips has also introduced so-called process survey tools which document and standardize work processes across functions within the organization and allow professionals to improve upon their performance. Similarly, central processes in corporate communication, such as media relations, employee communication, editorial calendar management, crisis communication and speeches management, have also been documented and standardized. The decision to develop these process survey tools in corporate communication reflects the wider emphasis on standardization, optimization and measurement within the engineering culture of Philips. The result of having these tools is that certain key processes are documented and standardized in flow charts and worksheets and specify a clear set of procedures and actions to professionals. For example, in media relations, the process survey tool tells a professional who else should be contacted in relation to a media inquiry and how to draft a press release. A further effect of these tools is that they allow professionals to adjust and optimize work processes and identify 'best practices' in corporate communication based upon their learning and feedback from stakeholders. In sum, these process survey tools have helped in making corporate communication processes more visible and consistent across the company and have strengthened the accountability of corporate communication in improving its performance and in delivering results.

This case study is based upon Prast, J. (2005) 'The strategic importance of measuring corporate reputation: A Philips case study', *Critical Eye*, March–May, 4–9, documents from www.philips.com and Cornelissen, J.P., Van Ruler, B. and Van Bekkum, T. (2006) 'The Practice of corporate communication: Towards an extended and practice-based conceptualisation', *Corporate Reputation Review*, 9 (2), 114–133.

QUESTIONS FOR REFLECTION

1 Describe the vertical and horizontal structuring of corporate communication within Philips. What can you say about the effectiveness of these structures in the light of the company's repositioning around 'sense and simplicity' and its increased focus on managing its corporate reputation with different stakeholder groups?
2 To what extent do you think that process survey tools can be effectively used within corporate communication in other multinational corporations? Are these tools applicable to any type of multinational or does their effectiveness depend on characteristics of the corporation, such as its size, strategy or culture?

CHAPTER SUMMARY

2.6 This chapter has discussed the historical development of communication in organizations, the emergence and significance of corporate communication and the ways in which communication is organized in contemporary corporate organizations. This discussion provides a context for understanding why corporate communication emerged and how it is useful for today's organizations. The chapter also described the variety of factors or 'drivers' that triggered the emergence of corporate communication and continue to drive its widespread use within companies around the globe. Corporate communication has brought a more strategic and integrated perspective on managing communication for the benefit of the entire organization. To give this shape, many corporate organizations have consolidated communication activities into a single department with ready access to the executive decision-making team.

DISCUSSION QUESTIONS

1. What are the main benefits of integrating communication?
2. How is a strategic approach to communication different from a tactical approach? Can you give examples of companies that illustrate this difference?
3. How important is the organizational structure in ensuring integration and avoiding a fragmentation in communication?

KEY TERMS

Advertising	Audience fragmentation
Communication clutter	Corporate communication
Council meeting	Departmental arrangement
Direct marketing	Horizontal structure
Marketing	Marketing public relations
Markets	Process documentation
Public relations	Publicity
Publics	Reporting relationship
Sales promotions	Sponsorship
Team	Vertical structure

FURTHER READING

Grunig, Larissa A., Grunig, James E. and Dozier, David M. (2002), *Excellent Public Relations and Effective Organizations*. Hillsdale, NJ: Lawrence Erlbaum Associates.

Marchand, Ronald (1998), *Creating the Corporate Soul: The Rise of Public Relations and Corporate Imagery*. Berkeley, CA: University of California Press.

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5 Kotler, P. and Mindak, W. (1978), 'Marketing and public relations: should they be partners or rivals?', *Journal of Marketing,* 42 (10): 13–20, quote on p. 20.

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