QUALITY RELATIONSHIPS DRIVE BUSINESS SUCCESS

BEYOND OUTPUTS AND OUTCOMES: MEASURING THE QUALITY OF RELATIONSHIPS

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The quality of any company's relationships with its strategic stakeholders (customers, employees, government officials, the news media, investors, industry analysts, consumer activists) directly affects its corporate reputation and its long-term success in the marketplace.

According to Michael Porter, Ph.D., a specialist on strategic management in the Harvard Business School, organizations make better decisions when they collaborate with stakeholders. Porter's theory of competitive advantage was the first to demonstrate that firms may gain economic benefits from social pressures, and the first to explain the economic value of collaborating with stakeholders.

As Porter explains, a corporation that successfully solves its environmental problems, usually when pressured by activists and regulators, will gain an advantage in the resulting positive relationships with shareholders, consumers, employees, government officials and others that support or even oppose that corporation and its business goals.

"Standards for product performance, product safety, and environmental impact contribute to creating and upgrading competitive advantage. They pressure firms to improve quality, upgrade technology and provide features in areas of important customer (and social) concern," Porter wrote in *The Competitive Advantage of Nations.*

Effective companies, according to the Excellence Study of the International Association of Business Communicators, achieve their goals because management and strategic stakeholders, both internally and externally, support those goals. That support usually is the product of a collaborative process.

Companies that communicate effectively with their stakeholders also tend to have higher quality relationships. Management and stakeholders better understand one another, and each is less likely to behave in ways that negatively affect the relationship, e.g. lawsuits, boycotts, plant closings and lay-offs, bad publicity, regulation, analysts' downgrades, etc.

PUBLIC RELATIONS GOAL: LONG-TERM RELATIONSHIPS

The fundamental goal of public relations is to build and enhance long-term relationships with the company's key stakeholders. Until recently, there have been few methods to accurately measure whether public relations activities were achieving that goal. Most effective companies now measure at least the short-term outputs and outcomes of specific public relations programs, events and campaigns.

Output measures look at the immediate results of a particular public relations program or activity. Most often, they represent what is readily apparent. They measure how well a company presents itself to others or the amount of exposure received.

Outcome measures look at whether the stakeholders actually received and retained those messages in any form. Outcomes include whether the communications materials and messages sent resulted in any change in stakeholder opinion, attitude or behavior—what people think, feel and do.

Output and outcome measures, while important and necessary, are limited to the effectiveness of specific public relations programs and events. To pinpoint, document and manage the overall value of public relations requires a different set of measures that allow us to probe the nature and quality of those relationships.

Exchange and Shared Relationships

Drawing from the IABC Excellence Study, researchers have identified two basic types of relationships and four attributes that help define the quality of long-term relationships.

In an ***exchange relationship***, one party gives benefits to the other only because the other has provided benefits in the past or will do so in the future. It's an exchange of something, for something, and is the essence of most marketing relationships.

An exchange relationship often is not enough for some key stakeholders. Community leaders, for example, may expect a local company to do things for the community for which the company sometimes gets little or nothing in return.

In a ***shared relationship***, both parties provide benefits to the other because they are concerned for the welfare of the other and value the relationship. One party gives something, expecting nothing in return. Shared relationships are essential to developing and enhancing trust; the bedrock of any corporate reputation.

Relationships often begin as exchange relationships and then mature into shared relationships over time. At times, a shared relationship must proceed before an exchange can occur. Every company has a mix of exchange and shared relationships at various stages of maturity.

Given the changing nature and types of relationships, it is necessary to measure the attributes and characteristics of both types of relationships over time. This approach helps to set the baseline and benchmarks required for any company to more effectively manage its relationships and its reputation.

Attributes of Quality Relationships

While there are many attributes that define a company's relationships, researchers have isolated and ranked four that are especially important:

1. Control is the degree to which parties agree on who has the power to influence the other. Stable relationships require that each party have some control over the other, although some imbalance at any one time is natural.
2. Trust is the level of confidence in and willingness to open oneself to the other party. Three essential elements of trust include:
   - Integrity is the belief that a company is fair and just
   - Dependability is the belief that the company will do what it says it will do
   - Competence is the belief that a company has the ability to do what it says it will do
3. Satisfaction is the extent to which each party feels favorably toward the other because positive expectations about the relationship are reinforced. In a satisfying relationship, the benefits outweigh the costs.

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4. Commitment is the extent to which each party believes and feels that the relationship is worth investing time to maintain and promote.

Quantitative and Qualitative Measures

With these four attributes defined, we can design the best research tools to measure company relationships and manage them more effectively and efficiently. A combination of qualitative and quantitative methods will tend to produce more reliable results, especially given the diverse nature of the stakeholder groups usually involved.

Conducting an e-mail or snail-mail survey provides a valid snapshot of perceptions about the type of relationships and their attributes among a broader cross-section of stakeholders. More targeted one-on-one interviews can probe in detail on the nature of the relationship and generate more insight into the "whys" of how they describe their relationships.

Personal interviews are perhaps the most productive way to reach journalists, industry experts, public officials and activists who normally do not respond to surveys. Interviews also help draw out more candid assessments of the issues and relationships.

Using focus groups builds synergy within the group and creates a more interactive view of a relationship. This perspective is closer to the way the focus group members actually behave in the real world. Whatever the specific methods selected, the value is in measuring and using the results.

Relationships of Distinction

Getting organized for the research will help to clearly define and rank the company's strategic stakeholders. Some stakeholders are more critical to a company's success than others are. The type of relationships and the number of stakeholders also will change as the company grows and changes. Understanding the priority is essential to effective planning and resource allocation.

The research results will help the company leaders define the types and nature of its relationships. It will identify what strategies work best with different relationships and what most affects the quality of relationships.

Success today and tomorrow requires a strong, vibrant corporate reputation based on trusted, long-term relationships with key stakeholders. Lord Browne, group chief executive of BP, said that access to capital was the key differentiator in the 1990's, but that a strong fabric of relationships will be the major source of distinction in the 21st Century.

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