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EIGHTH EDITION

CORPORATE COMMUNICATION

Mc Graw Hill

Paul A. Argenti

Corporate Communication

Eighth Edition

Paul A. Argenti
The Tuck School of Business at Dartmouth

Mc Graw Hill

CORPORATE COMMUNICATION

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For my grandchildren, Amalia, Helen, and Luca.
Papa loves you more than you will ever know.

Preface to the Eighth Edition

This book grows out of more than 40 years of work developing the field of study referred to in this book as *corporate communication*. Although the term itself is not new, the notion of it as a functional area of management equal in importance to finance, marketing, human resources (HR), and information technology (IT) is more recent. In the past 40 years, senior managers at a growing number of companies have come to realize the importance of an integrated communication function.

In this introduction, I would like to talk a bit more about my expertise, what this book is all about, and why I think everyone involved in organizations today need to know about this important discipline.

Author's Expertise

For the past 40 years, I have been a professor of management and corporate communication at the Tuck School of Business at Dartmouth. Prior to that, I taught at the Columbia and Harvard Business Schools.

The tradition of teaching communication has been a long one at Tuck, but as at most schools, the focus was on skills development, including primarily speaking and writing. The first development in the evolution of this field was an interest among businesspeople in how to deal with the media. Because this requirement mostly involved applying oral presentation skills in another setting, the faculty teaching communication were a logical choice for taking on this new task.

So when I began teaching the first management communication course at Tuck in 1981, I was asked to include a component on dealing with the media and handling crises. I became interested in this topic through my study of marketing at Columbia and had already written a case on the subject, which appeared in earlier editions of this book.

Over the years, my interest in the subject grew beyond how companies deal with the media to include how they deal with *all* communication problems. As I wrote more case studies on the subject and worked with managers inside companies, I saw the need for a more integrated function. That's because most companies were conducting communication activities in a highly decentralized way.

For example, the employee communication function at Hewlett-Packard (HP) in the mid-1980s was in the HR department, where it had always been, when I wrote a case on how HP dealt with voluntary severance and early retirement programs. As I looked at other companies, I found similarities to HP. Yet the people in those various HR departments were doing exactly the same thing internally that a communication specialist in the public relations (PR) department was doing for the external audience—sending a specific company message to a specific audience.

The same was true of the investor relations (IR) functions, which typically resided exclusively in the finance department in most companies until the 1990s. Why? Because the chief financial officer was the one who knew the most about the company's financial performance and historically had been responsible for developing the annual report. Communication was seen as a vehicle for getting that information out rather than as a function in itself.

Again, as I worked with companies to develop new characters and brand, I found marketing people involved because they had traditionally dealt with brand and image in the context of products and services. Yet those marketing experts didn't always know what was being communicated to the press or to securities analysts by their counterparts in other functional areas.

These experiences led me to believe that corporations and other organizations, from universities to churches to law firms, could do a much better job of communicating if they integrated all communication activities under one umbrella. That was the theory at least, but I could find precious little evidence in practice.

Then, in 1990, I was fortunate enough to be given a consulting assignment that allowed me to put into practice what I had been talking about in theory for many years. I received a call from the chairman and chief executive officer of a major corporation after my picture appeared on the front page of *The New York Times* Sunday business section in an article about how professors were teaching business students about dealing with the media.

Ostensibly, the chairman's call was about how his company could get more credit for the great things it was doing. Specifically, he wanted to know if I had a "silver bullet." My silver bullet, as it turned out, was the development of a new corporate communication function for the company.

This company, like most, had let communications decentralize into a variety of other functional areas over the years, with the predictable result: no integration. The media relations people were saying one thing, the investor relations department was saying another; the marketing team was developing communication strategies for the outside, the human resources department for the inside.

No one except the chairman, who sat at the top of this $30 billion organization, could see the big picture, and none of those intimately involved with the various activities had an inside track on the overall strategy for the firm. Over the next year and a half, the chairman and I came up with the first integrated communication function that had all the different subsets I had tried unsuccessfully to bring together at other companies and even at my own university.

We changed everything—from the company's image with customers to its relationship with securities analysts on Wall Street. Today, this company has one totally integrated communication function. This book explains what all the component parts of that function are all about.

What Is This Book About?

Chapter 1, "The Changing Environment for Business," provides a context for the rest of the book. It describes changes in the environment for business that have taken place over the past 100 years, with particular emphasis on this past decade and its implications for corporate communication. Companies must contend with two seemingly at-odds phenomena these days: an all-time low trust in corporations and a seemingly all-time high in the expectation that companies speak out on topics of social justice and the broader impact on the world. The shifting perspective on the purpose of a company has had broad implications not just for the structure of the communications function but also for corporate strategy and mission more generally.

In the Redwood Health System case, we examine how one company had to contend with the challenges of a changing of the guard, ushering in new leadership with a new company mission intended to match the challenges of the day.

Chapter 2, "Communicating Strategically," explains how companies need to use a strategic approach to communications. In the past, most communication activities were dealt with reactively as organizations responded to events in the world around them. With the framework for strategic communication provided in this chapter, companies can proactively craft communications tailored to their constituencies and measure their success based on constituency responses.

In the Carsen Molding case, we find an example of a manager who failed to use a strategic approach to communication in a rapidly changing corporate environment.

In Chapter 3, "An Overview of the Corporate Communication Function," we take a look at the evolution of the corporate communication function and some of the different ways it can be structured within organizations. This chapter also describes each of the subfunctions that should be included in the ideal corporate communication department.

The John Deere case provides an excellent example of how a company evolved its communication function to better match with modern demands.

Chapter 4, "Corporate Brand and Reputation," describes the most fundamental function of a corporate communication department: to reflect the reality of the firm itself through control of its brand and ultimately its reputation. This chapter places particular emphasis on the manner in which the digital world, and in particular social media, has changed the way in which corporations can manage these foundational elements.

The case for this chapter allows students to examine the challenges of maintaining a stronghold on brand and reputation through the United Airlines disaster of 2017 when a passenger was violently dragged off a flight.

In Chapter 5, "Corporate Responsibility," we see how companies try to do well by doing good, manage the so-called triple bottom line, and deal with increasing demands from antagonists and pressure groups.

The Starbucks Coffee Company case reveals how one company balanced its responsibilities to its customers with demands from a nongovernmental organization (NGO) to improve its sourcing.

In Chapter 6, "Media Relations," we look at how today's corporate communications function has evolved from the "press release factory" model to a more sophisticated approach of building relationships with both traditional and new media before having a specific story to sell them and targeting the appropriate distribution channel for different kinds of stories.

The Adolph Coors Company serves as our case in point for this chapter. In this classic case, which I wrote for the first edition, we see how this company dealt with the formidable *60 Minutes* when it approached Coors with a controversial story idea.

One of the most important functions within corporate communication deals with an internal rather than an external constituency: employees. In Chapter 7, "Internal Communication," we look at employee communications' migration away from the HR area toward a function that is more connected with senior management and overall company strategy.

The Go Travel case explores one company's attempt to deal with voluntary severance and outplacement issues related to layoffs.

In Chapter 8, "Investor Relations," we see how companies use communication strategies to deal with analysts, shareholders, and other important constituencies. In the past, this communication subfunction often was handled by managers with excellent financial skills and mediocre communication skills. Today, as IR professionals interact regularly with the media and need to explain nonfinancial information to investors, strong communication skills are equally critical to a solid financial background.

Our case for this chapter, Steelcase, Inc., examines how an IR function was built at that company.

Chapter 9 covers government relations. The business environment historically has fluctuated between periods of relatively less regulation and relatively more, but government relations is always a consideration for companies, whether at the local, state, federal, or international level.

The Disney case provides an example of how a large corporation dealt with challenges from government and local communities in Virginia as it tried to open an historical theme park.

Organizations inevitably will have to deal with some kind of crisis. In Chapter 10, "Crisis Communications," we look at how companies can prepare for the unexpected and provide examples of both good and poor crisis communications, as well as practical steps to creating and implementing crisis communication plans.

Our case at the end of this chapter focuses on the *Costa Concordia* Crisis, in which Carnival Cruises tried to navigate the challenges of dealing with the largest cruise line sinking in modern history.

What Is New to the Eighth Edition?

The eighth edition of *Corporate Communication* reflects valuable feedback received from both users and reviewers of the previous editions. In addition to new research findings and new examples to illustrate the latest economic, social, political, and corporate trends, changes in this edition include the following:

- New case and case questions.
- Expanded coverage of the history of communication theory.

- Additional discussion of the impact and role of social media and digital communications.
- Additional recommendations for crisis communication.
- Timely analysis of the challenges that companies are facing today in this time of increased consumer expectation that companies take a stand of the major challenges society faces today.

Why Is Corporate Communication So Important Today?

Every functional area, at one time or another, was the newest and most important. But in the twenty-first century, the importance of communication is obvious to virtually everyone. Why?

First, we live in a more sophisticated era in terms of communication. Information travels at lightning speed from one side of the world to another as a result of digital communications and social media.

Second, the general public is more sophisticated in its approach to organizations than it has been in the past. People tend to be more educated about issues and more skeptical of corporate intentions. Moreover, consumers and community members affected by corporations are more frequently and more vocally stating their opinions on company actions—opinions that are quickly amplified in the digital world. Companies, it seems, most contend with the opinions of nearly everyone.

Third, information comes to us in more beautiful packages than it did before. Slick social media design and easy user interfaces are table stakes at this point from the perspective of most consumers. The department store experience has been replaced by the direct-to-consumer trend, and a few "flagship stores" are now expected to offer immersive experiences as opposed to serving as purely points of sale. The bar is high for a company's message to stand out in this environment.

Fourth, organizations have become inherently more complex. Companies in earlier times (and the same is true even today for very small organizations) were small enough that they could get by with much less sophisticated communications activities. Often, one person could perform many different functions at one time. But in organizations with thousands of employees throughout the world, it is much more difficult to keep track of all the different pieces that make up a coherent communication strategy.

This book describes not only what is happening in an era of strategic communication, but also what companies can do to stay one step ahead of the competition. By creating an integrated corporate communication system, organizations will be able to face the next decades with the strategies and tools that few companies in the world have at their fingertips.

When working on the introduction for the last edition of this text, I wrote that I had hope that managers would soon come to realize the importance of an integrated, strategic communication function. While much progress has been made in giving communications an official seat at the strategic table, the function still has a long ways to go not only in terms of full appreciation of its importance from all important decision makers at most companies, but also in terms of learning how to grapple with the nuances of a much more integrated world, where nearly everyone can communicate with everyone else. Most likely, the field will continue to need to evolve as new challenges, and new opportunities, arise. Along the way, I hope you enjoy reading about this exciting field as much as I have enjoyed chronicling its development and thinking about its future.

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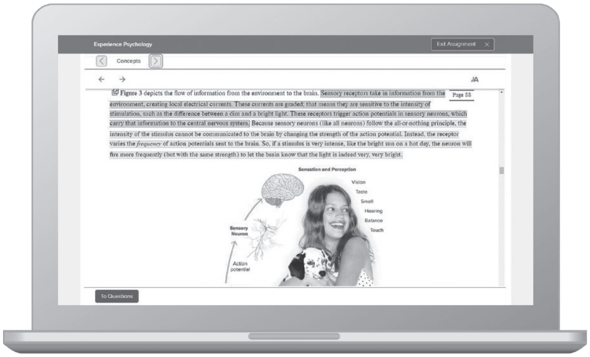

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A Note on the Case Method

Throughout this book, you will find cases or examples of company situations that typically relate to material covered in each of the chapters.

What Are Cases?

Cases are much like short stories, in that they present a slice of life. Unlike their fictional counterparts, however, cases are usually about real people, organizations, and problems (even though the names may sometimes be disguised for proprietary reasons). Thus, a reader has an opportunity to participate in the real decisions that managers had to make on a variety of real problems.

The technique of using actual business situations as an educational and analytical instrument began at Harvard in the 1920s, but the use of a "case" as a method of educating students began much earlier. Centuries ago, students learned law by studying past legal cases and medicine through the use of clinical work.

Unlike textbooks and lectures, the case method of instruction does not present a structured body of knowledge. This approach often proves frustrating to students who may be used to more traditional teaching methods. For example, cases are frequently ambiguous and imprecise, which can easily confuse a neophyte. This complexity, however, represents what practitioners usually face when making decisions.

In cases, as in life, problems can be solved in a variety of ways. Sometimes one way seems better than others. Even if a perfect solution exists, however, the company may have difficulty implementing it. You also may find that you have come up with a completely different solution to the problem than another student has. Try to forget the notion of finding an "answer" to the problem. The goal in using this method is not to develop a set of correct approaches or right answers, but rather to involve you in the active process of recognizing and solving general management problems.

In class, you will represent the decision maker (usually an executive) in a discussion that is guided by the professor. The professor may suggest ideas from time to time or provide structure to ensure that students cover major issues, but each student's insight and analytical prowess is displayed in this context. Often, a professor will play devil's advocate or pursue an unusual line of reasoning to get students to see the complexities of a particular situation. As a teaching device, the case method relies on participation rather than passive learning.

Although cases come in all shapes and sizes, two categories define the scope of most cases: evaluative and problematic. An evaluative case presents the reader with a description of a company's actions. The purpose of an analysis is thus to evaluate what management has done and then to determine whether the actions were well founded.

Problem cases, which are far more common, describe a specific problem a manager faces, such as whether to launch a new corporate advertising program, choose one method of handling the media over another, or even choose one form of communication rather than another. Such problems call for development of alternative strategies, leading to a specific recommendation.

Case Preparation

No matter what type of case you're dealing with, a common approach will help you prepare cases before you have time to develop what will eventually become your own style. In time, you will no doubt find a method that works well and proves more suitable to you. Regardless of the approach, a thorough analysis requires a great deal of effort.

Begin with a quick reading of the case. This read-through gives you a sense of the whole rather than what often can appear as a dazzling array of parts if you start by analyzing each section in detail. You should extract a *sense* of the organization, some impressions of what *could be* the problem, and a working knowledge of the amount and importance of information presented in the case.

A more careful second reading of the case will allow you to begin the critical process of analyzing business problems and solving them. What you should hope to cull from this analysis follows.

Problem Definition

First, you must establish a specific definition of the problem or problems. Although this definition may be clearly stated in the case, usually problem definition is a crucial first step in the analysis. You need to go beyond simple problem definition and look for symptoms as well. For example, as part of the analysis, you might wonder why or how the defined problem has developed in the company. Avoid, however, a repetition of case facts or a historical perspective. Assume that your reader has all the facts that you do and choose reasoning that will serve to strengthen, rather than bloat, your problem definition.

Company Objectives

Second, once you have defined the problem, place it within the context of management's objectives. How does the problem look in this light? Do the objectives make sense given the problems facing management?

In some cases, objectives are defined explicitly, such as "increase stock price by 10 percent this year." If the problem in the case proves to be that the company's investor relations function is a disaster, this objective is probably overly optimistic. Goals can be more general as well: "Change from a centralized to a decentralized communication organization in five years." In this instance, a centralized department with independent managers at the divisional level has a good chance of meeting its objectives.

Data Analysis

Third, you next need to analyze information presented in the case as a way of establishing its significance. Often, this material appears in exhibits, but you also will find it stated within the case as fact or opinion. Remember to avoid blind acceptance of the data, no matter where they appear. As in the real world, information presented in the case may not be reliable or relevant, but you may find that if you manipulate or combine the data, they ultimately will prove valuable to your analysis. Given the time constraints you will always be under in case analysis and in business, you should avoid a natural tendency to spend more time than you can really afford analyzing data. Try to find a compromise between little or no data analysis and endless number crunching.

Alternative Strategies and Recommendations

Fourth, after you have defined the problem, identified company objectives, and analyzed relevant data, you are ready to present viable alternative strategies. Be sure the alternatives are realistic for the company under discussion, given management's objectives. In addition, you must consider the implications of each alternative for the company and management.

Once you have developed two or three viable alternative solutions, you are ready to make a recommendation for future action. Naturally, you will want to support the recommendation with relevant information from your analysis. This final step completes your case analysis, but you must then take the next step and explore ways to communicate all the information to your reader or listener.

Cases in the Real World

Here are some further thoughts to help you distinguish a case from a real situation: Despite the hours of research time and reams of information amassed by the case writer, he or she must ultimately *choose* which information to present. Thus, you end up with a package of information in writing. Obviously, information does not come to you in one piece in business. A manager may have garnered the information through discussions, documents, reports, websites, and other means. The timing also will be spread out over a longer period than in a case.

Also, given the necessary selectivity of the case writer, you can be sure a specific teaching objective helped focus the selection of information. In reality, the "case" may have implications for several different areas of a business.

Because a case takes place within a particular period of time, it differs in another important way from management problems. These tend to go on and change as new information comes to light. A manager can solve some of the problems now, search for more information, and decide more carefully later on what is best for a given situation. You, on the other hand, must take one stand now and forever.

Finally, case analyses differ from the realities of management in that students do not have responsibility for implementing decisions. Nor do they suffer the consequences if their decision proves untenable. You should not assume that this characteristic removes you from any responsibility. On the contrary, the class (in a discussion) or your professor will be searching for the kind of critical analysis that makes for excellence in corporate communication.

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Paul A. Argenti
Hanover, New Hampshire
2021

The author welcomes any comments or questions as well as corrections to the text. Please write to Professor Paul A. Argenti, The Tuck School of Business, Dartmouth College, Hanover, NH 03755, or e-mail comments to paul.argenti@dartmouth.edu.

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CHAPTER ONE

The Changing Environment for Business

Most of today's business leaders grew up in a different era from the one they find themselves in now: A typical senior executive grew up during one of the most prosperous and optimistic periods in American history. The difference between the world these people knew in their childhood and the one their grandchildren will face in the mid-twenty-first century is nothing short of staggering.

The public's current expectations of corporations are also different from what they were 50 years ago. To attract customers, employees, and investors, companies need to be progressive leaders about a host of global issues and put their vision in a broader social context. Public scrutiny of business is constant and intense, and in the past decade, disillusionment has grown regarding excesses in executive pay, questionable accounting practices, drug recalls, and moral laxity on the part of corporations.

In this chapter, we put our discussion of corporate communication in context by looking at some of the events that have influenced the operating environment for business. We begin by looking at a history of public attitudes toward American business and their reflection in traditional and social media. Next, we turn to the effects of globalization on business. Finally, we look at how improved corporate communication can help companies compete in this constantly changing environment.

Attitudes toward American Business through the Years

Business has never had a completely positive image in the United States. In the 1860s, the creation of the nation's transcontinental rail systems and the concomitant need for steel created hazardous working conditions for steelworkers and railroad builders alike. Soon thereafter, the Industrial Revolution moved American industry away from a model of small workshops and hand tools to mechanized mass production in factories. This shift had the effect of lowering prices of finished goods, but it also contributed to harsh and dangerous working conditions for laborers, as documented in Upton Sinclair's book, *The Jungle.* The exploitation of young women and children working in factories, highlighted by the deadly Triangle Shirtwaist Factory fire in 1911, only added to negative perceptions of business.

As the patriarchs of big business, the Carnegies, Mellons, and Rockefellers—"robber barons," as they came to be known—were perceived as corrupt businessmen looking out for their own interests rather than the good of all citizens. And yet these negative attitudes toward the first modern corporate businessmen were coupled with envy of their material wealth. Most Americans wanted the lifestyle of these business magnates and came to see the pursuit of wealth and the security it provided as part of the "American Dream." The concept of social mobility, captured in author Horatio Alger's rags-to-riches novels, seemed to many to be a tangible reality in America's cities, and immigrants came to the United States in large numbers.

The 1920s were characterized by a sharply rising stock market following the conclusion of World War I and by increasing disparities in wealth distribution. These disparities—between rich and middle class, between agriculture and industry—made for unstable economic conditions, while speculation in the stock market fueled its growth to unprecedented levels. The stock market "bubble" finally burst in 1929, giving way to the Great Depression, which would last a decade and affect the rest of the industrialized world. It was a dark time for businesses and individuals alike.

By the mid-1940s, however, businesses started rebounding from the Depression as companies geared up for the Second World War. The steel industry, the automotive industry, the military-industrial complex—all of which made the prosperity of the 1950s and 1960s a reality—got their start during World War II.

Perhaps the epitome of this era, considered by many a "golden age," was the "Camelot" years of the Kennedy administration. The economy was booming, and in the aftermath of the Cuban Missile Crisis, the United States felt it had defused the tensions of the Cold War. Even after Kennedy's death, prosperity continued, and public approval of business soared.

Over a period of 30 years, the marketing consultancy firm Yankelovich asked the question of American citizens: "Does business strike a balance between profit and the public interest?". In 1968, 70 percent of the population answered yes to that question. By the time Richard Nixon was on his way to the White House, however, the nation was torn apart by civil unrest, with the continuation of the civil rights struggle and demonstrations against U.S. involvement in the Vietnam War. Disagreement over the role of the United States in Vietnam marked a serious deterioration in public attitudes toward all institutions, including business. For those who were against the war, the executive branch of government came to stand for all that was wrong with America.

Because it helped to make the war possible and profited from the war, American industry was the target of much of the public's hostility. Dow Chemical's manufacture of Napalm and Agent Orange, which would be used to defoliate Vietnamese jungles, led to student protests on American university campuses. Young people in the United States came to distrust the institutions involved in the war, whether government agencies or businesses. This belief represented a dramatic change from the attitudes Americans had during World War II. Those in power failed to see how the Vietnam War was different because Americans were ambivalent about what the country was fighting for.

Toward the end of the 1960s and coinciding with the war in Vietnam, a rise in radicalism in America marked the beginning of a long deterioration of trust in institutions. The events of the early 1970s also contributed to this shift. For example, Watergate only confirmed what most young Americans had believed all along about the Nixon administration.

TABLE 1.1
How Much Confidence Do You Have in These Institutions?*

Sources: Gallup Poll, http://www.gallup.com/poll/1597/Confidence-Institutions.aspx#3.

	1970s	1980s	1990s	2000s	2010s
Big Business	31%	27%	26%	22%	21%
U.S. Congress	39	33	46	22	10
U.S. Supreme Court	46	50	46	42	36
Military	56	58	68	74	74

*Answers reflect proportion of consumers who responded with "great deal" and "quite a lot" of confidence.

The aftermath of the oil embargo, imposed by Arab nations after the 1973 Middle East war, had even more of an effect on attitudes toward business in America. Cheap, abundant petroleum—the lubricant of the American way of life—suddenly became scarce and expensive as Saudi Arabia and other Arab producers punished the United States for supporting Israel in the war. The cutoff lasted less than three months, but its effects on consumer attitudes are still with us today.

As a result of Watergate, Vietnam, and the oil embargo, by the mid-1970s American attitudes toward business reached an all-time low. In answer to the same question "Does business strike a fair balance between profit and the public interest?" those answering yes in a poll conducted by Yankelovich dropped to 15 percent in 1976 when Jimmy Carter took office. This drop of 55 points in just eight years says more about the changing attitudes toward business than a thousand anecdotes.

An opinion research poll conducted by Gallup that asked members of the general public to rate their confidence in a number of institutions showed declines in all areas, except in the military, as shown in Table 1.1.

As you read this, you may be asking yourself whether the 1980s and 1990s, which together constituted the final economic boom of the twentieth century, restored America's faith in business to where it had been in the 1960s. They did not, as a Harris Poll found that by the late 1990s, confidence in American institutions had fallen to its lowest level recorded in the previous thirty years.[1]

In response to a question about whether business strikes a fair balance between profit and the public interest, the percentages climbed back to a high of 30 percent answering yes in 1984. And the percentages dropped slightly to 28 percent in 1999 (the last year Yankelovich asked this question). (See Table 1.2.)

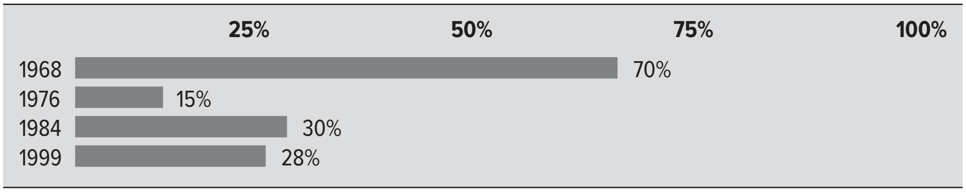
In a Gallup poll conducted over the first two weeks of January 2020, just 8 percent of respondents described themselves as "very satisfied" with the size and influence of major corporations, while another 33 percent considered themselves "somewhat satisfied." Some of the dissatisfaction was attributable to concerns about the regulation (or lack thereof) of big business on the part of the U.S. government. By a slight margin (44 percent to 41 percent) more respondents were dissatisfied than satisfied with government regulations of big business, according to that same Gallup survey. Of those upset with governmental regulation of large firms, half wanted more regulations, while the other half wanted less.[2]

[1] Harris Poll 2017.

[2] Gallup Poll, "Confidence in Big Business," https://news.gallup.com/poll/5248/big-business.aspx.

TABLE 1.2
Does Business Balance Profit and Public Interest?*

Source: *Yankelovich Monitor.*



*Percent yes responses.

The 1990s saw the phenomenal rise of the NASDAQ index to 4,000 points by the end of the decade. Individual investors were actively participating in the equity markets and reaping enormous gains as stock prices seemed to be on an unstoppable upward trajectory. Then, in the spring of 2000, the markets came crashing down. By December, the NASDAQ had sunk to less than half its peak level of 5,000, reached at the beginning of the year. And unfortunately for the 100 million individual investors who had poured money into the market during the Internet-fueled boom of the 1990s, it did not stop there in its downward spiral. By early 2002, these individuals had lost $5 trillion since the "Internet bubble" burst, representing 30 percent of their stock wealth.[3]

With the bursting of the "dot.com bubble," the exposure of corporate fraud at large companies such as WorldCom, Adelphia, and Tyco, and the collapse of Enron and its auditor, Arthur Andersen, due to fraudulent accounting, Americans perceived business as actively trying to deceive them. This perception was reflected in the media as well, such as in the *NBC Nightly News* segment entitled "The Fleecing of America."

In the midst of this market turmoil, the actions of unscrupulous financial analysts (see Chapter 8 for more on analysts) and companies like Enron angered the American public further. By February 2002, some 81 percent of investors polled "did not have much confidence in those running Big Business."[4] This attitude is not surprising when you consider the many highly publicized stories of top executives who sold millions of dollars' worth of shares in their own failing enterprises, further enhancing their wealth as rank-and-file employees lost much of their retirement savings.

The public also has been embittered by the growing pay gap between senior executives and ordinary workers that reached enormous proportions over recent decades. According to the Economic Policy Institute, since 1978, CEO compensation rose 1,007.5 percent, compared with 11.5 percent for average workers, with CEOs in 2019 making 278 times the average worker.[5] In December 2019, the Congressional Budget Office reported that the middle 60 percent of the American population experienced a growth in household income of 47 percent between 1979 and 2016 (after taxes and adjusted for inflation), while the top 1 percent of earners experienced a growth in household incomes of 218 percent. The study also projected that income for the lowest quintile would grow a mere 1.3 percent by 2021 to $21,900, while income for the top 1 percent would grow 2.3 percent

[3] Marcia Vickers, Mike McNamee, et al., "The Betrayed Investor," *BusinessWeek,* February 25, 2002, p. 105.

[4] Ibid., p. 106.

[5] Jeff Cox, "CEOs See Pay Grow 1,000% in the Last 40 Years," *CNBC*, August 16, 2019, https://www.cnbc.com/2019/08/16/ceos-see-pay-grow-1000percent-and-now-make-278-times-the-average-worker.html.

from $1.8 million to $2.0 million.[6] While top earners enjoy lucrative compensation packages, today 40 million Americans rely on food stamps,[7] and 21.3 percent live in households receiving some form of government assistance, according to 2015 data from the Census Bureau.[8] Nobel Prize–winning economist and *The New York Times* contributor Paul Krugman refers to this period of increasing income inequality, which he believes started in the late 1970s, as "The Great Divergence." He writes that it is more a product of conservative politics, tax law that is favorable to the wealthy, and inflated executive compensation than it is a product of less personal forces including globalization and technology.[9,10] Alan Binder for *The Wall Street Journal* similarly argued in 2019 that more recent tax cuts have likewise aggravated income inequality.[11]

Although executive compensation in general is a controversial subject, in the wake of the 2008 subprime credit crisis, public scrutiny has focused on the outsized annual bonuses doled out on Wall Street. Americans were especially outraged that financial firms receiving public TARP (Troubled Asset Relief Program) rescue funds could use the money to pay out executive bonuses. In March 2009, insurance giant A.I.G. earned negative press when it decided to award multimillion-dollar bonuses to its executives despite having just received a $US 100 billion government bailout. In the summer of 2009, then New York attorney general Andrew Cuomo released a report that detailed compensation at the largest New York–based banks that received public bailout money. The report revealed that Merrill Lynch had paid 149 bonuses greater than $US 3 million and 696 bonuses greater than $US 1 million, despite being in such dire financial straits that it had to merge into Bank of America in early 2009.[12] In July 2010, Kenneth R. Feinberg, who was appointed by President Obama to oversee executive compensation during the bailouts, released a report claiming that nearly 80 percent of the $US 2 billion that banks paid out in 2008 bonuses were unmerited.[13]

Increased tension over growing income inequity combined with relatively high unemployment rates in the United States sparked the Occupy Wall Street movement, a protest against corporate greed and corruption. The largely peaceful Occupy Wall Street movement started in September 2011 in Zuccotti Park in lower Manhattan and quickly spread to other U.S. cities as well as cities around the world, including Paris, London, Berlin, Hong Kong, and Rome.[14] Occupy Wall Street organizers made extensive use of social media and published a daily newspaper to communicate news and marching orders with

[6] "CBO Household Income Report," Congressional Budget Office, December 2019, https://www.cbo.gov/system/files/2019-12/55941-CBO-Household-Income.pdf.

[7] "Snap Data Tables," USDA, https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap.

[8] "21.3 Percent of U.S. Population Participates in Government Assistance Programs Each Month," U.S. Census Bureau, May 28, 2015, https://www.census.gov/newsroom/press-releases/2015/cb15-97.html.

[9] Paul Krugman, "Introducing This Blog," *The New York Times*, September 18, 2007, http://krugman.blogs.nytimes.com/-2007/09/18/introducing-this-blog.

[10] "Trends in the Distribution of Household Income between 1979 and 2007," Congressional Budget Office, October 2011, http://www.cbo.gov/ftpdocs/124xx/doc12485/10-25-HouseholdIncome.pdf.

[11] Alan S. Blinder, "Tax Cuts for the Wealthy Make Inequality Worse," *The Wall Street Journal*, October 31, 2019, https://www.wsj.com/articles/tax-cuts-for-the-wealthy-make-inequality-worse-11572561280.

[12] Stephen Grocer, "Wall Street Compensation–'No Clear Rhyme or Reason,'" *The Wall Street Journal*, July 30, 2009.

[13] Louise Story, "Topics: Executive Pay," *The New York Times,* December 5, 2011.

[14] Alan Taylor, "In Focus: Occupy Wall Street Spreads Worldwide," *The Atlantic,* October 17, 2011.

participants. Organizers executed a branding campaign for the movement based on the slogan "we are the 99%," meant to highlight the growing income gap between the top 1 percent of earners and the remaining 99 percent. Critics of the Occupy Wall Street movement deride the movement for lacking clear focus and actionable objectives. However, the Occupy Wall Street movement emphatically underscore the growing public discontent with the traditional big business.

In more recent years, two additional movements pertaining to issues of social justice—the #MeToo movement and the Black Lives Matter movement—finally came to the forefront of social consciousness in a way that businesses could not fail to ignore. The phrase "Me Too" was initially used by sexual assault survivor and activist Tarana Burke in 2006 to highlight shared experiences of sexual assault and harassment—especially those experienced by women and girls of color, which Burke had experienced firsthand. The movement took off even further in 2017 following allegations of assault against Hollywood producer Harvey Weinstein.[15] As #MeToo gained traction, the business world has been compelled to confront a wide range of challenges the movement has highlighted, from outright assault and harassment to gender inequity and the gender pay gap, in which women in 2020 still only earned, on average, 81 cents to every dollar made by a male counterpart, and Black women, Native American women, and Latinas earned \$0.62, \$0.57, and \$0.54 for every dollar earned by a white male counterpart.[16,17] In the year following the Harvey Weinstein expose, over 200 men in powerful positions from media to finance to technology stepped down, with over half their positions filled by women.[18] However, while the movement has brought conversations regarding gender inequity and workplace harassment to the forefront, considerable progress remains to be made, as noted by a 2019 Harvard Business Review study, which found that, while in the years following the emergence of the #MeToo movement, reports of unwanted sexual advances declined (in their survey) from 66 to 25 percent, reports of gender harassment increased from 76 percent in 2016 to 92 percent in 2018. Such results highlight that, while progress may be made in the workplace regarding some of the most egregious behaviors, "backlash effects" can unfortunately erode progress.

The Black Lives Matter movement likewise has shone a spotlight on long-standing social ills. The movement was founded in 2013 after the acquittal of George Zimmerman in the shooting death of 17-year-old Trayvon Martin and originally had a primary focus of protesting against police brutality and racism in the United States.[19] The movement

[15] Abby Ohlheiser, "The Woman Behind 'Me Too' Knew the Power of the Phrase When She Created It—10 Years Ago," *The Washington Post*, October 19, 2017, https://www.washingtonpost.com/news/the-intersect/wp/2017/10/19/the-woman-behind-me-too-knew-the-power-of-the-phrase-when-she-created-it-10-years-ago.

[16] Kathleen Elkins, "Here's How Much Men and Women Earn at Every Age," *CNBC*, July 18, 2020, https://www.cnbc.com/2020/07/18/heres-how-much-men-and-women-earn-at-every-age.html.

[17] Courtney Connley, "More than 1 in 3 Black Women Are on the Front Lines of the Pandemic," *CNBC*, August 13, 2020, https://www.cnbc.com/2020/08/13/black-women-are-on-the-front-lines-of-the-pandemic-but-they-arent-even-close-to-equal-pay.html.

[18] Audrey Carlsen, Maya Salam, Claire Cain Miller, Denise Lu, Ash Ngu, Jugal K. Patel, and Zach Wichter, "#MeToo Brought Down 201 Powerful Men. Nearly Half of Their Replacements Are Women," *The New York Times*, October 29, 2018, https://www.nytimes.com/interactive/2018/10/23/us/metoo-replacements.html.

[19] "Black Lives Matter," *Newsweek*, https://www.newsweek.com/topic/black-lives-matter.

returned to national headlines following the 2020 killing of George Floyd by a Minneapolis police officer, with 15 to 26 million Americans participating in demonstrations around the country following his death, making the movement one of the largest, if not the largest, social justices movements in U.S. history.[20] Companies have finally felt compelled to respond in turn, with Twitter declaring Juneteenth a corporate holiday to commemorate the end of slavery, and Reddit founder and husband to Serena Williams, Alexis Ohanian, resigning his position on the company's board to make way for the first Black director in the company's history.[21] Numerous other companies, from Netflix to Nike to WarnerMedia brands, utilized social media channels such as Twitter to declare their support for the movement. An obvious tension exists, though, in companies taking a stand on such deep social injustices in the absence of any real action to combat their underlying causes. Americus Reed, a marketing professor at the Wharton School at the University of Pennsylvania, has described such actions as "values and identity-driven targeted marketing," further noting that, "They're taking a stand, hopefully, because it's moral but also because they understand the long-term economic game."[22] Notably, Black-owned businesses have witnessed an up-tick in business as the movement has gained increasing traction.[23] Skepticism, however, remains as to whether these gains will be short-lived or whether the world of business (and beyond) will continue to commit, in a sustainable and meaningful way, to eradicating the ills of racial inequity, where the average Black family has one-tenth the net worth of the average white family in the United States and where the coronavirus pandemic has disproportionately ravaged communities of color.[24,25]

Television, Social Media, and the Online World

Literature and the arts have both affected and reflected perceptions about institutions throughout human history. Greek attitudes about government and religion manifested themselves in theater; Shakespeare shaped notions about English history for generations; and today, in the United States, television, social media, and the online world have both reflected and helped to create some of the public's negative attitudes about business.

[20] Larry Buchanan, Quoctrung Bui, and Jugal K. Patel, "Black Lives Matter May Be the Largest Movement in U.S. History," *The New York Times*, July 3, 2020, https://www.nytimes.com/interactive/2020/07/03/us/george-floyd-protests-crowd-size.html

[21] Tracy Jan, Jena McGregor, Renae Merle, and Nitasha Tiku, "As Big Corporations Say 'Black Lives Matter,' Their Track Records Raise Skepticism," *The Washington Post*, June 13, 2020, https://www.washingtonpost.com/business/2020/06/13/after-years-marginalizing-black-employees-customers-corporate-america-says-black-lives-matter.

[22] Tiffany Hsu, "Corporate Voices Get Behind 'Black Lives Matter' Cause," *The New York Times*, June 1, 2020, https://www.nytimes.com/2020/05/31/business/media/companies-marketing-black-lives-matter-george-floyd.html

[23] Fredreka Schouten, "The Black Lives Matter Movement Is Driving Customers to Black-Owned Businesses," *CNN*, June 20, 2020, https://www.cnn.com/2020/06/20/politics/black-owned-businesses/index.html.

[24] Tracy Jan, "White Families Have Nearly 10 Times the Net Worth of Black Families," *The Washington Post*, September 28, 2017, https://www.washingtonpost.com/news/wonk/wp/2017/09/28/black-and-hispanic-families-are-making-more-money-but-they-still-lag-far-behind-whites.

[25] "Health Equity Considerations and Racial and Ethnic Minority Groups," CDC 2019 Coronavirus Report, July 24, 2020, https://www.cdc.gov/coronavirus/2019-ncov/community/health-equity/race-ethnicity.html.

For many Americans today, what they see in fictional or "factional" accounts on TV and online helps shape their attitudes more than educational institutions. With three in ten American adults spending time online nearly "constantly" and eight in ten going online daily, it is very clear that the online depiction of a corporation can easily and readily be viewed by many Americans.[26]

The Media Institute, a research organization funded by corporations, has been tracking media coverage of business for more than 40 years. Each time it issues a report, the results are the same: businesspeople are portrayed negatively in almost two-thirds of all television programs. Researchers have concluded that half of the time, businesspeople portrayed on television were involved in criminal activities.

In addition, most Americans (44 percent) get their news from television.[27] As a result, the negative portrayals viewers see in fictional programming blend into the negative news they watch on the nightly news. An individual might, for example, watch an episode of *Law & Order* in which a woman is framed for murder after raising questions about her company's back-dating of stock options one night, then see an in-depth story about United Health doing the same thing on *Dateline NBC* the following evening.

Similarly, though, the share of Americans receiving their news from online is growing, with 34 percent of U.S. adults getting their news in this way. Given that individuals can just as easily (if not more easily) switch from reading the news from reliable sources to watching shows online to stumbling into less thoroughly vetted sources of information on a company, it is clear that there are many avenues to reinforce negative perceptions of business.

It is eerie how Hollywood has mirrored events in business at exactly the right time. The movie *Wall Street* is another such example. Oliver Stone's movie came out just ahead of the great scandals that rocked the real Wall Street in the late 1980s. Even within the film itself, reality and fiction were intertwined. Gordon Gekko, the evil financial genius meant to represent someone like the notorious arbitrageur Ivan Boesky, makes a speech in the film about greed. "Greed is good, greed purifies, greed cuts through and captures the essence of the evolutionary spirit," Gekko says in a passionate speech at an annual meeting. Months earlier, the real Ivan Boesky had made a similar speech to a group of graduates at the University of California's Berkeley campus.

Are these examples instances of "life imitating art"? More likely, it is the other way around. As long as business has a negative public image, movies and television will continue to dramatize real-life tales of corporate wrongdoing. As Hollywood exports a large number of American films to countries around the world, these images become part of a global informational tapestry that we explore in more detail in the next section.

[26] Andrew Perrin and Madhu Kumar, "About Three-in-Ten U.S. Adults Say They Are 'Almost Constantly' Online," Pew Research Center, July 25, 2019, https://www.pewresearch.org/fact-tank/2019/07/25/americans-going-online-almost-constantly.

[27] A.W. Geiger, "Key Findings About the Online News Landscape in America," Pew Research Center, September 11, 2019, https://www.pewresearch.org/fact-tank/2019/09/11/key-findings-about-the-online-news-landscape-in-america.

The Global Village

Technology has strengthened communication channels around the globe, disintegrating national borders to produce what Canadian philosopher Marshall McLuhan foresaw decades ago—the creation of a world so interwoven by shared knowledge that it becomes a "Global Village."[28] This trend has had a monumental impact on business, particularly over the past two decades.

In 2002, the U.N. Conference on Trade and Development published an article stating that 29 of the world's top 100 economies were multinational businesses rather than countries.[29] As of 2018, this has reversed, with 29 of the world's top 100 economies being countries and the other 71 being multinational businesses.[30] Thus, it may not be surprising that individuals have begun to turn to large companies to provide the direction that distinct national cultures, communities, and inspirational narratives offered more strongly in the past. Coupled with this shift is a heightened level of interest in social responsibility on the part of organizations. Later in this book, we will discuss the growing importance of corporate social responsibility and its implications for corporate reputation, but generally, the public is looking for companies to demonstrate care for the communities in which they operate from both an environmental and human perspective.

In his book *The Mind of the CEO,* Jeffrey Garten explains, "As the world gets smaller, CEOs will be unable to escape involvement in some of the most difficult political, economic and social problems of our times. There will be no way to avoid operating in countries with fragile economies, weak democratic structures and mega-cities with severely overburdened infrastructures."[31]

Today, companies recognize that the ability to tap into the benefits of globalization is imperative for a company's survival, but at the same time are grappling with the ways to best take advantage of that. The 2019 PwC Global CEO survey underscores the complexities and concerns that come with competing within the global market, with 60 percent of CEOs stating they are "extremely concerned" about protectionism and an increasing number stating they "don't know" where they would like to expand to next.[32]

An anticorporation sentiment was formalized on paper in October 1997, when Earth First! produced a calendar listing important anticorporate protest dates and announcing the first "End Corporate Dominance Month."[33] Since then, organizations such as Vancouver-based Adbusters Media Foundation, which was founded in 1989, have risen to

[28] Marshall McLuhan and Bruce R. Powers, *The Global Village: Transformations in World Life and Media in the 21st Century* (New York: Oxford University Press, 1989).

[29] Progressive Policy Institute, "The World Has over 60,000 Multinational Companies," April 27, 2005, http://www.ppionline.org/ppi_ci.cfm?knlgAreaID=108&subsecID=900003&contentID=253303.

[30] "Of the World's Top 100 Economic Revenue Collectors, 29 Are States, 71 Are Corporates," Oxfam, August 3, 2018, https://oxfamblogs.org/fp2p/of-the-worlds-top-100-economic-entities-29-are-states-71-are-corporates.

[31] Jeffrey Garten, *The Mind of the CEO* (New York: Basic Books, 2001), p. 24.

[32] "22nd Annual Global CEO Survey," PwC, https://www.pwc.com/gx/en/ceo-survey/2019/report/pwc-22nd-annual-global-ceo-survey.pdf.

[33] Naomi Klein, *No Logo: Taking Aim at the Brand Bullies* (New York: Picador USA, 1999), p. 327.