

Corporate Communications: Audiences, Funding and Crisis Management

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Richard R. Dolphin
Independent Consultant

Ying Fan
*Lincoln School of Management
Brayford Pool, Lincoln LN6 7TS
ENGLAND, UK
Fax: 01522-886023
Email: yfan@lincoln.ac.uk

*Contact address

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ABSTRACT

Who are the key audiences of corporate communications? Is the communication department adequately funded? And how are crisis handled? This paper reports an empirical research conducted in 20 British organisations, with a focus on these three questions. It is found that internal publics, financial PR and opinion formers are viewed as the three most important audiences. Although most organisations now are more conscious of their corporate identity than ever before, the function is generally funded inadequately.

Keywords: PR, Corporate Communications, UK

INTRODUCTION

Corporate communications is no longer an *amateur game* (Winner,1993) but has evolved into a key management function. However, empirical research into the work of the director of communications is painfully limited. This was confirmed by the enquiries made by authors to professional bodies, among whom were the Institute of Public Relations (of UK), the American Marketing Association and the Arthur Page Society. This paper, based on an empirical research carried out in 20 British organisations, intends to address three key issues: 1) who the key audiences of corporate communications are; 2) how well the function is funded in practice; 3) what role is played by communications in an organisation's plans (if any) to manage crisis.

It is now widely accepted that corporate communications has a crucial role to play in what Winner (1993) calls *the total business system*. Leichty and Springston (1993) indicate that

there are multiple publics. An organisation is better able to renew its role as a dynamic part of the wider environment by continuous review of its relationships with its publics. Employees are a major audience - to what extent does the internal public vary in importance? In any organisation too large for every employee to be known by name there is bound to be a communication problem (Bowman and Ellis, 1969). The audiences at which corporate communications are targeted is determined by the activities of the organisation (Winner, 1993) and by any current problem areas. Effective communication management depends upon awareness of the many elements forming the general climate and of the quarters in which turbulence may be detected. Adequate funding ultimately decides what can be done properly. Winner (1993) concludes that communications are typically under-funded. Is the communication department funded well enough to deal with a crisis? Holsti (1978) considers a crisis to be surprise, threat to important values and a short time in which to make a decision. It requires management. Maybe it is an important part of the work of many practitioners; it might be a growth area. However, there is an alarming absence of crisis planning in many organisations. Jackson (1995) strongly emphasises the importance of having a good spokesman in a crisis; therefore the communication executive has a pivotal role to play. What is the critical thing to do in a crisis? The majority of communication executives favour a straightforward approach (Winner, 1993) dealing with problems as they arise.

THE RESEARCH

24 organisations were approached through either personal contacts or direct written request. 20 (83%) agreed to participate in the research. The names of these organisations are given in Table 1. Of these participants, eighteen were top communication directors at the apex of British industry. To give the investigation some breadth, two organisations in the public sector were also interviewed. These organisations were selected because they appealed to the

researchers and came from a broad spectrum across the British industry. All of them are respected names in their own sectors -some of them major global organisations. It was not a random sample and therefore must not be relied upon as a source of statistical inference.

Empirical investigation was divided into two stages: questionnaire survey and personal interview. A questionnaire was developed consisting of a total of 50 questions in eight sections which aimed to find out how respondents felt about their job and its importance to their organisation. The questionnaire was tested in draft form with one organisation and subsequently revised three times. All questionnaires sent were returned and all were useable. The interviews were conducted in an unstructured way, allowing a greater depth of enquiry and response level than a more formalised interview. The interview took place at the corporate headquarters of each company visited and lasted on average 111 minutes. With one exception, these interviews proved to be exceedingly fruitful. In the following sections, anecdotal comments are used when they are clearly reflective of a general view.

FINDINGS

Audiences of Corporate Communications

94 percent of the senior communication executives interviewed considered internal PR important -outranking any other audience. The director of a brewery underscored that *you cannot communicate externally without doing so internally*. The director of a rubber company told in earthy language how twenty five years ago little of his time was spent on internal PR - now 40 percent was. A tobacco company commented that all communications externally fell into place if they were in place internally. 75 percent of respondents codified internal PR as of the utmost importance. There was uniformity that *opinion formers* came second as a key audience (90%) with the media close behind (75%). Following that Government in its various

forms (69%) and shareholders (64%) were ranked very important. Whilst customers (63%) were ranked highly (6th) they were not considered of first rank importance. In fact, only one director interviewed ranked them so. A supermarket said that communications fell apart if they were made in *watertight compartments*; a retailer underlined this with the point that one of their audiences was almost *the entire population of Britain*.

Communication directors responded to the media in different ways. An international airline had a media staff of 48 -all of whom were trained journalists. A pharmaceutical company found good stories from within the company and promoted them in the media. 55 percent of those interviewed were *heavily* involved in Financial PR. Contrariwise 25 percent were not involved at all. Some organisations had Financial PR under one umbrella. A supermarket was an example; their team reported to the Company Secretary. At a pharmaceutical company Financial PR reported to the Finance Director. Not all directors approved of this -said one, *it should be an integral part of PR as it is PR activity*. In all but one organisation visited by the researchers Financial PR was separated from other communications. The exception was a high street retailer where the communication director worked on Financial PR almost full time, including writing most of the Annual Report. The researchers found that opinion formers were the latest audience to impact on communication directors. 90 percent of whom were fully drawn to this public. Indeed the other 10 percent were so drawn half the time. Respondents used terminology like *deeply*, or *constantly* or *that is all I do* to confirm their concentration on this audience. A London transport company commented that opinion formers were *the main focus* of the job. Stakeholders, however, proved a more controversial concept. A retailer summed up the views of 50 percent of those interviewed saying that it was a not a concept with which he felt *comfortable for*, he said, *you cannot be accountable to everyone*.

Funding for Corporate Communications

A handful of respondents addressed the question of their funding with enthusiasm. 15 percent were depressingly negative. An ambulance service, whose CEO had a national reputation for his entrepreneurial spirit, and whose manager was supposed to spend 80 percent of her time on communications, admitted inadequate funding. A police service whose manager had won two national awards for original PR campaigns - the only police force to win any- spoke of *no funding at all* except for a meagre travel budget. In fact, she was not able to do things that other PR executives would be able to do. She acknowledged the absolute frustration of that situation and referred to the fact that she had to compete for funding with other executive colleagues; who might be asking for resources for bullet proof vests. She spoke of having to resort to raising money for her own PR program and using guerrilla tactics to obtain funds to finance communication activities.

Astonishingly a rubber company, with an increasingly global presence in its sector, spoke of *abysmal funding* for promotion for over twenty years; even referring to the lack of interest in good communications from top management. 65 percent of those interviewed said that they had a sufficient budget while a clear 15 percent said they did not. 20 percent more indicated that the situation was either adequate or that it varied. However, a number of those who spoke of a sufficient budget admitted that, whilst it was sufficient, more substantial funding would enable them to do their job to much greater effect. Undoubtedly the recession over the last five years had been a factor. A regional television company, whilst not complaining of his level of funding, referred to the fact that he had been better funded in the past and spoke of 20 percent cut backs in the previous twelve months, enabling him to pay essential staff but not to budget for press advertising. In comparison a supermarket referred to liberal resources -indicating that if funding for something important was required it would be forthcoming; but she stated that

the board judged the level of importance -a clear indication that communications strategy in her company was driven from the top. Some companies had to strive hard for their communications budget. One pharmaceutical company spoke of his battle to get funds - even though he admitted that he was supported fundamentally. A airline spoke of the ongoing debate that he had with the marketing people; but at the end of the day acknowledged an enormous £7m communications budget of which 28 percent was taken up by deadheading (free flights). Typically, major organisations admitted that if the case was good enough the funding was there.

Crisis Management

Most major organisations had plans for crisis management. Of the twenty organisations visited only one - a media organisation -had no plans for crisis management - saying *it had not gone down that road*. The interviewers were a trifle surprised at this finding, bearing in mind that the media themselves are dealing with crises all the time; in which clearly forward planning is of the essence. An tobacco company summarised that it *all came down to control*. Most of those interviewed played a significant role in formulating crises management policy and of implementing those plans. Many corporations had plans written out in manuals, for example, the manual of one retailer dealt with three levels of crisis. However, another retailer had no plan at all, merely mechanisms which could be brought into play if needed and in which the executive (who otherwise specialised only in Financial PR) would have a role in *the crisis management loop*. A brewer echoed the same structure referring to a practical plan rather than something written down. A tobacco company spoke of the need for the communication executive to deal with the unexpected quickly, adding that holding people off for half a day was acceptable if time was needed for a judgement to be reached as to how best to react. The most sophisticated approach found by the researchers was at an international

airline where the executive played a key role along with the Operations Director in the overall corporate crisis plan - which was based at London's Heathrow Airport. Interestingly he spoke of an ongoing debate between communications and the legal people as to how best to react on the question of *liability versus corporate image*. He drummed home the point that unless you communicated you run an unacceptable risk with your reputation. He underscored strongly that it was insufficient to do it well, you had to be perceived to do it well -otherwise your reputation would suffer as a result. A Scottish brewer, who handled a crisis involving pieces of plastic in bottles earlier in the year, commented that the first two hours after a story broke were critically important and that the media could help shape how the story would be handled.

Truth at All Costs

Does the executive believe in truth at all costs? With a single exception all respondents gave fundamentally the same answer - albeit couched in different terms. Whether the respondent said 'yes' (25%) or 'no' 20(%), the message that all conveyed was that if the director said something it must be true and that it was not necessary to convey any more of the truth than one wished. A constabulary remarked that she never countenanced telling other than the truth adding *but you do not have to say everything*. A bank remarked that he believed in truth for he was in *a reputation business* and that if he had a reputation for misleading people he 'would be dead' but, he went on, there were occasions when he would decline to answer the questions - precisely the view echoed by a pharmaceutical company. A brewer took the point one stage further saying that not only was it important to be straight forward but that one could not afford to flannel either. A retailer commented sagely that whilst he would never tell lies he would often withhold information that he deemed it unwise to release; commenting that often the *success of a story* was the extent to which the facts were not revealed. In general the director either believed in complete honesty and then picking up the pieces or in honesty only

if the whole truth was sensibly revealed. Most felt that if the truth was best not revealed it was best not given.

SUMMARY AND CONCLUSION

The findings from the survey confirm what Grunig (1992) argues that public relations is a misnomer as an organisation addresses many audiences. It is found that the directors regard the internal audience, financial PR and opinion formers as the three most important. Van Riel (1994) suggests that communication efforts internally get little attention. The authors found no evidence to sustain this; indeed, they found the opposite. Contrariwise internal PR is now given very great attention. Many ranked it first. The investigation revealed how important financial PR had become. Further in many firms it is now dealt with by an autonomous division, possibly reporting to the Finance Director, who may well seek guidance from the communication executive (who is generally ranked below him). It was found that the communication director's role did vary between organisations. It is conditioned by the typology of audiences being addressed, by the character of the organisation itself and by its culture. With only one exception, directors understood the nature of the role and its parameters. All communication executives in sizeable organisations input into their corporate strategy by one means or another. Many saw their role as advising their CEO on the potential impact that corporate strategy on the organisation's audiences and of assisting in the presentation of their company. This corporate personality is presented and directors need to ensure that their audiences are comfortable with it. The researchers found that directors had clear autonomy -either totally or in large measure. They discovered the real pleasure that practitioners obtained from their role. They were happy and contented individuals enjoying the colour and variety of their work. It was a surprise to found that not all organisations tried to communicate externally. 10 percent of those interviewed avoid all promotion at all.

Another finding is that senior communication practitioners were more conscious of their corporate identity than ever before-but that only a minority were funded adequately; this must surely limit their effectiveness. The researchers found wide variance in the resource provided for funding - perhaps this confirms Winner's (1993) conclusion that the importance attached to the role varies between organisations - from basically unlimited budgets given to communication departments in major supermarkets and airlines (perhaps more conscious of their customers) to literally no budget at all in a constabulary. It can be concluded that a surprisingly large number of organisations still view corporate communications as a luxury; some regarding it with lack of understanding and suspicion. It is also noted that the recession had taken its toll leading to budget cutbacks in a television company and to cash restraints in other organisations. But the study found that there was considerable investment - of both time and money - in corporate crisis planning and the communication executive played a pivotal role in these arrangements. Only 5 percent had *not gone down that road*; how, one wonders, will these companies respond when the inevitable crisis happens.

The findings show that of the 95 percent respondents who had crisis communications plans in place, 50 percent had arrangements which were ad hoc -one speaking of *mechanisms* which existed. In comparison several major companies had developed and published plans; not surprisingly an international airline going as far as having a crisis centre. In regard to the matter of responding to crisis (or even criticism), the researchers were impressed by the straightforwardness with which practitioners approached the subject of honesty -only one respondent being reticent in answering the question. Whatever the interviewer asked they were all actually giving the same answers - honest, but up to a point, and not revealing what

should not be revealed. The finding sustains Jackson's (1995) view that much good PR could emerge from a crisis well managed at corporate communications level.

Future research is warranted into the issue of whether communication strategy is best aided by crisis plans that are laid down on paper or by those which are in place in a more ad hoc way. More research is also needed into the ongoing debate about the need to protect the corporate budget while at the same time protecting, sustaining and enhancing corporate reputation.

Table 1 Name of the organisations that participated the survey

ASDA Plc	Northumbria Ambulance NHS Trust
Avon Rubber Plc	J. Sainsbury Plc
Avon & Somerset Constabulary	W.H. Smith Group Plc
B.A.T. Industries Plc	Southwestern Electricity Plc
Boots Group Plc	Storehouse Plc
British Airways Plc	Tennent Caledonian Breweries Ltd
British Telecommunications Plc	Vaux Group Plc
GlaxoWellcome Plc	Wessex Water Plc
Lloyds TSB Plc	Whitbread Plc
London Transport	Yorkshire Tyne-Tees Television Plc

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