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Carson Container Company

...For permission to reprint, contact the ...
...of business ...

CASE QUESTIONS

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An Overview of the Corporate Communication Function

The past two chapters painted a broad picture of the business environment and provided a framework for communicating strategically. Against this backdrop, we now discuss the corporate communication function itself. More and more companies recognize the value of corporate communication and are adapting their budgets and internal structures accordingly. The eighth Communication and Public Relations Generally Accepted Practices (GAP) Study, released by the Strategic Communication and Public Relations Center at the University of Southern California, found that while flat or reduced budgets were the norm during the recession, in 2014, nearly half of public company respondents surveyed expected their PR/communication budgets to increase over 2013 levels.¹ In fact, the global communications industry grew 11 percent in 2013, compared with 8 percent in 2012 and 2011.² Chief Executive of the Internal Communications Consultancy Organization (ICCO) Francis Ingham observed that “the landscape we operate in has changed— and it’s changed firmly in our favor . . . new technologies and new frontiers—under the broad banner of digital and social media—mean demand for our services is greater than ever.”³

This chapter traces the evolution of corporate communication and the developments in recent years that have led to heightened recognition for the field. After examining corporate communication’s roots, we discuss the most appropriate structure for the function within an organization, including reporting relationships. We also briefly showcase each corporate communication subfunction, all of which are developed in greater detail later in this book.

¹ <http://ascjweb.org/gapstudy/gapviii/>.

² <http://worldreport.holmesreport.com/#sthash.pSWBRIjo.dpuf>.

³ Holmes Report, “2013 World Report,” <http://worldreport.holmesreport.com/>.

From "PR" to "CorpComm"

Public relations (PR), the predecessor to the corporate communication (CorpComm) function, grew out of necessity. Although corporations had no specific strategy for communications, they often had to respond to external constituencies whether they wanted to or not. As new laws forced companies to communicate in many situations they hadn't previously confronted, the constant need for a response meant that dedicated resources were required to manage the flow of communications.

This function, which was tactical in most companies, was almost always called either *public relations* (PR) or *public affairs*. Typically, the effort was focused on preventing the press from getting too close to management. Like a Patriot missile, designed to stop incoming missiles during war, the first PR professionals were asked to protect the company from bad publicity, often by "spinning" damaging news in a positive light. Thus, the term "flak" came to be used to describe what PR people were actually doing: shielding top managers from "missiles" fired at them from the outside.

The "flak" era of public relations lasted for many decades, and when companies needed other communications activities, public relations personnel were the obvious choice to take them on. In the 1960s, for instance, it was fairly typical to find public relations officials handling speechwriting, annual reports, and the company newsletter. Given that the majority of work in this area involved handling print media (television wasn't truly a factor until the early 1970s), many companies hired former journalists to manage this job. The former-journalist-turned-flak brought the organization the first dedicated expert in the area of communication.

Until recently, the top managers in large companies came from backgrounds such as engineering, accounting, finance, production, or, at best (in terms of understanding the company's communication needs), sales or marketing. Their understanding of how to communicate depended on abilities they might have gained by chance or through undergraduate or secondary school training rather than years of experience. Given their more quantitative rather than verbal orientation, these old-style managers were delighted to have an expert communicator on board who could take the heat for them and offer guidance in times of trouble.

PR professionals often were seen as capable of turning bad situations into good ones, creating excellent relations with their former colleagues in journalism, and helping the chief executive officer become a superb communicator. In some cases, this reputation was true, but for the most part, the journalists were not the answer to all of the company's communications problems. When situations turned from bad to worse, they were the obvious ones to blame—easy scapegoats for irresponsible managers.

The First Spin Doctors

In addition to the internal PR staff, outside agencies often helped companies that either couldn't afford a full-time person or needed an extra pair of hands in a crisis. The legends of the public relations field—such as Ivy Lee and Edward Bernays and, later, Howard Rubenstein and Daniel Edelman—helped the public relations function develop from its journalistic roots into a more refined and respected profession.

For many years, PR agencies dominated the communications field, billing companies hefty fees for services they could not handle in-house. Few large companies were willing to operate without such a firm for fear that they might be missing an opportunity to solve their communications problems painlessly by using these outside "spin doctors."

Some of the top public relations firms today—such as Fleishman-Hillard and Edelman in the United States, Weber Shandwick in the United Kingdom and the United States, and Ogilvy and COSMO PR in Japan—still provide some of the best advice available on a number of communications-related issues. But outside agencies cannot handle all the day-to-day activities required for the smooth flow of communications from organization to constituents. Therefore, they often work alongside in-house communication professionals on strategic or project-based communications activities.

A New Function Emerges

By the 1970s, the business environment required more than the simple internal PR function supplemented by the outside consultant. The rise in importance and power of special-interest groups, such as Ralph Nader's Public Interest Research Group, and environmentally oriented nongovernmental organizations (NGOs), such as Greenpeace, forced companies to increase their communications activities. During the Arab oil boycott and embargo in the 1970s, the entire oil industry came under fire as consumers had to wait hours for a tank of gasoline while big oil companies reported what many consumer groups felt were "obscene" profits running into the hundreds of millions of dollars.

This situation led Mobil Oil to develop one of the most sophisticated public relations departments of its time. Mobil's Herb Schmertz revolutionized the field by solving communications problems with strategies that no one had thought of before. His series of advertisements, called "issue ads" (see Chapter 4 for more on this subject), which ran on *The New York Times* and *The Wall Street Journal* op-ed pages once or twice a week, directly attacked the allegations of both "obscene" profits and hoarding of oil to inflate prices. Instead of merely reacting to these allegations, the Mobil issue ads put the blame on the government, explained why the oil companies needed hefty profits for exploration, and refocused discussion on other issues the company's chief executive officer (CEO) thought were important to shareholders.

With a budget in the tens of millions of dollars, Schmertz created a new communications function that changed the nature of Mobil's communications effort from old-style public relations to the first significant corporate communication department. A senior vice president of the corporation, Schmertz was also one of the very few communications executives with a seat on the board of directors—further proof of Mobil's commitment to enhanced communications.

Thus, as individual corporations and entire industries were increasingly scrutinized and had to answer to a much more sophisticated set of journalists, the old-style public relations function was no longer capable of handling the flak. As a result, what at first had been deemed a waste of resources at Mobil in the early

1970s became the norm in corporate America. The focus now shifted to structuring these new corporate communication departments effectively to fit the function into the existing corporate infrastructure.

Corporate Communications Today

In more recent years, the corporate communication function has continued to evolve to meet the demands of the ever-changing business and regulatory environments. At the outset of the millennium, a string of financial scandals at corporations including WorldCom and Enron resulted in the Sarbanes-Oxley Act of 2002, which although only legally affecting public companies, increased the public's expectations for transparency, responsiveness, and corporate responsibility for all companies large and small. The need to maintain this level of transparency has elevated the corporate communication function within companies to a new strategic level. Messages, activities, and products—from investor conferences and annual reports to philanthropic activities and corporate advertising—are now analyzed by regulators, investors, and the public at large with unprecedented scrutiny. And the proliferation of online communication vehicles, including web portals, instant messaging, and blogs, has accelerated the flow of information and the public's access to it to record speeds. (Chapter 6 covers media relations in more detail and Chapter 8 discusses investor relations at length.)

In its report "The Authentic Enterprise," the Arthur W. Page Society, an association of chief communications officers of large corporations, describes the current environment as "an inflection point in business history when new technologies combine with new economic and societal conditions to change the game in fundamental ways." The report characterizes the changes in corporate communications into three groups: (1) new audiences, (2) new channels and new kinds of content, and (3) new measurements. It also asserts that corporate communications professionals today must not only "position" their companies but also must "help to define" them.⁴

Under today's higher-resolution microscope, the clarity, alignment, and integration of communications to all constituents can make or break a corporate reputation. As a result, 86 percent of chief executives report that their companies have increased their efforts to build reputation over the past few years by developing integrated communications.⁵

Specific Responsibilities of Corporate Communications

While organizations may have unique combinations of needs at any given time, in its 2013 Resource Allocation Benchmarks report, the Corporate Executive Board, identified almost 20 distinct responsibilities that a modern communications team is likely to have.

Responsibilities categorized as *external communication activities* include:

- Press and Media Relations
- Investor Relations

⁴ Arthur W. Page Society. "The Authentic Enterprise: Relationships, Values and the Evolution of Corporate Communications." May 17, 2007.

⁵ Weber Shandwick, "The Company behind the Brand: In Reputation We Trust," January 2012.

- Financial Relations
- Corporate Website
- Corporate Advertising
- Marketing Communications
- Executive Communications
- Community Relations
- Government Relations

Responsibilities categorized as *internal communication activities* include:

- Employee Communications
- Corporate Intranet
- Leader/Manager Communications Training

Responsibilities categorized as *other communication activities* include:

- Social Media
- Graphics or Creative Services
- Measurement and Monitoring
- Corporate Social Responsibility
- Charitable Activity
- Corporate Sponsorship
- Communications Staff Development
- Operational Costs
- Other Miscellaneous Costs⁶

To Centralize or Decentralize Communications?

One of the earliest problems organizations confronted in structuring their communication efforts was whether to keep all communications focused by *centralizing* the activity under one senior officer at headquarters or *decentralizing* the activities and allowing individual business units to handle communications. The more centralized model provided an easier way for companies to achieve consistency in and control over all communication activities. The decentralized model, however, gave individual business units more flexibility in adapting the function to their own needs.

The same structural challenges persist today, and the answer to the centralization/decentralization debate often depends on a company's size, the geographic dispersion of its offices, and the diversity of its products and services. For organizations as large and diversified as General Electric, for example, the question is moot: there is no way such a sprawling organization involved in activities as diverse as aerospace and health care could remain completely centralized in all of its communication activities.

⁶ CEB Resource Allocation Benchmarks Study, 2013.

The same is true for Johnson & Johnson (J&J): With more than 125,000 employees in 75 operating companies in 60 different countries, complete centralization of communications would be difficult, if not impossible. Instead, Bill Nielsen, the legendary former corporate vice president of corporate communication at J&J, described the function as “a partnership of professionals in communication.”⁷ J&J even avoids centralizing its external communications counsel with a single public relations firm. Instead, the company uses both small firms on a project basis and large, global agencies with resources around the world, amounting to a total of more than 20 different agencies worldwide to support various elements of its business.

Global events and economic trends also affect decisions about the structure of an organization’s communication function. Not only did the shock of the September 11, 2001, attacks teach companies the importance of expecting the unexpected in terms of crises, but it also gave decentralized communication structures a new appeal for many companies. As Jim Wiggins, first vice president of corporate communication for Merrill Lynch (now part of Bank of America), explained at the time, “Companies will have to look at less centralization of key activities if we now live in a world where terrorism is a key possibility.”⁸

Increased security threats are not the only catalyst for the decentralization of communications; economic downturns can have a similar effect. Consider a major international airline that imposed significant staff reductions on its corporate communication department due to across-the-board cost cuts. As a result, the director of communications explained that the department became more selective about what they committed to, saying: “We don’t do everything for everybody anymore.” Instead, other departments throughout the company established communication positions, doing some of the activities formerly handled by the centralized corporate communication department.⁹

In instances of scaled-back budgets, delegating tasks is doubly important because economic uncertainty can also force the communications department to handle activities it would generally outsource to a full-time PR agency. This appears to be happening particularly at government agencies and at NGOs, who anticipate decreased staffing resources within communications, and who increasingly turn to social media as a cost-effective means of mobilizing support and raising funds.

Although decentralization allows for more flexibility in tough economic times, these advantages are not without accompanying risks. Dispersing corporate communications across individual operating units without some central oversight significantly raises the potential for inconsistent messages. In decentralized structures, a company’s communication professionals must be diligent about assuring quality, consistency, and integration of messages across the board. In addition, organizations in which communications is not integrated may struggle with internal success factors, such as recommendations being taken seriously.¹⁰ Companies often require formal mechanisms to ensure that this integration takes place.

⁷ Interview with Bill Nielsen, February 2002.

⁸ Shane McLaughlin, “Sept. 11: Four Views of Crisis Management,” *Public Relations Strategist*, January 1, 2002, pp. 22–28.

⁹ Jack LeMenager, “When Corporate Communication Budgets Are Cut,” *Communication World* 3 (February 3, 1999), p. 32.

¹⁰ “Eighth Annual Public Relations Generally Accepted Practices Study,” Strategic Public Relations Center, University of Southern California, June 12, 2014, <http://ascjweb.org/gapstudy/wp-content/uploads/2014/06/GAP-VIII-Presentation-Final-6.12.2014.pdf>.

Perhaps, then, finding a middle ground between a completely centralized and a wholly decentralized structure is preferable for large companies. For example, a strong, centralized, functional area can be supplemented by a network of decentralized "operatives" who adapt the function to the special needs of the independent business units. Dell Computer Corporation organizes its corporate communication staff using an approach that follows how its businesses are organized: a "matrix" based on customers, products, and geography. Although the more than 80 team members are physically located within the businesses they support, the person who heads up the team sits at headquarters among Dell's corporate staff, interacting constantly with senior management. This combination of centralized communication management with "operatives" dispersed throughout the various business units has proved successful for Dell, a company with more than 110,000 employees who live and work in more than 30 countries.

During the recessions of 2008 and 2010, corporate communication departments were "being asked to not only drive reputation, awareness and PR, but also to contribute to business results."¹¹ The importance of brand reputation, in particular, is driving the convergence between marketing and communications. As an example, 61 percent of companies now actively share analysis and insights between their communications and marketing departments.

The ways in which the marketing and PR functions work together may also depend on how much of the marketing function is communication focused versus marketing focused. In their book *Marketing Communication*, James G. Hutton and Francis J. Mulhern outlined five core relationship situations that companies may fall into:

1. Communication and marketing issues are both relatively small = a "separate-but-equal" model may work best.
2. If there are moderate communication and marketing issues = an "overlapping" model might work best.
3. For companies that have multiple brands, such as consumer products companies = a "marketing-dominant" model may deliver more success.
4. Professional services, hospitals, universities, and NGOs may benefit from = a "PR-dominant" model.
5. In situations where marketing issues are communication issues, primarily for smaller companies where there is very little difference = a "marketing-equals-public-relations" model might be best.¹²

Where Should the Function Report?

Surveys conducted over the last decade have consistently shown that a high percentage of the average CEO's time is spent communicating. Indeed, a recent McKinsey Global Survey of more than 1,300 executives suggests that CEOs spend only 20 percent of their time making operational decisions, and 80 percent communicating their

¹¹ LeMenager, "When Corporate Communication Budgets Are Cut."

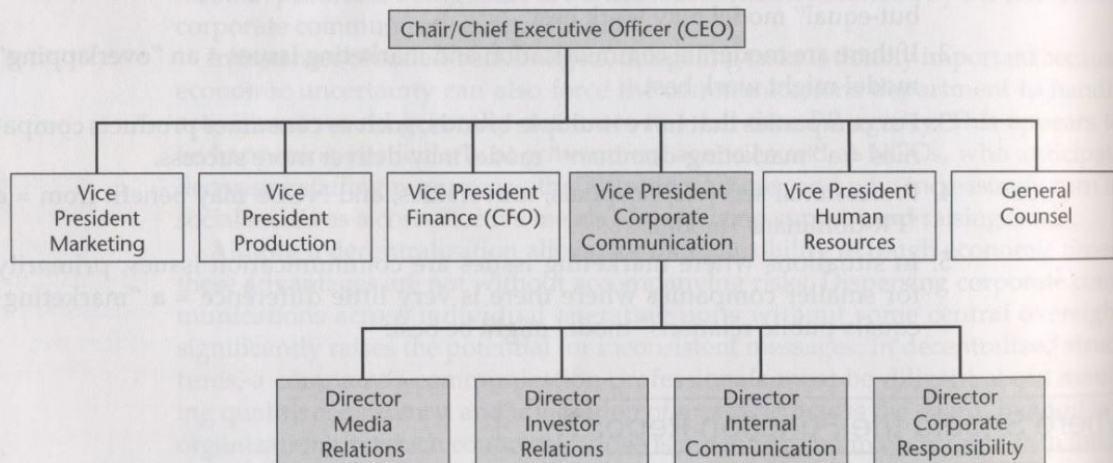
¹² James G. Hutton and Francis J. Mulhern, "Marketing Communications: Integrated Theory, Strategy & Tactics," *Pentagram*, January 2002.

company's strategic plan, mission, operating initiatives, and community involvement both internally and externally.¹³ Former Johnson & Johnson CEO James Burke estimated that he spent more than 40 percent of his time as CEO communicating the J&J Credo alone (see Chapter 10 for more on the Credo).¹⁴

In many respects, CEOs themselves are an embodiment of the corporate brand. As such, their behavior and commentary can easily and markedly affect a company's financial performance. Recall Martha Stewart, founder and CEO of Martha Stewart Living Omnimedia, sentenced to five months in prison in 2004 after being found guilty on four counts of obstructing justice and lying to investigators regarding a stock sale. Expectations of a not-guilty verdict caused the company's stock price to rally prior to the announcement, only to nose-dive 22 percent on the New York Stock Exchange following the guilty verdict.¹⁵

All of this evidence implies that the CEO should be the person most involved with both developing the overall strategy for communications and delivering consistent messages to constituencies. Ideally, the corporate communication function will have a direct line to the CEO. (See Figure 3.1 for a sample corporate communication reporting structure.) Sixty percent of respondents to a *PRWeek* Corporate Survey said their company's head of communications reported directly to the CEO, president, or chairman.¹⁶ Even if reporting lines do not, on paper, go directly to the CEO, it is vital that the head of corporate communication have access to the highest levels of senior management and that those executives believe in the value and necessity of corporate communication.

FIGURE 3.1 Ideal Structure for CorpComm Function for Larger Companies.



¹³ McKinsey Global Survey Results 2011, "How Effectively Executives Spend Their Time."

¹⁴ James C. Collins and Jerry I. Porras, *Built to Last* (New York: Harper Business, 1994, 1997), p. 80.

¹⁵ Jim Robinson, "Leader of the Brand—Keeping the Best CEOs in Step," *Management*, June 1, 2005, p. 26.

¹⁶ Hill & Knowlton/*PRWeek* Corporate Survey 2011, p. 4, http://hkstrategies.ca/wp-content/uploads/corporatesurvey2011_70832.pdf.

TABLE 3.1
Where Corporate Communications Reports

Source: Weber Shandwick & Spencer Stuart, "The Rising CCO V," June 2014. *PRWeek*.

Communications Head Reports to:	Total (Percentage of Companies)
CEO/Chair/Vice Chair/board member	57
Chief Human Resources Officer	16
Chief Marketing Officer	15
Head of PR/corporate affairs	4
President/business unit head	3
Chief Legal Officer	3
Chief Financial Officer	3
Other:	9%

as a means to achieve corporate goals. Without this connection, the communications function will be less effective and far less powerful. The 2011 *PRWeek/Hill & Knowlton Corporate Survey* demonstrates that communications teams have a bigger role to play now more than ever. Fifty-two percent of communications executives report that they have a "seat at the table" at the earliest stages of discussions on matters that will eventually require internal or external communications. This is a result of increased use of social media and a greater emphasis on reputation management.¹⁷

To keep the number of direct reports to the CEO down to a handful of senior executives (often the biggest stumbling block to getting the corporate communication function "plugged in" at the top), some companies are now integrating the corporate communication function into the strategic planning function. Given the importance of tying communications to the overall strategy of the firm, this approach may benefit the growing corporate communication function.

In some cases, however, the function still reports to the catch-all executive vice president (EVP) in charge of administration. This person also has responsibility for areas such as HR, security, and buildings and grounds. This structure can present tremendous problems for the communication function—especially if the EVP has little knowledge of or lacks an interest in communications.

In this classic example, when Union Carbide Corporation was dealing with the aftermath of its Bhopal plant accident in India in 1984, the company transferred its communication responsibilities to the vice president of strategic planning. In a letter to executives, the chairman and CEO of the company at the time, Robert Kennedy, said:

The Corporation's strategic direction is a key element of our communication to shareholders, employees and the public at large. . . . It is therefore more important than ever to be open and consistent in our communications to all of these groups, to keep them informed of our progress as we implement strategy, and to make sure that we address the special concerns and interests of all the groups and constituencies with a stake in Union Carbide's future. . . . To ensure the closest possible alignment of our communications with management directed at strategic planning developments, the

¹⁷ Ibid.

management of those functions is being consolidated under . . . [the] Vice President of Strategic Planning and Public Affairs.¹⁸

Dan Bartlett, U.S. president and CEO of Hill & Knowlton, observed that the increased recognition of communications and public relations by senior management over the last decade has meant that "CEOs are demanding more strategic communications. . . . This calls for a lot more coordination internally."¹⁹ The global financial crisis and the slew of recent corporate scandals have made CEOs more aware of the frailty of their companies' reputations, which has ushered corporate communications' ascendancy: 89 percent of corporate communicators found that they are under pressure to act as the guardian of their company's reputation; more than half say their C-suite has paid more attention to corporate reputation issues in the last year.²⁰

Often such studies focus on larger corporations, but many of the lessons that we learn from large companies can be translated and applied to smaller companies. Small and mid-size businesses may not have the luxury of an experienced communications team, but these companies still have important communications needs just as larger companies do. All companies need to communicate with a consistent voice to all of their constituencies.

Working Strategically with External PR and Communication Agencies

No matter how they structure their marketing and PR functions, all companies may benefit from the strategic use of external PR and communication agencies. For the best results, external agencies need to be actively managed and provided with clear expectations for deliverables. In some cases, companies and organizations engage external PR and communication agencies due to a lack of internal manpower or expertise. This is particularly common in smaller organizations where the external agency may report to an internal employee who has responsibilities in several functions. Table 3.2 highlights the main reasons that companies choose to work with external PR and communications agencies. Corporations continue to value external PR agencies, with 97.4 percent reporting use of external PR agencies in 2013.²¹

Companies should thoughtfully consider how and when to integrate the work of external agencies. The 2010 GAP study cited earlier reports the interesting finding that PR/communications functions that work with outside agencies are more likely to have responsibilities in corporate intranet, CSR, executive communication, issues management, and philanthropy, whereas PR/communications functions that do *not* work with outside agencies are more likely to have responsibilities in corporate image advertising and product, the corporate external website, the corporate image (including graphics and logo), and customer relations.

¹⁸ Letter from Union Carbide's CEO, Robert B. Kennedy, to Executive List, dated March 5, 1992.

¹⁹ Hill & Knowlton/*PR Week* Corporate Survey, 2011.

²⁰ Ibid.

²¹ USC Annenberg SCPRC, GAP VIII: Eighth Communication and Public Relations Generally Accepted Practices Study, June 2013.

TABLE 3.2
Why Companies Choose to Work with External PR and Communications Agencies: Top Reasons, Two Tiers

Source: Eighth "Public Relations Generally Accepted Practices Study," Strategic Public Relations Center, University of Southern California, June 2014.

Creative thinking	5.56
Additional arms and legs	5.55
Objective, independent council	5.44
Strategic insight	5.41
Expertise, media relations	4.72
Expertise, digital and social media	4.55
Limit on internal head count	4.25
Expertise, crisis management	4.24
Expertise, specific product markets	4.23
Expertise, specific geographic markets	4.22
Cheaper than adding staff	4.20
Increased geographic reach	4.08
Expertise, measurement and evaluation	3.93
Expertise, research and analysis	3.82
Expertise, socially diverse audiences	3.40

No matter how it staffs and organizes the communications function, when senior management shows commitment to communications by allocating significant resources, all employees will begin to rightfully appreciate communications as a critical management tool. Now let's take a look at what that function should include.

The Subfunctions within the Function

According to recent surveys, more than half of the heads of corporate communication departments oversee communications functions that include corporate communications/reputation, crisis management, executive communications, employee/internal communication, and marketing PR/product. CCOs now perform an average of five or more communications-related activities every day compared with a few years ago.²² With today's increased use of social media, for example, almost 27 percent of PR/communications teams spearhead digital and social media vision.²³ Although not every company can include all the subfunctions and responsibilities listed here under one umbrella, to operate most effectively, a majority of these functions must be included in the overall communications function.

The best approach to building a corporate communication function is to begin with the most global and strategic issues and then move into the narrower

²² The Rising CCO V.

²³ Hill & Knowlton/*PR Week* Corporate Survey, October 2011.

aspects of the function. We begin this section with a discussion of identity, image, and reputation, and then move on to the various subfunctions of corporate communication.

Identity, Image, and Reputation

Difficult to classify as a separate subfunction, an organization's identity, image, and reputation strategy is the most critical part of any corporate communication function. (In the next chapter, we explore these constructs in greater detail.) What is the difference between image, identity, and reputation, and how do they shape the operations of a corporate communication department?

Image is the corporation as seen through the eyes of its constituencies. An organization can have different images with different constituencies. For example, cigarette companies might be reprehensible to many American consumers looking for a healthier lifestyle but a delight to shareholders reaping the profits from international sales of the same product. On the other hand, customers might have been perfectly happy with what Macy's had to offer in its many stores throughout the United States, but securities analysts were reluctant to recommend the parent company's stock, knowing that inevitably it would enter bankruptcy.

Determining the organization's image with different constituencies is usually less obvious than in these examples—particularly given the increasingly blurred lines separating one constituency from another, as discussed in Chapter 2. For example, many employees today are encouraged to own stock in their own company and can be the most visible ambassadors of their company's brand by also being consumers of its products or services. The corporate communication department should conduct research to understand and monitor each constituency's evolving needs and attitudes. With the accessibility of social media metrics, this is an easy and necessary measurement task. Obviously, the organization cannot please everyone, but by monitoring what constituencies are thinking about, it can make a conscious effort to avoid hostility with a particular group. Similar monitoring and measurement systems can also help to gauge the impact and success of the company's communication activities.

Unlike its image, however, the organization's *identity* should not vary from one constituency to another. Identity consists of a company's defining attributes, such as its vision and values, its people, products, and services. An organization has an identity whether it wants one or not, based in part on the reality it presents to the world. People all over the world know Coca-Cola's red can and white script lettering and McDonald's golden arches in front of a store, whether they are in Singapore, or California.

Because identity building and maintenance require a variety of skills, including developing strategy and the ability to conduct research, to design attractive brochures, and to enforce identity standards and cohesion, it should be spread around several different functions in the absence of a single, centralized corporate communication function. For example, the research needed to determine a firm's image with various constituencies might be a minor by-product of the overall marketing research effort currently under way at a company, to determine

customer attitudes toward particular products and services rather than the firm as a whole.

Determining how a firm wants to be perceived with different constituencies and how it chooses to identify itself is the cornerstone function of corporate communication. If the firm is making serious changes in its identity, this subfunction can easily be a full-time job for a team of corporate communicators for a period of time.

At nearly all companies, outside agencies specializing in identity and image, such as Lippincott, Siegel and Gale, or Landor, would definitely be involved in the makeover as well, if the company alters significant components of its identity. These changes can range from the merely cosmetic—to keep the “look” of the company up to date—to the more momentous—such as a name change or a new logo.

Whereas identity represents the reality of an organization and image its reflection by key constituents, *reputation* is the sum of how all constituents view the organization. As a result, the idea that an organization can manage its reputation is unrealistic. Instead, corporations should focus on developing and implementing strategies in an integrated fashion across constituencies.

Corporate Advertising and Advocacy

A company's reputation also can be enhanced or altered through *corporate advertising*. This subfunction of corporate communication is different from its product advertising or marketing communication function in two ways. (See Chapter 4 for more on corporate advertising.)

First, unlike product advertising, corporate advertising does not necessarily try to sell a company's particular product or service. Instead, it tries to sell the company itself—often to a completely different constituency from customers. For example, in 2007 General Electric committed a substantial portion of its \$90 million corporate advertising budget to “Ecomagination”—a marketing campaign not only promoting its environmentally friendly products but also positing GE as an eco-friendly company and leader in corporate responsibility.²⁴ Underpinning the campaign was GE's promise to improve its energy efficiency 30 percent while also cutting greenhouse-gas emissions by 1 percent by 2012.²⁵

Adding a new layer to traditional television and print campaigns, corporations are also turning to the ever-growing Internet blogosphere and social media to create viral marketing campaigns that can influence consumers' opinions. As early as 2005, Microsoft employees were writing approximately 1,500 blogs, some devoted to corporate recruiting by focusing on the employee experience at Microsoft, as well as available positions and hiring trends.²⁶ Whether online or off, employees are important word-of-mouth advertising vehicles for a company's advocacy

²⁴ Matthew Creamer, “GE Sets Aside Big Bucks to Show off Some Green,” *Advertising Age* 76, no. 19 (May 9, 2005), p. 7.

²⁵ Daren Fonda and Perry Bacon Jr., “GE's Green Awakening,” *Time*, July 11, 2005, p. A10.

²⁶ Sarah E. Needleman, “Blogging Becomes a Corporate Job; Digital ‘Handshake?’” *The Wall Street Journal*, May 31, 2005, p. B1.

efforts. GE kept this in mind in its "Ecomagination" launch, conducting a simultaneous internal communications program in 2007 that featured a children's magazine conveying Ecomagination's core messages to employees' children and local communities.²⁷

When the upscale discount retailer Target began running an extensive corporate advertising campaign back in the late 1990s featuring products ranging from satin lingerie to earplugs, accompanied only by the product name and Target's bull's-eye logo, the goal was not to sell more of these products but rather to showcase the company's diverse merchandise and potential to be the discount retailer that "looks like Barneys, priced like Kmart."²⁸ In much the same way, the aerospace and defense firms that advertised extensively in publications such as *The New Republic* in the 1980s were not trying to sell F-15s to liberals but rather to influence public opinion and facilitate approval for increases or allocations in the defense budget.

Even though product advertising is the purview of the marketing department in many large companies, corporate advertising is usually run from the CEO's office or through corporate communication departments instead. During the 1980s and 1990s, this area was the fastest-growing segment of the advertising industry, as senior officers tried to present a coherent company identity for opinion leaders in the financial community.

An important subset of corporate advertising is *issue advertising*. Business and policy groups spent more than \$2.9 billion on issue ads in 2012, with some companies using the approach as a key supplement to or in lieu of government lobbying.²⁹ This type of advertising attempts to do even more than influence opinions about the company; it tries to influence the attitudes of a company's constituencies about specific issues that affect the company. Recall Mobil's extensive issue advertising campaign during the oil crisis, described earlier in this chapter. Over the years, Philip Morris spent millions on issue ads covering topics ranging from domestic violence to youth smoking prevention in an effort to put a more caring face on a company many held in contempt for its role in producing addictive, carcinogenic tobacco products. Another example is U.S. home mortgage lender Fannie Mae's \$87 million 2003 advertising campaign to help curtail Congress's efforts to create a more stringent regulator to oversee its operations and have the authority to alter its capital standards. It is interesting to consider the impact of such a campaign in light of the credit crisis that started in 2008.³⁰

As we will see in Chapter 4, however, issue advertising is risky. By taking a stand on a particular issue, the company is automatically creating a negative image with one or several constituencies. Many companies take this risk nonetheless, facing the consequences of adding their opinions to debates that they consider important.

²⁷ Creamer, "GE Sets Aside Big Bucks."

²⁸ Shelly Branch, "How Target Got Hot," *Fortune*, May 24, 1999, p. 169.

²⁹ Jimmy Vielkind, "Issues Ads Skyrocket," *Times Union*, June 13, 2011.

³⁰ Moodys Investor Services, retrieved January 2014.

Corporate Responsibility

Many companies have a separate subfunction in the human resources area to deal with community relations and a foundation close to the chairman that deals with philanthropy, but the two should be tied closely together as companies take on more responsibilities in communities in which they operate.

Taking on these social responsibilities has a number of positive outcomes for corporate leaders. (See Chapter 5 for more on corporate responsibility.) According to the Edelman Trust Barometer, the most important activity a CEO can do to build trust is to communicate transparently. Additionally, a CEO's personal involvement in local charities and good causes was ranked above having an active media presence.³¹

There are also serious internal implications of a strong corporate citizenship record: A 2012 survey by Net Impact entitled "What Workers Want" revealed that 45 percent of respondents would take a 15 percent pay cut for a job that makes a social or environmental impact. What's more, when asked to rank the most important factors essential to their ideal job, respondents ranked "contribution to society" and "make a better world" over "advancement opportunities." Clearly, companies that prioritize corporate social responsibility (CSR) have an advantage in terms of attracting and retaining talent.³²

Corporate philanthropy has also become increasingly important as companies are expected to do more than just give back to the community. Firms now feel a greater obligation to donate funds to organizations that could benefit the firm's employees, customers, or shareholders. Examples include donations to universities that might be conducting research in the industry and organizations representing minority interests.

And with increased globalization and international corporate expansion, constituents' expectations for corporate citizenship also have grown more global in scope. In December 2004, the devastating tsunami that struck 11 countries in Southeast Asia, killing 180,000 people, demonstrated this broadened focus; the U.S. Chamber of Commerce's Center for Corporate Citizenship reported that more than 400 U.S. companies donated \$528 million to the tsunami relief efforts, many of these representing a company's first-time disaster relief donation.³³

In turn, many companies are publishing environmental and social performance information in the same manner as they would traditionally report financials.³⁴

³¹ Edelman 2014 Trust Barometer.

³² Edelman, Boston College Center for Corporate Citizenship, Net Impact, and the World Business Council for Sustainable Development, "Corporate Responsibility & Sustainability Communications: Who's Listening? Who's Leading? What Matters Most?" January 2008.

³³ Michael Casey, "Tsunami Prompts Companies to Play Greater Role in Humanitarian Relief Efforts," Associated Press, June 28, 2005.

³⁴ "Corporate Sustainability: A Progress Report," KPMG and The Economist Intelligence Unit, 2011, <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/corporate-sustainability-v2.pdf>.

Media Relations

Although the old-style public relations function, focused almost exclusively on dealing with *media relations*, may be a thing of the past, the subfunction we now refer to as media relations is still central to the corporate communication effort. Most of the average company's corporate communication staff typically reside within this subfunction, and the person in charge of the communications department as a whole must be capable of dealing with the media as a spokesperson for the firm. Although the media relations subfunction started off as a "flakking" service for managers in response to requests from news organizations, today the best corporate communication departments actively set the discussion agenda of the firm in the media. (See Chapter 6.) There is little debate about whether media relations, unlike other subfunctions, should come under the purview of corporate communication versus other corporate functions.

Although the impact of new communication technologies has changed the nature of how we think about media in general, media relations is one of the only communications tools that has not seen widespread social media adoption. Social media would seem to be an excellent tool for communication between practitioners and journalists, but traditional media relations tools like the press release remain standard.³⁵ Still, technology has helped companies communicate through the hundreds of media services available from virtually anywhere in the world. Satellite uplinks are available at most corporate headquarters, and companies can put their press releases out to wire services electronically or through the Internet without making a single phone call. Despite these advances, the relationship between business and media remains largely adversarial, though positive relationships between sources and reporters are much more common today than in the past. Because the media and business rely on one another to a certain extent, most companies try to make the best of these relationships.

Marketing Communications

The marketing communications department coordinates and manages publicity relating to new or existing products and also deals with activities relating to customers. It also may manage corporate advertising. Product publicity almost always includes sponsorship of events for major corporations, such as product introductions, golf tournaments, car races, and marathons. In addition, celebrities are often involved in these activities, which requires coordination within the company. Given how important such events and sponsorship agreements can be in shaping a company's image, corporate communication experts are often involved in setting the events' agendas.

During the 2012 London Olympics, for example, corporate sponsorships reached the hundreds of millions, and many required board level approval and were closely watched by senior managers.

³⁵ D. W. Supa, "A Qualitative Examination of the Impact of Social Media on Media Relations Practice," *Public Relations Journal* 8, no. 2 (2014), <http://www.prsa.org/Intelligence/PRJournal/Vol8/No2/>.

One of the biggest recent changes in the customer relations function is the rise of customer-centricity, a trend facilitated by the widespread adoption of digital communications platforms. Pressure groups use digital channels to rally their peers, comment on issues and put the heat on corporate management teams, who are forced to monitor social media sites on a 24/7 basis. Responsiveness is key. Following the Costa Concordia disaster in 2012, the worst in its corporate history, cruise line company Carnival was doubly indemnified when a fire broke out on another ship a year later, and CEO Micky Arison was unavailable for comment. Worse, he was at a Miami Heat game, tweeting about basketball. Scores of Carnival customers and investors excoriated his Twitter remarks, damaging the company's reputation and ultimately its stock price, which dropped 5 percent in the week following the fire.³⁶

More informed consumers—able to examine the messages and advertising presented to them with a discerning eye—and the proliferation of social media mean that marketing communications teams must ensure that their brand communicates the right messaging in real time.

Internal Communications

As companies focus on retaining a contented workforce given changing values and demographics, they have to think strategically about how they communicate with employees through *internal communications*. (See Chapter 7 for more on this subfunction, also referred to as *employee communication*.) Although strong internal communications have always generated a more engaged, productive, and loyal workforce, the bursting of the dot-com bubble, the collapse of several of America's most respected firms, the proliferation of outsourcing jobs to foreign countries in recent years, and cuts in workforces as a result of the financial crisis have further necessitated strong communication channels between management and employees to win back employee trust and loyalty.

Often, internal communications is a collaborative effort between the corporate communication and human resources departments, as it covers topics from employee benefit packages to the company's strategic objectives. More and more, companies are making sure their employees understand the new marketing initiatives they are communicating externally and are uniting the workforce behind common goals and corporate strategies. This type of communication requires the expertise of strong corporate communicators who are also well-connected to senior management and the corporate strategy process.

Additionally, difficult economic times, layoffs, and uncertainty require open, honest communication from senior management to all employees. The sensitive nature of some of these messages further speaks for the involvement of seasoned communications professionals alongside their human resources counterparts and, most importantly, of the CEO or of senior executives who are the individuals communicating messages to internal and external audiences most frequently.

³⁶ <http://money.cnn.com/2013/02/15/news/carnival-cruise-micky-arison/>.

Finally, as mentioned previously, due to the blurring of constituency lines companies must recognize that employees may also represent investors and members of community advocacy groups—making thoughtful communications even more critical.

Investor Relations

Investor relations (IR) has emerged as the fastest-growing subset of the corporate communication function and an area of intense interest at all companies. (See Chapter 8 for more on investor relations.) Traditionally, investor relations was handled by the finance function, often reporting to the company's chief financial officer (CFO), but the focus in recent years has moved away from "just the numbers" to the way the numbers are actually communicated to various constituencies.

IR professionals deal primarily with shareholders and securities analysts, who are often a direct source for the financial press, which this subfunction cultivates in conjunction with experts from the media relations area. IR professionals interact heavily with both individual and institutional investors. IR professionals also are highly involved with the financial statements and annual reports that every public firm must produce. In recent years, the IR function has increasingly come under pressure to manage activist investors, who mobilize online via digital communications. These shareholders take an active rather than passive role in the companies in which they invest and demand consistent and ongoing communications management.

Given the quantitative messages that are the cornerstone of the IR subfunction, as well as the need for IR professionals to choose their words carefully to avoid any semblance of transferring inside information, this subfunction must be a coordinated effort between communications professionals and the chief financial officer, comptroller, or vice president for finance. The need for this coordination has only increased in recent years with more stringent regulatory demands in the age of Sarbanes-Oxley and Reg. FD. (Regulation Fair Disclosure was an SEC ruling implemented in October 2000. It mandated that all publicly traded companies must disclose material information to all investors at the same time.)

Government Relations

The *government relations* function, also referred to as *public affairs*, is more important in some industries than others, but virtually every company can benefit by having ties to legislators on both a local and a national level. (See Chapter 9 for more on government relations.) Many companies have also established offices in Washington to keep a finger on the pulse of regulations and bills that might affect the company. Because of their critical importance in heavily regulated industries such as public utilities, government relations efforts in such companies are often both staffed internally and supplemented by outside government relations specialists in Washington.

Either firms can “go it alone” in their lobbying and government affairs efforts, or they can join industry associations to deal with important issues as a group. For example, the Edison Institute acts as a lobbying group for electric companies. Either way, staying connected to what is happening in Washington through a well-staffed and savvy government relations team is important to virtually all businesses given the far reach of government regulations within industries from pharmaceuticals to computer software. As companies expand internationally, building or outsourcing government relations efforts in key major foreign hubs—for example in Brussels to concentrate on European Union legislation—will become equally important.

Crisis Management

Although not really a separate function requiring a dedicated department, crisis communications should be coordinated by the corporate communication function, and communications professionals should be involved in crisis planning and crisis management. Ideally, a wider group of managers from throughout the organization—including the senior management spokesperson who will be facing the public—is included in all planning for such eventualities. (See Chapter 10 for more on crises.)

Although company lawyers typically need to be involved in crises, this need presents problems for both the organization and the corporate communication function, because lawyers often operate with a different agenda than that of their communications counterparts and do not always consider how actions might be perceived by specific constituencies or the public at large. A research study on the subject of communication versus legal strategies stated: “legal dominance is shortsighted and potentially costly . . . organizations [must] reconcile the often contradictory counsel of public relations and legal professionals and take a more collaborative approach to crisis communication.”³⁷

Working collaboratively with in-house counsel and, importantly, senior management, corporate communications professionals can make the difference between good and poor crisis management. We will see examples of both in Chapter 10.

Conclusion

The success of a company’s communication strategy is largely contingent on how closely the communication strategy is linked to the strategy of the business as a whole.³⁸ In addition to thoughtful design and careful planning of firm strategy, a company must have a strong corporate communication function to support its mission and vision.

Although the investor relations function could be in the finance function of a company, the internal communications function within the human resources department, and the customer relations function within the marketing department,

³⁷ Kathy R. Fitzpatrick and Mareen Shubaw Rubin, “Public Relations vs. Legal Studies in Organizational Crises Decisions,” *Public Relations Review* 21 (1995), p. 21.

³⁸ David Clutterbuck, “Linking Communication to Business Success: A Challenge for Communicators,” *Communication World*, April 1, 2001, p. 30.

all of these activities require communication strategies that are connected to the central mission of the firm.

Corporate communications professionals must be willing to perform a wide variety of subfunctions within the function, and their roles will continue to broaden and diversify as globalization and information from a variety of sources demand that communications be strategic and purposeful. The greater number of global firms and the increasing demand for senior management to travel and speak in international venues place additional pressure on the communication function to communicate successfully with even more diverse, foreign audiences.³⁹

Many corporations have made strides in building strong corporate communication functions that are closely aligned with overall strategy; however, there is still much work to be done. A 2014 poll released by Gallup revealed that public confidence in "big business" was the fourth-lowest rated of 16 leading institutions in the United States, just above "news on the Internet" and Congress.⁴⁰ In this light, managing reputation and building trust are more important than ever, and a strong corporate communication program is a means to achieve those goals.

³⁹ Norm Leaper, "How Communicators Lead at the Best Global Companies," *Communication World* 4 (April 5, 1999), p. 33.

⁴⁰ Gallup, "Confidence in Institutions," June 5–8, 2014, <http://www.gallup.com/poll/1597/confidence-institutions.aspx>.

Case 3-1

Sweet Leaf Tea

In March 2010, Clayton Christopher announced to his employees and all of the fans of Sweet Leaf Tea that he was leaving the company and handing leadership to an outsider, Dan Costello. Clayton's final act was to send an email to his employees praising their performance and integrity, which helped grow Sweet Leaf Tea to the number one ready-to-drink tea at Whole Foods. In his email, he wrote that after his departure he hoped:

"we will not sacrifice the magic of this brand and thus jeopardize the love affair we have created with our consumers in order to save a few dollars on our path up the mountain."¹

TEA DRINKERS HEAVEN

The ready-to-drink tea market was consistently ranked as one of the fastest growing new product entries in the early twenty-first century. In 2007 total sales of tea equaled \$6.85 billion, almost a third of which were ready-to-drink (RTD) or bottled tea.²

Tea is high in antioxidants, has health-boosting properties and is either all natural or organic,³ which might be the reason more people were moving from traditional carbonated drinks to healthy options like Sweet Leaf Tea. Between 2003 and 2008 the RTD category grew by 65 percent.⁴

In the Southern United States, tea has long been a popular beverage choice. It is usually served cold and sweetened. It can be found in any restaurant, mom and pop store, or at a road-side stop.

FROM MOONSHINE TO BIG TIME

Clayton Christopher and David Smith were always fans of sweet tea and loved their Grandma's recipe. But, they couldn't find any good bottled tea that tasted as good as what Grandma made. Their Grandma made sweet tea by brewing teabags for 3–4 minutes. Then she

would pour the freshly brewed tea over ice and add natural sugarcane to make it sweet. In 1997 they founded Sweet Leaf Tea (SLT) to fill this void, and hoped that others would enjoy their Grandma's recipe as much as they did.⁵

Initially their production and marketing more closely resembled that of a moonshine producer than that of the multi million-dollar brand it is today. They used giant crawfish pans to boil the water and pillowcases as giant tea bags to brew the tea. To distribute the bottled beverages they had an old run down van.⁵

Clayton and David moved Sweet Leaf Tea from Beaumont to Austin, Texas after a couple of years and started using an automated system to make the tea. But, they always remained true to their Grandma's recipe.⁵

Sweet Leaf Tea's only competitive advantage was its superior flavor compared to other ready-to-drink teas like Arizona, Snapple, Lipton, and Nestea.⁶ In 2008 SLT had \$12 million in revenue,⁶ and was available in 30 percent of the U.S. Market.⁷ In March 2009, Nestle Waters purchased a third of Sweet Leaf Tea for \$16.5 Million.⁷

With the large investment from Nestle Waters also came a new president, Dan Costello, a former executive at Nestle Waters North America.

GROWING THEIR BRAND

Beverages tend to be low-involvement products, but also a unique business in that everyone has a favorite drink, which makes it very personal.⁹ Sweet Leaf Tea had to find ways to develop a following of customers without a big advertising budget. They focused on sampling at music festivals, product placement on shows like MTV's *Real World* and CBS's *Big Brother* as well as making sure they had a clear brand personality.⁸

Clayton and David worked with Lyon Advertising to create a brand personality that

would represent who they were, laid back and fun, but didn't forget Clayton's Grandma Mimi.⁸ SLT could be described as a cool product for "good times and happy moments."⁸

Before SLT could build a large fan base they needed people to try their product. In an interview conducted by *Inc. Magazine* Clayton stated: "Sampling is the best form of marketing. You've got to get the product past people's lips."⁶

In 2002 they started partnering with music festivals like Austin City Limits (ACL), Lollapalooza, South-by-South West (SXSW), and Country Thunder. The folks attending the festivals were thirsty and willing to try new drinks. This also allowed them to target their core target audience—young (25–45), laid back, hip, and health conscious beverage drinkers.⁸

Initially, ninety percent of their advertising budget went to sampling (Inc.). Focusing their sampling program during music festivals allowed them to target masses of people at a time when they were thirsty such as the dead of summer in Texas, Chicago, and Arizona.⁶

SLT realized very early, however, that they needed to be on store shelves if they wanted their customers to find and buy the product. Selling their product at a few music festivals a year wouldn't be enough to keep them in business.¹²

Their first major store partnership was with Whole Foods (WF) in 2002, which launched them on store shelves in the greater Texas market.¹² Adi Wilk, the former marketing manager at SLT, stated that the Whole Foods partnership "lifted the brand." In 2006 Whole Foods expanded the SLT market to all of their stores in the U.S.¹²

Along with the Whole Foods partnership they also found distribution through partnerships with 7-11 stores, placement in Texas school vending machines, and at army bases.¹² This allowed fans that may have tried SLT at Lollapalooza to find it in Chicago, or people that traveled to Austin for ACL or SXSW to find it in New York at their local Whole Foods stores.¹²

SLT's communication strategy had traditionally focused on connecting to their customers. Their partnership with WF, however, helped

them grow the brand by being on the shelves of a national chain store and also helped them connect to other distributors. But more importantly was that SLT had built a strong connection with their customers, with most of them willing to search far and wide for a bottle for SLT. This truly helped them become a successful company.⁸

In 2008, with an infusion of money from Catterton Partners, a Connecticut-based private equity firm, and Nestle Waters North America Inc., SLT had expanded their marketing beyond sampling and store partnerships. In 2009 they had three major advertising updates—(1) they launched a new website (2) hired a dedicated Twitter writer (3) and added a team of Facebook managers for the fan page.^{8,11} SLT empowered every employee to be a spokesperson for the brand—with even their receptionist taking a core part in their Twitter and Facebook posts.

COMMUNICATIONS ROLE

Initially the core communication for Sweet Leaf Tea was through direct-to-customer marketing at music festivals. The owners, Clayton and David, were at the music festivals handing out their product. This allowed customers to meet the people behind the beverage and link friendly faces to a good beverage. Also the association with music festivals may have helped the brand develop the "cool and fun" image they were pushing.^{8,12}

Once SLT had expanded beyond the central Texas market they needed to find a way to stay connected to their customers and keep that direct to customer communication active. The infusion of money from both Catterton Partners and Nestle Waters allowed them to expand their communication strategy beyond music festivals and their core website.

Their Facebook fans matched the same target audience they first had at music festivals. Their blog, Facebook, and Twitter pages allowed them to continue that face-to-face communication Clayton and David started at the music festivals, but in the digital world.^{8,11} Their

Facebook and Twitter communication reflected the brand and the culture of the company.⁸

At the time, these two sites were used for announcements about the brand or to communicate special events taking place during music festivals. As an example, during 2009's SXSW they also used Twitter to announce a free concert and used Facebook to get people to RSVP to the event. In one week they had 4,500 people registered on Facebook for the free concert.⁸

Another advertising advance SLT made in 2009 was using mobile technology to get consumers to search for their product and receive free samples. SLT was one of the first companies to give away real samples using Gowalla.⁸ Gowalla was a location game that encouraged people to find a virtual item in a real-world place.¹² Gowalla allowed them to use virtual sampling of a product and connect it to real world sampling.⁸

CASE QUESTIONS

1. What are the strengths and weaknesses of SLT's corporate culture in terms of communications, as described in the case?
2. Considering the relationship the brand had with its audience, should Clayton have reached out to customers to announce he was leaving?
3. What challenges do you see for SLT's new management?
4. What role should corporate communication play at SLT to help the company advance its strategic goals?
5. As Clayton's replacement would you change the way SLT communicated with its customers, or who was allowed to? Why or why not?

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