From the Stockholm Accords to communicative equations: a fresh look to public relations role in network organizations

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FROM THE STOCKHOLM ACCORDS TO COMMUNICATIVE EQUATIONS: A FRESH LOOK TO PUBLIC RELATIONS ROLE IN NETWORK ORGANIZATIONS

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Abstract: Everyday in mainstream and specialized media we find references to the many changes that network society is provoking across different sectors, changing values, reshaping professions, etc. Public Relations is not exempt from this impact.

This is one of the starting points for the Stockholm Accords approved at the worldwide assembly of PR professional associations present at the Global Alliance's World Public Relations Forum in Stockholm, Sweden, in June 2010.

The accords sustain that PR concepts and practices need to evolve in order to be relevant in the new reality of network society and network organizations and they suggest that PR is more likely to evolve into a discipline whose strategic value lies in the facilitation of an effective governance of stakeholder relationships and in helping manage the new reality of «communicative organizations».

In this article I will try to conceptualize the idea of a 'communicative equation', understood as a basic dilemma PR professionals deal with in their daily work. In the network society, it's not possible to sustain the traditional vision of stakeholders and issues as discrete concepts without carefully considering their dynamic inter relationships. The 'communicative equation' helps understand the interconnectedness between interests, problems, agendas, communicative behaviours and communicative groups, thus providing a strategic ability to design resilient and network friendly strategies.

Key words: Stakeholder Management; Network Analysis; Communicative Equations; Public Relations; Stockholm Accords; Communication.

1. STOCKHOLM ACCORDS: A NEW BEGINNING FOR PUBLIC RELATIONS?

Before discussing the 'communicative equation', the current scenario of Public Relations worldwide requires a brief mention to the Stockholm Accords and the proposed ideas on how to «affirm the central role of Public Relations and Communication Management in organizational success».

The Stockholm Accords result from an extensive discussion involving more than 1000 global PR leaders and were finally adopted at the worldwide assembly of PR professional associations represented by Global Alliance's World Public Relations Forum in Stockholm, Sweden, in June 2010.

The accords confirm that PR concepts need to evolve in order to be applicable to the new reality of network society and network organizations. They envision a profession whose value resides in the development of sustainability policies and the enhancement of the organization's contribution to society as a whole; while recognizing that the governance of the stakeholder relationships requires a transition from the existing organizational models towards the paradigm of the «communicative organization». The accords also highlight that the management dimension of public relations is mostly related to listening to the wider expectations of society and to the legitimate claims of all its stakeholders. The operational value of public relations in the «communicative organization» is implemented through internal communication, external communication and the alignment of internal and external communication.

I will now examine some of the founding concepts behind the Stockholm accords in order to better understand the relevance of the 'communicative equation'.

1.1. NETWORKS, NETWORK SOCIETY, NETWORK ORGANIZATIONS

Networks are composed by actors who develop relational ties. There are different types of ties that may emerge from individual evaluations (for example expressed friendship, liking or respect); transactions or transfers of material resources (for example buyer-seller or supplier-producer relationships); exchanges of non-material resources (for example communication, sending/receiving information); associations or affiliations (for example belonging to an industry working group); behavioural interactions – physical presence of two or more actors in the same place at the same time (for example actors attending the same social event); physical connection (sha-

ring of an office space or recreation areas); formal roles (for example autho-rity or hierarchies) or kinship relationship (marriage, descent).

Most of these ties, with the exception of physical connections, can be developed exclusively through mediated communication and indeed this is a more and more frequent phenomena. In many instances this is creating «virtual» relational ties and thus «virtual relationships» which, in the network society, cannot be seen as anomalous or deviant phenomena.

By developing these ties, actors belonging to a network start exhibiting interdependent rather than independent behaviour. The behaviour thus becomes significantly oriented by the behaviour of others in the network and collective action starts to takes place.

It is precisely because of this nature that we need to incorporate network analysis elements when working with stakeholders and stakeholder relation-ship management. Indeed, stakeholders participate in different types of net-works, as you can see from the scheme below. The traditional centralized network model (often used to portray the organization at the centre of a series of satellite stakeholders) is no longer adequate for the reality of the network society. In this case, we must add decentralized and distributed net-works. In this last case, the difference between subgroups is influenced by the proliferation of relational ties thus becoming harder to map and requiring the application of specific tools and techniques.

FIGURE 1 – Centralized, Decentralized and Distributed Networks
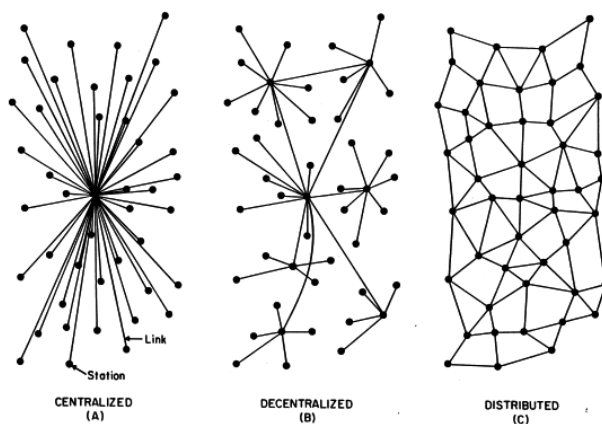
Source: Baran, 1964.

There are many available models to study networks and visualize their structural environment while understanding the operational opportunities or constraints for each of its actors.. Network models also allow conceptualizing structure (social, economic, political, and so forth) as lasting patterns for relationships among actors. However it is important to note that if it is the existence of relational ties among actors that allows us to understand the structure of the network (including the dyads, triads or other clusters of actors inside the network); this structure only partially influences the content of those relationships. For example, simultaneous consciousness about a situation (problem/opportunity recognition, level of involvement, recognition of constraints) can grow among actors without relational ties, though it can expand more easily among actors with relational ties. In these cases, actors inside the network can start to aggregate around, for example, shared opinions and originate sub groups, factions, coalitions, minorities or majorities.

The Stockholm Accords also relate the network society with the network organization by suggesting a conceptual shift from the «value chain» to a notion that organizations create value from the quality of relationships amongst network participants and amongst networks («value network»).

Indeed, as some authors (Dandi, Samarra, 2009) have put it; the network organization represents a post-fordist organization in which the communicative nature of the organization becomes a constitutive feature.

> «To summarize, the Post-Fordism model, coherently with a network approach, stresses the importance of: (i) connecting activities through the improvement of cross-hierarchy (or cross-organizational) business processes; (ii) connecting people through both leadership, culture, and information and communication technologies; (iii) connecting experts and non-experts, through the identification, creation, diffusion, and re-use of knowledge; (iv) connecting suppliers, customers, and partners, as in the so called 'network organization'» (p.5)

This is closely related with the idea of organizations as biological systems composed by networks of interdependent actors, relations, and interests

> «The modern corporation is the centre of a network of interdependent interests and constituents, each contributing (voluntarily or involuntarily) to its performance, and each anticipating benefits (or at least no uncompensated harms) as a result of the corporation's activities.» (Post, Sachs, Preston, 2002, p.8)

This network reality creates interdependency/relationships with a variety of subjects with whom the organisation has legitimate shared interests

(investors, employees, customers, suppliers, and members of the communities in which the organisation operates). The «value network» thus involves the collaboration voluntary or involuntary, active and passive, of numerous and different actors.

But, if organizations need to adapt to the network society, how does this impact on Public Relations?

1.2. GOVERNANCE OF STAKEHOLDER RELATIONSHIPS

There are many myths around the idea of idea of 'governance' which is often misinterpreted in the corporate field because of the idea that (all) organizations manage relationships in an instrumental and strategic way in order to secure profits. Authors such as Berle (1931) believed that

> «all powers granted to a corporation or to the management of a corporation, or to any group within the corporation, whether derived from statute or charter or both, are necessarily and at all times exercisable only for the ratable benefit of all the shareholders as their interest appears» (Berle, 1931 op. cit. Becht et al., 2002, p.3)

But although the ultimate justification for the existence of the corporation might be its ability to create wealth (Post, Sachs, Preston, 2002) the legitimacy of contemporary organization as an institution within society – its social charter, or «license-to-operate'» – depends on its ability to listen to the expectations of an increasingly numerous and diverse subjects which are impacted by or actually impact (potentially or operationally) the organisation's operational decisions and behaviours. This line has been sustained by authors such as Dodd (1932) who, in the aftermath of 29 crush, argued that

> «[business] is private property only in the qualified sense, and society may properly demand that it be carried on in such a way as to safeguard the interests of those who deal with it either as employees or consumers even if the proprietary rights of its owners are thereby curtailed». (Dodd, 1932 op. cit. Becht et. al., 2002, p.4)

That's why 'governance' basically implies knowledge about context and content; dialogue and listening to expectations and design of strategies to share influence, intelligence, information. By majority of reason, in the network society we need to negotiate with complex interests, expectations and values, frequently competing with each other. To succeed, organisations must create-develop-monitor-manage relationship systems with the diverse

subjects bearing these diverse interests. Thus, the governance process is, first and above all, a relational process and managing relationships becomes therefore a basic need for every organization in the network society.

Furthermore, the 'governance' that the Stockholm accords propose must be perceived as similar to what Murphy (1991) defined as the «mixed-motive model» for decision making. In other words, effective organizations are able to achieve their goals because they choose goals that are valued by both the management and the publics both inside as well as outside organizations. In this negotiative perspective, Public Relations and Communication Management becomes an active interpreter of the public's expectations in the organisation and vice versa and this is the essence of the so called «communicative organization».

1.3. MANAGEMENT OF THE COMMUNICATIVE ORGANIZATION: ALIGNMENT OF INTERNAL AND EXTERNAL COMMUNICATION

Many authors have written about the collective wisdom or the fact that «the many are smarter than the few» and PR can effectively help organizations dealing with the network society become smarter by adopting the communicative paradigm. Managing a communicative organization implies a primary concern for stakeholders rather than shareholders, a wide and far reaching approach to management rather than a narrow focused approach on maximizing shareholder value. Precisely because of this, the communicative organization faces great challenges in order to guarantee coherence and an alignment of the stakeholder's perceptions. Therefore, public relations must constantly seek an alignment of internal and external communication which implies conceiving internal communication and internal stakeholder management without diminishing its importance for organizational success by connecting it solely with managing the internal communication system. Rather it requires that stakeholder management inside the organization is given the same tools and attention as the external stakeholder management. But the alignment of internal and external communication means also the creation of a consistent narrative; balancing transparency levels and dealing with often conflicting and competing stakeholder interests.

But engaging stakeholders in decision making is not only something of interest to the organizational level because it helps to improve the quality of

decisions and reduce their implementation costs. At the societal level, making stakeholders part of a decision-making system helps legitimize the consequences of management's decisions and the overall acceptance of the modern corporation as an institution in society. Furthermore, in the network society, this engagement is a pivotal element:

> «As the perceived justice of outcomes is substantially determined by the perceived fairness of the process used in distribution, it follows that greater participation in decision making leads to an increase in the perceived fairness of the outcomes» (Philips, Freeman and Wicks, 2003, p.487)

In this process the communication leader of the organization plays at least two fundamental and strategic roles:

— a 'political' role in supporting and providing the organization's leadership with the information needed to effectively govern the value networks as well as interpreting the relevant dynamics of society at large; and

— a 'contextual' role which implies the constant transfer communicative skills, competencies and tools to the components of its value networks. This empowerment of the network must help improve mutual relationships and the overall value of the network.

2. COMMUNICATIVE EQUATIONS

We've spoken about the importance of the alignment between internal and external communication in the communicative organization, now we shall explain how that can be achieved and facilitated through the concept of «communicative equation», which could be considered another strategic role of PR.

Why do we use the concept of equation? Because an equation is a mathematical statement in which two expressions are equal: the expression on the left side of the equal sign has the same value as the expression on the right side. In an equation, one or both of the expressions may contain variables and solving an equation implies manipulating the expressions to identify the value of the variables.

Likewise, PR professionals dealing with communicative equations impact the existing dynamic equilibrium and should ensure that no dysfunctional

elements are introduced that can alter or change the sustainable equilibrium in an uncontrolled manner.

The specific nature of the communicative equation (in the network reality we have been discussing so far) is that it can involve different stakeholders and relationship states as well as different issues and situational interests of the stakeholders. These are the raw materials on which to build the correct expressions to formalize communicative equations.

2.1. AN EXAMPLE

Suppose a company in financial difficulties because it has a huge debt from, let's say, a state owned client company. Then add to this that this same company has the State as a minority shareholder and simultaneously as the main regulator of its activity. Then suppose that you have employees whose work stability is being put at risk because of this huge debt scenario.

You will find in this equation at least three different issues, three different stakeholders and three instances of potentially conflicting interests:

The issues are 1) the debt from the state owned company and its impact on the survival of the company; 2) the minority shareholding of the state; 3) the state determined regulatory framework.

The stakeholders most immediately involved are 1) the company and its shareholders; 2) the state and its different bodies involved; 3) the company's employees.

As for the conflicting interests they could be 1) state's interest in having a financially sound situation in the company and collecting both dividends and due taxes; 2) company's interest in having a sound relationship with its sha-reholders and its need to ensure financial stability; 3) employee's interest in having a stable workplace.

Of course this analysis is limited and the equation could be very much expanded by including other stakeholders such as banks, competitors, sup-pliers, and so on. But as we add elements in this equation (in this example, issues and specific relationships directly, and additional stakeholders indi-rectly) you get a notion of the great complexity of the work required to public relations specialists.

In such a situation, as in most other cases in real life, one cannot analyse issues or stakeholders per se and should be able to seek solutions for com-municative equations taking into account the relationships and interconnec-

tedness of the elements in the equation. For example, forcing a juridical conflict with the state owned company could bring to a solution for the debt problem while creating many others, and maybe more complex, consequences. Likewise, claiming for a tax credit from the state because of the debt (if legally possible) could certainly raise similar claims from other companies seeking to collect debts and could result in high instability.

The next question should then be: how can we deal with (solve) this communicative equation? We will expand on that in a while indicating some useful tools or methods but it basically implies adapting what we know about stakeholder theory, issues management theory, games theory, communication theory, and other basic theories that provide the core concepts of PR practice to the reality of the network society and network organizations. In a nutshell, organizations need to map their network of stakeholders, issues, interests and agendas involved in the communicative equation and develop relationship strategies that – in the network society – need to be created also by using social network analysis tools and concepts.

3. COMMUNICATIVE EQUATIONS AND A NEW ROLE FOR PR

Returning to our mathematic analogy, when solving a communicative equation we need to identify the variables and find out the values that can replace those variables to make the equation real. For example, applying this to negotiation with stakeholders one variable can be the amount / quality of resources that the organization can deliver to the stakeholder (be it a remuneration to a shareholder; the taxes paid to a municipality; the price of sale to a customer; a shared revenue to a partner; the amount of CO_2 emissions allowed by environmental authorities; the number of lay offs for a union, etc). These in turn can impact on other variables which are the different levels of these stakeholders' relationship with the organization.

We therefore need concepts and tools that allow to measure the interconnectedness of internal and external stakeholders and the influence processes that take place between them.

Of course we need to begin from a sound conceptual field with all the supporting theories related to publics and stakeholders; stakeholder management, issues management and agenda building, relationship management etc. The major limitation is that many of these theories do not account for the

relationships and the network nature of our present day reality. Therefore what we call «new» role is new in the sense that it needs to cope with a different context and requires the use of different tools.

As an example, PR professionals can accomplish a great deal by using available social network analysis concepts and tools. We can mention the thorough identification of the connectors which bridge inside and outside (degree of relationship of each specific stakeholder); the measurement of specific stakeholders' closeness centrality (degree to which a specific stakeholder is close to the other stakeholders) or betweeness centrality (how often a specific stakeholder acts as intermediary in a relationship of any other two stakeholders). The same can be applied to the analysis of the relationships between issues in the public agenda.

Based on all this the PR professional can consolidate a new role in organizations as a network specialist and analyst providing relevant inputs into decision making.

Another element that we can add to network organizations is the capability to create and facilitate communities with and between the stakeholders. Mavericks like Brian Solis today speak about the «socialization of mass media» and the re-launch of the idea of community. Indeed, the advent of social media has definitely helped to bring our world to refocus on the value of communities and direct relationships. For example Kruckeberg and Stark (1988) advocated more than 20 years ago that PR should work to favour mutual interests with communities for a more humane and mutually supportive society. Their thoughts on how PR could help organizations develop mutually beneficial relations with communities included: develop simultaneous consciousness of mutual interests; help members of the community better understand themselves; develop sense of belongingness; increase the use of leisure-time activities to develop the sense of community; apply different modes of communication rather than just instrumental or practical communication to achieve persuasion or advocacy; understand the different social roles within the community and help members of the community fulfil them; promote and help achieve the major interests of the community as a whole; foster personal friendships and friendship networks within the community. Today with the help of social media PR professionals can help organizations achieve those objectives and we're clearly seeing this develop as we

look at the numbers of organizations beginning to take very seriously face-book pages, blogs, social media releases, twitter management, etc.

But in doing this we should be aware that the network society has also shaped the notion of community. I would argue, agreeing with Slevin (2000, p.184) who departs from Anderson, that the communities in the «network society» are different because they resemble «imagined» communities. Most members of these imagined communities never actually get to know the majority of their co-members developing often imagined friendship bonds and picturing themselves even in a deep solidarity state.

Also because of this «imagined» nature, organizations need to carefully implement their relationship strategies taking into account that relationships are dynamic and can quickly change. A promising theory which can be applied to help PR manage this aspect is that of the ladder of stakeholders' loyalty. This theory, proposed by Polonsky et al. (Polonsky et al. 2002, quoted by Grossi, 2003: 37) classifies stakeholders according to the level of support (advocating, supporting, regular, new and potential) and identifies different factors influencing relationships which we can use to map the status of those relationships. For example they mention factors such as Relationship Orientation which can be cooperative, individualistic, competitive; the Evaluation of the importance of the relationship – strategic or operational -; Trust – based on calculus, knowledge or on a identification with the other; communication – evaluated in terms of frequency, direction (unidirectional, bidirectional), Modality (formal, informal), Content (indirect, direct); Learning potential of the relationship or Reciprocity and Commitment. These factors allow the classification of relationships in a continuum raging from Allied, Cooperative, Neutral, Competitive to Threatening and can be very useful to design relationship strategies.

4. CONCLUSION

In this paper I departed from the Stockholm Accords to examine the underlying factors which justify the claim that PR is facing a new era. On the basis of those elements I proposed the idea of a 'communicative equation' as the basic dilemma with which PR professionals deal in their daily work. Dealing with Communicative equations requires alignment in communicative action with internal and external stakeholders while considering different

constraints – including legal restrictions – and balancing different transparency and time sensitiveness levels. Single communicative equations can involve different stakeholders and different issues which are correlated and require the gathering and utilization of knowledge about stakeholders, issues, agendas, social networks, relationships etc.

Communication equations must be coherent with relationship strategies. Relationship strategies in the network society need to be created using social network analysis tools and concepts. And this represents whole new area for most PR professionals and students. Also, it appears that PR consultancies are not yet approaching this new area. A recent study in Italy and at an international level showed that communication consultancies still do not pay any relevant attention to social (communication) network analysis.

In this context, we can argue that although they are broader in their nature, communicative equations must be related with the stakeholder management process, a series of management practices that reflect an understanding of and a reply to legitimate concerns of the corporation's multiple constituencies. Dealing with communicative equations requires the Identification of stakeholders; the grouping of those stakeholders in meaningful categories; the diagnosis of the state of relationships between stakeholders and the organization as well as between themselves and the analysis of organizational consequences on the stakeholders. The final stage of the stakeholder management process is the recommendation of policies and actions. I would argue that communicative equations need to be addressed at this level.

We are firmly convinced that this is only a beginning as many open areas still remain but the potential for PR is visible. Further studies can be made about social network and networks of stakeholders expanding on the application of network theory to issues management, agenda building and other theories and also expanding on the tools and methods that social network analysis can bring to the understanding of communicative equations.

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