

# ***The Corporate Reputation Insider***

**KRC RESEARCH**

**December 2003**

## **I. INTRODUCTION**

This document summarizes the results of the inaugural *Corporate Reputation Insider*—a research initiative conducted by KRC Research and Weber Shandwick.

The mission of the *Corporate Reputation Insider* is to better understand the role of corporate communications in developing and shepherding corporate reputations, and to thereby equip today's guardians of corporate reputation—that is, the men and women who manage corporate communications on a daily basis for the largest companies in America—with tools and insights that help them excel.

This inaugural edition of the *Insider* focuses on how the role of corporate communications executives has changed over the past 5 years.

The research consists of 104 interviews conducted among senior communications executives—in nearly all cases, the most senior professional who is responsible for corporate communications in America's Fortune 500 companies. Interviews were conducted in October and November 2003.

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## **II. KEY FINDINGS**

### **1. Seasoned professionals, new on the job**

- ✓ The typical Fortune 500 communications pro has worked in communications for more than 15 years but in their current job fewer than five years.



- 72% have worked in communications for more than 15 years
- 79% have been in their current position fewer than 5 years

### **2. Jugglers in the spotlight**

- ✓ These executives are handling more sensitive issues, more often, with greater scrutiny than ever before.



- 79% say the sensitivity of issues they respond to has increased
- 63% report they respond to corporate crises more frequently
- *“There is a lot more pressure... internally and externally.”*

### **3. Transparency as the tipping point**

- ✓ The Sarbanes-Oxley Act and corporate accounting scandals have put a premium on transparency and transparency demands that communications executives know more, coordinate more closely within the company and triple-check everything for accuracy.



- *“I had to get my MBA...to prepare for disclosure issues.”*
- *“There is...less margin for error.”*
- *“It now requires...a good understanding of the laws.”*

### **4. From mouthpiece to the front lines?**

- ✓ In an era of greater scrutiny and transparency, today's communications leaders hold their company's reputation in their hands!
- ✓ Today's corporate communicators know their company inside out, from products through financials. They work closely and directly with their CEOs and Boards of Directors. They are managing larger and larger staffs with more and more responsibility. In short, today's communicators are critical their company's success.

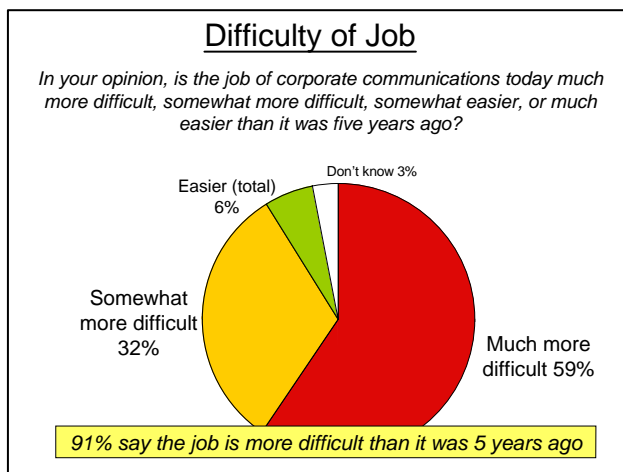
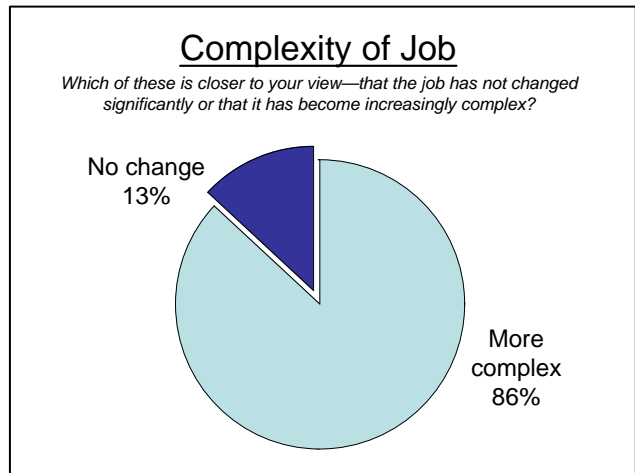


- 85% say senior management has increased involvement in corporate communications over the past 5 years
- *“Companies have been diminished in stature...corporate communications has increased in stature and scope...”*

### III. DETAILED FINDINGS

**In the last five years, most Fortune 500 companies have appointed a seasoned professional to oversee its corporate communications.**

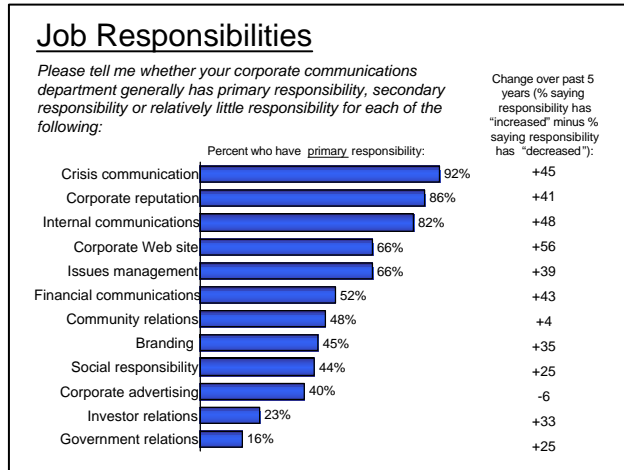
- Our respondents are mainly the senior-most people responsible for corporate communications for their company, and most (72%) have been working in communications for more than 15 years.
- While these are communications veterans, they haven't been long in their current positions—more than three in four (79%) have been there less than 5 years.
- Nearly all the executives interviewed agree that, during the last five years, their jobs have become more challenging:
  - When asked directly, more than eight in ten (86%) report that their jobs have become increasingly complex. An equally high percentage (91%) believes the job of corporate communications has become at least somewhat more difficult.
  - A similarly high percentage of those managing small (1 to 5 employees), medium (6 to 20 employees) and large departments (21 or more employees) agree that the job has become more difficult as well as increasingly complex.



- In their own words:
  - “Companies have been diminished in stature due to corporate scandals. However, corporate communications has increased in stature and scope due to the additional demands that have been put on them from the fallout of general corporate scandals.”
  - “Corporate communications has become more critical because of the current business climate.”

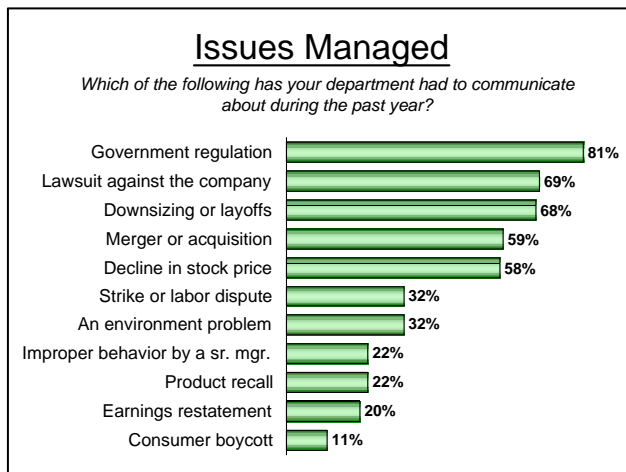
**The job of a corporate communicator has increased significantly in scope. The responsibilities have expanded and the issues have become tougher.**

- Corporate communications departments are assuming more and more responsibility, branching out from the traditional areas of crisis and overall corporate reputation into financial communications, branding, and issues management.
- Fewer than half have primary responsibility for communicating about corporate social responsibility, and the trend toward greater responsibility isn't as large as in some other areas.
- Corporate advertising and community relations are not areas of major focus for these executives, nor has the trend been toward growing responsibility.



**In the last year, executives were significantly more likely to be dealing with issues associated with management and corporate governance than more traditional "hot button" issues such as labor disputes, product recalls and environmental infractions.**

- More than eight in ten (81%) have addressed issues regarding government regulation in the last year while more than two-thirds have dealt with issues associated with a lawsuit against the company (69%).

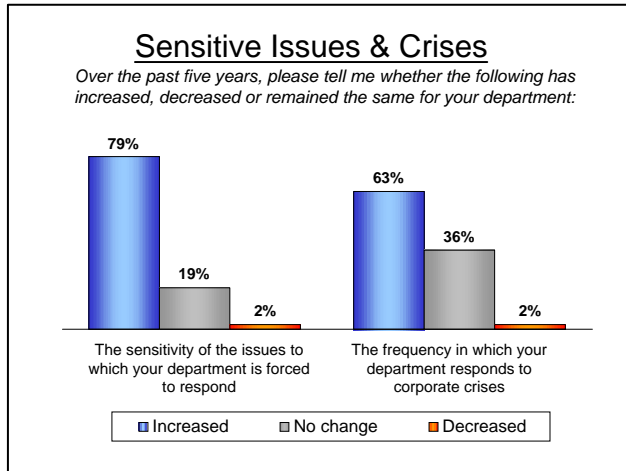


- Fewer than a third have addressed a strike or labor dispute (32%) or allegations of an environmental problem (32%) in the last year. One in ten (11%) have addressed a consumer boycott.
- The nation's economic climate has also contributed to the sensitive nature of the issues communication executives are managing.
  - Majorities report having dealt with issues associated with corporate restructuring and financial losses in the past 12 months.

- More than two-thirds (68%) have addressed a corporate downsizing or layoff in the past 12 months, while more than half report communicating about a corporate merger or acquisition (59%) or a decline in stock price (58%).

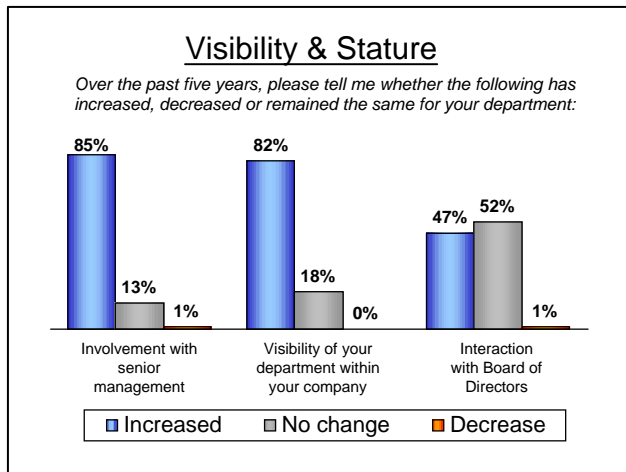
- Senior management also appears to be adding to the stress levels of today's corporate communicators as approximately one in five (22%) had to publicly address allegations of improper behavior by a senior manager—the same number who have communicated about a product recall (22%) or earnings restatement (20%).

**In general, the vast majority of executives say that communications in response to sensitive issues and crisis situations has increased over the past five years:**



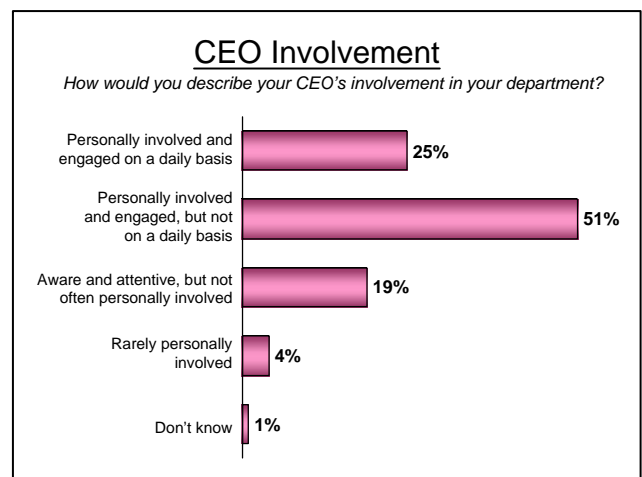
- More than three-quarters (79%) say the sensitivity of the issues they deal with has increased.
- Just under two-thirds (63%) report that they are dealing with crises more frequently.
- A similarly high percentage of those managing small, medium and large departments agree that both the sensitivity of the issues their department is forced to respond to as well as the frequency in which their department responds to corporate crises has increased.

**Corporate communications has increased in stature within these companies over the last five years, with a trend toward greater involvement from senior management as well as corporate officers.**



- Within the Fortune 500, senior management—including Chief Executive Officers and Boards of Directors—have increased their interest in corporate communications over the past five years.
- The vast majority of communications executives report that senior management has increased the amount of attention they pay to corporate communications (85%).

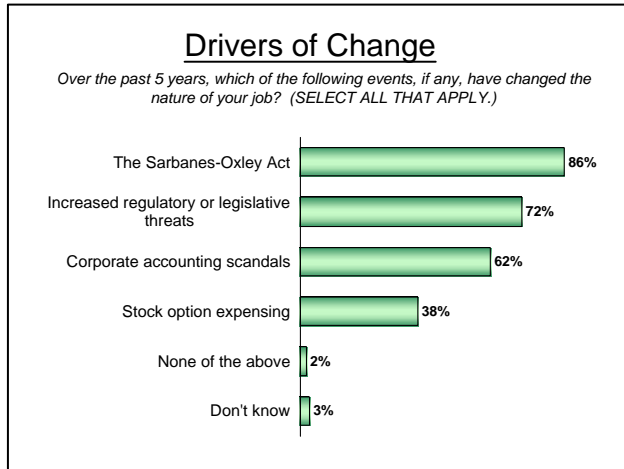
- More than three-quarters (76%) report that their CEO is personally involved and engaged in corporate communications (although not necessarily on a daily basis).
- Nearly one in two (47%) have also experienced an increase in their interaction with the company's Board of Directors.



- The vast majority (82%) also report that the visibility of their department has increased within the company overall during this time.

**The demand for more transparent communications—driven largely by Sarbanes-Oxley and high profile corporate accounting scandals—is what has changed the nature and role of corporate communications departments nationwide.**

- More than nine in ten (95%) report that at least one high profile corporate or legislative event (or scandal) *not* directly associated with their corporation has impacted the nature of their job over the past five years.



- The Sarbanes-Oxley Act is most likely to have changed the corporate communications function within the Fortune 500, with the vast majority (86%) agreeing that this legislative act has had a permanent effect on their job.
- The majority of executives report that their departments have also been affected by a surge of regulatory and legislative threats directed at their companies (72%) as well as high profile corporate accounting scandals (62%).

- Coverage of stock option expensing has affected corporate communications in fewer companies, with just more than a third (38%) of executives identifying this as changing nature of their job.
- Despite a variation in size, small, medium and large departments have equally likely to have been affected by these external events.

**While external events have affected corporate communications departments in a variety of ways, the most common residual effect has been the demand for more transparent communications, identified by more than a third of executives (35%) on an unaided basis.**

- A quarter (25%) cite that these events have increased the amount of work assigned to the communications department while fewer than one in five report that these events have changed the priorities (13%) or structure (13%) of their departments.

<b>Generally speaking, how has this event (or events) changed the nature of your job? (OPEN-ENDED QUESTION, CODED RESPONSES)</b>	
<b>DEMAND FOR TRANSPARENCY</b>	<b>35%</b>
More public scrutiny/disclosure	28%
More public reporting of finances	7%
<b>MORE WORK</b>	<b>25%</b>
Increase of regulations/more steps to take	10%

Increased dealings with legal department	8%
More work to do	7%
<b>SHIFT IN INTERNAL PRIORITIES</b>	<b>13%</b>
Department is more of a priority for Sr. Management	8%
More emphasis on internal communications/meetings	5%
<b>MORE INTERNALLY INTEGRATED WITH OTHER DEPARTMENTS</b>	<b>13%</b>
<b>OTHER</b>	<b>6%</b>

- In their own words:
  - *“We’ve had to be more proactive and more integrated with senior management. I have to serve on a disclosure committee with other senior executives. We [also] have to be more transparent to our stakeholders by facilitating information flow within our own company to avoid 11th hour surprises.”*
  - *“There is a demand for a greater level of communications and clarity of messages.”*
  - *“We need to keep on top of everything, especially [due to] the stress of transparency in financial areas.”*
  - *“There are measurements required due to the improper behavior of other companies.”*
  - *“[These events] have put our department in a crucial role. We’re expected to help solve these problems and communicate solutions.”*
  - *“It has caused communication practitioners to overcome difficult credibility issues more than ever.”*
  - *“...[T]he rule of corporate communications is to openly communicate the position of the company on an array of issues which could have an impact on our reputation, stock price and how we are perceived in our community.”*

**When asked directly, the majority (53%) of executives report that the increased scrutiny on corporate behavior and practices is what has made their jobs more difficult—more than twice the number (21%) who blame the increase in responsibilities that have been assumed by these departments over the past five years.**

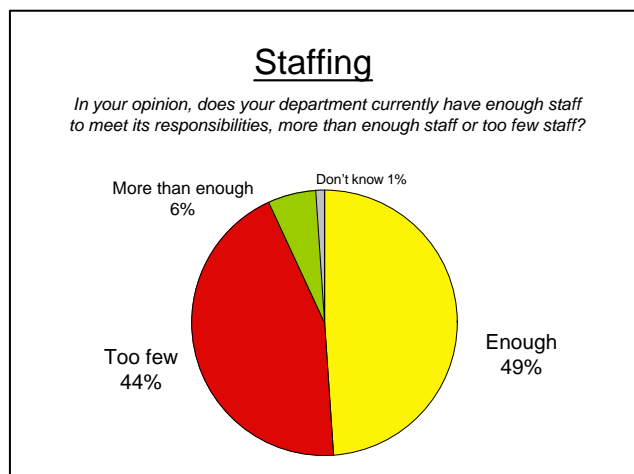
<b>WHY DO YOU SAY YOUR JOB IS MORE DIFFICULT? (OPEN-ENDED QUESTION, CODED RESPONSES)</b>	
<b>GREATER SCRUTINY</b>	<b>53%</b>
Increased public scrutiny on corporate behavior	47%
More attention is paid now to legal issues	6%
<b>INCREASED RESPONSIBILITIES</b>	<b>21%</b>
Increased workload/responsibilities	13%
Increase of regulations	8%

<b>24/7 INFORMATION ENVIRONMENT</b>	<b>8%</b>
<b>INADEQUATE RESOURCES</b>	<b>5%</b>
<b>HIGHER INTERNAL PERFORMANCE EXPECTATIONS</b>	<b>5%</b>
<b>OTHER</b>	<b>5%</b>

- In their own words:
  - *“I had to get my MBA to keep up with our business [due to an increase] in the amount of time spent with financial people to prepare for disclosure issues.”*
  - *“There is more public scrutiny and less margin for error.”*
  - *“There is a lot more pressure [which has] increased the visibility and level of responsibility [on us] internally and externally.*
  - *”“It now requires professionalism and a good understanding of the laws.”*
  - *“Legal scrutiny is tough due to what has happened to many companies we have read about, such as Enron.”*
  - *“You have to be more careful [about] regulation and financial disclosures. Everything is made public.”*
  - *“There are more issues to deal with, more lawsuits and increased regulatory requirements such as the Sarbanes-Oxley Act.”*
  - *“There’s more to do. External pressure and the speed of information sharing equals a new environment and different audiences [to communicate to].”*

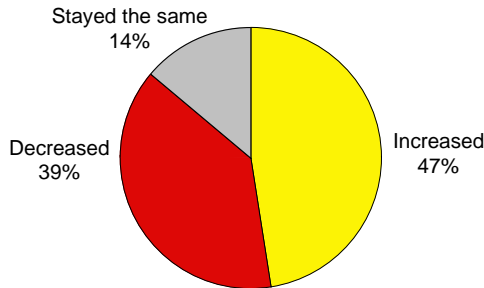
**Despite increased demands and new pressures, today’s corporate communicators are satisfied with the resources at their disposal and generally feel valued by their management.**

- The average Fortune 500 communications department consists of 29 people.
- More than half (55%) say they have adequate staff (with 6% report having more than enough staff).
- Nearly half (47%) report the number of people working in their company’s corporate communications department has increased over the past five years.



## Department Growth

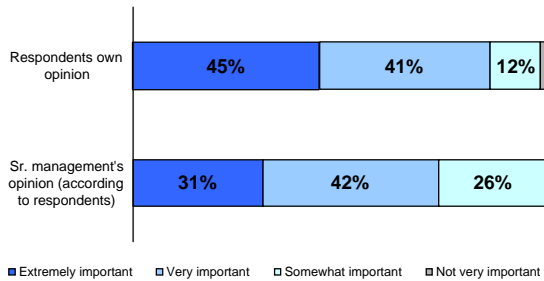
Over the past five years, has the number of people working in your company's corporate communications department increased or decreased?



- More than two-thirds (69%) feel that the increased amount of attention that senior management pays to corporate communications today has made their job easier, not more difficult.
- Nearly three in four (73%) report that senior management considers the job they do as highly important.
- That said, while 45% believe that the work of their department is extremely important to the overall success of their company, only 31% predict their senior management would agree.

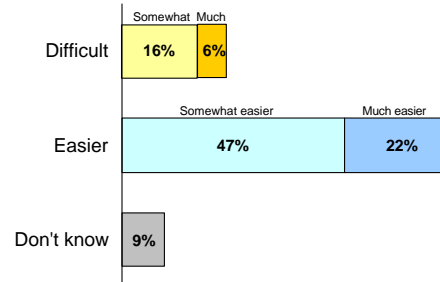
## Importance of Department

In your own opinion, how important is the work of your department to your company's overall success? And, how do you think your company's senior management would answer that same question?



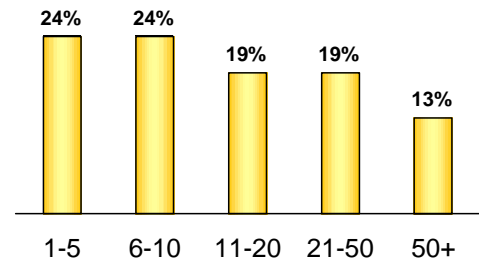
## Impact of Attention

Does the amount of attention senior management in your company currently pays to corporate communication make your job much more difficult, somewhat more difficult, somewhat easier, or much easier than it was five years ago?



## Size of Department

Including yourself, approximately how many people work in your company's corporate communications department?



Average department size: 29 employees

#### **IV. METHODOLOGY**

A total of 104 telephone interviews were conducted in October 2003 with corporate communications executives:

- 85 interviews were conducted with the senior-most communications executives at Fortune 500 companies; and,
- 19 interviews were conducted with other high-ranking corporate communications executives.

To qualify for participation, all participants had to:

- Be the senior-most person responsible for their company's corporate communications\*; and,
- Be employed by a Fortune 500 company.

\*Note: A few exceptions were made.