

The Role of Corporate Communications in the Corporate Governance Process – Example of Insurance Industry in Croatia

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Abstract

Corporate communication, as an instrument of management, has the task to harmonize all the consciously used forms of internal and external communication, including their stakeholders (van Riel, 1995). Corporate communication connects corporate governance, communication and social integration and includes internal communication, public relations and market communication (Zerfaß, 2004). Modern corporate management demands a two-way and strategically planned communication based on optimal use of all tools and functions of internal and external communication of the company. In this paper authors analyze position and role of corporate communication within insurance companies and the frequency of use of basic functions in managing process of these companies. The goal of this research is to define to what extent the boards of directors of the insurance houses use these basic functions.

For the purpose of this research, the sample comprised 5 insurance companies in Croatia, which were categorized based on their market share and the number of employees. The result indicates disproportion in use of basic function of corporate communication. The use of internal communication is more frequent than the use of functions of public relations. In internal communication, evaluation of data, which were gathered through horizontal communication within companies, is less used than one-way transfer of information towards internal public. The authors conclude there is a significant potential in use of certain corporate communication functions in managing insurance companies. Through their significant use in segment of strategic business planning as well as in corporate management, it is possible to achieve positive results in insurance companies' business activities. Authors also recommend the ways of efficient use of basic functions of corporate communication which aim at improvement of business activities, public positioning and reputation management of insurance companies.

Keywords: *communication, corporate communication, corporate governance, function of corporate communication, insurance industry, reputation management*

1. Introduction

Development of corporate communication in Croatian companies occurs at the same time as development and maturing of Croatian free market economy. Modern corporate management demands a two-way and strategically planned communication through optimal use of all tools and functions of modern corporate communication, in both internal and external company communications. Authors of this paper analyze position and role of corporate communication within insurance companies as well as the frequency of use of the basic functions of public relations in strategic management of the company.

The goal of this research is to define to what extent the boards of directors of insurance companies use basic functions of corporate communication in strategic management of the company. The two hypotheses and two more auxiliary hypotheses are:

H Corporate communication in an insurance company is insufficiently involved in strategic management of a company and it is not a part of the *dominant coalition*.

H Corporate communication gives its contribution to corporate governance in terms of reputation management when dealing with external stakeholder.

H1 Internal communication, in comparison to public relations, is not present enough.

H2 Corporate communication is not proactively oriented because it does not make use of researches, and its budgets are not defined; on top of that, corporate communication does not have the role of a management advisor.

2. Corporate communication as a framework for managing communication

Modern paradigm of corporate communication is understood as “centralized management of overall company communication“, dealing with numerous stakeholders, and aiming at achieving the highest reputation possible (Schmid and Lyczek, 2006). Van Riel allocates to corporate communication the role of a management instrument with the task to “harmonize all consciously used forms of internal and external communication with its stakeholders (van Riel, 1995). Although the corporate communication is very often identified with the public relations, corporate communication definitions describe the its role in the company much more widely. According to the theory of *integrated corporate communication*, the corporate communication connects management, communication and social integration and it comprises organizational (internal) communication, public relation and market communication (Zerfaß, 2004). The theory also says that the organizational communication takes over the communication relationship with internal publics of the company, especially in the segments of employee communication and investor relations, where it addresses the stakeholders as the capital providers in joint stock companies. Ansgar Zerfaß (2004) defines external communication depending on the principle of relationship with market and non - market publics. Therefore, public relations cultivate communication with media and opinion makers, socio-cultural publics (communities) and public affairs (e.g. government relations). Market communication deals with customers, suppliers and competition.

In the process of carrying out its task, the corporate communication establishes and maintains reputation and it is responsible for shaping of the external presentation of a company; as such, it is an important function of corporate governance, in terms of reputation management (Nobel, 2006). Strategic cultivation, maintenance and strengthening of reputation are the key tasks of corporate communication. Reputation is essential for a long term survival of the company; in the end, reputation is the factor of creating values and it also has a money making character. Reputation management precedes guiding values of forming of the corporate identity, corporate communication and of creation of the positive corporate image in the eyes of individual stakeholders (Fombrun, 1996; Pirić, 2006; Mast, 2008; Milas, 2011). Different integrated approaches emphasize and expand the scope of responsibilities of corporate communication to marketing communications (Gregory, 2008; van Riel and Fombrun, 2007).

Van Riel and Charles Fombrun (2007:p.14) emphasize that there are “three principal clusters” of the communication activity, and that they consist of management communication, marketing communication, and organizational communications. Management communication is the most strategic cluster considering that this is “communication that takes place between the management level of the organization and its internal and external audiences”. Management communication is based on realization of cooperation with and on getting support from internal audiences; line managers (managers of an organization) have to obtain understanding and agreement of internal public (employees) for organizational goals which have to be achieved. Externally, management communication is in fact communicating about organizational vision aiming at winning support from *external publics* (stakeholders).

Actually, the management communication comprises planning, organization, coordination and control (van Riel and Fombrun, 2007). Here, van Riel and Fombrun put accent on communication role of the executive management because it is an important internal stakeholder. Management communication is not just the task of the top management; all levels participate in that communication process. Based on this model, corporate communication, as the function of management, coordinates all internal and external communication with stakeholders, on who it depends (Cornelissen, 2008). Although in theory of management the corporate communication is not listed among 5 key functions, it can be an additional function considering that the communication activity has been allocated to the manager's scope of activities; thus, it forms a part of all tasks of a manager (Bahtijarević-Šiber and Sikavica, 2001:p.129).

3. The Role of Stakeholders in Corporate governance

Corporate governance has its stronghold in the United States of America and it refers to the system where owners are not members of board of directors, by which corporations are directed and controlled. Corporate governance is about “the relationship between and among shareholders, the board of directors and senior managers” (Roe in Nobel, 2006:p.472).

The *Organization for Economic Co-operation and Development* (OECD) defines international standards which refer to transparency in corporate structures, mostly in the segment of stakeholders' rights and structure of the top management and the supervisory board. The principles of the guidelines from OECD's *Principles of Corporate Governance* (2004) are implemented in national legislations. Chapter IV of this document especially underlines the importance of the stakeholders: “The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises” (OECD, 2004:p.21).

The standard definition of a stakeholder is the one provided by R. Edward Freeman, who was among the first to offer a classification for all those groups who hold a stake in an organization (1984:p.6): “A stakeholder is any group or individual who can effect or is affected by the achievement of the organization's purpose and objectives”. In his stakeholder theory, he considered three groups of stakes: equity stakes, economic or market stakes, and influencer stakes (Cornelissen, 2008).

Through OECD principles standards are set not only for the rights of *equity stakes*, as owners, to receive information; these principles also put accent on other stakeholders, such as for instance employees, as *economic stakes*, or activist organizations as *influencer stakes*.

So, the participation of stakeholders in the corporate governance process is requested under the same standard and the function of informing the stakeholders by providing them with “access to relevant, sufficient and reliable information on a timely and regular basis” is underlined. Further, individual employees and their representative bodies are asked to supervise illegal or unethical practices; “they should be able to freely communicate their concerns” (OECD, 2004).

It is exactly in this segment where corporate communication has its task in both internal and external communication with stakeholders, and the corporate governance in its wider sense is the management acceptance of the corporation in relation towards their stakeholders aiming at not only avoidance of conflict potential, but also at optimization of positive effect, efficiency and at getting support. In this sense, the task of the corporate communication is to set up a two-way communication with accent on dialogue with stakeholders (Nobel, 2006:p.473). Corporate governance in terms of obtaining support from its stakeholders has to build reputation management systematically. In excellent organizations, the principles of corporate governance are strategically harmonized with reputation management, and this crucial role is taken up by the corporate communication.

Also, the managers at all levels of a corporation can use internal corporate communication as a tool for achieving planned business results such as “development of a unique and desired vision of the company within the company itself, set up of trust of employees in the managing structure of the company, initiation and management of the process of change, and directing, managing and motivating employees“ (Pirić, 2006:p.66).

4. Corporate communication as a part of the “dominant coalition”?

Role of corporate communication at the management level can be measured through descriptions of communication tasks and responsibilities, through set-up of communication unit within organization and by defining to who the manager/director of corporate communication directly reports to (Milas, 2011). One of the key dimensions of corporate communication is “understanding its relationship to overall organizational strategy“, which includes mission and goals (Wood, 2009:p.551). Organizations are usually run by a chief executive officer (CEO) and a board of directors or an executive committee. As they have the most power in the organization, James Grunig (1992) called it the *dominant coalition* – they formulate the corporate strategic plan which sets out what the organization aims to achieve. In order to achieve excellence of an organization, the senior communication manager participates in strategic management of organization and consequently, the communication programs are shaped for strategic stakeholders who are identified within the frame of strategic management.

If the chief communication officer (CCO) participates in the process of making strategic decisions, and if he directly reports to chief executive officer, it is considered that he is a part of the “dominant coalition” (Dozier, Grunig & Grunig, 1995; Broom 2010). The characteristics of an excellent communication which were empirically examined in *Excellency study* can be placed into four categories, whereby the senior communication executive is involved with the strategic management processes of the organization. It is assumed that “excellent public relations department communicates with these publics to bring their voices into strategic management thus making it possible for publics to participate in organizations’ decisions that affect them...; the chief communication officer as a member of the dominant coalition “has the power to affect key organizational decisions“ (Grunig & Grunig, 2011:

5. Organizational position and the role of corporate communication of insurance companies

This research included insurance companies in the Republic of Croatia with the seat in the Republic of Croatia, domestic enterprises but also those companies which are through their capital connected with enterprises registered outside Republic of Croatia. Insurance Act Article 2, defines insurance company as legal entity with the seat in the Republic of Croatia which obtained license of the supervisory body for performing insurance business operations. Insurance business operations, and within the meaning of the same Act, are defined as conclusion and fulfillment of a contract on non - life and life insurance, mandatory social security excluded (Zakon, 2005; Zakon 2013). The activities of an insurance company define the need for a series of communication activities. Besides marketing communication, it is clear that there is a need for complex activities of product PR, but also for activities of issue management in the case of complicated complaints or lawsuits, where it is necessary to know about financial operations. There is also event management, public opinion polls, research of the company and product image, reputation management, which is very important, and then there is the strong internal communication and alike. Article 4 of the same Act defines possibility that the insurance company is also a legal entity with a registered seat in a Member State, which obtained license issued by the competent supervisory body for performing insurance operations, i.e. the reinsurance activity in the Republic of Croatia. It is also allowed that the insurance company of the Member State, and in accordance with this Act, has the right to pursue insurance business operations on the territory of Republic of Croatia, directly or through insurance subsidiary. Insurance company registered and established in the Republic of Croatia can pursue insurance business operations in other countries but the business operations in those other countries are under jurisdiction of their supervisory agency. Considering that the most insurance companies in the Republic of Croatia are in fact connected to insurance companies in the EU Member States or in other foreign countries through capital, it is clear that there is a need for development of complex internal communication with an international character and it should have high standards (Zakon, 2005; Zakon 2013).

Article 12 of the Insurance Act also defines some of the supervisory bodies; supervisory body within the meaning of this Act is Croatian Financial Services Supervisory Agency (hereinafter referred to as HANFA). Apart from the HANFA agency, from the above mentioned Act, there is a series of other institutional stakeholders in an insurance companies' environment with which it is necessary to communicate regularly; these are Croatian Insurance Bureau, the Legislator, etc. Therefore, the corporate communications for insurance companies also cover various financial reports, annual reports, reports and organization of the stakeholders' meeting and other standardized reports, which are the usual way of communication with institutional stakeholders. Insurance Act also defines special conditions of business and communication relationships of an insurance company, in case the insurance company is a joint stock company (Zakon, 2005; Zakon 2013). In that case, it should be counted with a series of new communication needs because of a series of new stakeholders. These new communication needs would be: relations with stakeholders/investors, relations with the stock exchange, if the stocks are listed on the stock exchange and also the extra elaborated and standardized forms of business reporting.

5.1. Research methodology

This research was conducted based on qualitative methodological approach of a half structured interview with Heads of Corporate Communication Departments.

Interview took place in the time period from 2 to 10 December 2013 and it consisted of nine questions and one sub-question, all having a four-theme structure:

- Organization and hierarchical position of the corporate communication within company
- Activities of corporate communication
- Status and understanding of corporate communication by the top management
- Evaluation of development of PR profession and its future in the insurance sector.

For the purpose of research, a sample of five Croatian insurance companies was defined. The sample was put together in the following way: out of total of 27 insurance companies which are active on the Croatian financial market, 4 companies were chosen, out of total of 7, having the highest total gross insurance premium charged, amounting to at least HRK 350 million and more than 500 employees (Hrvatski ured za osiguranje, 2012). This sample included two biggest Croatian companies which, at the same time, are the only companies among the 50 biggest banks and insurance companies in Central Europe, with more than a billion kuna worth gross insurance premiums and more than 1,500 employees (Deloitte, 2013). The fifth company in this sample is the representative of “smaller” companies, and it has gross insurance premiums worth between from 50 to 100 million kuna.

All insurance companies are joint stock companies; with regard to their ownership structures, only one company in this sample is in Croatian ownership, while four others are either majority or complete ownership of foreign insurance groups from European Union, and these mostly being Austrian, German and French ownerships.

5.2. Research results

First thematic unit of the interview was focused on questions referring to organization and hierarchical position of the corporate communication within organization. Two questions with sub-questions were asked,

1. Does your company have an organized department for corporate communication and how many people perform tasks connected with corporate communication activities? How is this department (or person), which (who) is in charge of corporate communication, positioned within the company?

The most frequent answer was that the insurance company has an organized department for corporate communication, but it is either a part of the marketing department or it is subordinated to it. The term *public relations* is not used by any of the companies in the sample.

- In three cases there is an organized Unit or Department of Marketing and Corporate Communication; within these units or departments, there are departments or groups which based on what they do make clear distinction between marketing and corporate communication activities;
- In one case, Department of Corporate Communication functions as an independent department;
- In one case, corporate communication does not exist within any structured unit and it is subordinated to the marketing. However, corporate communication used to be an independent department.

Usually, there are two persons in a company who are involved in corporate communication activities. In the biggest company of the sample, there are two departments: the first is called Corporate Social Responsibility (CSR) and Internal Communication Department and the

second is called External Communication Department. No answer is received to the question how many employees work in these departments. In three out of five cases the head of the organizational unit of corporate communication directly reports to the CEO, independently or together with marketing. In one case, the immediate superior is the Head of the Office of the Board of Directors, and then the Board of Directors.

2. How would you describe position of corporate communication department where public relations give maximum contribution to business operations of the insurance company?

This question was answered differently. Through their sublimation, it can be concluded that the activities are focused on internal and external communication, on strengthening of the corporate image and reputation, on product PR, on crisis management in an atmosphere of citizens' mistrust in financial institutions. Three of the interviewees emphasize the need for corporate communication to be among strategic function in insurance company, to be separated from the subordinated position in marketing and the need for the heads of corporate communication departments to participate in board meetings.

Second thematic unit is about description of actual activities and about issue of financing of corporate communication. There were three questions asked within this thematic unit.

3. Are you satisfied with the budget allocated to projects in the segment of corporate communication? Please do not take sponsorship and donation budgets into consideration.

Opinion of the interviewees about the budget allocated for PR activities differs. Two of the interviewees think the financial means are sufficient; the next two think the budget is insufficient. An interviewee points out that the budget is not defined, and that the budget for PR activities is a part of the budget for marketing activities. It is the general attitude that the budgets are lower than in the past few years due to the long-term recession.

4. Which role of the corporate communication the Board of directors of your company uses most often in running of the company? Does the Board of directors of your insurance company use more external or internal communication and which tools do they use the most?

In three cases, the role of internal communication is a dominant one as opposed to that of external communication; in one case, there is a vice versa situation; in a further case, the interviewee says they are equal. In internal communication, the dominant tools in the biggest companies are intranet portals and blogs which are the most read/visited form on the Intranet. Other tools are also internal company papers, such as weekly or monthly newsletters, team buildings, emails... One interviewee said that the dominance of internal communication is the consequence of the strategic change within the company – merger of two companies. In this case, the method called change communication was used in communication with employees. In external communication, classic PR tools for informing about events and key topics for all external publics are used; they include press release, interview, media briefing, press conference and social networks.

5. Does the Board of directors of your insurance company make use of public opinion research and of the advisory role of corporate communication?

This question gives answer to what extent corporate communication are really proactive and to what extent the strategic communication is used. Strategic communication is a precondition for communicational excellence and assumption that it can have the role of a top management's advisor.

Results show that to a lesser extent the role of corporate communication is a strategic one, and to a greater extent, a technical one. In three companies, public opinion research is used; in two companies no research is conducted, and the communication model is reactive.

One example shows that they use data obtained from the professional research agencies such as *GfK (Insurance Market Data Service)*. In two cases only, the corporate communication performs the role of top management's advisor.

The third thematic unit is a group of questions about status and understanding which the top management shows toward corporate communication. These questions follow the previous group and say that the corporate communication department has influence on strategic decisions of the top management and talk about how the management perceives them based on the estimation made by the CCOs themselves.

6. Department which coordinates communication activities – does it truly have influence on organizational and strategic decisions in your company?

Three interviewees answered that their corporate communication department has no influence on strategic decisions of the company. Answers were clear and very short. Two interviewees with affirmative answers said their department participates in making of the corporate communication yearly plan, which becomes a part of the marketing plan; marketing plan is one of the fundamental documents of the company. One of the interviewees gave an example of strategic initiative, *[company name] goes digital*, and explained that this initiative is under direct supervision of corporate communications.

7. Do you think that the management (Board of Directors) of your company fully understands the importance of public relations for the business operations of the company they lead?

- a. If the answer to Question No 7 is YES, please specify which, in your opinion, are the key reasons that made them understand the importance of public relations for the business operations of the company they run;*
- b. If the answer to Question No 7 is NO, please specify, in your opinion, the key reasons why the management (the Board of Directors) does not understand the importance of public relations for the business operations of the company they run.*

Three of the interviewees answered affirmatively, and two of them in a negative way. Those with affirmative answers say that the top management understands the importance of internal and external communication. Their arguments are that the top manager's experience in managing and his/her leadership skills are crucial; this is especially important for the CEOs. Of course, it is also important that the CCO possesses high level of professional knowledge and experience and that there is a high level of trust and mutual understanding between CEO and CCO.

Negative answers spoke about lack of understanding and knowledge about the role of public relations, and about how the trends and options which corporate communication offer, are not being followed. Contribution of corporate communication to the company in terms of creating a culture of trust, cooperation, support and knowledge sharing, is intangible. Top management assumes there is no need to invest in and assign importance to strategic communication while there is no crisis situation or negative publicity in media.

8. In your opinion what are the biggest issues you as PR professionals in an insurance company (have to) face?

Interviewees think that equalization is the issue, or better to say subordination of corporate communication/public relations to marketing. The consequences are: the function of corporate communication and its organizational position are not clearly defined (in two cases); decline in credibility and emergence of prejudice that anyone can perform corporate public relations activities (further two cases). In one case it is said that it takes a lot of time, effort, knowledge and determination to show and prove the values of corporate communication management.

The last question refers to evaluation of development of *public relations profession* and to its future in insurance sector. The question is:

9. At the end, how do you see development of Public relations profession in the last three years and how do you see the future of strategic corporate communication (with)in insurance sector.

Most of the interviewees think that in the last three years this profession has been stagnating or declining (four out of five interviewees). The reason why is because the profession of corporate communication/public relations in Croatia is relatively young and has not yet established itself (three interviewees). One interviewee thinks that there are not enough engaged communication experts from the corporate sector of PR profession and from professional association of HUOJ (*Croatian Public Relations Association*) and that in public media appearances dominate representatives of PR agencies (two interviewees). One interviewee points out to a problem of profession's reputation which is damaged by scandals of the so called PR agency (FIMI Media case). However, as to the future of PR profession, all five interviewees of the sample have positive attitude that the value of corporate communication in their sector, and in general, will be recognized.

6. Discussion

As defined in the *OECD Principles* (2004), the corporate governance framework should encourage active cooperation between corporations and stakeholders in creating wealth, job and the sustainability. Therefore, the dialogue to stakeholders is a key factor of an excellent reputation management. The aim of corporate communication is to build strong reputation of the company and therefore, it has the function of corporate governance. Cultivation and maintenance of reputation, as the key goal of corporate communication, is very important for the insurance company because of their being financial institutions, they face the critical eye of the public. Mistrust in financial institutions is caused by frequent financial scandals and the 2008 World Economic Crisis.

Results of the research which was conducted in form of thorough interviews with five heads of corporate communication departments within insurance companies sector generally show that the corporate communication is insufficiently recognized and valued at the top management level.

The first main hypothesis answers this important question:

H Corporate communication in an insurance company is insufficiently involved in strategic management of a company and it is not a part of the *dominant coalition*.

This hypothesis is confirmed. Three out of five interviewees said their department has no influence on strategic decisions of the company. In terms of the dominant coalition, four out of five companies in the sample do not have a separate corporate communications department; corporate communication co-exists with marketing and it is/or subordinated to it. Most of the CCOs are aware of the problem and underline the need of corporate communication being listed among strategic functions in insurance companies, the need to separate its subordinated function from marketing and the need for participation of heads of departments in board meetings.

There are parallel researches in Europe, such as for instance the biggest European empirical research, *European Communication Monitor 2013*, where 92% of the interviewees within sample of 2.700 PR professionals in Europe say that important factors of general company success are communication skills of the CEO used for communication with media and general public as well as in interpersonal communication. Communication experts in public joint stock companies shape positioning of the company's first person in 86% of the cases, and three quarters of them advise other Board members too. Two thirds of the communication experts prepare specific communication instruments, draw up special communications strategies and systematically follow personal reputation of the CEO (Zerfass *et al.*, 2013).

Results of the research from 2009 conducted on the sample of 10 Croatian joint stock companies listed on the Stock Exchange Crobex10 Index gave an almost uniformed evaluation saying that the corporate communication are positioned as the *central staff function entitled to advise strategic management*, and that the head of corporate communication department informs the CEO of the joint stock company and reports directly to him. Sector or the corporate communication department draws up and adopts the communication plan either independently or in coordination with other sectors, especially with the marketing sector. Thus, the corporate communication is positioned on a strategic level which is a precondition for a proactive approach in communication towards stakeholders and it is the basis for the communication excellence of the organization (Milas, 2010: p.p. 144-160). In this context, although director of the corporate communication sector is not a line manager, he is still a part of the *dominant coalition*, because he belongs to those who have the greatest power in the organization (Tomić, 2008: p.194)

H Corporate communication gives its contribution to corporate governance in terms of reputation management when dealing with external stakeholder.

This hypothesis is confirmed. Regardless of not being the part of the dominant coalition, the function of the corporate communication in this sample is always in charge of internal and external communication, and it builds the stakeholder value by cultivation image and reputation (Argenti, 2009). All insurance companies are joint stock companies, and they are listed on the Zagreb Stock Exchange or their parent companies are listed on European and world stock exchanges. In this context, the permanent task of the corporate communication is to build substantial amount of trust, and reputation of good investor relations which has important influence on the shareholder value (Nobel, 2006; Hrvatska agencija za nadzor financijskih usluga, 2010).

H1 Internal communication, in comparison to public relations, is not present enough.

This auxiliary hypothesis is not confirmed. Most of the interviewees emphasized that internal communication is present more than external communication.

H2 Corporate communication is not proactively oriented because it does not make use of researches, and its budgets are not defined; on top of that, corporate communication does not have the role of a management advisor.

This hypothesis is partially confirmed. Communication model is more reactive than proactive, Researches are used by three to five companies, but the budgets are not defined. Strategic instrument of issue management is not used as the method for identification of future trends and topics (Kuhn & Ruff, 2007). Most of the interviewees do not have advisory role of the top management.

7. Conclusion

Authors find that the corporate communication does not have a central staff function entitled to advise board of directors and that it is to a lesser degree a part of the dominant coalition. However, since it is in charge of reputation management and communication with stakeholders, based on these aspects, the corporate communication does give its contribution to corporate governance.

There is a disproportion in the use of basic function of corporate communications. The use of internal communication is more frequent than the use of function of public relations. In the segment of internal communication, the evaluation of the data gathered through horizontal communication within companies is less used in comparison to the use of function of one way release of information toward internal public. The expert analysis of public opinion and company position in the eyes of stakeholders, done through scientifically recognized evaluation methods is often replaced with subjective evaluation from the managing structures. It is the reactive corporate communication that prevails.

Therefore, the authors conclude that there is a significant potential in the use of certain function of corporate communication in managing insurance houses. By more significant use of the role and functions of corporate communication in the segment of strategic planning of business operations as well as in corporate management, it is possible to achieve positive business related effects in business operations of insurance houses. First of all, we need the awareness that the corporate communication through reputation management gives a significant contribution to creation of new values and that the reputation, in the long run, is a money maker. It is necessary to invest in human resources within communication departments and to redefine its organizational status as central staff function separated from the marketing department. Such practice is present in West Europe and especially in the States. Practice present in Croatia has a huge potential.

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