

APPLIED PUBLIC RELATIONS

Cases in Stakeholder Management

Larry F. Lamb • Kathy Brittain McKee



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**Cases in Stakeholder
Management**

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ON THE COVER: Albuquerque news media heard Sandia National Laboratories experts describe the use of its counter-terrorism technology in disabling explosives that an airline passenger allegedly concealed in his shoes before boarding a transatlantic flight in London in December 2001. (Source: Sandia National Laboratories. Photo by Randy Montoya.)

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Preface

Applied Public Relations: Cases in Stakeholder Management offers readers the opportunity to observe and analyze the manner in which contemporary businesses and organizations interact with key groups and influences. A basic assumption of the text is that principles of best practice may best be learned through examining how real organizations have chosen to develop and maintain relationships in a variety of industries, locations and settings.

We seek to offer readers insights into contemporary business and organizational management practices. Some of the cases detail positive, award-winning practices, while others provide an overview of practices that may have been less successful. Some target specific public relations campaigns; others offer evidence of broader business and organizational practices that had public image or public relations implications. Readers should be prompted not only to consider the explicit public relations choices but also to analyze and assess the impact of all management decisions on relationships with key stakeholders, whether they were designed or implicit or even accidental.

Preprofessional programs in schools of business, law, and medicine commonly include case-study courses because they encourage students to use both deductive and inductive reasoning to sort through the facts of situations, propose alternatives, and recommend treatments or solutions. For the same reason, academic programs in public relations usually offer courses that teach reputation and relationship management through the case-study method. In fact, the Commission on Public Relations Education specifically recommended the use of case-study teaching to provide undergraduates with a bridge between theory and application.

The strategic use of public relations is expanding in business, government, cultural institutions, and social service agencies. According to the U.S. Bureau

of Labor Statistics, public relations is one of the fastest growing professional fields in the nation, and its practice is spreading rapidly throughout the rest of the world as well.

Paralleling this growth, the complexity of public relations has increased with globalization of corporate enterprise and the application of new communication technologies. Social movements and activist organizations now cross borders easily, using public relations strategies to influence publics connected everywhere by satellite and the Internet. Through case studies throughout the book, readers can examine these changing stakeholder relationships from several perspectives.

This book is appropriate for use as an undergraduate text for courses such as public relations management, public relations cases and campaigns, or business management or integrated communication management. A commitment to the ethical practice of public relations underlies the book. Students are challenged not only to assess the effectiveness of the practices outlined but also to consider the ethical implications of those choices. We have placed special emphasis on public relations as a strategic management function that must coordinate its planning and activities with several organizational units—human resources, marketing, legal counsel, finance, operations, and others.

The first chapter provides a review of the public relations landscape, the basic principles underlying effective practice. It also offers a method for case analysis, pointing not only to an understanding of the particular case but also leading students to assess the more comprehensive implications for best practices and ethical practices the case offers.

This chapter is followed by nine chapters, each of which offers an overview of principles associated with relations with the particular stakeholder group and supplemented with suggestions for additional readings. Then, within each chapter, four or five case studies are presented, offering sufficient information for analysis but also providing opportunities for students to engage in additional research that would support their conclusions. Reflection questions are offered to help prompt thinking and focus discussion.

Chapter 2 examines relationships with employees, posing such questions as why is employee satisfaction vital to customer service, financial results, recruiting, and what are the most important predictors of employee satisfaction? How do high-performing organizations use employee communications?

The third chapter explores relationships with community stakeholders. What obligations or duties do organizations have to act as good citizens? What are the appropriate means of publicizing organizational activities as a community citizen?

Relationships with a key stakeholder group (consumers) are probed in chapter four. What are the most effective means of communicating with this group? How are new fusions of marketing, public relations, and advertising working together to reach this group? What duties do businesses owe their customers?

What is news and what motivates reporters to cover it are some of the concerns raised in chapter 5, which deals with media relations. Cases explore both planned

and unplanned interactions with reporters and raise issues of both traditional and emerging media formats.

Chapter 6 focuses on a priority stakeholder group for public companies: shareholders and investors and those who offer advice to them. Examining the cases presented in this chapter yields insight into issues such as the importance of timely and truthful material disclosure and the implications management decisions have on subsequent stock values.

In contrast, chapter 7 focuses on building and maintaining relationships with the stakeholders of nonprofit organizations, their members, volunteers, and donors. The unending need to raise funds is addressed, as well as the ongoing need to keep members and volunteers satisfied and to attract new members and volunteers.

Relationships with government regulators are addressed in chapter 8. Cases examine how governments seek to influence their constituents and how organizations seek to influence regulation.

Chapter 9 examines activist stakeholder groups and how they use public relations strategies to grab attention, win adherents and motivate change. It also considers how targeted organizations may establish and maintain effective communication with them. The impact of public demonstrations and of media coverage is examined. Principles of cooperation are explored.

The final chapter looks at relationships within the global community, focusing on the ways in which media practice, cultural mores, and political differences may affect relationships that cross borders and languages.

Four guest commentaries are included, each answering a question about the best practices in contemporary public relations. We thank Lee Duffey, founder and president of Duffey Communications; Dr. James Grunig, professor at the University of Maryland; Mr. James E. Moody, executive director of the Georgia Society of Association Executives; and Louis M. Thompson, Jr., president and CEO, National Investor Relations Institute, for their thoughtful reflections based on years of expertise and experience.

Professors may approach the cases within the book in several ways. A focus on specific stakeholder groups would be easily possible, using the chapters as presented. However, one might also focus on particular issues, such as labor relations or crisis management, by selecting cases from within several chapters. One might highlight the operations of agencies, corporations, and nonprofits in the same manner. One might also select cases that contrast campaigns with ongoing programs or managerial behaviors.

The authors acknowledge the contribution of Dr. Carol J. Pardun of the University of North Carolina-Chapel Hill to the inception of this project. Amy Holcombe at Berry College and P. Andrew Sleeth in Chapel Hill offered research and editing support during the initial phases of writing. We also acknowledge the gracious support of our Lawrence Erlbaum Associates editors, Linda Bathgate and Karin Wittig Bates, who kept us on track and moving forward throughout the planning and production process.

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Public Relations: Maintaining Mutually Beneficial Systems of Stakeholder Relationships

No formal organization is an island. Each is composed of an internal system of social networks, and each exists within a framework of interrelated systems of relationships with key stakeholders such as competitors, donors, consumers, regulators, the media, and so on. Some organizations may prefer to think of themselves as islands, however, or floating battleships equipped with all the resources necessary for their own sustenance. In reality, however, such a view is too short-sighted for success.

PRACTICING PUBLIC RELATIONS

The effective practice of public relations is integrally bound to the health of an organization or institution. As such, it provides the avenue for the organization to effectively monitor, interact, and react with other key groups within the organizational environment. Public relations is thought of here as *the communication and action on the part of an organization that supports the development and maintenance of mutually beneficial relationships between the organization and the groups with which it is interdependent*. This text is written overtly from a systems theory perspective, which suggests that without such adaptation, units within an environment will wither and fade as they will not be able to exchange vital information with other units within the environment. Such a balanced flow of information creates an *open system*, one that is responsive and adaptive to changes within the environment and its internal and external systems and subdivisions. In public relations terms, we think of this exchange as occurring through the building of mutually beneficial relationships based on a balanced flow of information from

and to the organization and its key publics. Thus, effective public relations practice underlies the maintenance of an open system. Conversely, when public relations is not an integral part of the organization and balancing internal and external communicating with the environment and other systems and subsystems is not a basic function for the organization and its management, then the system is described as *closed*, one subject to restriction and perhaps even death because it will not change or respond to its environment.

Clearly, for the practice of public relations to ensure openness, it requires the support and involvement of management. To use a crude human systems example, the nervous system within one's leg or arm cannot truly function without the support and direction from the brain. Some movement or reaction may occur, but the functioning of the limb is dependent on coordination with all other internal systems that is triggered by the brain through the central nervous system. Public relations practitioners may be assigned duties or activities, but unless these are coordinated with the "management brains" of the entire organization, these actions may produce little that is truly functional for the organization or its interrelated systems.

PUBLIC RELATIONS PROCESSES WITHIN SYSTEMS

With the assumption that effective public relations promotes a healthy, open system for an organization, and its interrelated systems and environment, however, comes certain other suppositions. First, an organization must be able and willing to identify who or what these key interrelated systems are. Because the health of other units within a system is also dependent on a mutually beneficial relationship and exchange, as is that of the central unit, they have a mutual stake in each other's well-being. Thus, these groups are often identified as *publics* or *stakeholders*. The process of coming to know and continuing to understand the concerns, needs, priorities, media habits, communication patterns, and social commitments of those key stakeholder groups requires effort, resources, and knowledge. And, although it may be sometimes frustrating, such research is an ongoing process; one never can "know" all one needs to know about a stakeholder. Thus, the practice of public relations requires continuing efforts at research, planning, executing, and evaluating in order for organizations to remain open for new input and output. This text seeks to explore how the relationships with those stakeholders may best be managed through appropriate public relations practices.

Although different writers and organizations may describe the process differently, systems theory suggests that the practice of public relations requires other ongoing environmental monitoring. Plans should be based on solid and thorough research that explores the internal and external situation of the organization and its systems. Such research should guide organizations in defining carefully the problem or opportunity within the environment that should be responded to. Setting a goal or goals that relate to the problem or opportunity establishes the environment for planning. In turn, plans are only as good as their execution, and systems theory

again would suggest that such execution should be carried out at the same time environmental monitoring is maintained. Finally, input regarding successes and weaknesses should be sought out deliberately at the end of a program and plan. That way, important feedback may become part of the next system action or program and perhaps shared with other linked systems as appropriate to help foster their health.

It should be acknowledged that effective analysis, planning, executing, and evaluating of both the environment and relationship management may be approached from other theoretical perspectives, or other theories and constructs may inform the assumptions of systems theory. Practitioners and managers within organizations would be well advised to attend to the other dominant communication and social-psychological constructs, such as Maslow's hierarchy of needs and the theories and assumptions of social exchange, social learning, agenda setting, behaviorism, diffusion of innovations, classical rhetoric, and the elaboration-likelihood model. Knowledge of traditional business fields such as marketing and management provides a solid underpinning for communicating within and throughout organizations effectively. An understanding of contemporary media practices is also a vital tool for practitioners.

ETHICAL AND LEGAL PERSPECTIVES

A plethora of laws, regulations, and torts may govern the relationships of organizations with various publics. Within the United States, the framework of the First Amendment to the Constitution provides for the free practice of public relations, yet certain practices may be either restricted or required by statute or regulation. For example, businesses and organizations are as affected by concerns regarding libel and privacy as any individual or media group. Copyright and trademark regulation may, in fact, promote and protect the interests of organizations over the interest of individuals. Publicly traded companies face specific regulation of communication activity, ranging from required speech dealing with quarterly and annual statements to prohibited or premature information sharing among insiders. Clearly, the practitioner must consider the legal environment as a key component affecting relationships with stakeholder groups.

The social and economic power of public relations practices today should also be grounded in a foundation of social ethics. Professional associations such as the Public Relations Society of America (PRSA) and the International Association of Business Communicators (IABC) have endorsed principles that should underlie practice: advocacy of free speech and communication; commitment to disseminating truthful and accurate information; respect for the dignity and value of all individuals; and the maintenance of independence from undue conflicts of interest or allegiance. Again, systems theory suggests that the good of the whole is supported by the good of the parts, so behaviors that promote mutual benefit are not only ethical but perhaps essential for the ongoing growth and success of an organization or business. Practitioners must seek discernment about what is the *best* choice for be-