Assuring rationality and transparency in corporate communications:Theoretical foundations and empirical findings on communication controlling and communication performance management

Prof. Dr. Ansgar Zerfass
Institute of Communication and Media Science
Department Communication Management and Public Relations
University of Leipzig
Burgstr. 21, D-04109 Leipzig, Germany
Phone: +49-341-97-35040
zerfass@uni-leipzig.de

Abstract

In recent years, a lively debate on the concept of "communication controlling" has emerged in European public relations, especially in the German-speaking countries. Researchers, consultants and communication professionals have developed several frameworks which try to foster communication management by adding the function of communication controlling or – as it is sometimes named – communication performance management. A number of companies have already implemented such concepts, ranging from global corporations like Henkel and Deutsche Telekom to a group of national market-leaders organized within the so-called Corporate Communication Cluster Vienna in Austria.

Within this debate, the notion of "controlling" is a specific one. It must not be confused with the traditional concepts of measurement or evaluation as part of the PR management process, but it is closely linked to the concept of controlling and management accounting in management theory. According to this view, controlling is a complementary function to management. Its focus is on providing transparency by analyzing processes, identifying value links between goals and measures, defining key performance indicators and evaluation methods and providing up-to-date information which will allow management to achieve results.

Up to now, the basic concept of controlling has been transferred to many corporate functions like research and development, innovation and marketing. In most companies, corporate communication is not part of this game. This is one of the reasons why corporate communications cannot demonstrate its link to corporate strategies and why it is not possible to valuate investments and results in a proper way. This paper closes this gap by: a) developing a definition of communication controlling based on the management theory of controlling; b) explaining the interplay of communication management, communication controlling, corporate communications and business strategy in an overall framework; c) introducing the main areas of strategic and operational communication controlling and corresponding methods (scorecards, value links, multi-level framework of communication effects, measurement methods); d) discussing the status of communication controlling in Europe based on an empirical survey in 34 countries; e) reflecting on critical aspects of the concept and questions for future research.

Introduction

The complexity of communication management has increased noticeably in the past decade. Some of the most relevant drivers for this are the mediatization and fragmentation of society, the spread of interactive communication technologies, and the growing importance of immaterial values, such as brands, reputation, and employee commitment. Companies have to deal with numerous stakeholders (customers, politicians, employees, and local communities) as well as mediators (journalists, opinion leaders, Web influencers). They use a variety of communication channels (press and media relations, advertising, corporate media, events, and social networks) and pursue widely varying goals. These goals comprise, on the one hand, the implementation of business strategies by influencing knowledge, reality constructions, and attitudes of relevant stakeholders. On the other hand, communication management analyzes opinion building and the communicative environment of organizations, which may result in revisions of business strategies.

The great variety of goals and instruments makes it difficult to verify the contribution of corporate communications to value creation and to assess the success of particular communication activities. This is, however, absolutely essential if communication managers are striving to achieve sustained influence and to be part of the dominant coalition within their organization.

In order to counter this dilemma, researchers, professional associations, and PR practitioners in Europe have for some years now recommended the introduction of systematic communication controlling, in addition to strategic communication management. An initial project has been run by the Swedish Public Relations Association (1996). It became known in other countries much later and has not been continued. A systematic debate on the subject began in 2004 in Germany. A congress of the German Public Relations Association (DPRG) and of the German Association of Communication Consultancies (GPRA) brought together several hundred decision makers from the fields of communication, corporate management, and controlling. Since then, a small group of experts have been developing concepts and tools for communication controlling. Companies have started individual projects, consultants have been specializing in the subject, and task forces of the DPRG and the International Controller Association (ICV) have stimulated a lively exchange of ideas and experiences. Some companies have even started to hire communication controllers, a new role and job description within communication departments. Last but not least, academic research has been working intensely on these issues (Zerfass, 2005, 2008b, Röttger & Preusse, 2009). The results of the discussion up to this point, which extend from theoretical foundations, to different methods, to case studies, have been compiled in two edited books by Pfannenberg and Zerfass (2005, 2010). In addition, the bilingual platform communicationcontrolling.com (German/English) was established on the Internet to provide news and share knowledge on the subject.

Overall, the discussion not only carries on from PR theory and communication science, but also attempts to bridge the gap with management theory. In order to grasp the relevance of communication controlling, it is necessary to understand the significance of controlling in corporate management.

The Function and Role of Controlling in the Business Enterprise

Communication controlling is a typical example of decentralized controlling which, in contrast to controlling of the total enterprise, applies to individual business units or business functions (Weber & Schäffer, 2008, pp. 153-155). Similar concepts include R & D controlling and marketing controlling (Horváth, 2009, pp. 786-795, Köhler, 2006).

In theory and practice, corporate controlling is considered an integral part of corporate management. The focus and importance of controlling has nevertheless been controversial up to now. In order to avoid misconceptions, it must be stressed that within management theory:

• Controlling in the sense of *management accounting* should neither be confused with accounting or bookkeeping nor with monitoring or evaluation.

• Controlling as a function that is needed in (nearly) every corporate unit should be distinguished from the institution of the *Controller* or *Controlling Department;* the latter terms refer to specialized job holders or units.

• At its core, controlling should not be retrospective and judgmental, but *forward-looking*.

Theoretical conceptions of controlling

Beyond these basic assumptions, there are widely varying conceptions of controlling in business administration and management research (Weber & Schäffer, 2008, pp. 19-36):

• *Controlling as an information supply function.* This approach promotes an expanded view of accountancy and draws directly on the historical development of controlling: controllers or “comptrollers” started being hired in the United States roughly from the 1920s onward in order to extend “accountancy from a purely recording and monitoring tool to being an instrument for dealing with the future” (Weber & Schäffer, 2008, p. 5). In information-oriented conceptions of controlling, this perspective is to some extent expanded to encompass comprehensive responsibility for the collection and processing of all information deemed necessary for the management of an enterprise. However, this overlaps with the claims and practices of other business functions, in particular that of information management, and is therefore of little use.

• *Controlling as a coordination function.* This view, which has dominated German-language research on the topic up to the present, was formulated by Horváth at the end of the 1970s. He defines controlling as a “performance target-oriented coordination of planning and monitoring as well as information supply” (Horváth, 2009, p. 123). At the basis of this is the assumption that the management system is divided into a planning and monitoring system, on the one hand, and into an information supply system, on the other, and that both of these must be coordinated by a specific third operation: controlling. Horváth restricts the duties of controlling to this interface, and, by doing so, positions it as a complementary function of the comprehensive steering responsibility of management. Other authors such as Küpper (2008) take the matter further by assigning controlling the total coordination of all management functions – from planning and monitoring to organization and human resources. Equating controlling and management in this way does not make good sense; in practice it contradicts the empirically identifiable tasks of controlling and, moreover, blurs the specific features of both areas. But today, even the classical perspective of Horváth is challenged by researchers and practitioners. Critics point out that the underlying distinction between the systems is not convincing and that it clashes with the concept of strategic management, as well as with several segments of corporate management (Weber & Schäffer, 2008, p. 27).

• *Controlling as a corrective for problems of delegation.* Anglo-American notions of management accounting are for the most part based on institutional economics and principal-agent theory (Lambert, 2007, Weber & Schäffer, 2008, pp. 29-31). Their idea of man is – unlike behavioral science and management research – that of a profit-maximizing "homo oeconomicus." In expanding neo-classical theory, these concepts take into account socially produced rules of the game (markets, laws, property rights) and turn their attention to how these rules can be designed in order to shape the relationships between principals and opportunistic agents in a rational manner. Controlling comes into play in order to counteract occurrences of information asymmetry. To give an example: managers specialized in marketing and communications always have a degree of freedom in their area of responsibility. Thus, top management must be concerned with preventing the assertion of vested interests through shaping appropriate incentive systems and reporting structures for those specialists. In this way, controlling becomes a corrective for the division of labor. This leads to different hiring profiles for managers (flexible, creative, aggressive, ready to take risks, emotional) and controllers (rigid, governing, pedantic, risk-averse, analytically sober), which can be shown empirically (Weber & Schäffer, 2008, pp. 41-43).

• *Controlling as assuring the rationality of management.* The prolonged discussion about the lack of selectivity in the approaches outlined up to now has meant that, since the end of the 1990s, noted controlling researchers have supported a new and promising conception of controlling. Weber and Schäffer (2008) proceed from the assumption that, first of all, controlling should ensure management's rationality and thus remedy the systematic and empirical deficits of corporate management. They point to the fact that management "is performed by economic actors (especially managers) who strive to achieve individual goals and who are endowed with cognitive abilities. These are subject to individual limitations. Deficits of rationality may result from a manager's limited abilities ('skill') and motivation ('will')" (Weber & Schäffer, 2008, p. 28). Rationality assurance through controlling should increase the probability that the anticipated relation between means and ends may still be realized. Accordingly, the core task of controlling consists of "providing an 'alternative' view on previously discovered solutions and avoiding mistakes and other rationality deficits before they become effective" (Weber & Schäffer, 2008, p. 38).

• *Controlling as a process steering function.* In mainstream management research, controlling in the sense outlined here – as well as communication management – is seldom explored in detail (i.e., Weihrich & Koontz, 2004, Steinmann & Schreyögg, 2005, Müller-Stewens & Lechner, 2005). In most textbooks only the evaluation and revision of management decisions themselves are discussed and are partially designated as "controlling" (Robbins & Coulter, 2009, pp. 395-419). However, a sound explanation of the interplay between management and controlling may be found in Steinmann and Scherer (1996). They view controlling, in agreement with the previously outlined concepts of rationality assurance, coordination, and information supply, as a process steering function on a meta-level, that is, as a task that supports management processes run by different people. The management processes themselves are comprised of planning, organization, staffing, leadership, and monitoring functions, and serve to steer purchasing, production/provision of services, distribution, and servicing (Steinmann & Schreyögg, 2005). The need to tackle the issue of coordinating management processes themselves once again in the framework of the controlling function arises from the increasing complexity of enterprises. Leaving apart smaller organizations, a single manager would simply be overtaxed by the demands of the pending tasks. In this understanding of the concept, controlling represents an important function which facilitates excellent management based on the division of labor. Yet it claims no role for itself in the management or in the provision of services (Steinmann & Scherer, 1996, p. 143). Controlling is relevant for every department within the business enterprise and part of each manager's job. Of course, some of the duties may be bundled in the institution of the controller, or of a controlling department, if efficiency can be raised by standardization and an increased availability of know-how and methods.

Controlling defined by practitioners in the field

The academic definition of controlling as a process steering function that involves the responsibility for transparency (as a complement to profit-responsible management) corresponds to the way in which controlling practice views itself. The International Group of Controlling (IGC) describes the duties as follows*:* "Controllers design and accompany the management process of defining goals, planning and controlling and thus have a joint responsibility with the management to reach the objectives. This means: controllers ensure the transparency of business results, finance, processes and strategy and thus contribute to higher economic effectiveness. Controllers coordinate sub-targets and the related plans in a holistic way and organize a reporting system which is future-oriented and covers the enterprise as a whole. Controllers moderate and design the controlling process of defining goals, planning and management control so that every decision maker can act in accordance with agreed objectives. Controllers provide managers with all relevant controlling information. Controllers develop and maintain controlling systems." (www.igc-controlling.org, January 2010)

Communication Controlling: Rationale and Definition

The interplay of management and controlling outlined above can be transferred seamlessly to various areas of corporate management. For example, marketing controlling is a support function of marketing, and its tasks may be deduced directly from the various subsections of marketing management (Köhler, 2006, pp. 42-47). Accordingly, communication controlling must be located in the context of communication management (Zerfass, 2005, p. 200). For the purpose of classification, unfolding the connections with corporate management, as well as corporate communications, is indispensable (see Figure 1).

Strategic management, corporate communications and communication management

Within any company, *strategic management* bears total responsibility for the business strategy (product-market concepts and key parameters of performance), which are key for making profit and increasing corporate value. In order to reach these goals, it is necessary to manage stakeholder relations within and outside the organization by coordinating multiple actions and conflicting interests (Van Riel & Fombrun, 2007, pp. 13-37, Heath, 1994, pp. 3-6). This occurs against the backdrop of varying socially rooted forms of integration (markets, hierarchies, value systems and prestige orders, legal systems; see Zerfass, 2008a, pp. 72-79). Communication contributes to relationship management in quite different ways, depending on the various forms of integration. Communication, for example, helps to motivate employees, to attract potential customers for new products, to gain the support of politicians, or to urge stockholders and unions to support restructuring programs. In any case, communication processes are social interactions which comprise symbolic acts of notifying, as well as acts of understanding, and serve the purpose of promoting understanding and reality construction, and hence persuasion (Heath, 1994, pp. 32-59, Zerfass, 2010, pp. 144-233).

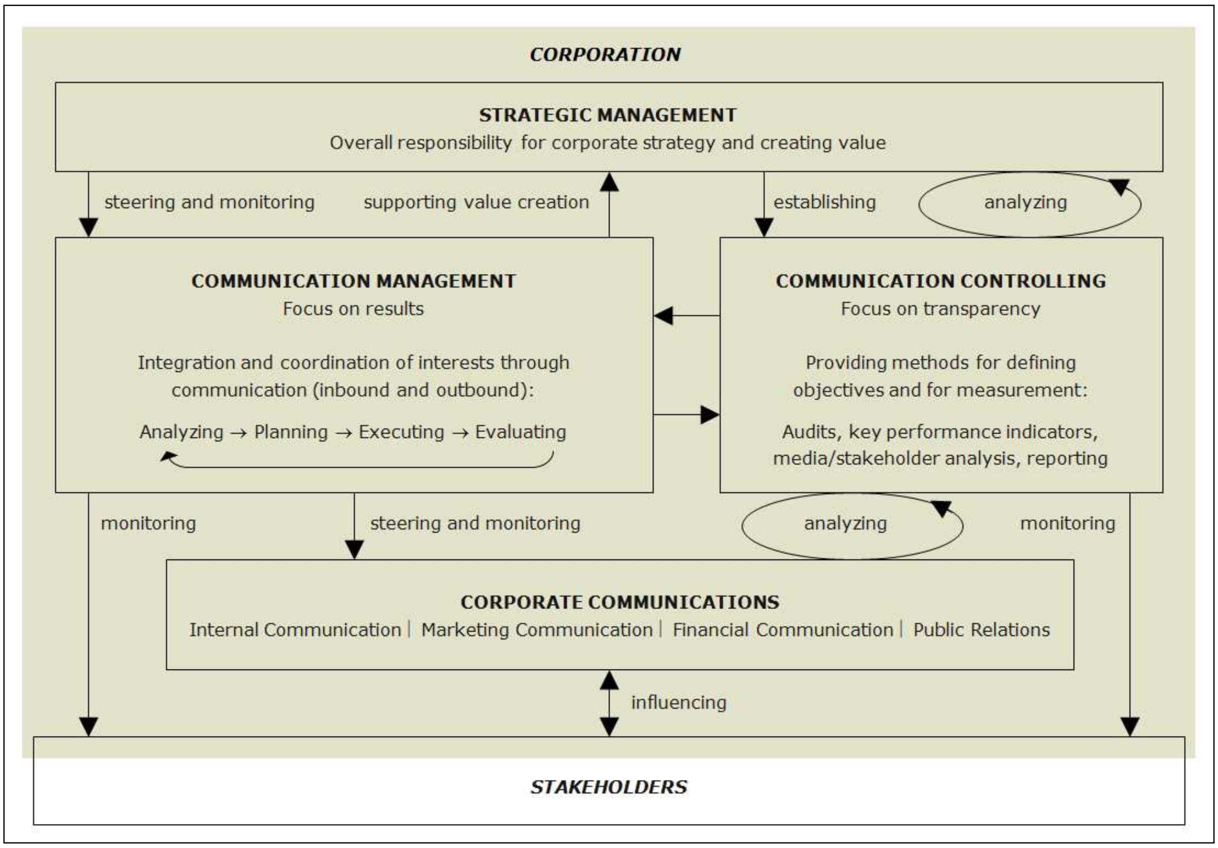

Figure 1: Communication Controlling as a Support Function.

Obviously not all strategically relevant tasks can be influenced through communication and not all communication processes within an enterprise are associated with business strategy. Consequently, *corporate communication* is defined as the totality of communication processes which contribute to the definition and realization of tasks within profit-oriented organizations by enabling the internal and external coordination of actions and the clarification of interests, and which, by doing so, contribute to managing social and economic relations between companies and their specific stakeholders (see also Zerfass, 2008a, 2010). Communication in this sense is consciously shaped and partially delegable, e.g. to communication departments or agencies. Based on the different modes of integration within typical stakeholder relationships, several subsections of corporate communication can be identified:

• *Internal communication* among owners, executives and employees within the organization for the common purpose of providing goods and services,

• *Market communication* with customers, partners and competitors with the aim of opening up or preventing economic contracts and transactions,

• *Public relations* communication with stakeholders in the social and political sphere for legitimization and assuring room for maneuver,

• *Financial communication* (investor relations) with stockholders and in the capital market, which, strictly speaking, may indeed be assigned to the two areas mentioned first, but which is often considered independently on the basis of very strongly regulated relationships.

From this perspective, *communication management* has a double task. On the one hand, it concerns the management of corporate communications, that is, essentially the question of initiating communication processes with the aim of conveying the company's point of view and influencing stakeholders ("outbound"). As a result, concrete objectives of value creation should be supported, such as an increase in sales figures or, alternatively, cost cutting efforts. But the feeding of external opinions and interests into the organizational decision-making process ("inbound") (Röttger & Preusse, 2009, pp. 175-177) is just as important. Communication management monitors relevant stakeholders and communication processes within the organization (through audits, for example; see Hargie & Tourish, 2009) and in the organizational environment (for example, through issues monitoring and issues management; see Heath & Palenchar, 2009). This is not necessarily bound to the implementation of communication campaigns. A contribution to value creation may also be made when these findings (e.g. customer opinions in online communities or views of the guiding intellectual forces in science) stimulate new ideas and improve business strategies.

Communication management bears responsibility for the results and, like every other management process, may be subdivided into several idealized phases: an analysis of stakeholder relations, themes/issues, images/opinions, and the company's own capabilities is followed by the planning and implementation of communication strategies, programs, campaigns, and individual measures, and, finally, by monitoring the results (Broom, 2008, pp. 267-376, Smith, 2005). In addition, it is necessary to monitor the implementation process by tracking critical milestones and to catch unforeseen changes (Zerfass, 2008a, p. 90). By doing so, communication management tries to support value creation on the one hand, and connect corporate communication with the lifeworld of relevant stakeholders on the other hand. This is necessary because communication processes are social interactions and, consequently, can only succeed when both the organization and its stakeholders get involved and contribute.

Communication controlling as a support function focusing on transparency

Communication controlling can be conceptualized as a support function that guarantees the transparency of strategies, processes, performance, and finances for communication management based on the division of labor, while at the same time making available appropriate methods, structures, and indicators needed for the planning, implementation, and monitoring of corporate communications (Zerfass, 2005, 2008b). The functions of communication controlling or "communication performance management," as it is sometimes called in practice, include: analyzing the management processes of corporate communications; monitoring the knowledge and attitudes of stakeholders; mapping the cause and effect relationships between business strategy and corporate communications; defining indicators and documenting them in indicator profiles; selecting and/or developing methods of evaluation; managing evaluation companies as well as processing the results, which culminates in the visualization of dashboards or measurement cockpits. Because of the latter functions, communication controlling is closely linked to measurement and evaluation as a part of communication management (Watson & Noble, 2007).

Following this definition, controlling only creates the basis on which planning, implementing and monitoring occur, and which still remains the responsibility of communication managers. However, due to a lack of knowledge among many marketing and PR professionals, specialists for communication controlling are often the only ones who are able to deal with advanced methods of deducing objectives and developing measurement programs. From an organizational standpoint, most companies in Germany who have implemented communication controlling systems have integrated the relevant tasks within the communication department. This might be a staff function reporting to the chief communication officer as well as a subtask of a team member holding a line function. Initiatives to implement such systems have nearly always been started by communication departments themselves. However, controlling departments and controllers are taking an interest in the topic and have started developing their own ideas (Schmidt & Biel, 2009). For example, the International Controller Association will approve normative guidelines for communication controlling in 2010. Nonetheless, involvement of the communication and controlling specialists themselves is hardly sufficient. To remain successful on a sustained basis, support and legitimization by top management is required. Along with the increasing importance of communication management and of growing budgets for the corresponding departments, one can expect that dominant coalitions will become active in many companies. From their point of view, it makes sense to establish a communication controlling system focusing on rationality assurance within the process of communication management.

Main Objectives: Assuring Rationality and Providing Information

Following the example of the corporate controlling function (see above), the tasks of communication controlling may be defined as follows.

Communication controlling serves to *assure the rationality of communication management*, where rationality is understood to mean “the dominant view of experts concerning a specific means-end relation” (Weber & Schäffer, 2008, p. 52). By establishing a communication controlling system, communication management is meant to be organized in such a way that it achieves the objectives of value creation. At the same time, it shall be ensured that corporate communications are implemented in accordance with the state of the art. We may distinguish three levels of rationality in this context (Weber & Schäffer, 2008, pp. 53-54): *results-based rationality* (Are the correct communication objectives or monitoring objectives being aimed at and achieved?); *procedural rationality* (Are appropriate working models and concepts being used and implemented?); and *input-based rationality* (Are communication professionals and others involved equipped with the requisite know-how and will? Are the appropriate resources available?). Accordingly, we may distinguish different fields of action (see also Figure 1): analyzing the interplay between corporate goals and communication objectives, for example, through applications of the balanced scorecard and value links (Pfannenberg, 2010, Zerfass, 2008c), as well as analyzing different phases of corporate communications, from the point of initiation to the economic results, using a multi-level framework of communication effects (Rolke & Zerfass, 2010; see below).

In addition, communication controlling assumes the *information supply of communication management and of corporate management*, if communication managers are not able to observe, monitor, and analyze on their own due to a lack of capacity or competencies. The delegation of data collection and reporting has several advantages (Hargie & Tourish 2009, p. 29). First, the monitoring and steering capability of communication management is increased when information is accumulated in one place and when common indicators, methods of data collection, and comprehensive analyses are employed *(diagnostic function)*. Second, a systematic analysis of value chains and communication processes enables corporations to improve organizational structures, procedures, and instruments for communication management *(innovation function)*. Finally, the conceptual and, increasingly, institutional differentiation of communication controlling also facilitates the comparison of communication practices with legal and ethical standards or norms, for example, with professional codes of ethics for advertising and public relations *(compliance function)*.

Criteria and Levels: Strategic and Operational Communication Controlling

Communication controlling as a support function is just as multi-layered as communication management itself. It involves a multitude of areas which occur, moreover, in different ways and are specific to the situation of the focal organization. Consequently, there can never be a "single best way" of handling communication controlling. Rather, what is needed is a portfolio of methods and indicators which can deal with particular problems (Zerfass, 2008b, pp. 443-446).

Strategic communication controlling

The task of strategic communication controlling is to create and maintain communication management's potential for success. Its main focus is the effectiveness of the overall communication policy and its infrastructure ("Are we doing the right things?"). First, this involves rationality assurance for the *steering and monitoring of the communication strategy*. This is about the interlocking of business strategy and communication strategy and of value creation through communication – something that is frequently discussed, but seldom realized consistently in practice: in other words, the contribution that communication makes to achieving the strategic aims of the total organization. The focus here is on methods (e.g. communication scorecards) with which the importance of communication as a value driver of corporate success can be proved. Additionally, standardized methods for the assessment of immaterial values driven by communication, such as brands or reputation capital, are relevant here. Such methods are targeted in corporate practice and research, but so far have yet to be standardized (Zerfass, 2009).

Secondly, strategic communication controlling includes rationality assurance for the *structures and processes of communication management*. Through process analyses, organizational structures and staffing of communication departments, as well as internal workflows and interfaces to agencies and service providers, can be evaluated and optimized. In this way, top management and leaders of communication departments can ensure that the potential necessary for a communication strategy aimed at value creation exists.

In recent years, strategic communication controlling has been further developed significantly through the elaboration of generic value driver models with key performance indicators for the main areas of corporate communication (Pfannenberg, 2010).

Operational communication controlling

Operational communication controlling is concerned with the provision of methods and information which facilitate an optimal exploitation of the potentials for success that are created by communication management and communication strategy. Its main focus is the efficiency of the communication policy ("Are we doing things right?"). Above all, this concerns the *rationality assurance of communication programs/campaigns and evaluation routines.* In the case of PR programs and campaigns, one must ensure, for example, that they have been set up stringently and consistently and that the financial resources have been allocated optimally. With the aid of program analyses and concept evaluations, it is possible to steer and monitor the performance of individual programs. In the same way, complex procedures like issues management and other forms of environmental scanning should be examined for consistency.

Another important field of action is operational communication controlling at the level of communication instruments. This is about the *rationality assurance of communication activities,* thus, for example, methods for managing and controlling media relations, corporate media (employee and customer magazines), and events or online communication. This is the classic domain of empirical research methods in communication planning and evaluation (Stacks, 2002, Broom & Dozier, 1990, Smith, 2005). Here, the question to be asked concerns the instrumental effects of communication activities and the (potential) effects on relevant stakeholders. In order to measure the benefits – something that is always done retrospectively – a multitude of proven methods is available, from opinion polls to media analyses to reputation measurement (Watson & Noble, 2007, Paine, 2007, Van Riel & Fombrun, 2007, pp. 207-259, Macnamara, 2005, pp. 243-312, Broom, 2009, pp. 349-376, Pfannenberg & Zerfass, 2010). As a whole, operational communication controlling aims at improving cost efficiency, quality, the production of messages, and the performance of instruments.

Methods: Integrating Management and Measurement Systems

The concept of communication controlling outlined here is not a theoretical vision, but instead already a reality in some progressive companies (Pfannenberg & Zerfass, 2010, Chapter 3). This is possible because management practice need not begin "from the ground up" but can instead fall back on experiences and concepts from other domains.

Communication science and marketing/PR practice already have a differentiated repertoire of tools for performing communication audits in order to analyze (internal) communication processes and communication structures of corporations and for performing media analyses and audience research. At the same time, management research and managerial practice provide general methods for controlling, as do modern management systems such as the balanced scorecard, benchmarking, and business process management.

These methods need to be brought together in comprehensive systems of communication controlling and then developed further. Such efforts frequently fail, however, because of the different concepts and paradigms of the individual disciplines. For this reason, the German Public Relations Society (DPRG) and the International Controller Association (ICV) have developed a common framework that standardizes the dimensions of communication effects (see Figure 2). The framework classifies the most important levels of steering and evaluation and names typical indicators. It is supplemented by generic value links and key performance indicators for the main areas of corporate communications (i. e., internal communication, investor relations), which were developed by communication managers within the DPRG in a modified delphi procedure (for more details, see Pfannenberg, 2010).

The DPRG/ICV framework distinguishes several starting points of controlling:

• *Input (What expenditures are being made for communication?).* The resources employed include staff employment and the financial costs of communication. Both of these can be measured using cost categories. In this regard, controlling can build on established methods of accountancy, but it must adapt them to the requirements of corporate communication. For example, a levy of costs drawn on specific stakeholders, communications channels, and corporate messages is desirable.

• *Internal output (What is being achieved by the company itself?).* This comprises process efficiency, which can be recorded using budget adherence, operating times and error rates, and the quality of activities provided by communication departments and agencies. In this context, the satisfaction of (internal) clients is an important measure. However, the focus still remains on the organization itself and the initiation of communication processes. To gain insights on this level, controlling must once again fall back on accountancy but it must also employ its own empirical data.

• *External output (What means of contact are being developed?).* This step refers to the range and contents of messages that are available to stakeholders or recipients. Indicators such as the number of clippings or favorable media coverage, visits to corporate websites or “share of voice” on social media platforms, and characteristics of the media or communication channels may be collected. These are necessary conditions for the success of communication processes with stakeholders. But they do not prove who has read an article or used a website, so relationships cannot be measured on this level. Nevertheless, the task of communication controlling is to provide methods of empirical social research such as content analyses and online analyses for communicative output.

• *Direct outcome (To what extent are perception and knowledge being increased?).* As far as perception, utilization, and knowledge are concerned, the changes affecting the stakeholders themselves are involved. Awareness, online session length, number of readers per issue, recall, and recognition are typical parameters through which the success of communication and the generation of information in communicative interactions can be shown. Here, just as at the next level, opinion polls and observations are used.

• *Indirect outcome (How strongly are opinions and intentions being influenced?).* This phase relates to the exerting of influence as the actual goal of all communication activities. Information on opinions, attitudes, and emotions, as well as the behavioral disposition and behavior or actions of stakeholders can be depicted with several indicators. Some of the most popular ones are brand image, changes in reputation, employee commitment, and willingness to buy.

• *Outflow (Which business goals can be achieved as a result?).* As a consequence of communication processes, strategic and/or financial objectives of corporate performance and/or intangible resources in capital formation can be influenced. This may be tracked by such indicators as turnover, project closings, cost reduction, or reputation and brand values. However, the link between communication strategies and corporate goals can only be represented by value links which have been developed in a corporate-specific manner. For this purpose, communication controlling has to employ appropriate management systems such as the balanced scorecard (Zerfass, 2008c) or valuation processes for intangible assets (Zerfass, 2009).

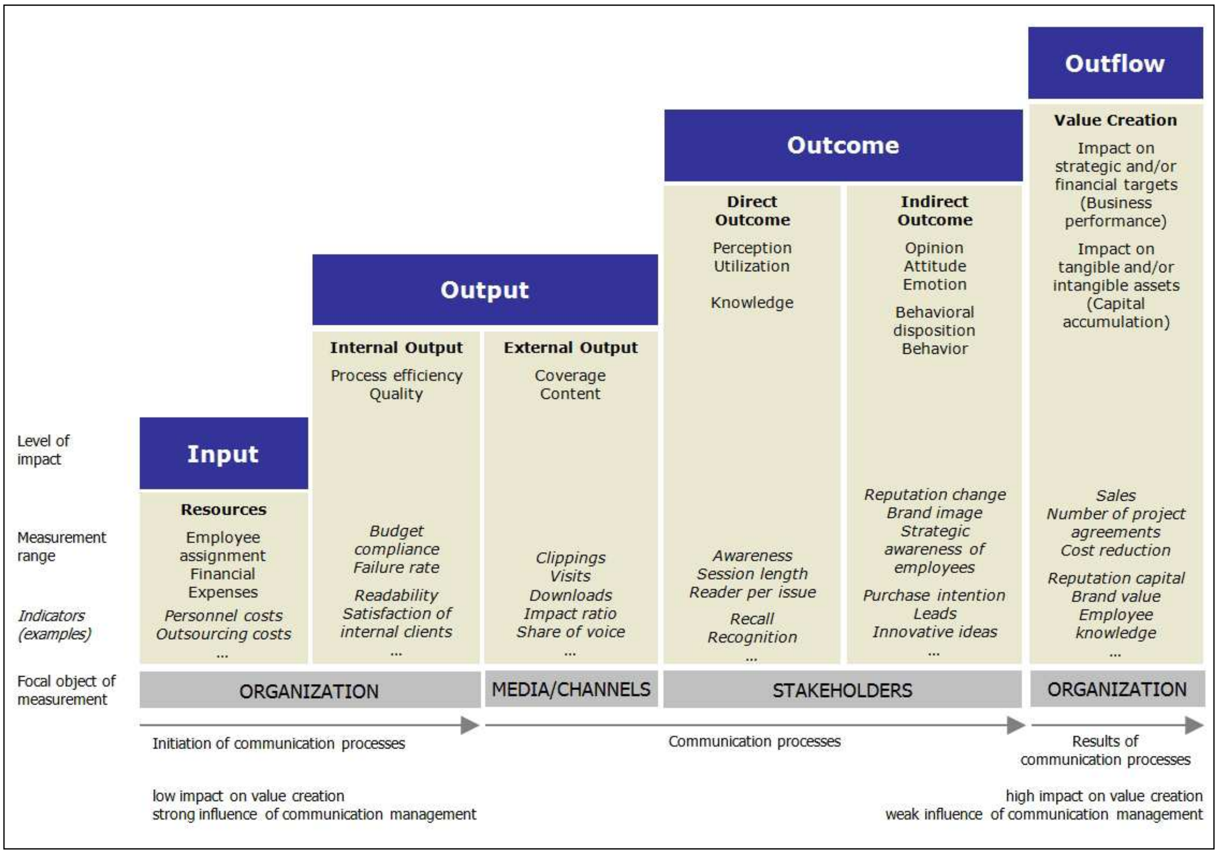

Figure 2: The DPRG/ICV-Framework for Communication Controlling (Rolke & Zerfass, 2010).

Implementation: Top-down and Bottom-up Approaches

Communication controlling systems can be developed and implemented in quite different ways (Zerfass 2008b, pp. 449-452). The particular conditions of each corporation are most important in this context. Previous experiences with evaluation methods play just as great a role as the organizational culture and the rootedness of modern management methods in the organization. Worldwide communication controlling for a major industrial group must necessarily be different from controlling for a medium-sized company or a public institution.

In principle, a *top-down method* for introducing communication controlling is advisable. In this case, strategic communication controlling is first implemented by deducing communication objectives from corporate goals. This permits the development of complete value links, from the corporate goals to the communication instruments, including the definition of suitable indicators and key performance indicators.

A *bottom-up approach*, on the other hand, is to be recommended when operating deficits in corporate communications are evident and when the up-to-date improvement of processes and instruments has the highest priority. This approach is also suitable when the systematic deduction of communication goals is not possible, due to unspecific corporate strategies or resistance to corresponding management methods within a company. In this case, one can start with setting generic objectives for the communication department or for individual stakeholder groups and then optimize the operational communication processes. While doing so, the refinement of the goals and the ties to business strategy should not be lost sight of and must be made up for over time.

Empirical Findings on Communication Controlling

The practice of communication controlling has remained underdeveloped up to now. This is shown by empirical studies conducted by the University of Leipzig and its partners in Germany, Europe, and at the international level.

A *study of the leading German corporations* (listed in the Dax-30, MDax, TecDax share indexes) has shown that communication controlling is practiced mainly in the context of steering operational activities (Sommer, 2007). The strategic dimension was barely considered by those communication, marketing, and finance directors (n=88) who were interviewed. At the same time, the communication scorecard concepts that already existed at the time were little known. Noteworthy is the fact that, among those respondents who already used communication controlling, the alignment of communication against corporate goals and the creation of transparency in corporate communications were cited as the most important motives for doing so. This underlines the practical relevance of the conceptualization which is being developed here.

The need for connecting corporate goals and communication objectives is confirmed by the largest European study on communication management to date. The *European Communication Monitor 2009* (Zerfass, Moreno, Tench, Verčič, & Verhoeven, 2009) is based on a questionnaire answered by 1,863 communication managers from 34 countries. Eighty-four percent of the respondents were communication directors, unit heads, or agency CEOs. Because of their professional experience (in the majority of cases more than 10 years) and their age (42 years on average), the respondents can be seen as opinion leaders in this occupational field.

Forty-seven percent of those interviewed characterized the connection between business strategy and communication as the principal challenge facing communication management today. This topic has been the most pressing issue facing the practice in the three years following the study. By comparison, only 19 percent agreed that new methods for evaluating communication need to be established. In previous years this figure was higher. It appears that European professionals have realized that the call for new procedures and formulas is misguided. On the contrary, there is, instead, the need for a systematic application and linking of well-known management concepts and evaluation methods. At present, there are clear deficits in cost accounting and impact measurement. These were tracked empirically in accordance with the DPRG/ICV framework described above. Europe-wide, only 47 percent of communication managers measure financial input and only 30 percent measure personnel costs at the project level (input). When evaluating communication, attention is first focused on media exposure or on the reach of company-owned communication platforms, such as corporate websites or the intranet (output). Three out of four of those questioned are attempting to create more transparency in this area. Fifty-four percent, according to their own indications, focus their attention on the success of communication with communication partners (direct outcome). Indicators for exerting influence – as the actual goal of any communication (indirect outcome) – play a role for a clearly lower number (39 percent) of communication managers. However, the fact that the implications for corporate goals, including the creation of intangible assets (outflow), are only tracked by around one-third of the respondents is decisive and alarming (Zerfass et al. 2009, pp. 69-75). The study shows that value-based communication is still not feasible due to a lack of controlling concepts and transparency in most European companies.

The *Global Survey of Communications Measurement 2009* (Wright, Gaunt, Leggetter, & Zerfass, 2009) shows that at the international level there is an even greater need for development. Participating in this nonrepresentative trend study were 520 communication managers, with a particular emphasis on the U.S., the U.K./Ireland, Germany, India and Canada. Evaluation practice at present is characterized worldwide by media-related approaches (clippings, Advertising Value Equivalence, etc.). At the same time, a clear majority of respondents support the view that it is possible to calculate the financial return on investment (ROI) of communication activities. An obvious interest in having a tool for measuring ROI goes hand in hand with an increasing awareness of the importance of evaluation and value creation. These results show that the foundations of controlling in general and communication controlling in particular have hardly been understood in the occupational field until now. Simple computation models and ROI formulas, as they are favored here, cannot cope with the complexity of corporate communications and communication management. Consequently, they are not a meaningful way of looking at strategic communication controlling.

Restrictions and Perspectives of the Concept

In-depth study of the foundations of controlling, management systems, and evaluation methods have led to greater interest in communication controlling. However, as the previously cited surveys show, many communication professionals still hope for quick and easy, ready-made solutions, such as ROI measurement tools. What is overlooked here is the fact that controlling systems always need to be implemented in a corporate-specific way (Horváth, 2009, pp. 805-811). For this purpose, clear goals, strong leadership, as well as sufficient human and financial resources, are necessary. Communication controlling can only contribute to competitive advantage and value creation when – as is also the case with business strategy and communication strategy – it is developed on a company's own authority. But one must not overlook the fact that the introduction of controlling systems may also have negative consequences. These also need to be thought through at an early stage.

Misunderstandings and challenges

Zerfass (2005, pp. 218-219, 2008c, pp. 150-151) as well as Röttger and Preusse (2009) have pointed out the limits of communication controlling and the blind spots in the discussion up to this point. The traps may be indicated and, accordingly, avoided as follows:

• *Faulty applications of management methods and evaluation instruments.* The first problem area, which can be traced back to the lack of experience in dealing with the respective systems, is the improper design of scorecards and indicator systems. This risk is familiar from strategic management and marketing controlling. Some concepts proposed in the early discussion on scorecards in Public Relations were limited to the operational level (i. e., Fleisher & Mahaffy, 1987, Vos & Schoemaker, 2004), or they were conceptually contradictory, so that attempts to implement them also reached their limits quickly (for more details, see Zerfass, 2005). Another typical application error is that communication controlling is only set up for specific communication channels, areas of corporate communications, departments or business units, without having established a clear connection with overall corporate goals either in advance or at least subsequently. Without continuous value chains, many well-intentioned approaches for evaluation and optimization degenerate into "rituals of verification" (Power, 1997). At this point, the exchange of experiences with fellow users of communication controlling in corporations, as well as with consultants and researchers, plays an important role. Learning the "best practices" helps in avoiding typical application errors and in employing meaningful value chains or indicators.

• *The illusion of objectivity and the reduction of complexity in communication management.* Another challenge is the seeming objectivity of indicator systems, measurement results, and numbers. Power (1997, pp. 142-143) points out that these elements are not at all as effective and neutral as is generally assumed. The context of justification involving methods and indicators is rarely questioned, however. Numbers appear to be objective. Therefore, communication instruments that are already well-established and can be easily measured are often favored. Corporate communication threatens to become even more strongly "output"-oriented because of the evaluation methods that are available in that case (Zerfass, 2005, p. 218, Röttger & Preusse, 2009, p. 173). Creative and new communication instruments, which are the most important source of sustained competitive advantages, take a back seat in the same way as the "inbound" tasks of communication management, particularly the contributions to a revision of corporate strategies by monitoring issues and stakeholders (Röttger & Preusse, 2009, pp. 175-177).

• *One-dimensional concepts of stakeholder relations and communication effects.* The discussion of communication controlling is frequently based on two misleading assumptions: first of all, the idea that stakeholders can be influenced unidirectionally; second, the belief in the controllability of communication processes by organizations. Both assumptions are not adequate to the findings of modern organizational sociology and communication science (Röttger & Preusse, 2009, pp. 170-174). In particular, as outlined above, it is often overlooked that the activities of corporate communications (stimuli) do not inevitably lead to changes in the attitudes and behavior (responses) of the recipients, since the success and the result of social interactions are always influenced by the interests and strategies of all participants. To this extent, illustrations of communication effects like the DPRG/ICV concept should not be misunderstood as mechanistic, empirically demonstrable and calculable models. Rather, these are frameworks which are meant to depict patterns of causality (Rolke & Zerfass, 2010) and to serve as methods for discussion and argumentation in the same way as other management methods. Above all, they enable communication professionals to start discursive planning and to reflect on their courses of action.

• *The selectivity of controlling and strategic blindness.* Communication controlling inevitably includes a systematic depiction of stakeholder relations, value chains and communication processes, based on monitoring and evaluation. This can lead to a situation where changes in the organization and in the corporate environment fail to be perceived in time. As an interface to political, social, and economic interests, communication management needs to react very flexibly and to adjust its structures, processes, and measures promptly (Röttger & Preusse, 2009, pp. 174-175). This flexibility – and, as a result, a critical criterion of success in corporate communication – is at risk when controlling systems prevent, for example, a reallocation of budgets. This might be the case if new communication tools such as web videos still lack standardized indicators and evaluation methods. At this point it becomes clear that communication controlling, as is the case with overall corporate controlling, must continually be supplemented by undirected strategic scanning (Steinmann & Schreyögg, 1987, Zerfass, 2010, pp. 245-248, 322-323). It is and remains the task of strategic management to question critically (on an ongoing basis) and to develop further the tools of performance monitoring, such as scorecards and quality management systems (Müller-Stewens & Lechner, 1995, pp. 693-705). The responsibility that communication controlling has for maintaining transparency does not free communication management of its responsibility for ensuring results.

Future developments in theory and practice

The challenges mentioned above do not call into question the meaningfulness of communication controlling. Rather, they underline the fact that a thorough grappling with the theoretical foundations is necessary in order to avoid wrong interpretations. Communication science may be an important contributor of ideas (Röttger & Preusse, 2009). Moreover, an accurate understanding of management methods, such as value links and scorecards, appears necessary. In light of existing research and practical experience in corporate controlling, it is not a matter of developing new foundations. What is demanded, rather, is a systematic integration of different perspectives within a common paradigm of social interactions (Zerfass, 2008a).

If and how rapidly communication controlling as a complementary function of communication management will be institutionalized in corporate practice cannot be determined. In the German-speaking countries, well-known businesses have begun to set up corresponding structures. The spectrum extends from global companies such as Siemens, Audi, Henkel and Deutsche Telekom, to “hidden champions” such as Hoerbiger and Cognis, to public enterprises such as the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) (for case studies, see Pfannenberg & Zerfass, 2010, Chapter 3). In addition, there are initiatives in which companies collaborate and set up common indicator systems at the regional level (like the Corporate Communication Cluster Vienna, Austria) or focused on specific channels (e. g. WebXF, the Web Excellence Forum for digital corporate communication). Joint initiatives of the ICV and the DPRG are advancing the standardization of concepts and indicators. The institutionalization of communication controlling has begun and today it stands where corporate controlling as a whole stood at the end of the 1960s. At the time, controlling structures were set up within a few years in nearly all major corporations, and corresponding positions were filled (Weber & Schäffer, 2008, pp. 3-10). Parallel to this, the research field has also evolved worldwide.

As a result, broad fields of action are being opened up for the theory and practice of corporate communications. International comparative research projects appear just as promising as transferring the concepts and experiences outlined here to other countries.

References

Broom, G. (2008). *Cutlip & Center's Effective Public Relations* (10th ed.). Englewood Cliffs, NJ: Prentice Hall.

Broom, G., & Dozier, D. (1990). *Using Research in Public Relations.* Englewood Cliffs, NJ: Prentice Hall.

Fleisher, C. S., & Mahaffy, D. M. (1997). A Balanced Scorecard Approach to Public Relations Management Assessment. *Public Relations Review, 23*, 117–142.

Heath, R. L. (1994). *Management of Corporate Communication.* Hilsdale, NJ: Lawrence Erlbaum.

Heath, R. L., & Palenchar, M. J. (2009). *Strategic Issues Management* (2nd ed.). Thousand Oaks, CA: Sage.

Horváth, P. (2009). *Controlling* [Controlling] (11th ed.). Munich: Vahlen.

Köhler, R. (2006). Marketingcontrolling: Konzepte und Methoden [Marketing Controlling: Concepts and Methods]. In S. Reinecke & T. Tomczak (eds.), *Handbuch Marketingcontrolling [Handbook of Marketing Controlling]* (2nd ed., pp. 39–61). Wiesbaden: Gabler.

Küpper, H.-U. (2008). *Controlling: Konzeption, Aufgaben,* Instrumente [Controlling: Conception, Tasks, Instruments] (5th ed.). Stuttgart: Schäffer-Poeschel.

Lambert, R. A. (2007): Agency Theory and Management Accounting. In C. S. Chapman, A. G. Hopwood, & M. D. Shields (eds.), *Handbook of Management Accounting Research* (pp. 247–268), Amsterdam: Elsevier.

Macnamara, J. (2005). *Public Relations Handbook* (5th ed.), Broadway, NSW: Archipelago Press.

Müller-Stewens, G., & Lechner, C. (2005). *Strategisches Management [Strategic Management]* (3rd ed.). Stuttgart: Schäffer-Poeschel.

Pfannenberg, J. (2010). Strategisches Kommunikations-Controlling mit der Balanced Scorecard [Strategic Communication Controlling with the Balanced Scorecard]. In J. Pfannenberg & A. Zerfass (eds.), *Wertschöpfung durch Kommunikation [Value Creation through Communication]* (pp. 61–83). Frankfurt am Main: Frankfurter Allgemeine Buch.

Pfannenberg, J., & Zerfass, A. (eds.) (2005). *Wertschöpfung durch Kommunikation − Wie Unternehmen den Erfolg ihrer Kommunikation steuern und bilanzieren* [Value Creation through Communication − How Companies Steer and Evaluate Corporate Communications]. Frankfurt am Main: Frankfurter Allgemeine Buch.

Pfannenberg, J., & Zerfass, A. (eds.) (2010). *Wertschöpfung durch Kommunikation − Kommunikations-Controlling in der Unternehmenspraxis [Value Creation through Communication – Communication Controlling in Corporations]*. Frankfurt am Main: Frankfurter Allgemeine Buch.

Paine, K. D. (2007). *Measuring Public Relationships.* Berlin, NH: KD Paine.

Power, M. (1997). *The Audit Society. Rituals of Verification.* Oxford: Oxford University Press.

Robbins, S. L., & Coulter, M. (2009). *Management* (10th ed.). Upper Saddle River: Pearson Longman.

Rolke, L., & Zerfass, A. (2010). Wirkungsdimensionen der Kommunikation: Ressourceneinsatz und Wertschöpfung im DPRG/ICV-Bezugsrahmen [Dimensions of Communication Effects: Resources and Value Creation within the DPRG/ICV-Framework]. In J. Pfannenberg & A. Zerfass (eds.), *Wertschöpfung durch Kommunikation [Value*

Creation through Communication] (pp. 50–60). Frankfurt am Main: Frankfurter Allgemeine Buch.

Röttger, U., & Preusse, J. (2009). Communication Controlling Revisited. Annotations to a Consolidation of the Research Agenda on Planning and Controlling Communication Management. In Rogojinaru, A., & Wolstenholme, S. (eds.), *Current Trends in International Public Relations* (pp. 165–184). Bucharest: Tritonic.

Schmidt, W., & Biel, A. (2009). Das Modell des Internationalen Controller Vereins (ICV) zur Planung und Steuerung sowie Bewertung und Bilanzierung immaterieller Werte [The Model of the International Controller Association for Planning, Steering, Evaluating and Making up a Balance of Intangible Assets]. In K. Möller, M. Piwinger, & A. Zerfass (eds.), *Immaterielle Vermögenswerte: Bewertung, Berichterstattung und Kommunikation* [Intangible Assets: Evaluation, Reporting and Communication] (pp. 125–144). Stuttgart: Schäffer-Poeschel.

Schreyögg, G., & Steinmann, H. (1987). Strategic control: A New Perspective. *Academy of Management Review*, 12, 91–103.

Smith, R. D. (2005). *Strategic Planning for Public Relations* (2nd ed.). Mahwah, NJ: Lawrence Erlbaum.

Sommer, C. (2007). Vision und Realität des Kommunikations-Controllings. Eine Befragung der Kommunikations-, Marketing- und Finanzdirektoren führender deutscher Aktienunternehmen [Vision and Reality of Communication Controlling. A Study of Communication, Marketing and Financial Executives in Leading German Corporations]. In G. Bentele, M. Piwinger, & G. Schönborn (eds.). *Kommunikationsmanagement (Loseblattsammlung) [Communication Management]* (No. 4.27, pp. 1–34). Munich: Wolters Kluwer.

Stacks, D. W. (2002): *Primer of Public Relations Research*. New York: The Guilford Press.

Steinmann, H., & Scherer, A. G. (1996). Controlling und Unternehmensführung [Controlling and Management]. In C. Schulte (ed.), *Lexikon des Controlling [Encyclopedia of Controlling]* (pp. 139–144). Munich, Vienna: Oldenbourg.

Steinmann, H., & Schreyögg, G. (2005). *Management [Management]* (6th ed.). Wiesbaden: Gabler.

Swedish Public Relations Association (1996*). Return on Communication.* Stockholm: Sveriges Informationsförening.

Tourish, D., & Hargie, O. (2009). Communication and Organisational Success. In O. Hargie & D. Tourish (eds.), *Auditing Organizational Communication* (pp. 3-26). London, New York: Routledge.

Van Riel, C. B. M., & Fombrun, C. J. (2007). *Essentials of Corporate Communication.* New York: Routledge.

Vos, R., & Schoemaker, H. (2004). *Accountability of Communication Management. A Balanced Scorecard Approach for Communication Quality*. Utrecht: LEMMA.

Watson, T., & Noble, P. (2007). *Evaluating Public Relations* (2nd ed.). London: Kogan Page.

Weber, U., & Schäffer, U. (2008). *Introduction to Controlling*. Stuttgart: Schäffer-Poeschel.

Weihrich, H., & Koontz, H. (2004). *Management – A Global Perspective* (11th ed.). New York: McGraw Hill.

Wright, D. K., Gaunt, R., Leggetter, B., & Zerfass, A. (2009). *Global Survey of Communications Measurement 2009 – Final Report.* London: Benchpoint/AMEC.

Zerfass, A. (2005): Rituale der Verifikation? Grundlagen und Grenzen des Kommunikations-Controlling [Rituals of Verification? Principles and Boundaries of Communication

Controlling]. In L. Rademacher (ed.), *Distinktion und Deutungsmacht. Studien zu Theorie und Pragmatik der Public Relations [Distinction and Interpretative Domination. Studies on the Theory and Pragmatics of Public Relations]* (pp. 183–222). Wiesbaden: VS Verlag für Sozialwissenschaften.

Zerfass, A. (2008a). Corporate Communication Revisited: Integrating Business Strategy and Strategic Communication. In A. Zerfass, B. van Ruler, & K. Sriramesh (eds.), *Public Relations Research. European and International Perspectives and Innovations* (pp. 65–96). Wiesbaden: VS Verlag für Sozialwissenschaften.

Zerfass, A. (2008b): Kommunikations-Controlling. Methoden zur Steuerung und Kontrolle der Unternehmenskommunikation [Communication Controlling. Methods for Steering and Monitoring Corporate Communications]. In M. Meckel, & B. Schmid (eds.), *Unternehmenskommunikation [Corporate Communications]* (2nd ed., pp. 435–469). Wiesbaden: Gabler.

Zerfass, A. (2008c). The Corporate Communications Scorecard – A Framework for Managing and Evaluating Communication Strategies. In B. van Ruler, A. Tkalac Verčič & D. Verčič (eds.), *Public Relations Metrics: Research and Evaluation* (pp. 139–153). Mahwah, NJ: Routledge.

Zerfass, A. (2009). Immaterielle Werte und Unternehmenskommunikation – Herausforderungen für das Kommunikationsmanagement [Intangible Assets and Corporate Communications – Challenges for Communication Management]. In K. Möller, M. Piwinger, & A. Zerfass (eds.), *Immaterielle Vermögenswerte: Bewertung, Berichterstattung und Kommunikation [Intangible Assets: Evaluation, Reporting and Communication]* (pp. 23–47). Stuttgart: Schäffer-Poeschel.

Zerfass, A. (2010). *Unternehmensführung und Öffentlichkeitsarbeit. Grundlegung einer Theorie der Unternehmenskommunikation und Public Relations [Corporate Management and Public Relations. A Theory of Corporate Communications and Public Relations]* (3rd ed.). Wiesbaden: VS Verlag für Sozialwissenschaften.

Zerfass, A., Moreno, A., Tench, R., Verčič, D.,Verhoeven, P. (2009). *European Communication Monitor 2009. Trends in Communication Management and Public Relations – Results of a Survey in 34 Countries.* Brussels: Helios Media.