Where snakes are more powerful than ladders.

The Age of Accountability
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1 Introduction

With global mergers and acquisitions activity in the first six months of 2000 up 26% on 1999 levels (at £1.2 trillion), the corporate battlefield is littered with names that have fallen through lack of investment in the corporate brand.

Companies are now realising that successful corporate relationships rely on more than short-term financial indicators. While shareholders remain the primary audience, long-term business success (and even survival) requires companies to build relationships through modern, integrated communication programmes with all stakeholder groups.

The globalisation of markets and the increased number of corporate audience groups are just some of the trends making the task even more complex. New technologies are enabling companies and their audiences to create real and relevant dialogue, while forcing companies to communicate consistent, coherent messages. Potential regulation, in the form of the Company Law Review and ASB recommendations, are demanding that organisations ‘build effective stakeholder relationships’.

Are companies responding to these issues? The answer is, surprisingly few. Companies are polarised between grasping the opportunity to develop a clear competitive advantage through mutually beneficial relationships and doing painfully little. Time is running out.

In an age where information is key, the desire and ability to create meaningful dialogue with all corporate audiences will mean the difference between the development of powerful, successful corporate brands and failure.

This report, the first of its kind, explains the key issues in stakeholder communications and the steps needed to be taken to survive in the new era.

Read on.
2 The current position

Despite recent heavy emphasis on issues relating to stakeholder audiences, this research shows a wide variation in companies’ communication performance.

Some organisations – for example, newer privatised or demutualised companies – have little experience of broad-based stakeholder communication or understanding of what different audiences want to know:

‘Some companies struggle – you can see that from the way the shares perform around the time of the results.’ (institutional shareholder)

To some hard-nosed companies, the proposition of stakeholder communications seem idealistic – or will until they put a foot wrong in the marketplace. One corporate communicator claimed:

‘Public statements, by and large, work against companies and are made, by and large, to limit damage. Good news finds its way out almost by osmosis.’

Conversely, some high-profile companies have been forced to raise their game by the need to face particularly tough issues or vocal pressure groups – and these may well be among the better communicators as a result.

‘If you have a history of being shouted at, like BP, then you tend to have put the structures in place to deal with it. Companies that don’t have a history of engaging in conflict with any of these public interest groups would probably just walk straight into a minefield.’ (environmental group)

Many organisations are openly complacent about their communication abilities, under-estimating the recent revolution in stakeholder information expectations. One corporate communicator claimed simply:

‘I’ve never worked for a company that hasn’t had effective stakeholder communications.’

A number have made only limited attempts to co-ordinate their stakeholder communications strategy, activities and messages. Communication responsibility is often still devolved to the IR head for analysts, the HR head for employees, and so on, with a non-Board Corporate Affairs head wrestling to pull the varied messages together.
Best-practice leadership tends to lie with the department whose audience is most demanding of management attention (such as analysts). One corporate communicator commented that the Investor Relations department is not involved in any work on the environmental report because it is known that the City has low interest in this subject.

Board responsibility for stakeholder communication matters and general awareness is painfully low in many respected organisations:

‘Communicating with stakeholders isn’t a specific subject for the Board.’ (corporate)

Measurement

The absence of tangible measurement systems is frustrating to communications heads battling with Board incomprehension and indifference. Organisations who do tackle stakeholder communication use a range of parameters for allocation of attention to different audiences:

‘We prioritise as in other business activities.’ (corporate)

The calculation may include consideration of the potential impact, danger or benefit per audience, and of overall group size and make-up. Often, though, the grounds for budget and resource allocation are irrational and based largely on management ‘feel-good’ aims. The widely promulgated proposition that ‘stakeholder communication is good for business’ has been hijacked as an excuse for concentration on the most appealing new groups.

Investing institutions comment that some companies still fail to study their shareholder register and take notice of the fact that shareholders – institutional and private – own the organisation.

‘I still find it amazing that many managements cannot get it into their heads that shareholders are the owners of the company and managers are purely and simply looking after it on a temporary basis.’ (institutional shareholder)
But the City understands this stance within reason:

‘To be in the position that they’re in, management probably have very strong views of their own, and you’re paying them to sort out the strategy, so you can’t expect them to get too carried away with what a bunch of shareholders think.’ (institutional shareholder)

**Employees**

New social pressures have improved communication with other audiences. An analyst comments on employee relations:

‘The general lack of confrontation now in industry is obviously the most tangible measure of the progress that’s been made.’

**Environment**

In environmental reporting, there have been widespread advances. Competent communicators do still trip up at times: commentators blame catastrophic lapses of communication for the humbling of Shell over Brent Spar and Monsanto over GM foods.

**Social and Community**

Communications with social and community groups still lack quality. There is ample evidence of many organisations still operating a ‘one-way’ relationship, trumpeting their charitable and community donations without engaging in a serious relationship with the increasingly professional social and community bodies. However, there is some feeling among institutional shareholders that too much is demanded in the community contribution area:

‘I think this is one of the areas where – this is going to sound harsh – I think you can get very sanctimonious. It’s a bit hypocritical in many respects what people demand for the community.’ (analyst)
Summary

- Many organisations are not addressing stakeholder communications with the seriousness it demands in today’s environment
- Organisations are reactive, only addressing the need to communicate in crises...losing reputation and money in the process
- Much of the responsibility for stakeholder communication is still largely resting below Board level and remains relatively unco-ordinated
- The basis for allocation of budget and attention to different audiences is often irrational
- Inadequate measurement systems are hampering acceptance of stakeholder communications as a Board issue.
3 Why communicate?

‘The coming of the information economy offers the tantalising promise of a modern alchemy, the ability to create wealth out of nothing.’

It has been said that the world’s economic activity to date can be divided into three distinct eras: we have gone from Agriculture to Industry to Information.

Turning the attributes of the information age to your advantage requires a new way; it requires corporates to think, act and organise themselves in different ways to make the most of the new opportunities the new age provides.

This research identifies three benefits directly related to effective communication programmes:

– increased shareholder value
– increased employee retention and performance
– insurance for the future.

3.1 Creating value

Despite the powerful late 20th-century culture of marketing and brand strategies, a surprising proportion of organisations are only just beginning to recognise corporate reputation as a key brand attribute, where the price of failure can be greater than the fruits of success:

‘It’s an area in which the snakes are more powerful than the ladders.’ (corporate)

Views varied as to whether the reputation of an organisation – and consequently the share price – is either negatively affected by poor communication or actively enhanced by good communication. Several City respondents gave the impression of rejecting as unprofessional the notion of being influenced by communication ability, but nevertheless admitted influence in practice. Most corporate respondents consider that particularly good or poor communication can indeed lead to share price alteration.

‘It’s more that, if it’s not there, and it’s obvious that it’s not there, then it’s a potential negative.’ (analyst)
Poor communications do not necessarily signal a poor company, but – as several stakeholders pointed out – how can they know whether the management is incompetent or merely arrogant?

‘We would be worried that there is an underlying problem over and above the communications, that maybe the company doesn’t understand what the City wants.’ (institutional shareholder)

‘I am not interested in companies where the only answer is “Trust me, it will all come right”’. (institutional shareholder)

If the presentation of information to stakeholder groups is sloppy, weak, manipulated or unprepared, it signals a lack of dedication to quality and excellence. In the absence of a ‘feel’ for what is going on within the company, investors explained, they would be likely to take the safe path – sell out or not invest.

City respondents stress that early communication of problems allows correct equity pricing and a planned discounting process: ‘no surprises’. There is a danger that companies will sugar the pill and that the reality, when it emerges, will shake the market: honesty and openness defuse the City and the media in advance of the results announcement.

Corporate heads are learning – sometimes the hard way – that perception and reputation are well worth the investment of resources and management backing. Private shareholders in particular may have little understanding of what the company does and its basic strategy. Accustomed to consumer-style branding, they find the financial and technical information incomprehensible and fail to engage with the company.

On the more positive side, research respondents feel that a solid reputation can smooth the path in many areas. For example, supplier and customer trust, employee loyalty, investor and local community approval of new ventures.

Other attributes of the corporate ‘brand’ may include factors such as credibility of management, position in the market, admirable strategy, responsible attitude. For example, some companies have made a decision to be ‘the green company’: a successful branding, though this also makes them a favourite target for environmental groups seeking publicity by finding a crack in their façade. Marketing of these attributes must be backed up by real performance: as one analyst remarked:
‘Quality of information and reputation of the companies involved go hand in hand. But some of the best presenters of information have been some of the least trustworthy managements.’ (analyst)

Analysts news may have a direct impact on the share price but if customers go elsewhere because they don’t understand the company, employees don’t join or even leave, communities react against a factory in their community, the share price has only one way to go.

‘Investors own the company but its destiny is in the hands of others.’ (corporate)

A number of the documents examined in this research put forward the proposition of creating (shareholder) value through improved communications with a wide range of stakeholders.

The Copenhagen Charter, for example, states that stakeholder communication enables value creation – which needs to be balanced and sustainable – for the company and its key stakeholders. The creation of value requires the processes of stakeholder dialogue and reporting to be integrated in the strategic management of the company, and embedded in the company’s mission, vision and values.

The Centre for Tomorrow’s Company cites a MORI survey that confirms ‘The majority of UK business leaders now agree that a successful business will better serve its shareholders by focusing on the needs of its customers, employees, suppliers and the wider community.’ The concept of ‘inclusiveness’ is gaining ground – moving stakeholders up the relationship hierarchy.

The same report quotes research by Kotter and Heskett at Harvard and other evidence indicating that companies with strong corporate values and social responsibility, who manage their people effectively, and communicate well with customers, employees and shareholders, perform better financially than their peers. This is not necessarily a new idea: many long-established, successful companies have a core ideology to which employees and other audiences can relate, rather than a primary motive of profit.
The Copenhagen Charter identifies the competitive advantage that stakeholder reporting gives:

– attracting and motivating the best employees
– building customer loyalty
– access to investor capital
– insurance against loss of reputation/defusing pressure groups.¹

A recent report by the Institute of Chartered Accountants confirms the view that shareholder value comes from competitive advantage and a management strategy which exploits that advantage.³

3.2 Employees: the virtuous circle

Corporates have learnt – some more, some less – to recognise that employee motivation initiates a virtuous circle. If a company communicates effectively with the market, the share price goes up, employees are motivated and the company performs better.

‘Investors are the people who own the company, but their interests are best served by us looking after both our staff and our customers.’ (corporate)

Employees are motivated if they themselves understand the company’s strategy and actions. BP Amoco, something of a touchstone for good communication strategy, started the communication improvement process by addressing staff concerns. They engaged in dialogue with their employees and took positive action based on the researched needs of this audience. The success of this process encouraged them to roll it out to other audiences.

3.3 Risk insurance

‘Naturist’⁹ companies understand that openness and dissemination of better information will create assurance in the market/community and lead to share price benefits, greater loyalty and a more secure market position. Most accept that no amount of good communication can fully offset the effects of a disaster – though a history of good communications flow can avoid an actual company crash.

‘I think that we defused potentially difficult situations by being honest with them, by being upfront.’ (corporate)
Knowledgeable audiences will distinguish between generally ineffective communications and an isolated mistake. A prudent organisation will aim to build a trusting relationship with all audiences in order to ‘cap the downside’ if things go wrong.

Another recent ICAEW report said that, ‘In the absence of any understanding of what the directors are trying to achieve in the long term, they will be judged on short-term results.’ If investors do not know the company’s strategy and the risks associated with it, they may avoid the stock or alternatively become ‘twice shy’ after an unheralded problem leads to a price crash. Disclosure should be used as a capital management weapon, not a last resort when the UK reaches US levels of risk-reporting requirements. A company seriously worried about the effects of disclosure should think twice about whether it wants to be listed at all.4

Relying on traditional financial accounts for stakeholder communication holds back management from feeling ‘authorised’ to act on conflicts or opportunities until the impact of the event on stakeholder behaviour has affected the bottom line. An improved early warning system, where top management take serious account of signals from stakeholders as they occur through dialogue, allows action before the bottom line is affected. The ball is fielded and returned before it ricochets: this is invaluable when a response to bad news has to be distributed quickly.1

The Turnbull Report discusses better management of risk, including risk to corporate reputation and business probity. Stakeholder dialogue helps with risk management. There is a temptation to consider risk management to be just an operating precaution not a duty, but stakeholder accountability is a prerequisite for sustainability.5

3.4 Development of relationship

Recent guidelines published by the Commonwealth Association for Corporate Governance include as one of the key principles of good governance that ‘the Board should identify the corporation’s internal and external stakeholders and agree a policy, or policies, determining how the corporation should relate to them’.16

Corporates do not act in isolation – their actions must be compatible with legitimate societal issues that affect their location of activities. The competitiveness and success of a company is dependent on those stakeholder groups who provide its resources, such as investors, employees, creditors, suppliers, etc. Its relationship
and communication with interested parties now takes place in a society that demands greater transparency.

The Board must take account of stakeholders who may have a direct or indirect interest in the achievement of the economic objectives of the organisation, and should promote goodwill and a reciprocal relationship with these parties. It must be prepared to outline policies determining or regulating its conduct and relationships with stakeholders who have a legitimate interest in its activities, whether directly or as a consequence of its activities.

The CACG underlines the messages communicated elsewhere – while the Board remains accountable to its shareholders, it has a responsibility to develop relationships with other relevant stakeholders. ‘This is the modern inclusive approach to directing the fortunes of a business enterprise.’

The implications of not doing so can be serious, and are discussed elsewhere in this report. The research underlined the fact that companies not communicating well with stakeholders are more vulnerable to influences outside their control. Even relatively active private shareholders, for example, said they get the information on which they base their assessments and decisions from the media and independent websites, and seldom, if at all, from the companies themselves.

3.5 Newly aware audiences

Corporate codes of conduct have evolved from basic shareholder protection to the present stage, via growing awareness of the importance of corporate image, of accountability and human rights emphasis. The historical path has followed adoption of ethical practices, new respect for employee rights and customer/supplier roles, and acceptance of a wider social responsibility towards communities and the environment. The consequent organisational benefits along the way – competitive edge, smoother working with satisfied audiences and reduction of legal liability – have pulled companies through this evolutionary process.

Research respondents all remark that the range, number and force of a company’s audiences have grown massively in recent years. Influential new groups include environmental and community groups and international investors. There is increased recognition that these groups talk to each other – for example, employees are ready to talk to the media on occasion. No group enjoys hearing news at second
hand, or realising that different groups are being given inconsistent messages: there is now some understanding of the crucial need to co-ordinate internal and external messages in terms of both timing and content.

The research findings make it clear that timelier and wider-ranging information is demanded. In particular, equal and simultaneous access to information for all stakeholders is now routinely expected, partly as a response to the new possibilities afforded by electronic media.

‘Soft’ indicators, such as strategy quality and execution and management credibility, are often addressed mainly at briefing meetings; this information should be available to all stakeholders.³

Analysts and new large audiences, often global, are demanding more information, and it is necessary to make similar information accessible to all. Individual investors cannot glean risk information, for example, from standard Annual Report detail.⁴

Specialist audiences now make a virtue of demanding dialogue with companies, emphasising the mutual benefits in terms of ‘no surprises’, intelligence-gathering and relationship-building. Establishing dialogue with all audiences is increasingly viewed by corporates as the core of good stakeholder communications.

‘We need to ensure that people understand what it is we’re trying to achieve and how we’re trying to achieve it, because we need them to help us to do that.’ (corporate)

Companies need to signal to all audiences that they are awake and reacting to and anticipating changes. Audiences are becoming more interested in a company’s actions and concerned about their consequences. They are also increasingly conscious of their potential collective power as a vocal body: more ready to complain in public now, less passive in their acceptance of a company’s good faith and managerial competence.
Summary

- The competitiveness and success of a company depends on building effective relationships with all stakeholder audiences
- Communication models emphasise the creation of shareholder value through improved stakeholder communication
- The example of BP Amoco demonstrates the value of creating a virtuous circle of employee communication and dialogue
- Openness and good communication form risk insurance against all but the worst corporate catastrophes. The City wants ‘no surprises’: if the market does not understand what the company is doing, it will take the worst view in the event of trouble
- Dialogue with stakeholders, if actively used to adjust corporate behaviour, can allow events to be defused before the impact on the bottom line
- Co-ordination of timing and content of messages is crucial. Audiences object to inconsistent or delayed information
- Simultaneous access to information is now regarded as a right by stakeholder audiences; there is increasing unrest about exclusive briefing meetings
- If communication is ineffective, shareholders are left to judge for themselves whether management is incompetent or merely arrogant
- Organisations are only just starting to recognise corporate reputation as a brand attribute, and to market it. The marketing, though, must reflect the real performance of the company.
4 Knowing the audience

There is a danger, as the ways and means of communicating information multiply and the audiences' appetite for information increases, all things get transmitted to all stakeholders. Surely, no organisation can be criticised for such an approach.

Well…they can. This research has confirmed the key stakeholder groups and identified their current views on what they want to know and how they want to know it.

Knowing the audience groups, knowing their requirements and responding by constructing appropriate communication systems is fundamental.

Stakeholder groups

Corporate communicators list investors and their advisers, employees, customers, communities, suppliers and joint venture partners as their key stakeholders. Publications addressing stakeholder ranking all list the first three or four of these but are less likely to discuss relationships with suppliers and partners – audiences considered key by organisations themselves.

A report from the Swedish PR Association identified four key stakeholder groups:

- owners/investors (including analysts)
- the market (customers/suppliers/competitors/business and trade organisations)
- employees (past, present and future; including trade unions)
- the community (including government and education)

The most notable omission from these groups is the media. Whether or not they should be included in the community is debatable.

There are crossovers – for example, customers and employees may also be shareholders. Centrica is an example where the majority of the 1.3 million shareholder base would also be customers and 30,000 of them are also employees.

‘Virtually anybody can claim to be a stakeholder. I think there’s going to be an increasing diffusion of the concept of stakeholders.’ (analyst)
Information requirements

Institutional investors receive the most concentrated attention, private shareholders possibly the least (under the law of diminishing returns). Employee audiences are served better than before, though communication is not always centrally co-ordinated. Environmental and community groups have forced their way into companies’ attention and have now gained some respect as business partners.

All audiences want more facts and disclosure, so they can analyse for themselves. Analysts and fund managers in particular regard information distillation and interpretation as their special skill; they want all the information, but in plain factual form without interpretation or screening.

‘It’s much better to have the information for interpretation than not to have it. What we don’t want is a complete vacuum of information; we don’t want so little information that the diligent are the only ones that benefit.’ (analyst)

Some City respondents, though, see little benefit for themselves in the new improved levels of communication: they themselves are specialists who have always been able to extract the information they need. Non-specialist audiences want to know what the organisation does, what it stands for: it is difficult for private shareholders to understand the brand values of a company.

All seek honesty, a clear strategy and openness in acknowledging issues. All are more prepared now to make a fuss: there is greater orchestration of stakeholder group demands and the media are ready to side with them against the company.

All, even major shareholders, find problems in communicating with very large or very small companies. All audiences want dialogue:

- institutional investors and analysts in one-on-one meetings
- private investors via e-mail or interactive websites
- community, charity and pressure groups in the form of business discussions
- employees via a feedback process.
All want a relationship featuring mutual benefit:

- shareholders give funds and loyalty, receive increase on investment
- employees give loyalty and commitment and receive security and salary
- environmental groups give advice and refrain from action, receive publicity and policy changes
- charities give good PR and advice, receive funds or direct aid and publicity
- community bodies give loyalty/support and receive funding and commitment.

Most audiences are increasingly interested in environmental and social matters. The exception is the City, who are inclined to regret the effort and money spent on dealing with these issues:

‘We’re naturally very keen to ensure that a BP or a Shell pursues its activities as sensibly and as responsibly as possible – conducive with actually doing these things as opposed to not doing them.’ (analyst)

This attitude still prevails despite the effect on share price that can be triggered by a well publicised environmental disaster.

Private shareholders’ interest in environmental/social issues is more altruistic. They object to poor ethical performance, but are reluctant to lose money by selling the company’s stock out of hand. However, they are less likely to invest in organisations who ignore the environmental and social impact of what they do. The fact that, in the first half of 2000, ethical funds outstripped traditional unit trusts is testament to this.

The Copenhagen Charter pointed out that investors are now interested in a wider range of issues – environmental, social, ethical and non-traditional value evaluation – whilst NGOs and other groups are making more demands; dialogue can minimise unexpected negative reaction.¹

The sub-sections below summarise the research findings on specific characteristics of certain audiences.
i) Private shareholders

In the wake of the new wave of private share ownership, many organisations have still not formally addressed the question of communicating with private shareholders. The research has highlighted some general characteristics of private shareholders:

- further details or minor events will not affect their shareholding decision
- many prefer independent assessors such as newspaper columnists or investor websites with comparative share price indices
- they did not buy shares in order to have a voice:

‘You didn’t actually invest to have a say in it. You just invested because you thought it was being managed correctly. If they then made a swerve that you didn’t agree with, you can hardly object.’ (private shareholder)

although:

‘If you don’t make your voice heard, then how can you criticise Marks & Spencer or British Airways or whoever?’ (private shareholder)

The private shareholder generally feels that they get limited information directly from the companies in which they have invested and that little effort is made to foster dialogue. The main source is still the Annual Report, which many see as providing unintelligible information in an indigestible form and too late.

In a number of cases, a private investor has bought shares specifically in order to support an organisation – his own employer, or a cherished ‘name’ such as Manchester United – or because of awareness/understanding of a sector (e.g., the sector he/she works in). Generally, though, the aim is a safe investment with a mild gambling element; and as a result of the failure of many organisations to find appropriate communication channels with private shareholders, there is little loyalty.

‘It has the enjoyment of betting but you’ve never completely lost.’ (private shareholder)

‘I’ve never wanted to be a shareholder. The company could be gone tomorrow but I can have sold it tomorrow.’ (private shareholder)

‘It’s difficult to have any empathy with British Airways or big companies. The fact that you’re going to step on a British Airways flight to Geneva isn’t going to affect your share price, is it?’ (private shareholder)
‘I rely on the institutions to be pushing things from which I’m going to reap rewards.’ (private shareholder)

ii) Charities and community bodies

Charities and community organisations make it clear that companies can no longer think of exploiting a charity link for PR purposes:

‘The age of companies thinking of charities as a one-way street has got to stop – so companies aren’t coming to us any more with their corporate philanthropy.’ (charity)

‘A lot of companies have in the past, and maybe do still, see charities as an easy way to promote what they’re trying to do. … They want to support an organisation that’s doing good work, but they don’t really want to have any harsh realities slapped into it.’ (charity)

Charities are now promoting cause-related marketing as a mutually beneficial activity. They and community bodies consider themselves service suppliers and want a business discussion with partnership objectives and a clear offering from both sides. They press the company to measure the ensuing benefit.

‘The worst relationships are when you don’t know what they’re after.’ (charity)

‘They’re into meeting their own targets, and, if they can do that while they’re working with us, then we win extra points.’ (charity)

‘They often say “I’ve got to convince my stakeholders and my shareholders of this” and I’ll say “That’s fine, here’s a sheet of benefits and they’re measurable and I expect you to measure them”.’ (charity)

As well as aiming to get value from the resources put into the partnership, charities and community bodies now make it clear that they have their brand to protect and will not link with an inappropriate organisation which risks damage to their brand equity.

‘It’s clear historically that the LEA has been uncomfortable about involvement with certain business organisations.’ (educational community body)
iii) Environmental pressure groups

Pressure groups are not there to do the company favours:

‘Good communications is something we wouldn’t necessarily encourage in our adversaries, because it’s not in our interest for them to communicate effectively.’ (environmental group)

‘Companies do go into denial, but you can’t stay in denial forever, because most companies rely on a customer base which is influenceable.’ (environmental group)

Pressure groups need to be seen in public to be campaigning and succeeding. Indeed, many of these organisations have been described as ‘masters of guerrilla warfare with business’. They are good at simplifying and communicating, skills which companies with a poor communications record often lack. This need not stand in the way of constructive relationships simultaneously being built up with companies. As with charities, they look for an equal business relationship; if they are offered genuine dialogue and trust, they will respond in kind.

As with charities, major pressure groups have a brand to protect so may not want to be publicly associated with a down-market or unsuitable corporate brands.

Summary

– Organisations are now addressing suppliers and partners as stakeholders, as well as established key audiences
– The law of diminishing returns applies in the attention paid to shareholder and employee audiences
– All audiences now demand more facts and disclosure
– Dialogue and mutually beneficial relationships are key requirements now
– There is increased interest in environmental issues
– Many corporates have not found appropriate ways to communicate with private shareholders
– Charities and environmental groups have a new business-like approach.
5 Knowing what your audiences want

5.1 Type of information

Greed and fear are market drivers, witness the ‘dot.com company’ furore, where excessive investor greed was followed by excessive fear. Indicator requirements are becoming much more sophisticated as investors look for ever more subtle signals of future performance. Simple dividend growth is no longer automatically a good signal, for example: in a fast-moving market, a dynamic company may have something better to do with the money.

Rather than sinking under the weight of miscellaneous information output, forward-looking organisations try to plan how they will best use their resources and co-ordinate their communication.

‘The danger of this sort of stuff is that you over-communicate, you aren’t clear enough about what you’re really trying to say, what your big message is, and the noise takes over.’ (corporate)

Published reports show a need to match the mission, vision and values of the company with the expectations, demands and values of key stakeholders. Companies must identify the most interested and/or influential stakeholders, research their main areas of interest and target information towards these.¹²

‘My personal view is that they should continually be seeking to reassure all stakeholders that, if the company is well-managed in the interests of its shareholders, it will in the long run be operated in the interests of most of its stakeholders – though not all at any given time.’ (analyst)

It is vital to develop a statement of strategy before embarking on communication. A 1991 report commissioned by DEC defines this statement as ‘A vision for your company that embodies your corporate values’. This development process has its own internal benefits. It is analogous with a consumer brand marketing programme where consumer needs and brand values are established before any promotion is done.² And it is even more important. A failed product launch may cost a company several million pounds but getting a corporate brand positioning wrong can see billions of pounds lost from the stock market valuation.
In terms of indicators to be communicated, survey respondents mention demand for:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Mention</th>
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<tbody>
<tr>
<td>company function and aims</td>
<td>&quot;What makes your business tick, what gives you an advantage – your whole communication strategy should revolve around that.&quot; (analyst)</td>
</tr>
<tr>
<td>strategy</td>
<td>quality and execution</td>
</tr>
<tr>
<td>attendant risks</td>
<td>(though these are surprisingly little-mentioned)</td>
</tr>
<tr>
<td>company make-up – full details of divisions, brands</td>
<td>companies have been reluctant to do this as it ‘clutters the story’</td>
</tr>
<tr>
<td>news – new products, initiatives</td>
<td>especially for new companies without a track record</td>
</tr>
<tr>
<td>markers and targets</td>
<td>hard future indicators rather than a soft ‘nice story’; investors want a road-map to check the journey</td>
</tr>
<tr>
<td>competitive/comparable data</td>
<td>brand shares, market position, sector-wide indicators</td>
</tr>
<tr>
<td>performance on a growing battery of non-financial indicators</td>
<td>discussed below</td>
</tr>
<tr>
<td>historical data</td>
<td>for reference, though these are increasingly regarded as not necessarily indicative of future performance</td>
</tr>
<tr>
<td>financial detail</td>
<td>for analysts</td>
</tr>
<tr>
<td>management track record</td>
<td>regarded in many cases as more relevant than company history</td>
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contact details, who does what rapid reaction to events and new issues

environmental/social reporting

most audiences want the information to be published rather than actually wishing to read it themselves.

‘The City are not giving us credit for doing environment reporting well. If we’re doing it very badly, they’ll put a cross against it, but it isn’t something they really measure us by. If you’re energy or a heavier industrial company then that’s different.’ (corporate)

Similar themes are reflected in the published commentary on this subject, notably:

**Strategy and risk**

The ICAEW emphasises that companies must communicate their strategy and explain the associated risks and the precautions taken. This helps investors to expect and understand volatility. ‘No surprises’ should be the goal. However, there is a sensible limit beyond which a risk could be said (except in the USA) to be too self-evident to require reporting.  

It is anticipated – and evidenced – that the availability of electronic information will lead to more demands from the market globally for comparable risk data. Whilst the USA model of risk reporting is accepted as excessive, the availability of such data on the internet is bound to draw comparisons.

The market is looking for indicators of quality of strategy, strategy execution and management credibility. A creative approach to the formulation of such indicators is required; the first company to get it right will set the standard.

Smaller companies need to get the attention of fund managers, who are increasingly focusing on larger companies. There is a lack of dialogue, mutual understanding and transparency. Smaller companies must attract a fund manager’s attention – for example, with internal performance indicators, a statement of prospects, quarterly trading reports. They need to disclose their key value drivers and devise an investor communications statement giving their policy and programme, as well as soliciting feedback from fund managers.
News
Management must commit to handling and reporting on all issues, including
negative1 – again, an element of the ‘no surprises’ message. In the absence of
messages from the company, the media will fill the void. In this way they effectively
take control of the corporate brand.

Markers and targets
The ICAEW suggests that companies provide little in the way of future indicators –
more is needed to assess performance.3

Competitive/comparable data
Value drivers must be explained – ‘processes/factors critical to the creation of value
for the strategy adopted by a business activity’. This includes factors such as
divisional activities and competitive position.3

Non-financial indicators
Financial measurement is ‘increasingly perceived as lacking predictive value’.
Traditional Annual Reports have a timelag, reducing their relevance as the need for
faster information becomes apparent.2,4

There is growing interest in the ‘balanced business scorecard’ approach, as in the
well-known Kaplan & Norton model. This adds customer service, internal processes
and technologies, and innovation and learning to the traditional financial indicators.2

Investors are looking for non-financial indicators and softer, more qualitative evidence.
These indicators can include market share/growth, customer retention/satisfaction
and also quality, productivity, response time, innovation, employee satisfaction. The
aim is to narrow the gap between the way the stock market and the company itself
see the company.3

It is too uncertain a process to load non-financial indicators directly into the
accounts. The company should look at creating a list of generally available factors
and devising a loading/weighting process, for example, an index versus target or
over time, or a comparison versus competitors or an industry average.7 Some
companies are moving to provide the statutory annual report as a financial
document containing the minimum legal requirement. Separately, they publish a
review containing some of the indicators described above and designed in a way
to support the corporate brand more powerfully.
Environmental/social reporting

Environmental reporting is currently ‘sexy’, though not always done well – there is little consistency in reporting, financial links, feedback, verification. Health & Safety reporting is, to date, less ‘fashionable’, and tends to lack detailed information on Health & Safety policies and practices: fine words but little substance.

Reporting should be based on the ‘Triple Bottom Line’ – a focus on integrating economic prosperity, environmental responsibility and social justice – in order to achieve sustainability. It is clear that whilst companies will always need to focus on financial viability, enlightened companies are devising strategies and business methodologies that acknowledge their environmental and social responsibilities.

Financial detail

Encourage credibility by explaining accounting principles and using consistent methods, by benchmarking, offering relevant and full information, and by providing external verification.

5.2 The feedback process

Corporate communication heads know that, without measurement of the benefits of more extensive communication, resources for much of the above will not be authorised. Measurement of communication is difficult and expensive to implement; some companies are reluctant to open the ‘Pandora's box’ of administrative work and debate that measurement and dialogue with the new broad audience base might represent.

A further problem is the elusive nature of many of the messages to be measured: there is a danger of ‘production-led’ measurement where a company simply ascertain that they have conveyed all that they want to convey, without determining and conveying what the audience wants to know. The effects of this can range from inefficiency – wasted communications – to near-catastrophe, as in the case of Marks & Spencer, who, in the words of one institutional shareholder, were “on “transmit” and not “receive”‘ when they lost touch with their grass-roots market.

The Copenhagen Charter demonstrates that a continuous loop needs to be constructed where information gained from stakeholder feedback is used internally to improve the company. This process must have the active commitment of top management, especially as it may be necessary to change the company’s vision, strategy and values.

Where snakes are more powerful than ladders.

The Age of Accountability

Knowing what your audiences want
The Excellence Model developed by the EFQM allows internal enabling processes to lead to results which lead back into learning and innovation.\textsuperscript{10}

Summary

- Indicator requirements are becoming more sophisticated
- A company which does not develop a strategic plan for its stakeholder communication is in danger of sinking under the weight of information output
- Models recommend matching corporate and audience values
- The greatest demand is for sustainable future indicators; non-financial indicators are attracting most attention – but the problem of indicator measuring/indexing remains
- Communication measurement is difficult and expensive, but, without it, communication heads cannot get the ear of the Board
- There is a danger of measuring the successful communication of what the company wants to say, not what the audience wants to know
- If feedback is not used to alter company values and actions, its benefit is largely lost.
6 Communication media

‘People send me CD Roms containing all sorts of information on their companies all the time. To be honest, I’ve never loaded one, but I feel better about the company because they sent one’ (corporate)

There are now more ways than ever to communicate with stakeholders and many have benefits outside what might directly be expected as the above quote demonstrates. This section looks at the trends in reporting media and how audiences are reacting.

6.1 A change of style

The survey indicates a growing preference among many audiences for more regular news-flow from companies (though not an incessant one, which blunts the impact).

‘Communication is about communicating all the time, not just when a specific situation happens.’ (analyst)

Quarterly reporting is an issue of the moment, endorsed by many, although some institutional shareholders consider that they can get all the information they need from a company as and when they want it.

‘People always think they need more information.’ (institutional shareholder)

However, the issues are no longer primarily around communicating to stakeholders. It is apparent that, increasingly, the information flow should be two-way:

‘You can look at the things that you communicate with – the company newspapers, etc. – and feel that that is ‘communicating’, when really it’s more about talking to people and personal relationships.’ (corporate)

Public interest and community groups, as described earlier, are seeking a more balanced way of working with companies: environmental groups working through document drafts with companies, charities joining company mailing-lists so that they can come forward with appropriate and beneficial partnership suggestions.
6.2 Internal co-ordination

Some companies – though still a minority – are in the process of improving the debate at Board level about the real needs of their stakeholder audiences. Senior management responsibility hierarchies are often an obstacle to this.

One corporate – well regarded as a communicator – dealt with the challenge by adding a communication check to the job brief of each of their 100+ business unit heads, plus a raft of regional directors with compliance responsibility.

The Swedish PR Association stresses that leadership is the core of good stakeholder communications.12

The lack of a high-level central communication responsibility makes it difficult to ensure a consistent set of messages for all audiences, each leading back to the company strategy, principles and goals.

‘It’s difficult to get sign-off from top management for abstract principles.’
(corporate)

Given the range of audiences, it is inevitable that there are some genuine message conflicts – for example, the City seeking news of cost-cutting and employees wanting good wages and job opportunities. These can be reconciled if the company assembles its core values and transmits them consistently.

6.3 Consistent platform

It is apparent that companies must ensure consistency in their stakeholder communication. This assumes a higher profile in today’s market, and stakeholder audiences do overlap, so the Board should ensure that consistent messages are being transmitted to all stakeholder groups.

This is increasingly the case as electronic communications brings about a unified source that all stakeholders can access. The long-standing fragmented approach to communications is unsuited to this, and some companies clearly struggle to adapt to the demands of the medium. Not only should stakeholder communication have a higher profile in the boardroom, but it should also be steered and co-ordinated at the highest levels in the organisation.
6.4 Tools

Meetings
All audiences except private investors are still more or less wedded to one-on-one meetings. City respondents place great store by being able to catechise senior management directly, obtaining confidential commentary (in direct opposition to the new move to equal access) and collecting nuances of meaning from seeing the individuals’ live reactions.

‘Company meetings are the single most important catalyst for action or inaction with regard to buying or selling shares.’ (institutional shareholder)

‘Management is the most important thing for us.’ (institutional shareholder)

‘It will be the answers to questions which cannot be interpreted directly from published information about what’s happened and what is likely to happen, which will dictate what an analyst does and where his forecast might lie within the range of forecasts from the rest of the City.’ (analyst)

These specialists want special treatment:

‘The people who deal with us need a specific set of skills that’s quite different from the people who’d be dealing with employees or the ordinary shareholder.’ (analyst)

A typical City stance is to maintain that

‘The management are there to run the business, not to respond to people like me.’ (analyst)

while simultaneously demanding full one-on-one access as before. One analyst reports, though, that

‘The chief executives are slightly distancing themselves from having to respond to shareholders and analysts, and actually beginning to run the business more.’

In the event of a crisis, however, most audiences agree they expect the CEO to appear before key audiences.
'I think a lot of lessons have been learned, probably by one or two companies having their high-profile mistakes of the eighties and nineties.' (analyst)

Most stakeholder groups dismiss AGMs as an outdated institution. They are largely irrelevant for private shareholders and not a useful connection point for the company as attendees are unlikely to form a cross-section. Several interviewees recommend offering private shareholders instead an Internet shareholder forum and perhaps a webcast of major presentations to provide a visual image.

The Annual Report and Short Form Report
The Annual Report is almost universally regarded as no longer suited to circumstances. Survey participants indicate that Annual Reports are, in many cases, little more than regulation-compliance plus senior management ego-boosting plus the agency's latest design idea.

'Some of the Annual Reports are very inward-focused in terms of the company’s own structure and externally in terms of just reporting the numbers.' (charity)

The documents often show little evidence of the company having considered who the report is for.

'These things are done almost as a matter of course for internal communications, and they certainly have an internal communications bias, which in truth makes them very deadly dull reading for most people.' (analyst)

The ICAEW underlines that Annual Report tools, such as accounting profit and other historical and financial calculations, are now unsuitable for meeting the new full range of investors’ needs.

In an age of the Internet and the proliferation of small private shareholders, a single all-purpose statutory document is becoming a dinosaur. However, most audiences would still wish to have the full detail publicly available on demand, for example, on a website.

Some initial moves have been made towards segmenting the document for practicality, with a summary available for non-technical audiences, such as private shareholders, who are unlikely to read or understand the main report. Pressure from both corporates and their audiences to adjust legislation is becoming overwhelming; the latest moves towards allowing this summary to be the default for certain
audiences are outlined in the next sub-section. Most survey participants expressed little concern about the design of Annual Reports, though most agree that any aid to clarity is desirable. The document should be appropriate to the general company style, and should avoid ‘over-design’:

‘A no-go area – this is tongue-in-cheek – is a non-A4 size report and accounts!’ (Analyst)

Private shareholders express a preference for graphs and colour-coding rather than figures.

The Accounting Standards Board suggests that the probable move to short-form reports and Internet reporting is likely to result in the Annual Report being reduced to a plain-paper document available to specialists. 

The case for a short-form report
This is a current issue, discussed extensively in the media, as well as addressed by a number of the bodies involved, notably the Company Law Review and the Accounting Standards Board.

The Steering Group responsible for the Company Law Review are addressing the problem of a widening range of audiences with a suggested reduction in the bulk of information that must statutorily be supplied to shareholders and other parties. They ‘recognise the wide range of relationships and know-how on which [an organisation’s] success increasingly depends’. They are inviting views on a proposed statement of directors’ duties which, while requiring directors to act in the collective best interests of shareholders, recognise that this can be achieved only by having due regard for other interests, such as those of employees, customers, suppliers and the community, as well as taking account of the impact of business decisions on the company’s reputation and on the environment.

They are considering proposals that public and very large private companies should be required to publish a broad operating and financial review explaining the company’s performance, strategy and relationships. At the other end of the corporate spectrum, a simpler form of reporting and accounting could be devised for small companies.

In a reaction to these proposals, The Times comments that operating and financial reviews (OFRs) are becoming a more popular element of the Annual Report. They
are, however, prone to being used as a PR exercise. In OFRs, for example, divisional analysis tends to consist of advertising and feel-good for employees; while operating results tend to be just reworking of accounting information.

*Company Reporting* journal feels that coverage of all the information that an analyst needs is not guaranteed in an OFR (though other media, such as the Internet, could fulfil this need). The DTI proposals include more regulation and even auditing of the OFR (with an eye to its increasing use as a replacement for the Annual Report and/or an adjunct to electronic information).¹³

The Accounting Standards Board offers the view that changes in financial reporting, aims and demands have improved communication for institutional investors but made the information less accessible to private shareholders. These would benefit from short-form reports: narrative-based, with bullet points/highlights, in plain language with necessary technical terms explained. Pending the reframing of the law to allow this form to be the default, companies should make it clearer to private investors that they can opt for this form as a minimum.¹¹

The advent of the Internet makes it possible to offer a readable document to private shareholders while not denying them equal access to full detail via a user-friendly website if required.

‘A little statement from the Chairman saying “This is what’s happened, this is how much money we’ve made or lost, this is where we’re going”.’ (private shareholder).

The emphasis of the new summary must be on readability and clear explanation, and on this point, the analysts in our survey – as well as the private shareholders – were quite vocal:

‘The terminology/euphemisms certainly don’t mean anything to the man in the street, who ostensibly is faced with something that sounds quite positive: “The company made great progress last year”. Did it?? There’s a sheer inability to deliver a tabloid version for the man in the street.’ (analyst)

‘You have a relatively minimal dialogue with the small shareholders; that’s fine, but there’s no excuse for not pitching the dialogue at an appropriate level.’ (analyst)

ProShare emphasises that, in all forms of communication, no audience should be alienated by jargon: explanations of terms allow inclusion of non-technical audiences."
Some shareholders consider that too many Annual Reports and websites are currently heavily weighted towards investors (institutional and private) and are merely rehashed for other audiences. The new short-form flexibility will allow tailor-made documents to be produced for the full range of audiences.

**Internet**

All audiences approve in general of the proposition of detailed and structured information on company websites, as an alternative or adjunct to hard copy. For the City, collecting information from websites provides rapid, up-to-date and comprehensive information on companies, with a hard-copy option if desired.

*The Times* quoted Ian Hay Davison (former senior partner in Arthur Andersen): ‘prices of shares in markets are set by … those who first extract and spot the information’. Analysts look at the notes to the accounts – which have been proliferating in recent years – for the real information on a company. The notes would lend themselves to the navigation advantages of the Internet.\(^1^3\)

The ICAEW propounds the view that the Stock Exchange should aid universal accessibility to risk and other reporting (especially for smaller companies) by promoting electronic publication and discouraging one-on-one meetings.\(^4\)

The *Financial Times* reports that the US is leading a push among regulators and investors for fuller disclosure and clearer and more readily accessible information, citing the growing interest in investing by small, private shareholders over the Internet as a main driver of this trend. However, it suggests that this throws down three main challenges to companies:

- The investment in technology and expertise required to keep pace with the best of these rapidly evolving practices
- Pressure from regulators and other watchdogs to ensure that the delivery of more easily understandable information does not bring a fall in the quality of information provided
- With a more sophisticated approach to reporting, pressure for companies to acknowledge wider responsibility to the environment, employees and communities.\(^1^5\)

Private shareholders will welcome the fall in paper volume. In due course, paper may disappear almost entirely, with shareholders being alerted by e-mail that an interim statement is available on the website. The Accounting Standards Board agrees that,
eventually, reporting to private shareholders is likely to shift largely to the Internet. Guidelines will need to be established on electronic reporting standards, including accuracy, updating, inclusion of statutory material, flagging of summarised and non-regulated items.11

Another audience already making use of websites for company information is employees, especially managers and those in remote offices. Unlike the Annual Report, the website is also readily accessible to new audiences, such as potential employees, potential customers and potential investors, and there is scope for specialist pages welcoming these groups.

One company interviewed has made the decision to publish a web-only environmental report this year. Apart from the cost- and paper-saving, the Internet is a suitable format for a report of this kind, where, for example, links on various issues can be embedded in individual business area pages to provide a seamless cross-reference. Environmental pressure groups already make extensive use of the Internet, so this is a suitable way of communicating with them. Few individuals in other audiences read environmental reports in any detail, but most people want the report to be produced, so the website is an ideal, cost-effective medium.

The special power of websites lies in their page-linking ability, allowing one-click access to detailed information:

‘You can look out for the more easily devised ways of addressing the fractured nature of the stakeholder interests in a company by having more specialists’ pages to your website.’ (analyst)

‘You can relatively cheaply store as much information as you want, but what you present is the structured highlights.’ (analyst)

However, the quality of websites is clearly seen to vary. Information overload is a danger, and some companies have not yet got the balance and design right:

‘A website is trying to be a hundred-and-one things to a thousand-and-one different people.’ (analyst)

A well-structured website should be welcoming, easy to use, good quality and up to date: a ‘living report’. It must make full use of the medium to provide comprehensive
and accessible information than that in the Annual Report, with new features, such as details of senior personnel and contact points for different audiences. A development already in progress is video clips and webcasts of company presentations.

‘It makes a big difference – just having something in front of you rather than some stuffy report and accounts.’ (institutional shareholder)

However, companies must not lose sight of the fact that there is a danger with electronic media of losing the personal touch.

An earlier Addison report showed that electronic media can improve the overall stakeholder communication process. Electronic media does not develop the important ‘personal’ element: the opportunity for dialogue or build on goodwill on which to lean in time of crisis. However, electronic media do allow communication with a broad investor (and stakeholder) base, allowing creation of quantitative if not qualitative loyalty. In all forms of contact, the ‘physical’ element should be introduced where possible: a video of the plant in action, roadshows to back up mass communication. However, globalisation of the shareholder base and the corresponding increase in dual-listed companies mean that roadshows are taking up even more senior management time and attention.

But websites do allow dialogue. Private shareholders in particular could be served by a specialist link, accessed by password, offering e-mail contact, feedback and perhaps even an electronic chat-room. At present, most private investors rarely consult company information directly, preferring independent assessments, but the very presence of a special website would engage these small shareholders more.
Summary

– Communication is becoming more continuous; quarterly reporting is a current issue
– Consistency of platform is vital, yet there are only the beginnings of internal co-ordination at most high corporate levels
– One-on-one meetings are still in great favour among audiences, though they are in direct opposition to the new aim of equal access to information
– AGMs are largely regarded as outdated
– Annual Reports are also felt to be no longer suited to circumstances
– There are both legislative and popular moves towards altering the default for relevant audiences to a short-form report, with fuller details on a website
– The question of reducing jargon for private investors is also being addressed
– The advance of the corporate website as a major information vehicle is very widely welcomed
– The power of links and one-click access will revolutionise organisations’ ability to provide concise but comprehensive information to a wide range of audiences
– Imaginative use of the medium – video clips, good contact information – will offset the absence of the personal touch.
Although there is a degree of cynicism from most audiences about the value of awards for communication, most do agree that they prompt companies to think about their audiences and their communications, giving fresh insights, allowing sharing of good new ideas, providing some benchmarking and useful criteria, and generally raising the standard of communication approach.

Likewise, research respondents are suspicious of any process which tries to fit all comers into a single complete model. Company size, sector and style all have an important bearing on communication approach: the test must be ‘what works for the company’s stakeholders’.

Full-blown legislation is universally felt to be inappropriate:

– companies should be encouraged, not forced, to change; the Government in particular can be a ‘ringmaster’ on regulation but must not drive it
– good practice can often be loose and intuitive; valuable new initiatives might be suppressed and useful present systems rendered unworkable
– good communicators could be hindered by over-regulation, and all users faced with multiplication of unnecessary tasks
– several stakeholder respondents remarked that, if a company is seen to be following guidelines, it demonstrates that the company is being run efficiently – reassuring to stakeholders in itself – but does not necessarily improve the quality of communication if the ‘heart’, the real desire to communicate, is not there
– the range of issues and audiences is too wide and changing too rapidly to pin down within a model. Many current models concentrate on communication with institutional shareholders
– how would a model accommodate all stakeholders?
– policing would be difficult.

‘The problem is that any regulation or legislation will probably just drive out some form of entrepreneurship or management.’ (institutional shareholder)

‘There is legislation for a decent minimum level of information and a lot of companies stick to that – in fact, we’re generally suspicious of companies who aren’t willing to provide more.’ (institutional shareholder)
‘They’ve often got a relationship with just one broker they’re very close to, so they will be pushed down one method of communication.’ (institutional shareholder)

‘There’s probably not enough pressure or publicity given to the admittedly arcane details which are involved in instances where companies don’t comply.’ (analyst)

However, most participants agree that there is a clear role for a set of core guidelines for organisations wishing to communicate effectively with stakeholders. This might take the form of a broad model with some common ground promoted by all bodies but with emphasis placed on the importance of personalising the model for individual company circumstances.

‘I really do think that the guy in the street needs something laid down by law that he has got to have. If you can’t regulate at that level, you can’t regulate at all.’ (analyst)

‘Companies are hugely obsessed about what is written and said about them, and it wouldn’t take much of a watchdog to nudge companies along.’ (analyst)

There are currently no regulations on risk reporting – and there should not be; but regulators should promote principles of disclosure. The Stock Exchange should make it clear that it does not oppose flexibility in the organisation and presentation of material. A classification scheme such as the Arthur Andersen Business Risk Model could be the most practical form of guide.4

The Excellence Model asks whether the communication process covers all stakeholders, declares targets, shows performance and reasons, measures progress including trends over time, compares performance with competitors or ‘best in class’, and gives a holistic picture. Implicit in the model is the assumption that any guidelines would need to include links and clues which allow for personalisation to the individual company.10

Recommended guidelines for offer documentation include equal access to all audiences, sufficient information with nothing relevant withheld, care and accuracy, and no misleading statements. But ‘rules and guidelines will never remove the need for sensitive professional judgment’.18
Summary

- Awards and models are seen as stimulating focus on stakeholder communication and allowing sharing of good new communication ideas.
- Respondents see a role for a set of core guidelines, evolved as a code of conduct rather than as legislation and offering full scope for personalisation.
8 Core guidelines

8.1 First principles

Good communicators are seen by survey respondents to be those who:

**Evolve key messages**
these must be the framework within which everyone works, defining what the company is and what its aims are

**Show interest in dialogue**
a company must signal to audiences that it is listening and reacting, looking to engage rather than resist or ignore feedback, keen to work alongside stakeholder groups

**Have a clear aim of what they are trying to achieve by communication**
every communication should have a specific goal and should add value to what has already been done. Output should not be production-led

**Have the explicit support of top management**
messages should be seen to be endorsed by the CEO, and proper resources should have been authorised for the work involved

**Have a firm hold on output**
consistency, lack of duplication, smooth flow of relevant information

8.2 Watchwords

Survey respondents on all sides agree that communication strategies and individual output should be tested on whether they are:

**Honest**
all sides give this as the golden rule

**Credible**
reflects the company's actual actions

**Transparent/open**
"I think senior management often keeps information from lower-level management and employees for no good reason." (analyst)
Accurate

Consistent in message crucial

Consistent in reporting for comparison purposes; but relevance/clarity should override this. Changes of reporting should be flagged/explained

Flexible format/content rules should be capable of accommodating new key issues

Relevant who is the intended audience? Does this communication add value?

Coherent another crucial attribute; no jargon

Clear ‘I think that companies forget that people sometimes want very basic information.’ (institutional shareholder)

Simple these can be reconciled using a website

Concise but comprehensive the design should attract users to open it, be easy to read, as short as necessary, be of good but modest quality, reflect house style

Timely rapid, updated, available to all simultaneously

Enthusiastic

These survey findings are underlined by other commentators. The Commonwealth Association for Corporate Governance insists that information should be reliable, frank, and robust in times of crisis.17
A survey by Whitbread in 1992, reported in the *Journal of Communication Management*, concluded that communicators should:

- avoid an over-optimistic tone which can erode confidence and credibility
- develop a strategy with clarity of focus, to inspire confidence and generate credibility
- show by words and actions that they recognise the City’s needs and concerns and are actively working on addressing them
- use appropriate language, detail and presentational approach for different audiences.

8.3 Triggers

This list might include

- non-crisis events such as media contact, investor relations work, ongoing relations with external groups, staff relations
- crisis events such as an environmental problem or a hostile takeover

The list would then cross-refer with the first principles, watchwords and action checklist guidelines.

8.4 Action checklist

This list risks being over-detailed, but could include reminders such as:

- Have we put this information on the website?
- Have we informed the key people and copied relevant groups?
- Have we included contact details?
- Does this involve environmental issues?
- Which other audiences might read this? Have we addressed their needs?
- Are we arranging to get feedback on the reaction/impact?
- Etc., etc.
Summary

Core guidelines might consist of:
– a summary of first principles – aims to consider when setting up a communication strategy
– a set of ‘watchwords’ for use as a quality check on all communication strategies and individual communications
– a list of communication triggers – hints on when a planned communication approach might be necessary
– an action checklist – a 'do not forget' list for whenever a communication is made.
9 Conclusions

1. Whereas corporate communications in the past tended to have a fairly restricted focus, the growing emphasis on and diversity of a corporate’s ‘stakeholder’ audiences – with different demands, perspectives and communications needs – has created an ever growing need for more information and communication. (And the emphasis on stakeholder communication has raised awareness amongst and demand from these audiences.)

2. The concurrent development and spread of electronic communication and new media have given corporates the means to provide – and stakeholders the means to access – more information, more regular information and greater navigability. However, this dictates a need to carefully co-ordinate the information and messages that corporates are putting out – whereas the processes for stakeholder communication have traditionally been (and often continue to be) relatively unco-ordinated.

3. The Annual Report has been the traditional focus for stakeholder communications, but cannot cope with and is largely inappropriate for the demands of today’s environment. The needs of stakeholders are relatively diverse, and this has tended to make Annual Reports bigger and more complex: but the needs of each audience are relatively specific, so there will be more that is of no interest or relevance to them. And, with the wider availability of fast communications channels – and the growing demand for more frequent and up-to-date communication – the ‘historic’ Annual Report is becoming something of an anachronism. There is a place for a ‘corporate brochure’ which points stakeholders in the direction of the information they require.

4. There is a need to raise the profile of stakeholder communications as a strategic management tool. Good stakeholder communications can help increase loyalty and minimise the effects of any ‘bad news’ – poor stakeholder communications can have damaging effects on a company’s reputation and value. Good stakeholder communication is thus very important, and, whilst most major companies do it reasonably well, there may be insufficient attention to identifying individual stakeholder audience needs, specific targeting and measurement of effectiveness.

5. Some stakeholder audiences are perhaps insufficiently recognised as such or inadequately served with communications. As these audiences become more
knowledgeable/sophisticated and there is more commonality of information, the communications programmes of the major corporates need to ensure sufficient focus on their diverse needs.

6. Stakeholder audiences are not passive any more. They will be looking into all aspects of a corporate's markets, business and operations – so it is not possible to ‘hide’ or ‘blur’ the ‘bad news’ (for long). A corporate must communicate openly the bad as well as the good news, and be open about mistakes – ie., ‘no surprises’.

7. There is an element of complacency in stakeholder communications – the major corporates know what they are doing, have been doing it for a long time and think they do it pretty well. But there are risks in that:

   - the benefits of effective stakeholder communications have not been strongly enough identified to managements;
   - it still may not have an adequate profile in the Boardroom;
   - communications processes are often relatively unco-ordinated;
   - the risks inherent in inadequate stakeholder communications may not be apparent until tested (and then, it may be too late);
   - stakeholder audiences and the media for communicating with them are changing very rapidly – processes and techniques for stakeholder communications that have developed gradually over time may not be keeping pace or addressing future needs.

8. An overall model for stakeholder communications (as originally envisaged) might not be appropriate, due to the diversity of major corporates and the relative emphasis they have on different stakeholder audiences and needs. But there may be a need for guidelines/check lists for best practice, in order to help raise the profile and general standards of stakeholder communications within UK corporates.
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