Chapter 2
Corporate Communications in Historical Perspective: Marketing, Public Relations and Corporate Communications

Central themes

- By the early 1900s, every organization realized (albeit at first rather reluctantly) that it had to engage through communications with a number of groups in its environment, including the general public and consumer markets, to remain economically afloat.

- The task of managing communications between an organization on the one hand, and the general public and consumers on the other, was for the majority of the twentieth century defined by the public relations and marketing functions.

- Through socio-economic developments, and the practical need to coordinate and draw communications disciplines together, disciplines previously falling under marketing and public relations headings have increasingly been integrated into the corporate communications function.

- Many organizations around the globe have experienced a shift from being in markets characterized by rigid systems of mass production and consumption to more flexible and increasingly competitive marketplaces. This, together with a greater call from society for 'corporate citizenship', has pushed many organizations into stakeholder management strategies.

- Corporate communications is the management function that has come to fruition in this stakeholder era, and caters for the need to build and manage relationships with stakeholder groups upon which the organization is economically and socially dependent.

2.1   Introduction

The evolution of communications disciplines and techniques that are used by organizations to promote, publicize or generally inform relevant individuals and groups within society about their affairs began at least 150 years ago. It is the product of the dependencies and ties between business and society, with communications having changed over time in its scope and practices because of altered perspectives on the

role of business in society. Starting with the Industrial Revolution and continuing right up until the 1930s, an era predominantly characterized by mass production and consumption, the type of communications that were employed by organizations largely consisted of publicity, promotions and selling activities towards buoyant markets. The move towards less stable, more competitive markets, coinciding with greater government interference in many markets and harsher economic circumstances, led from the 1930s onwards to a constant redefining of the scope and practices of communications in many organizations across the Western world. Ever since, changing socio-economic dynamics have guided organizations, and over the years have not only forced communications professionals to rethink their discipline and develop new practices and areas of expertise (such as issues management and corporate identity), but have also in many cases changed the nature of the communications process itself from down-right persuasion and propaganda to a more open and symmetrical dialogue between an organization and important groups in its environment.

Communications management in historical perspective

This chapter is about the changing definition, scope and practices of communications management, and the socio-economic dynamics that challenged and triggered its evolution. The central argument is that the nature of communications management as we now know it, in terms of the way in which it is practised in contemporary organizations, is steeped in historical circumstances and developments. Disentangling the historical forces that have informed and shaped contemporary communications practice is therefore considered here as a crucial first step towards contextualizing, understanding and framing corporate communications, the most recent and widespread embodiment of communications management. To do this, a brief historical sketch will be provided of the two dominant perspectives (or rather colonizations) of communications management that preceded the corporate communications view: public relations and marketing. The central tenets of each of these perspectives, and their historical development, are first outlined in this chapter, followed by a discussion of the market dynamics and organizational drivers that provoked changes in the way in which organizations approached their communications.

As the chapter outlines, it is now increasingly common in communications practice to see communications disciplines and associated activities not so much from the particular, rather narrow, perspectives of public relations and marketing alone, but from a more integrated conception that advocates seeing the whole range of communications disciplines and activities in conjunction. Corporate communications is a perspective upon communications management, and a way of practicing it, that departs from this integrated perspective. The final section of this chapter is concerned with outlining the key changes that corporate communications has brought to the practice of communications management. By the time this chapter draws to an end, the reader should thus be able to understand the historical conditions and circumstances that led to the corporate communications view of managing and practising communications and to see corporate communications as a vital part of the total management effort of organizations in today's business climate and society.

2.2 The birth of communications management

As the words at the beginning of this chapter suggest, communications management – any type of communication activity undertaken by an organization to inform, persuade or otherwise relate to individuals and groups in its outside environment – is not terribly new. Whenever people have depended on one another to complete tasks or meet their needs, they have formed organizations. The act of organizing, at first in clans, families and feudal structures, already required people to communicate with other workers, as well as (prospective) buyers. The modernization of society, first through farming and trade, and later through industrialization, created ever more complex organizations with more complicated communications needs. The large industrial corporations that emerged with the Industrial Revolution – predominantly at the turn of the twentieth century, first in the United States (US) and the United Kingdom (UK), and from there spreading out over the rest of the Western world – in particular required, in contrast to what had gone before, professional communications officers and a more *organized* form of handling publicity and promotions. These large and complex industrial firms, and the support of society that they sought, made it clear that effective communication techniques and campaigns needed to be developed by expert professionals to gain and maintain that support. Walter Lippmann in his famed book *Public Opinion* (1922) wrote in the early years of the twentieth century about this need of modern industrial organizations for publicity makers and press agents to inform and persuade the general public and to sell their wares:

> The development of the publicity man is a clear sign that the facts of modern life do not spontaneously take a shape in which they can be known. They must be given a shape by somebody, and since in the daily routine reporters cannot give a shape to facts, and since there is little disinterested organization of intelligence, the need for some formulation is being met by those interested parties.[1]

In the first instance, and right up until the early 1900s, organizations hired publicists, press agents, promoters and propagandists to this end. These press agents played on the credulity of the general public in its longing to be entertained, whether deceived or not, and many advertisements and press releases in those days were in fact exaggerated to the point where they were outright lies. While such tactics can perhaps now be denounced from an ethical standpoint, the 'press agentry' approach to the general public (see Table 2.1) was taken at that time, simply because organizations and their press agents could get away with it. At the turn of the nineteenth century, industrial magnates and large organizations in the Western world were answering to no one and were immune to pressure from government, labour or public opinion. This situation was aptly illustrated at the time by a comment made by William Henry Vanderbilt, head of the New York Central Railroad, when asked about the public rampage and uproar that his company's railroad extensions would cause. 'The public be damned', he simply responded. Yet, the age of unchecked industrial growth soon ended, and industrial organizations in the Western world faced new challenges to their established ways of doing business. The new century began with a cry from 'muckrakers' – investigative journalists who exposed scandals associated with power,

Table 2.1 Historical models of public relations

Characteristic	Press agentry/publicity	Public information	Managerial discipline
Purpose	Propaganda	Dissemination of information	Persuasion and/or mutual understanding/accommodation
Nature of communication	One-way complete, truth not essential	One-way, truth important	Two-way, (im)balanced effects
Communications model	Source → receiver	Source → receiver	Source → receiver ← feedback, actor ↔ actor
Nature of research	Little if any	Little, readership readability	Formative attitude evaluation
Quote	'public be damned'	'public be informed'	'public be influenced, involved and/or accommodated'
Communications disciplines involved	Publicity (propaganda)	Publicity, media relations	Publicity, media relations, employee communications, investor relations, general counsel, government affairs…
Period	1800–1899	1900–1940	1940–1990

capitalism and government corruption, and raised public awareness of the unethical and sometimes harmful practices of business. To heed these 'muckrakers', many large organizations hired writers and publicists to be spokespeople for the organization and to disseminate general information to these 'muckraking' groups and the public at large so as to gain public approval of its decisions and behaviour (the 'public information' period mentioned in Table 2.1).[2] At the same time, while demand still outweighed production, the growth of many markets stabilized and even curtailed, and organizations also started to hire advertising agents to promote their products to existing and prospective customers in an effort to consolidate their overall sales.

In the following decade (1900–1910) economic reform in the US and UK and intensified public scepticism brought it home to organizations that these writers, publicists and advertising agents were needed on a more continuous basis, and should not just be hired 'on and off' as press agents had been in the past. These practitioners were therefore brought 'in-house', and communications activities to both the general public and the markets served by the organization as a result became credited as more fully-fledged functions, rather than just as fragmentary, ad hoc publicity stunts.[3] This development effectively brought the first inkling of expertise in the area of communications and planted the seeds for the two professional functions that were to define for the majority of the twentieth century how communications management was approached and understood in organizations: *public relations* and *marketing*.

Both the public relations and marketing functions have sprung from the understanding that has ever since become established in the industrialized world; namely that an organization, in order to prosper, needs to be concerned with issues of public concern (i.e. public relations), as well as with ways of effectively bringing products to markets (i.e. marketing). Starting from this understanding, both the public relations and marketing functions have gone through considerable professional
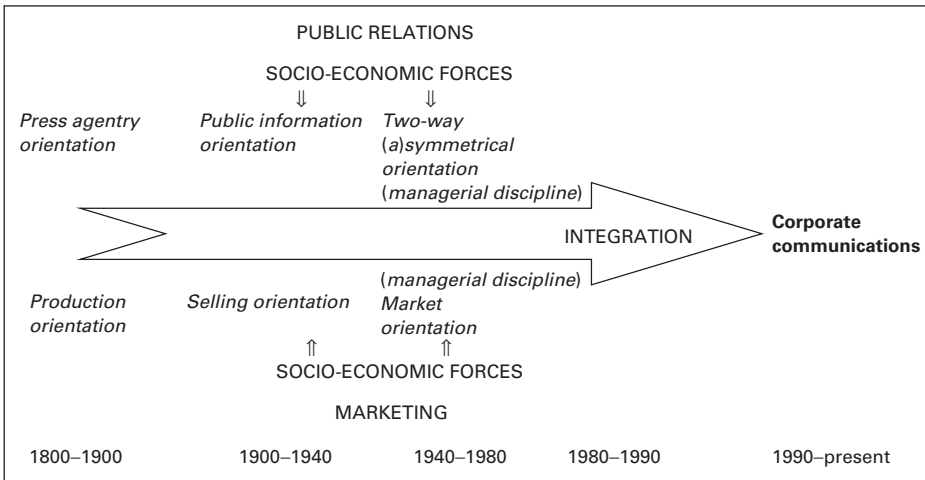
Figure 2.1   The historical development of public relations and marketing

development, shaped and guided by changing socio–economic conditions (see Figure 2.1), yet largely in their own separate ways. Figure 2.1 displays the route that each of these two functions has followed in the twentieth century, largely indepen-dently, but with a trend emerging in the 1980s, and carried on through the 1990s and beyond, that both functions should be brought together, integrated, linked, con-joined or in any way connected under the flag of a new discipline that we now know as corporate communications. This trend towards 'integration' was noted by many in the field, including Philip Kotler, one of the most influential marketing figures of modern times, who commented in the early 1990s that 'there is a genuine need to develop a new paradigm in which these two subcultures [public relations and marketing] work most effectively in the best interest of the organization and the publics it serves'.[4]

The professional development of public relations

Public relations developed, expanding in its scope and activities, because of public scepticism, political reform, turmoil and activism throughout the twentieth century, which gradually created a climate in which organizations could no longer suffice with simply engaging in what could be called 'private relations' – that is, making business decisions without regard to governmental or public opinion.[5] Whereas power had previously, at the height of the Industrial Revolution, been largely concentrated with big business, the balance had gradually been shifting towards powerful groups in society including governments, trade unions, investors and stockholders, so that organizations could no longer 'survive while ignoring the impact of social, political, technical and economic changes on its relationships [with public groups]'.[6] In direct response to the increased saliency and power of such groups, new areas of expertise such as investor relations, government affairs and employee communications were added to the existing

speciality of media relations under the umbrella of public relations, and public relations gradually developed into a fully-fledged 'managerial discipline' (see Table 2.1). Ever since this development, the process of communications from organizations to these powerful publics has been based to a lesser extent on downright persuasion, and more on dialogue and relationship building. The many NGOs and environmental lobby groups, for instance, that mobilized themselves in the 1980s against big business, forced many organizations to enter into a dialogue about environmental issues and often to accommodate these groups.

The professional development of marketing

Marketing developed as a result of expanding mass communications opportunities and increased competition after the stable period of mass production and consumption ('production era') that had characterized the early years of the twentieth century. Although the century had started with very little promotional activity, with supply, promotions and distribution of secondary concern (and largely left to independent wholesalers and retailers), greater competition and saturated demand in many markets led in subsequent years to the understanding that the 'belief in the sanctity of "I sell, you buy" became simplistic'[7] and increasingly outdated. The production era had been characterized by mass production as demand exceeded supply; the conception and design of product lines had therefore also reflected production requirements more than research into customer needs. And because of the little competition in each product market at that time, businesses, wholesalers and retailers had made little effort to promote their wares because products effectively 'sold themselves'. The greater competition forced organizations to initiate energetic personal selling, backed by research, promotions and advertising, which came to be known as a 'sales orientation' (see Figure 2.1). Around the 1950s, again because of a surge in competition and the emergence of an individualistic consumer ethic (that broke up the homogeneous mass markets of the past), a sophisticated market orientation was adopted by many organizations emphasizing a focus on product branding and positioning, and customer wants and needs as the engine of the marketing process.[8] Marketing thus matured into a full-blown managerial discipline as a result of changing economic conditions and advances in media and technology, and, like public relations, has moved from an 'inside–out' to an 'outside–in' approach in its handling of the relationships between an organization on the one hand and existing and prospective customers on the other. That is, marketing thinking, and the use of the marketing communications tools of advertising, sales promotions, direct marketing and publicity have moved from direct persuasion and transaction to indirect means of exerting power in the creation of favourable conditions and mutuality within relationships with existing and prospective customers and consumers.[9]

So far, the chapter has sketched the historical development of public relations and marketing, and has started to outline how both these functions have changed in their orientation and practices as a result of socio–economic forces in the Western hemisphere. While such a sketch is rather broad–brushed – as the actual changes in scope and practices have obviously been more complex, turbulent and a matter of contestation – it does, however, roughly draw out the stages of development of both

public relations and marketing. Importantly, Figure 2.1 also indicates the trend from a view of marketing and public relations as largely separate functions to a more integrated perspective that combines them into a new vision of the practice of communications management. This 'integration' trend was already noted in a landmark article in 1978 by Philip Kotler and William Mindak, which highlighted the different ways of looking at the relationship between marketing and public relations. The view of public relations and marketing as distinct functions had characterized much of the twentieth century, the 1978 article emphasized, yet it predicted that a view of an integrated paradigm would dominate the 1980s, 1990s and beyond as 'new patterns of operation and inter-relation can be expected to appear in these [marketing and public relations] functions'.[10]

Marketing and public relations as distinct functions

Traditionally, before the 1980s, the marketing and public relations functions had been considered as rather distinct in their perspectives and activities, as having very differ-ent objectives and value orientations and with each function going through its own trajectory of professional development.[11] Central to this traditional view was the simple point that marketing deals with markets, while public relations deals with all the publics (that excludes existing and prospective customers and consumers) of an organization. Markets, from this perspective, are created by the identification of a segment of the population for which a product or service is or could be in demand, and involves product or service-related communications; while publics are seen as *actively* creating and mobilizing themselves whenever companies make decisions that affect a group of people adversely. These publics are also seen to concern themselves with more general corporate, rather than product-related, news and communica-tions. Kotler and Mindak articulated this traditional position by saying that 'market-ing exists to sense, serve, and satisfy customer needs at a profit', while 'public relations exists to produce goodwill with the company's various publics so that these publics do not interfere in the firm's profit-making ability'.[12] This split in publics versus markets was further perpetuated by the view that publics need to be addressed by organizations rather differently from markets, through a more balanced or symmetri-cal process of dialogue and accommodation. Markets, it was suggested, are then primarily approached by unidirectional and asymmetrical message flows from orga-nizations, with a strict aim of persuasion to boost sales or increase a company's market share.[13] Following this line of analysis, many industry commentators, academics and communications experts concurred that while both the marketing and public rela-tions functions are needed in the world of organizations, they have very different objectives and target groups, and also use very different ways of communicating. As a result, the conclusion was that both functions are distinct and should remain largely separate from one another in their scope and operations.

Marketing and public relations as distinct but complementary functions

Cracks, however, time and again appeared in this view of public relations and marketing as two functions that are completely distinct in their objectives and tactics. For one, it had

Table 2.2 Examples of marketing public relations worldwide

United States	United Kingdom	Global
Starbucks initially built its brand without any advertising but used public relations efforts (free publicity, features in general interest magazines) to catch attention and to establish a brand experience that was backed up by each Starbucks location.	The success of the Virgin brand is based on the serious self-promotion of its CEO Richard Branson through his hot air ballooning exploits, and environmental and community programmes.	Sony first aroused public interest for Walkman by giving Walkmans to Japan's leading musicians, teen idols and magazine editors.
McDonalds achieves product awareness for its promotions and products because of effective media relations campaigns that are run alongside advertising campaigns.	The Body Shop uses public relations and grass roots campaigning as a model for linking a brand to the advancement of public awareness and customer support for positive social change.	Kodak, keen to 'deepen its roots in the Chinese market', used public relations as support for new product launches, sponsorship and events, as well as for 'executive visits' to China.

become apparent over and again that there was at least some common ground or overlap between them. In the 1980s, for instance, concern over the rising costs and impacts of mass media advertising encouraged many companies to examine different means of promoting customer loyalty and of building brand awareness to increase sales. The use of 'marketing public relations' – the publicizing of news and events related to the launching and promotion of products or services that thus effectively involves the use of public relations techniques for marketing purposes – has ever since been widely used by organizations. Marketing public relations was found not only to be a cost-effective tool for generating awareness and imagery, but also to imbue the communications of the organization's brands with credibility.[14] Table 2.2 mentions some classic examples where public relations techniques have been effectively used to bring products to the market.

A further blow to the view of public relations and marketing as two separate functions came with the criticism of many theorists and practitioners alike that all forms of communications including public relations are essentially asymmetrical in nature: every form of communication is a value-laden activity employed by an organization with the purpose of exerting symbolic control over its environment. The Dutch theorist Van der Meiden, for instance, has argued in this respect that the classical views that emphasize the exclusive position of public relations relative to marketing on the basis of the mentioned distinction between symmetrical dialogue and asymmetrical persuasion need fundamental opposition. Viewing public relations as an inherently symmetrical form of communications, and setting it aside from marketing on that basis, is, according to Van der Meiden, in fact a form of false 'puritanism', which, in the face of the reality of how communications actually works, is 'old-fashioned and unrealistic'. However, he added that, despite the recognition that all forms of communications share asymmetrical roots, there is 'no need for complete amalgamation or fusion'[15] between marketing and public relations. In other words, marketing and public relations are both asymmetrical in nature, but, as Van der Meiden stresses, based on the apparent differences (in their objectives, groups addressed and techniques used) each still largely stands as a function on its own.
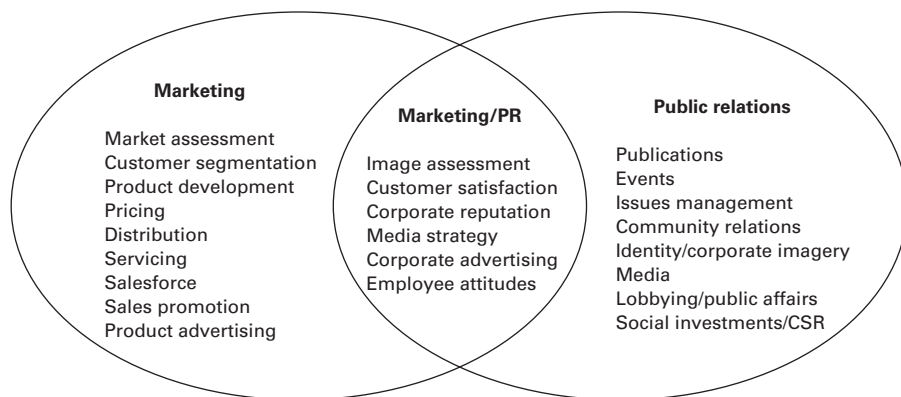
Figure 2.2   Public relations and marketing activities and their overlap

From the perspective of such overlap and similarities between the marketing and public relations functions, the separatist attitude of the past has since come to be considered as a 'hide-bound' approach, and the motives that had guided it have also been criticized by theorists and practitioners alike. The criticism levelled at it was that the motive for strictly marking the two functions off from one another was merely partisan with concerns about 'imperialism' and 'turf' lying not far beneath the surface. And because of such concerns of 'imperialism', 'turf', and indeed 'encroachment', theorists and practitioners realized, little consideration had gone in the past into 'questions of organizational strategy and the organizational basis for bringing public relations, marketing and other related functions into closer alignment with one another'.[16] What is more, many practitioners had already dismissed the separatist attempts to clearly delineate the two functions from one another as political posturing and as rather philosophical, figuring in the scholarly world, whereas, in practice, companies had, particularly since the 1980s, shown an increased interaction and complementary relationships between the two.[17] A more fruitful perspective on the relationship between marketing and public relations was therefore, as academics and practitioners came to realize, to consider them both as full-blown and largely separate functions, but at the same time as sharing some common terrain. Philip Kitchen, a public relations academic, calls this view the 'middle-of-the-road' approach where the public relations and marketing functions are seen as distinct, but where they share important similarities and complementary relationships.[18] Similarities, first of all, exist in the common asymmetrical nature of public relations and marketing; the related understanding that both marketing and public relations cultivate communications with targeted groups; and the sharing of research techniques and communications tools. Figure 2.2 displays a number of core activities of both the public relations and marketing functions, and outlines a set of activities (including specific tools and techniques) that are shared, indicating the overlap between the two functions.

Besides the direct sharing of activities such as image measurement tools (the middle of Figure 2.2), there are also a number of ways in which marketing and public relations activities can complement one another. For example, there is ample evidence that

corporate imagery, created through public relations programmes, can positively reflect upon the product brands of a company, thereby increasing the awareness of the product brand as well as adding an additional attribute that enhances consumers' favourability of the brand.[19] Another complementary relationship that exists is the guarding role of public relations as a 'watchdog' or 'corrective' for marketing in bringing other strategic viewpoints to bear besides the need to create customer exchanges.[20]

Integration in marketing and public relations functions

As a result of this overlap and complementarity – suggesting that it is useful for organizations to more closely align marketing and public relations or at least manage both functions in a more integrated manner – since the 1980s and 1990s a lot of discussion and debate has been around integration in communications management. This notion of 'integration', or an integrated approach to communications management, shines through in a number of concepts that have since emerged as an outcome of these debates, including integrated marketing communications (IMC), integrated communications (IC), and corporate communications.[21] The idea of integration that underlies each of these concepts, while at times having been dismissed as a buzz word or as mere rhetoric,[22] has been advanced in response to a number of highly significant changes in the practice of communications management. Understanding these changes is quintessential for attaining a greater understanding of the emergence of corporate communications and the relevance of this management function for contemporary organizations. The following section details these changes, and outlines why the notion of integration in communications management has become so pertinent today.

2.3   Communications management comes of age

The different concepts of IMC, IC and corporate communications that have emerged in recent years and that all proclaim some form of integration – at the message, media, process or organizational levels – obviously differ somewhat from one another in their positions and in their perspectives of the practice of communications management. All of them, however, agree on the idea that in any case there should be some alignment or coordination (integration) of marketing and public relations activities in order to achieve the best possible communications impact for an organization and its products with external audiences. This does not mean that both the marketing and public relations functions are actually merged or reduced to one and the same function – as this is hardly if at all feasible in practice given the still apparent differences in activities and audiences addressed by each (see Figure 2.2) – but that both functions, while still existing as such, are balanced and managed together from within an overarching framework (which is then termed as IC, IMC or corporate communications). Such a framework suggests a holistic way of viewing and practising communications management that cuts across the marketing and public relations functions (and disciplines such as advertising and media relations within them) and as such recognizes, as Anders Gronstedt puts it, that communications management 'is too complex and interactive to be fractionalized into insular disciplines'.

Table 2.3 Drivers for integration

Market and environment-based drivers
Stakeholder roles – needs and overlap
Societal and market demands
Increased competition – need for differentiation
Greater levels of audience communications literacy
Greater amounts of message clutter
Media and audience fragmentation

Organizational drivers
Improved efficiency (increasing profits)
Increased accountability
Provision of strategic direction and purpose through consolidation
Corporate/organizational positioning
Streamlining of activities in complex organizations (global, multinational and/or multidivisional businesses)

Communication-based drivers
Increased message effectiveness through consistency and reinforcement of core messages
Need to build corporate and/or brand reputations and to provide clear identity cues
Complementarity of communications techniques and media cost inflation
Media multiplication requires control of communication channels

A managerial framework is thus needed, Gronstedt suggests, that 'inserts the various communications disciplines into a holistic perspective, drawing from the concepts, methodologies, crafts, experiences, and artistries of marketing communications and public relations'.[23] This need for some form of integration has now been widely accepted by many communications practitioners across the globe, and the corporate communications concept has, as will be shown below, made considerable inroads since the 1990s as a result. Organizations, it seems, are now increasingly working from the framework of corporate communications, but what were the conditions and factors that triggered it? In other words, it is important that, before the chapter defines some of the key changes that corporate communications has brought to the practice of communications management, the factors that lie behind the need for integration in communications management and the adoption of corporate communications as a management function are revisited.

The explosion of interest in integration, and the emergence of corporate communications in its slipstream, has resulted from a variety of factors or 'drivers' as these can be more aptly called. Generally, these drivers can be grouped into three main categories: those drivers that are market and environment based, those that arise from the communications mix and communication technologies, and those that are driven by opportunities, changes and needs from within the organization itself. All of these drivers are set out in Table 2.3.

Market and environment-based drivers

The environment in which organizations operate has changed considerably over the past two decades. Not only has the environment become more complex for many

organizations, greater public scepticism and government interference has, together with increased competition in many markets, created a situation where organizations now need to *meet the demands of multiple and diverse stakeholder groups*, while at the same time expressing a coherent image of themselves. In 1994, Robert Heath, a communications scholar, formulated this challenge as follows:

> Some companies and other organizations are well known for their ability to conduct a truly integrated communications campaign designed to get the message across even though it is tailored to various stakeholders. Not only is the matter one of providing a coherent and consistent message that fosters an understanding of the company as its management and employees want it to be understood, but it also means that key audiences are addressed in terms of the stake each of them holds with regard to the organization.[24]

The guiding idea here is that ever since the early 1990s organizations have needed to communicate with a whole range of stakeholder groups; not only with stakeholder groups that they depend upon in economic or market terms (e.g. suppliers, investors and stockholders, employees, customers), but also with groups that are of moral or social importance (e.g. government, communities, NGOs), so that the organization and its operations are found to be 'legitimate' by all of society. Meeting such dual *market and social demands*, while at the same time providing a clear and credible image of oneself, has ever since forced organizations to put considerable effort into integrating all their public relations and marketing communications efforts. This integration of 'public' and 'marketing' communications is even more important in consideration of the multiple stakeholder roles that any one individual may have, and the potential pitfalls that may occur when conflicting messages are sent out.[25] Box 2.1 illustrates this problem, and emphasizes the importance of managing and coordinating all public relations and marketing messages that may originate from very different parts of the organization.

Box 2.1   Case study: Barclays Bank (UK)

Early in 2003, Barclays, a UK-based financial services group engaged primarily in retail banking, investment banking and investment management, appointed a new advertising agency Bartle Bogle Hegarty (BBH). BBH was hired to spearhead a 'more humane' campaign, after the bank was lambasted for its 'Big Bank' adverts in 2002 that featured the slogan 'a big world needs a big bank'. Barclays had spent £15 million (US$ 24.6 million)/(21.5 million €) on its 'Big Bank' campaign, which featured celebrities such as Sir Anthony Hopkins and Tim Roth. The adverts were slick and had received good pre-publicity, but they turned into a communications disaster when they coincided with the news that Barclays was closing about 170 branches in the UK, many in rural areas.

One of the earlier adverts featured Welsh-born Sir Anthony Hopkins talking from the comfort of a palatial home about the importance of chasing 'big' ideas and ambitions. The adverts provoked a national debate in the UK when junior minister Chris Mullin said that Barclays' customers should revolt and 'vote with their feet'. Barclays'

image crisis worsened when it was revealed that the new Chief Executive Matthew Barrett had been paid £1.3 million (US$ 2.1 million)/(1.8 million €) for just three months' work. Competitor NatWest has since capitalized on the fall-out from the 'Big Bank' campaign. It has been running adverts that triumph the fact that it has abolished branch closures.

Barclays has since extended opening hours at 84 per cent of its branches and recruited an extra 2,000 staff to service the extra hours. Together with the new adverts that will be 'more humane and more tangible and based on actual products rather than the brand', Barclays hopes that the stains from the 'Big Bank' campaign will finally start to wear off.

Questions for reflection

1. What was the exact cause or event that led to this communications crisis for Barclays?
2. What could Barclays have done better to avoid this crisis? And what do you suggest the bank needs to do now to repair the damage done to its reputation?

A further trigger for an integrated approach to communications management involved the *heightened competition* in many markets, which emphasized the importance of differentiated product offerings and corporate image, and thus also of an integrated management of communications. Equally, the greater *audience fragmentation* that came to characterize many markets as consumption had become more individualized also meant that organizations needed to go to greater lengths than before to find ways in which messages could be effectively channelled to their target markets. Both factors again underline the need for coordinated communications campaigns and consistent messages, a point that is further supported by the *communications clutter* ruling many markets. Industry commentators reckon that on average a person is hit by 13,000 commercial messages a day, and suggest that integrated communications strategies, rather than fragmented or ill-coordinated attempts, are more likely to break through this clutter and make the company name or product brand heard.[26]

Organizational drivers

The opportunities offered to organizations internally to move to an integration of their communications were considerable. One of the main organizational drivers for integration was the need to *become more efficient*. By using management time more productively and by driving down the cost base – for instance, as research and promotional materials are more widely shared and used for more than one communications campaign – organizations could substantially improve the productivity of their communications practitioners. With the powerful restructuring trend in the 1980s where every function was examined on its *accountability*, an internal realignment of communications disciplines such as media relations, advertising, sales promotions

and product publicity was an obvious path for many organizations. Such a realignment of communications, basically consisting of bringing various communications disciplines together into departments or specific working practices, also proved productive in that it offered new organizational and managerial benefits that were non-existent before. For one, the consolidation of communications activities, besides leading to new interactions and complementary relationships between various communications disciplines, enabled organizations to provide *strategic direction* to their communications and to guide communications efforts from the strategic interests of the organization as a whole. In other words, organizations increasingly started to recognize that the fragmentation and spreading out of the communications responsibilities across the organization, which had characterized many organizations in the past, proved counterproductive. Such fragmentation, as Anders Gronstedt points out, is likely to lead to a situation where 'each department sub-optimizes its own performance, instead of working for the organization as a whole'.[27] Many organizations, as Chapter 5 outlines in more detail, have therefore since developed innovative procedures (e.g. communication guidelines, house style manuals) and implemented coordination mechanisms (e.g. council meetings, networking platforms) to overcome fragmentation and integrate their communications on an organization-wide scale.

The 'corporate' perspective upon communications management, which involves looking at all communications in a holistic manner and linking the communications strategy to the corporate strategy (and thus to overall corporate objectives), was often also taken as organizations realized that *investing in their corporate profile or corporate identity* instead of their product brands alone is of great value.[28] With brand choices expanding and product homogeneity increasing, consumers were seeking out the company behind the brand even more as an extra point of difference and reassurance. This marked an extension from a customer-to-brand bond to an additional customer- to-company bond. The corporate identity thus often became a filter for overwhelming product multiplicity and a critical difference in a 'sea of sameness' for consumers. But investing in corporate identity, and in the profiling of the organization as a whole, delivers more benefits for the organization than customer preferences alone, as a strong and well-crafted identity also leads to members of the community appreciating the organization in its environs, investors granting financial resources, (prospective) employees wanting to work for the organization, and so on.

Communications-based drivers

In contemporary market environments, in which it is increasingly difficult to be heard and stand out from one's competitors, organizations are, as already mentioned, well served by integrated communications strategies. Through *consistent messages*, and by having all communications 'sing from the same hymn sheet', an organization is more likely to be known and looked upon favourably by key audiences. This means that considerable effort needs to be put into choosing the corporate profile and/or product brand profile(s) that an organization wants to communicate to its key stakeholders, followed by a consideration of all communications campaigns and other contact points with stakeholders that need to be managed in order to achieve this in a consistent manner.

The insight that *messages in various media can complement one another*, leading to a greater communications impact than any one single message can achieve, also made organizations look upon their media choices in a much broader sense. Particularly with advertising increasingly being under fire, as according to some commentators it had far too long been 'highly visible in its appearance and highly invisible in its effects',[29] and with the explosion of media options available, many organizations re-examined their *media presence and how to control it*. In the light of these media developments, many industry commentators, practitioners and academics have argued that organizations and practitioners should now move away from rigid classifications of media in 'above-the-line' advertising and 'below-the-line' promotions or publicity, and towards a notion of *through-the-line* or *zero-based* communications, where rather than pre-fixed choices for particular communications media, the most appropriate medium given a particular communications objective is chosen.[30]

Taken together, these drivers explain the preoccupation with integration in communications management that has characterized the latter two decades of the twentieth century and that is still with us through the adoption and entrenchment of corporate communications as the guiding framework for how communications is managed today. From the historical sketch that has been presented in this chapter, the following section outlines the key changes that the corporate communications philosophy has already brought to the practice of communications management.

2.4   Corporate communications and communications management

Research materials and anecdotal evidence have in recent years been stacking up supporting the view that organizations now increasingly approach their communications from an integrated perspective, and, what is more, primarily through the lens of corporate communications instead of IC or IMC. This is evident in a number of organizational changes and initiatives that emphasize the adoption of corporate communications, including the following:

1. A greater consolidation of communications disciplines.   Instead of being dispersed over an organization or delegated to other functions (such as Finance and Human Resources), communications disciplines have increasingly been brought together and consolidated into departments or as the responsibility of a single communications manager (see also Chapter 5 for a more detailed look at the subject of organizing communications). Many organizations in the US, UK, continental Europe and elsewhere have consolidated communications disciplines as media relations, government relations, employee communications, community relations, investor relations, corporate design and issues management into 'corporate affairs', 'public relations' or 'communications' departments, while disciplines such as branding, advertising, promotions and direct marketing are put under the marketing department. This greater consolidation of communications disciplines, yet still in separate corporate affairs or public relations and marketing departments, not only emphasizes the expanded scope and breadth of disciplines and expertise that is now available, but also the more holistic view of communications that most organizations are now taking.

2. Increased coordination from a corporate perspective.   While communications disciplines are still often organized into separate departments, organizations have also increasingly recognized that fragmentation needs to be tackled by having a managerial framework from where both public relations and marketing communications disciplines are guided and coordinated. The widespread existence of coordinating bodies and the increasing use of a consensus approach to decision making (where the heads of various communications disciplines work together to develop communications strategies) attest to this integrated approach to communications that is now taken in many organizations in the US, UK and elsewhere. Importantly, such coordination and decision making takes place between practitioners from various public relations (or corporate affairs) and marketing communications disciplines, underlining the fact that organizations undertake the management and integration of their communications activities from a total organizational or corporate perspective, and not just from a marketing perspective as the concept of IMC would suggest. In other words, IMC has lost ground to corporate communications as the guiding managerial framework for communications management.

3. More input of communications into management decision making.   Communications departments and practitioners now also increasingly enjoy a high position in the organization's hierarchical structure; in some organizations senior communications practitioners are even members of their organization's management team (or support this management team in a direct reporting or advisory capacity). Companies such as Marks & Spencer and Sony have recently promoted their most senior communications director to a seat on the executive board. Such moves, of which there are now plenty across the business world, affirm and formalize the strategic involvement of communications at the corporate level and credit corporate communications as a strategic management function charged with strategically guiding and managing relationships with an organization's stakeholders (rather than as a technical support function for other managerial functions and as largely concerned with putting communications to work to effectuate management decisions).

4. The rise of the corporate communications manager.   Not only are communications disciplines to a greater extent consolidated and coordinated than before, but the last 15 years or so have also seen the rise of the corporate communications manager. This is a 'new style' manager who is able to take a more strategic and holistic perspective on communications, and is also more business savvy than his/her predecessors – the old-style public relations tactician and advertising man. A survey of Fortune 500 companies regarding the status of communications managers in 1985 indicated that the position of the corporate communications manager existed in 84 per cent of the sample[31] and that on average the position had existed for a period of 11 years! More recent analyses in the Netherlands in 1995 and France in 1998 provide further support for this new style corporate communications manager. Corporate communications managers working across the Netherlands and France in companies such as ABN-AMRO, BNP, Air France, Philips and Renault were found to embody the holistic perspective that is needed 'to take on responsibility for the communications strategy' and 'have bridged the traditional gaps between public relations and marketing communication'. The closing of these gaps, both studies suggest, is due to the fact

that these corporate communications managers in the Netherlands and France work 'from the position that the total communications effort must serve the corporate strategy, the importance of which is paramount' and that they therefore 'found it natural to link the two disciplines'.[32]

5. Adoption of the vocabulary and concepts of corporate communications. The term 'corporate communications' has made a steady inroad into professionals' vocabulary, as well as in job and departmental titles. This adoption of the term and its associated vocabulary is in part political as it underlines the decline of public relations as the field's guiding descriptive term. Olasky,[33] among many others, has noted that practitioners of public relations have become associated with a litany of derogatory terms such as 'tools of the top brass', 'hucksters', 'parrots', 'low-life liars' and 'impotent, evasive, egomaniacal, and lying'; and that corporate communications seems a politically better alternative. But the change is also more than just political or nominal, as corporate communications' central concepts of stakeholder, identity and reputation are on top of the professional agenda and have in fact become central to the current practice of communications management. A survey of Fortune 500 companies in 2001 found that managing reputation was considered the lead philosophy among communications departments.[34] And identity, the question of what the company is and stands for, is considered by many senior managers and communications practitioners as one of the cornerstones of stakeholder engagement and communications programmes.

The adoption of the vocabulary and tools of corporate communications is, as Chapter 3 outlines, linked to the rise of the stakeholder model of strategic management, which required a broader, strategic and management oriented communications function in comparison with the craft and tactical communications approaches of before. Freeman, one of the intellectual leaders of stakeholder theory, suggested in 1984 that 'the stakeholder approach requires a redefinition of the public relations function which builds on the communications skills of PR professionals, yet is responsive to the real business environment of today'. Freeman acknowledged the need for savvy communications professionals who can build and maintain relationships with key stakeholders, but maintained that 'in the current business environment the concepts and tools that have evolved for PR managers to use are increasingly ineffective'. Speaking in 1984, he even went on to suggest that because of these traditional concepts and tools such as 'the vitriolic press release, the annual report, a slick videotape, corporate philanthropy, etc. today's PR manager is a sacrificial lamb on the altar of multiple stakeholder dissatisfaction with corporate performance'.[35] Freeman's analysis, albeit somewhat charged, did point to the crux of the matter at that time. New concepts and tools were effectively needed for managing communications with stakeholders and for understanding how communications could be strategically employed to meet organizational objectives. Corporate communications is the strategic management function that has since arisen to this end. Within the corporate communications framework communications to stakeholders is approached and managed in a strategic manner through the central concepts of identity and reputation, and communications programmes are more clearly linked to the corporate strategy and corporate objectives. To illustrate the adoption of the stakeholder model of strategic management within the world of business, Box 2.2 presents a case study

of how the stakeholder concept has become the dominant strategic orientation for Shell and BP in the petroleum industry.

Box 2.2   Case study: stakeholder management in the petroleum industry[36]

In terms of economic and geopolitical importance, drama and controversy, the petroleum industry has no counterpart in the 20th century. Great explorations and technological innovations went hand in hand with public scorn and outrage. Nowhere is this characterization more true than among the select group of firms operating at the apex of the petroleum industry, including the industry giants Royal Dutch Shell and British Petroleum. Both companies have gone through tumultuous periods at one time or another in the 1990s, and have realized the value of a broader stakeholder orientation (instead of a narrower production or shareholder orientation) as a result.

Royal Dutch Shell

Shell was one of the first truly international corporations and has been one of the ten largest companies in the world for nearly a century. Historically, its regional operating units were the dominant elements in a decentralized management structure. The company is now somewhat more centrally controlled through a committee of managing directors and is organized globally into five lines of business: exploration and production, chemicals, gas and coal, international renewables and oil products. Shell had, historically, a strong technical and engineering orientation in all of its strategies and operations, and placed a strong emphasis on long-range planning based on the construction of competing 'scenarios' about major long-term market trends that would affect its economic status and market operations.

In the 1990s, Shell executives came to believe that its corporate identity and reputation were at stake in both the marketplace and the policy arena. One reason for this, executives believed, was Shell's weak organizational structure, which was clearly inadequate for effective control of a global enterprise and stymied them in their desire to build a strong reputation in the marketplace. In March 1995, the CEO of the Dutch parent company announced that partly for this reason the group wished to drastically change its organizational structure. The old matrix structure, with regions, sectors and functional responsibilities, would disappear. The proposed new structure consisted of separate business organizations, each led by a business committee with worldwide responsibility. A newly created strategy and business services unit would control strategy, finance, personnel and corporate communications ('public affairs') at the group level. Corporate communications activities would thus become more centralized after these changes, with the aim of controlling communications better and channelling messages more effectively to Shell's audiences.

At the height of this restructuring exercise, of which one of the aims was to strengthen its corporate communications, Shell, ironically, got enmeshed in two communications crises. In June 1995, Royal Dutch Shell found itself in heated debates with a whole range of critics (including The Movement for the Survival of the Ogoni

People, Greenpeace, the Sierra Club, Amnesty International and the media) over the environment and associated human rights issues that were played out in a variety of public forums. These crises resulted from the public dismay around Shell UK's proposed action to dispose of Brent Spar, an enormous oil storage and loading platform, in the waters of the North Atlantic, and Shell's failure to take a high profile public stance against the Nigerian government, Shell Nigeria's local business partner, when it executed nine Ogoni environmentalists including Ken Saro-Wiwa, an internationally acclaimed journalist and writer who had spearheaded protest against Shell.

These crises, ensuing in public debates about Shell's environmental and societal stance, have also led to corporate reflexivity and questions of identity for the company and effectively challenged its modernist, technical and rational way of approaching its operations. In one sense, these crises have moved the company from a taken-for-granted discourse of economic development towards a cautious adoption of the language of sustainable development, with attempts to balance interests of economic development with environmental well-being. This move is well expressed in the position of former Shell Group Chairman Cor Herkströter, who initially defined Shell's role as strictly economic and commercial, arguing that the company 'lacked "license" to interfere in politics, society or the sovereign mandate of government', but has now become one of the most fervent promoters of corporate social responsibility. As Herkströter said:

> Most of us at Royal Dutch/Shell come from a scientific, technological background. That type of education, along with our corporate culture, teaches us that we must identify a problem, isolate it and then fix it. That sort of approach works well with a physical problem – but it is not so useful when we are faced with, say, a human rights issue. For most engineering problems there is a correct answer. For most social and political dilemmas there is a range of possible answers – almost all compromises.

The corresponding move to a stakeholder orientation in its business principles and modes of operation, seen by some as a U-turn in managerial priorities, is evident in a number of initiatives including platforms for stakeholder engagement and dialogue, Shell's Society Report, and the recent 'Profits and Principles' campaign where the company explains its new-found credo. Shell now claims to 'listen' to all of its stakeholders, who have explicitly told the company that 'a commitment to sustainable development is key to a company's reputation'.

British Petroleum

British Petroleum is one of the world's largest petroleum and petrochemicals groups, with business operations including the exploration and production of crude oil and natural gas; refining, marketing, supply and transportation; and the manufacturing and marketing of petrochemicals. After a period of diversification (including a move into the nutrition business) in the 1970s and 1980s, BP rationalized its operations in the 1990s and is now focusing again on its core activities in petroleum and chemicals. In 1989, the company launched a campaign to introduce a stronger corporate identity, featuring a restyled BP shield and an emphasis on the colour green. And in a complementary programme BP started to reimage its global network of service stations in a new design and livery.

To equip itself for the challenges of the 1990s and beyond, the company introduced, in a programme called Project 1990, major changes in its organization and way of working to improve efficiency and flexibility. The key turning point for this came with the 1992 recession. 'We suffered a down turn like many companies in '92', said one BP executive, 'and it became a crisis for us. Our '92 financials were dramatically bad and that triggered a sea change in how BP viewed its operations. We took a lot of steps to refocus and became a much flatter organization. Browne [the CEO of BP] was crucial in this organization'.

One of the outcomes of this change at BP was a greater emphasis on partnering and strategic alliances. BP became organized around small business units that were free to get what they needed from the best sources. This decentralization of business operations went hand in hand with group-wide consultation meetings that gathered feedback from environmental NGOs and experts on health, safety and the environment as an input for BP's overall strategy as well as its communications. These meetings presented the company with a report card on its environmental performance, from which it took specific recommendations and guidance.

One outcome of these meetings, a point taken on in its strategy ever since, is that BP could be the first of the pack, taking an overall proactive stance on climate change and demonstrating a long-term strategic awareness that competitive advantage comes from proactively creating policy, rather than attempting to slow the course of change. In May 1997, BP's CEO, John Browne, announced to the world both BP's decision to accept that climate change is occurring and its intention to reduce its contributions to the process. This action attracted attention from President Clinton, environmentalists and the business press, and raised expectations regarding the actions of its direct competitors. Browne's speech was a breakthrough, as BP was the first multinational corporation other than reinsurance companies to join the emerging consensus on climate change, and committed itself to reduce greenhouse emissions from all of its own business operations. 'It transformed the global climate issue because there was no one in the corporate world who, in such a public way, came out and said, this is a problem and we have a responsibility to do something about it', says Eileen Claussen, president of the Pew Center on Global Climate Change.

The Environmental Defense Fund (EDF) called BP's action an 'historic acceptance of responsibility for the overriding environmental problem of our time'. The executive director of the EDF, Fred Krupp, said that it 'puts real pressure on the other oil companies to act like responsible adults, and I think it puts substantial pressure on the Clinton White House to advance a meaningful reduction target'. In a second address in Berlin, in late September, Browne re-emphasized BP's commitment to reducing the greenhouse effect and reflected upon the widespread support that existed for this strategy within his own organization: 'I've been struck since I first spoke on this subject … by the degree of support there is within our company for a constructive approach – an approach which doesn't start with a denial of the problem, but rather with a determination to treat this as another challenge which we can help to resolve'.

BP's strategy of stakeholder engagement has subsequently been targeted at environmental policies and environmental consultation, rather than social or community initiatives. Concrete initiatives include an environmental and social report (audited by third parties to ensure that views of stakeholders truly have an impact upon BP's operations), interactive policy-making and environmental forums in relation to sensitive

projects (e.g. operations in China), and consultations of investment houses and pension funds in the US and UK regarding their expectations and interest in socially responsible investment (SRI). With each and every one of these initiatives, BP aims to position itself in a market that is demanding more responsible behaviour of the company. As John Mogford, acting president and CEO of BP Solar, remarked: 'the industry is going to change, and we need to be positioned to take advantage of this and not be on the outside'.

Questions for reflection

1.   Is it necessary for every organization to shift to a stakeholder orientation; to attend to all of its stakeholders and to accommodate them? In other words, what does an organization risk if it ignores or fails to act upon the claims and concerns of important stakeholder groups?
2.   Is a stakeholder orientation necessary for organizations in every type of business sector? In other words, is there a greater need for companies such as Shell and BP in the petroleum industry to abide by a stakeholder orientation than, for instance, banks and insurance companies in the financial sector?
3.   How can an organization develop and institutionalize a comprehensive stakeholder orientation? And what sort of results will this deliver?

Taken together, these five changes to the practice of communications management provide evidence of the adoption of the management function and vocabulary of corporate communications. The full scope of these strategic and organizational changes is reflected in the subjects of each of the remaining chapters in Part 2 of this book. The next chapter further specifies the key theoretical concepts of corporate communications – stakeholder, identity and reputation – so that the theoretical groundwork is sufficiently covered before the book continues with the more concrete strategic and organizational issues around corporate communications in practice.

2.5   Chapter summary

The chapter has spent a substantial amount of space discussing the historical development of communications management, and the rise of corporate communications in particular. Such an historical overview is essential for an understanding of the characteristics of corporate communications management and its relevance to the communications practitioner of today. The variety of factors or drivers that have led to the emergence of corporate communications, and effectively continue to drive its widespread use with companies around the globe, were outlined, followed by a consideration of the key changes that corporate communications has brought with it. The rest of the book expands on these changes in communications management and other issues, but it is worthwhile emphasizing them again. First of all, the diverse communications disciplines (e.g. advertising, media relations, lobbying and public affairs, branding, direct marketing, corporate design) that exist within an organization

are to a greater extent brought together and consolidated in one or two separate departments, instead of being wholly dispersed over the organization or brought under departments with different responsibilities (e.g. human resource, finance). A second change, and in line with the greater consolidation of communications disciplines, has been that many organizations now notably use coordination mechanisms to guide and integrate all of the work coming out of the different communications disciplines for the strategic interests of the organization at large. A third observation is that many organizations now place communications at a higher position within the organization's hierarchy and appreciate communications practitioners for their input and strategic involvement in decision making concerning the overall corporate strategy of the organization. A fourth change that corporate communications has brought is that it has led to a new style corporate communications manager, who in contrast with the old-style public relations tacticians and advertising executives, is a strategic generalist and is more business savvy in his/her view of communications and in what it can do for the organization at large. The fifth and final change is that corporate communications has introduced new vocabulary and concepts to the practice of communications management. The concepts of stakeholder, identity and reputation are of particular significance, and these are discussed more fully in the next chapter.

Key terms

Accountability	Marketing public relations
Asymmetrical communication	Market orientation
Audience fragmentation	Press agentry
Clutter	Production orientation
Corporate communications	Public
Corporate identity	Public information
Corporate reputation	Public relations
Integrated communications (IC)	Sales orientation
Integrated marketing communications (IMC)	Stake holder
Integration	Strategic management function
Market	Symmetrical communication
Marketing	Through-the-line/zero-based

Notes

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