Why aren't we measuring relationships?

By concentrating on relationships, reputation will follow

by Peggy Simcic Brønn

In her forthcoming book *Measuring Public Relationships,* Katie Delahaye Paine makes the point that measuring reputation can be a waste of time. My heart soared when I read this. It seems that everyone wants to measure reputation. Countries, cities, companies, the public sector—you name it, they all want to measure their reputation. The interest in reputation seems to have risen exponentially in the past few years, fueled in part by the proliferation of reputation measurements done by *Fortune, Forbes* and the *Financial Times,* among others, with their rankings of the best places to work and the world's most admired firms. However, some academics in PR have despaired that all of the focus on reputation and image may detract from the primary responsibility of PR—building relationships.

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The 1992 IABC Excellence study suggested that the quality of relationships determines reputation, and that quality relationships and reputation result more from an organization's behavior than from corporate messages. The value of relationships includes the value of reputation. Other researchers have seconded this notion, seeing reputation as the history of relationships with multiple stakeholders. The IABC Research Foundation's 2003 report *Intangible Assets and Communication* concluded that relationship capital is what makes human capital succeed; it combines and relates people to one another and allows them to exchange their knowledge, skills and insights in business situations. Accordingly, this relationship capital then produces reputation and image.

There have been several doctoral dissertations exploring the subject of relationships, referred to in PR literature as organization-public relationships (OPR). A number of academics have also taken relationships as a core part of their research, particularly John Ledingham and Stephen D. Brunig, and James E. Grunig and Linda Hon. Grunig even stated that the study of relationships has been the primary focus of research in PR for the last 20 years.

Yet the idea of relationships and their importance does not seem to have taken root in the consulting and practitioner arenas. Some believe that this is because of the massive attention paid to reputation and the belief that PR functions have abandoned relationships in favor of reputation management.

Marketing, with its attention to customer relationships, has somehow managed to bridge the gap between academia and practice. The volume of literature on relationship marketing and customer relationship management is enormous. The topics of customer satisfaction and barometers for measuring it are easily found in academic literature and research and in practice by firms and consultants alike. Obviously, a major reason that relationships caught on so successfully in marketing is that customers and their satisfaction and loyalty have direct and sometimes immediate effects on a company's performance. Additionally, they are relatively accessible, and measurements of their satisfaction and impact on an organization's performance are pretty straightforward.

Communication managers have much greater challenges than marketers. For one thing, they are concerned with all the stakeholders of the organization. Second, some of these stakeholders are people with whom the organization might not want to enter into a relationship at all, much less a long-term one, which is the primary goal of marketing.

The challenge is convincing firms and consultants to shift their focus from reputation to relationships. By concentrating on relationships, reputation will follow. However, proving this to management can be difficult. Walking into a boardroom and convincing executives focused on bottom-line results that they should invest in relationships that at some time in some indeterminate future will affect their reputation can be career hara-kiri.

Extended effects

Some organizations, however, are beginning to see the light. Working with brand and reputation measurement firm MartinFidem, I had the opportunity to try out relationship measurement with Conecto, a small firm in Norway operating in a very unpopular service industry: debt collection. This type of company is interesting because of the tripartite nature of its relationships. Its clients find themselves having to outsource part of their accounting routines in order to get payment from some of their customers. The agency has to make contact with the delinquent payors—that is, its clients' customers—to convince them to pay their outstanding debt or to find ways to help them do so. Arguably, these are relationships that all parties would prefer to avoid. Another challenge is retaining collection agents, particularly those making the calls and asking the customer to pay up.

Further, the Norwegian government heavily regulates the debt collection industry, including fixing fees and salaries. So it is nearly impossible to compete on price, and service quality is addressed through control systems such as ISO standards.

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Indicators of successful relationships

To measure the relationship between Norwegian debt collection agency Conecto and its clients and, by extension, the customers of its clients, the team at MartinFidem used the methodology developed by James E. Grunig and Linda Hon for the Institute for Public Relations. Their IPR report summarizes four outcomes as good indicators of successful relationships: trust, control mutuality, commitment and satisfaction. These are defined as:

Trust: one party's confidence in and willingness to open up to the other party. This measurement includes dimensions for integrity, competence and dependability:

- Integrity—the belief that an organization is fair and just
- Dependability—the belief that an organization will do what it says it will do
- Competence—the belief that an organization has the ability to do what it says it will do

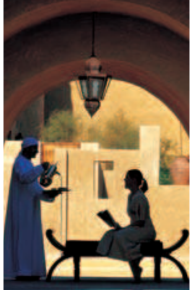
Control mutuality: the degree to which parties agree on who has rightful power to influence one another.

Commitment: the degree to which each party believes and feels that the relationship is worth spending time and money on:

- Continuance commitment—a certain line of action
- Affective commitment—an emotional orientation

Satisfaction: the degree to which each party feels favorably toward the other because positive expectations about the relationship are reinforced.

—P.S.B.



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Thus Conecto sought a value-based position in the market to give it a competitive advantage.

After spending more than a year working on its organizational identity, trying to identify values that could help establish a communication- and reputation-building platform, the agency was ready to start measuring its reputation. However, after careful consideration, Conecto's managers decided instead that their work on identity meant they should concentrate on relationships and how they were perceived. Their rationale was that (1) they have an obligation not only to reclaim what is owed to their clients, but also to help the delinquent customers avoid ending up in a similar situation in the future, and (2) by taking extra care in the relationship between themselves and the delinquent customers, they would be protecting the reputations of their clients.

In other words, Conecto was not only interested in satisfying its customers, it was also interested in satisfying the customers of its customers!

The agency eventually measured its relationships with employees, clients and delinquent payors using two years' worth of data and a four-outcome indicator methodology (see "Indicators of Successful Relationships" on page 33). Trust was the strongest indicator of relationship quality for both customers and employees. But the most interesting results came from the delinquent customers. They rated Conecto above average on all the relationship dimensions, with satisfaction the strongest indicator. The scores for this group indicated that they thought the collection agents listened to them and were not judgmental.

When Conecto's clients saw the collection agency protecting their reputation with their own customers, they had a better image of the agency. But the most important finding was that the better the delinquent customers felt about the collection agency, the better they felt about the company to which they owed money.

Conecto's clients were thrilled with this news. The people they sent to the collection agency represented substantial income; therefore, keeping these people as customers meant increased profits. Conecto immediately began to use the results as part of its marketing. The collection agency could tell prospective clients that it concentrated on protecting the reputation of its clients by building relationships. Shortly after these surveys were concluded, Conecto received a contract from one of the country's largest international firms with a value in the millions of Norwegian kroner. There is no concrete data that the agency's strategy of nurturing relationships to protect its customers' reputation played a role in this decision, but anecdotal evidence suggests that might be the case.

"Furthering" relationships

An interesting piece from history comes from the great marketing academics Sidney J. Levy and Philip Kotler. Writing in 1969, these researchers would have described the idea of focusing on relationships with multiple stakeholders as innovative. They foresaw that a type of marketing needed to evolve that would include organizations and relationships that weren't traditional to marketing, that is, those other than customer relationships. What we describe as corporate marketing today, Levy and Kotler called "furthering." In their article "Beyond Marketing: The Furthering Concept," they recommended that firms needed a furthering officer, whose job is to "mesh the organization's aims with those of the groups it serves in a way that will advance both…[with a] primary orientation toward groups that the organization relates to and toward skills in promoting either the common aims of the organization and its groups or their exchange of values."

Levy and Kotler acknowledged that the acceptance of furthering would take time, but its development was necessary if organizations are to have any control over how they communicate and build relationships with their myriad stakeholders.

If measuring relationships is to catch on, it must make the jump from academic research to practical application. There is ample evidence that focusing on relationships has a payoff for reputation. Good relationships don't happen overnight, and maybe that's the problem. Firms are just not willing to invest in the effort. •

about the author

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