

**Integrated Communication  
and the New Value Drivers:  
A Strategic Imperative**

*The following excerpt is from a presentation delivered to Pan-Asia executives by Beacon Partner Tim Croasdaile at an investor relations conference in Singapore.*

First, I must confess my bias. In nearly 30 years of corporate experience at six Fortune 500 companies, I always worked in corporate communication departments that had responsibility for investor relations, employee communication, community relations, public affairs, corporate marketing communication, news media relations and executive communication. And, these departments reported directly to the chief executive officer. My corporate career, you could say, was a primer in integrated communication.

Lou Thompson, the storied CEO of the National Investor Relations Institute, has said on many occasions, “All roads of communication lead to corporate value – either creation of value if done well, or destruction of value if done poorly.” I couldn’t agree more. Call success what you may – increased sales, improved productivity, more favorable regulatory environments, optimized valuations – I submit that communication is a critical element in achieving it.

Like every other success factor, it comes with imperatives: management zeal for communicating consistently; passionate, qualified and creative communication leadership; a results orientation for communication programming; and an integrated approach.

The last is growing in importance and impact. In this age of digitally enabled communication – where everybody is reading everybody else’s mail – integrated communication enables an organization to achieve its goals by utilizing matrix-based strategies that optimize communication efforts. Just think about the communication channels available for reaching key audiences:

<u>Earned</u>	<u>Paid</u>	<u>Digital</u>
Employee Communication	Advertising/Promotion	Websites
Investor Communication	Direct/Database Marketing	“Word-of-Mouth” Marketing
Public Relations	Events Marketing	Online publicity
Community Relations	Trade Shows	Permission e-mail
Public Affairs	Sports Marketing	Text messaging
News Media Relations	Customer Entertainment	Podcasting
Philanthropy	Relationship Marketing	V Casting

The sheer breadth of these corporate communication channels require at a minimum that companies assure that consistent messaging is achieved across this spectrum. To not do so is to risk corporate credibility and reputation. But looked at from another perspective – as a strategic tool – integrated communication can use a matrix approach to influence audiences through unexpected, non-traditional channels. I call this an “over-the-shoulder” communication strategy, i.e. let some of your key audiences watch you communicate to other audiences. To the extent that the messaging is “integrated” with what you told both audiences, the impact in building credibility and influence is significant.

Another reason to have an integrated communication function and one that reports to the CEO is the “whole picture” problem. Too often when communication functions are siloed under a chief marketing officer or a human resources officer or the chief financial officer – all who aspire to be CEO one day – the CEO doesn’t get the whole story. These CEO-rival gatekeepers to their advantage manage information, and communication impact is diluted and the CEO *and the board of directors* get a filtered view of reality.

Integrated communication is also important because of rising reliance that audiences especially investors are placing on reputational and non-financial value drivers. In a 2004 Rating Research Investor Confidence Survey, 64% of all investors say that a company's reputation is more important than it was five years ago. In large part this is driven by the corporate hubris of Enron, WorldCom, Tyco, Adelphia and others. As a result the agenda is changing; the manic focus on the quarterly number may be ending. Instead the focus is shifting to a more balanced investigation into the company's overall value. Mike Philips, the CEO of the significant investor, The Frank Russell Company, was quoted recently in a Wall St. Journal article, "What we need to do is to allow companies to become more value-oriented ... such as putting employees ahead of maximizing return for shareholders ... management needs to tell shareholders that what they are doing may not maximize return but perhaps will make the company more sustainable."

In an annual survey of buy-side portfolio managers, quality of management replaced EPS growth as the number one factor influencing investment decisions for the first time in 25 years. This non-financial value driver joins others in getting increased importance for investors:

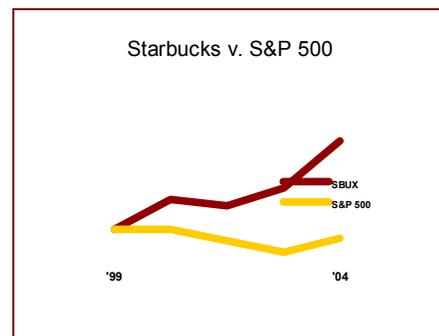


A study by Ernst and Young, Measures that Matter, found that these non-financial value drivers account for at least 35% of institutional investor decision factors. Baruch Lev, a professor at the Stern School of Business of New York University, opines that these value drivers account for over 50% of a company's value.

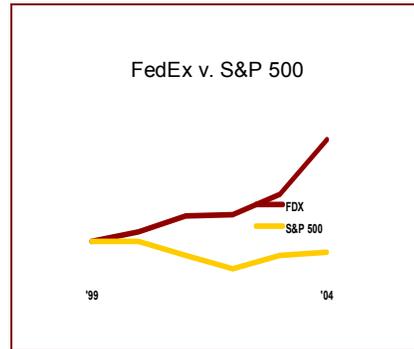
In effect, what all these studies are saying is that there is a bundle of key factors that are the underpinnings of corporate value, what I call the corporate brand promise – and that a well communicated corporate brand promise can add value. Add value in a motivated employee base, through a loyal and growing customer base and certainly in an optimal valuation. And it is through an integrated communication approach that these value drivers can be harnessed to achieve maximum effectiveness.

Jack Welch, former CEO of GE, was once asked to quantify the value of GE's brand promise. He said it was very simple: it's the difference between our book value and market value. You can do the calculation and the difference – the value – is in the billions.

I'd like to cite the integrated communication programs of two companies that I believe epitomize the best: Starbucks and FedEx. Starbucks totally integrates communication messaging. It uses cross-channel communication strategies – everywhere you touch Starbucks, in a store or in the annual report you get the same messaging. It emphasizes non-financial value drivers – such as the fact that even part-time employees receive health care benefits. It celebrates core deliverables – "we are not in the coffee business serving people; we are in the *people* business serving coffee." It delivers consistently over the long-term. The results are staggering; Starbucks' growth rate is phenomenal as is its valuation performance relative to the S&P 500. Pick any period to measure; this is just a five-year snapshot:



Like Starbucks, FedEx harnesses all communication channels with dynamic and consistent messaging. There is nowhere in the FedEx universe that you can turn where you don't get the message. It is pervasive; and it is visceral. Fred Smith, the founder, (like Starbucks founder Howard Shultz) built the company on communication – "One vision, one voice." They follow a collaborative approach, focused on creating synergies and building/maintaining reputation. They train managers at business unit levels to think in communicator mindset. They use research to shape consistent, relevant messages. They communicate proactively with employees – through an extensive FXTV network. The results, like Starbucks', are impressive:



As these two examples demonstrate, integrated communication strategies contribute substantially to the bottom line. They achieve significant business objectives such as increased sales, improved productivity, lower barriers to market entry, less regulatory hurdles and optimal valuations.

In summary, I believe that integrated communication is the path to maximizing corporate value. It helps to coalesce all audiences in the alignment around and support for company goals and expectations, enables the creation of a coherent and credible reputation with all stakeholders, assures the establishment of a corporate brand promise and supporting message platform, enlists third-party advocates for corporate success, and maximizes the communication efforts and budget for the company

Integrated communication is nirvana. Companies that "get it" really add value for all their stakeholders, especially their shareholders. From a career standpoint, integrated communication programs enable the persons who lead them to achieve very strategic roles at their respective organizations – gaining a valued seat at the C-suite table, not to mention C-suite compensation.