WHAT ARE THE CORE VALUES GENERATED BY COMMUNICATION?

THE COMMUNICATION VALUE CIRCLE: A NEW FRAMEWORK VISUALIZES THE VALUE OF COMMUNICATION

Communication professionals use numerous and multifaceted rationales to explain the value of their work. These range from building reputation and brands to boosting sales and fostering employee motivation. However, communicators seldom share a consistent understanding of the multiple dimensions of communication value. At the same time, a variety of different theoretical concepts exist, which explain the contribution of communication toward organizational goals – yet they have never been analyzed and combined in order to draw a 'big picture' of communication value. In order to advance the debate, we have developed a new interdisciplinary framework that has successfully been tested and applied in practice.

The notion of 'value creation' describes the transformation of resources into goods or services with a higher financial value. This is the foremost goal of each business. As a consequence, all corporate decisions should focus on increasing the overall value of the company and not only on short-term objectives. This holds true for corporate communications as well (Argenti, 2016; Zerfass, 2008). In our understanding, contributing to the value creation by communicative means is the primary task of any communication department. But how exactly can communication add value to the business?

Searching for the 'big picture'

Our literature survey across different disciplines revealed that the question of how communication contributes to value creation for organizations has not been answered until now. There are many approaches, indicators, measurement methods and concepts for evaluation. However, they lead to different results, and a coherent and integrative approach is missing. There is a tendency among professional communicators and in the research community to focus on 'soft factors' such as creating reputation, brands or relationships. Other contributions such as issues management, internal communication consulting, mastering crisis situations or providing innovation support are not often seen as a priority.

In order to explain the process of value creation through communication more effectively, we have summarized the most relevant value dimensions of communication and developed a new interdisciplinary framework – the Communication Value Circle. It combines and expands on insights from an extensive literature review and expert interviews with the CCOs of global corporations.

The Communication Value Circle

The Communication Value Circle (CVC) describes value creation on two levels: corporate management and corporate communications. At the core of the framework is the corporate strategy, which should be the starting point for all organizational decisions. Adapting and expanding on classical distinctions in management theory (e.g. Gälweiler, 2005), four generic corporate goals were combined to create a matrix in the inner circle. Tangible and intangible assets contribute to creating corporate value, whereas room for maneuver and opportunities for development contribute to enabling value creation. Tangible assets and room for maneuver represent the current value creation of the corporation, while intangible assets and opportunities for development foster future value creation. Every function within the corporation supports these four dimensions of corporate value. As such, the generic goals are applicable to human resources management, sales or, as in this case, corporate communications.

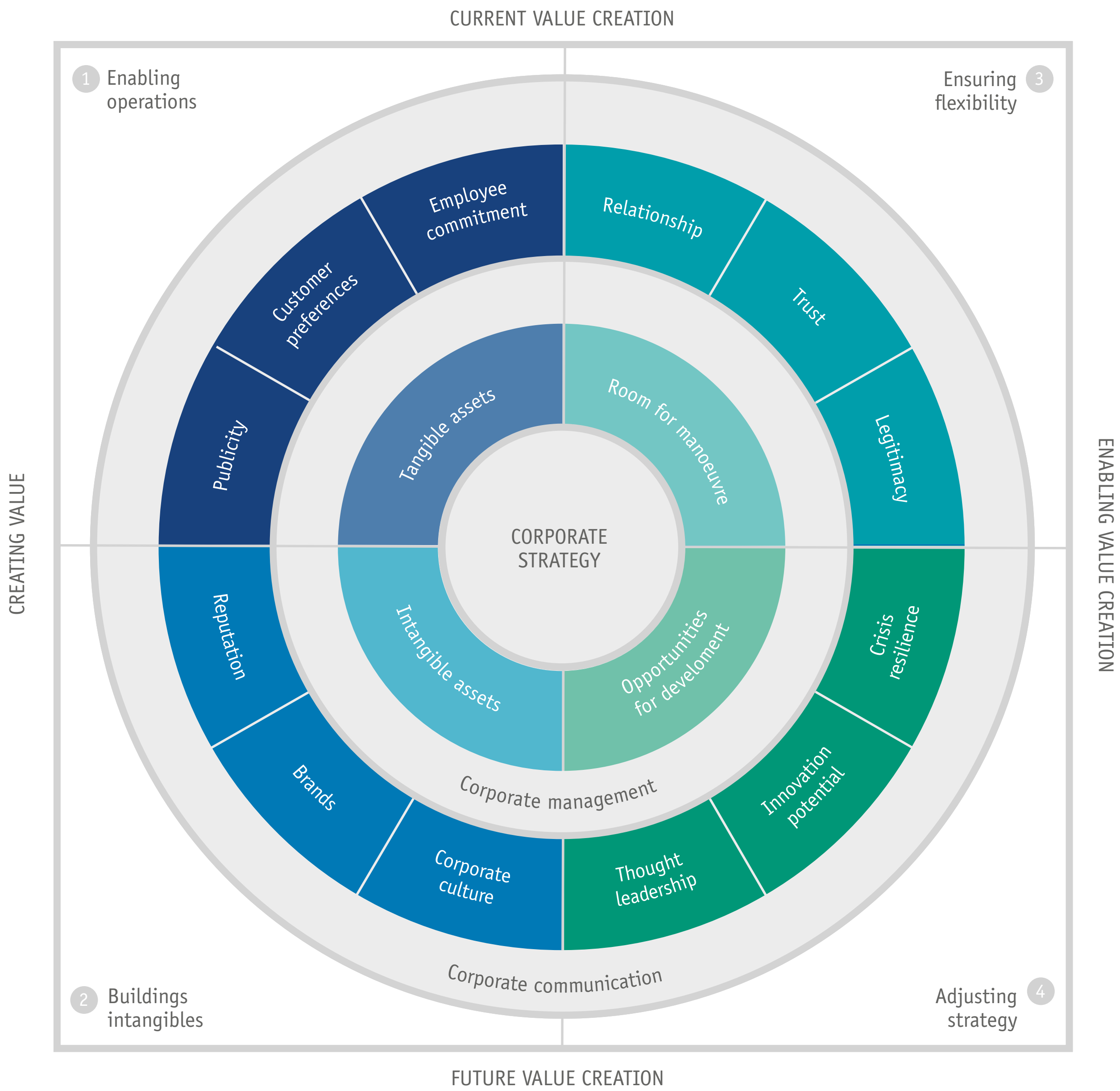
Four overarching communication goals with twelve value dimensions

The corners of the framework illustrate four overarching goals for communication that are clustered into twelve communication value dimensions (outer circle). They were all derived from the four corporate value dimensions (inner circle).

1. **Enabling operations:** communication supports business operations, e.g. through stimulating publicity, customer preferences, and employee commitment. By disseminating content and messages and raising attention and awareness for strategic issues, products or services, communication keeps an organization running and enables the creation of material assets. By managing dialogues with employees, suppliers, customers etc. on a daily basis, communication builds the basis for delivering value to key stakeholders.

2. **Building intangibles:** communication helps to create intangible assets, such as reputation, brands or corporate culture. Intangibles are part of the overall company value. A positive reputation and strong brands create a strong corporate identity. Integrating the specific culture and history of a corporation into its internal and external communication is a basic task of any communication department.

Communication Value Circle



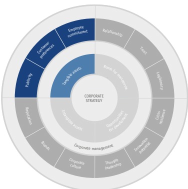
3 **Ensuring flexibility:** being flexible as a corporation means having relationships that are based on trust or, at the very least, are based on a perception of legitimacy of the corporation's values and actions. Communication can build stakeholder networks, which ensure room for maneuver, especially in times of change and crisis. If the license to operate is questioned by relevant stakeholders, every other value dimension will be affected negatively.

4 **Adjusting strategy:** communication supports the strategic positioning by fostering thought leadership, identifying and communicating innovation potential, and building up crisis resilience. This value dimension is based first and foremost on the communication department's capacity to listen. Systematically monitoring public opinion in the mass media, social media, markets, politics and society helps to adapt strategies to upcoming socio-political and economic developments. Thus, corporate communications contribute to identifying competitive advantages.

Measuring communication value in the 12 dimensions

Business logic requires communication executives to prove how communications have contributed to annual business targets. Demonstrating the value contribution of communication is certainly somewhat more challenging for communications than for other departments. The value of communication is difficult to express in financial terms. It requires multi-indexed approaches and non-financial measures. Numerous established sets of key performance indicators (KPIs), measurement tools and evaluation methods exist and should be integrated (Stacks, 2017; Watson & Noble, 2014). Some of the established KPIs are proprietary and based on methods provided by media analytics or research companies. This requires the organization to adapt to the specific goals established through the Communication Value Circle or by other means.

Overall, the best approach is always to build up a measurement approach from scratch by starting with identifying business goals, defining communication targets, establishing KPIs, identifying suitable research methods and evaluation techniques, and selecting the latter from the broad range of techniques and services available in the field. In this way, all communication goals in the Communication Value Circle can be measured to show the value-add of communication to value creation. In the following, we provide a brief explanation of all 12 communication dimensions and present a selection of possible KPIs.



PUBLICITY

Publicity emphasizes the importance of visibility for any organization. Media publicity facilitates the process through which key stakeholders learn about the organization's products, services and unique characteristics e.g. as employers. Some organizations might also be interested in staying away from public debates, and so avoiding publicity can be a goal for communications as well.

- *KPIs: e.g. media reach, media resonance, (un)aided awareness, page impressions, conversion rate, unique visitors, visits, likes, shares, followers, tonality, share of voice, message recall, recognition.*

- *Research tools and methods: e.g. public opinion polls, media content analyses, social media analyses, big data analyses.*

CUSTOMER PREFERENCES

Customer preferences include attitudes or opinions towards a product, service, brand or company held by (prospective) customers. Preference is often based on previous experiences. High customer satisfaction typically leads to customer loyalty and product repurchase. Satisfied customers are also more likely to recommend products to their peers and influence their preferences.

- *KPIs: e.g. customer satisfaction, customer loyalty, customer expectations, word of mouth, cross-buying intention, net promoter score, intention to buy, virality of social media messages.*

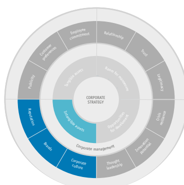
- *Research tools and methods: e.g. customer surveys (e.g. Customer Satisfaction Index, Customer Lifetime Value), recall and recognition tests, experiments.*

EMPLOYEE COMMITMENT

Employee commitment is the attitude of employees towards their employer. Typically, employees with high commitment identify themselves strongly with the goals, values, and norms of an organization. Strong commitment relates to increased satisfaction, engagement and motivation, as well as more efficient internal processes and lower employee turnover rates.

- *KPIs: e.g. readiness for change, employee commitment, employee motivation, employee satisfaction, engagement with the company, employee turnover rate, employee loyalty, employee trust, knowledge of the company's values, advocacy of the organization, emotion towards the company, identification with the organization.*

- *Research tools and methods: e.g. employee surveys (e.g. TNS Employee Engagement survey, Communication Satisfaction Questionnaire), focus groups.*



REPUTATION

Reputation is a generalized collective perception of an organization of multiple stakeholders, including consumers, employees, investors, and other groups that are critical for corporate success. As such, reputation is formed externally and is based on subjective impressions and expectations about the organization's future behavior. The corporate image in contrast is more based on a temporary, often intuitive assessment, while reputation is more enduring. Reputation can have a positive impact on overall financial performance or purchase intentions of potential customers and serve as a buffering shield in crises. Media reputation, on the other hand, is the reputation of a company reported in the mass media or on social media. This is only an indicator of the reputation among key stakeholders as there are many other ways of shaping impressions and expectations about an organization, e.g. word of mouth, personal experiences, etc.

- *KPIs: e.g. reputational capital, admiration of the organization, emotional appeal of the organization, perceived quality of the company's products and services, perception of the company's financial soundness, perceived quality of the company's management, perception of the company's social responsibility.*

- *Research tools and methods: e.g. reputation analyses (e.g. Global Pulse Score, Corporate Reputation Monitor), reputation rankings (e.g. AMAC Index), media reputation analyses (e.g Media Reputation Index), stakeholder surveys, focus groups.*

BRANDS

Brands are mental pictures of an organization or their products/services held by its stakeholders. They serve different purposes such as identification and differentiation. Brands are valuable immaterial assets and help companies to distinguish themselves from their competitors. Brands engender trust in the consumer, which typically results in brand loyalty and brand preference. Strong brands can command a higher price, boost sales and market share.

- *KPIs: e.g. brand equity, brand image, brand recall, brand preference, brand advocacy, brand mentions, brand identification.*

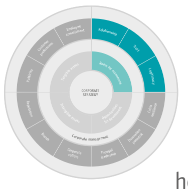
- *Research tools and methods: e.g. advertising impact analysis, brand analyses (e.g. Brand Potential Index, Brand Scorecard, Brand Asset Valuator, Brand Championship, Brand Potential Analysis, Brand Performancer, Interbrand Brand Valuation), focus groups, experiments.*

CORPORATE CULTURE

Corporate culture is a collection of key values, symbols, meanings, beliefs, assumptions and expectations that organizational members share. Culture is how things get done and how employees feel about the company. It is created, sustained and changed by all members of the organization and may be split into subcultures. A strong corporate culture is typically related to higher productivity, lower employee turnover rates, and higher attractiveness for potential employees.

- *KPIs: e.g. communication culture, change culture, culture of constructive criticism, teamwork and collaboration culture, feedback culture, employee awareness of corporate strategy, employee support for the corporate mission, vision and values, employee agility, employee feeling of empowerment, company attractiveness among needed talent groups.*

- *Research tools and methods: e.g. employee surveys, focus groups.*



RELATIONSHIPS

Relationships are the state or ties that exist between an organization and its key stakeholders and are intricately interwoven with dimensions such as trust or satisfaction. Beneficial relationships with investors, journalists, employees and critical stakeholders may serve as a buffering shield in crisis situations and safeguard the organization's room for action. High quality relationships with customers are a key success factor, often managed via Customer Relationship Management systems.

- *KPIs: e.g. stakeholder attitudes toward the values of the company, stakeholder satisfaction with information provision, stakeholder perception of control mutuality, stakeholder commitment, stakeholder trust, network quality, customer relationship quality, relationship capital, social capital.*

- *Research tools and methods: e.g. focus groups, relationship analysis, (social) network analysis, stakeholder touch points analysis, journalist survey (e.g. Organization-Public Relationship Quality measure).*

HOW BEST TO APPLY THE COMMUNICATION VALUE CIRCLE

INSIGHTS FROM PRACTICE

Our case studies across German organizations have confirmed that the Communication Value Circle (CVC) can be used as an analytical tool in practice. It helps to identify and structure communication goals and align communication targets with the overarching corporate strategy. The CVC also provides a useful tool for testing existing communication strategies. By analyzing gaps between corporate and communication goals, communicators can detect misalignments and refocus their activities. The CVC can also be used to match all communication goals with performance indicators. This helps to reflect on existing measurement activities. They can be integrated into a consistent performance management system focused on communication and business objectives alike. Key findings of our qualitative interviews with Chief Communication Officers are:

- Not every single goal is as relevant for each communication department or situation. For example, communication goals such as employee commitment or corporate culture become more relevant during restructuring, while trust and legitimacy are critical goals during a corporate crisis.
- Reputation is often considered the most important goal for communications – but linking the success of communication to the company's reputation only is risky due to the fact that reputation is not only driven by communication.
- Communication leaders often underestimate relationship building and crisis prevention as goals. Measurement methods and key performance indicators exist for those fields as well. They should be integrated in order to document how communication reduces costs and contributes to corporate success indirectly.
- Innovations are a central aspect in most business strategies. Yet promoting innovations and establishing thought leadership are seldom mentioned as communication goals. Concepts to define targets and measure results in these fields are missing. The same is true for the field of corporate listening, e.g. for monitoring megatrends. This helps to adapt corporate strategies to external challenges.

TRUST

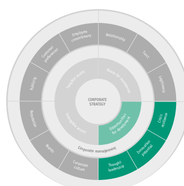
Trust is the level of confidence in the organization's ability to do what it says it will do and that it will act consistently and dependably. Trust is closely related to credibility and integrity. Future employees have to trust that an organization will treat them fairly. Customers who buy products or services with key importance for their own businesses (e.g. machinery or software in business-to-business markets) have to trust that the seller will offer continuing service and updates according to unknown future standards. Trust replaces control in an unstable world and is important for future-oriented decisions.

- *KPIs: e.g. credibility, transparency, trustworthiness, authenticity, integrity, competence, dependability, belief in the organization's promises, perception as a fair organization, confidence in the organization's concern for people and employees, level of forgiveness in a crisis, stakeholder emotions towards the company.*
- *Research tools and methods: e.g. credibility analyses, public opinion polls, stakeholder analyses, media trust analyses (e.g. Corporate Trust Index).*

LEGITIMACY

Legitimacy relates to the long-term ability of organizations to act in a manner that is consistent with socially accepted norms, values, commonly held beliefs and stakeholder expectations. Organizations that are perceived as legitimate safeguard their license to operate. Their ability to survive critical situations is increased. While reputation emphasizes the differences to other organizations, legitimacy emphasizes the attempt of organizations to resemble societal norms and similarities with other organizations.

- *KPIs: e.g. perceived appropriateness of corporate actions, support from key stakeholders such as owners and governing bodies, confidence in the organization's responsibility for society or the environment, acceptance quotient.*
- *Research tools and methods: e.g. public opinion polls, stakeholder analyses, social media analyses.*



THOUGHT LEADERSHIP

Thought leadership is the practice of positioning the organization as an opinion leader of new, compelling and innovative ideas in a community of interest. Thought leaders provide new information, analysis and insights that help others to make sense of today's complex world and better understand the future. Thought leadership helps organizations to raise awareness, increase the status of their brand or reputation, and recognition by other influential opinion leaders such as political or regulatory institutions.

- *KPIs: e.g. share of voice, citations or downloads of white papers/studies, backlinks or quotations of voiced 'thoughts', participation in thought leader think tanks or groups; visibility on relevant platforms such as conferences or blogs, endorsement by multipliers.*

- *Research tools and methods: e.g. trends analyses, opinion leader analyses, network analyses, media and social media monitoring.*

INNOVATION POTENTIAL

Innovation potential is the ability to identify opportunities for new products and services and understand trends and ideas. These insights can be used in a strategic manner to initiate or support innovative business models and functional strategies. Innovation potential can be fostered by a communication culture that promotes creativity and openness among employees and is capable of coping with constant change. Communications can also support innovation potential by identifying and attracting external partners, e.g. in open innovation processes.

- *KPIs: e.g. staff engagement in innovation processes, an innovation-friendly corporate culture, strategic readiness of employees, employee familiarity with innovation goals, leadership willingness to innovate, employee willingness to participate in team rotations, use of innovation communication platforms, employee willingness to think outside of the box, positioning of innovative ideas in specialist media and platforms, response to open innovation activities.*

- *Research tools and methods: e.g. employee surveys, social media and media analyses.*

CRISIS RESILIENCE

Crisis resilience is the ability to identify and monitor emergent critical issues, which may threaten an organization's people, assets or reputation, and utilize these insights systematically for crisis anticipation and prevention. Issues management and integrated monitoring or listening systems help to identify issues at an early stage, whereas crisis management plans enable to respond quickly and effectively to any incident.

- *KPIs: e.g. emergent issues identified, employee awareness of crisis plans, responsibilities and guidelines, employee willingness to take risks, crisis readiness and responsiveness of leaders, number of crisis trainings performed by employees, costs of successful mitigated crises.*

- *Research tools and methods: e.g. issues analyses, sentiment analyses, social media analyses, media content analyses.*

Sources: Bentele et al., 2009; DPRG/ICV, 2011; Einwiller, 2014; Frandsen & Johansen, 2011; Gandomi & Haider, 2015; Heide & Simonsson, 2014; Homburg, 2012; Hon & Grunig, 1999; Liehr et al., 2010; Macnamara, 2014; Mazzei et al., 2012; Meng & Pan, 2012; Menninger, 2010; Möller et al., 2009; Pfannenberg & Zerfaß, 2010; Rolke & Sass, 2016; Schwaiger, 2004; Schwalbach, 2015; Stieglitz et al., 2014.

At a glance

- Explaining and reporting the impact of communication in the language of top managers remains a key challenge. A consistent and integrative understanding of how communication adds value to the organization is still missing – both in corporate practice and in communication and management research.

- The Communication Value Circle provides a new framework to help communication professionals explain the value of communication more effectively. It illustrates four generic corporate goals (inner circle) and twelve major communication goals (outer circle).

- In order to prove the value-add of communication to value creation, each communication goal in the Communication Value Circle can be measured using established key performance indicators (KPIs) and research methods.

FURTHER READINGS

Zerfass, A., & Viertmann, C. (2017). Creating Business Value through Corporate Communication: A Theory-Based Framework and its Practical Application. Journal of Communication Management, 21(1), 86-91.