Strategic role of public relations in the process of 'integrated reporting' -An exploratory study

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Abstract

Purposes of the paper: *This research aims to illustrate the strategic role that public relations can play in the process of integrated reporting. A qualitative approach is followed, the design being exploratory and non-empirical.*

Methodology: *The method is a literature review and the data come from literature on the strategic role of public relations, corporate governance, sustainability, CSR and strategy, Triple Bottom Line, social auditing, risk management, stakeholder relationships and integrated reporting. The focus of the analysis is on the 'integrated reporting process'.*

Findings: *The findings of the study are inter alia that the concepts of enterprise strategy and enterprise governance (and its constructs enterprise relationship and enterprise risk governance) are relevant frameworks for understanding the strategic role of public relations, as well as the sustainability dimensions of strategy and governance.*

Research and managerial implications: *The research outlines the contribution that strategic public relations theory, through the enactment of the 'reflective strategist' role, makes to the integrated reporting process. From this perspective, a senior public relations practitioner in the role of the 'reflective strategist' that operates at top management level -- conducting environmental assessment and contributing to enterprise strategy development – substantially contributes to organisational effectiveness. Reporting to stakeholders in the integrated report on how their legitimate expectations have been addressed by management has become an imperative for contemporary organisations.*

Value of the paper: *Findings of the study assist public relations practitioners in their strategic communication management responsibility to identify, address and report on stakeholder expectations. It also increases senior managers' understanding of how to harness existing PR theory and expertise in the 'integrated' reporting process.*

Originality of the paper: *The research provides an original approach to the contribution of public relations to the new organisational process of integrated reporting.*

Key words: Strategic public relations, governance, sustainability, strategy, stakeholder inclusiveness, integrated reporting

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1. Background

The collapse of the financial system and the global economic crisis of 2009 were a wake-up call to the world. "*The crisis and its aftereffects is more than a recession. It is a punctuation point in history. Many of the pillars of economic and social life have come to the end of their life cycle*". The financial services industry needs a whole new operating model (Eccles & Krzus, 2010, p. ix).

Sustainability is the primary moral and economic imperative of this century and current incremental changes towards it are not sufficient. According to the *King Code of Governance for South Africa, 2009* (IOD, 2009a; PWC, 2009), a fundamental shift in the way companies and directors act and organise themselves is needed. A way to restore trust in business is through ideas and processes that demonstrate that business cares about more than just profit.

The stakeholder inclusiveness, Triple Bottom Line, corporate governance and sustainability approaches to strategic management currently followed by best practice companies (Dow Jones, 2011; JSE, 2010) demonstrate that profit does not have to be incompatible with caring about employees, communities, or the planet. It has thus become necessary to rethink/rebuild business organisations around a new set of principles and behaviours (Nohria, 2010, p. 3) such as stakeholder inclusivity, where stakeholder interests are considered in the best interests of the company (IOD, 2009a), and governance, strategy and sustainability are regarded as inseparable (Gao & Zhang, 2006; IOD, 2009a).

The recommendation of the *King III Report* (IOD, 2009b) that companies adopt 'integrated reporting' (integrate annual financial reports with sustainability reports) is an important step in the fundamental shift needed in corporate governance. Economic, social and environmental issues need to be included in corporate strategy, management, reporting and assurance in the same way as financial matters are (Gao & Zhang, 2006). The increased transparency of the integrated report can result in greater trust and confidence in the company and an enhanced reputation among stakeholders (IRC, 2011).

2. Public relations (PR) paradigms in the 21st century: the status quo

In its latest theoretical developments and best practice, the field of public relations (PR), also known as 'corporate communication' or 'communication management,' has much to offer in bringing about the changes referred to previously. PR is increasingly moving away from its 20th century focus on persuading target audiences to align their attitudes/behaviours more closely to those of organisations (Muzi Falconi, 2010, **p.** 5). New PR paradigms of the 1980's and 1990's, such as the *two-way symmetrical communication* and *excellence* approaches (Grunig, *et al*., 2002; Grunig & Hunt, 1984), focus on *mutual understanding* between organisation and stakeholders, and on assisting the organisation to accommodate stakeholder views different from their own.

The first ten years of this century "*ignited a new beginning of the public relations profession in its day-to-day practice, conceptualization and public perceptio*n" (Muzi Falconi, 2010, p. 5). Paradigms such as *relationship* management (Ledingham & Bruning, 2000), *reputation* management (Fombrun & Van Riel, 1997), the European *societal/reflective* approach (Holmström, 1996; Van Ruler & Verçiç, 2002), the South African *strategic* approach (De Beer & Rensburg, 2011a; Rensburg & De Beer, 2003; Steyn, 2000a, 2000b; Steyn & Niemann, 2008), and Grunig's (2009) *strategic management behavioural* paradigm have entered university curriculums and have been embraced by forward looking organisations - necessitating strategic role-playing by senior PR practitioners. Research findings presented in recent years indicate an increasing incidence of strategic PR role playing, e.g. AW Page Society (2007), Invernizzi (2008), Swerling *et al*. (2010), Zerfass *et al*. (2010).

Steyn (2009) regards the strategic role of PR as *strategic reflection* - providing top management with a societal perspective by interpreting the expectations/concerns of organisational and societal stakeholders re organisational behaviours and strategies. PR makes a strategic contribution to enterprise strategy development (Steyn & Niemann, 2008, 2010) and develops PR strategies that support organisational strategies (Steyn, 2007). PR is thus moving away from playing a mere tactical role to a strategic PR role at the top management or societal level - helping organisations to achieve a balance between economic and social goals (Grunig, 2006, 2009; Steyn, 2003; 2007).

Although new PR approaches, theories and practices can make a substantial contribution to current challenges faced by business (e.g. creating trust in relationships with stakeholders and contributing to the integrated reporting process to enhance the organisation's reputation), they are largely unknown in the management domain and in its field of practice.

3. Problem statement

The main research problem addressed by this exploratory research is multi-faceted and includes the following sub-problems:

3.1 The strategic role of PR has not been 'institutionalised'

It is not the strategic but the technical role of PR that has been institutionalised (Steyn & Niemann, 2010, p. 2). "*The greatest challenge for scholars now is to learn how to institutionalize strategic public relations as an ongoing, accepted practice in most organisations*" (Grunig, 2006, p. 151).

3.2 A multi-disciplinary approach is needed to provide a comprehensive picture of organisational performance

The broader stakeholder community must be engaged to better understand their expectations, values and norms, and what they consider material in terms of non-financial information (IRC, 2011). According to the King III Report (IOD, 2009b), appropriate systems and processes must be put in place in order to produce an integrated report to stakeholders, connecting material, financial and sustainability information.

3.3 Strategic PR processes are often not integrated with organisational processes

A major deterrent for PR's strategic contribution to the new management paradigm of stakeholder relationship governance is that strategic PR processes are often not *integrated* with (although in best practice companies they are *aligned* to), the organisation's stakeholder engagement, issues/risk management, and enterprise strategy development processes (De Beer & Rensburg, 2011b).

3.4 There is no globally recognised framework for measuring/reporting on non-financial (ESG) performance as a new focus in integrated reporting

While pioneering work has been done, e.g. in the UK by The Prince's Charities (n.d.), the Global Reporting Initiative (GRI, 2011) and the UN Global Compact (2010), a global reporting framework is urgently needed since some countries (South Africa and France) now have legal requirements for integrated reporting.

To address this situation, an Integrated Reporting Committee (IRC) formed in South Africa presented their world-first integrated reporting framework in January 2011 (IRC, 2011). The International Integrated Reporting Committee (IIRC, 2011) released its discussion paper in September 2011. South Africa's IRC (2011) framework will serve as the basis for exploring PR's strategic contribution to the integrated reporting process by means of a conceptual analysis, to be reported in this paper.

4. Research objectives

The objectives of this study are:
- to explore the 'strategic role of PR' in governance and organisational strategy;
- to explore the concept of 'integrated reporting';
- to provide senior PR practitioners with guidelines on their strategic role in the 'integrated reporting process';
- to create understanding amongst senior managers on how to harness existing PR theory and expertise in the 'integrated' reporting process.

5. Methodological approach

The research approach is qualitative, the design exploratory and non-empirical. The research method is a literature review and the data come from literature on the strategic role of PR, corporate governance, sustainability, CSR, strategy, Triple Bottom Line, social auditing, risk management, stakeholder relationships and integrated reporting. The focus of the analysis is on the ‘integrated reporting process.’

The data analysis method is a conceptual analysis which, according to Mouton (2001, p. 175), refers to the “*analysis of the meaning of words or concepts through clarification and elaboration of the different dimensions of meaning.*” Well-structured conceptual analysis makes conceptual categories clear, explicates theoretical linkages and reveals the conceptual implications of different viewpoints.

6. Theoretical framework

This is an exploratory study (‘work in progress’) on the *Strategic Role of PR* in the *Process of Integrated Reporting* (Phase 1).

Table 1 is a suggested framework for the paradigms, theories and concepts deemed relevant for a *full* conceptualisation of the topic in Phase 2 (a follow up study). However, for the purpose of this exploratory paper, only the meta-theory and theories in the PR domain (that have been selected as the specific framework to operationalise the *strategic role of PR* - see second column in Table 1) will be explicated as they will be applied (in the conceptual analysis) to the IRC’s (2011) guidelines, in order to identify the aspects where PR can make a contribution to *integrated reporting*. The conceptual framework and constructs (two bottom rows of Table 1) will also be explicated since they will be applied (in the conceptual analysis) to the IRC Discussion Paper.

In Section 6.6, the concept ‘*Strategic role of PR’* will be operationalised through the constructs ‘environmental scanning and monitoring’, ‘stakeholder engagement’, ‘issues management’ and ‘risk management’.

In Section 6.7, the concept ‘integrated reporting’ will be operationalised. The most important concepts in the other domains are defined in context, as deemed necessary.

6.1 Reflective/societal approach to PR as the study’s metatheoretical framework

In the reflective/societal approach (Holmström, 1996; Van Ruler & Verçiç, 2002), PR’s role means more than communicating with the organisation’s strategic stakeholders - it also means viewing the organisation from an *outside-in* perspective, showing a special concern for broader societal issues, assisting an organisation to adjust its policies, strategies, behaviour and functions to public demands based on an assessment of its reputation, helping to preserve the organisation’s ‘license to operate’, obtaining legitimacy in the eyes of its stakeholders and society and earning public trust. (This approach lies at the core of the integrated reporting process).

Table 1: Meta-theories, theories and concepts of the study

Meta-theoretical framework	Reflective Paradigm	Triple Bottom Line Stakeholder Oriented Approach		
Domain	Public Relations	Strategic Management	Governance	Business and Society
Theoretical framework	*Mutual reflection:* Reflective task. Expressive task. *Strategic PR roles:* - (Reflective). Strategist. - Manager. - Technician. *Levels of strategy formulation:* Enterprise. PR (Functional) -Deliberate -Emergent. Implementation. *Enterprise governance:* Enterprise (stakeholder) relationship governance. Enterprise risk governance. *Corporate governance*	*Levels of strategy formulation:* Enterprise. Corporate. Business unit. Functional. Implementation. *Processes of strategy formulation:* Environmental assessment. Stakeholder engagement. Issues management. Risk management.	*Capital stewardship:* Intellectual. Natural. Financial. Organisational. Social. *Auditing*: Financial. Social. Environmental. Assurance. *Corporate reporting:* Annual. Sustainability. Integrated.	*Sustainability:* Social. Environmental. Economic. *Stakeholder inclusiveness* *Corporate social performance* Principles of CSR: Legitimacy. Public responsibility. Managerial discretion. Processes of corporate social responsiveness*:* Environmental scanning. Stakeholder management. Issues management. Outcomes of CSP*:* Social impacts. Programmes. Policies.
Conceptual framework	*Strategic role of PR*		*Integrated reporting (process)*	
Constructs	Environmental scanning and monitoring. Stakeholder engagement. Issues management. Risk management.		Discussion Paper (IRC, 2011) Guidelines Sections 3.2 to 3.5	

Source: Own conceptualisation

6.2 Reflective and expressive task of PR

The purpose of PR in Holmström's (1996) reflective paradigm is *mutual reflection*, consisting of a 'reflective' and 'expressive' task:

- The 'reflective' task of PR in *inward* communication is to act as a sensor; to span the boundary between the organisation and its environment; to select information on what is considered socially responsible (and sustainable) behaviour and to transmit it to the organisation in order to adjust its standards, values, strategies and behaviours accordingly (this is the heart of PR's 'bridging' function, that is, to obtain forward-looking information for the integrated reporting process).
- The 'expressive' task of PR in *outward* communication is to distribute information on the organisation in the external environment (based on

reflection); to ensure that there is a socially responsible image of the organisation (based on its behaviour/strategies and not on ‘spin’); to strengthen public trust in, and achieve social acceptance for, the organisation. (The expressive PR task is a relevant frame for the integrated report, being *outward* communication. It represents the feedback loop to the organisational/societal stakeholders on the organisation’s performance with regards to their expectations/concerns/values expressed during the stakeholder engagement process).

6.3 PR’s reflective strategist role

During a 10-year research programme on strategic PR, the ‘PR strategist’ role was reconceptualised within the reflective paradigm. Re-labelled as the ‘reflective strategist’, its major activities (which could substantially contribute to the integrated reporting process) are the following (Steyn, 2009):

- acting as a coordinating mechanism between the organisation and the environment, providing top management with a societal perspective/*outside-in* view;
- gathering information and providing it as input to the (enterprise) strategy formulation process - enlightening top management on societal/stakeholder values, norms and expectations;
- acting as an advocate for key stakeholders by explaining their views to top management and being an early warning system before issues erupt into crises;
- influencing top management to practice a two-way communication approach and build trusting relationships with stakeholders about issues of strategic importance.

6.4 Levels of strategy formulation in PR

6.4.1 Enterprise Strategy

‘Enterprise strategy’ is the broadest, overarching level of strategy that addresses the organisation’s relationship with society, and its political and social legitimacy. It is a bridging strategy (Fennel & Alexander, 1987), concerned with achieving non-financial goals (Steyn & Puth, 2000).

At the enterprise/institutional level, the organisation’s values are to be determined, its reputation managed, sound corporate governance principles adopted, and societal responsibilities fulfilled. This ultimately leads to the organisation being trusted by its stakeholders and regarded as sustainable, legitimate, and societally responsible by society at large (Steyn, 2003).

Enterprise strategy is a relevant strategy process for incorporating societal and stakeholder expectations, values, norms and standards (obtained through *inward* communication) into the organisation's strategy development processes (Steyn & Niemann, 2010). As such, it is a suitable framework for what Zambon and Del Bello (2005, p. 130) term *stakeholder responsible (or oriented)* approaches.

6.4.2 PR strategy

PR strategy is conceptualised as consisting of both deliberate and emergent components (Steyn, 2007, pp. 159-162). Developing 'deliberate' PR strategy entails reviewing the organisation's key strategic priorities and selecting *strategic organisational positions* and *goals* to be communicated to internal and external stakeholders (e.g. a new organisational focus on the Triple Bottom Line, stakeholder inclusiveness, sustainability or societal responsibility). Emergent PR strategy outlines the communication needed to *address constantly emerging societal and stakeholder issues/risks,* and crisis situations. *Stakeholder and issues management* thus form the core focus of the emerging PR strategy.

Deliberate and emergent PR strategies are *outward* communication processes, part of the expressive task of PR. In the integrated reporting process it is important to give internal and external stakeholders feedback on how their expectations/concerns have been addressed or their problems solved.

6.5 Governance, sustainability and CSR as stakeholder oriented approaches

The social and environmental aspects of an organisation's external environment as well as stakeholder-linked issues have become important corporate value drivers. There is a clear relationship between the stakeholder perspective, and concepts and practices which stress non-financial aspects of company behaviour such as corporate governance, sustainability (including environmental respect) and corporate social responsibility (CSR) (Zambon & Del Bello, 2005, p. 130).

Corporate sustainability and *CSR* involve assessment of the company's economic, social and environmental impact, taking steps to improve it in line with stakeholder requirements and reporting on relevant measurements.

Corporate governance reflects the way companies address legal responsibilities and therefore provides the foundations upon which corporate sustainability and CSR practices can be built in order to enhance responsible business operations (Katsoulakos & Katsoulacos, 2007, p. 356).

These three concepts/practices rely on the notion of 'stakeholder' and can be seen as specific implementations of stakeholder theory. Collectively they can be referred to as *stakeholder responsible (or oriented)* approaches. They pose an 'urgent' implementation challenge, making behavioural and reporting choices concrete (Zambon & Del Bello, 2005, pp. 130-131).

Steyn and Niemann's (2008, p. 28) normative framework for strategic PR roleplaying can be interpreted as a stakeholder responsible/oriented approach - reinforcing the principle that governance, strategy and sustainability are inseparable (Gao & Zhang, 2006; IOD, 2009a). Relevant to this study is Steyn and Niemann's (2008) finding that PR in its strategic role (the 'reflective task') makes a *strategic* contribution to:

- 'enterprise' strategy development - encompassing the *sustainability* dimensions of strategy, focused on the achievement of *non-financial* goals.

- ‘enterprise’ governance - being *non-financially* oriented, this *broad* view of governance refers to informal/formal relationships between organisation and stakeholders, and its impact on society. In this perspective, ‘enterprise’ governance consists of two constructs:
  - ‘enterprise *relationship*’ governance pertains to engaging, partnering, building relationships and communicating with stakeholders and other societal interest/issue groups in the *macro* environment (who have a *political* and *influencer* stake);
  - ‘enterprise *risk*’ governance encompasses *non-financial* risks which include social, regulatory, legal and reputation risks, as well as risks regarding sustainability and governance.

The concepts ‘enterprise’ strategy and ‘enterprise’ governance (and its constructs ‘enterprise *relationshi*p’ and ‘enterprise *risk*’ governance) are relevant frameworks for understanding PR’s strategic role and also the sustainability dimensions of strategy and governance - that is, to drive, measure and assure the processes of gathering and providing material ESG information, engaging stakeholders, and managing issues/risks/disasters, as foundation for the integrated reporting process.

6.6 PR constructs to be operationalised

6.6.1 Environmental scanning and monitoring

Based on *outside-in* thinking, environmental scanning/monitoring is an ongoing process in which an organisation learns about stakeholders’ concerns, expectations, values and norms, as well as issues, risks and trends in the external environment (Steyn & Puth, 2000). Feeding strategic information obtained in this process into the enterprise strategy development process will ensure that the organisation remains in harmony with its environment, is seen to be legitimate and maintains a good reputation and the ‘license to operate’ (Steyn, 2003).

6.6.2 Stakeholder engagement

In a stakeholder inclusive approach, the board gives stakeholders the right to be heard and accepts the obligation to account to them (IOD, 2009b). Inclusivity is the participation of stakeholders in developing/achieving an accountable and strategic response to sustainability. It indicates the extent to which the organisation has insight into stakeholder relationships and how it understands, takes into account and responds to their needs.

Stakeholder engagement is now recognised as a fundamental accountability mechanism, obliging organisations to involve stakeholders in identifying, understanding and responding to sustainability issues/concerns as well as to report, explain and be answerable to stakeholders for decisions, actions and performance (AccountAbility, 2011, p. 6).

It is the responsibility of top management, reflective strategists and other stakeholder managers to put processes and systems in place for stakeholder engagement, as well as to balance the expectations, values, norms and concerns of all key stakeholder groups.

6.6.3 Issues management

From a strategic management perspective, issues management is a proactive process that aims to close the gap between stakeholder expectations and corporate performance (Chase, 1977) by identifying and correctly interpreting problems prior to becoming crises. The overall goal is to protect the organisation, its reputation and operations from the negative impact of issues (e.g. strategic, public policy, social, environmental, ethical).

Since an issue is created when human agents attach significance to a situation, issues management focuses on the identification of and response to the interest/pressure/activist groups that form due to issues arising in the organisation's external, operating and internal environment.

6.6.4 Risk management

A risk is an anticipated *hazard* foreseen by organisational members. Risk managers/technical experts have traditionally focused on financial, business, market and operational risks in order to quantify, avoid, reduce or control potential or current *hazards/dangers* (evaluating the likelihood of their happening through statistical analysis) or *disaster/crisis* situations (Sandman, n.d.).

Organisations should pay close attention to stakeholders, issues, and activist pressure groups, and not only to the traditional conception of risk. Stakeholders and societal interest groups factor in a wide range of preconceived attitudes, biases and values which can collectively generate *outrage* - public anger and indignation. While risk managers respond to *hazard*, the public responds to *outrage* (Sandman, n.d.). Risk and issues management processes are therefore different - when a risk becomes an actual problem, it should move from the risk management to the issues management process.

Reputation risk - any stakeholder/public perception that threatens to damage or contradict an organisation's reputation - is now considered the most important risk by CEOs (Eccles & Krzus, 2010). It could be seen as the *meta-risk* since all other risks can become reputation risks.

This concludes the explication of the theoretical and conceptual framework for the *Strategic Role of PR* as a major concept of the study. The second concept, the *Integrated Reporting Process*, will now be explicated.

6.7 The concept of integrated reporting

The *King III Report* (IOD, 2009b, p. 109) defines integrated reporting as a "*holistic and integrated representation of the company's performance in terms of both its finances and its sustainability*". It brings together material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates (IIRC, 2011). It is therefore not simply an amalgamation of the annual financial statements and the sustainability report (IRC, 2011). Called *One Report* by Eccles and Krzus (2010), it is the organisation's primary report (but it could be linked to other more detailed reports and information).

The overarching objective of an integrated report is to enable stakeholders to assess the ability of an organisation to create/sustain value over the short-, medium- and long-term. Users of the report should be able to determine whether the governing structure has applied its collective mind in identifying the environmental, social, economic and financial issues that impact the organisation, and to assess the extent to which these issues have been incorporated into organisational strategy (IRC, 2011).

Interactive communication with key stakeholders is fundamental to the success of integrated reporting, because engagement leads to knowledge of their legitimate interests/expectations (IRC, 2011). The information acquired through this engagement process enables the executive team to implement, and the governing structure to monitor, the organisation's long-term strategy on a more informed basis.

In the following section, the theoretical framework of the *Strategic Role of PR* will be applied to the concept of the *Integrated Reporting Process.*

7. Contribution of strategic PR to the integrated reporting process

The IRC (2011, pp. 13-14) Discussion Paper on a *Framework for Integrated Reporting and the Integrated Report* (Section 3) contains guidelines on the elements to be addressed in an integrated report. In applying the guidelines, the IRC advises organisations to adopt a multi-disciplinary approach - drawing on input from different functional units - with the ultimate responsibility resting with the organisation's governing structure.

Against the background of the theory and research findings on PR's strategic role outlined in this paper (the 'reflective task', implemented by a senior PR practitioner in the role of the 'reflective strategist'), the authors analysed the IRC Discussion Paper and extracted Sections 3.2, 3.3 and 3.4 (see Table 2) as the focus of the conceptual analysis to be carried out. The aim is to clarify (both to top management and senior PR practitioners) the contribution that PR theory can make regarding the elements to be addressed in an Integrated Report (specifically Sections 3.2, 3.3 and 3.4 that were extracted from the IRC Discussion Paper) and to provide theoretical/practical guidelines for the integrated reporting process. The focus is on activities constituting PR's strategic role with regard to three major (overlapping) PR/organisational processes, namely environmental assessment, enterprise strategy, and PR strategy development. The links among the various processes will be indicated.

Table 2: Extracts from Section 3:
"Suggested elements to be addressed in the Integrated Report"

SECTION 3.2: …….GOVERNANCE STRUCTURE

- Outline of general governance aspects, including *key policies, ethical approaches*, and *commitments* approved by the organisation's governing structure.

SECTION 3.3: UNDERSTANDING THE OPERATING CONTEXT

- Brief description of financial, social, environmental, economic and governance *issues and trends* relevant to the organisation's current and anticipated activities (those with immediate bearing and anticipated future impact).
- Concise statement of *significant impacts* - positive and negative - of the organisation's decisions and activities on financial, social, environmental and economic systems.
- An organisation should consider the *quality of its relationships* with stakeholders and the potential to impact on the organisation's ability to create and sustain value.
  - *Identify key stakeholder groups* and describe how the organisation's relationship with each group may impact on its ability to create and sustain value.
  - Describe the organisation's current and anticipated *approach* to developing and maintaining an effective *relationship* with each stakeholder group, e.g. a report by the *corporate stakeholder relationship officer* or similar role tasked with managing the interactive communication with stakeholders.
- Description of the *process* that has been followed to *identify the issues, impacts and relationships* and to determine those that are material to the organisation.
- Concise *statement of the principal risks and opportunities* having a bearing on the organisation's current and anticipated activities. A table could be included listing the risks and opportunities with a summary of the organisation's response to each.

SECTION 3.4. Strategic objectives, competencies, KPIs and KRIs

A concise statement of strategic objectives and how they are informed by the business model, material *issues, impacts and relationships, and identified risks and opportunities*. In some instances it will be appropriate to describe the broad strategic objectives at the level of significant business units.

Source: Extracted from IRC (2011), Discussion Paper

7.1 Processes of environmental assessment (at strategic management level)

The overall strategic management of organisations is inseparable from the strategic management of *stakeholders* (key people), *issues* (major topics, situations, developments, forces, pressures), *risks* (anticipated dangers/hazards), and *disasters/crises* (risks that actually materialise). In its practical implementation, the core of PR's reflective strategist role rests on three pillars: *environmental scanning and monitoring* to identify/engage/manage *organisational stakeholders* as well as *societal issues/reputation risks/disasters/crises* (Steyn, 2009).

Environmental scanning and monitoring

The activities of PR's reflective strategist in scanning the internal/external environment comprise the following:

- to conduct advanced media analysis at regular intervals, in order to understand the agenda and behavioural patterns of key decision-makers (editors/journalists) and publications (electronic/print) in the mass media.
- to monitor/analyse important trends and potential issues at specified intervals e.g. monthly, and to identify reputation risks.
- to identify trends by perusing findings of annual professional/academic research studies, inter alia in PR.
- to identify interest groups/activists that campaign for or against - or have a vested interest in - any of the identified issues, and that may seek to influence public policy.
- to engage in rigorous monitoring of relevant government decision-makers on all the identified issues.

Stakeholder engagement

The reflective strategist conducts strategic research and puts systems in place so as to *know/understand* the concerns of stakeholders and of the organisation and to coherently *respond* to/*communicate* with stakeholders about their and the organisation's concerns. Some of the activities of PR's reflective strategist in stakeholder engagement are the following:

- to initiate and take responsibility for identifying, classifying and prioritising the organisation's stakeholders.
- to record/profile newly identified stakeholders (also issue/activist/pressure groups) in the organisation's *Stakeholder Map,* and to manage and update it.
- to conduct primary research e.g. PR and social audits, reputation and perception measurement, and longitudinal studies to track opinions, values, norms, standards and expectations of internal/external stakeholders over time.
- to establish a strategy, context, objectives and scope for stakeholder engagement.
- to govern and coordinate engagement with external stakeholders, ensuring clarity on whom in the company will have to engage with which stakeholders.
- to develop and maintain high level contacts within key stakeholder groupings, and to manage the relationship between them in ways that build accountability to stakeholders and enhance overall performance.
- to develop high quality stakeholder engagement platforms and to plan each engagement in order to achieve specific results.
- to develop, build and manage stakeholder relationships in the interest of business objectives through the application of theoretical principles and international standards.
- to develop strong third party partnerships/advocate with relevant stakeholders.

- to identify upcoming stakeholder activity or policy/regulatory milestones on a monthly basis and to incorporate it into the stakeholder engagement programme.
- to work together with the CSR Unit to analyse how stakeholder engagement can support the needed level of stakeholder buy-in, commitment and collaboration with CSR projects.
- to present stakeholder expectations, interests, and material concerns to the management team.
- to manage process/system solutions to record, analyse and share stakeholder engagement history and the commitments made.
- to write annual reviews of the effectiveness of the company's engagement with stakeholders.
- to prepare stakeholder relationship/engagement content for integrated reporting.
- to study quarterly issues management reviews to prioritise activities.
- to maintain a holistic view of the key issues that the company faces.
- to propose specific issue-response options and to advise the organisation on the most likely stakeholder behaviour associated with each response option.
- to ensure adherence to international standards and guidelines for stakeholder engagement e.g. AA1000SES (AccountAbility, 2011); ISO26000 (ISO, 2010); and the *King III Report* (IOD, 2009b).
- to ensure adherence to international standards for the engagement of media representatives as key strategic stakeholders.

Issues management

Organisations cannot attend to all issues and all stakeholders do not care about specific issues to the same extent. The reflective strategist identifies, classifies and prioritises issues to make them more manageable. For each major issue, the reflective strategist (and other managers involved) thinks through the effects on all the key stakeholders and issue groups (Steyn, 2000a). In linking issues to stakeholders, there are four important elements to consider:

- Implications of an issue on a stakeholder group and its likely behaviour/response.
- Degree to which a stakeholder is already aware of the existence of an issue.
- Extent to which the organisation is vulnerable to likely stakeholder reaction.
- The amount of power that a stakeholder group has in relation to a specific issue, which depends on the organisation's dependency on that group/access the group has to political processes and the mass media.
- The relative strategic importance of the stakeholder to the organisation.
- The reflective strategist must interpret the data obtained in the environmental scanning and monitoring processes to make it useful for strategic decision making and strategy formulation. A clear, accurate, updated record of identified outcomes of issues management and related processes is necessary. An *Issue Log* (see Table 3) is a useful tool as first outcome in the issues management process.

Table 3: Issue log

		ISSUE LOG			
Select short clear title portraying problem	Tick ONE of the three columns below			Indicate colour	Needs senior management attention?
TITLE OF ISSUE	**TREND**	**EMERGING ISSUE**	**CURRENT ISSUE**	**TRAFFIC LIGHT STATUS**	**STRATEGIC ISSUE**

Source: Own conceptualisation

Once identified, trends and emerging issues are recorded in the *Issue Log* and regularly monitored until action is required. Current issues need to be analysed in depth to decide whether they are strategic (needing top management interventions at macro level). If so, they are transferred to the *Strategic Issue Register*.

Risk management

Risk, issues and crisis management processes run side by side. When an anticipated risk becomes an actual problem (starts exhibiting the characteristics of a potential/emerging/current issue with interest or issue groups surrounding it), the risk should move from the risk management to the issues management process, by being entered into the organisation's *Issue Log* (and *Strategic Issue/Reputation Risk Register*, if required). When a disaster happens or a foreseen risk becomes a crisis, it should immediately move to the crisis communication management processes.

7.2 Processes of enterprise strategy development (at strategic management level)

The reflective PR strategist operates at the strategic level, continuously scanning the societal/stakeholder environment to provide top management with an *outside-in* view. The aim is to identify changing societal/stakeholder expectations, values, norms and standards to be considered before taking strategic decisions and then to develop stakeholder/societally responsive strategies, policies and behaviours. If repositioning is required, the organisation adjusts its policies, strategies and behaviours in order to conform to societal/stakeholder expectations and values.

A practical framework that reflects the contribution of the reflective PR strategist to the organisation's 'enterprise strategy' development is suggested next. The strategic intelligence and knowledge gained through societal and stakeholder interactions are incorporated in the following steps of the organisation's 'enterprise strategy' development process:

Step 1: Review the *vision*
Step 2: Review the *mission*
Step 3: Review/develop the *values*

Step 4: Develop approaches to/positions on *societal responsibility* (social, environmental and economic)

Step 5: Develop approaches to/positions on *sustainability* (social, environmental and economic)

Step 6: Develop approaches to/positions on enterprise (stakeholder) *relationship governance* and enterprise *(non-financial) risk governance*

Step 7: Develop *strategic goals/key priorities* for the stakeholder and societal environment

Step 8: Identify *strategic issues/reputation risks* and record them in the *Strategic Issue Register.*

The steps in the suggested framework do not cover the development of an organisation's entire enterprise strategy but reflect aspects where the reflective strategist can make the biggest contribution in representing the stakeholder/societal voice inside the organisation. Steps 7 and 8 are important since they directly link the *strategic goals/key priorities* to be communicated *about* to the *deliberate* PR strategy process, and also the *strategic issues/reputation risks* to be addressed/communicated *about* to the *emergent* PR strategy process.

7.3 Processes of PR strategy development (functional level of PR department)

7.3.1 Deliberate PR strategy development

Societal and stakeholders' expectations, values and norms that informed the organisation's *strategic goals/key priorities/positions* (set in Step 7 of the 'enterprise' strategy process) are reflected in/linked to *deliberate* PR/communication goals (outcomes) and themes (overall messages) that are developed as part of the 'deliberate' PR strategy process on the functional level (and communicated as part of the communication planning process on the implementation level).

7.3.2 Emergent PR strategy development

Strategic issues/reputation risks to be addressed by the organisation (identified through strategic intelligence contributed by the reflective strategist - see Step 8 of the 'enterprise' strategy process) are reflected in *emergent* PR/communication goals (outcomes) and themes (overall messages) - developed as part of the 'emergent' PR strategy process on the functional level (and communicated as part of the communication planning process on the implementation level).

8. Managerial implications and conclusions

This research is an initial step to bring (some) clarity and provide guidelines to top management and senior PR practitioners on how to harness existing PR theory and expertise in the integrated reporting process. The focus on the processes of environmental assessment, enterprise and PR strategy development emphasise the most important principles of the integrated reporting process; namely that stakeholder inclusivity lies at its core, and that governance, strategy and sustainability are inseparable.

It is posited that the concepts of *enterprise* strategy and *enterprise* governance (and its constructs *enterprise relationship* and *enterprise risk* governance) are relevant frameworks for understanding both the strategic role of PR and the sustainability dimensions of strategy and governance - frameworks that drive, measure and assure the processes of gathering and providing material ESG (non-financial) information, engaging stakeholders, and managing issues/risks, as a foundation for the process of integrated reporting.

The study outlined the specific contribution that strategic PR theory, through the enactment of the ‘reflective strategist’ role, makes to the integrated reporting process. Through environmental assessment and by contributing to enterprise strategy development, a senior PR practitioner in the role of ‘reflective strategist’ that operates at the top management level makes a substantial contribution to organisational effectiveness. It is the outcome of the environmental assessment processes (scanning, stakeholder engagement, issues and risk management) that provides the social and environmental intelligence from which the material information about stakeholders, issues and risks can be extracted for the organisation’s integrated report. It ensures that the insights obtained through stakeholder engagement and issues management are reflected in the organisation’s mission, vision, values, societal responsibility and sustainability approaches, strategic goals/key priorities, and in the strategic issues/reputation risks addressed – hence conveying the organisation’s concern and sensitivity to sustainability and good governance, and the importance of being a ‘good corporate citizen’.

Furthermore, there is a direct link between the strategic goals/priorities and the strategic issues/risks identified in Steps 7 and 8 of the enterprise strategy process, and the communication goals developed in the deliberate and emergent PR/communication processes on the functional level. Linking the enterprise strategy with the functional level in this way ensures a feedback loop on organisational performance to organisational/societal stakeholders on the extent to which their concerns, values and norms (expressed during the stakeholder engagement process) have been taken into consideration in adapting organisational behaviour and strategies. This feedback loop further strengthens stakeholder relationships and preserves the organisation’s ‘licence to operate’.

The ‘stakeholder oriented’ approaches and ‘inclusive’ processes outlined above send a clear message to organisational and societal stakeholders: that their legitimate interests, expectations and concerns are considered in the best interests of the company. The outcomes of these processes result in the organisation being seen as transparent, trustworthy, legitimate, inclusive, a good corporate citizen, socially responsible and sustainable, thus maintaining a good reputation.

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