

CORPORATE COMMUNICATION

ARGENTI

3RD EDITION

Corporate Communication

Third Edition

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*The Tuck School of Business
Dartmouth College*



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CORPORATE COMMUNICATION

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To Mary: my colleague, my wife, and
my friend.

Preface to the Third Edition

This book grows out of more than 20 years of work developing the field of study referred to in this book as *corporate communication*. While the term itself is not new, the notion of it as a functional area of management equal in importance to finance, marketing, and production is more recent. In the last twenty years, senior managers at a growing number of companies have come to realize the importance of a unified communication function.

In this introduction, I would like to talk a bit more about my expertise, what this book is all about, and why I think everyone involved in organizations today needs to know about this emerging discipline.

Author's Expertise

For the last 21 years, I have been a professor of management and corporate communication at the Tuck School of Business at Dartmouth College. Prior to that, I taught at the Columbia and Harvard Business Schools.

The tradition of teaching communication has been a long one at Tuck, but as at most schools, the focus was always on skills development, including primarily speaking and writing. The first development in the evolution of this field was an interest among businesspeople in how to deal with the media. Since this mostly involved applying oral presentation skills in another setting, the faculty teaching communication were a logical choice for taking on this new task.

So when I began teaching the first management communication course at Tuck in 1981, I was asked to include a component on dealing with the media. I became interested in this through my study of marketing at Columbia and had already written a case on the subject, which appeared in earlier editions of this book.

Over the years, my interest in the subject grew beyond how companies deal with the media to how they deal with *all* communication problems. As I wrote more case studies on the subject and worked with managers inside companies, I saw the need for a more integrated function. The reason for this is that most companies were conducting communication activities in a highly decentralized way.

For example, the employee communication function at Hewlett-Packard (HP) in the mid-1980s was in the human resources department, where it had always been, when I wrote a case on how HP dealt with voluntary severance and early retirement programs. As I looked at other companies, I found the same

basic structure everywhere. Yet the people in those various human resources departments were doing exactly the same thing internally that a communication specialist in the public relations department was doing for the external audience—sending a specific company message to a specific audience.

The same was true of the investor relations functions, which typically resided exclusively in the finance department in most companies until the 1990s. Why? Because the chief financial officer was the one who knew the most about the company's financial performance and historically had been responsible for developing the annual report. Communication was seen as a vehicle for getting that information out rather than as a function in itself.

Again, as I worked with companies on developing new identities and images, I found marketing people involved because they had traditionally dealt with image in the context of products and services. Yet those marketing experts didn't always know what was being communicated to the press or to securities analysts by their counterparts in other functional areas.

These experiences led me to believe that corporations and other organizations, from universities to churches to law firms, could do a much better job of communicating if they unified all communication activities under one umbrella. That was the theory at least, but I could find precious little evidence in practice.

Then, in 1990, I was fortunate enough to be given a consulting assignment that allowed me to put into practice what I had been talking about in theory for many years. I received a call from the chairman and chief executive officer of a major corporation after my picture appeared on the front page of the *New York Times* Sunday business section in an article about how professors were teaching business students about dealing with the media.

Ostensibly, the chairman's call was about how his company could get more credit for the great things it was doing. Specifically, he wanted to know if I had a "silver bullet." My silver bullet, as it turned out, was the development of a new corporate communication function for the company.

This company, like most, had let communications decentralize into a variety of other functional areas over the years, with the predictable result: no integration. The media relations people were saying one thing, the investor relations department was saying another; the marketing team was developing communication strategies for the outside, the human resources department for the inside.

No one except the chairman, who sat at the top of this \$30 billion organization, could see the big picture, and none of those intimately involved with the various activities had an inside track on the overall strategy for the firm. Over the next year and a half, the chairman and I came up with the first integrated communication function that had all the different subsets I had tried unsuccessfully to bring together at other companies and even at my own university.

We changed everything—from the company's image with customers to its relationship with securities analysts on Wall Street. Today this company has one totally integrated communication function. This book will explain what all the component parts of this new function are all about.

What Is This Book About?

Chapter 1 provides a context for the rest of the book. It describes changes in the environment for business that have taken place over the last half-century and their implications for corporate communication. While attitudes about business have never been totally positive, they have reached an all-time low in recent years: Mistrust of and skepticism about corporate entities is high, as are expectations that companies will “give back” to society through philanthropy, community involvement, or environmental protection activities.

The Arthur Andersen case is new to this edition. This “Big Five” accounting firm faced a large-scale crisis of its own as it found itself implicated in legal proceedings surrounding the widely publicized downfall of one of its auditing clients, Enron. Could an auditor have prevented the collapse of the energy giant or was this a much more complicated situation?

Chapter 2, “Communicating Strategically,” explains how companies need to use a strategic approach to communications. In the past, most communication activities were dealt with reactively as organizations responded to events in the world around them. With the framework for strategic communication provided in this chapter, companies can proactively craft communications tailored to their constituencies, and measure their success based on constituency responses.

In the Fletcher Electronics case, we find an example of a manager who failed to use a strategic approach to communication in a rapidly changing corporate environment.

In Chapter 3, “An Overview of the Corporate Communication Function,” we take a look at the evolution of the corporate communication function and some of the different ways it can be structured within organizations. This chapter also describes each of the subfunctions that should be included in the ideal corporate communication department.

The Dell Computer case, which is also new to this edition, provides an excellent example of how a company built a strong communication function from the ground up.

Chapter 4, “Identity, Image and Reputation,” describes the most fundamental function of a corporate communication department—to reflect the reality of the firm itself through visual images and the right choice of words. The study of identity and image has blossomed in recent years as graphic designers have worked with companies to develop the right look for a particular approach to the marketplace. Additionally, corporate reputation is gaining increased attention as consumers and investors take a more holistic view of companies and their activities, such as corporate social responsibility.

The case for this chapter allows students to look inside General Electric’s corporate identity program and determine whether it should change.

Organizations also reflect their image and identity through advertising. In Chapter 5, “Corporate Advertising,” we take a look at how companies use corporate advertising to sell the organization as a whole as opposed to just the products

or services they offer to the public. Organizations use corporate advertising for a number of reasons: to enhance or alter their image, to present a point of view on a topic of importance to them, or to attract investment.

The exercise at the end of Chapter 5 features print advertisements from some recent campaigns for discussion.

In Chapter 6, “Media Relations,” we look at how today’s corporate communications function has evolved from the “press release factory” model to a more sophisticated approach of building relationships with journalists before having a specific story to sell them, and targeting the appropriate media for different kinds of stories.

The Adolph Coors Company serves as our case in point for this chapter. In the case, we see how this company dealt with the formidable *60 Minutes* when it approached Coors with a controversial story idea.

One of the most important functions within corporate communication deals with an internal rather than an external constituency: employees. In Chapter 7, “Internal Communication,” we look at employee communications’ migration away from the human resources area toward a function that is more connected with senior management and overall company strategy.

The Claremont Publishing case explores one company’s attempt to deal with voluntary severance and outplacement issues related to layoffs.

In Chapter 8, “Investor Relations,” we see how companies use communication strategies to deal with analysts, shareholders, and other important constituencies. In the past, this communication subfunction was often handled by managers with excellent financial skills and mediocre communication skills. Today, as IR professionals interact regularly with the media and need to explain nonfinancial information to investors, strong communication skills are equally critical.

Our case for this chapter, Steelcase, is new to this edition and examines how an IR function was built at that company.

Chapter 9 covers government relations. The business environment historically has fluctuated between periods of relatively less regulation and relatively more, but government relations is always a consideration for companies, whether at the local, state, or federal level.

The Disney case, new to this edition, provides an example of how a large corporation dealt with challenges from government and local communities in Virginia as it tried to open a historical theme park.

Organizations inevitably will have to deal with some kind of crisis. In Chapter 10, “Crisis Communications,” we look at how companies can prepare for the unexpected and provide examples of both good and poor crisis communications, as well as practical steps to creating and implementing crisis communication plans.

Our case at the end of this chapter is Dow Corning’s breast implant controversy. How should the company respond to this corporate disaster? Could it have prepared for this crisis in a different way?

Why Is CorpComm So Important Today?

Every functional area at one time or another was the newest and most important. But as we enter the twenty-first century, the importance of communication is obvious to virtually everyone. Why?

First, we live in a more sophisticated era in terms of communication. Information travels with lightning speed from one side of the world to another as a result of technological developments such as the Internet.

Second, the general public is more sophisticated in its approach to organizations than it has been in the past. People tend to be more educated about issues and more skeptical of corporate intentions. Thus, companies cannot get by on statements like “What’s good for General Motors is good for everyone” or “If we build a better mouse trap, customers will beat a path to our door.” Maybe not, if they don’t know who you are.

Third, information comes to us in more beautiful packages than it did before. We now expect to see glossy annual reports from major corporations. We don’t want to walk into grimy-looking stores even for our discount shopping. Gas stations are modern looking and have been “designed” from top to bottom by high-profile New York design firms. The bar is high for a company’s message to stand out in this environment.

Fourth, organizations have become inherently more complex. Companies in earlier times (and the same is true even today for very small organizations) were small enough that they could get by with much less sophisticated communications activities. Often, one person could perform many different functions at one time. But in organizations with thousands of employees, it is much more difficult to keep track of all the different pieces that make up a coherent communication strategy.

This book describes not only what’s happening in an era of advanced communication but what companies can do to stay one step ahead of the competition. By creating a coordinated corporate communication system, organizations will be able to face the new century with the strategies and tools that few companies in the world have at their fingertips . . . yet.

I am sure that 20 years from now, when another functional area develops that we cannot even imagine right now, much will have been written about corporate communication, and most complex organizations will have a corporate communication department with many of the subsets described in this book. Until then, however, I hope you enjoy reading about this exciting field as much as I have enjoyed discovering it.

A Note on the Case Method

Throughout this book you will find cases or examples of company situations that typically relate to material covered in each of the chapters.

What Are Cases?

Cases are much like short stories in that they present a slice of life. Unlike their fictional counterparts, however, cases are usually about real people, organizations, and problems (even though the names may sometimes be disguised for proprietary reasons). Thus, a reader has an opportunity to participate in real decisions that managers had to make on a variety of real problems.

The technique of using actual business situations as an educational and analytical instrument began at Harvard in the 1920s, but the use of a “case” as a method of educating students began much earlier. Centuries earlier, students learned law by studying past legal cases and medicine through the use of clinical work.

Unlike textbooks and lectures, the case method of instruction does not present a structured body of knowledge. This often proves frustrating to students who may be used to more traditional teaching methods. For example, cases are frequently ambiguous and imprecise, which can easily confuse a neophyte. This complexity, however, represents what practitioners usually face when making decisions.

In cases, as in life, problems can be solved in a variety of ways. Sometimes one way seems better than others. Even if a perfect solution exists, however, the company may have difficulty implementing it. You may also find that you have a completely different solution to the problem than another student. Try to forget the notion of an “answer” to the problem. The goal in using this method is not to develop a set of correct approaches or right answers, but rather to involve you in the active process of recognizing and solving general management problems.

In class you will represent the decision maker (usually a general manager) in a discussion that is guided by the professor. While the professor may suggest ideas from time to time, or provide structure to ensure that students cover major issues, each student’s insight and analytical prowess is displayed in this context. Often a professor will play devil’s advocate or pursue an unusual line of reasoning to get students to see the complexities of a particular situation. As a teaching device, the case method relies on participation rather than passive learning.

Although cases come in all shapes and sizes, two categories define the scope of most cases: evaluative and problematic. An evaluative case presents the reader with a description of a company's actions. The purpose of an analysis is thus to evaluate what management has done and then to determine whether the actions were well founded.

On the other hand, problem cases, which are far more common, describe a specific problem a manager faces, such as whether to launch a new corporate advertising program, to choose one method of handling the media over another, or even to choose one form of communication rather than another. Such problems call for development of alternative strategies leading to a specific recommendation.

Case Preparation

No matter what type of case you're dealing with, a common approach will help you to prepare cases before you have time to develop what will eventually become your own style. In time, you will no doubt find a method that works well and proves more suitable to you. Regardless of the approach, a thorough analysis requires a great deal of effort.

Begin with a quick reading of the case. This gives you a sense of the whole rather than what can often appear as a dazzling array of parts if you start by analyzing each section in detail. You should extract a *sense* of the organization, some impressions of what *could be* the problem, and a working knowledge of the amount and importance of information presented in the case.

A more careful second reading of the case will allow you to begin the critical process of analyzing business problems and solving them. What you should hope to cull from this analysis follows.

Problem Definition

First, you must establish a specific definition of the problem or problems. While this may be clearly stated in the case, usually problem definition is a crucial first step in the analysis. You need to go beyond simple problem definition and look for symptoms as well. For example, as part of the analysis you might wonder why or how the defined problem has developed in the company. Avoid, however, a repetition of case facts or a historical perspective. Assume that your reader has all the facts you do and choose reasoning that will serve to strengthen, rather than bloat, your problem definition.

Company Objectives

Once you have defined the problem, place it within the context of management's objectives. How does the problem look in this light? Do the objectives make sense given the problems facing management?

In some cases objectives are defined explicitly, such as "increase stock price by 10 percent this year." If the problem in the case proves to be that the company's investor-relations function is a disaster, this objective is probably overly

optimistic. Goals can be more general as well: “Change from a centralized to a decentralized communication organization in five years.” In this instance, a centralized department with independent managers at the divisional level has a good chance of meeting its objectives.

Data Analysis

You next need to analyze information presented in the case as a way of establishing its significance. Often this material appears in exhibits, but you will also find it stated within the case as fact or opinion. Remember to avoid blind acceptance of the data, no matter where they appear. As in the real world, information presented in the case may not be reliable or relevant; but you may find that if you manipulate or combine the data, they will ultimately prove valuable to your analysis. Given the time constraints you will always be under in case analysis and in business, you should avoid a natural tendency to spend more time than you can really afford analyzing data. Try to find a compromise between little or no data analysis and endless number crunching.

Alternative Strategies and Recommendations

After you have defined the problem, identified company objectives, and analyzed relevant data, you are ready to present viable alternative strategies. Be sure the alternatives are realistic for the company under discussion, given management’s objectives. In addition, you must consider the implications of each alternative for the company and management.

Once you have developed two or three viable alternative solutions, you are ready to make a recommendation for future action. Naturally, you will want to support the recommendation with relevant information from your analysis. This final step completes your case analysis, but you must then take the next step and explore ways to communicate all the information to your reader or listener.

Cases in the Real World

A few final words to distinguish the case from a real situation. Despite the hours of research time and reams of information amassed by the case writer, he or she must ultimately *choose* which information to present. Thus, you end up with a package of information in writing. Obviously, information does not come to you in one piece in business. A manager may have garnered the information through discussions, memos, reports, magazines, and other means. The timing will also be spread out over a longer period than in a case.

Also, given the necessary selectivity of the case writer, you can be sure a specific teaching objective helped focus the selection of information. In reality, the “case” may have implications for several different areas of a business.

Since a case takes place within a particular period of time, it differs in another important way from management problems. These tend to go on and to change as new information comes to light. A manager can solve some of the

problems now, search for more information, and decide more carefully later on what is best for a given situation. You, on the other hand, must take one stand now and forever.

Finally, case analyses differ from the realities of management in that students do not have responsibility for implementing decisions. Nor do they suffer the consequences if their decision proves untenable. You should not assume that this removes you from any responsibility. On the contrary, the class (in a discussion) or your professor will be searching for the kind of critical analysis that makes for excellence in management.

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