



Measuring return on investment (ROI) of organizations' internal communication efforts

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Abstract

Purpose – The purpose of this research is to investigate how senior communication executives measure the effectiveness of organizations' internal communication efforts and link the efforts with organizations' business performance.

Design/methodology/approach – An online international survey of 264 experienced business communicators was analyzed to identify those specific aspects of internal communication initiatives that have been measured by the organizations on a regular basis. In-depth interviews with 13 senior communication executives were used as a supplementary approach to share their experiences and insights about measurement challenges in communication practices.

Findings – Results suggested that most business communicators and organizations recognized the importance of measuring organizations' internal communication initiatives; however, limited metrics have been applied to the assessment process. Several specific aspects of internal communication initiatives (e.g., improved job performance, changed employee behaviors, concentrated employee engagement, etc.) have been given special attention in measurement.

Research limitations/implications – Future research would benefit from the discussion and findings in current measurement challenges and focus on testing the causal relationship between effective internal communication and improved business performance.

Practical implications – Business communicators should demonstrate a stronger request for a consultative leadership direction in the organization to be able to develop and test sets of reliable and consistent metrics and measurement approaches.

Originality/value – This research investigated the measurement challenges that senior communication executives have faced. It is important to recognize current trends and constraints in measurement to be able to leverage the value of communication practices in the organization.

Keywords Measurement, Internal communication, Return on investment, Organizational performance, Communication effectiveness

Paper type Research paper

Introduction

As a crucial feature to the success of organizational sustainable development and financial performance, communication effectiveness has been a promising topic in the fields of organizational behaviors, business management, and communication consulting in recent years. Organizations and institutional communication professionals have been continuing exploring effective measurement to validate the contribution of organizations' internal communication initiatives to improved financial performance at the organizational level. As a consequence, the application and discussion of the financial term, return on investment (ROI), has been clearly emerging in identifying the critical role of communication effectiveness in facilitating



organizational development. Given the turmoil in global financial markets in which organizations and their communication professionals operate, such research seems especially important today.

Although continuous research efforts of communication ROI study in the past decade have led to a generic agreement that communication effectiveness has been one of the leading indicators of organization's business performance, the measurement of this strong relationship has not been well established in terms of how top communicators in organizations around the world link their communication efforts with organizational performance at a financial level. At a more systematic level, it is even harder for top communicators to establish and solidify a set of effective metrics to demonstrate the ROI of organization's internal communication initiatives to gain senior leaders' appreciation. As a consequence, the anticipated influence on organizational senior leaders' support, contribution and participation in communication efforts will be unpredictable.

Therefore, to better understand how top business communicators measure the ROI of their organization's internal communications efforts, the researchers analyzed and reported key research findings from two studies relevant to the measurement of internal communication effectiveness in this paper. The first study analyzed an international survey of 264 experienced communication professionals worldwide. The results indicated the wide recognition of the necessity of measuring internal communication initiatives and identified some key aspects of communication initiatives that have been commonly measured in their communication practices. The second study conducted in-depth interviews with 13 senior communication executives in the field. The results revealed those senior communication executives' perceptions about measurement challenges in communication effectiveness and the importance of developing effective measurement in improving the values of internal communication initiatives. The conversations also shared some approaches and metrics those business communicators have used to develop an award-winning business case and to ensure relevant communication practices have the highest ROI. The results from the two projects were synthesized to identify and generalize themes and trends in measuring the business outcomes that internal communication practices can bring to the organization.

Literature review

The basis for ROI

Whereas there are definitions of ROI from different disciplines (e.g. accounting, economic theory, and finance) that can be considered, ROI originally is an accounting term. In its simplest form, Flamholtz (1985) defines ROI as a financial ratio that expresses profit in direct relation to investment. Financially, the ROI is simply the net profits (or savings) expected from a given investment, algebraically expressed as a percentage of the investment:

$$\text{ROI} = \text{net profits (or savings)} \div \text{investment}$$

Organizations want to maximize their ROI, and generally most organizations would set a minimum ROI for any new products, services, or cost-saving programs (see Weitz *et al.*, 2009, pp. 250-74). However, these traditional accounting methods in determining ROI have generated doubts about its accuracy and predictive power since other nonfinancial performance indicators have been excluded in the profitability equation

(e.g. Canibano *et al.*, 2000; Laitinen, 2003). As a consequence, more organizations are adopting a value-based approach to measure returns by combining both financial and nonfinancial data in the ROI calculation. Some common examples would be the application of economic equations of shareholder value analysis, economic value added, and market value added (e.g. Ehrbar, 1999; Rappaport, 1981; Stewart, 1991). These approaches calculate ROI from the perspective of overall value, where value is defined in terms of both financial and nonfinancial indicators. Scholars and practitioners in related fields believe ROI calculated based on financial and nonfinancial values can potentially improve its accuracy and usefulness.

Similarly, marketing and advertising researchers recognize the importance of measuring ROI of marketing communications, especially when the perspective of integrated marketing communications has been involved to meet a common set of communication objectives (e.g. Ambler and Roberts, 2008; Schultz *et al.*, 2004; Taylor, 2010). Scholars in this field also believe that using a single metric to assess marketing communication performance is problematic; instead, they call for the development of appropriate techniques for not only measuring short-term return on customer investment (ROCI) but also long-term value of customer relationships (Schultz and Schultz, 2004).

As leading thinkers, Schultz *et al.* (2004) suggested that the measurement and evaluation of marketing communications had moved through three stages of development: the first stage focussed on the traditional measurement of ROI by identifying some “historical incremental returns from marketing communication investments” (p. 456); the second stage of measurement evolved to a level called return on brand investment, which addressed the importance of aggregating customer responses to measure the return at the brand level; and the third stage was defined as ROCI. The approach of ROCI combines the attitudinal and the behavioral data an organization can get on customers and prospects, which moved marketing communication measures to a more powerful analytical level. This approach can not only help market communicators understand “why certain customer responses have occurred,” but also identify “what might happen in the future,” which could be the ultimate solution to attract future financial investment (Schultz *et al.*, 2004, p. 457).

Therefore, marketers believe it is even more important for them to develop customer value frameworks based on collected customer attitudinal and behavioral data, if compared to simply tracking marketing expenditure data. Customer value frameworks can effectively help marketers separate the brand’s best groups of customers from less attractive groups. Thus, the monetary value for each group can be estimated at various levels and related to financial returns (e.g. Schultz, 2002; Schultz *et al.*, 2004; Schultz and Schultz, 2004).

Measuring return on communication investment

We all agree that, the arguments about the amount of investment one organization should put in communication and the measures of the monetary return on communication investment have never generated a single solution. Research has indicated that effective internal communication is a leading indicator of organization’s financial performance (Ehling *et al.*, 1992). Moreover, as a consequence, an improvement in effective internal communication in an organization is associated with a higher level of employee engagement, which would lead to an increased market value of that specific organization (Morris, 2010). The effectiveness of communication efforts at all levels is critical that it has been “a major cause of investor complaints

resolution unit” (Bland, 1997, p. 1). To better educate and keep clients informed about their investments in a language that they can understand, Morgan and Hunt (1994) suggested that an easy flow of communication is an important characteristic of a strong relationship. In addition, effective communication skills are instrumentally important in generating client trust. Moorman *et al.* (1992) emphasized that timely communication fosters trust by assisting in resolving disputes and aligning perceptions and expectations. It assists clients and key publics to appreciate the latest developments in the organization or the market and help resolve problems and misconceptions, which opens more investment opportunities.

As a consequence, developing appropriate techniques for measuring communication ROI (e.g. can we measure communication ROI? How can we measure it?) has not only been reflected in communication professionals’ efforts in searching for best answers; moreover, there has been significant interest in this topic in academic research. The discussion on the effectiveness of internal communication and its linkage to organization’s financial performance can be located in public relations and corporate communication literature since the 1980s (e.g. Broom and Dozier, 1983, 1990; Dozier, 1984, 1990; Dozier and Ehling, 1992; Grunig *et al.*, 2002; Grunig and Hunt, 1984; Stacks and Watson, 2007; Stacks and Michaelson, 2010). Although there is no consensus as to the best metrics to measure the return on communication initiatives, pioneer scholars have identified that mixed research approaches (informal and/or scientific) and diverse perspectives (quantitative and/or qualitative) have been used frequently in practice. The ultimate goal of such efforts is to facilitate the success of the two-way symmetrical communication model and to maximize the success of such communication programs (see Dozier, 1990).

The study of excellent public relations and communication management functions designed by Grunig *et al.* (2002) has comprehensively assessed the value of public relations at four levels: the program level, the functional level, the organizational level, and the societal level. The authors argued that public relations can contribute to organizational effectiveness (or the bottom line) when senior public relations executives can become a member of the dominant coalition and get involved into the strategic decision-making process for the organization. From this perspective, “public relations contributes to effectiveness by building quality, long-term relationships with strategic constituencies” (Grunig *et al.*, 2002, p. 97). The authors also promoted the importance of using and collecting nonfinancial indicators (such as awareness and information, motivation, crisis management, social responsibility, public policy activities, etc.) to indirectly measure the value added by public relations efforts (see Grunig *et al.*, 2002, pp. 96-103), which strongly suggested it is impossible for organizational leaders or public relations practitioners to use a single indicator to measure the monetary return on each investment in public relations or internal communications.

Similarly, Stacks and Michaelson (2010) also addressed the importance of understanding nonfinancial indicators in measuring public relations value and how they relate to organizations’ objectives and performance. The authors proposed that there are five major nonfinancial indicators, which are credibility, trust, reputation, relationships, and confidence, that would generate the impact on an organization’s social and financial performance, although these indicators are “social and psychological in nature” (Stacks and Michaelson, 2010, p. 22). Stacks and Michaelson (2010) believed that these nonfinancial indicators, combined with the financial ones, can increase stakeholders’ and stockholders’ expectations. This type of

measuring return on expectations (ROE) can eventually affect ROI. Thus, the authors argued that it is crucial for communication professionals to conceptualize the relationships between the financial and nonfinancial indicators and establish how each variable relates to ROE and contributes to the final ROI.

In Berger and Reber's (2006) survey of the important professional issues facing public relations practitioners, "measuring the value of public relations" has been ranked as the second important issue in terms of gaining influence in the organization, with 28 percent giving that response (62 out of 219 survey respondents) (see Berger and Reber, 2006, pp. 5-8). Correspondingly, when addressing the difficulty for public relations practitioners to demonstrating the impact of their efforts, Fussell *et al.* (2006) suggested the consideration of social capital and transaction costs as "new means of evaluating the impact of public relations practice on particular features of organizational performance" (p. 155). Fussell *et al.* (2006) found that trust, a relational feature of social capital, has been a core concept and powerful indicator of both transaction costs and organizational outcomes.

Industrial reports also indicated similar results regarding the importance of measuring communication value. The 2007/2008 Communication ROI Study conducted by Watson Wyatt Worldwide, an international business research firm, highlights six crucial actions top business communicators need to take to ensure superior internal communication to retain high level of investment returns for the organization, and they are: first, keep customers front and center; second, engage employees in the business through communication; third, train managers to communicate effectively; fourth, involve internal communicators in managing change; fifth, measure the performance of communication programs; and finally, maximize the employer experience brand (Watson Wyatt Worldwide, 2008). Other than keeping customers centered, the six crucial actions focus more on effective internal communications and reveal the importance of engaging employees in organizational business and maximizing employees' best job experience through well-designed internal communication programs (Watson Wyatt Worldwide, 2008). These crucial actions, along with numerous innovative ways to help communication professional achieve excellence in communication, place even greater emphasis on the importance of finding the most effective business metrics, if there's one, to evaluate the impact of internal communications on organization's business performance.

For organization's financial performance the linkage between communication effectiveness and relationship commitment is likely to be even stronger than other contexts because of the recurring interaction between the strategic communication team and stakeholders, the risks and uncertainties involved, as well as the complex nature of the services or business environment. Furthermore, due to the high involvement nature of internal communication initiatives, the strategic communication team has to be effective in communicating with all levels of audiences to instill confidence and engagement while reducing risk perceptions at the same time. As more and more communication professionals and/or public relations practitioners are more confident about developing communication strategies as part of their managerial functions in the organization, they have turned their attention to questions regarding the ROI of internal communication initiatives, especially when CEOs and CFOs are demanding solid evidence of potential ROI before allocating sufficient financial support to those communication initiatives.

Organizational leaders in today's business world are not only interested in understanding the financial value of customers and other market-based assets

(Gupta *et al.*, 2004), but also pay extra attention to communication programs (both internal and external) to be able to issue recommendations and forecasts to potential investor community. Communication managers are under increasing pressure to measure and communicate the value created by their communication efforts to top management team in the organization and shareholders. These demands create a need for the communication team to translate their communication actions and performance consequences into financial and firm value effects (Rust *et al.*, 2004). Understanding how to meet or exceed the ROI expectations from different communication programs, often long-term oriented, is important. Thus, the major goal of this paper is to provide an empirical discussion about metrics and measurement approaches experienced business communicators have used to assess the effectiveness of the organization's internal communication initiatives, with an emphasis on their impact on organizations' business performance and social influence.

Research questions

To assist in understanding the importance as well as the complex process of measuring internal communication effectiveness, the following research questions were proposed to guide the data analyses:

- (1) What measurement metrics have been used by senior communication executives to link the effectiveness of internal communication efforts to improved organizational performance?
- (2) What are the major aspects in internal communication initiatives that have been measured on a regular basis to address the communication value?
- (3) What are the major measurement challenges or obstacles in establishing communication value on ROI?

Research methods

To answer these research questions, two related studies were designed and carried out. The first study involved the execution and analysis of an international online survey. The second study used in-depth interview as a supplementary method. The following paragraphs described the two methods more specifically.

Study 1: the international survey

The international survey was designed and administered by the International Association of Business Communicators (IABC) Research Foundation and Watson Wyatt Worldwide during 2007-2008. Since 2003, Watson Wyatt has designed a global research project examining the trends and actions in organization's employee communication practices and its business performance. More than 740 companies representing over 12 million employees worldwide have been surveyed during the past six years. As a continuous investigation, the international survey reported in this study was part of the Communication ROI Study designed by Watson Wyatt during 2007-2008. The specific purposes of the international survey included to identify different aspects of internal communication programs that organizations have measured on a regular basis to assess the effectiveness; determine which internal communication efforts are deemed most important by communication practitioners and organization leaders; and demonstrate the strong connection between effective internal communication and organization's business results.

Sample and descriptive statistics of the international survey

The data collection of the international survey was accomplished by Watson Wyatt during 2007-2008 as part of the Watson Wyatt Communication ROI Study. However, the researchers were not involved in the questionnaire design and the data collection process, therefore, detailed description about the sample profile and survey procedure is missing in the article. In addition, the firm granted the researchers limited access to already processed survey data, which prevented the researchers' efforts in running more advanced statistical analyses to test the causal relationships between the indicators and outcomes. This limitation is further addressed in Discussion.

Based on the available information about the survey, the researchers identified that 264 senior communication executives representing different regions and diverse industries participated in the ROI study and shared their opinions. The majority of the survey participants were from North America with 182 in the USA (68.94 percent) and 44 in Canada (16.67 percent). Other participating regions included Europe ($n = 19$, 7.20 percent) and Asia ($n = 19$, 7.20 percent). The sizes of participants' firms varied, ranging from medium sized (1,000-2,500) to giant corporate with more than 25,000 employees. Their range of services included financial advising/planning, health services, manufacturing, utility and transportation, wholesale, and others. Table I summarized the demographic information of the participants by region, by industry, and by organization size.

Study 2: in-depth interviews

During the second stage of the research project, the researchers used in-depth interviews as the major research method. IABC Research Foundation helped the researchers recruit participants from its Gold Quill award sampling pool. The researchers have determined that the recipients of the Gold Quill award are

Categorical variables	Total sample size ($n = 264$)	
	Frequency (n)	%
<i>Region</i>		
Asia-Pacific	19	7.20
Europe	19	7.20
Canada	44	16.67
USA	182	68.94
<i>Industry</i>		
Finance/insurance	42	15.91
Health services	23	8.71
Manufacturing	56	21.21
Utility/transportation/communication	27	10.23
Wholesale/retail trade	12	4.55
Other services	15	5.68
<i>Company size (number of employees)</i>		
1,000-2,500	24	9.09
2,500-5,000	26	9.85
5,000-10,000	39	14.77
10,000-25,000	44	16.67
25,000 or more	50	18.94

Table I. Categorical demographic profiles for the international survey participants

eligible to participate in the study – they either have used diverse measurement approaches as reliable business resources or have worked for different projects that have executed internal communication initiatives and relevant measurement techniques.

Thus, a series of in-depth interviews with senior communication executives were carried out by the researchers between November and December 2009. With the support of IABC Research Foundation, electronic invitation to participating in the in-depth interview was sent to IABC Gold Quill award recipients in the past five years (2004-2008) by e-mails. Of the 65 invitations that were sent out, 18 communication professionals responded and indicated their interest in participating in the study. Eventually, five respondents dropped from the study due to changed schedule. The final in-depth interviews were conducted with 13 senior business communicators who were Gold Quill award recipients.

Major questions and topics discussed during the in-depth interviews focussed on respondents' interpretation of how to measure communication value and personal experiences of measurement challenges. Some sample topics discussed include the No. 1 important measurement issue in practice, how to address the direct impact of communication value on organizational outcomes, major aspects of communication programs that have been measured regularly, major measurement approaches that have been used, the most effective measurement metrics, and some current obstacles to advancing measurement efforts. To generate more consistent findings from both studies, the researchers provided an integrated analysis of survey results and interview conclusions in Results.

Sample profiles of participants

The sample profiles indicated that 13 senior communication executives represented four different countries (six from the USA, five in Canada, one from Mexico, and one from Brazil). Although they are from different regions, they represented senior communication professionals in their region, with an average of 15 years of working experiences in the communication profession. The areas of their job responsibilities ranged from public affairs, corporate communication, strategic employee communication to independent consulting of corporate reputation. In terms of gender distribution, the sample consisted of seven females and six males, which could provide a balanced view of measurement issues in internal communication efforts.

Since all participants are fluent in English, the 13 in-depth interviews were finished via telephone by using English. The interviews averaged 35.4 minutes in length; the shortest lasted 26 minutes, and the longest was 57 minutes in length. The interviews were recorded and the conversations yielded more than 30 pages of single-spaced transcripts that were subsequently coded by the researchers. Qualitative research analytical technique – thematic analysis – was used to analyze the transcripts (Goulding, 2005). Because the objective of the in-depth interviews was to identify patterns and trends of the best practices and metrics that award-winning business communicators have used to address communication effectiveness and to gain support from senior organizational leaders, the researchers argued that the application of thematic interpretation is appropriate in this case. Along with the results that have been generated in the survey data analysis, the research efforts from a qualitative perspective continue contributing to the exploration of effective business metrics in communication measurement.

Findings

Finding No. 1

Although communication effectiveness has been an important concern for organizational leaders, the assessment of the effectiveness of communication initiatives has not been widely applied by using business outcome metrics in organizations.

In terms of the frequency of using business outcome metrics to measure communication effectiveness, respondents reported different answers. The analysis of the international survey revealed that nearly 46.6 percent ($n = 123$) of respondents indicated that there is no formal measurement or assessment the company has used to measure the effectiveness of internal communication initiatives. Almost 36 percent ($n = 95$) of respondents in the survey indicated that the percentage of placing internal communication initiatives in business outcome metrics is <50 percent. Only 17.2 percent ($n = 45$) reported that more than 50 percent of the internal communication initiatives have been measured by using business outcome metrics to assess the effectiveness.

Similarly, the percentage of communication initiatives that have been measured by using business outcome metrics also varied in different sized organizations. One important finding indicated that, as the organization's size increases, the percentage of no formal measurement of communication effectiveness decreased. For instance, due to the resources and financial advantages, organizations with more than 25,000 employees are more likely to develop business outcome metrics to measure communication effectiveness, and the percentage of no formal measurement/assessment of internal communication initiatives is 32 percent. On the other hand, organizations with small to medium size (1,000-5,000) showed a high percentage (60.9-73.1 percent) of no formal measurement of internal communication initiatives.

The analysis of the in-depth interviews revealed that almost every participant agreed the importance, as well as the difficulty, of addressing communication values to senior leaders of the organization. They also indicated that evaluation has been "a daily job" and "a challenging job" for them. Participants commented:

I have to do a lot of research with internal audiences, and something that is challenging is when people in the organization, especially the management group, are not convinced of the benefits communication strategies can bring to them. When you have to make some research and they are not convinced of the value of doing that, you have to go with every one of them and sell the function and demonstrate that what you are doing can really bring benefits and changes with people internally.

I think the biggest challenge in measurement continues to be convincing clients to spend, not so much the money, but to spend the time. As the industry develops, I don't have a hard time in convincing them about the validity of measurement, but they are reluctant to actually take the time away from business to actually administer surveys or focus groups or some other measurement tools.

We have to use different approaches to prove everyday that we are important and that we give results to the organization. So it has become a daily job for us to make sure they [senior organization leaders] understand that.

As a consequence, participants agreed that "seeing things built up and seeing the results" have been the most rewarding part of their efforts in measurement. Moreover, Watson Wyatt has grouped participating companies into two broader categories (high-effectiveness vs low-effectiveness companies) based on its six years of communication ROI studies. The differences in perceptions and execution of measurement efforts

between the two categories are also reflected in this study. Overall, high-effectiveness organizations are always willing to measure the effectiveness of the internal communication initiatives by using business outcome metrics ($n = 70$, 26.8 percent), if compared to those low-effectiveness organizations ($n = 25$, 9.8 percent). The survey also indicated that the majority of low-effectiveness organizations do not have a formal measurement they have been using to assess the effectiveness of communication initiatives ($n = 74$, 59.8 percent), if compared to high-effectiveness organizations ($n = 44$, 35.4 percent).

Findings No. 2

Although most respondents agreed that measuring the effectiveness of internal communication initiatives should be part of standard operating practice in the organization, other factors such as scorecard balance, practice justification, and leadership direction also contribute to the use of business outcome metrics to the measurement process.

Almost half respondents indicated that the application of business metrics to the measurement of communication effectiveness is part of the standard operating practice within the organization ($n = 120$, 45.5 percent). This feature is heavily reflected in organizations based in Europe ($n = 205$, 77.8 percent) and those organizations in the finance/insurance industry ($n = 171$, 65.0 percent). However, respondents also indicated other reasons that drive them to put metrics in place to measure the effectiveness of communication initiatives. For instance, for the purpose of balanced scorecard came as the second major reason for measuring communication initiatives ($n = 44$, 16.8 percent), followed by current practice and budget justification ($n = 42$, 16.1 percent) and CEO/leadership directive ($n = 35$, 13.3 percent).

It is clear that having measurement efforts as part of standard operating practice in the organization is oftentimes a strategy to addressing the value of public relations/communication practices to the business results. Participant in the in-depth interviews explained:

It is both a proof point of our value and also a challenge to us, because we are not as proficient in all of those areas as we probably need to be as a best profession. Clients are looking for value; they are looking for support; and they are looking for, I think, ways in which they can stay connected to all those important stakeholders.

It is challenging that we have to explain sometimes once, sometimes more than once; but the key thing is to make sure they understand the importance of those communication programs and strategies. It is really important to see us communicators helping the company to understand how stakeholders see them and what the best ways of relating with them are.

The survey results also indicated that low-effectiveness organizations had different reasons in putting metrics in place to measure the communication effectiveness. For instance, in high-effectiveness organizations, the measurement of communication effectiveness has been validated as a standard operating practice and is used for balancing scorecard. While in low-effectiveness organizations, the measurement of communication effectiveness has been used as an approach to seeking additional budget and/or staff; or it is a result of personal interest. See Figure 1 for the graphic presentation of the percentages.

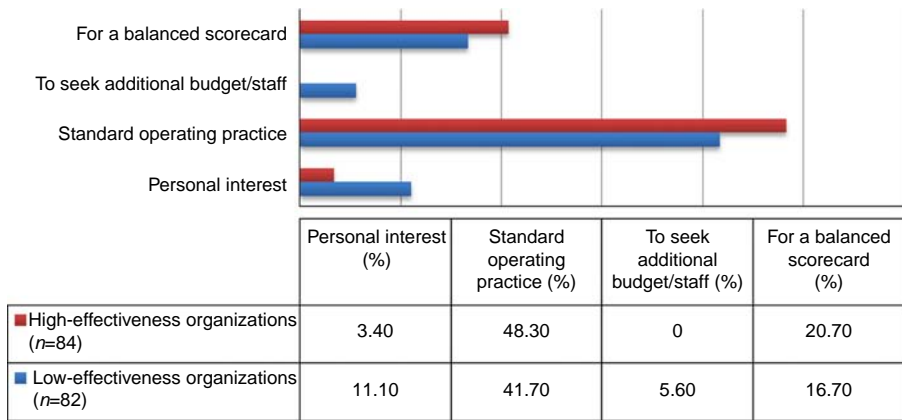


Figure 1. High- and low-effectiveness organizations using metrics for different reasons

Findings No. 3

Although organizations use metrics to measure communication effectiveness in general, there are five aspects of internal communication initiatives that have been measured on a regular basis. They are:

- (1) increased awareness or understanding;
- (2) concentrated engagement among employees;
- (3) improved job performance;
- (4) changed employee behaviors; and
- (5) improved business performance at the organizational level.

Respondents indicated that, although organizations use metrics to measure different aspects of internal communication efforts, there are five aspects that they would like to measure on a regular basis. The five aspects are increased awareness or understanding after the information has been delivered (80.5 percent, $n = 213$); whether delivered information helps employees do their job better (73.2 percent, $n = 193$); internal communication initiatives' impact on employee behavior changes (55.0 percent, $n = 145$); the effect of internal communication efforts on employee engagement (49.7 percent, $n = 131$); and the effect of the communication effectiveness on business performance, such as the revenue growth and customer satisfaction (33.6 percent, $n = 89$). Particularly, the five leading aspects have been reflected in high-effectiveness organizations' measurement efforts (see Figure 2 for details).

Survey results also indicated that the aspects of internal communication effectiveness that have been measured by organizations on a regular basis did not vary a lot in terms of different geographic regions and organizational sizes, which further proved that the five aspects of internal communication efforts presented strong core of measurement issues in the field of communication effectiveness. Specifically, similar answers were reflected in the aspects of increased awareness or understanding, the effect of communication efforts on employee engagement, and employees' improved job performance.

Similar results were reflected in the in-depth interviews. Participants agreed that there is no one golden approach to measure communication effectiveness.

The situations for applying relevant business metrics to assess communication effectiveness could be multidimensional. Most participants mentioned the assessment of increased number of participation, increased awareness of understanding new programs or policies, increased workforce productivity, and higher level of employee engagement. One participant commented:

I think the profession has gotten much more sophisticated over the years. We have evolved in the measuring process. Look at how we have moved: comprehension, attitude, behavior; all of those things are now measured. [Measurement] is part of what we do now.

Specifically, participants mentioned that, for any communication project, the first important thing is to understand the clients' performance goals before starting developing any communication measures. They mentioned the possibility of using outside resources or existing tools and metrics developed by other professional firms, but they also commented on the risk of using templates:

In terms of formalizing a metric, we don't suggest using a template. The template or the training that someone developed would reflect more on his work. What we do is we start from our clients with goal setting and make sense of whatever budget they may carry for the project. From there, then we develop our measurements based upon their goals. What it does for us is to align us in accomplishing not what we want to accomplish but what our clients are trying to accomplish. These are two different things in measurement.

What's the most effective way? There's no one way. You really need to bring in both quantitative and qualitative aspects because some clients are very much science-based and evidence-based or the other way. So what we do here is very heavily invested in research. We don't generally go forward on anything significant unless we've got a good baseline of research.

Most participants addressed the importance of having measurement done at different levels. They mentioned that, to measure how effective the internal communication initiatives are, organizations have to look at all involved groups, e.g., top leaders, VPs and above, director-level employees, and employees in general, to collect their feedback. The assessment of communication effectiveness should be leveraged to a level that employees and others could align themselves and integrate their teams toward the anticipated culture and values in the organization.

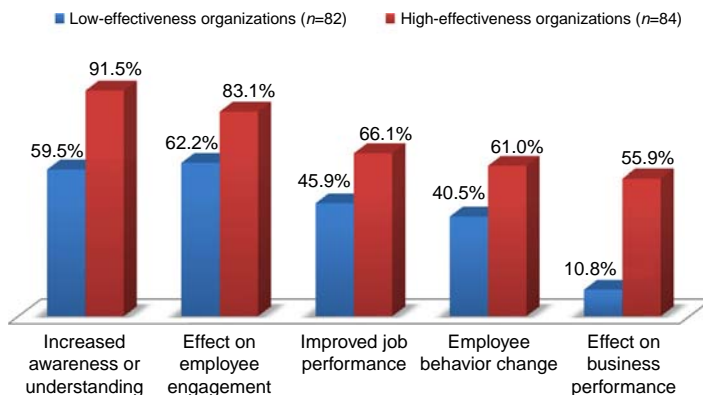


Figure 2.
Organizations measure
the outcomes of
communication
effectiveness on five
major perspectives

Findings No. 4

Study indicated that there are potential reasons existed for preventing organizations' measurement efforts on communication effectiveness; and the top-three listed reasons are the lack of resources (e.g. money and staff); having trouble determining a specific cause-and-effect relationship between communication initiatives and business results; and time constraints.

Respondents' selection of choices reflected that lack of resources was the most important reason for the organization not measuring its internal communication initiatives. More than half (65.2 percent, $n = 172$) of the respondents ranked "resource constraints" as their first choice, followed by the inability of determining a specific cause-and-effect relationship between communication initiatives and business results (57.1 percent, $n = 151$) and time constraints (40.1 percent, $n = 106$) as the second and the third choices. Although surveyed practitioners said that all listed reasons in the questionnaire could be reasons for not measuring communication effectiveness, lack of resources, and inability of determining a specific cause-and-effect relationship have been the leading ones because these two aspects involves factors that are crucial to effectively assess the value of internal communication initiatives and its contribution to organization's business performance. Moreover, the two leading reasons also indirectly reflected the lack of support and leadership direction organizational wide, as well as professionals' inability of using research to develop appropriate approaches to evaluate communication programs.

Feelings of obligation to develop consistent measurement approaches have been mentioned to be related to the constraints existed in the practice:

I think for most time it was like we were all chasing those numbers and we were all getting those numbers. And now I think it is very much about making sure that you understand how you want to be perceived and how you are perceived now. I still haven't really seen it [measurement] done in a cost-effective-enough way that can be used consistently for all clients.

In view of the changes that have been experienced in their organizations a few participants considered understanding and clarifying public relations functions to be very important in getting support from senior organizational leaders in measurement practices:

The thing about measurement is that historically they only measured advertising because of the big ad budgets. As people started recognizing the need to measure public relations, they started looking at it with an advertising mind. They looked at it and they replicated what has been done in advertising to public relations. And it didn't work. So, the thing is you really have to set up your measurement goals around your project and do it in a PR way.

When I just started working with public relations agencies, I have been kind of disappointed because most of the time they continued to measure their work only with media clippings compared to advertising. I don't think that's an effective and comprehensive way of measuring. I know there are many other sophisticated ways of measuring and I insist that we need to develop a better formula to measure not just the messages included in the clippings but also the position of the article in the media and the perceptions of the audiences.

In addition, the survey data indicated that differences between low-effectiveness and high-effectiveness organizations existed in the following three aspects:

- (1) not knowing how to measure;
- (2) not getting internal assistance to gather the data; and
- (3) concerned with setting performance targets for communication initiatives and being held accountable.

Low-effectiveness organizations recognize the difficulty for them is to learn how to develop reliable measurement metrics and to be able to get the internal support for data collection; while high-effectiveness organizations concern more about the reliability and accountability of the business outcome metrics (Figure 3).

Finding No. 5

Three major outcome measurement approaches have been selected as the top-three most widely used ones to determine the effectiveness of organization’s internal communication efforts; and they are employees’ feedback gathered by surveys; employees’ participation in related communication initiatives; and managers’ feedback collected via surveys.

In the survey, respondents were asked to indicate the frequencies of using diverse outcome measurement approaches to determine the effectiveness of organization’s internal communication efforts. Although diverse outcome measures such as employee feedback, manager feedback, increased employee participation, decreased turnover, financial and customer measures were mentioned by participants, three specific ones have been selected as the most frequently used ones to measure the effectiveness of internal communication efforts across different organizations. They are: employees’ feedback gathered by surveys (55.5 percent, $n = 147$); increased employee participation related to the initiative (34.5 percent, $n = 91$); and managers’ feedback gathered via surveys (30.1 percent, $n = 80$). The three outcome measures also indicated similar patterns for organizations in different geographic regions and sizes.

More importantly, high-effectiveness organizations and low-effectiveness organizations have exhibited significantly differences in the following five aspects when determining the effectiveness of internal communication efforts:

- (1) using objective measures of changed behavior;
- (2) collecting employee feedback by using the approach of focus groups;
- (3) gathering manager feedback via focus groups;
- (4) using operational measures to assess increased productivity; and

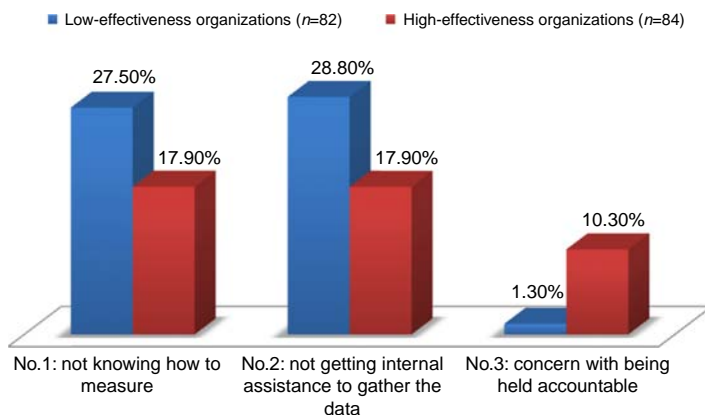


Figure 3.
Major measurement
challenges

- (5) conducting relevant customer measures such as customer satisfaction and sales growth.

See Figure 4 for detailed information.

High-effectiveness organizations indicated that using objective measures of behavior change could be an effective approach to assess communication initiatives (20.3 percent, $n = 54$), if compared to those low-effectiveness ones (2.5 percent, $n = 7$). Conducting focus groups to collect feedback from both employees and managers could also be an effective method. Low-effectiveness organizations indicated the lack of knowledge and expertise in using this particular research method: (6.2 percent, $n = 16$) vs (28.0 percent, $n = 74$) in terms of gathering employee feedback; (5.0 percent, $n = 13$) vs (22.0 percent, $n = 58$) in terms of gathering manager feedback. In addition, operational and customer measures are other two areas that low-effectiveness organizations need to improve in the future. More efforts should be put into areas such as customer satisfaction, employee productivity, and sales growth to assess how effective communication initiatives have contributed to the organization’s business performance.

For participants in in-depth interviews, the researchers asked them to briefly review the Gold Quill award-winning cases with a focus on measurement and evaluation. Not surprisingly, almost all award-winning cases implemented several approaches to measure the achievements in goals and objectives of that specific case. Approaches



	1. Customer measures (e.g. sales growth customer satisfaction)(%)	2. Employee feedback collected through focus groups (%)	3. Operational measures (e.g. increased productivity) (%)	4. Manager feedback collected through focus groups (%)	5. Objective measures of changed behavior (%)
Low-effectiveness organizations (n=82)	8.80	6.20	6.30	5.00	2.50
High-effectiveness organizations (n=84)	34.90	28	25.60	22.00	20.30

Figure 4. Differences in outcome measures for high- and low-effectiveness organizations

mentioned reflected the findings in the survey, including pre- and post-surveys among employees, focus groups with selected participants, tracking of employee productivity, engagement and retention rate, as well as other tools in monitoring organization's market value.

Finding No. 6

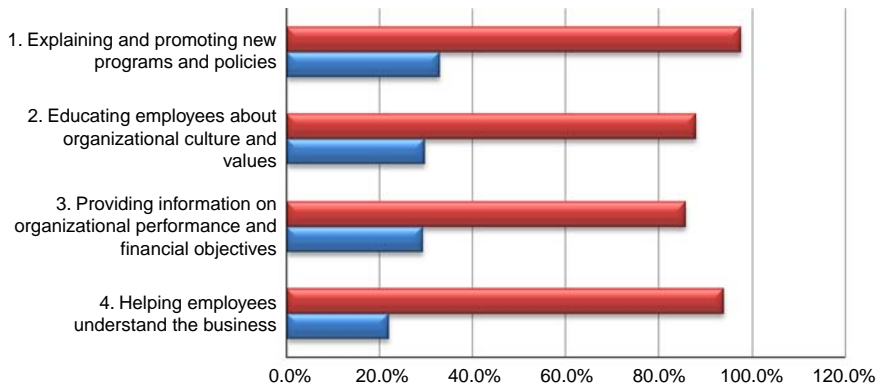
Although the purposes of developing internal communication initiatives could be diverse, there are four aspects that have been listed as the most valuable ones in assessing the effectiveness of internal communication programs. They are:

- (1) explaining and promoting new programs and policies;
- (2) educating employees about organizational culture and values;
- (3) providing information on organizational performance and financial objectives; and
- (4) helping employees understand the business.

Although diverse approaches can be taken to facilitate the effectiveness of internal communication efforts, respondents of the survey agreed that there are four internal communication programs can be more effective than others in assessing the value of communication initiatives. They believed that well-designed internal communication initiatives can help organization explain and promote new programs and policies (70.2 percent, $n = 186$), educate employees about organizational culture and values (62.8 percent, $n = 166$), provide information on organizational performance and business objectives (62.6 percent, $n = 165$), and eventually assist employees understand organization's business in a much better way (62.3 percent, $n = 164$).

More importantly, respondents from high-effectiveness organizations acknowledged the significance of the four functions in a much stronger way, if compared to those from low-effectiveness organizations. Almost all respondents (97.6 percent, $n = 82$) from high-effectiveness organizations indicated that their organizations have used internal communication programs to explain and promote new programs and policies to its employees and other internal publics. However, only 32.9 percent ($n = 27$) low-effectiveness organizations have valued this informational function of internal communication programs. Educating function is another major point that distinguished low- and high-effectiveness organizations. In total, 88 percent respondents from high-effectiveness organizations mentioned that the organization has used internal communication programs to educate employees about organizational culture and values, compared to 29.6 percent among low-effectiveness organizations. Similarly, 85.7 percent ($n = 72$) high-effectiveness organizations used internal communication program as an approach to providing information on organizational performance and financial objective, while only 29.3 percent ($n = 24$) low-effectiveness organizations have applied so.

In addition, low-effectiveness organizations indicated that they seldom regard internal communication programs as effective tools to communicate with employees on how their actions would affect customers (4.9 percent, $n = 4$). In contrast, 76.3 percent ($n = 64$) high-effectiveness organizations have communicated with employees in such an approach (Figure 5).



	4. Helping employees understand the business (%)	3. Providing information on organizational performance and financial objectives (%)	2. Educating employees about organizational culture and values (%)	1. Explaining and promoting new programs and policies (%)
High-effectiveness organizations (n=84)	94.0	85.7	88.0	97.6
Low-effectiveness organizations (n=82)	22.0	29.3	29.6	32.9

Figure 5.
Top four most effective internal communication programs

Discussion

In this study, we have focussed on the discussion and analysis of communication effectiveness to core approaches that are needed to facilitate organizations' business performance. The findings from the international survey and the in-depth interviews showed respondents' understanding of how to measure communication effectiveness through their professional practices. Generally, there is an almost universal belief among the institutional communication professionals, that the measurement of communication outcomes and the effective measurement approaches are crucial for communication professionals remaining optimistic in a troubled global economy and a climate of uncertainty from the client perspective.

Coupled with increasing demand for effectiveness from senior organizational leaders, communication professionals have found themselves faced with a quickly changing business environment in which they must make a direct as well as strong link between their communication strategies to the organization's business performance. The results from the online survey and the conversations with senior communication executives suggested that communication effectiveness is complex not only in the way of interpretation, but also in operationalization: the level of applying business outcome metrics to measure communication effectiveness is varied across organizations, and the approaches used at the operational level must be adapted in different situations.

The measurement challenge and its contribution to organization's business performance in the process of internal communication initiatives have been given an increasing emphasis in the selection of approaches and with regard to enhancing the

level of integrity among employees. In particular, several aspects of internal communication initiatives have been mentioned as having the utmost importance. As a consequence, measurement efforts have been distributed to aspects like increased awareness or understanding, concentrated engagement among employees, and improved employee productivity or job performance. However, respondents admitted that there is no single route that can be applied to all situations and clients. Diverse formal and informal research methods have been widely used to collect intended audience's feedback on communication programs. Business metrics developed by independent research firms have also been used to assess the success of communication programs.

Even though communication executives believed that measurement should be part of standard operating practice in the organization, they also believed that a consultative leadership direction was important for them to enhance the importance of communication effectiveness to the organization. This has implications for communication practitioners to develop reliable and consistent measurement approaches in addition to being competent in their job and consistent in handling different communication programs. The level of resource available for communication practitioners influences the outcomes, no matter at the credibility level or the financial level. This implies that communication value, one desired aspect of contribution that is valued by organizations, should be reinforced by the way an organization allocates its resources.

Although there has been research on communication effectiveness and measurement issues and how they have helped communication professionals in leveraging the values of internal communication to organizational development, our research continues the discussion by demonstrating the trends or patterns successful communication executives have used in their practices. Given the changing organizational environment and the need for organizations and clients to have a committed investment, there is a need for continued research into establishing the strong link between communication effectiveness and organization's business performance at both quantitative and qualitative levels.

The discussion of effective metrics and measurement approaches addressed in this paper is sufficiently important to suggest alternative research methods that enable the business communicators to better understand and prove whether any of the internal communication programs are "effective" in terms of adding market value. With the perceived prevalence of using social media in the marketing world, respondents in the in-depth interviews also expressed their concerns about more measurement and metric challenges that will be associated with the new digital media environment. The increased number of new media has been driven largely by improvements in technology and the ability to enable customers interacting with the technology. These new approaches have been used by marketers as well as business communicator as ways of creating experiences for their key publics to differentiate their products and services from competitors. Although it is not clear yet that the way that the profit effects of investment spent on traditional communication approaches would be the same model for how the impact of new media should be evaluated, the experimental nature of new media is moving forward rapidly in practice.

Conclusion

When communication professionals are asking themselves every day, "what's the ROI of internal communications? Can we measure the ROI of our communication

initiatives?” maybe we could, instead of using the traditional financial approach of calculating the return on the organization’s investment in communication initiatives, start testing and applying a new set of indirect assessment of other nonfinancial factors such as employee motivation, satisfaction, engagement, responsiveness, and user-generated content to reveal the likelihood of a low labor turnover rate, a satisfied job experience, and a long-term commitment. This type of benefits at the individual level can be linked to a long-term competitive advantage at the organizational level. This is consistent with Barney’s (1991) resource-based theory of effective organizations, which mainly argues that the organization that emphasizes the importance of using employees as a source of competitive advantage would highly likely to increase its success. Effective usage of organizations’ internal resources can generate significant nonfinancial benefits for the organization, including increased organization knowledge and confidence, and expanded support for organizational strategies. From this point of view, these benefits add more economic value to the organization. Therefore, an accurate calculation of ROI needs to include an estimation of both the financial and nonfinancial costs and benefits of a specific communication program.

In addition, the focus of the return rates needs to be long-term based and employee motivated rather than maximizing instant, short-term benefits. This is because many of the costs and benefits associated with long-term communication programs are nonfinancial in nature (e.g. improved job performance, increased engagement, and increased likelihood of recommendation) and appear only after the completion of the program. A long-term-based assessment approach would enable corporate communication and public relations practitioners to improve their understanding of what objectives need to be achieved, which set of tools can be used in the assessment, and what factors would increase or decrease ROI. We believe such an approach would be much more important than a single formula. Just as Danfy (1975) argued, the importance of a ROI calculation is not just in determining the rate of return, but more significantly in understanding why rates of return increase or decrease.

We would argue that there should be no “one best” ROI formula in effective communication practice. An ROI calculation should differ from one program to the next because the objectives of each communication program are likely to be different. Consequently, these differences in program objectives would reduce the universality of “one best” ROI formula. Therefore, we propose that, to increase the return rate of any communication initiatives, a well-designed internal system of communication activities that comprise planning, strategy selection, development of objectives, training, program administration, performance management, and retention should be the prerequisites of effective measures. We believe such preparation could reduce costs and increase benefits, and thus increase ROI.

We also would like to suggest organizations and communication professionals to monitor the ROI calculation at different times for each communication program or each specific campaign objective. As reviewed in the literature section, traditional accounting methods in determining ROI indicate only past or future financial performance (Abdallah and Keller, 1985; Laitinen, 2003). Since we are using a more nontraditional approach to look at the ROI in communication, those nonfinancial performance indicators, such as employee awareness or employee engagement, might affect the return rates as the program moving on. For instance, if a key purpose of a communication program is to help employees develop a more favorable attitude toward certain internal policy revision, then the ROI assessment should include the

costs and benefits associated with policy-revision-related outcomes, such as the lack of support from employees or their labor turnover. Traditionally, marketers measure customer engagement through customer surveys after completion of the program. However, in a case like this, we would recommend communication practitioners determine the most appropriate time to do the ROI calculation based on levels of engagement the program expects to achieve. Thus, close monitoring these indicators at different times for each communication program should be considered in the ROI calculation.

Another recommendation that we would make is to use alternative approaches to address the ROI concerns, where direct measurement is impossible or hard to design. For instance, when employees are well informed and engaged, they are in a position to communicate their opinions to co-workers, families, or significant others through some traditional communication styles (e.g. word of mouth or overall family adjustment) or more innovative and self-controlled approaches to share self-generated content (e.g. post a blog comment, join a Facebook group or other online communities, or share a video on YouTube) (Hoffman and Fodor, 2010). Even though it is hard to directly establish traditional ROI objectives such as direct sales, direct cost reductions, or increases in stock value in such situation, organizations and communication professionals actually can use a more qualitative assessment to set up more content-driven objectives – such as the attitude or the value of the blog comment to the organization – to organize employees' experiences and to fully utilize the unique capabilities of the social media platforms.

In short, we contend that the calculation of ROI in communication is a complex phenomenon requiring careful examination on many levels in order to produce a calculation that has a meaningful rate of return. Consequently, based on existing research and the studies we have reported in this paper, we suggest organizations and communication professionals develop a more flexible but reflective approach to enable the ROI calculation to be tailored to link specific costs and benefits to designated program objectives. Just as we have argued, there is no “one best” ROI formula, we have no intention to persuade practitioners to endorse a single metric for measuring ROI in communication efforts. The existing evidence also reveals that it is unlikely to let a single metric to fully capture communication efforts and related outcomes (e.g. Ambler and Roberts, 2008; Schultz *et al.*, 2004; Taylor, 2010). More research is needed on developing appropriate metrics to measure the impact of communication effectiveness on organizational performance. In responding to the question on measuring ROI of internal communication efforts, we conclude our discussion by summarizing and suggesting this five-level approach.

First, as suggested by research in organizational behavior, corporate communication, and economic theory, an accurate calculation of ROI in communication should identify both financial and nonfinancial costs and benefits. Moreover, we believe, in some circumstances, the nonfinancial nature of communication is even more important than the financial costs and benefits, as attached to the program's specific purpose. Second, we suggest communication professionals link the costs and benefits of the communication program to outcomes focussing on a long-term commitment. Third, it is important for organizations and communication professionals to design and align strong communication activities with current internal system. Fourth, as dictated by the purposes of specific communication programs, it is also necessary for communication professionals to monitor and conduct the ROI calculation at different times during the program. Finally, the ROI calculation

remains a very important field of inquiry in corporate communications, as evidenced by the considerable efforts of practitioners to find cost-reducing alternatives to address effective measures. In doing so, we believe that practitioners will not only become better equipped to deal with the increasing demands of ROI evidence, but also with the abilities to continue justifying their communication efforts to fit senior management's expectation.

Limitations and future research

Despite the major findings revealed in the two related studies, the interpretation of the results in this paper should be limited to the following aspects. First, it must be said in this paper, data from the international online survey are partial, lack of a comprehensive view of the survey data definitely make the interpretation incomplete and less persuasive. This limitation also sets obstacles in testing strong causal relationships by using advanced statistical analyses. Second, although the analysis of the data revealed several important trends in communication professionals' measurement efforts, the results are more reflective than advancing. We fully recognize that very little is known about specific ROI calculation formulas in communication measures, and it is necessary for us to develop a comprehensive theoretical foundation in which some of the most fundamental natures of ROI in communication can be explained. We hope our discussion and the five-level approach in the conclusion part can be used as a starting point toward future research on this topic. Third, even though the majority of the participants in the online survey as well as in the in-depth interviews have agreed that internal communication programs could contribute significantly to business outcomes, advanced measurement methodologies are missing from the conversations.

Therefore, as advancing efforts, future research could focus on developing a comprehensive theoretical framework in predicting factors that might contribute to the final ROI and designing specific studies to test the causal relationships by using an integrated approach. Finally, although this paper analyzed data from a global project, the in-depth interview sample heavily focussed on respondents and their opinions from North America, with one participant from South America (e.g. Brazil). For future research, researchers can extend the framework and analysis to include more participants in different geographic regions to discover measurement challenges they have been facing.

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