Corporate Communication Management (CCM) and Organisational Performance: A Review of the Current Literature, Conceptual Model and Research Propositions

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Abstract

Corporate communication received great attention from scholars and the business community more than 40 years ago due to changes in global business environments. Many scholars believe there are influences of corporate communication management (CCM) on organisational performance, yet there is a paucity of studies on the validation of this theoretical assumption. Therefore, the main purpose of this paper is to address the gap by providing an elevated understanding of CCM and its consequences. The managerial and policy implications provided in this study help corporate communication practitioners to identify the practical needs of their work and design an appropriate CCM programme.

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1. Introduction

Over the past decades, corporate communication practitioners have struggled to gain attention from the top management (Burson, 1993). Many organizational managers are skeptical about the role of corporate communication in enhancing organisational performance (Pincus, Ohl & Rayfield, 1994). In many management meetings, corporate communication practitioners continuously face the challenge in justifying their worth – often...

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in monetary terms (Burson 1993; Macnamara, 2006). Consequently, their roles gain less attention from the top management. For example, in the 1998 Malaysian economic downturn, many organisations experienced budget cuts, which mostly affected their corporate communication and public relations departments. Additionally, the recent European economic crisis had also affected the public relations profession whereby, half of all public relations professionals suffered from budget cuts and almost a quarter faced staff reduction (Moreno, Verhoeven, Tench & Zerfass, 2010). Obviously, budget cuts do not only affect corporate communication programmes, they also downsize the number of staff.

The top management believes corporate communication has not contributed to financial outcomes or monetary worth to the companies (Burson, 1993). To overcome this issue, corporate communication practitioners must be able to demonstrate their CCM effort is worthwhile and significantly effective to financial performance. Forman and Argenti (2005) suggest research focused on CCM outcomes, which might include the effect on sales or increase in stock price. Furthermore, the CCM function should place the logic underlying economic values with the implementation of a public relations programme. However, to date, there is no research correlating how corporate communication contributes toward organizational success especially the financial performance. Thus, as an attempt to fill the gap, this study provides a current literature reviews on the impact of communication towards the success of the organisational performance.

2. Objectives

The most popular sub-type of research in corporate communication is the investigation of the effect of CCM on the organisational performance such as mission achievement, job commitment and reputation (Bishop, 2006; Higgins & Bannister, 1992). Yet again, inadequate studies have been conducted on the mechanism underlying the positive impact of CCM.

This paper proposes to examine and identify the impact of CCM on organisational performance. Specifically, the aim of the study is to answer the following questions: What are the institutional perspectives on the factors that qualify as consequences on CCM? What is the relationship, if any, between CCM and organisational performance as an institutional measure of competitive advantage?

By answering these questions, the research expects to contribute towards advancing the current knowledge of CCM and offer new practical insights to managers and policy makers.

3. Corporate Communication Management (CCM)

Goodman (2000) believes strategic action should be taken by professional managers to establish and maintain favourable and coherent corporate communication practices across different stakeholder groups (Cornelissen, 2008). This group includes both internal and external stakeholder of the organisation (van Riel & Fombrun, 2007). The main objective for strategic communication is to communicate effectively (Goodman, 2000) and advocate a positive attitude (Argenti, 2000) among workers. The most important corporate communication provides a potential route for competitive advantage for the organisations (van Riel, 1995).

Since corporate communication entails selectively communicating the strategic organisation’s views and objectives to stakeholders whom it regards as important, CCM can therefore, be regarded as a key management strategy. Its role as a strategic management function grows significantly especially when dealing with corporate management issues (Yamauchi, 2001).

Today, corporate communication practitioners are expected to manage extremely complex and varied operations of an organisation. They should be knowledgeable in the business related activities and areas like advertising, marketing, information systems and research, in addition to other conventional roles relating to public relations activities (Harris & Jennings, 1986). Obviously, the greatest challenge to the organisation system today is “the pressure from various constituencies and stakeholders such as shareholders, the media, financial analysts, and the labour force itself” (Argenti, 1996, p. 10), since the stakeholders are becoming more educated and demanding.

Many scholars in have established a link between corporate communication and management (see for example, Varey, 1997; Varey & White, 2000). Recent studies have also confirmed corporate communication as a strategic management function (Cornelissen, van Bekkum & van Ruler., 2006; Goodman, 2006). A management function plays a key role in the development and maintenance of corporate communication for overseeing and coordinating works in different disciplines such as public affairs, media relations and internal communication (Cornelissen,
Therefore, “the dissemination and alignment of the core ideology of the company to the communication process and activities is vital to achieve a favourable public exposure” (Melewar & Karaosmanoglu, 2006, p. 196). In a business setting, corporate communication practitioners have to deal with stakeholders’ perceptions toward gaining competitive advantages for the organisations.

In order to play a strategic management role, van Riel (1997) suggests that the corporate communication practitioner of an organisation be placed at the top management level. At this point internal and external communication can be integrated to promote effective corporate communication. It also must be accepted as an integral part of an organisation’s management team in order to participate effectively in organisational decision making and be part of a company’s dominant coalition (White & Dozier, 1992). Relocation of corporate communication at the top management level will emphasize its role as an ‘umbrella for the variety of communication forms and formats’ (Shelby, 1993).

In an attempt to relate corporate communication and management, this paper has adapted a similar approach employed by Simoes, Dibb and Fisk (2005) in their research on corporate identity management (CIM). According to Simoes et al. (2005) “Management plays a key role in the development and maintenance of corporate identity, including paying particular attention to the internal and controllable aspect of the process” (p. 153). Therefore, this paper focuses on the management role of corporate communication that can be controlled internally by the company. The controllable functions of CCM, include managing public relations, employee communication, investor relations and corporate advertising (Balmer & Soenen, 1999). These also involve communications with internal stakeholders (i.e. employees), and also external stakeholders (i.e. media, customers and government) that can be managed and controlled directly. Despite CCM functions being manageable, uncontrollable communication such as informal communication between employees with outsiders and third party reports (Balmer & Soenen, 1998; Melewar & Jenkins, 2002) cannot be directly managed but can be influenced through an effective CCM programme.

Taking into account the prevailing definitions and important characteristics of corporate communication, this paper defines corporate communication as management of the organisational perception which can be influenced by all internal and external information (message of communication) means and measures (Cornelissen, 2008; Schmidt, 1995). Therefore, the collective message from both sources (Haynes, 1990) conveys an organisation identity (Gray, 1995; Gray & Balmer, 1998) through every form, manner and medium of communication to the respective stakeholders. A stakeholder in this context is defined as anyone who has a stake in ensuring the organisation’s success including vendors, customers, employees and executives of the organisation (Goodman, 2000).

4. Organisational performance: Consequences of CCM

According to Nickson and Siddons (1996), lack of communication is the cause of breakdowns in inter-organisational relationships. As iterated earlier, communication plays an important role in organisational success (Makovsky, 1992). Empirical evidence reveals that communication is positively correlated with organisational performance variables such as job performance (Pincus, 1986; Pettit, Goris & Vaught, 1997; Varey, 1997), job satisfaction (Kim, Lee & Francis., 1988; Pettit et al., 1997; Wheeless, Wheeless & Howard., 1983), and employee productivity (Clampitt & Down, 1993). In addition, variables such as individual performance, organisational performance and organisational productivity may also have positive effects on organisational performance (Garnett, Marlowe & Panday, 2008).

Evidently, empirical research has not investigated the relationship between CCM and organisational performance as a construct. Instead, it focuses on a broad range of communication constructs (Downs, Clampitt & Pfeiffer, 1988) which measure the efficiency of general communication and specific communication behaviour effects on performance (Garnett et al., 2008). Therefore, in this study, the link between CCM and organisational performance as an outcome variable and construct is examined because improved corporate communications affect organisational performance positively as suggested by Cornelissen and Lock (2001). Van Riel (1997) also indicates a similar view that CCM has to focus on the consequences (i.e. performance), as a key subject of research. In addition, from the strategic management and marketing point of view, organisational performance is of particular interest because it is important for organisations to attain competitive advantage (Kohli & Jaworski, 1990).

Parallel to past research, (e.g. Capon et al., 1990), this research divides organisational performance into two sets of performance: (1) A dependent variable measuring financial performance; and (2) Nonfinancial explanatory factors. Financial performance variables include widely-used measured embracing levels, growth and variability in profit (typically related to assets, investment or owner’s equity). This includes measures such as return on asset
(Bourgeois, 1980; Dess & Robinson, 1984; Rashid, Sambasivan & Johari., 2003), return on investment (Denison, 1984; Rashid et al., 2003) return on equity (Pfeffer, 1972; Vance, 1964), sales (Denison, 1984; Vance, 1964) and market value (Kim et al., 1988).

Table 1 provides a summation of the potential directions for CCM research based on the financial or economic value of CCM.

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<th>Issues</th>
<th>Explanation</th>
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| Economic / financial value and the impact to organisational performance | • Although in its most all-encompassing sense it is fairly obvious that communication is related to productivity and performance, it has yet to be validated.  
• Research focus on outcomes, not just activities. Outcomes include the effect of corporate communication on sales, or an increase in stock price.  
• In order to be judged effectively, CCM must have a positive return on investment (ROI)  
• We suspect that credibility and share price mutually influence one another in time-lagged relationship, but this assumption need to be tested.  
• It is necessary to see how companies have created methods for measuring success. | Cornelissen et al., 2006; Forman & Argenti, 2005; Fleischer, 1998; Higgins & Bannister, 1992; Stainer & Stainer, 1997; van Riel, 1997 |

Previous empirical research on financial performance has been conducted using several measures. For example, Peters and Waterman (1982) find 36 American companies score an excellent performance on six performance measures such as compounded asset growth, average turnover growth, and average return of market to book value, average return on total capital, average return on equity and average return on sales. In contrary, Rashid et al., (2003) use three financial performance measures: return on assets, return on investment and current ratio. Denison (1984) on the other hand, uses return on investment, return on equity and return on sales as a financial performance in his research on 34 companies across 25 industries in the US.

In that regard, this study provides a discussion based on an empirical research conducted on the relationships mentioned earlier, as an attempt to fill the existing gap in corporate communication research. The empirical findings of CCM in terms of finance (Macnamara, 2006) can contribute toward the acceptance and respect shown by the top management. Even though no financial performance (i.e. ROI, ROA and ROE) was tested on CCM, another economic variable, Advertising Value Equivalency has shown the economic value of CCM.

Apart from financial performance, CCM also contributes toward nonfinancial explanatory variables especially mission achievement (Blackmon, 2008; Niven, 2003; Owen, Muddy, Guild & Guild., 2001), job performance (Pincus, 1986; Pettit et al., 1997), job satisfaction (Pettit et al., 1997; Wheelless et al., 1983), employee productivity (Clampitt & Down, 1993), environmental, strategic, and formal and informal organisational factors (Capon, Farley & Hoenig, 1990). Meanwhile, non-financial organisational performance measurement can be examined from three perspectives, namely, management, human resource and marketing. The variables commonly used in measuring organisational performance in marketing relates to mission achievement (Blackmon, 2008; Niven, 2003), market share, product quality, sources of competitive advantage and industry structure (Porter, 1985). While Deshpande et al., (1993) use organisational innovativeness with the analysis embedded within the organisational culture framework for the management perspective, the human resource perspective focuses on job performance (Pincus, 1986; Pettit et al., 1997) job satisfaction (Pettit et al., 1997; Wheelless et al., 1983) and employee productivity (Clampitt & Down, 1993). In line with past research (Blackmon, 2008; Niven, 2003) this research uses the mission achievement as a measurement for the non-financial performance, the main reason being that mission achievement can measure the effectiveness of CCM activities in organisations.

In general the objective of the organisational mission is to communicate the organisation’s direction to stakeholders. Despite the fact that corporate organisations operate in several contexts (nonprofit or profit organisation) missions are created to communicate an organisation’s positive image to their respective stakeholders. For instance, Bart, Bontis and Taggar, (2001) suggest that the mission most likely to be correlated with employee satisfaction addresses specific issues such as the firm’s purposes, values and strategies. As a result, the effective and enduring mission will reflect stakeholders’ motivations for engaging in the company’s activities (Niven, 2003). In
other words, mission achievements of the organisation are also a driving force in strategy and, ultimately, organisational performance (Kaplan & Norton, 2000; Niven, 2003).

Previous research proves that the organisational mission is holistic in nature and relates directly to the stakeholders. For instance, a content analysis of 63 mission statements conducted by Leuthesser and Kohli (1997) finds that 91 percent mention customers in their mission, 67 percent mention employees, 60 percent mention shareholders and 16 percent mention suppliers. Therefore, in this study, the relationship between mission achievement and CCM can be seen as vital in disseminating the contents of an organisation’s mission to stakeholders. Berlo’s (1960) SMCR model of communication can explain the role of CCM in the process of communicating the organisational message (mission). The organisation can be seen as the “sender” creating a mission statement (message) and communicating (using communications tools) to their stakeholders (receiver). In the context of this study, corporate communication functions as a “controller” of the organisation’s message to its stakeholders. Therefore, the mission achievement of the organisation also depends on its communication strategic planning (Blackmon, 2008).

As summation, CCM is the “nerve” of an organisation in transmitting messages that will have a significant impact on a mission achievement of an organisation. Good CCM practices can result in several advantages. CCM will help a company to achieve their mission through the development of a clear message to internal and external stakeholders thereby reducing uncertainty among the members to pursue the organisational mission and vision by using the appropriate communication channel. Unclear messages and the use of a wrong channel of communication are a disaster for the company and can tarnish the organisation’s image.

Based on the extensive reviews, the authors recognized that previous studies had not measured the relationship between CCM and specific organisational performance variables (i.e. financial performance and mission achievement). Even though no empirical study has been undertaken previously, based on communication research and other performance measurements such as, corporate productivity (Lull, Fank & Piersol., 1955), and satisfaction (Pincus, 1986), many scholars believe both variables (i.e. financial performance and mission achievement) have a significant relationship with CCM. Taken together with the explanation above, it is proposed that (also displayed in Figure 1):

**Proposition 1:** Corporate Communication Management (CCM) will have a positive effect on financial performance.

**Proposition 2:** Corporate Communication Management (CCM) will have a positive effect on mission achievement.

![Fig. 1. The proposed model of the consequences of CCM](image)

5. **Research implications**

This paper hopes to enhance managers’ knowledge and understanding of CCM practices and strategies. This may be useful because of the positive consequences that could be generated (e.g. financial performance and mission achievement) from such knowledge. Furthermore, this study intends to inform managers about particular activities that could be undertaken as CCM strategies. The managers could be well informed about good CCM practices and this, in turn, could make them more effective managers.
Firstly, an organisation should focus on their core strategic corporate communication activities (e.g. campaign, image management, branding, and corporate reputation and media relations) in an attempt to project these values to their stakeholders (Fleisher, 1998). Therefore, this study could demonstrate the strong CCM functions to execute management strategy to their stakeholders through creating awareness and changing perceptions. It will show the strategic role of communication in businesses which must be approached carefully. Furthermore, it is useful to understand the corporate communication functions that contribute in enhancing CCM practices and its impact on organisational performance.

Secondly, the effect of CCM on social and institutional factors is not comprehensible at the managerial level. This paper offers explanations regarding both issues. The paper reveals the importance of financial and non-financial criteria (i.e. ROI, ROA, ROE, mission achievement, etc.) on CCM in an institutional context. The literature review demonstrates the role of top management through the strong company policy to discourage or encourage CCM as a strategic management tool.

Thirdly, this paper intends to notify policy makers of the best way to practice CCM, which can be implemented as a guideline and indicator for the performance measurement of an organisation. The government and professional bodies will also be able learn from the discussions and design effective measurement mechanisms as possible indicators of organisational success and effectiveness. Additionally, it will also provide policy makers with more information on the technique of CCM measurement and organisational performance, and enable them to design corporate communication professionalism training programmes.

Lastly, this study could be useful for academics to improve their understanding on the influence of CCM on organisational performance. Therefore, the testing of existing ideas and the theories of management practices can be undertaken to show their suitability and practicality. Then, researchers could further examine the generalisation of the theories. As a result, more managers of corporate communications will have an option to study their discipline from a strategic management perspective and help them to strengthen the professional status.

6. Conclusion

Research focusing on the general impact of communication on performance tends to measure global indicators of corporate productivity (Lull et al., 1955), communication effectiveness (Tubbs and Hain, 1979), and satisfaction (Pincus, 1986). In relation to that, it is also assumed that financial performance may be an outcome of CCM (Campbell, 1993; Forman & Argenti, 2005; Pincus, 1986). The results have offered vigorous evidence in this respect, indicating a definite positive relationship between CCM and financial performance (P1). Even though, the relationship between CCM and financial performance is not well established, the close field to corporate communication such as communication and marketing reveals strong relationships (Kohli & Jaworski, 1990; Narver and Slater, 1990). This study was consistent with prior studies, which also found a positive relationship between CCM and financial performance.

The mission achievement (non-financial performance) also has significant relations with CCM (P2). Ditlevsen and Kastberg (2007, p.11), label corporate communication as ‘mediational properties’ constituting the interface between the strategic and operational levels of communication management that support decision-making processes to ensure the communication are in line with the mission, vision and value of an organisation.

References


