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CORPORATE COMMUNICATION PRACTICES AND TRENDS:

A China Benchmark Study 2006

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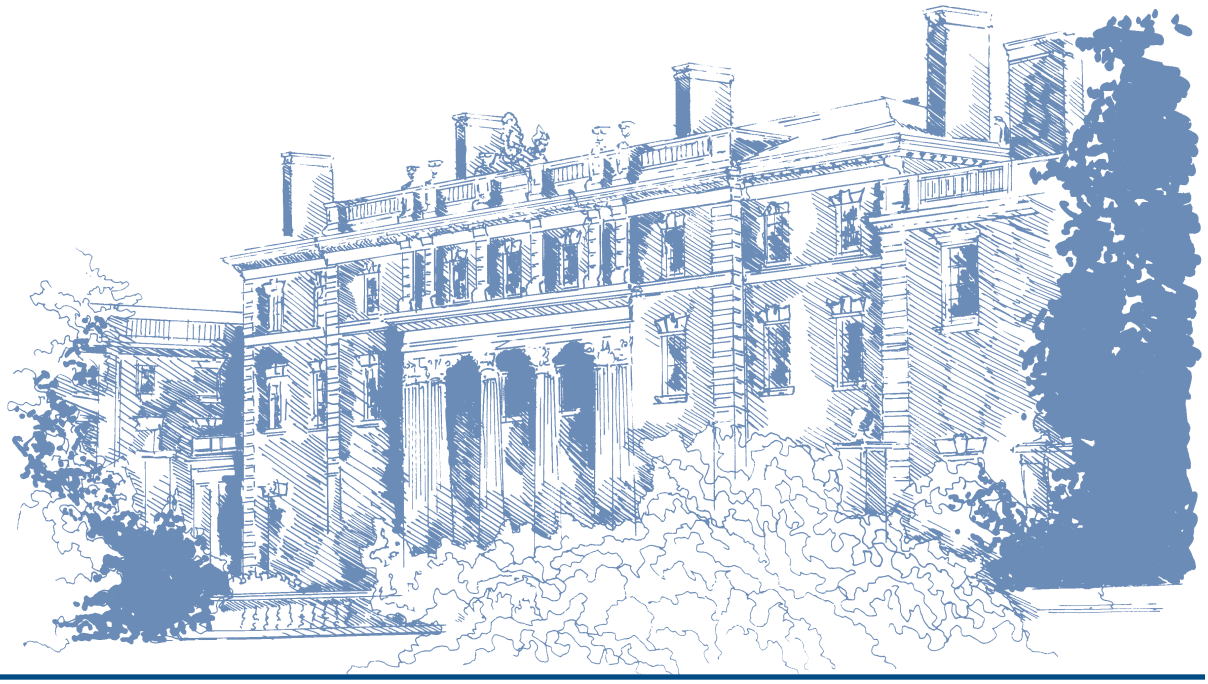

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NOTE: This report provides results of a benchmark survey of select Chinese companies on their corporate communication and corporate social responsibility practices. The study was underwritten by Prudential Financial, Inc., and conducted in Beijing, China, in December 2005 through a partnership of the Corporate Communication Institute, Beijing Horizon Market Research Group, and Dr. Jay Wang of Purdue University.

This study was underwritten by Prudential Financial

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CORPORATE COMMUNICATION PRACTICES AND TRENDS:
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Executive Summary

Key findings from this benchmark study of corporate communication practices and trends in Chinese companies reveal a robust growth and development of this strategic management function. 1) Chinese companies focus on corporate image building, brand strategy, and marketing and sales support; 2) rising budgets and hiring projections indicate a healthy commitment to the importance of corporate communication in the benchmark companies; 3) the practice of corporate communication in the Chinese companies emphasize tactical functions compared with the strategic emphasis of *Fortune* 1000 companies; one area recognized, but underdeveloped, is a crisis communication capability; 4) companies use outside vendors or agencies for building corporate identity, brand strategy, and public relations; 5) Chinese corporate communicators recognize the need to develop strong Corporate Social Responsibility (CSR) action, now centered on disaster relief and higher education, aspiring to develop environmental protection, energy conservation, and workplace safety; 6) there is general agreement on the importance of corporate communication about CSR engagement, and the internet is the preferred means to communicate with internal and external audiences over the broadcast and print media.

Background

With China's remarkable economic development over the last two decades, the spirit and practice of Chinese companies have been radically transformed from merely serving as an administrative function in a centrally-planned economic system to reflecting features of market-oriented enterprises. Since the 1990s, there has been a clarion call for establishing a "modern enterprise system" and adopting "scientific management" principles among Chinese companies in order for them to compete more successfully with both local and global players in the ever more dynamic marketplace.

As Chinese enterprises restructure, the function of corporate communication is also undergoing dramatic changes. The concept of corporate communication generally refers to "the corporation's voice and the image it projects" to its various constituencies.[1] Depending on the organization, corporate communication is a strategic management function that includes a myriad programs and activities, such as media relations, investor relations, reputation management, community relations, corporate branding, etc.[2] Corporations use it to lead, motivate, persuade, and inform employees – and the public as well.

The annual corporate and media ritual of ranking the most-admired companies by *Fortune* and the ranking of reputation by *The Wall Street Journal* attests to the relevance and salience of corporations' image and reputational

capital in the public's consumption and investment choices. Likewise, corporate image and reputation is assuming growing importance in the Chinese marketplace.

During the pre-reform era, all aspects of the Chinese economic system, from production, finance, and human resources, to distribution, pricing, and communication, were dictated by the central government. Communication by Chinese enterprises was instituted as part of the larger propaganda apparatus to fulfill the government's goals of ideological and social control. Since China adopted economic reform policies in the late 1970s, Chinese companies have started to apply contemporary management practices to develop themselves into market-driven enterprises. As a result, they now devote more and more attention to managing corporate image and reputation as an integral part of their business and corporate strategy. The most prominent business rankings began in 2001 under the auspices of Beijing University and *The Economic Observer,* a major Chinese business newspaper. In 2005, for instance, the top 25 most admired companies in China included nine multinational companies, such as Hewlett-Packard, General Motors and Nokia, and 16 Chinese companies, such as the internationally noted Lenovo, Haier, and Tsingdao.

Project Objectives

This benchmark study identifies the corporate communication structure, practices and trends among select Chinese companies, and discusses perceptions and practices of Corporate Social Responsibility as part of the corporate communication function. Specifically, the study addresses the following questions:

- How do contemporary Chinese companies define the role of corporate communication?
- What functions do Chinese companies include as part of corporation communication?
- To what extent, do Chinese companies rely on external agencies and third-party vendors for their activities and programs in corporation communication?
- What are the attitudes toward CSR among Chinese companies; their motives to develop and participate in CSR programs; the areas they pursue in their CSR engagement; and how do they communicate their CSR engagement?

As a benchmark investigation, this study forms the foundation for further examination of the development of corporate communication practices in one of the world's largest emerging markets.

[1] Paul A. Argenti and Janis Forman, *The Power of Corporate Communication: Crafting the Voice and Image of Your Business* (NY: McGraw-Hill, 2002), p. 4.

[2] Michael B. Goodman, "Corporate Communication Practice and Pedagogy at the Dawn of the New Millennium," *Corporate Communications: An International Journal* 11, no. 3 (2006), p. 196.

How the Study Was Conducted

This study was undertaken in December 2005, using a convenience sample of 23 Chinese companies. The participants were identified by Beijing Horizon Market Research Group through its network of clients. As one of the leading market research companies in China, Beijing Horizon has developed a strong client base of Chinese companies in a broad range of industries and sectors. The inclusion of companies of varying sizes in a variety of industries was to provide some "representation" of the Chinese enterprise landscape. Key personnel in the corporate communication function for each firm were contacted to take part in the survey. See "Participant Profile" for details.

The survey questionnaire consisted of two main parts. The first part focused on the structure and practice of corporate communication. It was largely based on the corporate communication survey conducted by the Corporate Communication Institute among U.S. companies, and modified for the Chinese study. The section on CSR was developed specifically for the study, and was based on existing industry and academic studies on this topic.

The questionnaire was developed in English and translated into Chinese by professional researchers at Beijing Horizon. The Chinese translation was then checked and reviewed separately by bi-lingual researchers in the U.S., and discussions were held to reach an agreement on the final translation. The questionnaire was emailed to the participants for completion. As part of the data collection and analysis procedure, the names and affiliations of the respondents are held in strict confidence, and are not to be associated with individual responses.

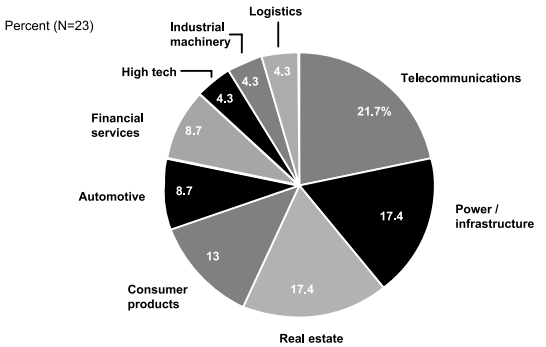
Participant Profile

Industry Sectors Represented

Companies that took part in the study were from a cross-section of industry sectors. A majority of participants came from the telecommunications (21.7%), power/infrastructure (17.4%) and real estate (17.4%) industries.The remaining participants came from a wide range of industries such as consumer products (13%), automotive (8.7%), financial services (8.7%), high tech (4.3%), industrial machinery (4.3%) and logistics (4.3%) (Figure 1).

Figure 1
Participant Profile – Industry Sectors Represented

Companies that took part in the study are from a cross-section of industry sectors.



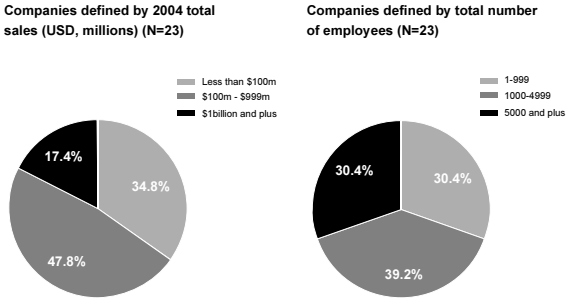
Company Size

The participating companies in the study represent businesses of various sizes (Figure 2). Companies were first defined by their total sales (USD) for fiscal year 2004. Almost half of the 23 participating companies (47.8%) had annual sales ranging from $100 million to $999 million, 34.8% had sales that were below $100 million, and 17.4% had sales that reached and exceeded $1 billion.

Companies were also defined by the total number of employees in their organization. The companies were put into one of three categories: 1-999 employees, 1,000-4,999 employees, or 5,000 and more employees. The participating companies for this survey were fairly evenly distributed through the three categories with 30.4% of the companies in the 1-999 category, 39.2% in the 1,000-4,999 category, and 30.4% in the 5,000 and plus category.

Figure 2
Participant Profile – Company Size

Companies in the study represent businesses of various sizes.

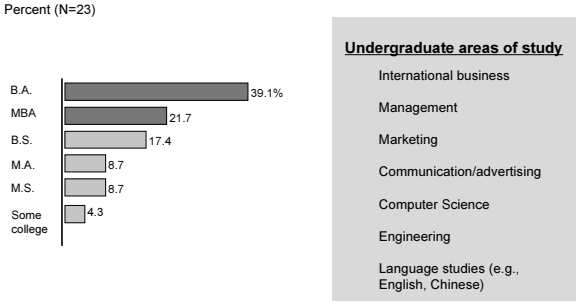


Respondent Profile

All of the respondents were between the ages of 20 and 39, and most of them were male (65.2%). More than half of them (56.5%) reported having a bachelor's degree (B.A. or B.S.) as their terminal degrees, while about one-fifth (~22%) had MBAs (Figure 3). Their undergraduate majors range across engineering, computer science, international business, management, language studies and communication.

Figure 3
Participant Profile – Educational Background

About 40% hold BA degrees and one-fifth have MBAs. Their undergraduate majors represent a wide range of areas of study.



Note: Due to rounding errors, the percentage total may not add up to 100.

Corporate Communication Structure and Practices

The study reveals the structure and practices of the corporate communication function within Chinese companies:

- the importance of corporate communication,
- the role of corporate communication,
- the functions of corporate communication,
- the status of certain special corporation communication functions (i.e., corporate identity, crisis communication),
- the use of third-party vendors for corporate communication activities.

Importance of Corporate Communication

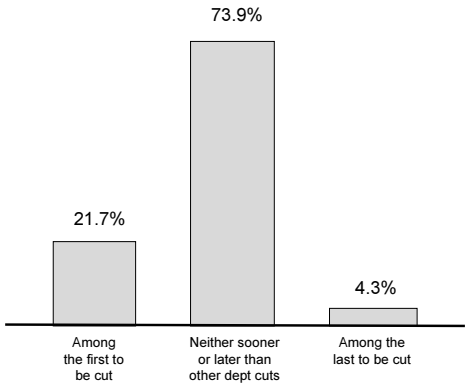
Corporate communication: An indispensable function?

With Chinese businesses increasingly operating in a market-oriented environment, one of the first issues regarding corporate communication in Chinese companies is how important such a function is viewed by communication executives. To gauge its importance within Chinese companies, respondents were asked whether their department would be the first to bear the brunt of corporate downsizing.

A majority of them (73.9%) reported that their department would be impacted "neither sooner nor later" than other departments within the company. About 22% did believe that their department and its budgets would be the first to be cut in the event of financial misfortune, while 4.3% said that they would be the last to go (Figure 4). The majority response to this question seems to indicate confidence regarding the importance of corporate communication and its indispensable place in relation to other management functions in a modern Chinese corporate enterprise.

Figure 4
Corporate Communication as an Indispensable Function

For most of the companies in the study, corporate communication would not bear the brunt of corporate cutback.



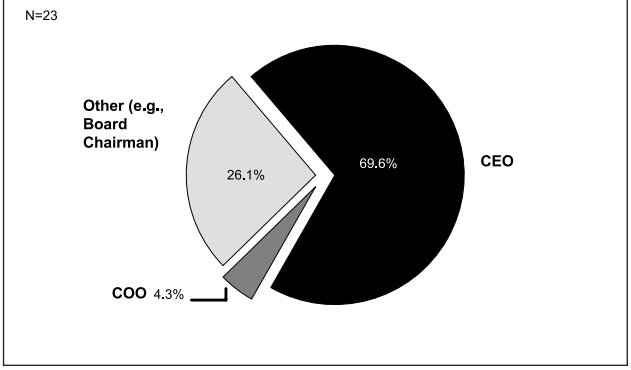
Note: Due to rounding errors, the percentage total may not add up to 100.

Top management involvement in corporate communication

A further illustration of the importance that Chinese companies are assigning to corporate communication is that, according to the respondents, the chief executive officer (CEO) is the top person responsible for corporate communication functions in most companies in this study (69.6%). Even among the remaining companies, there is a clear involvement of top management – 4.3% reported the COO as the "top person," as the rest reported "other" (e.g., Board Chairman) (Figure 5). The findings suggest that corporate communication is not relegated to the lower echelon of the Chinese corporate hierarchy. They also indicate the declining role and influence of the Communist Party in corporate communication.

Figure 5
Top Management Involvement in Corporate Communication

For most of the companies, CEO is the top person responsible for corporate communication.



Increasing spending on corporate communication activities

Another indicator of the increasing importance of corporate communication among Chinese companies is the promising forecast with regard to resources to be devoted to the function in the next fiscal year. Of the 23 respondents, 73.9% (or 17 companies) were optimistic of a possible budget increase in 2006, of which about half anticipated an increase of more than 15% over 2005. Among the remaining companies that expected budget increases, 5.9% and 23.5% anticipated budgetary growths of up to 15% and 10%, respectively (Figure 6).

To support the growing role of corporate communication, respondents also anticipated a possible increase in their staff size in fiscal year 2006, with no company foreseeing staff cuts. Seventy percent of the respondents reported a likely increase; of these, 37.5% anticipated the rate of increase to be greater than 15%. Almost half (43.8%) of the respondents, however, reported a more cautious figure of 5% when asked about the expected rate of increase (Figure 7). In sum, this positive trend in resource investment certainly attests to the perceived importance of corporate communication in the executive suite.

Figure 6
Bright Picture – 2006 Budget Forecast

Most of the companies forecast budget increase in 2006, with about half of them planning an increase of more than 15% over 2005.

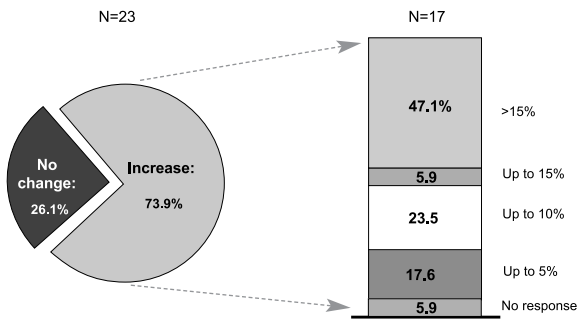
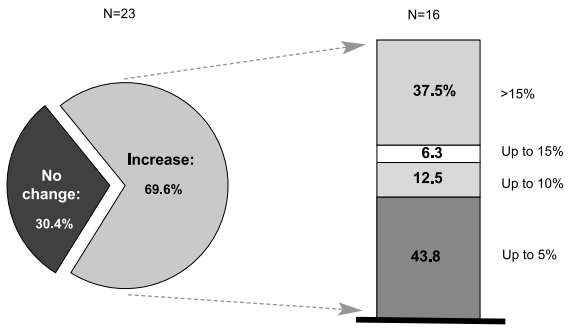


Figure 7
Bright Picture – 2006 Staff Forecast

Most of the companies will increase their staff size in fiscal year 2006, with no company foreseeing staff cutback.



Note: Due to rounding errors, the percentage total may not add up to 100.

Role of Corporate Communication

Corporate communication often means different things to different companies. To better understand the role of corporate communication in contemporary China, respondents were asked to rate a series of statements on a scale of 1-5 (1 being strongly disagree and 5 being strongly agree). The primary responses in this category pertain to managing the company's image, reputation and publicity, and to providing support for marketing and branding strategy (Figure 8). Respondents also gave high marks to corporate communication's advocacy function, such as engineering public opinion in favor of the organization, and for its role to serve as a source of public information about the company.

On the other hand, despite top management involvement in the process, the advisory role of corporate communication to the CEO and the company didn't receive high a rating. The role of corporate communication in forging relationships – whether with employees and/or with external constituents – was among the lowest in ranking.

Figure 8
Role of Corporate Communication

Corporate Communication is primarily to manage corporate image and reputation, and to support marketing and branding strategy.

Role of Corporate Communication	Mean (Std. Deviation)*
Manager of the company's image	4.61 (.499)
Driver of company publicity	4.61 (.583)
Support marketing and sales	4.52 (.593)
Branding and brand perception steward	4.48 (.790)
Manager of company's reputation	4.43 (.788)
Source of public information about the company	4.30 (.974)
Advocator or "engineering of public opinion" in support of company policies	4.13 (.968)
Counsel to the CEO and the corporation	3.65 (.775)
Corporate philanthropy champion	3.61 (.988)
Manager of employee relations/internal communication	3.48 (1.123)
Manager of relationships between the company and all of its key constituents	3.48 (1.039)
Manager of relationships between the company and its key non-customer constituents	3.30 (1.146)

* Mean scores on a 1-5 scale, with 1 being strongly disagree and 5 strongly agree

Functions of Corporate Communication

The concept and practice of corporate communication being so broad, we were also interested in finding out what specific functions constituted corporate communication in these companies. Respondents were asked to identify from a list of functions the ones viewed as part of corporate communication in their companies. The findings reveal that brand strategy and media relations (both mentioned by 87% of the respondents), followed by internet communication (82.6%), were seen as the key functions of corporate communication among the respondents (Figure 9A).

This certainly reflects the current movement towards the pursuit of branding among Chinese companies in developing competitive advantages. Furthermore, with the Chinese media undergoing remarkable transformation since the reform began two decades ago, the notion that they still play the sole role of a "propaganda" mouthpiece no longer holds true. Most of them are now "for-profit" organizations, and must respond to audience information needs to attract advertising. Such a change has significant implications for corporate communication practices. With the explosion of media outlets (including the internet media) in China, it is no wonder that managing media relations is considered a critical part of the corporate communication function.

On the other hand, functions typically associated with public relations, such as executive, internal, and crisis communication were lower down on the list. Similarly, issue management, corporate social responsibility communication, labor and even investor relations received less than 50% of the responses (Figure 9B). This seems to suggest that current corporate communication practices among Chinese companies are more driven towards consumers and the general public, as opposed to internal stakeholders and investors.

Figure 9A
Functions of Corporate Communication

Brand strategy, media relations, and internet communication are most commonly viewed as the key functions of corporate communication.

Percent (N=23)

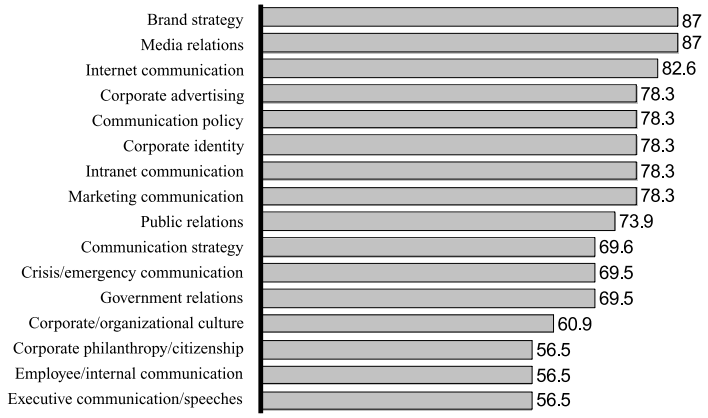
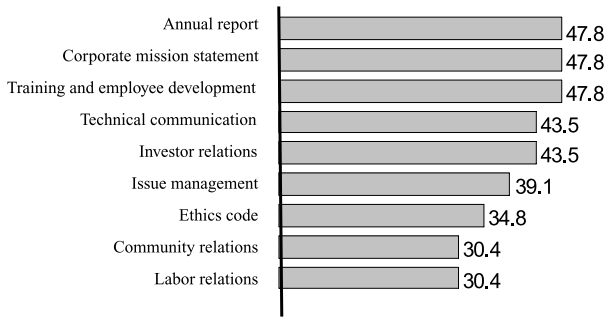


Figure 9B
Functions of Corporate Communication

Corporate ethics code, community relations, and labor relations are not as central to corporate communication.

Percent (N=23)



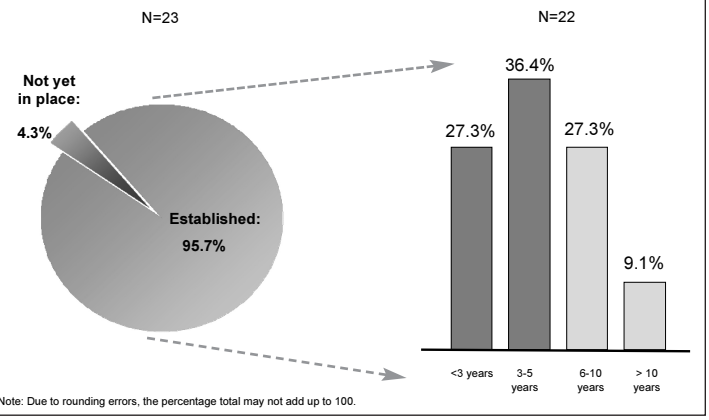
Corporate Identity and Crisis Communication

Respondents were also asked if they had a corporate identity (CI) system in place. Only one of the 23 corporations said "no." Of the 22 corporations that have established their own corporate identity system, the majority (63.7%) accomplished this in the last five years. While it seems to be more of a recent phenomenon, a fair share of companies (36.4%) reported having an existing CI system for more than five years (Figure 10). The findings here are consistent with the drive towards branding among Chinese companies.

In addition, respondents were asked if their company had set up a dedicated function for crisis management. A little over half of the participating companies had such an internal function, while for the rest it was yet to be established (Figure 11). This also supports the earlier finding that crisis communication was viewed by fewer companies as an integral part of the corporate communication function.

Figure 10
Corporate Identity System

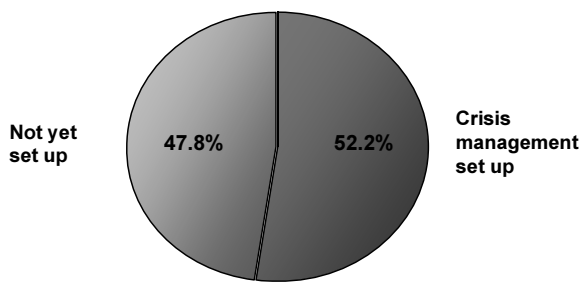
Almost all of the companies have established their own corporate identity system, with most of them accomplishing this in the last five years.



Note: Due to rounding errors, the percentage total may not add up to 100.

Figure 11
Crisis Management

A little over half of the companies reported having set up an internal department/function specifically for crisis management/communication.



Use of Third-party Vendors for Corporate Communication Activities

It does seem that companies are using external agencies and/or specialized vendors for select corporate communicate functions, such as brand strategy (65.2%), corporate identity (56.5%), and public relations (43.5%) (Figure 12). The participating companies were also using agencies for help with designing communication strategy and for crisis communication.

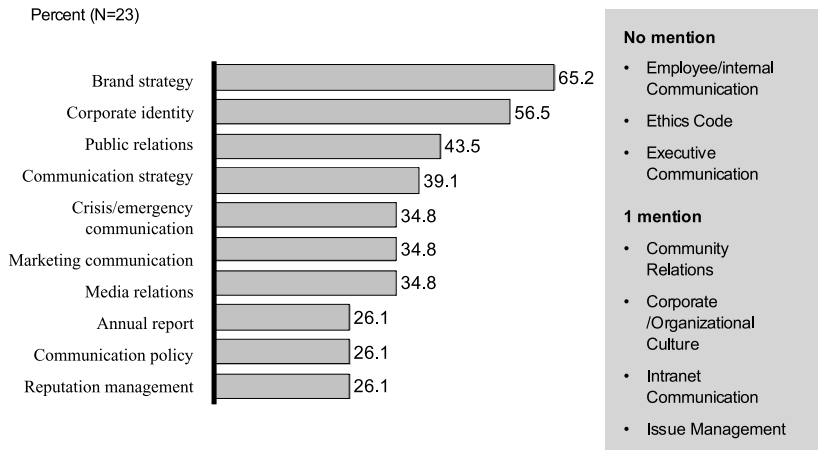
On the other hand, corporate communication functions such as internal/employee communication, ethics code, and executive communication are not included in the "outsourcing" list – likely, these are considered sensitive, and best managed by "internal" teams. Other, presumably "internal" functions such as preparing annual reports and devising communication policy also ranked low among functions that these companies used agencies or vendors for.

These findings will be valuable to communication service providers in China, as they indicate the current areas where companies tend to leverage external vendors to support their corporate communication programs as well as the unexplored areas of communication services for third-party vendors.

Figure 12

Agency/Vendor Use for Corporate Communication

Companies reported using agencies or vendors mostly for brand strategy, corporate identity, and public relations.



Corporate Social Responsibility: Perceptions and Practices

This study also reveals the perceptions and practices of Corporate Social Responsibility among Chinese companies:

- its importance,
- its drivers,
- CSR focus areas and practices,
- CSR communication activities.

Importance of CSR

Globally, the need for companies to be held accountable for both economic gains and societal welfare is attaining momentum.[3] With the rapid development of Chinese enterprises, like elsewhere, Chinese companies are also becoming more and more powerful social institutions in that country. The Chinese government and the general public now have higher expectations of Chinese companies to not only deliver economic benefits but also contribute to building a "harmonious society," a concept propounded and promoted by the current administration in China.

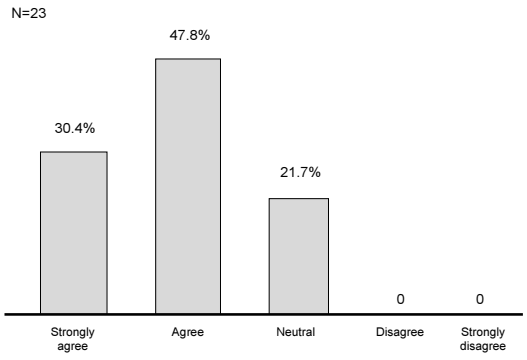
There seems to be broad agreement on the importance of CSR on the part of Chinese companies. Of the 23 companies surveyed for this study, nearly half (47.8%) agreed that it is important for their firm to contribute resources to societal development and well-being, and a fairly large percentage (30.4%) was emphatic in its support of "doing good" (Figure 13). While about one fifth of the respondents (21.7%) were neutral in their response to this question, none of the companies disagreed with the idea of the social obligations of business.

In the larger debate on the role of CSR in China, many Chinese companies and executives have argued that such a role should be fulfilled by the more successful companies, because, for most companies, they simply don't have enough financial resources to devote to such programs and activities. For those who reported neutral on the statement, such sentiment and argument might underlie their views. Overall, the findings suggest that there is a clear acknowledgement of the social role that businesses have in society.

Figure 13
Importance of Corporate Social Responsibility

The majority of the companies in the study acknowledged the importance of corporate contribution to societal well-being.

Q: *It is important that your company contribute resources to benefit the society at large.*



Note: Due to rounding errors, the percentage total may not add up to 100.

[3] For instance, see "The McKinsey Global Survey of Business Executives: Business and Society," *The McKinsey Quarterly,* January 2006.

Drivers of CSR

What motivates companies in their pursuit of CSR? Respondents were asked to rate the rationale for participating in such activities. As Figure 14 shows, the primary drivers of CSR include improving corporate image and/or reputation (M=4.70), satisfying customer expectations (M=4.09), and creating corporate culture and value (M=4.09). Closely following the top three motivations for undertaking CSR, respondents rated the need to meet expectations of the general public and to realize business strategy as an equally important reason (M=3.19) for corporate participation in socially responsible activities.

Figure 14
Drivers of CSR

Corporate CSR participation is primarily driven by improving corporate image/reputation, satisfying customer expectations, and creating corporate culture.

Motivations	Mean (Std. Deviation)*
Improve corporate image/reputation	4.70 (.470)
Meet the expectations of their customers	4.09 (.668)
Create corporate culture and value	4.09 (.668)
Meet the expectations of the general public	3.91 (.733)
Realize business strategy	3.91 (.793)
Purely make contributions to social development	3.39 (.783)
Respond to competition	3.17 (.937)
Adhere to government policy and advice	3.00 (.905)

* Mean scores on a 1-5 scale, with 1 being strongly disagree and 5 strongly agree

The idea of pursuing CSR purely to make contributions to social development received a lower score (M=3.39) among the 23 respondents. In a similar vein, respondents did not perceive response to competition (M=3.17) and adherence to government policy and advice (M=3.0) as important drivers of CSR participation.

CSR Focus Areas and Practice

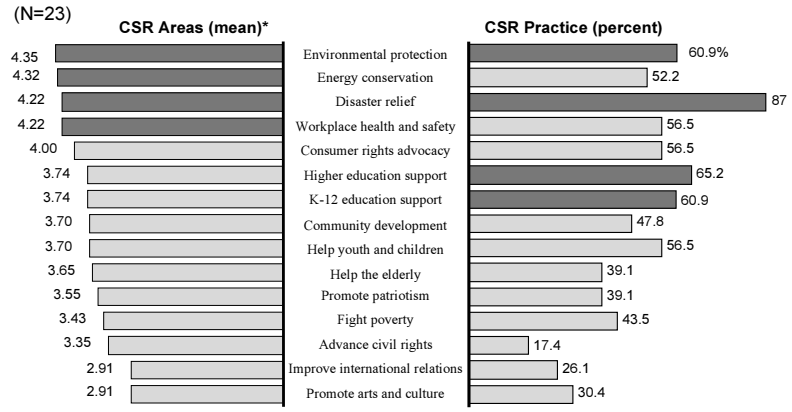
To gain a better understanding of the types of CSR programs companies engage in, the study asked respondents to list the focus areas for CSR based on importance and their company's current practice areas.

As Figure 15 demonstrates, environmental protection, energy conservation, disaster relief, and workplace health and safety occupy the top slots among the preferred focus areas of CSR among the Chinese companies selected for this study. In practice, however, it seems that most CSR activities revolve around disaster relief activities, with support for higher education coming in a distant second, followed by environmental protection and support for primary and secondary education.

While energy conservation and workplace health and safety were rated highly among important focus areas, only a little over half of the companies (52.2% and 56.5% respectively) actually seem to have engaged in initiatives in these areas. A less glaring but notable difference exists in the equal importance accorded to the focus areas of child/youth and community development initiatives (M=3.7 for both); in practice, while 56.5% of the respondents have supported child-related initiatives, only 47.8% have promoted the cause of community development. The areas perceived as the least important to CSR (e.g., advancing civil rights, improving international relations, and promoting arts and culture) also received the fewest responses in terms of actual practice.

Figure 15
CSR Focus Areas and Practice

Environmental protection, energy conservation, disaster relief, and workplace health and safety top the social issues of concern to the companies. In practice, they have mostly supported disaster relief, education, and environmental protection initiatives.



* Mean scores on a 1-5 scale, with 1 being strongly disagree and 5 strongly agree

CSR COMMUNICATION

Importance of CSR communication

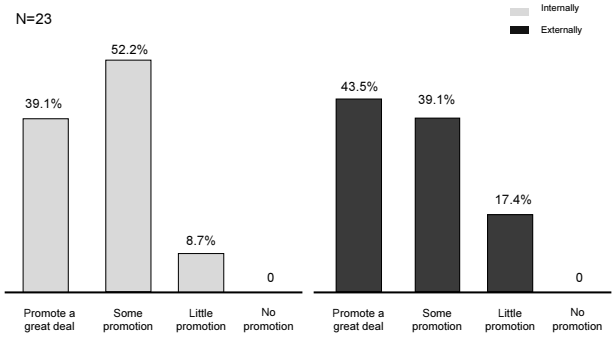
Responses from the survey sample indicated a positive trend on CSR communication (implying a non-mandatory form of social reporting). Most companies saw the value of communicating their "good work", both internally and externally.

Responses in this category ranged from "promote a great deal" to "little promotion," with none of the companies answering "no promotion" (Figure 16). When communicating to internal audience about CSR activities, over half of the respondents were in favor of "some promotion," with another 40% indicated "promote a great deal." Only 8.7% of the respondents advocated "little promotion." On the other hand, in external CSR communication, more were in support of "promote a great deal" (43.5%) than "some promotion" (39.1%). Meanwhile, a higher percentage of the respondents favored "little promotion" (17.4%).

In sum, there seems to be more support for internal rather than external communication. Whether the predominant focus is internal or external, as a starting point, along with their counterparts in the more developed markets, there is strong awareness of CSR communication among Chinese companies. The continuing debate is about to whom such communication should be targeted and to what extent companies should promotion their CSR engagement.

Figure 16
Importance of CSR Communication

Companies see the value of communication about their CSR programs, both internally and externally.



Media preferences for CSR communication

In a related question, respondents were asked to indicate their preference of media tools to communicate CSR. On a scale of 1-5 (with 1 being very unlikely and 5 being very likely), the internet media reigned supreme (Figure 17). Whether it was the company website (M=4.57), the internet news media (M=4.48), or the company intranet (M=4.43), it seems that the internet has become one of the most preferred tools for communicating CSR. Apart from the overwhelming choice of the internet, there emerges a discerning tilt in favor of "internal" communication vehicles such as corporate brochures/printed material (M=4.43) and other internal corporate media (M=4.13). This is consistent with the earlier finding about the internal focus of the CSR communication.

By contrast, "external" channels such as broadcast and/or out-of home media (e.g., billboards) were not highly rated, possibly because of the need to maintain focused and targeted communication as well as the cost of such communication. While radio (national and/or local) ranked last, newspapers (national and local) and trade magazines (M=3.65) still seem to hold their sway as the more preferred communication channels among the traditional mass media tools.

Figure 17

Media Preferences for CSR Communication

Internet, internal channels, and corporate publications are the most preferred media vehicles for CSR; whereas broadcast media and out-of-home media are not favored.

Media vehicles	Mean (Std. Deviation)*
Company websites	4.57 (.662)
Internet news media	4.48 (.593)
Company intranet	4.43 (.896)
Company brochures and other print publications	4.43 (.728)
Other internal corporate media	4.13 (.968)
National newspaper	3.86 (1.356)
Trade magazines	3.65 (1.071)
Local newspaper	3.59 (.959)
National television	3.57 (1.502)
General interest magazine	3.26 (1.137)
Billboards and other out-of-home media	3.13 (1.100)
Local television	3.09 (1.345)
National radio	2.65 (1.229)
Local radio	2.48 (.994)

* Mean scores on a 1-5 scale, with 1 being very unlikely and 5 very likely

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