An Overview of the Corporate Communication Function

Adapted from Argenti 2009, Chapter Three

[Chapters 1 & 2] painted a broad picture of the business environment and provided a framework for communicating strategically. Against this backdrop, we turn now to a discussion of the corporate communication function itself. A growing number of companies recognize the value of corporate communication and are adapting their budgets and internal structures accordingly. The fifth Public Relations Generally Accepted Practices (GAP) Study, released by the Strategic Public Relations Center at the University of Southern California on May 18, 2008, revealed that PR /communication budgets had increased by 10 percent between 2002 and 2007 for all responding organizations.[1]

This chapter traces the evolution of corporate communication and the developments in recent years that have led to a heightened recognition of the field. After examining the roots of corporate communication, we discuss the most appropriate structure for the function within an organization, including reporting relationships. We also showcase each corporate communication subfunction that is explored in greater detail later in this book.

From "PR" to "CorpComm"

Public relations (PR), the predecessor to the corporate communication (CorpComm) function, grew out of necessity. Although corporations had no specific strategy for communications, they often had to respond to external constituencies whether they wanted to or not. As new laws forced companies to communicate in many situations they hadn't previously confronted, the constant need for a response meant that dedicated resources were required to manage the flow of communications.

This function, which was tactical in most companies, was almost always called either "public relations" (PR) or "public affairs." Typically, the effort was focused on preventing the press from getting too close to management. Like a patriot missile, designed to stop incoming missiles during war, the first PR professionals were asked to protect the company from bad publicity, often by "spinning" damaging news in a positive light. Thus, the term "flak" came to be used to describe what PR people were actually doing: shielding top managers from "missiles" fired at them from the outside.

The "flak" era of public relations lasted for a number of decades, and when companies needed other communications activities, public relations personnel were the obvious choice to take them on. In the 1960s, for instance, it was not unusual to find public relations officials handling speechwriting, annual reports, and the company newsletter. Given that the majority of work in this area involved dealing with the print media (television wasn't truly a factor until the

[1] Fifth Annual Public Relations Generally Accepted Practices Study," Strategic Public Relations Center, University of Southern California, May 18, 2008.

early 1970s), many companies hired former journalists to handle this job. The former-journalist-turned-flak brought the organization the first dedicated expert in the area of communication.

Until recently, the top managers in large companies came from backgrounds such as engineering, accounting, finance, production, or, at best (in terms of understanding the company's communication needs), sales or marketing. Their understanding of how to communicate depended on abilities they might have gained by chance or through undergraduate or secondary school training rather than years of experience. Given their more quantitative rather than verbal orientation, these old-style managers were delighted to have an expert communicator on board who could take the heat for them and offer guidance in times of trouble.

PR professionals often were seen as capable of turning bad situations into good ones, creating excellent relations with their former colleagues in journalism, and helping the chief executive officer become a superb communicator. In some cases, this reputation was true, but for the most part, the journalists were not the answer to all of the company's communications problems. When situations turned from bad to worse, they were the obvious ones to blame—easy scapegoats for irresponsible managers.

The First Spin Doctors

In addition to the internal PR staff, outside agencies often helped companies that either couldn't afford a full-time person or needed an extra pair of hands in a crisis. The legends of the public relations field-such as Ivy Lee and Edward Bernays and, later, Howard Rubenstein and Daniel Edelman—helped the public relations function develop from its journalistic roots into a more refined and respected profession.

For many years, PR agencies dominated the communications field, billing companies hefty fees for services they could not handle in-house. Few large companies were willing to operate without such a firm for fear that they might be missing an opportunity to solve their communications problems painlessly by using these outside "spin doctors."

Some of the top public relations firms today—such as Fleishman Hillard and Edelman in the United States; Weber Shandwick in the United Kingdom and the United States; and Ogilvy PR in Japan—still provide some of the best advice available on a number of communications-related issues. But outside agencies cannot handle all the day-to-day activities required for the smooth flow of communications from organization to constituents. Therefore, they often work alongside in-house communication professionals on strategic or project-based communications activities.

A New Function Emerges

By the 1970s, the business environment required more than the simple internal PR function supplemented by the outside consultant. The rise in importance and power of special-interest groups, such as Ralph Nader's Public Interest Research Group (PIRG), and environmentally oriented organizations, such as Greenpeace, forced companies to increase their communications activities. During the Arab oil boycott and embargo in the 1970s, the entire oil industry came under fire as consumers had to wait hours for a tank of gasoline while big oil companies reported what many consumer groups felt were "obscene" profits running into the hundreds of millions of dollars.

This situation led Mobil Oil to develop one of the most sophisticated public relations departments of its time. Mobil's Herb Schmertz revolutionized the field by solving communications problems with strategies that no one had thought of before. His series of advertisements, called "issue ads" (see Chapter 4 for more on this subject), which ran on *The New York Times and The Wall Street Journal* op-ed pages once or twice a week, directly attacked the allegations of both "obscene" profits and hoarding of oil to inflate prices. Instead of merely reacting to these allegations, the Mobil issue ads put the blame on the government, explained why the oil companies needed hefty profits for exploration, and refocused discussion on other issues the company's CEO thought were important to shareholders.

With a budget in the tens of millions of dollars, Schmertz created a new communications function that changed the nature of Mobil's communications effort from old-style public relations to the first significant corporate communication department. A senior vice president of the corporation, Schmertz was also one of the very few communications executives with a seat on the board of directors—further proof of Mobil's commitment to enhanced communications.

Thus, as individual corporations and entire industries were increasingly scrutinized and had to answer to a much more sophisticated set of journalists, the old-style public relations function was no longer capable of handling the flak. As a result, what at first had been deemed a waste of resources at Mobil in the early1970s became the norm in corporate America. The focus now shifted to structuring these new corporate communication departments effectively to fit the function into the existing corporate infrastructure.

In more recent years, the corporate communication function has continued to evolve to meet the demands of the ever-changing business and regulatory environments. At the outset of the millennium, a string of financial scandals at corporations including WorldCom and Enron resulted in the Sarbanes-Oxley Act of 2002, which made full disclosure, transparency, and corporate responsibility the expected norm for companies large and small. The need to maintain this level of transparency has elevated the corporate communication function within companies to a new strategic level. Messages, activities, and products—from investor conferences and annual reports to philanthropic activities and corporate advertising—are now analyzed by regulators, investors, and the public at large with unprecedented scrutiny. And the proliferation of online communication vehicles, including Web portals, instant messaging, and blogs, has accelerated the flow of information and the public's access to it to record speeds.

Under this higher-resolution microscope, the clarity, alignment, and integration of communications to all constituents have the ability to make or break a corporate reputation. As a result, 77 percent of in-house communicators cite spending a "moderate amount" or "great deal" of time developing integrated communications.[2]

[2] Weber Shandwick, "Corporate Survey 2005," *PRWeek,* June 27, 2005.

To Centralize or Decentralize Communications?

One of the first problems organizations confronted in structuring their communication efforts was whether to keep all communications focused by centralizing the activity under one senior officer at headquarters or decentralizing the activities and allowing individual business units to handle communications. The more centralized model provided an easier way for companies to achieve consistency in and control over all communication activities. The decentralized model, however, gave individual business units more flexibility in adapting the function to their own needs.

The same structural challenges persist today, and the answer to the centralization/decentralization debate often depends on a company's size, the geographic dispersion of its offices, and the diversity of its products and services. For organizations as large and diversified as General Electric, for example, the question is moot: There is no way such a sprawling organization involved in activities as diverse as aerospace and network television could remain completely centralized in all of its communication activities.

The same is true for Johnson & Johnson (J&J): With more than 110,000 employees in more than 200 operating companies in 57 different countries, complete centralization of communications would be difficult, if not impossible. Instead, Bill Nielsen, the legendary former corporate vice president of corporate communication at J&J, described the function as "a partnership of professionals in communication." [3] J&J even avoids centralizing its external communications counsel with a single public relations firm. Instead, the company uses both small firms on a project basis and large, global agencies with resources around the world, amounting to a total of over 20 different agencies worldwide to support various elements of its business.

Global events and economic trends also affect decisions about the structure of an organization's communication function. Not only did the shock of the September11, 2001, attacks teach companies the importance of expecting the unexpected in terms of crises, but it also gave decentralized communication structures a new appeal for many companies. As Jim Wiggins, first vice president of corporate communication for Merrill Lynch, explained, "Companies will have to look at less centralization of key activities if we now live in a world where terrorism is a key possibility. "[4]

Increased security threats are not the only catalyst for the decentralization of communications; economic downturns can have a similar effect. Consider a major international airline that imposed significant staff reductions on its corporate communication department due to across-the-board cost cuts. As a result, the director of communications explained that the department became more selective about what they committed to, saying: "We don't do everything for everybody anymore." Instead, other departments throughout the company established communication positions, doing some of the activities formerly handled by the

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[3] Interview with Bill Nielsen, February 2002.

[4] Shane McLaughlin, "Sept. 11: Four Views of Crisis Management," *Public Relations Strategist*, January 1, 2002, pp. 22-28.

centralized corporate communication department.[5]

In instances of scaled-back budgets, delegating tasks is doubly important because economic uncertainty also can force the communications department to handle activities it would generally outsource to a full-time PR agency. A recent *PR Week* Corporate Survey revealed that fewer than 60 percent of responding corporations retained an external PR agency, a decline from prior years' survey results.[6]

While decentralization allows for more flexibility in tough economic times, these advantages are not without accompanying risks. Dispersing corporate communications across individual operating units without some central oversight significantly raises the potential for inconsistent messages. In decentralized structures, a company's communication professionals must be diligent about assuring quality, consistency, and integration of messages across the board.[7] Companies often require formal mechanisms to ensure that this integration takes place.

Perhaps, then, finding a middle ground between a completely centralized and a wholly decentralized structure is preferable for large companies. For example, a strong, centralized, functional area can be supplemented by a network of decentralized "operatives" who adapt the function to the special needs of the independent business units. Dell Computer Corporation organizes its corporate communication staff using an approach that follows how its businesses are organized: a "matrix" based on customers, products, and geography. Although the more than 80 team members are physically located within the businesses they support, Lynn Tyson, who heads up the team, sits at headquarters among Dell's corporate staff, interacting constantly with senior management. This combination of centralized communication management with "operatives" dispersed throughout the various business units has proved successful for Dell, a company with over 50,000 employees who live and work in more than 30 countries.

Where Should the Function Report?

Surveys conducted over the last decade have consistently shown that a high percentage of the average CEO's time is spent communicating. Research conducted at the Tuck School of Business suggests that, on average, *Fortune* 500 company CEOs spend between 50 and 80 percent of their time on communication activities. As an example, former Johnson & Johnson CEO James Burke estimated that he spent over 40 percent of his time as CEO communicating the J&J Credo alone (see Chapter 10 for more on the Credo).[8]

CEOs generally devote their time to communicating their company's strategic plan, mission, operating initiatives, and community involvement both internally and externally. Michael Useem, a management professor at the Wharton School of the University of Pennsylvania, estimates that due to investors' increasing demands for companies to deliver short-term results, about one-third of a CEO's time is devoted to capital markets and to

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[5] Jack LeMenager, "When Corporate Communication Budgets Are Cut," *Communication World* 3 (February 3, 1999), p. 32.

[6] Weber Shandwick, "Corporate Survey 2005."

[7] LeMenager, "When Corporate Communication Budgets Are Cut."

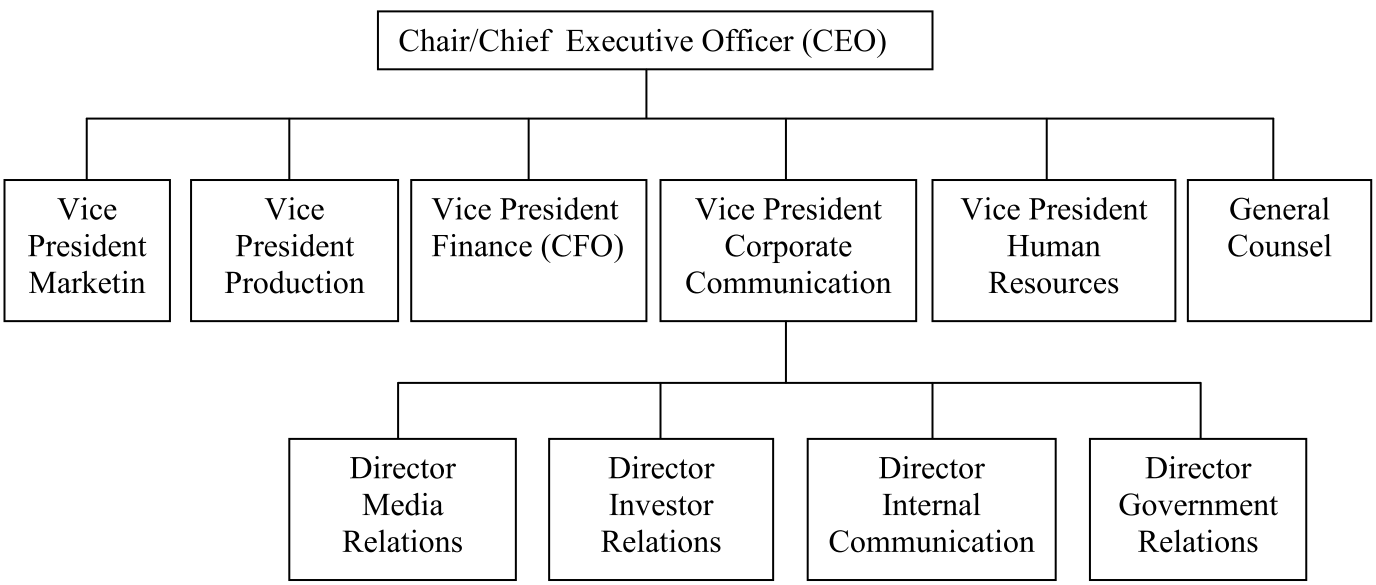
[8] James C. Collins and Jerry I. Porras, Built to Last(New York: Harper Business, 1994, 1997), p. 80.

communications with up to four dozen analysts and investors.[9]

Consider the prominent position former Citigroup CEO Charles ("Chuck") Prince took in 2005 when announcing and leading the company's commitment to engraining ethics in its cultural fabric in the wake of a number of regulatory and legal scandals, one of which resulted in the closing of the Citigroup Private Bank in Japan. As Prince explained: "This is job one. If I don't own this, I don't think it will succeed. If you delegate this, people will know instantly you are not sincere."[10] The campaign—internally named "The Company We Want to Be"—included an annual ethics training session for all employees and a global road-show each year at which Prince could hear firsthand the concerns and ideas of Citigroup employees from across the 100 countries in which it operates. At the outset of its launch, Prince estimated that he was devoting at least half of his time to the campaign.[11]

In many respects, CEOs themselves are an embodiment of the corporate brand. As such, their behavior and commentary can easily and markedly affect a company's financial performance. Recall Martha Stewart, founder and CEO of Martha Stewart Living Omnimedia, sentenced to five months in prison in 2004 after being found guilty on four counts of obstructing justice and lying to investigators regarding a stock sale. Expectations of a not guilty verdict caused the company's stock price to rally prior to the announcement, only to nose-dive 22 percent on the New York Stock Exchange following the guilty verdict. [12]

FIGURE 3.1 Ideal structure for CorpComm function



[9] Nanette Byrnes, "The 21st Century Corporation: The New Leadership: Chief Executive Officer: The Boss in the Web Age," Business Week 3696 (August 28, 2000), p. 102.
[10] "Alan Murray, "Citigroup's Prince Begins to Usher in New Culture of Ethics," *The Wall Street Journal*, March 2, 2005, p. A2
[11] Ibid.
[12] Jim Robinson, "Leader of the Brand-Keeping the Best CEOs in Step," Management, June 1, 2005, p. 26.

All of this evidence implies that the CEO should be the person most involved with both developing the overall strategy for communications and delivering consistent messages to constituencies. Ideally, the corporate communication function will have a direct line to the CEO. (See Figure 3.1 for a sample corporate communication reporting structure.) Nearly half (46 percent) of respondents to a *PRWeek* Corporate Survey said their company's head of communications reported directly to the CEO, president, or chairman.[13] (See Tables 3.1 and 3.2 for details of the study.) Even if reporting lines do not, on paper, go directly to the CEO, it is vital that the head of corporate communication have access to the highest levels of senior management and that those executives believe in the value and necessity of corporate communication as a means to achieve corporate goals. Without this connection, the communications function will be less effective and far less Powerful.

TABLE 3.1
Where Corporate Commu-nication Reports

Communications Head Reports to:	Total (Percentage of Companies)
Chairman/CE0/president	45.6
Head of marketing	31.6
Other	14.0
Chief operating officer	4.8
Chief of human resources	1.8
Chief financial officer	1.3
General counsel	.9

Source: Weber Shandwick, "Coipurate Survey 2005," *PRWeek*, June 27, 2005.

TABLE 3.2
Title of Senior Commu-nication Executive

Title	Total (Percentage of Companies)
Senior vice president	17.1
Vice president	31.1
Director	26.3
Manager	17.1
Other	8.3

Source: Weber Shoodwick, "Corpora k Survey 2005," *PHWerk*, June 27, 2005.

To keep the number of direct reports to the CEO down to a handful of senior executives (often the biggest stumbling block to getting the corporate communication function "plugged in" at the top), some companies have corporate communication function report to a strategic planning function. Given the importance of tying communications to the overall strategy of the firm, this approach may benefit the growing corporate communication function.

In some cases, however; the function still reports to the catch-all executive vice president

[13] Weber Shandwick, "Corporate Survey 2005."

(EVP) in charge of administration. This person also has responsibility for areas such as HR, security, and buildings and grounds. This structure can present tremendous problems for the communication function—especially if the EVP has little knowledge of or lacks an interest in communications.

When Union Carbide Corporation was dealing with the aftermath of its Bhopal plant accident in India in 1984, the company transferred its communication responsibilities to the vice president of strategic planning. In a letter to executives, the chairman and CEO of the company at the time, Robert Kennedy, said:

> The Corporation's strategic direction is a key element of our communication to shareholders, employees and the public at large.... It is therefore more important than ever to be open and consistent in our communications to all of these groups, to keep them informed of our progress as we implement strategy, and to make sure that we address the special concerns and interests of all the groups and constituencies with a stake in Union Carbide's future.... To ensure the closest possible alignment of our communications with management directed at strategic planning developments, the management of those functions is being consolidated under ... [the] Vice President of Strategic Planning and Public Affairs.[14]

Gerald Swerling, head of the graduate public relations program at the University of Southern California's Annenberg School of Communication, observed that the increased recognition of communications and public relations by senior management over the last decade has caused an increasing number of CEOs to "demand that there be PR professionals at the strategic planning table for new products and initiatives."[15] And while a Burson-Marsteller study revealed that only 15 percent of the largest revenue-producing Global 500 companies have corporate communication expertise in boardrooms, 81 percent of the same companies have corporate communication executives on their senior management teams.[16]

However, other surveys paint a more uplifting picture for senior communications professionals; according to a research report by Spencer Stuart and Weber Shandwick, entitled "The Rising CCO" and released in early 2008, 48percent of today's corporate communication officers (CCOs) report directly to the CEO. Similarly, CCOs in *Fortune's* "Most Admired Companies" list are more likely than other contenders to have longer tenures (four years, ten months versus three years, five months), have prior PR agency experience (42 percent versus 32 percent), and have no interdepartmental rivals (25 percent versus 9 percent).[17]

When senior management places value on the function, employees will begin to perceive communications rightfully as a critical management tool.[18] Now let's take a look at what that function should include.

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[14] Letter from Union Carbide's CEO, Robert B. Kennedy, to Executive List, dated March 5, 1992

[15] Richard Nemec, "PR or Advertising--Who's on Top?" *Communication World* 4 (February 3, 1999), p. 25.

[16] "Craig McGuire, "Market Focus: Corporate Boards--Board Games," *PRWeek,* June 27, 2005, p. 25.

[17] Spencer Stuart and Weber Shandwick, "The Rising CCO," 2008.

[18] LeMenager, "When Corporate Communication Budgets Are Cut."

The Subfunctions within the Function

According to recent surveys, over half of the heads of corporate communication departments oversee communications functions that include internal/external communications, managing corporate reputation and brand, recruiting and retaining top talent, product launches, developing company strategy, corporate social responsibility, boosting investor/analyst perception, and managing crises. Nearly 71 percent of 144 surveyed CEOs rely on their PR/communications counsel to manage corporate reputation; almost 58 percent involve communications leaders in boosting investor/analyst perceptions.[19] (See Table 3.3.) While not every company can include all the subfunctions and responsibilities listed here under one umbrella, to operate most effectively, a majority of these functions must be included in the overall communications function.

The best approach to building a corporate communication function is to begin with the most global and strategic issues and then move into the narrower aspects of the function. We begin this section with a discussion of identity and image, and then move on to the various subfunctions of corporate communication.

Identity and Image

Difficult to classify as a separate subfunction, an organization's identity, image, and reputation strategy is the most critical part of any corporate communication function. (In the next chapter, we explore these constructs in greater detail.) What is the difference between image, identity, and reputation, and how do they shape the operations of a corporate communication department?

Image is the corporation as seen through the eyes of its constituencies. An organization can have different images with different constituencies. For example, cigarette companies might be reprehensible to many American consumers looking for a healthier lifestyle but a delight to Philip Morris shareholders reaping the profits from international sales of the same product. On the other hand, customers might have been perfectly happy with what Macy's had to offer in its many stores throughout the United States, but securities analysts were reluctant to recommend the parent company's stock knowing that inevitably it would enter bankruptcy.

Determining what the organization's image is with different constituencies is usually less obvious than in these examples—particularly given the increasingly blurred lines separating one constituency from another, as discussed in Chapter 2. For example, many employees today are encouraged to own stock in their own company and can be the most visible ambassadors of their company's brand by also being consumers of its products or services. The corporate communication department should conduct research to understand and monitor each constituency's evolving needs and attitudes. Obviously, the organization cannot please everyone, but by monitoring what constituencies are thinking about, it can make a conscious effort not to create hostility with a particular group. A similar monitoring system also can be used regularly to gauge the impact and success of the company's communication activities.[20]

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[19] Burson-Marsteller/*PR Week* 2007 CEO Survey, November 12, 2007.

[20] Heyman Consulting, "State of U.S. Corporate Communications," prepared for Janis Forman, The Anderson School at UCLA May 31, 2001. p. 32.

TABLE 3.3 Relying on PR Counsel: Aside from internal/external comms, in which of these areas do you involve your PR counsel?

Source: Burson-Marsteller/PR Week, 2007/CEO Survey, November 12, 2007.

Relying on PR Counsel: Aside from internal/external comms, in which of these areas, do you involve your PR counsel?	**Total (Percentage of CEOs)**
Function	
Managing corporate reputation	70.8%
Recruiting top talent	64.6
Launching new products	62.5
Developing company strategy	59.7
Engagement with community leaders	59.0
CSR (Corporate Social Responsibility)	57.6
Boosting in vector/analyst perception; perception of your company's well-being	57.6
Retaining top talent	55.6
Green/sustainbility/environmental issues	55.6
Weathering a crisis (product recall, etc.)	53.5
Shaping your corporate brand	50.7

Unlike its image, however, the organization's *identity* should not vary from one constituency to another. Identity consists of a company's defining attributes, such as its vision and values, its people, products, and services. An organization has some kind of identity whether it wants one or not, based in part on the reality it presents to the world. People all over the world know Coca-Cola's red can and white script lettering and McDonald's golden arches in front of a store, whether they are in Beijing, China, or Granite Bay, California.

Since identity building and maintenance require a variety of skills, including developing strategy and the ability to conduct research, to design attractive brochures, and to enforce identity standards and cohesion, it should be spread around several different functions in the absence of a single, centralized corporate communication function. For example, the research needed to determine a firm's image with various constituencies might be a minor byproduct of the overall marketing research effort currently under way at a company, to determine customer attitudes toward particular products and services rather than the firm as a whole.

Determining how a firm wants to be perceived with different constituencies and how it chooses to identify itself is the cornerstone function of corporate communication. If the firm is making serious changes in its identity, this subfunction can easily be a full-time job for a team of corporate communicators for a period of time.

At nearly all companies, outside agencies specializing in identity and image, such as Lippincott, Siegel and Gale, or Landon, would definitely be involved in the makeover as well, if the company alters significant components of its identity. These changes can range from the merely cosmetic—to keep the "look" of the company up-to-date—to the more momentous—such as a name change or a new logo.

While identity represents the reality of an organization and image its reflection by key constituents, *reputation* is the stun of how all constituents view the organization. As a result, the idea that an organization can manage its reputation is unrealistic. Instead, corporations should focus on developing and implementing strategies in an integrated fashion across constituencies.

Corporate Advertising and Advocacy

A company's reputation also can be enhanced or altered through *corporate advertising*. This subfunction of corporate communication is different from its product advertising or marketing communication function in two ways. (See Chapter 4 for more on corporate advertising.)

First, unlike product advertising, corporate advertising does not necessarily try to sell a company's particular product or service. Instead, it tries to sell the company itself--often to a completely different constituency from customers. For example, in 2007 General Electric committed a substantial portion of its $90 mil-lion corporate advertising budget to "Ecomagination"—a marketing campaign not only promoting its environmentally friendly products but also positing GE as an eco-friendly company and leader in corporate responsibility. [21]Underpinning the campaign was GE's promise to improve its energy efficiency 30 percent while also cutting greenhouse-gas emissions by 1 percent by 2012.[22]

Adding a new layer to traditional television and print campaigns, corporations also are turning to the ever-growing Internet "blogosphere" to create viral marketing campaigns that can influence consumers' opinions. As early as 2005, Microsoft employees were writing approximately 1,500 blogs, some devoted to corporate recruiting by focusing on the employee experience at Microsoft, as well as available positions and hiring trends.[23] Whether online or off, employees are important word-of-mouth advertising vehicles for a company's advocacy efforts. GE kept this in mind in its "Ecomagination" launch, conducting a simultaneous internal Communications program in 2007 that featured a children's magazine conveying Ecomagination's core messages to employees' children and local communities .[24]

When the upscale discount retailer Target ran an extensive corporate advertising campaign in the late 1990s featuring products ranging from satin lingerie to earplugs, accompanied only by the product name and Target's bull's-eye logo, the goal was not to sell more of these products but rather to showcase the company's diverse merchandise and potential to be the discount retailer that "looks like Barneys, priced like Kmart.[25] In much the same way, the aerospace and defense firms that advertised extensively in publications such as The *New Republic* in the 1980s were not trying to sell F-15s to liberals but rather to influence public opinion and facilitate approval for increases or allocations in the defense budget.

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[21] "Matthew Creamer, "GE Sets Aside Big Bucks to Show off Some Green," *Advertising Age* 76, no. 19 (May 9, 2005), p. 7.

[22] Daren Fonda and Perry Bacon Jr., "GE's Green Awakening," Time, July 11, 2005, p. A10.

[23] Sarah E. Needleman, "Blogging Becomes a Corporate Job; Digital 'Handshake'?" *The Wall Street Journal*, May 31, 2005p. B1.

[24] Creamer, "GE Sets Aside Big Bucks."

[25] Shelly Branch, "Flow Target Got Hot," Fortune, May 24, 1999, p. 169.

Even though product advertising is the purview of the marketing department in many large companies, corporate advertising is usually run from the CEO's office or through corporate communication departments instead. During the 1980s and1990s, this area was the fastest-growing segment of the advertising industry, as senior officers tried to present a coherent company identity for opinion leaders in the financial community.

An important subset of corporate advertising is issue advertising. Business and policy groups in the United States spent over $40 million on issue ads in 2006 and 2007, with some companies using the approach as a key supplement to or in lieu of government lobbying.[26] This type of advertising attempts to do even more than influence opinions about the company; it tries to influence the attitudes of a company's constituencies about specific issues that affect the company. Recall Mobil's extensive issue advertising campaign during the oil crisis, described earlier in this chapter. Over the years, Philip Morris has spent millions on issue ads covering topics ranging from domestic violence to youth smoking prevention in an effort to put a more caring face on a company many hold in contempt for its role in producing addictive, carcinogenic tobacco products. Another example is when U.S. home mortgage lender Fannie Mae spent $87 million on an advertising campaign in 2003 to help curtail Congress's efforts to create a more stringent regulator to oversee its operations and have the authority to alter its capital standards.[27]

As we will see in Chapter 4, however, issue advertising is risky. By taking a stand on a particular issue, the company is automatically creating a negative image with one or several constituencies. Many companies take this risk nonetheless, facing the consequences of adding their opinions to debates that they consider important.

Corporate Responsibility

Many companies have a separate subfunction in the human resources area to deal with community relations and a foundation close to the chairman that deals with philanthropy, but the two should be tied closely together as companies take on more responsibilities in communities in which they operate.

Taking on these social responsibilities has a number of positive outcomes for corporate leaders. (See Chapter 5 for more on corporate responsibility.) According to the Edelman 2007 Trust Barometer, the highest percentage of respondents—39percent—said that if they considered a company to be socially responsible, they would be most inclined to purchase their products or services; 17 percent said the would "recommend them to others. "[28]

There are also serious internal implications of a strong corporate citizenship record: A 2007 survey by Net Impact revealed that, assuming all compensation and benefits are the same, 60.3 percent of respondents said they would be very likely to leave their current employer for one that they believed to be more socially responsible. What's more, when asked to rank factors

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[26] Ben Goddard, "Issue Ads Turn up the Heat," Tire Hill, March 17, 2005, p. 19.

[27] "Bloomberg News, "Fannie Spent $67 Million on Ad Campaign," Los Angeles Times, April 13, 2005, p. C-3.

[28] Edelman 2007 Trust Barometer.

based on their importance when considering working for a company, the number one concern for the survey respondents was the "belief that your job will make a positive difference in society," which ranked above "opportunity for career advancement" and "reputation of the organization" (2 and 3, respectively).[29]

Corporate philanthropy also has become increasingly important as companies are expected to do more than just give back to the community. Firms now feel a greater obligation to donate funds to organizations that could benefit the firm's employees, customers, or shareholders. Examples include donations to universities that might be conducting research in the industry and organizations representing minority interests.

And with increased globalization and international corporate expansion, constituents' expectations for corporate citizenship also have grown more global in scope. Twenty-two percent of Americans want companies' community efforts to focus globally, up from 9 percent in 1997.[30] In December 2004, the devastating tsunami that struck 11 countries in Southeast Asia, killing 180,000 people, demonstrated this broadened focus; the U.S. Chamber of Commerce's Center for Corporate Citizenship reported that more than 400 U.S. companies donated $528 million to the tsunami relief efforts, many of these representing a company's first-time disaster relief donation.[31]

In turn, many companies are publishing environmental and social performance information in the same manner as they would traditionally report financials. A global report released by The Social Investment Forum and West LB AG in November 2007 revealed an increasing trend toward corporate sustainability reporting among large global companies. The study looked at corporate responsibility/sustainability reporting from April 2005-March 2007 among the DJ STOXX Global 1,800 index, a widely watched set of 600 American companies, 600 European companies, and 600 companies from the Asia/Pacific region. Of these, 44 percent (785 companies) issued sustainability reports on environmental, social, and governance issues. Looking at just the largest 10 percent of companies in the index, the figure skyrocketed to 82 percent. Of the 785 companies with sustainability reporting in place, 38 percent based their reports on the international standards provided by the Global Reporting Initiative, an organization that has set out to formalize standard reporting procedures worldwide.[32]

Media Relations

Although the old-style public relations function, focused almost exclusively on dealing with media relations, may be a thing of the past, the subfunction we now refer to as media relations is still central to the corporate communication effort. Most of the average company's corporate

[29] Edelman, Boston College Center for Corporate Citizenship, Net Impact and the World Business Council for Sustainable Development, "Corporate Responsibility & Sustainability Communications: Who's Listening? Who's Leading? What Matters Most?" January 2008.
[30] Angela Maas, "Employers' Tsunami Relief Effort Matching Contributions Reflect Employees' Priorities," *Employee Benefit News*, March 1, 2005.
[31] Michael Casey, "Tsunami Prompts Companies to Play Greater Role in Humanitarian Relief Efforts," Associated Press, June 28, 2005.
[32] West Lab AG and the Social Investment Forum, "GRI Reporting--Aiming to Uncover True Performance," November 15, 2007.

communication staff typically reside within this subfunction, and the person in charge of the communications department as a whole must be capable of dealing with the media as a spokesperson for the firm. Although the media relations subfunction started off as a "flakking" service for managers in response to requests from news organizations, today the best corporate communication departments actively set the discussion agenda of the firm in the media. (See Chapter 6.) There is little debate about whether media relations, unlike other subfunctions, should come Linder the purview of corporate communication versus other corporate functions.

Technology has helped companies communicate through the hundreds of media services available from virtually anywhere in the world. Satellite uplinks are available at most corporate headquarters, and companies can put their press releases out to wire services electronically or through the Internet without making a single phone call. Despite these advances, the relationship between business and media remains largely adversarial, though positive relationships between sources and reporters are much more common today than in the past. Since the media and business rely on one another to a certain extent, most companies try to make the best of these relationships.

Marketing Communications

The marketing communications department coordinates and manages publicity relating to new or existing products and also deals with activities relating to customers. It also may manage corporate advertising. Product publicity almost always includes sponsorship of events for major corporations, such as product introductions, golf tournaments, car races, and marathons. In addition, celebrities often are involved in these activities, which requires coordination within the company. Given how important such events and sponsorship agreements can be in shaping a company's image, corporate communication experts are often involved in setting the events' agenda.

With corporate sponsorships reaching the hundreds of millions of dollars for the 2008 Olympics, such sponsorships require board level approval and are closely watched by senior managers.

Customer relations activities have increasingly become a part of corporate communication as a result of pressure groups among consumers that try to exert their influence on an organization. Rather than simply making sure the customer is happy with the product or service, as in the past, companies today must get involved in quasi-political activities with constituencies claiming to represent a firm's customers.

For example, the conservative Reverend Donald Wildmon has pursued a family-oriented agenda for decades against a number of companies that sell products he deems unfit for families. Waldenbooks was vilified in the mid-1990s for selling sexually explicit literature in its stores. By organizing conservative church groups, Wildmon was able to apply pressure on Waldenbooks to stop selling literature ranging from what most people would consider simply erotic to literature with bad language in it. Disney was the focus of a boycott by Southern Baptists in 1997for its liberal policies toward homosexuals. A year later, the Concerned Women for America (CWA) joined the protests for a Christian boycott of the company, asserting that

Disney consciously laced their movies with messages of witchcraft, exemplified by such classics as *Fantasia, Peter Pan*, and *Escape from Witch Mountain*.[33] In 2005, the American Family Association, Focus on the Family, and the American Decency Association successfully lobbied for companies including Kellogg, Lowe's, Tyson Foods, and S.C. Johnson to stop buying additional advertising space on U.S. television shows with gratuitous violence and adult content, such as ABC's *Desperate Housewives*.[34]

More informed consumers—able to examine the messages and advertising presented to them with a discerning eye—mean that marketing communications teams must ensure that product and brand promotions are sending the right messages.

Internal Communications

As companies focus on retaining a contented workforce given changing values and demographics, they have to think strategically about how they communicate with employees through *internal communications*. (See Chapter 7 for more on this subfunction, also referred to as *employee communication*.) Although strong internal communications have always generated a more engaged, productive, and loyal workforce, the bursting of the dot-com bubble, the collapse of several of America's most respected firms, and the proliferation of outsourcing jobs to foreign countries in recent years have further necessitated strong communication channels between management and employees to win back employee trust and loyalty.

Often, internal communications is a collaborative effort between the corporate communication and human resources departments, as it covers topics from employee benefit packages to the company's strategic objectives. More and more, companies are making slue their employees understand the new marketing initiatives they are communicating externally and are uniting the workforce behind common goals and corporate strategies. This type of communication requires the expertise of strong corporate communicators who are also well-connected to senior management and the corporate strategy process.

Additionally, difficult economic times, layoffs, and uncertainty require open, honest communication from senior management to all employees. The sensitive nature of some of these messages further speaks for the involvement of seasoned communications professionals alongside their human resources counterparts and, most important, of the CEO or of senior executives who are the individuals communicating messages to internal and external audiences most frequently.

Finally, as mentioned previously, due to the blurring of constituency lines, companies must recognize that employees now also may represent investors and members of community advocacy groups—making thoughtful communications even more critical.

Investor Relations

Investor relations (IR) has emerged as the fastest-growing subset of the corporate

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[33] Sylvia Weedman, "Bothered and Bewildered," American Prospect, May 1, 1998, p. 10

[34] "Jay Greene and Mike France, with David Kiley, "Culture Wars Hit Corporate America," Business Week, May 23, 2005, p. 90.

communication function and an area of intense interest at all companies. (See Chapter 8 for more on investor relations.) Traditionally, investor relations was handled by the finance function, often reporting to the company's chief financial officer (CFO), but the focus in recent years has moved away from "just the numbers" to the way the numbers are actually communicated to various constituencies.

IR professionals deal primarily with shareholders and securities analysts, who are often a direct source for the financial press, which this subfunction cultivates in conjunction with experts from the media relations area. IR professionals interact heavily with both individual and institutional investors. They also are highly involved with the financial statements and annual reports that every public firm must produce.

Given the quantitative messages that are the cornerstone of the IR subfunction, as well as the need for IR professionals to choose their words carefully to avoid any semblance of transferring inside information, this subfunction must be a coordinated effort between communications professionals and the chief financial offices; comptroller, or vice president for finance. The need for this coordination has only increased in recent years with more stringent regulatory demands in the age of Sarbanes-Oxley and Reg. FD. (Regulation Fair Disclosure was an SEC ruling implemented in October 2000. It mandated that all publicly traded companies must disclose material information to all investors at the same time.)[35]

Government Relations

The *government relations* function, also referred to as *public affairs*, is more important in some industries than others, but virtually every company can benefit by having ties to legislators on both a local and a national level. (See Chapter 9 for more on government relations) Many companies have also established offices in Washington to keep a finger on the pulse of regulations and bills that might affect the company. Because of their critical importance in heavily regulated industries such as public utilities, government relations efforts in such companies are often both staffed internally and supplemented by outside government relations specialists in Washington.

Either firms can "go it alone" in their lobbying and government affairs efforts, or they can join industry associations to deal with important issues as a group. For example, the Edison Institute acts as a lobbying group for electric companies. Either way, staying connected to what is happening in Washington through a well-staffed and savvy government relations team is important to virtually all businesses given the far reach of government regulations within industries from pharmaceuticals to computer software. As companies expand internationally, building or outsourcing government relations efforts in key major foreign hubs—for example in Brussels to concentrate on European Union legislation—will become equally important.

Crisis Management

While not really a separate function requiring a dedicated department, crisis communications should be coordinated by the corporate communication function, and communications

[35] "Weber Shandwick, "Corporate Survey 2005.".

professionals should be involved in crisis planning and crisis management. Ideally, a wider group of managers from throughout the organization—including the senior management spokesperson who will be facing the public—are included in all planning for such eventualities. (See Chapter 10 for more on crises.)

While company lawyers typically need to be involved in crises, this need presents problems for both the organization and the corporate communication function, because lawyers often operate with a different agenda than that of their communications counterparts and do not always consider how actions might be perceived by specific constituencies or the public at large. A recent study on the subject of communication versus legal strategies stated: "legal dominance is shortsighted and potentially costly. . .organizations [must] reconcile the often contradictory counsel of public relations and legal professionals and take a more collaborative approach to crisis communication."[36]

Working collaboratively with in-house counsel and, importantly, senior management, corporate communications professionals can make the difference between good and poor crisis management. We will see examples of both in Chapter 10.

Conclusion

The success of a company's communication strategy is largely contingent on how closely the communication strategy is linked to the strategy of the business as a whole.[37] In addition to thoughtful design and careful planning of firm strategy, a company must have a strong corporate communication function to support its mission and vision.

While the investor relations function could be in the finance function of a company, the internal communications function within the human resources department, and the customer relations function within the marketing department, all of these activities require communication strategies that are connected to the central mission of the firm.

Corporate communications professionals mist be willing to perform a wide variety of subfunctions within the function, and their roles will continue to broaden and diversify as globalization and information flows from a variety of sources demand that communications be strategic and purposeful. The greater number of global firms and the increasing demand for senior management to travel and speak in international venues place additional pressure on the communication function to communicate successfully with even more diverse, foreign audiences.[38]

While many corporations have made strides in building strong corporate communication functions that are closely aligned with overall strategy, there is still much work to be done. A recent poll released by Gallup revealed that public confidence in "big business" was the second-

[36] Kathy R. Fitzpatrick and Maroon Shubaw Rubin, "Public Relations vs. Legal Studies in Organizational Crises Decisions," Public Relations Review 21 (1995), p. 21.
[37] David Clutterbuck, "Linking Communication to Business Success: A Challenge for Communicators," Communication World, April 1, 2001, p. 30.
[38] Norm Leaper, "How Communicators Lead at the Best Global Companies," Communication VVorld4 (April 5, 1999), p. 33.

lowest rated of all institutions in the United States, tied with the U.S. Congress with a 22 percent vote of confidence.[39] In this light, managing reputation and building trust are more important than ever, and a strong corporate communication program is a means to achieve those goals.

The Hewlett-Packard Company[*]

Damian Nash sat in his cubicle at Hewlett-Packard's Palo Alto, California, headquarters in late 2006, scrolling through the 35 e-mails that had arrived in his inbox since he left the office the previous evening. Nash, vice president for corporate communication at HP, was preparing for the weekly staff meeting he chaired, scanning his messages for any last-minute agenda items from his team of senior communications directors.

A message from his director of media relations immediately caught his eye. The briefe-mail called Nash's attention to calls from a major newsweekly that was working on a story about the chairwoman of HP, Patricia Dunn. According to the magazine, Dunn had hired a team of independent electronic-security experts to spy on HP board members and several journalists in an attempt to determine who leaked confidential details regarding company in-fighting and HP's long-term strategy in January 2006.

Nash sighed. The company had snuggled with leaks from inside its boardroom for months, but HP was at long last beginning to emerge from the wave of bad press that had followed the ouster of former chief executive Carly Fiorina more than a year ago. Nash had to decide when and if HP should respond to the news reports. He decided to give this some thought before the meeting began. He also forwarded the e-mail to HP chief executive Michael Hurd.

HP BACKGROUND

Founded in 1939 with a $538 investment by two Stanford University alums—Bill Hewlett and Dave Packard—the HP brand had long held iconic status in the tech industry. The garage where the men turned out their first product was widely considered to be the birthplace of Silicon Valley, a promised land that remains synonymous with technological innovation today.

Family legacy and employee loyalty were a deeply engrained part of HP corporate culture. Employees still talk in reverent tones about the "HP Way" of management and about "Bill and Dave."[1] The corporate objectives outlined by HP's founders in 1957, and all of which the "HP Way" sought to meet, stayed the same, with the company promising shareholders that it hoped to realize corporate loyalty, profit, market leadership, growth, employee commitment, leadership capability and global citizenship—and even going a step further to define what those objectives meant.

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[39] Ibid.

[*] This case was prepared by Alicia Kerney under the supervision of Professor Paul A. Argenti at the Tuck School of Business at Dartmouth All information in this case came from public and company sources.) For permission to reprint, contact the luck School of Business at 603.646-3176.

[1] "'Family Matters: Are Fords, Hewletts and Packards Right to Exercise Their Clout?" *Knowledge@Wharton*, http://knowledge.wharton.upenn.edu/article.cf?articleid=468&CFID=2810181&CFTOKEN=14466571.

From the 1940s through the 1990s, the company focused on making signal generators, voltmeters, oscilloscopes, counters, and other test equipment. Whatever the product, the distinguishing feature of an HP product was always that it pushed the limits of measurement range and accuracy.

Amazingly, it wasn't until 1999 that the first family outsider—former Lucent Technologies star executive Carly Fiorina—was brought in to lead the company.

By 2006, HP's revenues totaled more than$90 billion, making it the world's largest technology vendor in terms of sales. The company, which once catered primarily to engineering and medical markets (a line of business it spun off as Agilent Technologies in 1999), was now competing with other IT heavyweights in the computing, printing, digital imaging, and software and services space.[2] However, the transition onto the playing fields of the twenty-first century was not always a simple one for HE For as many positive headlines as Fiorina's ascendance to chief executive (and, eventually, to chairwoman of the board in 2000) generated, the company's struggle to define itself and its product in a crowded marketplace among a number of upstart competitors was every bit as well documented.[3]

Fiorina's tenure was marked with internal conflict. She fought in 2001 with founding family member Walter Hewlett over HP's acquisition of Compaq—a deal that was her baby and would allow HP to become a major player in desktops, laptops, and servers for many different markets—leading to a proxy fight waged in public that eventually allowed HP to acquire the company in 2002. While the board backed Fiorina's acquisition, it distanced itself from her when the deal came under harsh criticism from investors and the business media. There was also internal strife due to Fiorina's status as an outsider whose management style did not mesh with the "HP Way." Fiorina saw the problem as simply that: "Everyone at HP, starting with the executive team, had to learn to think about the company as a whole, not just his or her own business. We needed to be inspired by something beyond the memory of Bill and Dave."[4]

Culture issues aside, the board and Fiorina were able to agree on one thing right off that bat: HP's lack of marketing was a major problem. Sun Microsystems was beating HP in UNIX computing, its largest and most profitable segment, and HP's personal computer business was trailing both Dell and Compaq. While the company's sole software product, Open View, was successful, the fact of the matter was that the HP sales force didn't know how to sell software and expand the customer base. Worse yet, HP's annual patent production was lagging behind that of its peers.[5]

Corporate marketing reported to HP's chief financial officer and had become marginalized over the years. Business unit marketing teams were organized as part of independent silos; whenever a new product was successful in the marketplace, HP would create a separate business around that product. When Fiorina attempted to nail down each of the product

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[2] HP Web site, http://www.lip.com.

[3] Pui-Wing Tam, "Hewlett-Packard Boar d Considers a Reorganization-Management Moves Stem from Performance Concerns; Helping Fiorina 'Succeed':' *The Wall Street Journal*, January 24, 2005.

[4] Carly Fiorina, "Tough Choices;' p. 183.

[5] Ibid, p. 187

brands that HP promoted in the market, she came up with more than 150 of them, but she saw very little of the broader HP brand. "If was reflective of the reality that the 'thousand tribes' has no collective identity," Fiorina would recall later. "The company was 87 different profit and loss statements."[6]

In mid-2003, the company announced a shift in its advertising and marketing strategy, saying that for the first time, HP would focus on ensuring that its communications bore a consistent corporate message. A *Forbes* reporter summed up the initiative by saying that the days of "HP's quiet engineers [being happy] when the products spoke for themselves" are over.[7] As HP senior vice president for global brand and communications Allison Johnson told the magazine, "We are in a commoditizing industry, in a marketplace where the brand is more important than speeds and feeds [the metrics of a machine's top performance]. The message is now about the value of the relationship with the company."

HP RETURNS TO ITS 'WAY'

As HP's financial performance became unstable, employees vocally lost their faith in Fiorina. After HP missed quarterly projections in 2004, sending shares down 15 percent, boardroom leaks undermining Fiorina's job security played out in the press. She was fired in February 2005 after resisting the board's suggestion to enlist help with operational duties, and the media continued to analyze the dysfunction and lack of leadership at HP even as former NCR executive Mark Hurd was named CEO in March 2005.

The good news for Hurd was that in the six weeks between Fiorina's dismissal and his own appointment, chief financial officer Robert Wayman had stepped in as interim CEO. Wayman was well-known and trusted by employees and external audiences, including investors, the media, and analysts. "[Wayman's] familiarity with HP and level of trust with those external audiences gave us a lot of credibility," RobertSherbin, VP of external communications, said. "We wanted to make sure that 'business as usual' was an easy message to tell."[8]

Having projected calm externally, employees were relieved internally when they got a chance to interact with their new leader. In his first weeks on the job, Hurd often spoke about how he had read The HP Wail, the seminal book about HP and the culture bestowed by its founders, and made a conscious effort to focus on strengthening the company internally. As Hurd took his time learning about the company from the outside-in (and meeting with about half of HP's workforce, either in person or through satellite conferences), he held off on making any grand pronouncements, instead asking the corporate communications team to move away from the communications model of having the CEO as the sole vehicle for delivering news. Hurd wanted other executives, new and old, in the spotlight while he "did the job he was hired to do."[9]

Hurd also took his time before making any waves, and it was not until July 2005 that he unveiled his much-anticipated first steps, announcing a program to streamline the company,

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6 lbid, p. 179.

7 Quentin Hardy, "Burning in HP's Brand;' Forbes, July25, 2003, littp://www.forbes,com/2003/07/24/cz-qli-0725lipbrand.htm1.

8 Andrew Gordon, The New Face of HP' PR Week, March20, 2006, p. 14.

9 Ibid.

reduce costs, and enhance customer focus. The steps included moving sales and marketing into business units for a tighter connection to customers, the creation of three distinct business units, and layoffs. Like most large, complex organizations, HP had relationships with a number of outside firms, including legal counsel and public relations agencies. The corporate communications team worked closely with partner, channel, investor, internal, customer, and Web communications to make sure the announcement reached all constituencies.

But it wasn't until Hurd was able to deliver some positive financial results that some of the negative attention aimed at HP began to abate[10]and the communications team thought it might be able to begin breathing easier. A year after Fiorina's exit, HP had seen its 2005 revenues rise 8 percent, to $87 billion, and in February 2006, its stock price was up nearly 50 percent from a year earlier. Hurd received much of the credit for the turnaround, particularly for making the tough decisions when it came to layoffs and streamlining business units.

LEAK-PLUGGING BACKFIRES

A member of the board since 1998, Patricia Dunn began serving as HP's new chairwoman in February 2005, and, like Hurd, had succeeded in keeping a much lower profile than Fiorina. But when *The Wall Street Journal and CNET* (an online trade publication) published the confidential details of a board of directors meeting in January 2005, Dunn decided the leaks needed to stop and hired a team of outside investigators to find their source.

The method the investigators used was known as "pretexting" — an investigator would contact a phone company pretending to be someone else, and then request information about that person's account, gaining access to the data by offering certain bits of private information. The idea was that the data could be used to match the boardroom leaker with calls made to particular reporters.

Damian Nash knew that what may have been an obscure story on board intrigue in another era had the makings of headline news in 2006. The historical collapses of Enron Corp. and WorldCom Inc. and other corporate scandals had heightened demands for regulation, transparency, and independence in American public companies. With Wall Street, shareholders, and politicians all sensitive to even a hint of a transgression, any new form of questionable behavior was ripe for example-making. And while HP execs were allegedly authorizing investigations involving pretexting, Congress was holding hearings and introducing legislation to consider rendering the practice illegal.

CONCLUSION

The irony of HP becoming embroiled in a scandal involving privacy concerns was that the company had always set out to establish an air of total transparency in communications with both its investors and its broader public. And with Hurd in charge, the company's financials at last seemed to be on solid footing, and the business media and tech-industry watchers had finally

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[10] Mark Roy, "HP Stockholders After Fiorina Severance," *InternetNews.com*, March 9, 2006.

seemed to emerge from playing armchair-quarterback.

Nash knew he needed to get all parts of his communications team moving so that they had all the information they needed to respond to the situation as it developed.

CASE QUESTIONS

1. What are the strengths and weaknesses of HP's corporate culture in terms of communications, as described in the case?
2. In considering whether to respond to the story, what other communications department functions should Nash call on for consultation?
3. What challenges do you foresee for Nash going forward, and what advice would you give him?
4. What role should corporate communication play at HP to help the company advance its strategic goals?