3

External Image, Internal Identity

Crafting the strategy that shapes the image and identity of the organization is probably the most important responsibility of corporate communication staff. Image helps the organization to differentiate itself from others, and identity enables the organization to integrate itself from within. Strong identity evolves into ideology that helps pull organizational members toward the vision of the organization. And strong image helps companies manage the adaptation and retention processes. When the image and identity are in agreement, the organization as a whole is externally adaptive and internally cohesive. When image and identity are not managed properly, constituents are confused, and the credibility of the organization tends to diminish. The linkage between identity and image can be strengthened via intense integration, coordination, and monitoring activities across different areas of corporate communication functions (e.g., investor relations, media relations, employee relations, government relations) and based on different communication approaches (e.g., financial, marketing), as shown in Figure 3.1. Although the functions of corporate communication are only briefly described in the following sections,

they are discussed at length in chapters 5–8. Chapters 9–11 provide a thorough review of the four communication approaches and related theories and topics.

The value of the Competing Values Framework for Corporate Communication (CVFCC) is in providing a broader and integrative interpretation of corporate communication environments by addressing diverse stakeholders such as reporters, marketers, competitors, customers, investors, regulators, employees, and managers. Shaping and sustaining the image of the organization is a challenge that requires a broad, strategic view of organizational environments. Kiriakidou and Millward (2000), for example, discuss the importance for an organization to have a *strategic fit*, which entails auditing the organization's desired identity (management's vision and mission) and the actual identity (what the organization is and how it frames the mindsets and behaviors of its members) to reveal the potential gaps between the two. Doing so, in turn, shapes the reputation of the organization. Image is the mental map that constituencies have about the organization. Effective image management requires corporate communication managers to act as if they are
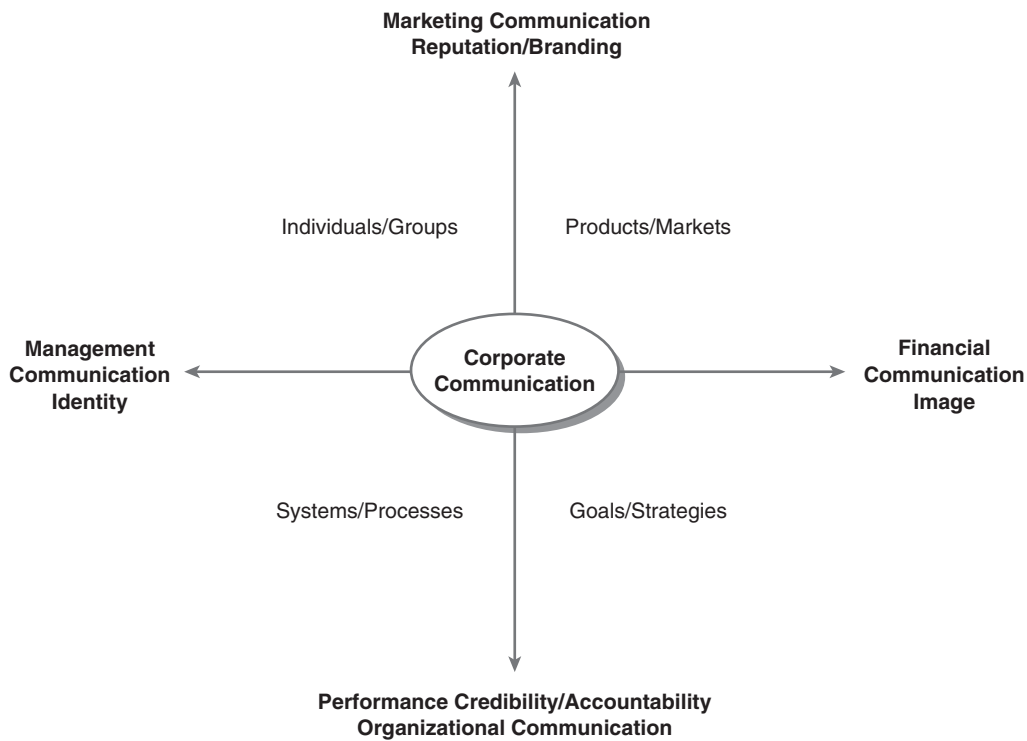
**Marketing Communication
Reputation/Branding**

Individuals/Groups   Products/Markets

**Management
Communication
Identity**   **Corporate
Communication**   **Financial
Communication
Image**

Systems/Processes   Goals/Strategies

**Performance Credibility/Accountability
Organizational Communication**

Figure 3.1   Competing Values Framework for Corporate Communication: Approaches and Focus

paranoid managers—constantly scanning the external environment and sorting through the multiple images that are formed perceptually by diverse stakeholders. The goal is to address possible weaknesses and vulnerabilities and guard against suboptimization. In addition to building positive image and reputation for an organization, sustaining and managing an organization's identity is important in helping corporate identity adapt to a constantly changing environment.

When image aligns with identity, an organization is widely accepted by the public; it is recognized implicitly and explicitly, and, in effect, is institutionalized. Retention by the environment is then facilitated through branding and legitimization. Leading companies in different industries successfully manage the institutionalization process through strong identity programs and credible image. Verizon, for example, began a significant brand name campaign in the spring

of 2002, describing the company as "helping customers make progress every day." Its brand name was associated with a positive, uplifting message, centered on accumulation of events that might otherwise be overlooked, rather than groundbreaking or historic events. IBM's experiment with the World Jam and the creation of "gravity centers" with information brokers acting as communication conduits or communication links is an example of a company that is in the midst of updating its identity. IBM has a very strong corporate communications department and seems to be doing very well. As of 2002, it was listed as the number two company in the Holmes Report.

Another successful example is the Japanese department store Sogo, which established a strong corporate identity in order to integrate its employees effectively through rituals and ceremonies. For instance, employees need to call out

the company's slogan and sing the company's song together in the morning before they begin work. They also bow 90 degrees to welcome their customers. Because of distinctive characteristics such as these, Sogo presents the public image of employee solidity and a reputation of putting customers above everything else. These characteristics are embedded within Sogo's corporate identity; thus, corporate identity is significant in constructing the company's external image and affecting its reputation. As much evidence has revealed, a reputable organization has a competitive advantage and, therefore, sustaining and managing corporate identity seems to be an inevitable and valuable part of organizational strategic planning.

Integrated Corporate Communication

As Figure 3.1 illustrates, marketing and management communication is the dominant communication link between the brand image and the identity fabric of the organization. Financial and organizational communication, on the other hand, is the dominant communication link between organizational goals, strategies, and operators who are expected to embrace the mission and vision of the organization. Marketing and financial communication addresses the outside view of the corporation, with much attention given to managing external stakeholders (e.g., customers, investors). Management and organizational communication, on the other hand, responds to the need to link key interfaces (e.g., systems, structures, processes) and operators internally and align the corporate sociotechnical system. This integrated view of corporate communication is also consistent with Markwick and Fill's (1997) analytical framework for managing corporate identity and aligning resources with organizational goals and strategies.

Viewing internal and external communication as connected functions shifts the focus of corporate communication to answering questions about how an organization can communicate consistently to its many audiences in a way that represents a coherent sense of self. That sense of self is needed to maintain credibility and reputation inside and outside of the organization through strong organizational identity and positive external image. Corporate identity is projected to stakeholders using a variety of cues and represents how the organization would like to be perceived. Through delivering a planned message to target audiences, an organization's particular objective is more likely to be achieved. One such planned message would be the corporate identity program, which consists of two parts: the organization's visual identity, including the design and graphic associated with an organization's symbol of self-expression, and the corporate mind and behavior, such as organizational values and actions that are embedded in organizational culture (for more on this topic, see chapter 11). Before embarking on a plan, managers should take into consideration both the organization's original identity and its current identity. As shown in chapter 13, this process could start with audits that measure the current cultural profile of the organization and compare it with a desired cultural profile. Understanding an organization's past allows managers to identify strengths and weaknesses in the current identity and improve weaknesses in the corporate identity program (Van Riel & Balmer, 1997).

Sustaining and Managing Identity Programs

There are four important elements that should be considered in sustaining and managing an effective corporate identity program:

1. SUSTAINING AND MANAGING AN ORGANIZATION'S MIND IDENTITY AND BEHAVIOR IDENTITY THROUGH INCREASING INTERACTION WITH AN ORGANIZATION'S STAKEHOLDERS. An organization's mind identity is the set of values and philosophies that are believed by everybody in the corporation. The

behavior identity is the actions that an organization takes in order to distinguish itself from others. In the corporate identity program, both mind identity and behavior identity are significant enough to be recognized. In an attempt to consummate both, there must be increasing interaction with the organization's stakeholders to create and nurture a sense of positive corporate identity. To allow communication with an organization's stakeholders, both internal and external perception programs are needed. The target audience of an internal communication program is the company's employees. One of the most important messages to deliver in the internal program is to create and define the company's values and beliefs to the employees who will thus have a clearer sense of what it means to be a member/employee of the organization (Goodman, 1998). Examples of this kind of internal perception program include employee orientation and two-way communication between manger and employees. From these communication programs, employees will establish confidence and trust in the company, which eventually results in increasing the company's competitiveness through employees' better job performance. Moreover, interacting with employees through internal communication programs enables a manager to determine an organization's negative identity. As Markwick and Fill (1997) suggest, employees' view of corporate identity can be seen as a barometer of customers' opinions and as a catalyst for change and implementation. External communication also is significant in shaping public perception about an organization; it is usually associated with public relations and generates media attention. Examples of external communication programs include corporate-sponsored literacy and outreach programs, which promote the image of good citizenship.

2. Sustaining and managing an organization's visual identity. According to Goodman (1998), corporate image is part of the overall makeup of corporate identity and goes hand in hand with the organization's graphic design. Logos, letterhead, and house style are examples of visual identification of an organization. Because of its role in communicating about the organization to its stakeholders, symbolism has been assigned a great deal of importance (Van Riel & Balmer, 1997). For example, a company's logo is expected to present the basic tenets of corporate identity as well as its meanings to the stakeholders. A logo's design is based on the company's letter name, captures stakeholders' attention in the company, and reinforces positive reaction via the visual stimulus (Goodman, 1998). Hence, the shape, use, and color of the logo are all important elements to be considered in an organization's identity program.

One example that illustrates the importance of logo design is Samsung's 1993 identity program. The objective of the program, according to Samsung's (1995–2007) official Web site, was to "strengthen competitiveness by bringing the attitudes and behavior of all employees in line with Samsung's desired perception by the public" (¶ 1). Samsung redesigned its logo in an attempt to change its image of second- or third-rate products to become a world leader in its business areas. The new logo was crafted in English to symbolize its global presence throughout the world. It incorporated an elliptical shape to convey a message of innovation and change. The letters "S" and "G" both partially break out of the oval, showing Samsung's desire to be one with the world and to serve the society as a whole. Moreover, Samsung chose blue as the color of its logo to suggest the organization's reliability and stability, and at the same time to exude a feeling of warmth and intimacy with its stakeholders. The design of the new logo has been successful in communicating and reinforcing the company's corporate identity with stakeholders. Before implementing its identity program, Samsung gave the impression that its products only sold in discount stores and Wal-Mart. To change this negative brand image, the company's redesigned logo created a nonverbal message to reinforce the company's qualities of reliability and innovation.

As a result of its corporate identity program, Samsung has become one of the world's leading corporations in the electronics industry, especially in mobile phones.

3. Unifying the company's mind, behavioral, and visual expression through a consistent and high-quality application of program standards. The mind, behavioral, and visual expressions of an organization must be designed and applied consistently across the functions of corporate communication. Visual expression includes the use of similar symbols, consistent typography, and standardized colors (Alessandri, 2001). A positive corporate identity and image can be developed and perpetuated via internal programs and those directed at the public. Applications of visual identity include different means of communication such as print advertising, letterhead, brochures, stationery, checks, and business forms (Goodman, 1998).

Consistency and standardization are keys in the unifying application of corporate identity; a corporation's identity should be consistent and consecutive. For example, the contents or techniques of advertisements, such as those used by Disneyland, may be boundlessly variable, but the main idea and character should be consistently conveyed. Although different advertisements are presented every year, the main idea that Disneyland communicates to its audience is its "happy family," and the character it uses is always Mickey Mouse. Because of the repeated application of the same expression, Disneyland's corporate identity is recognized throughout the world. From this example, we can see that consistent and standardized application is essential in creating and unifying an organization's corporate identity.

Boyd (2003) provides an example of the importance of keeping a message consistent across diverse constituencies. He demonstrates how the use of a metaphor can be a method for building identity and image with multiple stakeholders. Metaphors let messages for different audiences reinforce a single identity of the organization and the issue at hand; they unify internal and external stakeholders. The case Boyd discusses involved a merger between two companies and a hostile takeover attempt by a third party. The companies involved needed to gain the support of various stakeholder groups, and Boyd's study focused on the media campaigns the companies used to gain support. The two merging companies used a war metaphor throughout the whole campaign. They tried to show that the third company was launching a war against them by attempting a hostile takeover, and they kept their messages consistent. They used the media to send their messages through advertisements, articles, and commercials. They addressed how a hostile takeover would impact all stakeholders, not just shareholders.

According to Boyd (2003), the use of the war metaphor damaged the takeover company's image. The company was portrayed as aggressive, irrational, forceful, and savage, and the two merging companies were seen as victims in need of support from the stakeholders. The third company sent out a number of different messages, but none were consistent, which may be why it failed to achieve the hostile takeover. Boyd's example shows how a consistent message can get all stakeholders to identify with the organization and its goals. It also shows the importance of targeting both internal and external stakeholders.

4. Auditing the identity program and reviewing the corporate identity continuously. Assessment must be made during and after implementation of the corporate identity program. To audit the effectiveness of the actions taken by management, it is necessary to look at the program's objectives and evaluate whether the expected outcomes have been reached and properly communicated (see chapter 13). Even though the identity program may be successful at the moment, the designed corporate identity might not fit the organization forever. Because the corporation and its environment are both perpetually changing, corporate identity needs to be reviewed for possible updates.

Primary Functions of Corporate Communication

The overall value of the CVFCC is that it provides a fuller view of corporate communication in which a dynamic interplay of complementary and often competing orientations takes place. The framework supports the notion of communication systems that are both independent and interdependent. It offers an integrated view in which the relative value of each perspective is not mitigated by the value of the other perspectives. The CVFCC affords an excellent opportunity to describe these perspectives while weighing the tradeoffs among the perspectives to enrich the analysis. The framework is therefore a representation of four perspectives on communication that are highly interdependent. As Figure 3.2 illustrates, these perspectives are also aligned with the four primary functions of corporate communication.

The framework is particularly useful in helping communication researchers and practitioners form a better understanding of the scope and range of communication activities that affect the organization both internally and externally. Moreover, it promotes the development of communication responses that consider the objectives and consequences of employing different messages when addressing different audiences. These functions and their subareas must be balanced and managed strategically. Thus, the CVFCC integrates communication perspectives, messages, and skills across the different areas. These areas are outlined below and treated thoroughly in chapters 5–11:

1. **Marketing communication** concentrates on *media relations*, corporate advertising, issue management, public relations, community relations, customer relations, and reputation management.

2. **Financial communication** covers *investor relations*, image management, legal communication, executive communication,
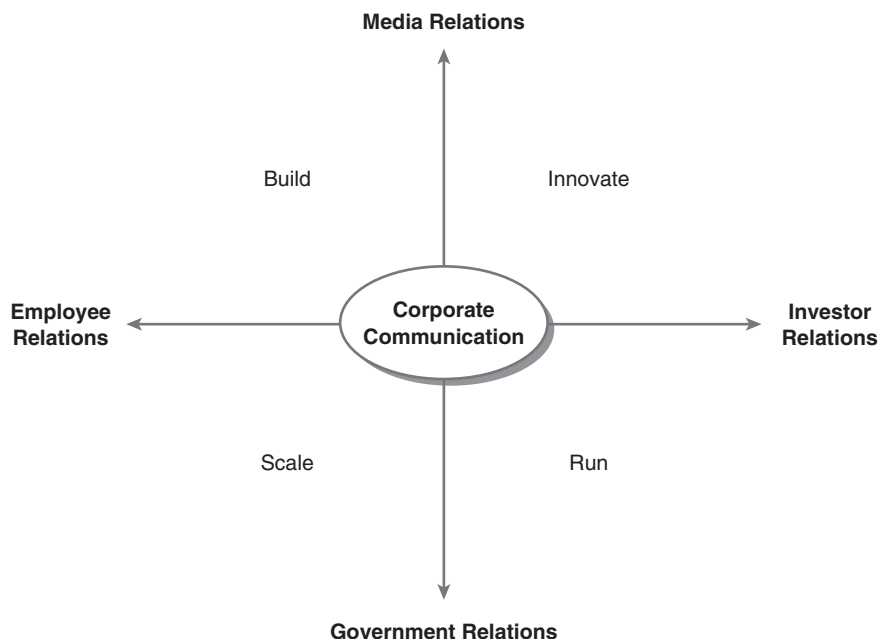

Figure 3.2   Competing Values Framework for Corporate Communication: Functions

strategy communication, external affairs, performance management, and crisis management.

3. **Organizational communication** focuses on *government relations*, field communication, administrative communication, codification and integration, and compliance communication.

4. **Management communication** centers on *employee relations*, culture and change communication, site communication, human resource management, and social identity communication.

Media Relations

Media relations (MR) is characterized by outward communication serving to advance the corporation's goals. One of the main concerns of the MR function is keeping up with current trends in the market. The organization must stay current in order to determine which opportunities are worth pursuing and which are not. In addition, a concern for this section of the CVFCC is to determine how customers will be won over. Essentially, the MR function engages in corporate advertising, a form of advertising different than product advertising because it involves promotion of the entire organization. Corporate advertising is an extremely important factor in retaining customers. As Goodman (1998) asserts, getting the media to provide press for your corporation is almost universally the goal of any MR plan. The main question to ask in this sector is "To what extent is the communication insightful, mind stretching, and visionary?"

The purpose of MR is to build a positive reputation and encourage branding of the organization's name in the marketplace. The corporation intends to portray the characteristic of innovation to its constituents, hopefully strengthening its image as perceived by external stakeholders. A current environmental issue that exemplifies the relevance of corporate communication in this area is the acceleration of product life cycles. This trend is particularly evident in fluid markets such as consumer electronics, in which companies with high visibility and a strong reputation have a competitive advantage because their brand name adds value to their products by reducing uncertainty in the minds of customers, retailers, and distributors (Balmer & Gray, 2000). This example drives home the significance of corporate communication by showing what effective corporate advertising can accomplish.

Attracting new customers and retaining current ones are two essential goals pursued by corporate advertisers to help support the financial goals of the organization. It is therefore in the organization's interest to direct corporate messages through various media, such as television, newspapers, magazines, radio broadcasting, and the Internet. Essentially, the organization wants to get as much press as it can. Examples of outlets used to deliver messages in the MR subenvironment include press releases, interviews with reporters, and distribution of corporate brochures. Much of the work of MR staff is done by boundary-spanning personnel who act as a buffer between the organization and the environment, screening out things not relevant to the corporation. Boundary spanners, such as market sensors or customer relations staff, relay to the organization information about current trends and changes in the environment. Boundary spanners also develop strong and sustained working relationships with reporters, contacting them in a timely manner with news and updated information.

Employee Relations

Employee relations (ER) focuses primarily on internal communication and identification issues. Identity is understood as the visual manifestation of a company's reality as seen in corporate actions, symbols, sagas, and jargon. However, image can be understood as a product of identity. Therefore, even though the ER function

may not deal directly with managing external communication, it is nonetheless a factor in determining image. Essentially, corporate communication in this environment is aimed at integrating the organization from within, using a broad range of communication activities and products that are receiver centered. According to the CVFCC, the main question to ask in this quadrant is "Is the communication discerning and perceptive of the receivers' needs?"

The task of corporate communication in the ER function is to strengthen the organization's reputation and credibility in the eyes of the internal stakeholders by emphasizing the values of the organization, its strong culture, and its congruent communication systems. The key to staying competitive in today's volatile markets is the ability to attract and retain a skilled and motivated workforce. Attracting and retaining high-caliber personnel play a prominent role both formally and informally in communicating the organization's identity to the outside world (Balmer & Gray, 2000).

The predominant form of communication used by ER staff is interpersonal and relational in nature. In targeting employees, corporate communication ER staff must take into account the diversity and complexity of the corporation's workforce. Different types of people respond to different kinds of messages. Therefore, from a CVFCC perspective, having knowledge of employee needs is extremely important. In addition, the current trend of telecommuting and outsourcing makes reaching employees with corporate communication messages an even more complex task. Management must now figure out how to measure things like productivity from employees who are telecommuters or working in outsourced companies. Corporate communication in this segment must also address the concerns of union members, if relevant, and their respective unions, as necessary.

A variety of message types are exchanged in the ER quadrant of the CVFCC, and a great number of techniques are used for the actual delivery. These techniques range from individual meetings to company-wide seminars. Seminars and retreats are a good way to build a solid reputation and positive corporate identity because they bring together many employees in one place, thus making it easier to deliver a consistent message across the board. Other examples of message delivery methods include print and electronic newsletters, local area networks, intranet, and various mail lists. The more employees identify with their organization, the more likely they are to show a supportive attitude toward it, accept its premises, and make decisions that are consistent with organizational objectives (Stuart, 2002).

Government Relations

Government relations (GR) is characterized by internal organizational communication aimed at achieving compliance through regulative systems and processes. The goal is to increase accountability through accurate information about the organization while adhering to certain system and governmental standards. Activities in this environment are aimed at communicating the company's position on particular issues, strengthening organizational credibility, and fostering a positive organizational identity. An effective corporate strategy cannot be realized if credibility is tarnished. Communication in the GR function is more centralized and internally oriented than in the other functions, but nonetheless has implications for corporate image. One current environmental issue that exemplifies the importance of corporate communication in this sector is deregulation. Many organizations have a blurred public image as a result of deregulation in their particular industry (Balmer & Gray, 2000). Corporate communication addresses this issue by modifying the public personas of these companies; it provides a rationale for what information should be communicated about the corporation and why. By regulating the company's processes and adhering to ethical standards, the corporate communication department helps to

portray the company as a good corporate citizen. By communicating social responsibility internally, the corporation can project accountability and a positive image to its stakeholders.

Corporate communication in this function also addresses the issue of society's growing demand for high levels of corporate responsiveness and ethical standards. Corporate communication staff works with regulators to make sure relevant information is processed and supplied to the people who need it. To maintain ethical standards and establish accountability, it is necessary to have a workforce that internalizes the importance of complying with ethical standards.

Investor Relations

Investor relations (IR) sets out to provide present and potential investors with an accurate portrayal of a company's performance and prospects. The communication that occurs in this function is financial in nature, aimed at promoting the credibility of the organization. IR is also concerned with achieving organizational goals and economic reasoning, or publication of the methods for getting returns on investments. IR is an important corporate communication function because it projects the organization's financial strengths and creates a corporate message that legitimizes the existence of the corporation. Another issue that exemplifies the importance of corporate communication in IR is dealing with mergers, acquisitions, and divestitures. Such moves might result in a gap between a company's image and its true identity, especially when assimilation processes (as in merged companies) go astray. IR staff must therefore be familiar with sociocultural dynamics as well as how to influence the level of congruence between the different parts of the organization.

Developing trusting relationships with security analysts and the financial community is important for effective delivery of key corporate messages. The target audience for IR personnel is largely made up of stakeholders such as venture capitalists and financial media reporters with influence over the financial success of the organization. Messages can be addressed to the business press and various analysts in the investment community. Some companies, however, may find it beneficial to bypass analysts and go directly to institutional fund managers at financial firms such as banks, insurance companies, and major investment organizations with specific messages. The types of messages and the means for delivering them may include direct mail aimed at analysts or highlighting the organization in the financial media through advertising and promotional campaigns. Specifically, IR may handle the production of financial publications, annual reports, and other such documents required by the Securities and Exchange Commission, stock exchanges, and shareholders. The aim of corporate communication in the IR function is to enhance business results and stock market evaluations. The person responsible for corporate communication in IR may be the communication executive, the financial director, the company's press secretary, or a mix of all three (Dolphin, 2003). It is also important to note that many companies create autonomous departments to handle IR, and some even hire outside consultants.

The Communication Process

Communication involves the exchange of purposeful messages between senders and receivers. Directors of corporate communication, unit managers, and staff specialists from various corporate communication departments such as MR, IR, GR, and ER create messages that target specific audiences or receivers. Receivers are internal and external target audiences that may include reporters, investors, analysts, regulators, and employees. When receivers require senders to provide more information or to clarify some aspects of the message (e.g., when MR staff fends off criticisms from investigative reporters about alleged advertising mishaps), they also act as senders. Thus, an overlap in communication

roles between senders and receivers occurs in an exchange system that provides both sides with opportunities to record, inform, reinforce, or challenge the intent of the message.

The communication process is contextual, circular, and dynamic. Contextual factors include the interests, motives, and values of the communicators. Feedback loops and simultaneous exchanges between multiple players (e.g., MR personnel and reporters) make the communication process both dynamic and circular. The exchange of communication through positive or negative feedback allows both sides to adjust the communication, make necessary corrections, and align their expectations. Often referred to as the S-R (sender-receiver or stimulus-response) process, Figure 3.3 illustrates the nonlinearity of the communication process.

A typical process is often filtered through "noises" or barriers that need to be dealt with or overcome before a meaningful outcome can be obtained. Examples of barriers that might hinder the achievement of acceptable outcomes include hidden motives, gaps in expectations, incompatible values, cultural differences, mistrust, or lack of credibility. Other barriers include language and the use of complex metaphors, intended or unintended ambiguity, misinterpretations, and misunderstandings. The challenge for the communicators is to conduct the communication constructively and persuasively until a mutual understanding is reached. Effective flow of communication occurs when senders and receivers are engaged in a meaningful exchange of feedback that considers the objectives of both sides. When encoding (senders' expressions of thoughts) and decoding (receivers' interpretation of messages) are in sync, the communication process is effective.

Although chapters 11 and 12 include illustrations of different message orientations and diverse communication roles, it is important to remember that the communicator's focus is on attainable outcomes and target audiences. For example, the target audience for IR includes analysts and stockholders, and that of ER includes employees and trade associations. The key is to compose the appropriate message by figuring out *what* the objectives of the communication are, *who* the audience is, and *how* (e.g., verbal, visual) and *when* the message should be delivered. The selection of suitable channels
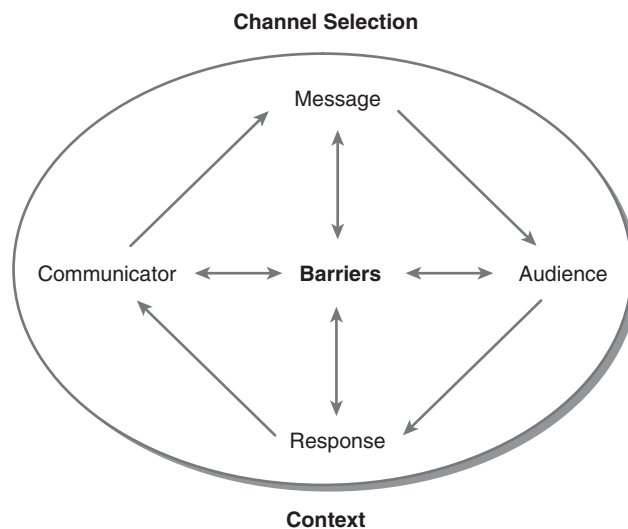

Figure 3.3   The Communication Process

is also important. A concerned regulator will require the GR staff specialist, for example, to compose a formal written report that accurately addresses the facts and details of a particular compliance procedure. ER staff, on the other hand, may choose to supplement a newsletter with an informal presentation that is interactive and entertaining. In selecting the right channel of communication, the goal is to reduce the noise, increase trust and credibility in the engagement, and ultimately gain the attention of the audience.

The main challenge is to recognize the need to gain the trust and mutual respect of the parties involved in the communication. As you read this book, you will learn more about the importance of this process. Communicators on both sides of the spectrum develop trusting relationships when they move toward convergence and when messages are composed clearly and coherently. As you will see in chapters 5–8, the challenge for corporate communicators is to balance the competing tension that is often generated between the functions of corporate communication and their divergent audiences.

Summary

Chapter 3 sets the stage for linking the primary functions of corporate communication both internally (identity) and externally (reputation).

Viewing internal and external communication as connected functions shifts the focus of corporate communication to answering questions of how an organization can communicate consistently to its many audiences in a way that represents a coherent sense of self. That sense of self is needed to maintain credibility and reputation inside and outside of the organization through strong organizational identity and positive external image.

In most contemporary corporations, media relations (MR), employee relations (ER), government relations (GR), and investor relations (IR) are interrelated and form the whole of the corporate communication system. Internally, ER and GR ensure that the company's sociotechnical system functions well; externally, IR and MR present the company to the market. IR and MR are dedicated to creating a good reputation and enhancing the corporate image in the eyes of the public, whereas ER and GR concentrate on corporate identity, ethics, socialization processes, compliance systems, and social responsibility initiatives. It is important for each of these functions to establish clear objectives and work collaboratively to achieve consistency across diverse corporate communication goals and messages. Strategically, the functions of corporate communication are both independent and interdependent, operating as a matrix structure, as illustrated in Figure 3.4. The matrix exemplifies the role of corporate communication as an

Functions of Corporate Communication (Centralized structure)	Departments (Decentralized operatives)				
		Human Resources	*Finance*	*Marketing*	*Legal*
	Media Relations			◯	
	Investor Relations		◯		
	Employee Relations	◯			
	Government Relations				◯

Figure 3.4   Corporate Communication as a Matrix

all-inclusive department with cross-functional lines. The circles represent corporate communication functions that draw on functional departments for resources.

This network of highly interconnected operatives requires close proximity to the strategic apex of the organization. Pushing corporate communication to the top is necessary for developing coherent corporate messages and communicating these messages to diverse organizational stakeholders. Therefore, corporate communication should be appreciated and treated as an integral part of the top management function. A close relationship between communication directors and upper management aids in developing strategies to deal with issues management and to maintain a logical and clear decision-making process (Cornelissen, 2004).

Review Questions

1. The different functions of corporate communication reflect the need to respond to multiple organizational constituencies. Give examples of such constituencies and discuss the importance of creating a consistent image across these constituencies.

2. Discuss the usefulness of the CVFCC in addressing interconnectivity across internal and external communication systems and functions.

CASE STUDY

Starbucks Coffee Company

Starbucks, generally considered the most famous specialty coffee shop chain in the world today has over 6,000 stores in more than 30 countries, with three more stores opening every day (*Fortune*, 2003). Many analysts have credited Starbucks with having turned coffee from a commodity into an experience to savor. Starbucks' objective has always been to emerge as one of the most recognized and respected brands in the world. Since it made its IPO (initial public offering) in 1992, Starbucks had been growing at a rate of 20 per cent per annum and generating profits at a rate of 30 per cent per annum. Starbucks has always felt that the key to its growth and its business success lies in a rounded corporate identity, a better understanding of customers and a store experience that would generate a pull effect through word of mouth. Howard Schultz, Starbucks' founder and chairman, had early on in the company's history envisioned a retail experience that revolved around high-quality coffee, personalized, knowledgeable services and sociability. So, Starbucks put in place various measures to make this experience appealing to millions of people and to create a unique identity for Starbucks' products and stores.

Schultz felt that the equity of the Starbucks brand depended less on advertising and promotion and more on personal communications and word of mouth. As Schultz put it: "If we want to exceed the trust of our customers, then we first have to build trust with our people. A brand has to start with the [internal] culture and naturally extend to our customers. . . . Our brand is based on the experience that we control in our stores. When a company can create a relevant, emotional and intimate experience, it builds trust with the customer . . . we have benefited by the fact that our stores are reliable, safe and consistent where customers can take a break" (*Business Week Online*, August 6, 2001). Schultz regarded the baristas, the coffee makers in the stores, as his brand ambassadors.

Starbucks looked upon each of its stores as a billboard for the company and as a contributor to building the company's brand and reputation. Each detail was scrutinized to enhance the mood and ambience of the store, to make sure everything signaled "best of class" and that it reflected the personality of the community and the neighborhood. The company went to great lengths to make sure the store fixtures, the merchandise displays, the colors, the artwork, the banners, the music and the aromas all blended to

create a consistent, inviting, stimulating environment that evoked the romance of coffee, and signaled the company's passion for coffee.

By the late 1990s, consumers associated the Starbucks brand with coffee, accessible elegance, community, individual expression and a "place away from home." And in 2001, brand management consultancy Interbrand named Starbucks as one of the 75 true global brands of the twenty-first century. Starbucks' identity and positioning as "a socially responsible purveyor of the highest quality coffee [that is] offered in a unique retail environment" has thus led to a respected and strong reputation with customers, industry analysts, communities and other stakeholder groups.

Starbucks has always been concerned about its image and reputation, and rightly so. One of the possible ways of growing for Starbucks was to distribute its coffee through supermarkets, airlines (e.g., United Airlines) or fast food chains such as McDonald's and Burger King. But such alliances and alternate distribution chains carry significant risks for the brand and its reputation. Starbucks has built its distinctive reputation around a unique retail experience in company-owned stores. And customers could perceive the brand differently when, for instance, they encountered it in a grocery store aisle—an environment and channel that Starbucks did not control.

Case Questions

1. Consider the risks for Starbucks in forming product alliances with other companies or adding alternative distribution chains. What rules of thumb can you suggest, particularly from the viewpoint of Starbucks's corporate identity and the strong reputation that the company enjoys?

2. Reflect on the corporate identity of Starbucks in the coffee shop market. To what extent do you feel that this identity is unique, authentic, and competitive in this marketplace?

3. "If we want to exceed the trust of our customers, then we first have to build trust with our people. . . . [A] brand has to start with the [internal] culture and naturally extend to our customers" (Howard Schultz, Starbucks founder and chairman, quoted in Stanley, 2001, ¶ 2). Use the CVFCC to evaluate the significance of Schultz's assertion. Which functions of corporate communication play a role in brand management? Clue: Consider the relationship between internal and external communication.

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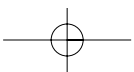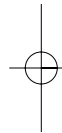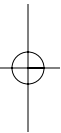
4

Identity, Reputation, and the Functions of Corporate Communication: A Strategic View

Corporate communication is an integral part of the strategic management process in which organizational mission and goals are communicated explicitly to various stakeholders, including employees. When key organizational leaders define what the company is about, they are forced to clarify and find common agreement on what the organization's values are and what differentiates it from other organizations. The end result provides focus and direction for all organizational members. Yamauchi (2001) argues that corporate philosophy is encapsulated in an organization's vision. Formulating a philosophy of what management hopes the company will one day become is a requirement for organizational success. Corporate philosophy (or mission) energizes employees; it builds common ground between the company and its employees. It helps unify a company by producing a co-creation of values so that workers can achieve organizational goals and maintain strong internal and external

relationships. Internalizing a corporate mission also helps employees develop a sense of identification. Communication helps to create an image that conveys the company's vision or mission and reflects the interests of the organization. Employees want to feel that they are making a unique contribution to the goals of the organization; this can be achieved through integration and identification programs in which employees assimilate organizational core values and align their interpretations of how the organization sustains its operations with the overall strategy and vision.

Corporate communication is valued for its strategic input into decision making and the overall corporate strategy, not just for its operational excellence in managing communication resources and programs that are already deployed within the organization (Cornelissen, 2004). The following questions provide a starting point for developing communication strategy (Clampitt, DeKoch, & Cashman, 2000):

- With whom will executives communicate?
- How will employees and executives communicate?
- When will employees and executives communicate?
- Where will employees and executive communicate?
- Why should executives communicate?

So what is strategic corporate communication? It is the central, integrated, externally oriented framework of how the organization intends to obtain its stated objectives (Hambrick & Fredrickson, 2001). Thus, strategy serves as the basis for organizing, implementing, and evaluating communication activities within and outside the organization. Effective communication strategy links the mission and goals of the organization with its markets ("What business will we be in?"); clarifies the means to achieve the stated objectives ("How will we get there?"); and identifies the unique characteristics (e.g., corporate identity, reliability of service, reputation) and core competencies of the organization that help differentiate

it from its competitors ("How will we win over customers?") and the sequence of activities, timing, or staging (e.g., pursuit of early wins, building credibility) to achieve growth ("What are our moves, and how will we obtain our returns?"). Strategies are altered based on changes in the environment, competitors' responses, and new choices and initiatives made by top executives (Hambrick & Fredrickson, 2001). Creating appropriate messages and choosing the right communication channels to deliver them can help companies align their goals with the interests of key stakeholders (see Figure 4.1).

The integrated approach to strategic corporate communication allows for a number of benefits, including greater consolidation of communication disciplines, increased coordination from a corporate perspective, more input into executive decision-making processes, and adoption of a more consistent form of message composition and channels (Cornelissen, 2004). Above all, it leads to the rise of the centrally located corporate communication figurehead. Taken together, this model and its benefits suggest the centrality of
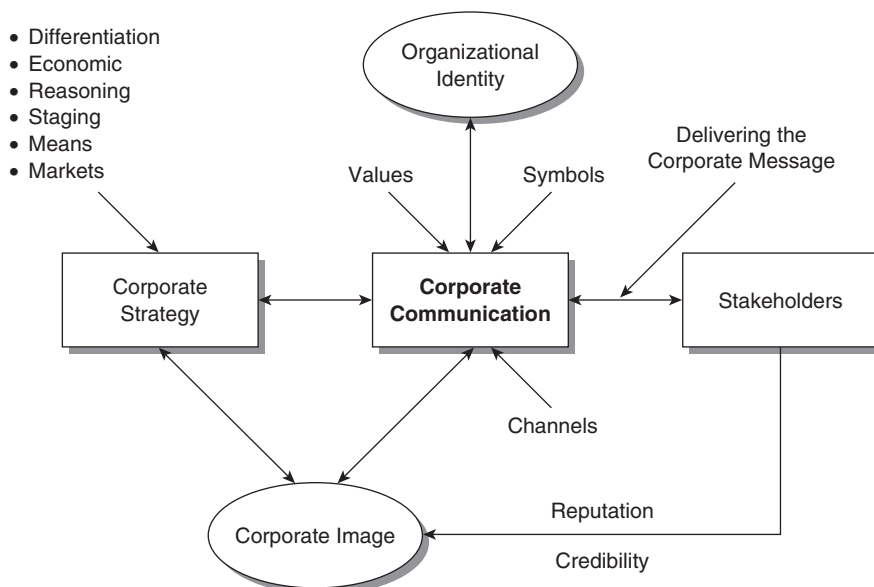

Figure 4.1   Linking Strategy and Communication

corporate communication and the importance of using stakeholder analysis to advance the strategic goals of the organization.

Corporate communication that is linked to strategy has particular characteristics that differ from past conceptions of PR. First, current research emphasizes that corporate communication must be connected to top management due to the importance of bringing an outside perspective to executive decision making. CEOs who hire investor relations executives as merely peripheral staff members do so at their own peril.

Second, effective corporate communication often employs a two-way symmetrical model of exchange with stakeholders (see chapter 12). The one-way model is often adopted because many PR professionals come from the field of journalism and are trained in the public information model of generating unidirectional messages (Gordon & Kelly, 1999). The two-way model, on the other hand, seeks feedback from stakeholders toward the goal of mutual understanding (Plowman et al., 1995).

Third, strategic planning seems to be synonymous with proactive planning and the initiation of communications. In 1991 the New Zealand government implemented a radical restructuring of its social services, including the privatization of its state-owned public hospitals, which were converted into 23 Crown Health Enterprises (CHE), and the creation of an internal market with purchasers (four regional health authorities) separated from providers. Interviews with chief executives of CHEs suggested that provider units were seeking a wider role than originally envisioned, with an interest in the health care needs of their populations and the initiation of some purchasing on their behalf. The purchasers, on the other hand, saw a much more limited role for the CHEs, subjecting them to attacks from politicians, medical organizations, community groups, and media (Barnett & Malcolm, 1997; Comrie, 1997).

In her study of two similar CHEs over a 3-month period, Comrie (1997) found that proactive press relations were more likely to yield positive news stories (75% of the time) than were reactive activities or mere responses

to media requests for comment. Of the two provider units, MidCentral and Health Waikato, described by Comrie, MidCentral was more proactive in issuing media releases, initiating phone calls to reporters, holding conferences, and attending pubic meetings. During the 3 months, MidCentral received more newspaper coverage overall than Health Waikato, and 65% of news stories about MidCentral were the result of proactive activities. Health Waikato had nearly 25% fewer of its stories result from proactive strategies. Generally, the more input that provider units (CHEs) had in a story, the more likely it was to be neutral (presenting both sides of an issue) or positive. Strategically developing and maintaining favorable relationships with the press can impact positive coverage and increase the likelihood that the press will present an organization's side of the story. Establishing this relationship in advance of crises gives companies more control in protecting their image.

Gotsi and Wilson (2001b) noted the important role employees have in influencing corporate reputation. Organizational actions and outcomes often lead to conflicting reputations, such as doing well in the marketplace but not having a good workplace climate and satisfied employees. Employees deal directly with the organization's external stakeholders and can be influenced by their feedback. Conversely, employees are able to influence stakeholders by projecting certain images to them. For instance, employees can affect an organization's reputation negatively if the internal messages and values they perceive are not consistent with the values and messages directed toward outside constituents. On the other hand, if the corporation's values and messages are consistent, employees can be the best resource for advocating the company's reputation. Moreover, if an organization adopts a proactive strategy with the media and consumers, its reputation is more likely to be positive. However, if the media and consumers must seek out information regarding the corporate actions and outputs independently, the likelihood that the organization will be portrayed negatively in the news media is relatively high.

Effective marketing communication, PR strategies, and media relations help shape a corporation's identity and affect its reputation. Maintaining a good reputation allows companies to differentiate in a saturated market. Excess capacity and cutthroat competition often force companies to emphasize branding and service reliability in which corporate reputation significantly influences customer loyalty and retention (Caudron, 1997). In addition, knowing where the company stands on public issues and identifying the factors influencing its current reputation are important corporate communication goals. When an organization maintains a proactive and accountable communication strategy with various media outlets, corporate reputation and credibility tend to increase. Corporate reputation is the result of communication strategies, activities, and products that intersect with the fields of marketing and management communication. Reputation is both the cause and effect of a dynamic relationship between organizational members and external stakeholders (e.g., customers) in which either one has the ability to influence the other. A corporation's social performance and image are key factors in influencing reputation and attractiveness (Turban & Greening, 1997). As Figure 4.2

shows, shaping public attitudes toward an organization can help increase trust and enhance organizational credibility. In turn, the public image of an organization affects the viability of the organization over time. As Goodman (2001) suggests, integrity and credibility are the pillars of strategic communication.

The government also has a role in shaping the reputation of organizations; it enacts regulations and laws to which corporations must adhere. Socially responsible organizations that choose to go above and beyond the guidelines specified by regulatory requirements usually enjoy a better reputation. Moreover, organizations that provide shareholders with updated financial information that is open and honest enjoy a better perception of organizational credibility. A system of accountability allows investors to be confident in the organization, which improves its reputation. Likewise, investors will likely flee organizations that hide financial deficits and lack measures of accountability. The loss of credibility might also hinder new prospects and produce an unfavorable reputation among future investors. Arguably, the boundaries that separate internal and external communication are ambiguous and therefore must be managed interdependently
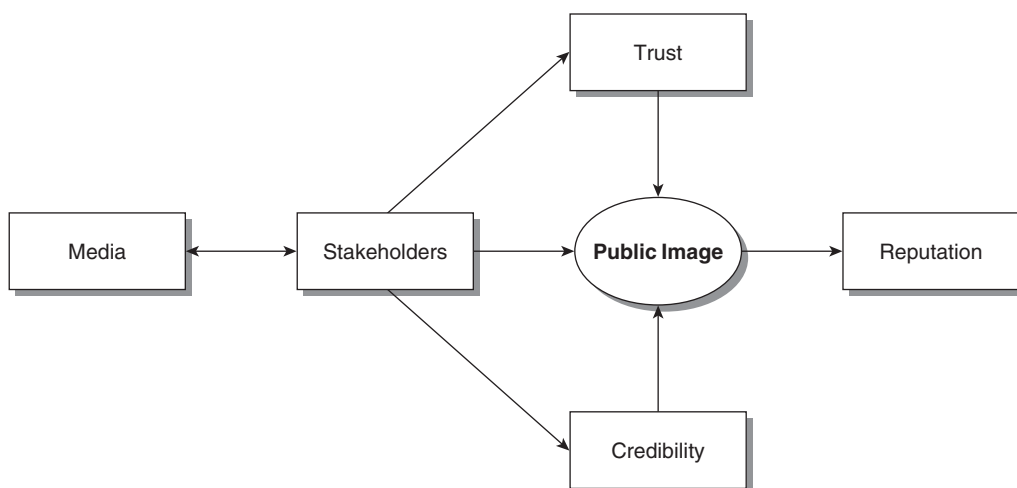

Figure 4.2   Media and Corporate Reputation

(Cheney & Christensen, 2001; Corley Cochran, & Comstock, 2001). Organizations need to maintain credibility both inside and outside the organization. Since employees are important internal stakeholders, management needs to focus attention on the firm's identity or image as it is presented to the employees. At the same time, management must communicate a good public perception as well. Many internal stakeholders are influenced by the messages delivered by or filtered through the external environment (Corley et al., 2001). Thus, in the early stages of strategic planning, the dynamic relationship between internal and external communication programs should be taken into consideration.

GE: Managing Image and Corporate Identity

Organizations and their environments are changing continuously, so organizations need to reexamine their corporate identity over time. For example, General Electric (GE) historically dealt with only one area of business, but as the company changed over time, it evolved into one of the largest diversified multinational companies in the world. According to *Fortune,* "GE makes 65-cent light bulbs, 400,000-pound locomotives, and billion dollar power plants. It manages more credit cards than American Express and owns more commercial aircraft than American Airlines" (Kjellerup, n.d., ¶ 1). In such a situation, it is necessary for GE to simultaneously sustain and manage its "original" and "new" corporate identity to avoid any confusion about the company's messages both internally and externally.

Keeping a consistent image across different constituencies is a nearly impossible task. How do you bridge the gap between extreme stakeholders' views or competing demands without confusing stakeholders or tarnishing the credibility of the organization? GE's internal restructuring during 2002–2003 significantly reduced the number of people employed in its Power Systems division in Schenectady, New York, demoralizing the local community that once maintained strong ties with the company. And GE's image was tarnished by its intense fight against dredging and the blitz of ads it placed in print and electronic media opposing the Environmental Protection Agency ruling on that topic. These corporate ads backfired when the local community and the media highlighted GE's inconsistent communications and lack of accountability by using the company's new motto, "We bring good things to life," sarcastically. Establishing an accurate corporate identity helps people understand who a company is, what it does, and what value it adds to the community. For this reason, GE, one of the world's business leaders, changed its identity in the 1980s based on its true facts and its development needs. This case application provides a pertinent example of how important it is to define a strong positive corporate identity to grow the company. In the early 1980s, General Electric Company was already positioned as the number one or number two diversified multinational business in the United States. However, its logo, which included the company's name, gave people the impression of "electrical business" only. In 1985, management reexamined the corporate identity and decided to reshape it to reflect the company's true identity.

Richard Costello, the manager of Corporate Marketing Communications, who was in charge of reshaping the company's identity, assigned the case to corporate identity consultant Landor. To address the reality of the corporation, Landor recommended that in its external and internal communication, the company no longer call itself General Electric, but simply GE, and the highest level of competency was added to the business name to make it concise and lean. Using such concise competency terms as GE Aerospace and GE Plastics, the company hoped to build awareness of its diversity. A similar logic was applied

internally to simplify functional titles, which supported the company in becoming less bureaucratic. Also, Landor's research showed that perceptions of GE were high in terms of reliability but fell short in terms of dynamism and innovation. So the new identity system maintained the image of reliability and improved perception of its innovation and dynamism. Figure 4.3 shows the evolution of GE's identity. This change broadened the awareness of GE's diversity, so that people would have a more accurate perception of the company. It maintained GE's image of reliability and improved perception of its innovation and dynamism. The new identity also unified the company's visual and verbal expression through a consistent and high-quality application of the contemporary program standards.

When the corporate identity of GE changed, so did the corporate image. Because corporate image reflects the totality of stakeholders' perceptions, it must be managed responsibly. Chairman and CEO Jack Welch established the Identity Advisory Council to help Landor set up interviews with various stakeholders and provide the visual materials for the audit program. In addition, GE held a seminar with 40 to 50 of its major suppliers and got them to begin working with the system to help keep the program on track. In so doing, GE created an organizational identity that incorporated both internally held values and external expressions of these values. Landor delivered to GE's division heads a two-volume manual documenting all the standards that were now linked to the new identity. Supported by a communications manager who had participated in the development of the program through the Advisory Council, each business began implementing the standards of the new corporate identity system. After the Advisory Council had communicated the guidelines internally, it took on the challenge of implementing the program with external suppliers. To make the corporate identity program work well in the real market, they made sure that it did not get out of line from a financial perspective and got people to feel comfortable with and take ownership of it. Landor continued to work with GE on identity system maintenance, monitoring the implementation of the identity system and maintaining it over time.

When GE changed its logo to reflect the new identity, it wanted to sustain its corporate reputation. Reputation is the reflection of an organization's public image; it is a reflection of the historical, accumulated effects of previously observed identity cues and organizational experiences. The new identity system retained the GE monogram, a 100-year-old symbol that reflects consistency and reliability, and communicated GE's emphasis on dynamism and
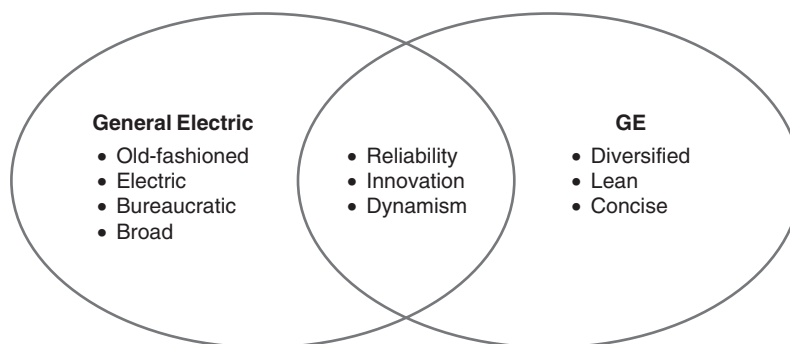

Figure 4.3   Transforming GE's Identity

innovation. Goodman (1998) states that a logo builds corporate image by giving a nonverbal message that reinforces the company image in the mind of the viewer. GE spent tremendous energy delivering a logo that represents its new identity while preserving its image. The new GE monogram not only maintained the company's corporate tradition and spirit, but promoted its innovative and dynamic corporate environment. The newly designed identity program was a huge success; it helped improve the company's awareness and external image. As a result, GE's revenues grew from $25 billion in 1980 to $134 billion in 2003.

Target: Managing Corporate Reputation

The Target Corporation is an example of a company that has differentiated itself from the competition by promoting a unique image and positive reputation. "Expect more of everything: More great design, more choices, more convenience, more service and more clothes, housewares and designer-created items that you'll never find anywhere else. And pay less. It's as simple as that" (Target.com, 2007, ¶ 1)—this is Target's promise to its customers as disseminated in the Philosophy and Values section of the company Web site. Target's slogan of "Expect more. Pay Less." projects the corporate image of an upscale discount retailer. Although the terms *upscale* and *discount* may seem paradoxical, through its innovative and creative marketing strategies, Target has successfully integrated these competing values into its corporate image. Through its innovative marketing and branding strategies and its favorable corporate reputation, Target has differentiated itself from its competition. None of Target's key competitors, Wal-Mart, Kmart, or Kohl's, enjoys the image of an upscale, trendy, and chic retailer. The niche that Target has carved out for itself is as a classy, low-cost alternative to superstores, especially for customers who would not shop at

Wal-Mart. The average Target shopper has a family income over $50,000 a year compared to $30,000 for the average Wal-Mart shopper (On Target, 2004).

So how has Target managed to project itself as being classier and trendier than its competitors? One particularly innovative strategy was to hire high-profile fashion designers such as Michael Graves, Cynthia Rowley, and Isaac Mizrahi to design low-cost product lines to be sold exclusively in Target stores. Currently, these designers can be seen in Target's television ads describing their innovative take on high fashion. These television spots serve a dual function of promoting Target's trendy new products and promoting Target itself as a trendy place to shop. Indeed, the majority of Target ads serve as brand builders. Since the 1990s, Target has used "a sort of 'pop art' advertising that mixes music, imagery and color" (T. Howard, 2001, ¶ 1). According to Schlosser (2004), "Target settled on a marketing style that more closely resembled Andy Warhol–inspired pop art than the drab price-focused ads of its competitors" (¶ 11). Target's advertising projects the "Expect More" component of the company's slogan, and weekly newspaper flyers deliver the "Pay Less" promise. Target Advertising Director Nancy Carruth affirms this: "Pay less is always our Sunday insert. On TV it is really brand awareness we are showing. And we're showing it's a hip, fun and entertaining place to shop" (T. Howard, 2001, ¶ 8). J. P. Morgan senior analyst Shari Eberts agrees, stating that "advertising is a really important part of what helps differentiate Target from Wal-Mart. It is more of a fun, fashionable image that helps drive people into the stores. Target is much more about developing the brand and the image" (T. Howard, 2001, ¶ 12). It is important to note that Target attempts to live up to its advertised image of being a trendy store; for example, many Target stores feature a Starbucks as opposed to the generic hotdog and popcorn stands often located at its competitors' locations.

Target's innovative, image-building app-roach earned it *Advertising Age*'s Marketer of the Year honors for 2000. *Advertising Age* praised Target not only for its finely honed populous marketing but also for its widely recognized red-and-white bull's-eye logo as an effective advertising icon in a class with those of McDonald's arches and Nike's swoosh. Target has used a variety of innovative tech-niques to flood the public with its logo, one of which occurred in February 2004 when "thirty-five clones of Target's mascot, a white bull terrier named Bullseye, invaded New York City's celebrity-filled Fashion Week" (Schlosser, 2004, ¶ 20). Publicity stunts such as this have helped Target create buzz about the upscale retailer while actually spending less on adver-tising than its competitors. In 2003 alone, Sears spent $627 million, Wal-Mart $467 million, and Target $442 million on U.S. television, print, and Internet ads. Whose logo stands out?

Target seeks to differentiate itself not only through its image as a trendy and innovative organization but also through a strong rep-utation as a charitable and philanthropic corporation. Target's corporate responsibility statement begins with words from Chairman and CEO Bob Ulrich:

Being committed to the social, economic and environmental health of the communities we serve is a key part of Target's heritage, a cornerstone of Target's strategy and vital to our long-term success. . . . Today, Target continues to work hard to enhance the communities we serve. We are actively engaged in programs that benefit families and young children through our donations of more than $3 million each week; we endeavor to design stores that complement and protect the environ-ment in which we operate, even as we continue to grow; and we strive to adhere to the principles of integrity and strong corporate governance that have guided our business conduct and perfor-mance for decades (Target.com, 2006b, ¶ 1–2).

Indeed, *Forbes* ranked Target as the most charitable organization in 2004. Target donated 2.1% of its 2003 earning compared to 1.3% for Nationwide, *Forbes*' second most chari-table organization (Moyer, 2005). Along with donating a large portion of its cash earnings, Target is engaged in several national partner-ships with philanthropic organizations such as the American Red Cross, the Breast Cancer Research Foundation, and the Family Literacy Foundation. Recently, in partnership with the Tiger Woods Foundation, Target began the Start Something Program, designed to teach children leadership skills and achieve their dreams. On March 20, 2006, Target broke records when it donated $15.6 million to schools across the country as part of its Take Charge of Education program.

Clearly, Target is a charitable and humani-tarian organization. But it should be pointed out that Target also makes an effort to ensure that the public knows this information. The company's Web site lists all of its charitable activities in great detail and provides press releases detailing its latest donations and partnerships with humanitarian organizations. Furthermore, Target is likely enjoying the enormous amount of negative press being directed at its rival, Wal-Mart. Wal-Mart's pub-lic image issues, coupled with Target's strong presentation of its image as a charitable, good-neighbor organization, allow Target to further differentiate itself from its competitors. However, no corporation is invincible, and Target is no exception. During the 2004 holi-day season, Target made the decision to ban Salvation Army collectors from operating out-side of its stores, because the company has a no-solicitation policy, and it stated that it could no longer make an exception for the Salvation Army because of a dramatic increase in solici-tation requests (E. B. Smith, 2004). Target faced criticism for this decision, and some specu-lated that the company "might have decided it could take a harder line with the Salvation Army because its shoppers tend to be more affluent than the impoverished families the Salvation Army serves, and more affluent than

customers at competing retailers that kept the kettles in place" (E. B. Smith, 2004, p. 5b).

The organization's upscale and trendy image could have been transformed into one of arrogance and snobbishness; however, Target seems to have dealt with this issue both creatively and effectively. During the 2006 holiday season, in the wake of Hurricane Katrina, Target and the Salvation Army formed a partnership to provide relief to the victims. Visitors to Target's online store could purchase a variety of items for hurricane victims that would be delivered by the Salvation Army. Major George Hood, the national community relations and development secretary for the Salvation Army, stated that "this is an important partnership with Target to help the people of these areas begin to rebuild their lives. With their assistance, we are enabling thousands of Gulf Coast families and people all across the country to begin that process" (Target.com, 2006a, ¶ 4).

An analysis of Target reveals that it seems to understand the importance of having both a strong image and a strong reputation. Target's reputation as a charitable, caring organization has allowed the company to stay relatively off the radar of groups that have strongly criticized many of its competitors. Target has successfully taken a unique approach to discount retailing and marketed itself in a way that sets it apart in the marketplace.

McDonald's: Promoting the New Image

McDonald's is the leading global foodservice retailer with more than 30,000 local restaurants serving nearly 50 million people in more than 119 countries each day. [It] is one of the world's most well-known and valuable brands and holds a leading share in the globally branded quick service restaurant segment of the informal eating-out market in virtually every country in which it does business. (McDonald's, 2005–2006, ¶ 1–2)

McDonald's is now in a position to once again rule the market of fast food, but some years ago it faced serious problems. Without a consistent marketing strategy—rather, leaving the creation of its image to the local restaurant owners—it had become notorious for lacking focus, being out of touch with the culture, stifling ideas in bureaucracy, and creating a subpar work environment (Arndorfer, 2005). The company fought the bad sales figures and stock prices with a new marketing campaign whose trademarked slogan is "I'm lovin' it." However, the campaign is more than simply a series of new, continuously produced commercials. McDonald's itself calls it, in a press release, a "brand campaign." According to a press release (McDonald's, 2003), the new campaign—designed by the German advertising agency Heye & Partner—is unique in the history of McDonald's because it is not only the first marketing endeavor entirely invented and produced outside the United States but also the first campaign that unites all restaurants under a single brand message.

The expectations connected with the new campaign, as well as the goals that the company hopes to achieve, are high. According to Larry Light, McDonald's executive vice president and global chief marketing officer, "it's a new way of thinking about and expressing our worldwide brand appeal to the consumer. . . . We will communicate a consistent brand message while at the same time capturing the spirit, music and flavor of each local country" (Ragan's PR Intelligence Report, 2003, The Execution, ¶ 2, 6). According to Light, McDonald's "I'm lovin' it" campaign is a key ingredient in the company's new marketing approach, intended to invigorate, revitalize, and energize the McDonald's brand worldwide. Called Rolling Energy, this approach involves McDonald's first-ever integrated global 2-year marketing calendar that will provide consistency in messaging and communication to customers and employees. The Rolling Energy program features a variety of integrated marketing activities, including promotions, media planning, new products,

merchandising, and internal marketing. This campaign serves the function of sustaining and managing the organization's visual identity because it promotes not only the products but also the image and the organization itself. The campaign consists of putting the slogan "I'm lovin' it" on the company's products and initially releasing five television commercials that depict young people in everyday situations enjoying McDonald's food. The campaign also used Justin Timberlake as a prominent representative of the new message, portraying the characteristics of innovation in the form of a modern and trendy star.

In the spring of 2004, McDonald's faced a major crisis when it was indirectly blamed for the obesity of thousands of Americans (and fast-food consumers worldwide) when the movie *Super Size Me* was released. The documentary shows creator Morgan Spurlock—who ate only McDonald's food for 30 days—consuming more than 5,000 calories each day without exercising. The consequences for his health were disastrous, and the movie resulted in a great deal of bad publicity for McDonald's. The company's response was to start a new initiative, called "Go Active," which was aimed at highlighting McDonald's intent to promote a more balanced, active lifestyle. McDonald's signed successful athletes such as tennis players Venus and Serena Williams to promote its Go Active program. The company also adjusted its menu by eliminating the "super-size" option altogether, and it introduced more salads and low-fat chicken sandwiches as alternatives to its expansive hamburger selection. In addition, McDonald's gave away "stepometers" in the hopes of motivating people to track their daily fitness activity, and even proactively started a campaign that sought to make the nutrition facts about the food available at a standard McDonald's restaurant more readily attainable (in conjunction with the 2006 Winter Olympic Games, the company launched a Nutrition Information Initiative to provide nutrition facts directly on the food packaging). Another

step toward creating a better image concerning health risks was to sponsor major sporting events, including the Olympic Games (through 2012) and soccer events such as the European Championship (EURO 2004) and the 2006 World. McDonald's also developed sponsorships for sporting events at many (predominantly American) schools.

In connection with the promotion of a healthy lifestyle (and consequently, corporate image) the "I'm lovin' it" strategy was elastic enough to allow regional adjustments (both nationally and internationally) while still presenting an underlying, unified message to stakeholders. For example, some restaurants in Germany went so far as to change the dominant colors from the traditional red and yellow to green, white, and gray to give a more healthy and stylish impression. Together with a series of commercials launched in 2005—which starred internationally recognized supermodel Heidi Klum as a spokesperson—McDonald's acknowledged the strong trend in Germany toward fitness food and a healthy lifestyle, and used it in the campaign.

A good and open relationship with the press, especially following the *Super Size Me* crisis, made it possible for McDonald's to get a number of articles and stories published, which showed that its food does not necessarily lead to obesity and other health problems and can actually help individuals lead a healthier lifestyle and possibly even lose weight. Several groups attempted to repeat the experiment demonstrated in the movie, but had different experiences and results. The newly created image differentiated McDonald's from its direct competitors, Wendy's and Burger King, and thus enabled McDonald's to get a bigger market share and become even more recognizable as a brand. The combination of the efforts taken resulted not only in an image that is arguably stronger now than it was before the crisis, but also, together with the "I'm lovin' it" campaign, in the rise of sales figures—from 6.4% in 2003 to 9.6% in 2004, after a decline in

the previous years (MacArthur, 2006). Proving that the ad campaign was a successful strategy for image improvement, McDonald's experienced a significant decrease in its employee turnover rate (Arndorfer, 2005). Plans for television commercials to portray the pride felt by McDonald's employees (a visual manifestation of internal identity) are already in the works.

Further promoting corporate reputation is the fact McDonald's has been active in the community for years. Since 1974, the Ronald McDonald House program has provided homes away from home for families of critically ill children (coincidentally, it is also the primary recipient of Southwest Airlines' charitable donations). Additionally, McDonald's engages in several regional community programs and actions, including neighborhood beautification initiatives, education and youth development programs, and local/regional sporting events. The company is especially interested in charities that benefit children and stresses the McDonald's World Children's Day, which is celebrated in its restaurants all over the world. The company prides itself on raising money for children and ultimately aims to create broader awareness of children's issues. In addition, McDonald's stresses the company's commitment to environmental protection, and its homepage lists a number of awards that the company has received from numerous environmental protection groups. Particular emphasis is placed on the responsible treatment of natural resources such as water and energy, as well as the proper means of waste disposal. The company has also researched reusable material for packaging because excessive waste of the paper used in its product packaging has been a constant point of criticism over the years.

Not only does McDonald's engage in various charities, but it also provides emergency support in the event of catastrophes such as Hurricane Katrina and the tsunami in Southeast Asia. Often, the money raised among employees or in restaurants is donated to children, as was the case with the tsunami relief (the organization donated $500,000). And when Hurricane Katrina hit New Orleans in 2005, McDonald's donations provided not only money for the reconstruction of destroyed areas but also free food at restaurants in the vicinity of destroyed neighborhoods and refugee camps. This kind of engagement connects the organization with the community by creating or invoking the image of the good neighbor.

Effective Communication Strategies

The many forms of media relations and formative research activities typically used to design effective marketing communication strategy aimed at enhancing corporate communication can be grouped into the acronym SMART (Bruning & Ledingham, 2000):

1. Scan—Identify and segment target groups; audit the existing perceptions of key public members.

2. Map—Develop a strategic plan that integrates the mission and goals of the organization and the interests of its key stakeholders.

3. Act—Conduct a pilot study and take the steps necessary to adjust the plan to match the values and needs of key public members.

4. Roll out—Implement the revised strategic plan with the larger population.

5. Track—Monitor the effects of organizational activities on public perceptions, and use the information gathered to reassess organizational initiatives and direct and control the implementation of a marketing communication strategy.

Dionisopoulos and Crable (1988), however, discuss a different strategy for influencing media

discourse. In the aftermath of the Three Mile Island nuclear accident, when a coolant pump failed and citizens had to be evacuated from the area around the plant, the danger of nuclear power became salient for reporters and for Congress. This atmosphere led to inaccurate information and an increasingly fearful public. The nuclear power industry employed definitional hegemony to change the rhetoric surrounding nuclear power "establishing new frames of reference for interpreting 'relevant' information and thus, influencing the discussion in ways designed to have a policy impact" (Dionisopoulos & Crable, p. 136). By changing what was being discussed in relation to the accident, the industry was able to control the information and use it to lessen the crisis. First, the Nuclear Regulatory Commission questioned the credibility of the media and accused them of providing inaccurate or inflammatory information about the accident and the safety of nuclear power. Next, the industry emphasized the guarantee of future safety and refocused attention on the importance of nuclear energy to the country's future fuel needs. When the industry's credibility and very existence were threatened, it was able to change the reactive dialogue surrounding an accident and introduce proactive discourse to manage it. The industry strategically disarmed existing media messages and replaced them with more proactive communication.

A government organization can use the media to its advantage as well, and perhaps none used media relations strategy better than the Federal Bureau of Investigation (FBI) when it was headed by J. Edgar Hoover. Gibson (1997) describes how the FBI built its public persona by ruthlessly cultivating media relationships. Hoover perpetuated the myth not only of himself as a great leader and lawman and but also of the power of the agency through an intense publicity campaign spanning 50 years. One part of the campaign was establishing mutually beneficial relationships with the media; Hoover allowed certain cooperative journalists to view case files in exchange for writing positive stories. The *Chicago Tribune* and the FBI were so intertwined

that raids were often scheduled to coincide with the newspaper's deadlines. Perhaps even more insidious, Hoover was able to extend his influence to other parts of government. FBI ghostwriters sometimes contributed to the content of congressional speeches. FBI book authors Watters and Gillars (cited in Gibson, 1997) claimed that, although it was common for Congress to be supplied with speech material from government agencies, only the FBI provided material solely glorifying its leader. The FBI used a propaganda-style model, and its PR machine painstakingly planned and carefully administered its messages to create and control the hero image of the FBI and specifically Hoover. Today, however, the media would be unwilling to participate in such an arrangement, and the public would likely question the motives behind this type of one-way asymmetrical campaign.

External Communication

Gordon and Kelly (1999) found that hospitals that developed managerially oriented PR departments that use two-way symmetrical communication with external stakeholders were more likely to enhance organizational reputation than departments that use more traditional means of communication, such as periodical press releases. External communication based on promoting values rather than products helps organizations to improve their image and increase their credibility.

Crooke (1996) supports the position that the function of corporate public relations and media relations should involve the promotion of corporate image and external affairs rather than marketing products and services. Credibility problems arise when the press identifies the corporate spokesperson as someone fulfilling a marketing function for the company, a situation that communications consultant William N. Curry says enhances the skepticism and cynicism that journalists have for corporate spokespersons. Furthermore, according to Curry (cited in

Crook, 1996), "you end up with a lack of credibility because the suspicion on the part of the press is that companies misbehave to increase their profits and that, if you're in the marketing department, your job is to sell the product, not the truth" (p. 9). Clearly, a corporate PR professional who has been identified by the media as a marketing representative loses the credibility that is needed to advance the corporation's reputation. *Fortune*'s America's Most Admired Companies is a prime example to support this point. The companies on this list have the best reputations in America, but they also continue to please their stockholders. For example, in 1998 Microsoft was ranked second on the list after having generated $11.3 billion in revenue in 1997 and averaging a 29% return to stockholders (Stewart, 1998). Corporate PR professionals must be careful when trying to sell a product to the media; they must maintain the credibility necessary to manage and improve the reputation of the corporation. Companies with high visibility and a strong reputation have a competitive advantage in fluid markets because their respected names add value to their products by reducing uncertainty in the minds of their customers, retailers, and distributors (Balmer & Gray, 2000).

Creating a consistent image is a very challenging goal that requires a strong culture and the branding of an organization's name through effective corporate advertising on one hand and a strong identity program on the other. Starbucks initially built its brand with limited advertising and plenty of PR, sometimes through stories published in national magazines but primarily through field communications to

establish brand awareness backed up by the development of strong organizational identity based on principles of corporate citizenship. The concept of *negotiated accountability* (Ospina, Diaz, & O'Sullivan, 2002) implies that corporate communication personnel are required to communicate organizational information consistently to both external and internal audiences. To do so effectively, corporate communication staff and executives must be familiar with and knowledgeable about aspects of internal and external organizational environments; they have to cope well with pressures coming from all four functions of corporate communication: marketing, financial, organizational, and management.

Summary

Chapter 4 discussed the need for a more holistic approach to corporate communication by highlighting strategic communication issues and concepts. Internal and external priorities include responsibility to investors, relations with the media, company culture, and relationships with government and regulatory agencies— areas covered by the Competing Values Framework for Corporate Communication (CVFCC). Organizations must attend to the needs of their stakeholder groups through strategic corporate communication in order to build image and identity and maximize credibility. Communication should co-create an image that conveys a company's vision or mission, reflects its interests, and encourages employees to feel that they are making a contribution and a real difference within the organization.

Review Questions

1. What is the value of strategic thinking and acting for corporate communicators?

2. Discuss and illustrate the relationship between image and reputation.

3. Evaluate the importance of the SMART principles for corporate communication. Illustrate your answer with pertinent examples.

CASE STUDY

The Power of Symbols: Creating Corporate Identity at Agilent Technologies

In March 1999, technology icon Hewlett-Packard announced its intention to split into two separate companies. The Silicon Valley giant, citing the difficulty of growing its $47 billion revenue stream and the challenges of competing with smaller and often more nimble competitors, announced a plan to separate its original instrument, test and measurement, and medical equipment product lines from the newer computer and imaging businesses. The surprise announcement was generally well received by customers, stockholders, and Wall Street analysts. Many of the company's 23,500 employees, however, were anxious.

A significant challenge to the leadership team chosen for the new company revolved around the celebrated company culture known to employees as "the HP Way." Long known as a pioneer in progressive management philosophies, including management by objective, profit sharing, and flextime, Hewlett-Packard boasted an extremely loyal set of long-term employees. These employees had grown accustomed to consensus decision making and the often-bureaucratic infrastructure that sometimes hampered the organization's ability to compete in the fast-moving new economy. The leaders of the new company were faced with the need to quickly and effectively communicate the vision of their new enterprise. What cherished elements of the old days would remain intact? What new values needed to be instilled?

In July 1999, just four months after the announcement of the split, the new company was named Agilent Technologies. The name was derived from the notion of agility. The connection to Hewlett-Packard heritage was made clear by the tagline, "Innovating the HP Way." Further, a starburst logo, representative of a burst of insight, was unveiled. The leadership team at Agilent Technologies effectively used myriad symbols to communicate core values, vision, and purpose. The new CEO, Ned Branholdt, told employees, stockholders, and customers that Agilent Technologies would emphasize three core values: speed, focus, and accountability. The company vision (save lives and help people communicate) and purpose (we make the tools for people who make dreams real) were widely communicated. The company name, logo, and initial marketing campaign were meticulously crafted to communicate the new company's identity. Internal and external communications were consistent in tone and presented the same core values, vision, and purpose. At each major milestone of the transition, employees participated in ceremonies laden with symbolic meaning. Gifts and stock option grants were given in an effort to motivate and energize employees. The popular Hewlett-Packard culture was not abandoned, as the Innovating the HP Way tagline illustrated, but the new core values began to create a distinct identity for the new company taking shape.

The leaders at Agilent Technologies successfully completed the transition by defining the transformed company culture through the use of symbols. In a matter of months, the results were apparent. Organizational behavior began to change, aligning employees with the new company's well-articulated ideals and values. The thoughtful management of organizational communication reaped a huge reward. Employees at Agilent Technologies rallied behind the new organization, embracing the new corporate identity with the same enthusiasm they had exhibited for their former employer, Hewlett-Packard.

Case Questions

1. Describe this change in terms of strategic communication planning.

2. Why was it important that the employees leaving Hewlett-Packard for the new company have a clear sense of the vision and purpose of Agilent Technologies?

3. Think of an organization with which you have been affiliated that has done a very good job or a very poor job of communicating core values, vision, and purpose. How closely do you identify with this organization? How important are core values, vision, and purpose in building a strong sense of organizational identity?