

**MAKING SENSE OF YOUR COMPANY'S REPUTATION: WHAT WE CAN
LEARN FROM FMCG MARCOMS**

Stephen Lloyd, PhD

Business School, AUT University, Private Bag 92006, Auckland 1142, New Zealand,

(649) 921-9999

Stephen.Lloyd@aut.ac.nz

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ABSTRACT

Purpose of the paper and literature review - This paper addresses an under-researched area of corporate reputation research that is central to the link between marketing and the boardroom: how management can make sense of its CR assessment to the benefit of its stakeholder communications. An FMCG Marcoms approach to message strategy is proposed.

Research method – While primarily conceptual, and based on a review of the literature, the author attempts to break new ground by developing a stakeholder-targeted framework for a corporate reputation message strategy. The substantive content of the paper is based on the results of triangulated research including a large-scale quantitative study of a company's reputation.

Research findings - The study confirms the value of segmentation theory and identifies the opportunity for positioning approaches to stakeholder relationship and communications management across the organization's various stakeholder segments.

Main contribution – The research provides management with an opportunity to incorporate sensemaking strategies in building or re-building the reputation of the organization among stakeholders. Management's effectiveness in doing this will determine their ability to influence key participants in the market shaping process.

Key words – Corporate reputation, stakeholder message strategy, organizational behaviour.

INTRODUCTION

There is a growing recognition that a significant proportion of a company's market value lies in intangible, off-balance sheet assets (Srivastava et al., 1998). Corporate reputation (CR) is recognized as an important intangible asset (Vendelo, 1998, Herbig and Milewicz, 1993, Petrick et al., 1999). CR management is seen as firmly in the strategic position of strengthening a company's competitive position in terms of the value of its market offering as perceived by a market/stakeholder segment (Hunt, 1999). The negative value of a company's reputation is seen in the example of British Airways and its attempt to graft new branding on to a dissonant identity that included a misplaced pride in traditional British values and a disdain for customer service (Gioia et al., 2000). Shell Oil, like Chevron, Mobil, ARCO and Phillips Petroleum was slow to respond to environmental pressure from stakeholders. The reputation of top oil companies as determined by the *Fortune* survey had been considerably lower than the top chemical companies. The Brent Spar controversy and an alleged association with Nigerian politics impacted negatively on Shell (Wheeler et al., 2002). Shell developed an environmentally friendly brand as part of its visible investment in renewable energy sources (Aaker, 2004).

Cyert and March (1992, pp. 162-163) suggest that the processes of decision-making in companies are analyzable in terms of goals (dimensions and aspiration levels), expectations (drawing inferences from information) and choice (identifying alternatives in response to a problem). If the organization is to be adaptive it needs to be adaptively rational in the sense of learning from experience through assembling, storing, and using information from a coalition of stakeholders (Cyert and March 1992, pp. 117-118). This learning process suggests the usefulness of continuously evaluating the company's reputation-building processes in terms of subjectively meaningful (affective) content and objective performance (rational) criteria.

Such a process can make a continuous contribution to sensemaking and to the strategic realignment of a company's decisions, actions and outcomes. This provides theoretical support for the value of further exploration.

This paper applies the concept of sensemaking (Weick et al., 2005) to stakeholder-focused CR strategy, and in particular by the use of an FMCG Marcoms communications strategy planning process. The theoretical orientation adopted towards CR is stakeholder-based. A central issue this paper addresses is the need to bring together four currents in business thought: behavioral theory of organizations' decisions, actions, and outcomes (Cyert and March, 1992); sensemaking in organizations (Weick, 1995); stakeholder theory of corporate reputation (Bromley, 2001); and reputational value creation (Balmer, 2001a, Hunt, 1999). Such an approach is analogous to what Cyert and March (1992, pp. 117-118) refer to as "a system for assembling, storing and utilizing information ... an adaptive institution. In short, the company learns from experience." A key assumption made in this paper is that the synthesis of these currents of thought is directed at the need to contribute to reputation management and to reputational value creation.

REVIEW OF THE ORGANIZATIONAL AND CR LITERATURE

The working definition adopted in this study is that CR is an estimation of value, which, in its meaningful content, predisposes a relevant stakeholder segment to think, feel and to behave more positively or negatively towards the organization. This definition of the construct specifies (1) the object (organization), (2) the attribute (corporate reputation), and (3) the rater entity (stakeholder) (Rossiter, 2008). The theoretical assumption made here is that corporate reputation is abstract in the sense that stakeholders/raters differ about what they consider to be its characteristics (i.e., ingredients and components). A further assumption is that corporate reputation is a formed attribute: complex and for which responses to the components cause the attribute to appear (Rossiter, 2002).

In a study of the American motor industry, Rao (1994) shows how a positive reputation is the outcome of collaboration between the company and its marketing activities: certification contests which provide companies with a means for building reputation. Ahlstrom and Bruton (2001), in their study of the establishment of reputation in a foreign market, focus on a company's reputation management in the Chinese market, which many international companies have had difficulty penetrating. Local private Chinese enterprises on the other hand are succeeding in the face of a hostile institutional environment. These local enterprises build reputational value through their strategic actions such as providing individuals or organizations (e.g., profit sharing and gifts); they use the organizational structures and personnel to demonstrate acceptability and adherence to what is thought proper in the local business and administrative environment. Local enterprises seek to build congruence between an organization and its cultural environment. An organization can begin to build its reputation if it is able to associate with well-accepted local organizations and procedures (Ahlstrom and Bruton, 2001). Similarly, new business start-ups, in the absence of a well-developed reputation, utilize strategic communications to build value, legitimation and trust as critical first-level determinants of the success of its principal's entrepreneurial activities (Aldrich and Fiol, 1994). This is seen to be so because of the absence of a record of information and evidence regarding their new activity on which a reputation can be built. The establishment of legitimacy and trust are been seen to be key ingredients in the success of new ventures (Starr and MacMillan, 1990).

In their study of corporate social performance (CSP) and CR de Quevedo-Puente, de la Fuente-Sabaté & Delgado-García (2007) propose that the concepts of CSP and CR are linked by a process that translates past performance into an expectation of future performance. The researchers see CSP as the legitimate behavior of the company with every stakeholder by the standards of the institutional context in each moment of time (de Quevedo-

Puente et al., 2007). Similarly, among FMCG Marcoms, brand-building activities are often directed at the maintenance of loyalty and trust, the results of consistency which, while being the primary means of bringing about strong brands, is difficult to apply to corporate brands (Kay, 2006).

Figure 1 provides a conceptualization of the CR construct and shows the relationship between the construct and the sensemaking process. The following nine components form the CR construct: identity (Balmer and Greyser, 2003); image (Hatch and Schultz, 2003); brand (de Chernatony, 1999); ethical management and leadership (Kartalia, 2000, Trevino et al., 2000, Lewis, 2001); performance/financial performance (Szwajkowski and Figlewicz, 1999, Roberts and Dowling, 2002); product/services (Bridges et al., 2000); management leadership (Ibarra, 1999, Aaker, 2004); corporate leadership (Riordan et al., 1997, Wheeler et al., 2002).

Figure 1 about here

As stated earlier, this paper focuses on the development of corporate communications strategy as a rationally adaptive (Cyert and March, 1992) response to stakeholder evaluations of a company's reputation. In the literature of CR and of its key components a communications perspective is most evident in the literature on corporate identity, corporate image and the corporate brand. There is evidence of increased interest in the corporate brand (de Chernatony, 1999) to which, during 2003, the European Journal of Marketing (EJM) devoted an entire issue. The corporate brand is defined in one EJM article as 'The visual, verbal and behavioral expression of an organization's unique business model' (Knox and Bickerton, 2003). Companies manage their corporate identity so that what is perceived of the company by its various stakeholders is a consistently positive image. Balmer and Stuart (2004) would see this as the development of a communicated corporate identity which is perceived by stakeholders as an image. Balmer (1997) has used the concept of the

identity/image interface (the crucial point of contact between the organization and its various stakeholders) in his work. The interface is the point at which corporate identity is externalized. Balmer's model which includes six variants of identity, focuses on a critical step in the reputation building process: the point at which organizations and publics meet.

The relationship between the corporate brand and corporate identity may have become confused. Some researchers suggest that a corporate brand should be directly derived from the organization's identity and should communicate a subset of that identity to stakeholders (Leitch, 2003). Or that corporate brands are the conscious distillation and communication of a product, service or corporate identity (Balmer, 2001b). The influence of consumer brand marketing is evident in the development of corporate brand marketing. Intangible values (e.g., image), along with tangible values (e.g., performance, products and services) of the corporate brand, are seen to be rooted in an organization's identity and in its culture (Hatch and Schultz, 2001). The corporate brand is seen as the name that represents a large, successful company with a particular set of values, culture, people, programs, and assets/skills (that) creates relationships with stakeholders by virtue of the things it comes to mean and not to mean (Aaker, 2004). The working definition of the corporate brand that this paper proposes is the expression of recognizable signals; symbols and properties (attribute) which stakeholders (rater entity) associate with the company (object). In this working definition perceptions are created by recognizable signals, meaning is created through symbols; values and product/service attributes communicated through brand properties.

THEORETICAL DISCUSSION

The theoretical orientation of this paper is towards business as a process (Cyert and March, 1992), in relation to internal and external decision strategies, actions and outcomes, that contributes to the reputation-building process. The orientation is towards the company as

an information-processing and decision-rendering organization, which in the case of the CR management process secures information from stakeholders; stakeholders who are sense-givers who provide the company, internally and externally, with a compelling meaning or cognitive structure. Weick's (1995) understanding of sensemaking is as a process that is: grounded in identity construction; retrospective; enactive of sensible environments; social; ongoing; focused on and by extracted cues; driven by plausibility rather than accuracy. Sensemaking involves nets of collective action involving a shared understanding (Weick, 1995). Based on Weick's (1995) arguments, sensemaking would amount to a form of contingency-based action whereby reputational dissonance is reduced by means of a plausible redefinition of the situation (Weick 1995 p. 38).

Weick (1995) identifies some key propositions from social and organizational theory. Firstly, that social action is understandable if investigators take into account the tacit and explicit meanings that actors acquire. Secondly, the construction and maintenance of belief systems (through language, symbolism, and ritual) that legitimate and rationalize decisions is critical to administrative action in systems of shared meanings is. Thirdly, that interpretive frames of references, tasks, and construed realities evolve, as organizational change unfolds, through four distinct stages: anticipation, confirmation, culmination, and aftermath.

The following research questions build from the review of the literature and from the theoretical discussion:

RQ₁: Can information from stakeholders' evaluations contribute to sensemaking within the organization?

RQ₂: Can an FMCG Marcoms approach to message strategy be incorporated into stakeholder communications management?

RQ₃: Does sensemaking contribute to the strategic realignment of a company's decisions, actions and outcomes?

THE INTEGRATION OF SENSEMAKING WITH CR STRATEGY

A CR sensemaking process is developed based on the work of Cyert and March (1992) and of Weick (1995) and is summarized in Figure 2. Berens and van Riel (2004) indicate three main currents in CR measurement research: the first is the social expectations

Figure 2 about here

that people have regarding companies (Schwaiger, 2004, Helm, 2005, Fombrun et al., 2000); the second is the different corporate personality traits that people attribute to companies (Chun, 2001, Davies et al., 2003); and the third is the level of trust or distrust people have for a company (Newell and Goldsmith, 2001).

A stakeholder evaluation theory has been considered to contribute more fully to the theoretical basis for corporate reputation assessment (Dowling, 2004). A more recent approach to construct definition and scale development (Lloyd, 2009) places greater emphasis on the subjects (i.e., stakeholders) under examination. A triangulated research design is implemented to explore the corporate reputation construct and its components; to confirm the components, and to define the construct in terms of the rater entity (Rossiter, 2002). Research consists of text analysis of the CR literature; nominal group technique (NGT) sessions among stakeholder groups; a large-scale survey among six groups of stakeholders relevant to the company being studied. Text analysis identifies the key components of CR shown in Figure 1 (Lloyd, 2009, p. 3). NGT stakeholder sessions confirm the nine components and provide scale items relevant the components (Lloyd, 2009, p. 4). The stakeholder survey confirms the validity of scale items

and multiple linear regression analysis identifies the key drivers of CR for each stakeholder segment (Lloyd, 2009, p. 5).

The Properties of Sensemaking

Weick (1995) identifies seven properties of sensemaking and these have been introduced earlier into this paper. Each property is now analyzed more fully with an indication of its relevance to message strategy development. According to Weick (1995, pp.61-62) sensemaking is:

1. Ongoing and with no definite starting point. Information is continually revised and provisional assumptions made based on complex situations (Burrell and Morgan, 1979). A key step in the strategy development process is an evaluation of the company's business, industry and marketing value gained through addressing the question "what is the company's current industry and stakeholder situation?" Assessment is conducted on an ongoing basis and provides a basis for a rationally adaptive (Cyert and March, 1992) response.
2. Retrospective: Sensemaking makes the past clearer and provides feelings of order, clarity and rationality which contribute to strategy making investigation that is well attuned to retrospect. Strategy here means observed patterns in past decisional behaviour; an activity which becomes part of a company's consistent behaviour and part of its culture. Current evaluations of the company's reputational value (Hunt, 2000) are assessed historically to address the question asked above about the company's current industry and stakeholder situation.
3. Focused on and by extracted clues: By this is intended a point of evidence or reference against which a sense of direction can emerge (Smircich and Morgan, 1982). The

development of a corporate brand direction requires a strategic analysis of what factors, dynamics and trends account for the company's current situation, the identification of goals to be set, and agreement on what corporate marketing communications efforts are required to achieve the goal that has been set.

4. Social: This implies a blending of the cognitive and the social as a result of human thinking and social functioning which are essential aspects of one another (Resnick et al, 1991, p. 3). The social dimensions of target stakeholder definition form a platform for corporate brand positioning. Dimensions can include target stakeholders in terms of cognitive and demographic dimensions; storytelling about the corporation as brand by stakeholders corporate brand personality, competitive frame, stakeholder benefit and critical support. Each dimension is now discussed.

Target stakeholders can be understood in terms of cognitive insights, which are a critical ingredient in target stakeholder definition; insights that will indicate how stakeholders themselves are likely to make sense of, or to respond cognitively to, targeted communications. Self-relevant thoughts, either originating in the mind of the stakeholder or in communications, show a high degree of cognitive processing and elaboration (Lebenson and Blackston, 1990). Other thoughts may focus on the company, seen as the communicator and relate to the corporate brand's relative success and performance; its particular set of values, culture, people, programs, assets and skills. These attributes have been associated earlier in this paper with the creation, the building and the maintenance of relationships with stakeholders by virtue of the things a corporate brand comes to mean and not to mean (Aaker, 2004). The demographic definition of a target audience is important in selecting effective communication channels.

Insights into targeted stakeholders are gained from the analysis of storytelling about the corporation as brand by stakeholders. An analysis of storytelling provides an understanding

of the “emotional bond with the key stakeholder ... their trust and support” (Dowling, 2006). Advertising Agency A (one of the four biggest agency groups in the world based on total revenues) describes storytelling in terms of what the target audience is being addressed as (CEO, cinemagoer or Dad). Every stakeholder, Agency A believes, can be many different people, e.g. an investor, an employee, a customer. The target audience is then described in terms of their relationship with the brand: how well they know it, whether they like it and how it fits into their (business) life and experience. This stage in target audience definition is an opportunity for the communicator to establish a real understanding of why they are the target stakeholder audience. A story can have a single cogent thought at its heart, a thought that identifies the issue to be addressed through the communicated message.

Stakeholders may distinguish between companies, on the basis of their perceptions of corporate personality traits (Davies et al., 2003). Some researchers suggest that perceived brand personality may have dimensions that are similar to the five-factor structure identified in human personality research (Aaker, 1997). Davies et al., (2003) have based their corporate personality scale on a seven-factor (agreeableness, enterprise, competence, ruthlessness, chic, informality, machismo) scale similar, but not identical, to Aaker’s scale.

Definition of the competitive frame of reference is a key component of the development of a corporate brand positioning. In FMCG marketing definition and communication of the competitive frame of reference determines category membership and informs consumers about the goals they may achieve from product or service use (Keller, 1998). Identifying a stakeholder benefit and critical support is similar to what Keller (1998) describes as choosing and establishing points of parity and points of difference. Together, competitive frame definition and a statement of stakeholder benefit work towards achieving the first two

stages of the customer-based brand equity (CBBE) model: establishing the proper brand identity and creating the appropriate brand meaning (Keller 1998, pp. 136-139).

5. Grounded in identity construction: Identities are core ingredients of sense making and contribute an understanding of what is going on “out there” (Weick, 1995, p. 24). In a message strategy, identity is the grounding for a corporate brand positioning statement: what the company stands for in the stakeholder’s mind. Corporate identity has been defined as one of the attributes of a company that addresses the questions, ‘What are we?’ and ‘Who are we?’ (Balmer and Greyser, 2003). Corporate identity is considered a key component of corporate reputation and a corporate identity/ corporate reputation focus has been taken by some researchers (Bromley, 2001). Some researchers have acknowledged that corporate identity may be the antecedent of corporate image (Hatch and Schultz, 1997).
6. Driven by plausibility rather than accuracy: Sensemaking involves plausible reasoning which involves going beyond the directly observable in order to develop an understanding with “enough certainty ... based on incomplete facts, reasoning fits the facts” (Isenberg, 1986). It is critical at this stage in strategy development to be clear about what the communication is meant to achieve in the mind of the stakeholder. A range of communications objectives has been identified for corporate brand communications: building awareness, creating favorable attitudes and perceptions, to leverage product-brand marketing activities, motivating staff , recruiting better people and influencing public opinion on specific issues (Biehal and Sheinin, 1998).
7. Enactive of sensible environments: By this is implied an ongoing input cycle involving interpretation of information. Weick (1995) implies that through enacting, people often produce part of the environment they face; they are involved in a form of reality construction, establishing categories and features (pp. 30-31). This property is at the heart of the communicated proposition: the most compelling thing that can be said about the

brand to evoke the desired response and how best to say it. Relating specifically to communications theory and to the recipient's de-coding of an advertising message, this has been seen to be an important contributor (Lannon, 1993). Indeed the recipient (e.g., a consumer, a stakeholder) is seen as a co-creator, co-scripting an advertising message (Bullmore, 1984).

The FMCG Marcoms Strategy Process

Reference is made in this study to the communications strategy process utilized by three marketing communications agencies each one among the four biggest agency groups in the world based on total revenues. The top four agency groups, according to *Advertising Age* account for US\$34.0 billion in total revenues during 2007. The strategy development process used in this study is utilized by these agencies in their work for five of the top ten global FMCG marketers whose worldwide media spending during 2009 amounted to US\$27.1 billion according to *Advertising Age's* analysis. The FMCG Marcoms strategy process is content analyzed and synthesized to form a FMCG Marcoms/corporate brand strategy process, as shown in Figure 3. All seven of the sensemaking properties proposed by Weick (1995) are present in the FMCG Marcoms/Corporate Brand Strategy Process. The process conforms to

Figure 3 about here

What Cyert and March (1992, p. 117) call "an adaptive rational system."

IMPLICATIONS AND OPPORTUNITIES FOR FURTHER RESEARCH

This paper has explored how knowledge from stakeholder evaluations of a company's reputation can be integrated into the CR stakeholder communications development process. It has done this by bringing together four currents in business thought: behavioral theory of the organizations (Cyert and March, 1992); sensemaking (Weick, 1995); stakeholder theory

(Bromley, 2001); reputational value creation (Balmer, 2001a, Hunt, 1999) as expressed through an FMCG Marcoms approach to message strategy. It has done this by taking a behavioral theory perspective of an organization's decisions, actions and outcomes (Cyert and March, 1992) based on the results of triangulation research into the CR of a mainstream, high-visibility company. The application of primary research insights has been conducted according to Weick's (1995) sensemaking paradigm and integrated into the FMCG Marcoms message strategy development process.

Implications for Theory

A contribution has been made to organizational behavior theory by showing how an organization's decisions, actions and outcomes can become the building blocks of CR stakeholder communications management strategy. An organization's reputation is evaluated variously by stakeholders, be they customers, employees, communications professionals, finance and investment specialists or CEOs. Such an approach addresses what Cyert and March (1992 p.13) see as "a very substantial disparity between theory and reality" and supports the theory of the company as "an adaptively rational system rather than an omnisciently rational system." (p. 117)

Implications for Management

An opportunity has been identified for decision makers to incorporate sensemaking processes within their stakeholder reputation management program. A decline in reputation can have a deleterious effect on a company's standing among its stakeholders and this is particularly the case with financial institutions (Srivastava et al., 1997). RQ₁ can be answered affirmatively as information from stakeholders' evaluations can make a positive contribution to sensemaking within the organization and to a rational and adaptive response to changing circumstances.

The creation of sets of behavior rules has value for management; rules that relate to reputation management and to the avoidance of uncertainty by following regular procedures in response to feedback from stakeholders (Cyert & March p. 134). Management can avoid threats to a positive CR through a sequential attention to goals: attending to different goals at different times; creating a time buffer between goals and thereby permitting the organization to solve one problem at a time (Cyert & March p. 166) and to selectively targeting communications at specific stakeholder segments.

Management may need to acknowledge the fact of bounded rationality (Simon, 1984, Simon, 1991, March, 1978); of events not uniquely determined by environmental settings in which they arise; and of unanticipated consequences (von Hayek, 1945, Popper, 1957). Unresolved conflicts of interest and of knowledge are continually being negotiated and renegotiated (Cyert & March pp. 214-215) by organizations. Yet working with uncertainty and with limited or incomplete information is an inherent part of sensemaking (Weick, 1995). Importantly, by borrowing from an FMCG Marcoms approach to message strategy, the study provides senior management with an instrument to manage its CR communications across multiple stakeholder segments. This suggests that RQ₂ may be answered affirmatively in that an FMCG Marcoms approach to message strategy can be incorporated in stakeholder communications management.

Opportunities for Further Research

Weick's (1995) contribution to theory has been noted above and provides theoretical support for RQ₃ in that sensemaking appears to contribute to the strategic realignment of a company's decisions, actions and outcomes. His second and third propositions: that critical administrative action in systems of shared meanings is the construction and maintenance of belief systems, that legitimate and rationalize decisions made on the basis of power and influence (Pfeffer, 1981); and that interpretive frames of references, tasks, and construed

realities evolve through four distinct stages: anticipation, confirmation, culmination, and aftermath (Isabella, 1990) provide an opportunity for further valuable research contributions. An additional opportunity exists to identify those variables that influence aspiration levels in terms of past goals, past performance and the past performance of other comparable companies (Cyert & March p.162).

Further research needs to be done in the area of definition of the competitive frame of reference and in choosing and establishing points of parity and points of difference (Keller, 1998). Both are critical building blocks and work towards developing corporate brand positioning and towards the development of stakeholder-based corporate brand equity. Without them communications will neither elicit the desired response from stakeholders nor serve to build strong relationships with stakeholders.

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Figure 1: Conceptualization of the CR Construct

(See attached Microsoft Powerpoint artwork.)

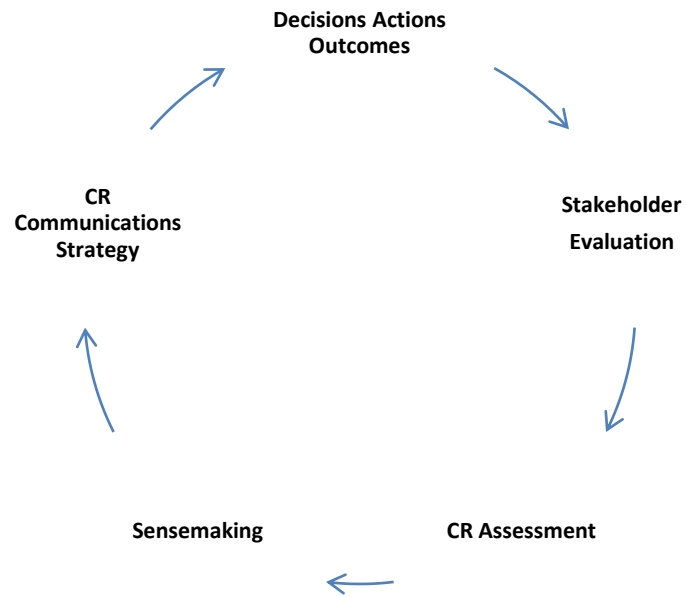
FIGURE 2: CR Sensemaking Process

Figure 3: The FMCG Marcoms/Corporate Brand Strategy Process

Planning stage/key question	Strategic CR Management Process	Sense making Attribute Addresses
Corporate brand plan		
Where is the corporate brand? <i>(What is the brand's current industry and stakeholder situation?)</i>	Continuous evaluation in terms of:	Ongoing Retrospective
Why is the corporate brand there? <i>(What factors, dynamics and trends caused the current brand situation?)</i>	<ul style="list-style-type: none"> • Subjectively meaningful content • Objective performance criteria 	Focused on and by extracted clues
Where should the corporate brand go? <i>(What goal should we set for the brand?)</i>		
How will the brand get there? <i>(What corporate marketing communications efforts are required to achieve the goal set for the brand?)</i>		
Corporate brand positioning platform		
<ol style="list-style-type: none"> 1. Target Stakeholders 2. Storytelling about the corporation as brand by stakeholders 3. Corporate Brand Personality 4. Competitive Frame 5. Stakeholder Benefit 6. Critical Support 	Stakeholder evaluations	Social
Corporate brand positioning statement		
What do we want the brand to stand for in the stakeholder's mind?	CR strategic communications	Grounded in identity construction
What is the essence of the corporate brand?		
Corporate communications message strategy		
What <i>specifically</i> do we expect this communication to do?	CR strategic communications	Driven by plausibility

What <i>insight</i> do we have about our target stakeholders that will help us motivate them?	based drivers of stakeholder reputation evaluations	rather than accuracy
What do we want our target stakeholders to <i>think/feel</i> about our corporate brand?		
What <i>single</i> response do we want?		
The selling idea What <i>compelling truth</i> have we uncovered - and how do we <i>best tell it</i> in order to evoke this response?	CR message strategy	Enactive of sensible environments
Control How do we evaluate the effectiveness of strategic CR communications?	Continuous stakeholder evaluation in terms of: <ul style="list-style-type: none"> • Subjectively meaningful content • Objective performance criteria 	Ongoing Retrospective
