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Creating value through communication

Estelle de Beer*

Communication Management Division, University of Pretoria, South Africa

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ABSTRACT

Communication can play a significant role in the value creation process of the organisation, considering the fact that the value of the capitals produced by the organisation can increase and decrease depending on what the organisation says and does. Integrating the corporate communication process into the strategic management, governance and value creation processes therefore pose an opportunity for communication professionals to illustrate how communication can contribute to the creation of value for organisations, and as such be of benefit to business and to society. Introducing these communication approaches to value creation in the organisation requires a new responsible, integrative perspective on the role of corporate communication.

1. Introduction

Over the past two decades the role of intangibles in creating value, has become increasingly important. Alan Greenspan, former Chairman of the Federal Reserve, stated in 2001: “Over time, and particularly during the last decade or two, an ever-increasing share of GDP has reflected the value of ideas more than material substance or manual labour input” (Kalafut & Low, 2001, p. 9).

With an increasing recognition of the importance of intangible assets, there is also a need for a set of widely accepted metrics by which corporate leaders and the investment community can account for the non-financial factors that affect value creation in contemporary organisations. Although not always recognised as such, intangibles have always been a driver of corporate performance. Institutional investors are also increasingly taking intangibles into account in their analysis and earnings estimates. As a result, managers are more open to adopting non-traditional methodologies of measurement (Kalafut & Low, 2001). Recent management methods to measure intangibles include amongst others: the economic value added approach, the balanced scorecard and value-based management (Low, 2000, p. 253).

In order to address the co-creation of value from a holistic and organisational perspective, Roser, DeFillippi and Samson (2013, p. 22) refer to parallel streams rooted in the strategic alliance literature in management and the relational literature in marketing, which are now beginning to become conceptually intertwined. Leavy (2012, p. 15) furthermore refers to shareholder value and stakeholder value and quote Porter and Kramer when proposing that the purpose of the corporation must be redefined as creating “shared value”, which involves “creating economic value in a way that also creates value for society”.

Bygdås, Røyrvik, and Gjerde (2004, p. 540) furthermore link intellectual capital and value creation and state that definitions about the former include the “knowledge and knowing capability of a social collectivity”; “knowledge that can be converted into value”; and Intellectual capital = competence + commitment. Although many perspectives can be found in the

* Correspondence to: Private Bag X20, Hatfield, Pretoria 0028, South Africa. Tel.: +27 12 420 5082.
E-mail address: estelle.debeer@up.ac.za

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literature, Bygdås et al., 2004 state that intellectual capital can be divided into different categories such as human capital, structural capital and relational/customer capital due to the risk and ownership of the different components.

Against this background, communication competencies play an increasingly important role in an organisation's value creation process. Hamrefors (2010, p. 141) describes how communicators may contribute to the effectiveness of organisations by specifically participating in leadership. Findings of a study conducted by him indicate that communicators must develop certain knowledge and skills in order to contribute to organisational effectiveness. Four important areas of knowledge include: communication through processes, communication through structures, communication through social interaction; and communication to and from the environment. In addition, four areas of skills have also been identified and include: system design, mediating, coaching and influencing.

Malmelin (2007, p. 300) posits that an organisation's intangible assets refer to everything apart from its concrete material assets, which include its financial or physical assets. According to business theories, intangible assets refer to staff competencies, such as skills, knowledge and experience; the organisation's relations with stakeholders; management systems and databases of the organisation; and contracts and immaterial property rights such as trademarks. Malmelin (2007, p. 298) furthermore regards communication as an intangible organisational asset and developed a model that supports the closer integration of various dimensions of corporate communication in order to generate value in the marketplace.

Communication competencies and capabilities are hard to imitate and transfer, and its outputs and outcomes are more or less intangible. Identifying communication metrics that corporate leaders and others involved in shaping corporate performance can use to account for the contribution that communication makes to the value creation process, could assist communicators in illustrating their worth to organisations.

2. Value creation

Hamrefors, 2010 states that in addition to working with traditional communication activities, communicators must also build the communicative ability of the organisation in order to develop its total communicative effectiveness. The context in which communication is practised is also changing since the prerequisites for organisations to be able to act in the economic system is changing. Value creation traditionally took place in the value chain of which the logic is that several actors gradually refine a product or service in a simple chain structure. However, these value chains have over time become more complex and turned into value networks.

Skoog (2003, p. 487) also refers to the linear value creation phenomenon and posits that value creation over the past two centuries has been influenced by the industrial logic in which value is added in sequential stages in the process, based on the notion that each part can be optimised individually. In this way a contribution is made to overall organisational value creation. However, non-linear models of interpreting the creation and management of values in organisations are challenging traditional approaches.

New perspectives acknowledge stakeholders as co-producers of organisational value and stress the importance of co-inventing combinations and connectivity among the various actors. Skoog (2003, p. 488) argues that monetary expressions have to be put in constant relation to non-financial (intangible) organisational representations (e.g. different customer and employee relations and activities) in order to gain comprehensive meaning in both the short- and long-term organisational perspective. Organisational value creation is interpreted in the context of a perspective where personnel, customers and financial values are perceived as interdependent and equally important for the long-term survival of the organisation. In this way non-financial aspects of organisations are formally linked to financial ones in the value creation process.

Contemporary organisations are learning how to use the engagement experiences of stakeholders as the new basis for value creation in networks. Organisations interested in becoming co-creative for example, change the very nature of the relationship between management and employees, and between them and the co-creators of value, namely the stakeholders. For this, management needs to adopt a new mind-set and must initiate the evolution of a co-creative organisation (Ramaswamy, 2009, p. 32).

Establishing a co-creative organisation could impact its organisational structure. In this respect Walters (2004, p. 219) refers to the holonic or virtual organisational approach, which is: "*[. . .] a set of companies that acts integratedly and organically; it is constantly re-configured to manage each business opportunity a customer presents. Each company in the network provides a different process capability and is called a holon*."

In a holonic structure each business unit is equal to the others; the network is in dynamic equilibrium and it is self-regulating; information is open and flows across network boundaries; the network is evolutionary and is constantly interacting with its environment; and it is a knowledge-based, learning network (Walters, 2004, p. 220).

Eichentopf, Kleinaltenkamp and van Stiphout (2011, p. 650) posit that the past decade has brought a shift in how firms understand value creation. Interactive value creation or co-creation of value originated from service research as an attempt to differentiate services from products. From a marketing perspective, the level of customer participation was viewed as influencing the whole value creation process (Eichentopf et al., 2011, p. 651).

A study by Saarijärvi, Kannan and Kuusela (2013, p. 6) takes a broader perspective and concludes that the focus should be on identifying and understanding the kind of value that is co-created; for whom it is created; what resources are used; and through which mechanism it is created. Although a goods-dominant logic and/or manufacturing logic, as well as the old enterprise logic or product orientation are still prevailing, there is currently a shift towards a broader perspective on value creation.