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# The value of relationships

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## AUTHOR'S NOTE

A lecture about the nature of relationships in a PR context, given to Escola Superior de Comunicação Social, October 2008, and based on a paper previously published in the *Journal of Communications Management* (2006).

## Introduction

- 1 This paper is a further step in examining public relations as a practice that levers wealth for organisation from its tangible and intangible assets through a process of relationship management.
- 2 It sets out to examine the effect of lost relationships, identifies that relationship management continues to be a recognised practice paradigm and from there moves to concepts that explores and extends the significance of public relations as a relationship management discipline.
- 3 This is done by examining what we mean by organisations, reviews what we mean by relationships and then looks at the relevance of tangible and intangible assets in relationship management. Using a model of public relations practice the paper postulates how public relations practice can then be used in the process of leveraging value through relationship management.

## 1. The lost relationships

- 4 We begin with a hypothesis about what happens if an organisation loses its relationships with its publics, how much would it cost?

- 5 Writing in *The Times* in October 2008 Sir William Rees-Mogg recalls the story of the Clydesdale Bank many years ago and the first Mr McAlpine. He writes: «When asked for security for a loan to develop his building company, Mr McAlpine turned up at the bank with a group of his sons. The bank lent on the security of the character and potential of those young men. This turned out to be very good business for the bank and made possible the success of the McAlpine business.»
- 6 He continues: «Where relationship banking still survives, there have been relatively few problems of bad debts. The problems have arisen in transactional and unsecured credit card banking with one-off or completely unknown customers. Of course the customers have often behaved badly; if a bank does not know its customers, who are only blips on a computer screen, some of them will behave badly. The bank only has itself to blame.»
- 7 The loss of relationships has serious consequences.
- 8 The loss of relationships between banks and their depositors and between banks is casting a long and very black shadow across the world.
- 9 Perhaps now we should accept that relationships both personal and corporate are precious assets but where does such wealth come from, what is its nature of the relationship asset and how extensive is this value?
- 10 Furthermore, in organisations, who has the role of relationship understanding and management?
- 11 For much of its history, public relations in one guise or another has claimed this space and now there is evidence that economist, accountants, marketers, knowledge managers and, all of a sudden, bankers, also seek to understand and deploy relationship value in the organisational context. But the idea of ‘relationships with publics’ is inherent in public relations theory and practice. Its management is sought by many practitioners.
- 12 Now, more than at any time since the Great Depression, we need to reflect on the nature of relationship management and who has the corporate responsibility for its governance.
- 13 In extending the concepts in Ledingham<sup>1</sup> (Ledingham et al 2000), this paper embeds the practice of public relations deeper into management. As such, it becomes the function for wealth creation and, with misuse, for its loss. In this respect one examines relationships beyond Grunig's and Huang's view that «*Public relations makes organizations more effective by building relationships with strategic publics* (Grunig and Huang in Ledingham 2000) and views relationship management in a more potent role within the organisation by acting upon its wider intangible and tangible assets to meet corporate value protection and value enhancing objectives.
- 14 In the tradition of public relations as relationship management process exposing organisational assets to affective publics to affect wealth, I argue that we need a re-definition of organisations in an era where they are becoming more porous, to an extent more transparent, and with high levels of contracted out services and global partners.
- 15 In turn, this points to a practice that accepts relationships as both valuable in their own right and pivotal to wealth generation.

- 16 From this postulate, the concept opens up the practice of public relations to offer solutions to the new forms of management in the creation of wealth.

### 1.1. Relationship management is a PR discipline

- 17 In his *Overview of Public relations around the world and principles of modern practice* remarks by Jean Valin told the CONFERP conference (Valin, J. 2004): «Public relations is the management, through communication, of perceptions and strategic relationships between an organisation and its internal and external stakeholders, for mutual benefit and a greater social order.

I would like to emphasize the part of the definition that deals with managing relationships as I see this as the cornerstone of everything we do in public relation. It is without a doubt the common denominator in our profession and this is true throughout the world. You may not realise it completely, but whether you are working in London, Djakarta or Sao Paulo, you are managing relationships.»<sup>2</sup>.

- 18 Valin thus takes up the mantle of relationship management and shoulders it for public relations, a view that has had currency for nearly 30 years as a two way reciprocal process<sup>3</sup>. Watson (Watson 2003) traced this enthusiasm in his lecture to the ANZCA conference in 2003<sup>4</sup>.
- 19 The recent joint report between the Institute of Public Relation and the UK Department of Trade and industry «Unlocking the Potential of Public Relations: Developing Good Practice» (CIPR 2003)<sup>5</sup>, Public Relations is defined as: «Influencing behaviour to achieve objectives through the effective management of relationships and communications». Here is another expression of belief in the role of PR as the relationship management discipline.
- 20 So Public relations is «... what it says on the tin» says professor of Public Relations, Anne Gregory. «It is about organisations building relationships with its publics... to build positive relationships in both directions» she said on the BBC Radio 4's *The Message* programme on 14<sup>th</sup> January 2005<sup>6</sup>.
- 21 Ledingham & Bruning, (2000)<sup>7</sup> explore a view of PR as a relationship practice. Their view is limited because they did not see the value of relationships as a primary asset or as a primary actor for in changing the value of assets.
- «At the theoretical level, simplistic dissemination models gave way to the normative two-way symmetrical model that envisions public relations functioning in such a way as to generate mutual benefit for organizations and for their key publics.»
- 22 Evaluation work has also been explored further by Grunig and Hon (1999)<sup>8</sup> and Jo, Hon & Brunner (2004)<sup>9</sup> which help to develop the Grunig Hon view with empirical research. Here we see a deeper insight into the nature of relationships and a movement towards their measurement.
- 23 It is clear that relationship management and the management of relationships is an area of management that enthuses the PR industry. Practitioners like to believe that they can change relationships between organisations and their publics in a managed fashion.
- 24 One can only speculate as to the real extent, these commentators still subscribe to these ambitions. Do they exist only in the good times or in the present situation where

we find governments as well as institutions underwriting broken relationships in the financial sector by mortgaging national wealth.

- 25 So far so good. But one may ask: so what? What do these relationships do. What do they achieve? What are they for? Differentiation is one PR objective.
- «In a mature economy it is increasingly difficult to find tangible resources of differentiation and it is the reputation and relationships which organisations establish with their stakeholders which are the drivers of corporate success, «suggests Danny Moss (Moss in Theaker 2004 pp. 328).
- 26 PR as a business driver is suggested by White and Murry: PR, they note «definitely involves handling a multiplicity of stakeholders, as well as consistency over very long periods of time. Inclusivity in relationships with all stakeholders is seen as correlated with company performance. The things that really drive a company – these are all around relationships – are not seen as of interest to financial commentators» (White & Murray 2004)<sup>10</sup>.
- 27 The IABC Research Foundation, concluded that in order for organizations to achieve the most value from their intangible assets they must encourage systematic relationship-building and boundary-spanning behaviour by everyone in the organization. The challenge for communication managers is to understand how they can contribute to this process<sup>11</sup>.
- 28 In addition: «Stakeholder relationships are intangible assets and there is a significant body of opinion that identifies intangible assets as a major driver in the global economy, corporate survival and success» (Phillips, D. forthcoming)<sup>12</sup>.
- 29 The concept of relationship management being significant in its ability to contribute to worth also comes from outside the public relations industry. In 2005, the British Secretary of State for Trade and Industry, Patricia Hewitt MP called for corporations to have «successful relationships with a wide range of other stakeholders» because they «are important assets, crucial to stable, long-term performance and shareholder value»<sup>13</sup>. In this, the Secretary of State expresses a view that there is a range of stakeholders and, one may infer, domains of PR practice that are significant.
- 30 I have argued that «without effective relationships all other corporate as-sets are at risk. Sources of capital, raw materials and services, valuable intellectual assets, markets, customers and processes throughout the value chain are completely dependent on relationships between people within organisation and their counterparts without.» Once again, the argument favours a range of relationships, internal and external and a range of different forms of PR practice relevant to relationships along the extent of the value chain to influence value.
- 31 The debate is maturing from an argument about affecting a range of publics to one where this effect drives value and the creation of wealth from intangibles. From here, we can move forward to seek the components of this post modern view of PR.

## 1.2. The nature of relationships

- 32 If relationships have a role in wealth creation, what are they?
- 33 There is a need to explicate what we mean by relationships. In Ledingham (Ledingham 2000), Broom, Casey, and Ritchey offer a description that helps.
- 34 They say:

«Even though the explication of the concept of organization-public relationships is not complete, the study reported here provides the basis for some tentative conclusions:

1. Public relations researchers and practitioners can study relationships as phenomena distinct from the perceptions held by parties in the relationships.
2. The formation of relationships occurs when parties have perceptions and expectations of each other, when one or both parties need resources from the other, when one or both parties perceive mutual threats from an uncertain environment, or when there is either a legal or voluntary necessity to associate.
3. Relationships consist of patterns of linkages through which the parties in them pursue and service their interdependent needs.
4. Relationships are the dynamic results of the exchanges and reciprocity that manifest themselves as the relationships develop and evolve, yet they can be described at a given point in time.
5. Relationships may lead to increased dependency, loss of autonomy, goal achievement, and structured interdependence in the form of routine and institutionalized behavior.
6. Relationships have unique and measurable properties that are not shared with the participants in the relationships and that define relationships as being something separate from the participants.
7. The antecedents and consequences of relationships also have unique properties that distinguish them from the relationship.
8. Relationship formation and maintenance represents a process of mutual adaptation and contingent responses.
9. The absence of a useful definition precludes measurement of organization- -public relationships and forces both scholars and practitioners alike to measure one part of them or another and make potentially invalid inferences about the relationships.
10. The absence of a fully explicated conceptual definition of organizationpublic relationships limits theory building in public relations.

Whatever definition results from the continued exploration, the primary concern must be with defining the concept in ways that lead to valid operational definitions for use in both theory and in practice. In the meantime, those in both the scholarly and the professional communities will continue to speak of the central role of relationships in public relations. Without explication, however, researchers and practitioners alike will continue to use measures that may not measure the relationships themselves, hence the need for attending to the concept itself, as well as for developing empirical descriptions and measurements of the phenomenon.»

- 35 In addition, they offer a summative statement defining organization-public relationships:

«Organization-public relationships are represented by the patterns of interaction, transaction, exchange, and linkage between an organization and its publics. These relationships have properties that are distinct from the identities, attributes, and perceptions of the individuals and social collectivities in the relationships. Though dynamic in nature, organization-public relationships can be described at a single point in time and tracked over time.»

- 36 This idea postulates that relationships are distinct in themselves and have a mutuality and, through a pattern of linkages, extend their influence. It would also suggest that a relationship has consequences for other actors such that any relationship has, to an extent, an influence on other publics and is surrounded by an *arora borealis* of relationship interactions among other related publics.
- 37 A lecturer can demonstrate this with ease. By interrupting a lecture to give a rose to a member of the audience, the recipient and lecturer relationship is changed. The rest of the audience immediately assesses the meaning of this action and bring their own concepts as to the new relationship and their own with the actors in an *'arora borealis'* of assumptions about these relationships. The exchange of the token (the rose) is significant, so too are all the connotations that such a token may have (antecedents and

consequences). A similar effect can be archived with a smile, wink or other signal. Whereas the rose is tangible, the smile, wink or other signal is definitely intangible. Quite often, the token has a value that is inferred or is a metaphor. After all, a rose is but a dying flower on the branch of a shrub.

- 38 Here we see a process of relationship in which tokens are used for creation of attention and influence with a by-product of wider influence. It is an idea we can explore from research in many directions from altruism (Hamilton 1964)<sup>14</sup> to business relationships (Bouzdine-Chameeva, Durrieu, and Mandják 2001).<sup>15</sup>
- 39 This is a form of relationship management that has and deals in values. In some instances this value is financial which can be demonstrated by the financial effects of loosing or enhancing relationships (see introduction). But these values extend beyond just financial considerations.
- 40 There are many models in use.
- 41 In finance and the law, the use of money (tokens – see Peirce<sup>16</sup>) is used as a device in creation and maintenance relationship management. It works like this: a person is paid to have a relationship as a worker for and organisation or a supplier is paid to have vendor relationship to supply goods or services or creative thought for money. These are not necessarily good relationships. To miss-quote Pierce but put flesh on my use of the word token, I define it as *having special significance or fitness to represent just what it does represent and lies in nothing but the very fact of there being a habit, disposition, or other effective general rule that it will be so interpreted*. For reasons that will become clear later, I thus identify money as a metaphor for value and not of value, wealth or an asset in itself.
- 42 Good or bad workers and good or poor vendors exist. Poor employers and poor purchasers abound. In these cases the compact between the worker or vendor and the organisation are mediated by society for example through le-gal enforcement. This means that we do have forced relationships bound by tokens such as money and the force of the law. And, in this case, legal process and sanction are made up from tokens.
- 43 In some domains of public relations practice, for example, in internal communications or vendor relations, the practice of public relations seeks to add extra dimensions to the financial or legal exchange. This can be in forms that have different tokens that bind the contractors and create additional mutual dependencies. Examples include the management of relationships with local communities and other CSR packages using tokens such as corporate facilities, management expertise, access to employees in support of good causes etc.
- 44 Such arrangements show that there can be employees or vendor relationships (and other relationships between organisations and publics) that do not have to use financial or law-binding tokens to change relationships and thereby values in organisations.
- 45 The practice of relationship management means that the practitioner changes the value of relationships to the organisation using tangible and intangible tokens.

### 1.3. The nature of organisations

- 46 Having identified relationship management as a public relations practice between an organisation and its publics, there is a need to understand what we truly mean by 'an organisation'.
- 47 Organisations are porous. Today they are becoming more porous as the extent of mediated (e.g. newspapers online) and un-mediated (e.g. blogs) global communications takes hold. Once, there were reasonably effective gatekeepers protecting the intellectual properties of organisations. Today, as the UK Transport Ministry discovered in 2001 over the Jo More affair, internal activities of organisations, in this case exposed in the content of internal emails, are public property. In that case, the disclosure cut short both of their careers. As we are beginning to see, the once secret internal communications in banks are exposed in enquiries and court cases. This enforced transparency is a warning to all organisations that when relationships fail, the deepest secret can no longer be hidden.
- 48 In addition and to an extent, more organisations are transparent because of high levels of contracted-out services and development of global partners (Phillips 2001)<sup>17</sup>. Using a telesales organisation half way across the world, or a software partner in China means that the organisation encompasses a much wider constituency.
- 49 Where once, the actors affecting assets such as brand equity were within the organisation, we now see assets such brand equity open to influence by other agents. For example McDonalds, a very powerful brand, has its McSpotlight counterpart. Radical transparency is now upon us. We now have to learn how to manage it.
- 50 Thus, an organisation may believe it has a form of integrity but this is, in reality, shared by a wide range of 'external' actors upon whom the organisation inextricably depends. This idea is not new to most public relations academics (or stakeholder theorists) and practitioners but, as I shall show, we need to be explicit in our understanding of the nature of organisations to be able to understand how wealth is generated by relationships.
- 51 Finding the boundaries of organisation has exercised a number of researchers. The 'hard shell' that may once have existed to define an organisation has gone.
- 52 When a public relations practitioner represents the organisations' constituents, where is the organisation bounded?
- 53 Traditionally organisations are described as a nexus of contracts (Coase 1937)<sup>18</sup>, or a nexus of conversations (Sonsino 2002)<sup>19</sup>. The descriptions include institutions such as a company, government department, charity etc.
- 54 Organisations are represented by people who interact with one another because they have common cause through a common understanding of tokens which can be as intangible as a corporate mission and as tangible as being paid from the same source (hence a need for two-way relationships).
- 55 Such people and, implicitly, their organisations, can only succeed when they are effective in creating, developing, sustaining and exchanging tokens (including, but not exclusively, contracts and conversations) with and through relationships.
- 56 These individuals and groups need to interact to gain explicit understanding of tokens. In other words, an organisation is a nexus of relationships.



- 57 This concept creates a workable framework for identifying how public relations works inside as well as beyond organisations. If, through a network of relationships the one to one and the 'arora borealis' effect come into play, there is an array of tokens which can be tangible (a rose) or intangible (a wink) working to affect both the relationships and the values ascribed to the token by the individuals and societal understanding of such tokens.
- 58 This means that there is a form of relationship management practice that falls outside both financial and legal contracts and leads us to believe that organisations as a nexus of relationships is even more significant than an organisation built exclusively as a nexus of contracts (financial and legal) or conversations (communications).
- 59 To speculate for an instant one may ask what other tokens that can apply in the management of relationships? These may include elemental drivers that are innate to all people or can be force (for a range of relationship indicators see also Grunig and Huang in Ledingham, & Bruning 2000), or societal such as the legal structure. But there are other tokens such as ideas, processes and things that influence relationships.
- 60 Here then is the realm that many in the public relations industry aspire to. It takes us straight into the realm of intangibles.

#### 1.4. The intangible debate

- 61 For more than half a century, there has been a debate about tangible and intangible assets as they affect organisations, mainly centred on corporate value.
- «Intangible assets and intellectual capital are the sources of value and the levers for sustainable business performance in today's competitive economic context. They are the sources of competitive advantages and above normal financial returns» Proclaims the Centre for Business Performance at Cranfield<sup>20</sup>.
- 62 Organisation value need not be merely financial (Hall, Robert E. 2001)<sup>21</sup> such that relationships, brand and corporate values (plus Intellectual Properties and tacit and explicit process knowledge) can be, and mostly are, of greater significance in valuing an organisation, government or even nation state. The value of (some) intangibles has been estimated to be worth between \$400 and \$900 billion in the USA (Corrado, Sichel, and Hulten 2002)<sup>22</sup>. Nakamura offers evidence of US intangible assets worth \$1.1 trillion (Nakamura 2001)<sup>23</sup>.
- 63 So where does all this intangible wealth come from?
- 64 PRISM is a European initiative started in January 2000 with the establishment of a group that examined the intangible economy. The European Commission Directorate-General for Enterprise initiated this work with the express intention of «going beyond the borders of conventional academic research» and conducted a market-centric programme of interdisciplinary enquiry in order to identify the key issues for the business community and frame them. The result was the PRISM Report (The PRISM Report 2003)<sup>24</sup>. The report offers statements that open up the wider issues relating to both society in general and economics as we have known them over a long period of time. It states: «We are in economies of surplus, in the sense that consumers' basic needs are essentially satisfied.»
- 65 One can only agree knowing peoples have long had economic surplus to fund grand schemes beyond basic necessities such as Stonehenge, Avebury and the Pyramids. The

report continues: «This, combined with the dramatic expansion of computing power and connectivity in the last quarter of the 20th century, has redefined the role and economic importance of nonprice factors of competition.» Computing is new but all the other societal factors have been at large for a long time. Relationship marketing and outsourcing were major forces in the 17<sup>th</sup> century and were only thereafter really subsumed into mass production and mass production accounting in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries (Blair 2003)<sup>25</sup>.

- 66 This offers a wealth of experience of managing intangible assets extending back through time that can be called on in identifying relevant ‘intangible’ assets.
- 67 Relationships as intangible assets, is not a new notion either.
- 68 The present obsession with intangibles such as ‘trust’, ‘social responsibility’, ‘honest’, ‘honourable’, is not because these are new values, merely a statement of mores of all but a few decades of a particular brand of accounting and legal lust.
- 69 Indeed, the idea of value driven intellectual capital is not news. Shakespeare demonstrated that, in Verona, the names «Montague» and «Capulet» meant quite a lot. Each famous family’s name served to identify more than a listing in the Veronan phone book. Along with other symbols (coats of arms, banners, the distinctive liveries of house retainers), the name symbolised a «house.» Today, we would call the names trademarks and the houses of Montague and Capulet would rely on trademark laws to guard against anyone diminishing the good will associated with those names. This puts the concept of Intellectual Capital Management much further back than Sullivan (2000)<sup>26</sup>.
- 70 According to Sveiby (Sveiby 2004) there are 28 methods by which intangibles can be measured and only one, apparently, which extends to relationship value. He warns of using intangibles reporting for ‘PR purposes’ by which he seems to assume a profession peopled by persons of unreliable ethics unlike, one presumes, accountants<sup>27</sup>.
- 71 Leif Edvinsson includes people and «...structural capital – all those intangibles left behind, when people go home, and in that I include internal processes and structures, databases, customer relationships». (Edvinsson 2001)<sup>28</sup>.
- 72 Lev delights in intangibles as new discoveries like drugs, software programs, brands or unique organisational design and processes (Lev 2002)<sup>29</sup>. Also patents, know-how and unique organizational designs (Lev 2002 To the House of Representatives Committee)<sup>30</sup>.
- 73 Dzinkowski identifies intangibles as copyrights, research, best practice databases, brand loyalty and the savvy of senior management (Dzinkowski, 1999)<sup>31</sup>. Jensen suggests financial claimants, but also employees, customers, communities, governmental officials, and under some interpretations the environment, terrorists, and blackmailers (2003)<sup>32</sup>.
- 74 There are many more such commentators.
- 75 However, it would seem that in the last few years the mood of economists has been progressively shifted towards a more holistic approach where the inclusion of relationship value is, at last, coming into its own.

«In a challenging business environment with unforgiving capital markets, it is now time to move on from low-hanging fruit, such as patent licensing, to the full incorporation of intangible capital in managerial strategic and control processes and the full recognition of the role of key intangibles in corporate value creation»<sup>33</sup> (Lev 2002).

- 76 The extent to which organisations have a range of relationships that can be described as contributing to value are described in many models such as The Howard Dowding Model (Dowding 2002)<sup>34</sup> which identifies attributes such as assets and actors and Phillips (Phillips, D, 2003)<sup>35</sup> describing matrix for valuing tangible and intangible assets which includes relationships.
- 77 In examining the nature of the value of relationships we have an example drawn from the buyer-seller model with empirical evidence using a small number of material brand tokens demonstrating relationship value conceptually described and empirically measured (Eggert, A. and Ulaga W 2003). In addition cognitive models are thought to be effective too (Bouzdine-Chameeva, Durrieu, and Mandják 2001<sup>36</sup>).
- 78 The significance of attributes inherent in relationships, brands, reputation, IP, process knowledge and capital is that they are the elements that de-cribe and value an organisation. These descriptors are tokens. Such descriptions are all metaphors says Lakoff (Lakoff 1993<sup>37</sup>) even when apparently describing physical assets and their asset value. When such elements are specific to the organisation they are, in the context or relationship management, material, that is, material to the people that comprise an organisation.
- 79 Materiality is also important because it helps us understand the difference between organisational and social relationships.
- 80 Relationships between people and between people and publics and organisations are different. While there is considerable cross over, interpersonal communication principles cannot be applied directly to the organisation-public context (Bruning, et al 2000; Bruning et al 1999 in Stephen et al 2004)<sup>38</sup> and this leads us to explore the nature of building the relationship as-set in a public relations context rather than exclusively through psychology, behavioral studies or other routes of research.
- 81 Materiality is significant in accounting practice as well as relationship management. For a view of materiality both the UK Treasury and the US SEC define their approach well<sup>39</sup>.
- 82 These material tokens have no value unless the relationship attribute is present. In that regard they only have latent value. Without the interaction of relationships, the values, tangible or intangible are valueless. For example, a rose (the dying bud and branch of a bush) has (romantic) values attributed to it through the exchange of ideas in the social relationship context. Within the context of an organisation, such tokens become material when they have application in creating, sustaining and enhancing the relationships that come together as the organisation. Material tokens have another defining characteristic. They are material when they are commonly understood by the actors involved. For example 'pay' to employees may be commonly understood but the pay of employees may not be understood in the same way by a customer paying for a product (and vice versa). This means that there has to be a direct, indirect or societal exchange between the actors to ensure common understanding exists.
- 83 It is the nature of organisations to have stakeholders. In the narrowest corporate sense they are: «those whose relations to the enterprise cannot be completely contracted for, but upon whose cooperation and creativity it depends for its survival and prosperity» (Slinger and Deakin 1999)<sup>40</sup> where survival and prosperity can be by degrees though stakeholder «saliency, namely power, legitimacy and urgency» (Jeurissen 2003)<sup>41</sup>. Jensen<sup>42</sup> offers: «Enlightened value maximization utilizes much of the structure of

stakeholder theory but accepts maximization of the long run value of the firm as the criterion for making the requisite trade offs among its stakeholders» (Jensen 2001). One may argue that there is an additional requisite being a need for shared understanding of relevant material tokens. Where there is misunderstanding about the meaning of material tokens, at least one other material token will be affected (such as the breakdown of a relationship, poor quality components etc).

- 84 We can now see that, progressively, if implicitly, relationships have become accepted as an asset and that they are significant to maximisation of corporate value through their management.
- 85 We now have the tools by which we can examine the essence of managing relationships. We can see a form of management based on the use of tangible and intangible material tokens which resonate within and between organisations, which comprises internal and external stakeholders and those secondary and tertiary publics holding sway over the organisation.

### 1.5. Creating wealth

- 86 Organisational issues boil down to the extent to which value is created to meet organisational objectives from the known or latent potential of its material tokens. Because new wealth in the form of material value (share value, capital, cash, reputation, new members, sales etc.) can only be released through a process of relationships, relationship management is the only management discipline that can create value. It follows that relationship management is a continuous process if the organisation is to survive. The reverse is also true. Value is wealth that can be latent, under-exploited or destroyed when the process of relationship management acting on material tokens is not deployed to meet organisational objectives.
- 87 Let us use a public relations model to describe a process in which value is created through relationship management.
- 88 One can use many of the models applied to public relations practice. I shall use the Gregory postulate which shows how the practice of all public relations have in common a process. The fundamentals are Strategy, Re-sources and Control which, as Gregory (2004)<sup>43</sup> points out, include activities that that are not, in themselves, unique but are always used to a greater or lesser extent in combination to form an area of management practice that is unique for public relations to be successful. Optimum application of this model, Gregory postulates, offers higher incidence of successful outcomes.
- 89 Let us suppose a researcher in a company has developed a product, applied for and been granted a patent (it is a material taken). To this point the patent is a liability but it has latent potential. It is the outcome of investment and time resources (material tokens) available from within the organisation.
- 90 The researcher now needs to enhance the value of this material attribute in the interests of the organisation (the nexus of relationships). Working with a public relations manager the Gregory process is applied. This implies that a strategy will be developed based on research of the environment such as structure of the company, its corporate objectives, its customer facing drivers, views, the market, real and latent tokens in the public sphere etc. and a view of the audiences that will influence the next

step in exploiting the patent's latent potential. There will be objectives set for the message and its audiences, and implementation tactics. The public relations process will also examine resources such as time constraints, funds and available public relations skills. Finally there will be control through knowledge (information, status reports, evaluation, experience and training). Judgement will be applied alongside budgeting skills and scheduling of the programme. The application of this process may well define the public relations objective to one of 'gaining Board acceptance, support and budget to develop a working prototype in this budget cycle'. One will note that this is a public relations, not business objective.

- 91 In fact what will be happening is that the material tokens of public relations management (yes, these skills are also material tokens) will be applied to getting the patent accepted by the organisation for the next step towards production and marketing. This is an internal activity using the public relations process to lever value from the patent. The successful outcome changes the value of the patent. It becomes an opportunity for the organisation to gain a return on its investment.
- 92 In the next stages, each using the public relations process, the patent's value changes right through from Board endorsement to proceed, to production of the product to its successful introduction to the market.
- 93 The nature of public relations in this process is to enhance value using and applying material assets through relationships to meet the organisation's objectives. Without the use and application of public relations process, the patent will remain a liability. No one will have heard about it or its latent value. There will have been no actors involved in its production and marketing.
- 94 As for a patent so too for all other tangible and intangible assets owned by the organisation.
- 95 Such assets include brands, reputation and so forth. Indeed, it is only through the application of the public relations process that value can be derived from tangible assets. Without the application of relationship management even the factory door cannot be opened.

## 1.6. Implications and opportunities for research

- 96 It becomes immediately apparent that I have described a process which is applied throughout every organisation by people who are not public relations professionals. And that public relations, that is the management of relationships with and between publics, is a common practice in most organisations. Members of organisations may use the public relations process in their everyday activities but would probably not recognise what they are doing.
- 97 The application of public relations by most people in an organisation will be imperfect to varying degrees. Some, indeed, may be better practitioners than the professional practitioner. It is not uncommon for a CEO to be very competent in applying public relations management principles to excellent effect.
- 98 Thus we see the application of public relations, and only public relations, as the management process by which material tokens gain value and organisations thrive. We also may reasonably conjecture that, in organisations, there is an imperative to maintain this process of creating wealth. Without it, the organisation will fail.

- 99 Wealth is only created through a continuous process of public relations among a nexus of relationships bound by common understanding of material tokens.
- 100 For the practitioner, the role changes and the practice becomes one of pro-active wealth creation and defence and coaching the members of the organisation to use public relations to lever relationship driven value from its material tokens.
- 101 One may like to envisage a practitioner whose audit of organisations seeks out key intangibles such as customer lists, patents, processes, brand attributes etc. to reveal under-developed assets that can be developed. The only way such intangibles can then be exploited is through a process we know as public relations using many of models for practice, one of which I use in this paper.
- 102 Perhaps the audit is where the young practitioner begins.
- 103 At a time when a lot of people seek solutions to wealth creation in what they call a 'knowledge economy' this is great news. It is not for the freshman practitioner but then few accountants are change managers straight from school. It does mean that 'PR evaluation' has a significant role in such audits, but that is a completely different story.
- 104 There is a need for much more research into developing this model but one can, at an early stage, envision practice seeking out key intangibles such as customer lists, patents, processes, brand attributes etc. to reveal under-developed assets that can be developed and, using many of models for practice like the one above, create new and additional corporate wealth.

## Conclusions

- 105 The forgoing is work in progress.
- 106 It explores the nature of organisations, relationships, organisational assets (both tangible and intangible) and provides a framework for approaching management and evaluation of the relationship model of public relations practice.
- 107 It identifies a number of concepts that come together in the relationship management model to offer a more developed route towards organisational relationship management. As such it explores how wealth is created and offers a framework for management outside the financial model to exploit organisational tangible and intangible assets.
- 108 So far, the empirical base is only borrowed from the work of its antecedents and there is now much more work to do. My postulate emerges to claim that:
- 109 PR levers wealth from assets through the contributing relationships it develops. It is the only management discipline that does!

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## ABSTRACTS

This paper outlines concepts that explore and extend the significance of public relations as a relationship management discipline. It postulates practice through which value is created to

meet organisational objectives from the known or latent potential of intangibles. In doing so, a definition of organisations as the nexus of relationships is put forward. The differentiation between organisational and interpersonal relationships is explored through a concept that organisational tokens are limited by the concept of materiality. Because material value can only be released through a process of relationship change, relationship management is put forward as a management discipline that can create value. The reverse is also true. Wealth can be latent, under-exploited or destroyed when the process of relationship management acting on material tokens is not deployed to meet organisational objectives.

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