



CORPORATE COMMUNICATION

Strategic Adaptation for Global Practice

Michael B. Goodman
Peter B. Hirsch

The chief communication officer at a Fortune 500 multinational corporation today faces the challenges of a rapidly changing global economy, a revolution in communications channels fueled by the Internet, and a substantially transformed understanding of what a 21st-century corporation stands for. This book provides an accessible framework for describing these forces and the specific communication challenges that they have thrown at the global corporation.

The text reviews the evolution of society's response to the development of the modern company and the corporate communication practices that grew up in response to it, as well as examining the impact of globalization, Web 2.0 and the networked enterprise on current corporate relationships with key stakeholders such as customers, employees, shareholders, communities and regulators. In examining these forces and how they are interwoven, the authors offer insights and strategies for deploying effective communication as a strategic business asset in today's global economy. Designed for the advanced student of corporate communication, the book contains updated guidelines for the management of investor relations, community relations and other corporate relationships in the age of social media. Specific recommendations for how to organize and execute effective communication for the contemporary practitioner working in the communication field are also provided.

“Goodman and Hirsch's book is essential reading for corporate communications executives. Insightful and practical, it will help them become better counselors to their CEOs, better partners with their C-suite colleagues, and better leaders of their own organizations.”

Dick Martin, Executive Vice President, AT&T (retired); Author, Secrets of the Marketing Masters

“In situating corporate communication issues and practices within the context of globalization, rapid technological change, and the networked organization, Goodman and Hirsch offer readers a compelling and necessary discussion of the forces influencing corporate communication, and they utilize a host of contemporary examples to do so. This book is a must read for researchers and practitioners interested in business, corporate communication, corporate social responsibility (CSR), and environment society governance (ESG) on the global stage. Goodman and Hirsch encourage us all to think carefully about what effective corporate communication should look like in the 21st century.”

Stacey L. Connaughton, Associate Professor, Department of Communication, Purdue University

“In today's global environment, there is no function within a major corporation more important than what is commonly called corporate communication. This new book, *Corporate Communication: Strategic Adaptation for Global Practice*, written by Goodman and Hirsch, supports that conclusion with comprehensive and convincing evidence. Large companies cannot succeed today without successfully managing relationships with their key constituencies in the context of what is desired by those constituencies. Previously, only the CEO him or herself has been in a position to view all of those audiences with a balanced view of what is ethical and correct behavior. The fully developed corporate communication function of today has evolved to work side by side with the CEO and Boards of Directors. The function not only influences what and how a company speaks, but also how it acts. The Goodman/Hirsch book makes that case more strongly than any text written in the past. It should be must reading for not only the professional communicator but for all CEOs and Boards of Directors to see the unique and priceless value the corporate communication function can bring to the corporate table today.”

*James E. Murphy, Retired Chief Marketing and Communications Officer of Accenture;
Chairman & CEO of Murphy & Co.*

“Goodman and Hirsch capture not only the theory and organization of corporate communication, but its true heart and soul, even as they show you how to ground this practice in a wholly changed and changing world.”

Raymond C. Jordan, Corporate Vice President Public Affairs & Corporate Communications, Johnson & Johnson

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PETER LANG

New York • Washington, D.C./Baltimore • Bern
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DEDICATION

To Karen and Deborah, who give meaning to all our endeavors, great and small.

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P R E F A C E

The chief communication officer at a Fortune 500 multinational corporation today faces the challenges of a rapidly changing global economy, a revolution in communications channels fueled by the Internet, and a substantially transformed understanding of what a 21st-century corporation stands for.

This book is an attempt to describe these forces and the specific communication challenges that they have thrown at the global corporation. In examining these forces and how they are interwoven, we hope to offer insights and strategies for students of the corporate communication discipline and business leaders to help them deploy effective communication as a strategic business asset in today's global economy. At the same time, we aim to provide concrete and specific recommendations for how to organize and execute effective communication for the contemporary practitioner working in the communication field. The combination of a theoretical framework for understanding how these forces influence corporate communication and practical guidelines for effective communication within this framework will also be of value to students of the communication discipline.

The need for this book arises from the confluence of three forces:

- *Globalization*: a quantitative shift in the globalization of the world economy that has created a qualitative change in how businesses need to communicate;
- *Web 2.0*: a transformation in the adoption, use, and consumption of information technology;
- *Corporate Business Model: The Networked Enterprise*: an evolution in the nature and purpose of the public corporation that is both influenced by and, at the same time, influences the other two forces at work.

The Global Context

Perhaps as an inevitable consequence of the profound transformations that have taken place in the global economy, the role of the corporation, and the advance of information technology, the legitimacy of many key institutions, from global corporations to the governmental and intra-governmental organizations that regulate them, has been called into question. Observers from a wide variety of perspectives question the efficacy of current regulatory frameworks to render the appropriate balance between the rights of the individual investor, a fair return to institutions funded by private capital that stimulate economic growth, and the protection of human and natural resources around the world. Even without the systemic economic events of 2008, these tensions would have continued to throw up important questions about the relationships among different social and economic stakeholders. These questions are having an important impact on how institutions position themselves, how and what they advocate for, and how they view each other. It is this impact, in turn, that is driving shifts in communication strategies. However, when we factor in the twin effects of military conflict and economic turmoil as critical as any since the Great Depression of the 1930s, we have the recipe for a fundamental shift not only in the way organizations communicate, but in the way they behave. In all likelihood, this condition of global anxiety will persist, resulting in a thousand shocks that inhibit “normal operations” permanently.

In this volatile state, corporations and other leading organizations need to make fundamental adjustments in their responsiveness to change, creating, from an organizational perspective, a state of “strategic adaptation.” In essence, this means:

- Identifying and managing new global risks, rather than relying on passive compliance models for familiar and established risks;
- Engaging in active dialogue with all public stakeholders in a transparent way to influence rather than control information in order to demonstrate value and assure an uninterrupted license to operate;
- Constructing business operating models that can cope with sudden market, trade, and regulatory shifts to protect against threats and seize opportunities.

This state of “strategic adaptation” applies not only to corporations, but also to governmental and nonprofit organizations. It applies as much to the regulatory bodies themselves as to the organizations they regulate. Organizations all over the world need to create the means of dealing pragmatically with this new reality, and their leaders need to understand the trigger points that signal shifts in the external environment producing new threats, as well as new opportunities.

The conceptual framework for this book is designed to accomplish two principal aims:

- to give corporate and organizational leaders around the world a way to triage evolving issues to help identify points of threat and opportunity;
- to provide them with insights into how the leading practices in corporate communication can help their organizations manage in this state of “strategic adaptation.”

This book is intended to provide a useful way of describing what is different for corporations.

It also explores what individuals and organizations can do differently in the face of these changes.

We have built this discussion on three concepts:

- Change causes communication to be even more important than ever.
- The size and scale of global corporations, institutions, and the interconnected business environment present new challenges and opportunities.
- The hyper-connected communication environment has created relationships, challenges, and opportunities that never existed before.

The six parts of this book, therefore, take a strategic communication perspective in its focus on areas critical to the survival of any organization.

Part 1, *Thinking about Corporate Communication*, consists of two chapters: “Adapting to Radical Changes in Business and Media: A Corporate Communication Vision for the Future”; and “Leadership Capabilities: The Core Competencies for Corporations and Executives.” Part 2, *Understanding the Forces That Shift the Context of Corporate Communication*, is presented in four chapters: “Corporate Communication and Web 2.0 “Strategic Ethical Relationships: Trust and Integrity,” “Corporate Culture’s Increased Significance,” and “Economic Factors.” Part 3, *Managing Public Issues: Models for Corporate Communication Practice*, offers three chapters: “Precedent: The History of Communication in Corporations,” “Philosophy: The Engineering of Consent and Process: Strategic and Tactical Models,” and “Performance: The Measures That Determine the Success of Communication.” Part 4, *Strategic Adaptation for Global Practice*, offers a chapter on meeting the challenges of global business entitled “Corporate Communication: The Way Forward.”

Part 5, *Guidelines*, offers more than a dozen tactical discussions on Corporate Communication Strategy and Policy, Crisis Communication, Media Relations, Employee Relations, Global Relations, Corporate Citizenship, Core Competencies for Corporate Communication, Investor Relations and Sustainability, Transparency and Disclosure, Reputation Management, Transaction Communication, Affiliate Relations, and Thought Leadership and Executive Relationship Management. Leading practices in many of these areas are changing rapidly, particularly in investor relations and corporate disclosure. We recommend that readers consult www.sec.gov regularly for the latest changes in U.S. government regulations.

Part 6, *Further Readings and Websites*, provides an extensive list of published sources on how to think about the practice of corporate communication, as well as relevant websites devoted to issues central to corporate communication.

This book defines corporate communication as a strategic management function for making decisions, for creating responses to internal and external audiences, and for developing contingencies to identify and meet new challenges. Radical changes and momentum in the corporate environment challenge leaders to handle all types of communication inside the organization, as well as ever-more-complex relationships with audiences outside it.

Communication technologies and corporate change have created new patterns in communication. For that reason new processes are necessary to use technology for successful long-term impact. This book uses the results of several studies to focus on the “why” of communication.

Success and survival of both the corporation and of individual corporate executives depends on a thorough understanding of the trends in corporate communication, as well as the ability to implement the leading practices that apply to a continuously shifting context.

Understanding and identifying these trends and practices are informed in part from the results of the CCI—Corporate Communication International’s studies. CCI’s Research includes:

- CCI—Corporate Communication International: Practices and Trends in Corporate Communication 1999–2007; 2009
- CCI—Corporate Communication International: Practices and Trends in Corporate Communication China Benchmark Studies 2006, 2008
- CCI—Corporate Communication International: Practices and Trends in Corporate Communication South Africa Benchmark Studies 2008
- CCI—Corporate Communication International: Practices and Trends in Corporate Communication EU Benchmark Studies 2009–2010

This book also addresses the “how”—the implementation of decisions by offering “Guidelines” for effective and useful practices. More than a dozen guidelines offer leading practices for putting corporate communication strategy into tactical action for use in a working environment or in a university setting for professional orientation and development. It also provides caveats for practice by suggesting situations that might require actions that seem counter-intuitive—especially guidelines for when to close the rulebook and use experience, expertise, and judgment.

The chapters of this book elaborate how social, political, financial, moral, and technical forces are changing the way corporations and individuals must do business to survive beyond the immediate future and thrive well into the 21st century.

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Michael B. Goodman

Peter B. Hirsch

New York City, 2009

PART ONE

Thinking about Corporate Communication

In order to understand how radical changes in business and the media have influenced the practice of corporate communication, we need to look first at those changes themselves. In particular, we need to reflect on the relationship between the behavior of multinational corporations and the political world order following World War II. The period from 1945 to 1975 was not only a period of unprecedented economic dominance of the world marketplace by the United States but was also the apogee of the American way of doing business. American management practices embodied in giant world-spanning enterprises such as DuPont, Ford, ExxonMobil, General Electric, and Procter & Gamble became the gold standard for multinational corporate practices.

Not surprisingly, the American approach to the practice of the corporate communication discipline also became the subject of study and emulation throughout the world. It was this intertwining of American commercial and economic dominance with its geopolitical hegemony that caused Charles Wilson, CEO of General Motors, to say, when nominated in 1953 to be President Dwight D. Eisenhower's Secretary of Defense, "For years I've thought that what was good for the country was good for General Motors and vice versa." It is important to understand the embedded strength of this mindset in order to gain insight into why it persisted long after the geopolitical and economic landscape started to be transformed in the 1970s. It is also highly instructive to retrace our steps through the rise of the Japanese economy in the 1980s and the emergence of a truly "unipolar" world brought on by the ideological and geopolitical collapse of the Communist Bloc in the 1990s, all of which played a key role in the evolution of the multinational corporation.

We also need to describe the nature of the far-reaching technology changes that have transformed communication media in the last two decades, starting with Tim Berners-Lee and

his 1989 proposal to CERN that led to the World Wide Web. We need to look at the scale, reach, transparency, persistency, and connectedness of a series of technological innovations spawned by the Internet in order to understand the new opportunities made available to the communication professional and the new reputational liabilities to which it exposes the modern corporation. We illustrate these changes with examples from the world of one leading institution, IBM Corporation, showing how it has adapted its corporate communication and other institutional behaviors through the use of these new tools.

Also, in this part, we examine the ways in which changes in the global economic system have combined with technology change to alter the role and structure of the multi-national corporation. We show how the emergence of truly global supply chains, enabled by globe-spanning technologies but abetted by beneficial geopolitical developments, set in motion a profound re-examination of the fundamental management questions: In bringing my products to market, what do I need to own? What can I buy from others? What should I control? Where do new ideas come from? How do I finance my business? In discussing the new answers to these questions that modern corporations found, we can show how the changed power relationships between companies and their stakeholders, indeed the emergence of entirely new stakeholders, set the stage for a significant shift in the theory and practice of global corporate communication.

This part explores the evolving discipline of corporate communication and how corporations adapt to influences bringing about change. We examine the impact these forces have on how corporations and individual executives practice corporate communication and how corporations adapt their management processes and structures to adapt to the radical changes. This part identifies and analyzes the core competencies and leadership capabilities that have emerged as a consequence of the global shifts in the business and media environments.

Adapting to Radical Changes in Business and Media

A Corporate Communication Vision for the Future

To understand how radical changes in business and the media have influenced the practice of corporate communication, we need to look at those changes themselves. We need to reflect on the relationship between the behavior of multinational corporations and the political world order following World War II (“Globalization,” below). We also need to describe the nature of the far-reaching technology changes that have transformed communication media in the last decade (“Web 2.0”). And we need to examine the ways in which changes in the global economic system have combined with technology change to alter the role and structure of the multinational corporation (“Corporate Business Model: The Networked Enterprise”). Constructing this framework will enable us to take up the role of corporate communication and how it should be defined in order to address how the forces we describe have shifted the context of corporate communication.

Adapting to Radical Changes in Business and Media

The transformation of the world economy over the past decade, however startling, is in reality an outgrowth of many forces that have been developing over a much longer period of time. To many observers, the emergence of powerful global companies in what were until recently called Third World countries has been a shocking change of very recent vintage. Viewed from this perspective, the dominance of North American and Western European (and, later, Japanese) companies in the world economy was deemed to be a feature of an enduring and fundamental world order. In reality, the destruction of most of the world’s productive capacity outside the United States during World War II and the subsequent isolation of the economies of the Communist Bloc between 1945 and the early 1990s created the relatively brief but vast disparity between

“developed,” “developing,” and “undeveloped” economies that characterized the golden age of American economic hegemony.

Globalization

Even after the economic downturn of 2008–2009, the U.S. economy continues to be larger than the economies of the emerging nations of China, India, and Brazil. Nevertheless, it was this historical economic disparity that formed the worldview of multiple recent generations. In this worldview, the global economy had a clearly identifiable and simple framework: raw materials in the form of energy, metals, food, and other agricultural commodities, such as timber and cotton, were sourced from poor or undeveloped countries, transformed into higher-value products through the superior scientific and manufacturing prowess of the developed nations, and consumed by the populations of these same countries. To the extent that productive capacity was located in the developing world, this capacity was largely controlled by or served the needs of global corporations headquartered in Europe and North America.

The generations born after 1945 also grew to expect that the global institutions and frameworks that managed the world economy would also be controlled by the same nations with dominant productive capacity. Thus the United Nations, GATT (now the WTO), the International Monetary Fund, the World Bank, and Bretton Woods, in alliance with North American and European corporations, were the rightful and autocratic stewards of the world economy. The excesses of this regime, such as the corruption of political institutions in “source” nations by the United States to serve the aims of American corporations, were first assailed by Western critics decades ago. However, the fundamental rightness of this global structure was never seriously questioned by most of the consumers of the dominant powers, who benefited from decades of rising prosperity, plummeting mortality rates, and increasing time off from labor for leisure and entertainment. After the end of the Cold War in the 1980s, these citizens could add to their blessings an unprecedented era of geopolitical stability that lasted until the eruption of the terrorism associated with Islamic fundamentalism in 2001.

This highly selective and artificial survey of the economic and geopolitical history post-1945 obviously leaves out significant events and transformations of this era. The post-colonial emergence of independent nations in Africa and Asia, the wars for Israel, the Communist takeover in China, Vietnam, the agricultural revolution of the 1960s, and the oil crisis of the 1970s are only the most obvious events that do not fit into the portrait of uninterrupted “Western” triumph and dominance that we have painted. Nor have we taken into account the assassinations of presidents and CEOs, the turbulence of 1968, or the Iranian hostage crisis. What we are trying to suggest is that, these cataclysmic events notwithstanding, the fundamental economic organization of the world was profoundly tilted in favor of a few privileged nations.

Understanding this imbalance, as we might describe it from the perspective of 2009, is consequently vital to understanding how communication pathways were shaped up to the present. In painting this picture, we are simply making the argument that the global corporation, almost exclusively North American, European, and Japanese, shaped its communication to meet the needs of this economic framework. In this framework, the style, language, content, and form of

corporate communication was designed to nourish relationships with and serve the needs of Western consumers, workers, investors, regulators, and legislators, local communities, and global institutions controlled and influenced by these stakeholders. The emergence of powerful non-governmental organizations (NGOs) in the health and environmental spaces during the 1970s and 1980s, while providing new challenges to corporate communicators, did nothing to fundamentally change the focus on these core stakeholder groups.

We have exaggerated certain aspects of this historical portrait precisely because it enables us to make a starker contrast with the economic environment as we observe it today. Whereas in 1945, 75 percent of the world's productive capacity emanated from the United States, today that number is down to 13 percent and falling year by year. Sales figures for U.S. companies show an analogous pattern, with foreign sales growing steadily as a percentage of the total over the past few decades. This trend has even accelerated in recent years. According to Standard and Poors, foreign sales for U.S. companies in 2006 represented 44.2 percent of the total, up 37 percent since 2001. In 1970, General Motors employed 500,000 workers, of whom 350,000 went to work every day in 25 U.S. and Canadian auto plants. Even prior to that manufacturer's travails in 2008, 60 percent of those same workers toiled in 50 plants from Shenchon to Zaragosa. China is already the largest mobile phone market in the world, having surpassed combined sales for the United States and Europe in 2002. Sovereign wealth funds, the largest class of non-U.S. investors, accounted for \$3.22 trillion in assets invested (Sovereign Wealth Funds 2009 estimate according to Prequin, research consultants). Within the past decade, millions of Indians and Chinese have entered the middle class. According to the McKinsey Institute, that growth is expected to continue, with India's middle class growing from 50 million to 583 million in the next 20 years. During the same timeframe, according to the institute, China's middle class will grow from 43 percent to 76 percent of the population.

The story of this shift has been recounted elsewhere more eloquently than we could possibly attempt. Such widely acclaimed works as Tom Friedman's *The World Is Flat* and Joseph Stiglitz's *Making Globalization Work* are excellent sources for further detail on the great transformation of the world economy. We provide just enough detail to underline the vastly different communication challenges that corporations will face. We go into more detail on these challenges in ensuing chapters, but the questions they raise merit a mention here: What does it mean for corporate communication when a majority of its employees have limited personal access to the Internet? What are the ramifications of having a predominantly secular or Judeo-Christian customer base in contrast to one that is overwhelmingly Islamic or Hindu? What are the public affairs consequences of moving from doing business in countries with a predominantly democratic polity to countries that are theocratic or one-party states? How should equitable career tracks be established in countries in which the very government itself is constructed on the basis of an ethnic quota system?

We are well aware that today's global corporations are not facing these issues for the first time. Some of them have operated in culturally and politically distinct markets since the mid-19th century. Our argument is simply that it makes a profound difference to the corporate brand when these diverse publics are not just marginal but core to the future of the enterprise. As we will show in later chapters, global corporations will need to reinvent how they communicate in order to account for this permanent shift in stakeholder dynamics.