

CHAPTER SIXTEEN

# Corporate Public Relations

# 16

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SUMMARY

## P R E V I E W

**T**oday's corporate environment is complex. New product introductions, mergers and acquisitions, layoffs, technological changes, and globalization create opportunities and challenges for corporations to communicate with their key publics. Corporations that succeed are proactive, have well-defined communication strategies linked to business objectives, and demonstrate concern for the world around them.

Business enhances its credibility when it practices honest performance, open communication, consistency between performance and communication, commitment to problem solving, and establishment of feasible expectations.

Corporate public relations faces many challenges in the 21st century, including public perceptions of business, consumer alienation, and misunderstanding about business profits. In addition, other key issues facing the corporate sector are globalization, technological change, and diversity □

*"Organizations that cannot understand the new era and navigate a path through the transition are vulnerable and will be bypassed."*

—Don Tapscott and Art Caston  
*Paradigm Shift*

## OVERVIEW OF CORPORATE PUBLIC RELATIONS

Business has had to adapt to increasingly complex and dynamic environments such as new product introductions, mergers and acquisitions, layoffs, lawsuits, and new technology. Business leaders must manage relations with a variety of publics and balance their responses to many

conflicting demands of these diverse publics.

Public relations helps corporations deal with this complex environment, and it's important these efforts support the organization's overall business mission and objectives. This is done in a number of ways, including helping corporations anticipate and adapt to societal demands and trends; positively impacting a company's image and reputation, resulting in a better operating environment; and smoothing and enhancing a company's operations, which can lead to an increase in sales.

### ***A Corporation's Audiences***

The groups and individuals that corporations communicate with vary from industry to industry. High-technology companies, for example, focus on different media, anticipate different crises, and deal with different issues than would an organization whose business is health care. While the terms *audiences*, *publics*, and *markets* are sometimes used interchangeably to identify those to be reached in a campaign, distinctions should be made among these words. **Target audiences** is a term used when the goal is to reach people with media. When the goal is to talk about communal issues, the term **target publics** is used. When communication is supporting the marketing function and is geared toward those who make buying and selling decisions, the term **target markets** is used.

For example, Southwestern Bell, a subsidiary of SBC Communications, a global telecommunications company, has many important audiences. A *partial* list is as follows:

- *Residential and Business Customers.* Southwestern Bell wants to update its end users about its products and services. Advertising and the media play important roles in communicating with this audience.
- *Municipalities.* Southwestern Bell provides telecommunications services to many cities and government operations, as well as pays taxes to municipalities for use of public rights-of-way. Thus, any information about disruptions or telephone outages, new services, or other changes must be communicated to the proper persons.
- *Employees.* Those who work for Southwestern Bell want to know information that could affect them in a positive or negative way.
- *Unions.* Many of Southwestern Bell's employees are members of the Communications Workers of America union. Consistent communication with this group is essential to ensure no disruption of telecommunications services.
- *State and Federal Government.* State and federal government organizations, such as public service commissions and the Federal Communications Commission, are responsible for enacting legislation that can directly impact Southwestern Bell's operations.<sup>1</sup>

### ***Role of the CEO in Corporate Public Relations***

As indicated in earlier chapters, public relations is practiced by all managers in business, not just those whose titles or job descriptions contain the term *public relations*. Effective corporate public relations, though, must begin with the chief executive officer. A Burson-Marsteller national study's respondents said that CEO reputation influences decisions to invest in a company (95 percent), believe a company is under pressure from

the media (94 percent), recommend a company as a good alliance/merger partner (93 percent), and maintain confidence in a company when its share price is lagging (92 percent). Moreover, business influentials are more likely to recommend a company as a good place to work (88 percent) if the CEO is favorably regarded.<sup>2</sup>

About 60 percent of Fortune 700 CEOs have worked in one of four functions at some point in their career: finance, 22 percent; operations, 14 percent; marketing, 12 percent; and sales, 11 percent.<sup>3</sup> Thus, they may not have much familiarity with communications as a strategic tool and may not understand how it adds value to everyday operations. The organization's top leader must believe in the value of communication and make this function a priority by spending substantial portions of his or her energies and efforts on public relations–related matters.

Edward A. Blechschmidt, chairman, president, and CEO of Gentiva Health Services, a Melville, New York, provider of specialty pharmaceuticals and home health care services, said he wishes he had learned about handling corporate communications when he was the second in command. He noted that “the experience would have made him much more aggressive about creating user-friendly Internet communication with employees, shareholders, applicants and patients when he advanced to CEO.”<sup>4</sup> Such communication builds and strengthens the relationships a corporation has with its publics as well as helps ensure the corporate public relations function has the resources it needs to do the job.

Boeing's chief executive officer is one who understands communication. The company's vice president of communications, Judith Muhlberg, considers herself “the luckiest girl in the world. I have a CEO who gets it.” Muhlberg has a **seat at the table**, which means that she discusses issues and creates strategies with the company's other top executives, ensuring that communication concerns, rather than being overlooked, are integrated into critical business decisions. Boeing's public relations staff of more than 100 goes overboard in making information available to its employees, the media, the aerospace industry, and other relevant audiences.<sup>5</sup>

The positive result of having a CEO who values communication and relationships has a trickle-down effect throughout the organization. Employees have the information they need to make better decisions, better decisions lead to a higher performing organization, which in turn helps attract the best and brightest employees who have the skills and motivation to be successful in a competitive marketplace. Informed people outperform uninformed people, when all else is equal.

### **Public Relations Specialties**

The demands placed on large corporations are great and diverse. Business organizations must fulfill a long list of responsibilities and still compete effectively in domestic and international markets.

The job of public relations in large corporations is ultimately to ensure that corporate power is maintained by responsible use and to help develop cooperative relationships between corporations and other societal institutions. To promote these goals successfully, public relations practitioners rely on a variety of specialties. We discuss these specialties as they relate to specific publics in Part III, “The Publics.”

- *Media relations* is used to gain support and sympathy from print and broadcast outlets, to generate positive publicity, to tell its side of the story.
- *Employee relations* contributes to harmonious labor relations and helps attract and retain good employees. Effective employee communication can also stimulate

Toyota and Marlboro both were corporate sponsors of this Indy car race in Long Beach, CA. Corporations often sponsor major sporting events to promote their image or products.



worker creativity and input, boost attitudes and morale, improve product quality and customer service, and enhance productivity.

- *Community relations* supports sales, attracts employees, improves the quality of public services, provides support for business initiatives, and improves the quality of life for employees and executives.
- *Consumer relations* builds positive relations with customers, responds effectively to consumer complaints and problems, and supports sales and marketing efforts.
- *Financial relations* provides sound financial communication, allowing business to attract capital at the lowest possible cost. Other financial relations goals include ensuring that public firms' stock is appropriately valued, building knowledge and confidence in fund sources, and responding to investor questions or needs.
- *Public affairs* deals with business's interaction with government on various levels. Government relations have a direct impact on a business's flexibility and manageability. Regulation, taxation, labor law, and international trade policies are only a few ways in which governmental actions constrain business decision making and success.

In short, **corporate public relations** is a means by which businesses seek to improve their ability to do business. Effective corporate public relations smooths and enhances a company's operations as well as eases and increases its sales. It enables a business to better anticipate and adapt to societal demands and trends. It is the means in which businesses improve their operating environment.

### **Public Relations Activities**

Corporate public relations deals with a variety of activities, issues, and events. Here's a brief glance at the activities and issues a corporate public relations department might be asked to deal with at any time.

- Hard Rock Café, a subsidiary of London-based The Rank Group PLC, announced to the media that it would offer live performances at its 55 company-owned restaurants. This represented the first of many new initiatives to reposition the brand beyond the core restaurant business. Hard Rock hotels, new merchandise, new menu items, and expanded restaurant hours are on the horizon.
- Ericsson, a Swedish telecommunications firm, sponsored an 11-day tennis tournament, called the Ericsson Open, to initiate its rebranding process. The company gave away free mobile phones to several hundred tennis professionals and sponsored a trivia contest for attendees. The phones were equipped with free interactive service, providing real-time game updates and scores. The company also created the Ericsson Open Hall of Fame.
- Six-and-a-half million tires manufactured by Bridgestone/Firestone for Ford Explorers were recalled when they were found to be the cause of countless accidents, some involving fatalities. Communication was poorly handled, leaving executives of both companies vulnerable to criticism on safety issues and suffering a huge loss of public confidence.
- Burger King franchise owners revolted against the company's owner, a British conglomerate. Some of the problems the fast-food chain faced were poor sales, weak advertising, undefined image, unstable management and a boycott by African Americans urging more minority-owned Burger Kings and increased advertising in minority media.
- Microsoft Corporation was the target of lawsuits alleging racial discrimination. Employees claimed they were given fewer stock options, were paid less, and were passed over for promotions. The software giant claimed to have a "zero tolerance policy" toward discrimination and to require that all managers receive diversity training.

This is but a mere snapshot of the world of corporate public relations. Businesses deal with and adapt to increasingly complex and dynamic situations, issues, and environments. They manage relations with a variety of publics and balance numerous complicated and pressing issues, including business ethics, equal opportunity, the quality-of-work life, consumerism, environmentalism, global commerce, and others.

### ***The Role of the Corporate Communicator***

The 21st-century corporate communicator must be proactive, anticipating issues and events so the corporation is prepared to deal with them. The 2000 Best Practices in Corporate Communications report cites the following areas that will be of greatest importance to the public relations practitioner:

- *Corporate image/reputation:* Understanding how the corporation is perceived by various corporate constituencies (surveying, polling, focus groups)
- *Strategy:* Gauging in advance how different decisions could potentially be perceived (strategic planning)
- *Message measurement:* Measuring the effectiveness of messages as they're communicated and then using this information for revising them (message measurement and adaptation based on feedback)
- Using these perceptions to develop *targeted messages* to distinct groups
- *Communication and message management:* Creating the capacity for reaching large, diverse constituencies with precision and speed, and managing communication messages through preemptive activities to influence news as it is reported<sup>6</sup>

## The Role of Public Relations in Multinational Corporations

In the last decade U.S. companies have expanded rapidly into global markets. International trade, though, is much more complicated than trade within the United States, because different laws and cultural norms often cause considerable confusion. Conditions of competition are often quite different as well. Many barriers not found in American markets are found in international business.

*Fortune* magazine categorizes corporations into almost 50 industries, from the cutting-edge businesses of telecommunications, computer technology, and pharmaceuticals to the mature sectors of steel, chemicals, and autos. In figure 16.1, you will note that the top 10 of the 2001 *Fortune* Global 500 includes six American, two British, one Japanese, and one German corporation and represents five industry groups: motor vehicles and parts, general merchandising, petroleum refining, trading, and diversified financials. The 2002 *Fortune* 500 top 10 U.S. corporations, also shown in figure 16.1, make up a slightly more diversified group, representing six different industries: motor vehicles and parts, general merchandising, petroleum refining, computers, diversified financials, and tobacco.

The challenge of global public relations is to eliminate as many of the barriers to effective communication as possible. Thus, that communication must be able to transcend cultural as well as geographic barriers. Three major barriers that often confront business and public relations are differences in language, law, and culture. Other barriers in many countries include extremely bureaucratic governments, multiplicity of languages, and an underdeveloped mass media.

Public relations for multinational corporations is a complex area of practice requiring all the skills discussed elsewhere in this book plus extraordinary cross-cultural sensitivities.

The public relations function in multinational corporations has three distinct aspects. In one role, public relations practitioners represent multinational corporations at home, dealing with public opinion and governmental activities that relate both to specific corporations and to multinational enterprise as a whole. The second role of multinational public relations is to help bridge the communication gap that inevitably exists



**FIGURE 16.1** Top 10 Global and U.S. Corporations

Source: Used with permission. *Fortune* magazine, 22 July 2002 and 15 April 2002.

between foreign operations and top management in the world headquarters. Finally, public relations must be conducted in the various host countries of the corporation.

John M. Reed concludes that public relations in the host country “has to have three legs upon which it is built: cultural savvy; language savvy; a savvy use of the tools of the craft. Forget one leg and the edifice topples. Use them in balance and success is assured.”<sup>7</sup>

Corporations often use public relations agencies to handle the long list of communication responsibilities necessary to compete effectively in domestic and international markets. Strategically placed global agency offices ensure that the corporation has access to experts knowledgeable with the culture, language, government, media, and other important aspects of the country they’re trying to operate in. Two major advantages that outside firms bring to a corporation are their unbiased perspective and their depth of experience in dealing with organizational issues.

The corporate public relations staff manages agencies and other outside consultants. Many times this is by function, such as media relations, employee relations, or government relations.

### ***The Role of Public Relations in Smaller Corporations***

The challenge to most small business owners and managers is finding time to devote to public relations. They not only must satisfy their customers, hire dependable employees, and pay their bills, but also must be a good community citizen, work with suppliers, and find ways to grow the company. Because they are responsible for all aspects of the business, small business owners and managers must focus first on the core business, the part that brings in the profits. Customers and sales come before public relations. This less-than-systematic approach means small businesses may not realize the consistent benefits that a planned public relations program could deliver.

Most small businesses have lean public relations staffs. This demands that its practitioners be generalists. For example, the corporate communicator might perform senior-level tasks like developing a strategic plan for a new plant opening and supervising employees and outside consultants, as well as overseeing junior-level tasks such as the employee newsletter and pitching story ideas to reporters. A practice analysis conducted by the Public Relations Society of America Universal Accreditation Board and Gary Siegel Organization found that corporate communicators spent most of their time on strategic planning, supervision, and doing the work.<sup>8</sup>

### ***Skills Necessary for Success in Corporate Public Relations***

To be successful in corporate public relations, a practitioner must have a broad range of skills and abilities and be able to apply them as the situation demands. Those new to public relations, such as recent college graduates, often start as **technicians**. Technicians develop and polish their writing, research, and other foundational public relations skills by finding information about the company’s industry, writing press releases, coordinating production schedules, developing marketing communications materials, and assisting with special events. Technicians also begin to understand how senior practitioners diagnose communication problems and develop strategic plans.

As technicians assume greater managerial responsibilities, other qualities assume higher importance. Gerald C. Meyers, former American Motors chairman and chief executive officer, identifies five key attributes for senior corporate public relations professionals. First, this person must keep the boss informed and offer advice on appropriate actions. Being at the top of the organizational pyramid often isolates CEOs from others, notes one in that position. “It is very lonely being CEO because everyone you come in



daily contact with is working for you,” said Frank Newman, former chairman, president, and CEO of Eckerd, JC Penney’s drugstore chain.<sup>9</sup>

Other critical qualities Meyers identifies for public relations professionals include being a sounding board to the CEO, providing early warning about potential problems, rethinking the value of conventional wisdom, and being objective and dependable.<sup>10</sup> These points are reinforced by John C. Knapp, president of Knapp Inc.: “PR serves clients best when it raises uncomfortable questions, introduces competing points of view and offers an unbiased interpretation of actions and implications.”<sup>11</sup>

### ***Corporate Public Relations Budgets***

The corporate communication budget is usually a mere fraction of what the company may spend on advertising. Still, a number of factors impact the cost of communication, causing global corporate communication budgets to increase an average of 8 percent in 1999.<sup>12</sup> These include staffing new offices, penetrating new markets, increased competition, investing in technology, and dealing with inefficiencies in reporting structures.

Unlike consumer companies, business-to-business companies often combine their marketing efforts with public relations. A placement in the industry’s premier trade publication, for example, can raise the image of the company as well as generate sales.

### ***Tactics Used by Corporate Public Relations***

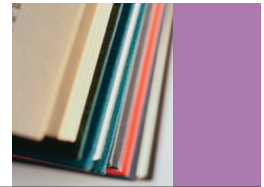
Corporate public relations departments work with public relations agencies to develop comprehensive communication plans. Freelancers often supplement the corporate staff to execute the tactical aspects of the plan. Dallas-based Spaeth Communications recommends that communicators evaluate both the controlled and uncontrolled routes of communication when determining appropriate tactics. Notes Merrie Spaeth, president, “The first step in leveraging communication is to understand how a target constituency can receive conflicting messages.”<sup>13</sup> Controlled routes are those that the corporation has editorial discretion over, such as its annual report, newsletters, advertising, Internet site, and marketing communication materials. The uncontrolled route, that which the practitioner is not able to control, represents the most powerful and credible vehicles for communicating; that is, the media and groups that influence the intended audiences.

Thus, communicators should consider **cross-disciplinary integration** and **tool integration** when determining the appropriate mix of controlled and uncontrolled tactics for the company’s key audiences. Cross-disciplinary integration allows all messages communicated through advertising, media channels, or any other method to be consistent and constant. A communicator might use, for example, the disciplines of advertising and marketing communications in addition to public relations. Tool integration means that the communicator will use whatever means is available and appropriate to send a message to external and internal audiences. News releases, advertisements, e-mail, posters on bulletin boards, in-person meetings, newsletters, brochures, and the Internet and the company’s intranet are all possibilities. See figure 12.2 in Chapter 12, “Consumer Relations and Marketing,” for a larger list of tactics.

A first-ever study about corporate funding of publications found that the average amount that companies of all sizes spend annually on corporate publications is close to \$800,000. Approximately 81 percent of this figure, or \$631,865, is tagged for print publications, with 19 percent, or \$168,135, earmarked for electronic publications. The study also found that the average salary of a professional working on corporate publications is \$51,500.<sup>14</sup>

## External Publication Unifies Health Chain's Image

# Mini•Case 16.1



*Columbia One Source* health magazine, a quarterly, was launched in January 1995 with two objectives in mind:

1. To improve publicly traded Columbia Healthcare's bottom line by retaining customers and attracting new ones.
2. To capitalize on acquisitions that had changed the small regional player into the nation's largest hospital chain. Decentralized Columbia needed a national image, but not at the expense of local decision making and marketing autonomy at its 342 hospitals.

### Audiences

The primary audience of *One Source* was middle-aged women, the demographic profile proven responsible for making 80 percent of all health care decisions in America for themselves, their families, and their aging parents.

### Media and Research

Internal databases and external purchased lists were used to select targeted recipients of *One Source*. A 1996 reader survey proved the intended audience was being reached. The average reader was a health-insured female in her early 40s with children who had been to the doctor at least once in the last year.

The reader survey also was used to

better understand reader interests. Weight and high blood pressure were the biggest health concerns of readers. The average reader used a personal computer more than four hours a week. Tailoring content to match these needs resulted in increased readership, a prerequisite to generating inquiries. The average recipient spent 22.6 minutes reading the 32-page magazine. More than 93 percent of recipients wanted to continue receiving the magazine.

### Results

Results related to the first objective included the following:

- A total of 950,000 consumer inquiries were generated by the first 12 issues. The single-issue high was 4.77 percent, or 140,000 inquiries.
- Individual issue results were used to learn about readers, and as a result, continually increase the inquiries per issue. The average number of inquiries for the last three issues was 95,000 against a per-issue average of 48,000 for the first three issues.
- A substantial amount of revenue resulted from the inquiries. Gross charges outpaced project costs by a 7:1 margin. More than 32 percent of the total charges came from new customers who hadn't used Columbia in the past three years. This tracking was made possible by an

elaborate system that ties marketing and information systems together.

Results related to the second objective included the following:

- *One Source* was introduced to Columbia's 342 hospitals as an optional program in November 1995. They could produce their own publications internally, purchase non-corporate syndicated publications, not publish at all, or use *One Source*. Ninety-six percent of all Columbia hospitals used *One Source* and rated its quality in the upper 90th percentile. Hospitals found irresistible the lower prices resulting from pooled volume, coupled with higher quality and greater local customization options than they could have purchased elsewhere.

### Summary

By satisfying local market needs and creating a product the markets could customize to fit their financial and communication parameters, Columbia gained a unified publishing effort and nationwide image-building tool circulated to nearly 4.8 million households each quarter.

**Source:** Chris McMurry, McMurry Publishing, Phoenix, AZ.

Mini-case 16.1 illustrates how a corporate publication can help a company improve its bottom line. All communication tools used are expected to play a strategic role in reaching audiences.

If business and private enterprise are to exert positive influence on public attitudes toward business, they must be perceived as honest and responsible. As of this writing, the trust that many Americans have in corporations and the people who run them has been shaken. The WorldCom stockholders

who watched in horror as their investments shrank to junk status had a hard time believing the company's new CEO, John Sidgmore, when he said, "We don't have a liquidity crisis, just the perception of a liquidity crisis."<sup>15</sup> Embattled Tyco CEO Dennis Kozlowski, in the midst of his much promoted, finally abandoned plan to break up the company, claimed, "There's absolutely no talk, no indication, no anything about any

## CORPORATE CREDIBILITY AND REPUTATION



# Spotlight

## 16.1

## Life After Corporate Scandals

The accounting and other business practices of more than two-dozen major companies, including WorldCom, Enron, Bristol-Myers, AOL Time Warner and Merck, made the headlines in 2002. Financial statements were altered to misrepresent and deceive investors. Top executive officers exhibited greed, arrogance, and a self-centered attitude. While the full extent of the corruption is not known as of this writing, there's no doubt these scandals have had a negative impact on corporate ethics and credibility. Eighty-two percent of Americans think tough new laws are needed to battle corporate corruption, according to a Harris poll.<sup>1</sup> The same poll noted that almost seven out of ten persons think corporate executives are less hon-

est and trustworthy than 10 years ago.<sup>2</sup>

With 30 to 50 percent of a company's worth resting in its "intangible" assets,<sup>3</sup> public relations can have a direct and powerful impact on a corporation's overall valuation. Perhaps the place to start the process is with the top executive, a.k.a. the chief reputation officer. One study found that fewer than 10 percent of CEOs think reputation can influence stock prices.<sup>4</sup> Only 42 percent viewed corporate behavior as one the biggest threats to a company's reputation and only 6 percent of the executives thought there were formal measures for reputation beyond media coverage and word of mouth.<sup>5</sup>

Clearly senior management teams need to understand the importance of

reputation and its impact on the bottom line. Building and maintaining vital relationships with key internal and external publics is about trust, integrity, and following through on promises made.

1. "Americans Want Stiff New Laws to Fight Corporate Corruption," *Wall Street Journal* (27 July 2002).
2. *Ibid.*
3. Douglas K. Spong, APR, "Predatory Threats and the Evolution of PR," *The Strategist* (Spring 2002), p. 40.
4. J. P. Donlon, "Guess Who's the Chief Reputation Officer?" *Chief Executive*, June 2002.
5. *Ibid.*

Former WorldCom Chief Financial Officer Scott Sullivan (center) is escorted to a court appearance. He was charged with one count of conspiracy to commit securities fraud, one count of securities fraud, and five counts of false filing with the SEC.



kind of change or leaving the company."<sup>16</sup> The so-called accounting "errors" of Enron and Arthur Andersen left thousands without jobs and retirement funds. The list of failing companies could go on: Merck, Kmart, Global Crossing, Rite-Aid, Warnaco, even Martha Stewart's empire. Spotlight 16.1 discusses the role of the chief executive officer in managing a company's reputation.

Today's marketplace is one of intense pressure—to grow, to reward stockholders, to create new jobs, to be exciting—quarter after quarter, year after year. These expectations demand that established companies constantly develop new business models in order to survive. The result is that old notions of the value of a reputation, of a brand, and of dependability are challenged and often sacrificed for short-term gain. “The most important thing is to educate them (the public) not only on where the industry is going, but what your company's role will be,” says Lynn Kettleon of Clarke & Company, a public relations agency.<sup>17</sup>

One timeless truth is reinforced in this unsettling business environment: A corporation's best tool in achieving its business objectives and in establishing and reinforcing credibility is an excellent reputation. Fleishman-Hillard, one of the world's top public relations agencies, notes that “all the goals a corporation can set—higher stock multiple, stronger ability to attract and retain good employees, better margins, more attractive partners for mergers or acquisitions, more customers—benefit from a strong, well-managed reputation.”<sup>18</sup>

Public relations helps a corporation build a world-class reputation. The positive relationships with key publics and the resultant mutual understanding on policies and issues can enhance a corporation's stature within its community and industry. There is a correlation between a good reputation and a healthy bottom line. However, as Ivy Lee, the “father of public relations,” pointed out in the early years of the development of the discipline, it is actions, not words, that count. Reputations are earned by following through, by being trustworthy, by doing the right actions. Public relations helps counsel management to consider its publics in determining what is the correct course to take.

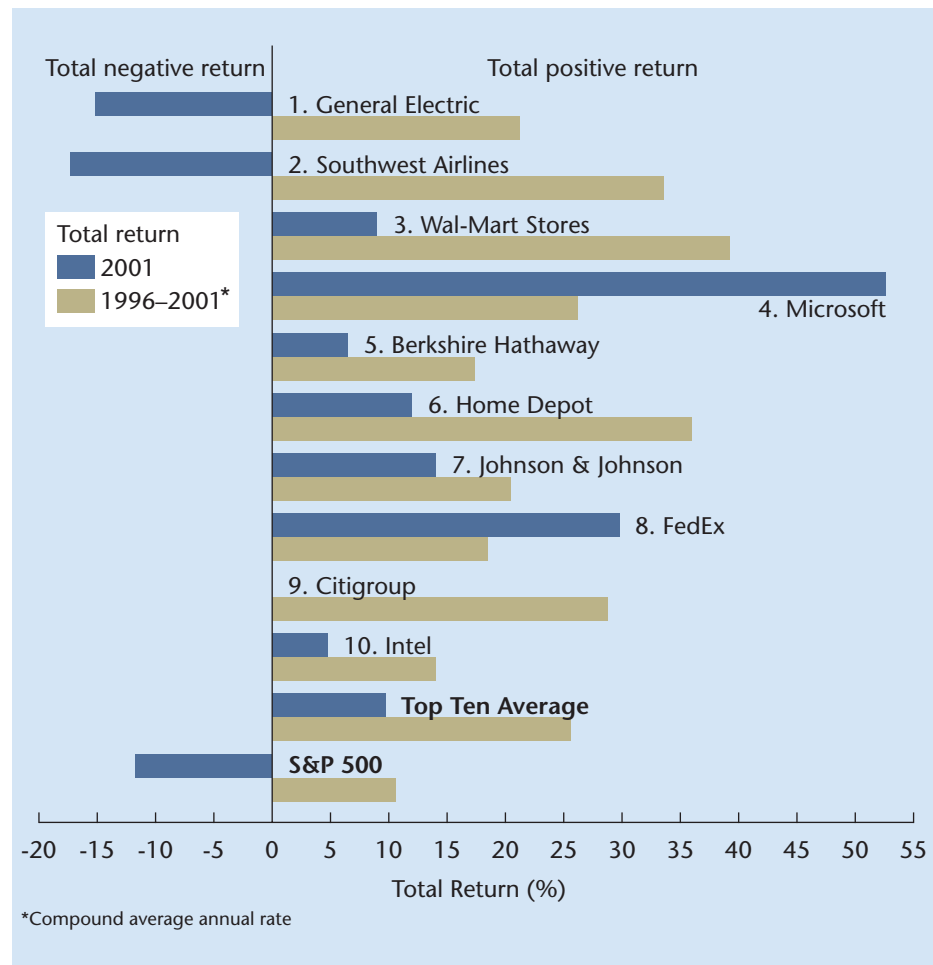
One study that illustrates this point is the annual *Fortune* magazine “The World's Most Admired Companies” report. Business executives and analysts who study corporations rank companies according to eight multifaceted attributes:

- Quality of management
- Quality of products and services
- Innovativeness
- Long-term investment value
- Financial soundness
- Employee talent
- Social responsibility
- Use of corporate assets

One of the chief responsibilities of corporate public relations is to work to enhance the company's image or reputation by taking positive action and then communicating that action. Figure 16.2 ranks the 10 most admired companies and notes a positive return on investment from 1996 to 2001, as reported by *Fortune* magazine. The top 10 most admired companies had a solid 25.5 percent rate of return compared with a 10.7 percent for the 10 largest corporations. You would have earned almost 15 percent more by investing on reputation alone. The formula for earning this kind of admiration is simple: A corporation needs to consistently deliver what it promises to deliver to its multiple audiences. When this is accomplished, reputation can positively impact the bottom line.<sup>19</sup>

### ***The Challenge of Earning a Good Reputation***

Confidence levels have been falling for most major American institutions since the early 1970s, as tracked by The Gallup Organization.<sup>20</sup> There are a variety of reasons for this.



**FIGURE 16.2** World's Most Admired Companies 2002  
 Source: Used with permission. *Fortune* magazine, 4 March 2002.

Big business can be seen as evading issues, disclaiming responsibility, exaggerating facts, or overpromising results. It's easy for the general public to feel that corporations are only looking out for themselves, supporting persuasion research that says disinterested parties are perceived as more credible than interested ones.

It could be argued that big business's problems began in the early 1930s, when President Hoover and American business promised "prosperity is right around the corner." When the promises proved false, the American public invited Franklin Roosevelt and the New Deal to change the face of American business, government, and society. In the ensuing years, American business made promises it could not keep, accepted credit for accomplishments that were not really its own, pushed costs and problems into a future that has now arrived, oversold and underdelivered, and kept score with a crooked measuring stick. Whether such mistakes and misdemeanors are intentional or not, and whether business is the perpetrator or the victim of these circumstances, is not the point. What matters is that public and consumer expectations have been pumped up in

thousands of small ways—through corporate statements, advertising, marketing techniques, and public relations—and that those expectations have not been fulfilled. Such is the power of promises perceived to be broken.

Current Gallup poll data places the military at the top of the list of institutions Americans have the most trust in, although its confidence rating has fallen in the past decade from an all-time high of 85 percent during the Gulf War in March 1991 to 64 percent in November 2000. Big business is consistently near the bottom of the list, receiving a confidence rating of 29 percent in 2000. Honesty and ethical standards of business executives are considered very high or high by only 23 percent of respondents. Small business, on the other hand, led all rated in the poll when it was included in the list of institutions evaluated, receiving a 63 percent confidence rating in 1997.<sup>21</sup> Perhaps one simple explanation for the disparity is that the public expects more from big business than business can possibly provide. According to George A. Steiner, “Society expects business to help society improve the quality of life, and expectations are running ahead of reality.”<sup>22</sup>

Hill & Knowlton executive William A. Durbin echoes Steiner’s comment: “The single most critical problem facing today is . . . lost credibility.”<sup>23</sup>

### **Restoring Credibility**

Credibility once lost is difficult to regain. Nevertheless, a number of policies, if implemented and practiced by businesses individually and collectively, can substantially contribute to the reestablishment of public trust.

**Openness and Honesty** As a first step, business must tear down the walls. The notion that public relations can be used as a shield is passé. The idea that the corporate domain is impervious to the prying eyes and ears of consumers, competitors, the media, and the regulators is an illusion. Honesty is no longer just the best policy; it is the *only* policy when even painful truths cannot be securely and permanently hidden. Procter & Gamble’s handling of Rely tampons, Johnson & Johnson’s Tylenol response, and the Pepsi syringe hoax all show how businesses have become more open and forthcoming. Spotlight 16.2 discusses communication concerning an environmental project.

Complete candor and forthrightness is the only way to achieve credibility. This candor must be active rather than passive. It is not enough to say, “I will answer any question,” when you know that your audience does not necessarily know what questions to ask. Instead, businesses must listen to their constituents (including employees, customers, regulators, and other stakeholders) and respond to their incompletely articulated questions and concerns.

American corporations, represented by their upper-level executives, must reach out into their communities directly and through the media on a regular and continuing basis, responding to public concerns and explaining the impacts and rationales for corporate actions and decisions. Chief executive officers recognize in most cases that they should play a leading role in public outreach. It is no longer uncommon for top executives to spend one-fourth to more than one-half of their time on externalities.

Openness, in this case, refers again to many publics. Employees need more information on the finances, economics, and policies of their employers. Members of communities in which businesses operate should be informed in advance of decisions and actions that may affect them. Corporations have already painfully learned that voluntary disclosures of corporate problems, mistakes, or wrongdoing hurt far less than the consequences of not being forthcoming.



## 16.2 Spotlight

### Corporate Environmental Project

A major chemical company's clean-up of polychlorinated biphenyls (PCBs) at an industrial location had the potential to become another negative "corporate polluter" story. The Vandiver Group, Inc., St. Louis, was hired to communicate the cleanup project to the public.

The goal was to present the company's cleanup efforts in a constructive light and help the company build and maintain its relationship with the community.

The first step was to establish immediate and long-term objectives in order to develop a proactive communications program. The program included both reactive and proactive strategies

and was assessed regularly during implementation.

One key goal was to keep citizens informed of actions the company was taking to investigate and clean up the area. Another goal was to present information on other charitable or community efforts being undertaken by the company, and how these efforts were helping create better communities. The communications program encouraged interaction among company officials from corporate headquarters, officials at the local plant, and key members of the community.

Some elements of the plan included:

- Town hall meetings
- Company-sponsored forums
- Direct mail
- Community newsletter
- Fact sheets/Q&A/brochures
- A community-information hotline staffed by a company representative working on the project
- Specific publicity through local media

This approach to environmental issues had the potential to become a model for other company projects, as adverse publicity could have negatively affected the company's bottom line.

**Consistent Actions** The second step in restoring the credibility of business is to remove the glaring contradictions of business behavior. What business says and what it does should correspond. Fast-food chains McDonald's, Burger King, and Wendy's ensure the animal products they purchase are produced in a humane manner by only buying from those who agree to meet certain standards and conditions such as unannounced inspections.<sup>24</sup> Not walking the talk leads to problems. Although Bell-South says it is committed to equal and respectful treatment of every employee, it was served with a class-action lawsuit charging racial discrimination against African Americans.<sup>25</sup>

**Social Responsibility** Third, if business is to be treated and trusted as a central force in American society, it must address issues perceived as crucial to society. Businesses must be visibly involved in public issues, making substantial commitments in time, energy, resources, and discipline toward solving problems of public importance.

In a sense, the focus of corporate concerns needs to be refined. As one former major corporate CEO put it: "Companies like ours are public institutions with several publics to account to—not just shareholders. This requires a different type of informational approach. Part of my job is to be a public figure and to take positions on public issues, not just company activities."<sup>26</sup>

**Public Education** Finally, business must strive to offer the public a better understanding of what it can do, what it cannot do, how it operates, and the constraints on its operations. Public expectations, must be brought into line with reality.

Renewed credibility must be built on a firm foundation of honest performance, open communication, and removal of inconsistencies between performance and communication. Business should reemphasize its commitments to problem solving in areas usually considered beyond its purview, and business should avoid creating or encouraging expectations that cannot be met. Restoring business credibility is, however, only a first step in the overall rehabilitation of public attitudes toward business.

Public attitudes toward business are developed neither by reading stories about business in the newspaper nor by listening to the pronouncements of executives in public forums. Most people develop their opinions as a result of their experiences as consumers, employees, or investors. Every interaction between buyer and seller or employee and employer has not only economic but also educational and political implications.

Polls have revealed the widespread belief that business lacks concern for the consumer. Harris found that 71 percent of the population feels business would do nothing to help the consumer if it might reduce its own profits—unless forced. A *New York Times* article noted how disgruntled customers are turning to the Internet to vent their frustrations with unresponsive companies. Although the complaints vary from serious to minor to furious, all share a common theme: that the people filing the complaints deserve better.<sup>27</sup>

It is really not necessary to go to the pollsters or the Internet to discover consumer dissatisfaction. Everyone has not one but several horror stories about their experiences as a customer, including battles with computers, insensitive salespeople, false and misleading advertising, abusive repair services, warranty problems, and so on. At the heart of all such difficulties is the consumer's perception that business is unconcerned and unresponsive. Business, on too many occasions, reinforces feelings of depersonalization and alienation—of being just a number. It is in this fertile ground of hostility and alienation that the roots of the consumer movement have grown.

### **Consumer Relations**

Consumer relations is an essential component of corporate communication. The quality of the average individual's daily experiences with a company's products, services, employees, and other aspects should be outstanding, but that isn't always the case. The role of public relations in this effort is to advise top management of appropriate responses to alienated consumers and to work with management to ensure the problems aren't repeated. Consumer relations is discussed in detail in chapter 12.

### **Promoting Public Understanding**

If we want the public to understand profits or private enterprise, we must see to it that communicators present information in terms the public can understand. Statistics must illuminate, not exaggerate. Here again, public relations practitioners should heed the basic tenets of their creed: Consider the audience, carefully word the communication, and be consistent. We cannot achieve public economic understanding by blocking it with statistics, generalities, technical language, or the like. Frequently, such communication does more harm than good.

One example is a newspaper headline that reported a major company's "Profits Up 273 Percent." During the next few days, other corporations' second-quarter earnings were reported in similar terms: an automaker's profits were up 313 percent; three chemical companies' profits were up 109 percent, 430 percent, and 947 percent, respectively. Various sources reported that all industries enjoyed average profit increases ranging from 31 to 36 percent. People who have business experience understand these figures and can immediately put them in perspective. Indeed, such statistics are designed to impress knowledgeable stockholders and investors. But these astronomically high figures also reach the general public who interpret them as big, even "obscene" profits.

## **CHALLENGES OF CORPORATE PUBLIC RELATIONS**



An insurance company offered another example of inflammatory rhetoric, reporting “operating earnings . . . almost four times greater than . . . a year earlier.” Consumers who do not understand the statistics that follow this claim consider their higher insurance premiums and conclude that they are being ripped off. With the help of a calculator, however, one can see that the company’s margins rose from .92 percent to 2.57 percent. An informed emotional response changes from hostility to sympathy. But the company cannot assume that the ordinary consumer will understand such figures. As Disraeli said: There are lies, damn lies, and statistics.

Other major issues facing corporate public relations in the early part of the 21st century include globalization of business operations, with resulting globalization of public relations; unprecedented technological change; increased emphasis on diversity issues; and intensified crises and disasters.

### ***Global Public Relations***

Business has expanded rapidly into global markets in the last decade by lowered trade barriers; development of worldwide, almost instantaneous financial markets; and acquisition of many American businesses by foreign companies. Consequently, public relations, too, has become global. Major technological changes including the Internet, fax machines, and digital telephone relays have speeded globalization and have linked even the most remote parts of the world with business everywhere.

### ***Technological Change***

Emerging technologies are revolutionizing the way public relations people do business and communicate with their key publics. The Internet, intranet, chatrooms, websites, e-mails, and other computer-based tools as well as wireless technology provide numerous opportunities for disseminating information, giving and receiving feedback, purchasing goods and services, tapping into what consumers are thinking, providing access to corporate materials, updating consumers and employees, and more.

One example of technology’s impact is the way that some corporate investor relations departments are reaching influential financial analysts and investors. Instead of using the media to report news about companies, the financial area is taking their messages directly to decision makers through webcasts. These television-like programs supplement traditional public relations and advertising tools and provide companies with editorial control over the broadcast content.<sup>28</sup>

What is important for public relations practitioners to understand about technology is that it represents the emergence of new channels of communication. Those who entered the public relations field in the 1960s and early 1970s probably used a manual typewriter and sent their copy to newspapers that used hot lead in its production process. Cordless has given way to wireless. These tools of the past seem like relics of a time much longer ago than 30 years. Although there’s no limit of opinions on how technology will continue to shape our lives, there’s no doubt that it will impact the practice of public relations.

### ***Diversity***

Diversity, or inclusion as it is sometimes referred to, encompasses the mix of race, age, gender, sexual orientation, religious beliefs, national origin, and disability. J. Donald Turk, APR, a public relations manager for Exxon Mobil Corporation, expresses his belief in the future: “There will be greater diversity of employees, customers, and con-

stituencies.” Turk has served as the chair of the Corporate Section of the Public Relations Society of America and anticipates that the global economy will be a place where “diversity will be characteristic of the work force and customer mix, as well as one in which diversity will be valued and even required to be a successful business.”<sup>29</sup>

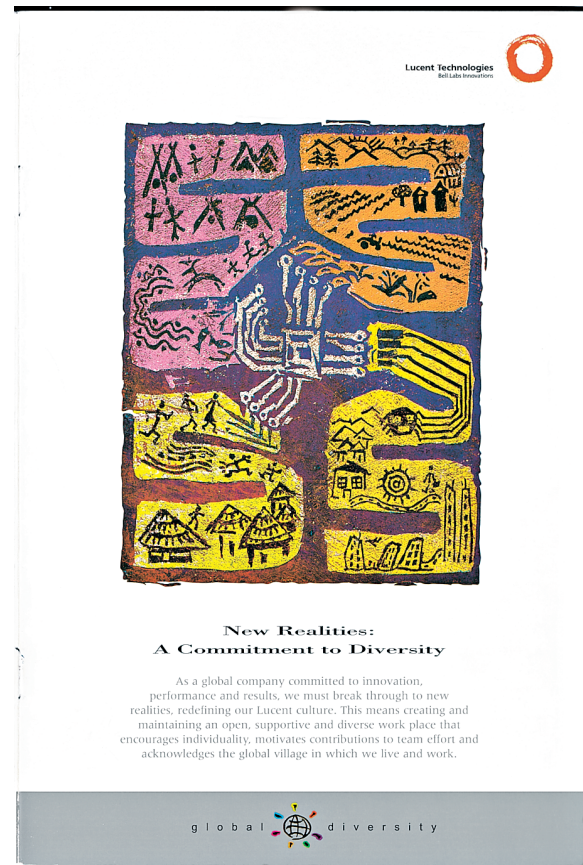
Diversity means different things in different countries. For example, almost one-fourth of Lucent Technologies’s workforce is employed outside of the United States. Whereas Hispanic-, African- and Native American issues receive much attention in the United States, most non-Dutch employees in the Lucent Netherlands office are from North Africa, the Middle East, or Europe. Local employment laws and practices create difficulties in transferring training programs from one country to another.<sup>30</sup> Because of Lucent’s commitment to global diversity, the company developed a New Realities Diversity Campaign. The essence of this program is captured in figure 16.3, comparing the old and new ways of doing business.

Global companies like Hilton Hotels Corporation operate hotels around the world. The HHC diversity mission statement emphasizes the importance of “developing and maintaining a workplace culture which reflects awareness and sensitivity to individual abilities and appreciation of ethnic, gender, racial, religious, and cultural differences.”<sup>31</sup>

Commitment to diversity affects how corporations do business. Bank of America, for example, commits 15 percent of its total procurement budget with business owned by minorities, women, and disabled individuals. The program, initiated in 1999, has already led to increases in revenue and cash flow and stronger market positions.

Business can perhaps borrow from former commerce secretary Ron Brown’s seven tenets for planning to achieve diversity. At the U.S. Census Bureau the following guidelines are used to achieve a diverse workforce:

1. *Inclusion.* Valuing all employees regardless of race, gender, color, religious belief, national origin, age, disability, or sexual orientation.
2. *Opportunity.* Recruiting aggressively and developing career programs to ensure a diverse pool of qualified candidates for the job.
3. *Comprehensiveness.* Considering diversity in business affairs such as training, seminar procurement, grant processes, trade missions, regulatory matters, business liaison and every other program of the department.
4. *Accessibility.* Strengthening EEO complaint procedures to ensure fair and timely processing of complaints.
5. *Training.* Encouraging participation of senior managers in training on diversity policies and conflict resolution techniques.
6. *Management.* Adding diversity efforts as a factor to job performance evaluations of management personnel.
7. *Evaluation and Communication.* Establishing a diversity council to monitor, evaluate, and facilitate programs to implement diversity.<sup>32</sup>



Lucent Technologies presents its stand on diversity in this poster.

Looking Back (the way we used to do things)	New Realities (the way we do things now)
People are identified as part of a group	People are treated as individuals or within their own self-defined cultural context
Actions limited to compliance with EO/AA mandates	Create and encourage a multicultural environment
Diversity as one of a series of periodic human resources programs	Diversity is seamlessly integrated in to the business (becomes the context for the way we do business)
Lucent Technologies employees are responsible for their own actions	Lucent Technologies employees (at all levels) are accountable for demonstrating diversity leadership and modeling behaviors
Place emphasis on policies and procedures (what to do and what not to do)	Place emphasis on tools and values
Risk avoidance	Maximize business performance through diversity and related initiatives

**FIGURE 16.3** Lucent Technologies New Realities Source: Used with permission from Lucent Technologies.

## Summary



For self-testing and additional chapter resources, go to the student CD and the Online Learning Center at [www.mhhe.com/lattimore](http://www.mhhe.com/lattimore)



This chapter explores the aspects of public relations practice that apply to corporations. Effective public relations must begin with the chief executive officer. The CEO who values communication has a trickle-down effect, enabling employees to make better decisions, which in turns helps to attract the best employees who apply their skills and talents in a competitive environment.

Effective corporate public relations has a positive impact on the bottom line. Customers want to do business with companies that have good reputations.

Global public relations, diversity, technological change, and crisis management are major issues facing corporate public relations practitioners. How they prepare to deal with these issues may well be the margin of success or failure in the next decade.

To learn more about corporate public relations watch the interview with Kathy Jeavons, Clip #10, on the student CD-ROM.

## Taking BP Beyond

By Michael Fox  
Ogilvy Public Relations  
New York

## Case Study

### Situation Analysis

Following the 1999 merger of British Petroleum and Amoco, the combined company proceeded to acquire the Atlantic Richfield Corporation (Arco) and Burmah Castrol and launch a unifying global branding initiative, renaming the company BP. The rebranding entailed the introduction of a new visual identity and a new brand positioning, designed to help BP transcend the oil sector, deliver top-line growth, and define the company as innovative, progressive, environmentally responsible, and performance-driven. BP set out to demonstrate to key opinion formers, business partners, and its 100,000 employees how it intended to go “beyond petroleum.”

### Objectives

- Define the new BP brand promise.
- Engage, enroll, and transform the organization around the new brand.
- Create awareness and generate openness toward the new brand among business partners and opinion formers.
- Launch the new brand.

### Audience

The campaign was targeted at, in order, BP employees, its business partners, and opinion leaders.

### Research

- Competitive research—identified best practice activities among top brands.
- Employee surveys—GGC conducted monthly to gauge perceptions of the existing company and needs/wants.
- Customer surveys—PS&B surveyed jobbers and dealers in the United States about the change in brand status.
- Fuel price analysis—Ogilvy PR monitored public opinion about this volatile issue prior to brand launch.

### Planning

For six months, the Ogilvy PR BP team collaborated across practices, offices, and even companies to support the global rebranding and launch. The integrated team included Ogilvy PR’s offices in New York, Chicago, DC, London, Singapore, Sydney, and Thailand and involved Ogilvy PR’s Workplace Performance, Corporate Communications, Marketing and Public Affairs practices as well as Research, Information, and Creative Services. This 360-degree communications team worked in conjunction with Ogilvy & Mather, OgilvyOne, and Mindshare.

### Strategy

The strategy was to position BP as a new type of energy company that confronts the difficult issues, such as the conflict between energy and environmental needs, and takes actions *beyond* what is expected of an oil company.

### Execution/Tactics

Ogilvy PR developed an integrated communications plan designed to work with all BP business streams and to address a variety of internal and external audiences.

#### *Internal Communication*

- *Brand Story*—a presentation that outlined the “case for change” and a vision of the new BP.
- *Brand Speeches*—for executives to deliver consistent messages about the meaning and importance of “brand.”
- *Brand Champions*—a network of internal leaders established across the company to help execute engagement tactics and get employee feedback.
- *Employee Engagement Toolkit*—developed for senior level leadership to cascade messages to their staff, which contained key messages, facilitation guides, Q&As, brand presentations, a CD-ROM, and interactive exercises.
- *On-line Message Board/Chatroom called In Motion*—Ogilvy PR promoted this site internally through contests and a campaign that asked, *Are You In Motion?* and distributed magnetic poetry, T-shirts, Hacky Sacks and notepads, all featuring the campaign slogan.
- *Launch Day Kits*—distributed globally to all major facilities via Brand Champions, included:
  - Posters and CD-ROMs with copies of launch advertising
  - Brand Book—overview of what the brand means for employees
  - Brand Film (created by O&M)
  - Pens, hats, premiums featuring the new company name and logo
- *CEO Satellite Broadcast*—on launch day, BP CEO Sir John Browne hosted a live satellite broadcast, which was taped and posted to the company intranet site.
- *Leadership E-mails*—on launch day e-mails were sent by the CEO and by local business unit leaders.
- *Launch Day Town Hall Meetings*—local offices held town hall meetings with staff to view the CEO satellite broadcast and the brand film. Town Hall facilitation guides developed by Ogilvy PR enabled executives to highlight key brand messages and address employee questions.
- *Launch Celebrations*—celebrations were held in BP locations throughout the world, including an IMAX theater presentation in Australia, a dragon dance/celebration in Thailand, and team-building exercises at the Cleveland Zoo. Celebrations built genuine excitement among BP staff and addressed the values and key messages that underlie the brand relaunch.

#### *Business Partner Communication*

BP’s key business partners, particularly its retail partners, were instrumental to the success of the brand launch. Research was conducted to determine the issues of concern to this audience. To gain their support, an orchestrated out-

reach program began several months before the brand launch that provided them with information about the company's strategy for the future and the importance of branding. Working with O&M, a special video was created to underscore the key points of the retail strategy. Key messages were provided to retail account representatives to enable them to engage partners about the coming changes.

On the day before launch, Ogilvy PR and BP hosted the company's top partners at a warehouse in Atlanta that is home to a prototype of the new BP service station. A full-day tour and set of events closed with a four-star dinner and champagne toast to "the future." Key messages and Q&As were developed for employees at retail service stations to address customer questions or concerns.

Ogilvy PR helped further the introduction of BP's new brand with key partners by orchestrating a convention in San Francisco three weeks after the brand launch that introduced the new brand to 600 jobbers and dealers. The event featured three days of activities and a special video appearance by NFL commentator John Madden, which was coordinated by Ogilvy PR.

#### **Media/Opinion Former Communication**

For the media, the Ogilvy team produced press releases, press kits, and a VNR of the new BP Connect retail service station. Ogilvy PR managed a press tour of major media to the Atlanta warehouse prototype that included the *Wall Street Journal*, *Financial Times*, *New York Times*, *Bloomberg*, *Chicago Tribune*, *Washington Post*, and CNN. Follow-up media outreach helped deliver the new brand message to key opinion formers along with BP's launch day advertising.

#### **Obstacles**

BP faced numerous obstacles in the United States, where the name BP has very little presence. Record high gas prices consumed the nation's attention for much of the summer. The brand launch occurred just several weeks after the FTC announced an investigation into possible price gouging by oil companies. BP also faced the challenge of a foreign company taking over a popular American brand, a problem exacerbated by the fact that the company had promised a year earlier to maintain the Amoco name. The combination of four companies and the fact that BP has operations in more than 100 countries presented enormous logistical challenges.

#### **Evaluation or Measurement of Success**

Launch day media coverage included excellent placements in the *Wall Street Journal*, *WSJ Europe*, *Financial Times*, *Times of London*, *New York Times*, *Bloomberg*, *Chicago Tribune*, and the *Washington Post*, among 175 other great hits internationally in 20 countries spanning six continents and in the U.S. major markets. Major broadcast coverage was secured on CNN, CNNfn, and numerous national affiliates. Despite the fuel crisis, coverage focused on the company's new logo, the completion of the merger, and the company's retail business strategy. The new offering was presented in the context of the new brand and the effort to "go beyond."

The brand contributed to a strong outlook across the entire workforce with 90 percent saying the company was going in the right direction. In just one month following brand relaunch, 76 percent were favorable to the new brand,

80 percent were aware of the four brand values, and 77 percent believed it was credible for BP to go “beyond petroleum.”

Response from BP’s business partners in the United States far exceeded expectations with great support for the new brand and the company’s retail strategy going forward.

### Questions

1. Given the global nature of this re-branding effort, identify possible obstacles BP might have faced in launching the new brand. How might these challenges affect the communication efforts?
2. What questions do you think the employees might have had about the re-branding? Would the tactics that were used have addressed these questions? Why or why not?
3. Assume you are an entry-level employee at Ogilvy PR and have been assigned to help with the launch of the new BP brand. What kind of assignments do you think you’d be asked to do?

## Key Terms



Use the CD-ROM and Online Learning Center at [www.mhhe.com/lattimore](http://www.mhhe.com/lattimore) to further your understanding of the following terms

**corporate public relations**  
**cross-disciplinary integration**  
**seat at the table**  
**target audiences**

**target markets**  
**target publics**  
**technicians**  
**tool integration**

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