

## ABSTRACT

Title of Dissertation: TOWARD A MODEL OF STRATEGIC MANAGEMENT  
OF PUBLIC RELATIONS: SCENARIO BUILDING  
FROM A PUBLIC RELATIONS PERSPECTIVE

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This dissertation explores how public relations can employ scenario building as part of strategic management. It examines the scenario-building process from a public relations' perspective and proposes a new model of scenario building. Scenario building is a strategic-planning technique that projects multiple future environmental situations for an organization to improve its understanding of the environment and to develop strategies based on alternative outlooks. Strategic management, scenario planning, issues management, environmental scanning, and the situational theory of publics serve as context for this study. After building the conceptual framework of scenario building, I apply the model to selected case issues of a large corporation and build possible scenarios.

I conducted a case study based on two issues: insurers' use of credit scoring and insurance regulatory reform. The study first examines how the organization manages

public relations through interviews with its public relations practitioners and document review. As an initial step of the model, I identified the organization's issues and environmental factors through individual interviews, a group interview, and extensive environmental scanning. I conducted interviews with members of activist publics using J. Grunig's (1997) situational theory of publics, which provided critical components of scenarios. After building multiple scenarios, I revised them based on the comments from the organization's public relations practitioners and discussed further development as well as future usage.

The findings suggest that public relations theories provide useful insights into scenario building. Publics' behaviors and attitudes, which are often overlooked in scenario-building processes, are critical environmental factors that structure scenarios. Scenario building can also be incorporated with issues management and initiate cross-functional strategic conversation. Furthermore, public relations practitioners will benefit from this model not only as a strategy-development tool, but as a device for internal educational and organizational learning.

Consequently, scenario building can help public relations practitioners maximize their contribution to strategic management. It can empower communicators as it allows them to find novel and valuable ways to be involved in strategic decision-making. Thus the study extends the understanding of how practically, as well as theoretically, public relations can participate in strategic decision-making.

TOWARD A MODEL OF STRATEGIC MANAGEMENT OF PUBLIC RELATIONS:  
SCENARIO BUILDING FROM A PUBLIC RELATIONS PERSPECTIVE

by

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## DEDICATION

To My Mother and Father

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TOWARD A MODEL OF STRATEGIC MANAGEMENT OF PUBLIC RELATIONS:  
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CHAPTER I: INTRODUCTION

Overview

“Strategic public relations” has become a catchphrase in the discipline of public relations (J. Grunig & L. Grunig, 2000a). There is an increasing consensus among industry scholars and practitioners that public relations should move beyond its technician role to one that contributes to strategic management. What do these experts mean when they discuss strategic management? What role can public relations play in the strategic management of an organization?

Organizations do not exist in a vacuum. They influence and are influenced by diverse factors within the environment. Specific problems and issues, along with different publics, arise and recede around organizations. Large organizations, especially multinational corporations, are facing a variety of concerns and challenges all over the world.

Increasing globalization, alongside the rapid development of media and technology, has resulted in a situation that nobody could accurately predict. The Internet has become a primary channel for publics to get together in cyberspace for communication; it has given the population opportunities to speak out. At the same, this electronic sounding-board has become a good place to detect problems and issues as soon

as they arise. For example, when customers have a problem, they may go to the organization's Web site to complain or look for chatrooms and discussion groups to converse with other people who have similar complaints and issues. Advances in technology have brought the world closer together and hastened communication. Consequently, organizations need to communicate faster than ever with a growing number of audiences.

### The Problems

Organizations have been increasingly aware of the importance of understanding what is going on in their environment and among their audiences. They employ various methods for gathering this information such as monitoring news media or conducting surveys. However, these forms of research are not comprehensive enough to fully understand the environment. Moreover, a number of public relations scholars and professionals have maintained that organizations should make more efforts to discover problems in their initial stages, *before* they affect the organizations. Otherwise, these problems can evolve into issues, possibly crises, which may be critical to the organizations' survival (J. Grunig & Repper, 1992; Lauzen, 1995b; Stoffels, 1994). By carefully observing and scanning their environment, organizations can identify problems early so that they can be proactive in managing them.

How should organizations identify and detect those problems? What should they do with the results of those activities? Which internal function would be responsible for helping the organizations be prepared? This study attempts to provide answers to these questions by maintaining that public relations is the function responsible for these tasks.

Among various roles, the “boundary spanner” role of public relations is imperative; as the eyes and ears of an organization, public relations practitioners bring information to the management decision table so that management can make environment-sensitive strategic decisions (White & Dozier, 1992). This role of public relations has become more important as organizations find that their fortunes are determined at least as much by external forces as by internal factors (Renfro, 1993). This study emphasizes the role of public relations in strategic management through the scenario-building process. As such, it is one of the first studies that articulates a specific role for public relations in strategic management and develops an instrument for its implementation.

#### Purpose of Study

This study explores how public relations can employ the scenario-planning process as a part of a strategic management function. Specifically, the study examines the role of public relations in the strategic management of organizations within the framework of environmental scanning and issues management. After reviewing the scenario-generating process in general, I generated a method of developing scenarios from a public relations perspective. Following this, I built model scenarios based on environmental scanning as well as interviews with employees of the organization selected for the study. I discussed the feasibility and implications of scenario outcomes for public relations professionals. Finally, I revised the model of scenario building I had presented in my conceptualization.

Scenario building represents an effort to project potential futures in order to improve decision-making (Ratcliffe, 2000). Scenario planning is not a technique that tries



to predict the exact future of an organization; instead, it is a process aimed at helping an organization better understand its environment so that it can make strategic decisions based on this knowledge. It also is a process intended to build future scenarios based on patterns found occurring over the course of an organization's history (Schoemaker, 1995; von Reibnitz, 1988). Above all, scenario building from a public relations perspective allows an organization to take the behaviors and attitudes of its publics into account in its decision-making process.

In this chapter, I briefly discuss the purpose of this study and its significance for public relations professionals and scholars. I also discuss my employment of particular methods. Chapter 2 explores the study's conceptual foundations: strategic management, public relations theories such as the situational theory of publics, environmental scanning, issues management, and scenario planning. Chapter 3 reviews qualitative methods. Beginning with principles of qualitative research, the chapter also examines the multiple methods employed for this study, its process of analysis, and their related ethical issues. Based on the research questions presented, chapter 4 examines and discusses the study's results. Chapter 5 draws connections between the study's conceptualization and its findings, and it discusses the implications of the study for public relations. In the final chapter, I make recommendations for future research as well as analyze this study's limitations.

### Scenarios and Strategic Public Relations

To develop a method of scenario building, it is crucial to first understand the concept of strategic management in general and of the strategic management of public relations in particular. Major theoretical concepts that have framed this study include:

- Strategic management (De Geus, 2002; Mintzberg, 1990; Porter, 1980, 1985).
- Strategic management of public relations (J. Grunig & Hunt, 1984; J. Grunig & L. Grunig, 2000b; L. Grunig, J. Grunig, & Dozier, 2002; White & Dozier, 1992).
- Environmental scanning (Lauzen, 1995a; Lauzen, 1995b; Stoffels, 1994).
- Issues management (Heath, 1997; Lauzen, 1997; Lauzen & Dozier, 1994).
- Situational theory of publics (J. Grunig, 1997; J. Grunig & Hunt, 1984).
- Scenario-building techniques within the framework of strategic management (Godet, 1987, 2001; Goodwin, 2001; von Reibnitz, 1988; Schoemaker, 1995; Schoemaker & van de Heijden, 1992).

I also review and bring in the framework of strategic management of public relations in order to apply it for generating scenarios of public relations. Using a situational theory of publics, public relations can help an organization identify and segment strategic publics that influence the organization's survival. Issues management and environmental scanning provide a framework for detecting problems and issues that will possibly need scenario-building approaches to be resolved. The scenario-building technique used in strategic management is another important concept. Scenario building is a process that helps an organization better understand its environment so that it can make strategic decisions based on that knowledge. During the process, the members of the scenario-planning team recognize environmental drivers and their effects on the organization; patterns found from an organization's past are accumulated and become an organization's database and resources for future strategies (Schoemaker, 1995; von Reibnitz, 1988). Scenario building from a public relations perspective allows an

organization to take the behaviors and attitudes of its publics into account in its decision-making.

### Significance of Study

This study is important because it is one of the first studies that articulates a specific role for public relations in strategic management and develops a tool for its implementation. Although the term “strategic public relations” is frequently picked up by scholars and practitioners of the discipline, few people have provided the step-by-step solutions or guidelines for “strategic” modes of public relations or described the way public relations could move beyond its technician role into one focused on making contributions to strategic management.

Throughout this study, I maintain that public relations should move to a place where it can actively contribute to strategic management because it has great potential to help the dominant coalition’s strategic decision-making. This study demonstrates methods for maximizing the contribution of public relations to strategic management by extending the scenario-building process to include the domain of public relations. A scenario will be a helpful instrument for strategic management to examine comprehensive future options and develop optimal strategies for decision making. In addition, the scenario-building process will empower practitioners by helping them discover novel and valuable ways for involvement in strategic decision-making. In doing so, the study will also extend the understanding of how public relations can participate in strategic decision-making practically as well as theoretically. Therefore, the results of this study will be useful to both scholars and practitioners.

This research departs from previous studies in that it emphasizes the role of public relations in strategic management through a particular practice, scenario planning. This scenario-building process is based on factors in the environment that may have consequences on the growth, and even survival, of an organization. Scholars in strategic management have asserted that an organization's environmental factors and the way it manages its relationships with them are sources of competitive advantage (Govidorahan & Gupta, 2001; Mintzberg, 1983; Porter, 1979, 1985). Many studies in public relations have demonstrated that environmental factors, especially publics, are critical. For example, public relations scholars operating from a management perspective have maintained that understanding the environment is crucial to the practice of public relations. J. Grunig and L. Grunig (1992, 2000b) underlined the importance of environmental scanning, which would be a unique contribution to an organization that public relations could make by bringing outside perspectives to a decision-making process. However, little research in public relations has provided specific tools or processes for those who practice public relations so that they can be involved in strategic management processes.

#### Interest in the Study

My interest in this topic stems from my belief in the value and significance of public relations as a function that can enhance organizations' effectiveness. As studies have shown (Dozier, L. Grunig, & J. Grunig, 1995; J. Grunig & L. Grunig, 2000b; L. Grunig, J. Grunig, & Dozier, 2002), public relations can contribute to strategic decision-making in many ways. Public relations broadens the perspectives of management by bringing in diverse voices from publics; it provides management with an opportunity to

think about the issues and problems in the external environment and take them into account for strategic decision-making.

However, the value and potential contribution of public relations have not been widely recognized outside the discipline. Some organizations continue to use public relations mainly for technical purposes such as publicity and media relations. Others, although they consider public relations a managerial function, do not benefit from the strategic management potential of public relations because public relations managers are not included in decision making or in the “dominant coalition” (J. Grunig, 1992, p. 93). Therefore, it is crucial to empower the public relations function within organizations by providing a tool to participate in, and contribute to, strategic management.

Furthermore, I have a strong interest in this study because it addresses the issues of applicability and practicality in academic research. I believe it is important to fill the gap between industry and academia by providing a practical framework based on a solid academic foundation. Having worked as a practitioner at public relations firms and corporations, I have professional experience that informs my academic interest. During my practice, I observed cases where academic research was devalued or avoided by practitioners, implicitly and explicitly. From the practitioner’s perspective, this scholarly research was too theoretical or lacked applicability. I am interested in the type of research that develops a concept and a tool that can be applied to practice.

#### Procedures

In this study, I used a qualitative method. After building the framework of the scenario-planning process based on the literature review, I applied it to an organization and to the building of possible scenarios for the organization. This study employed

multiple methods, including long interviews, elite interviews, focus groups, e-mail and telephone interviews, document review, and environmental scanning within the framework of a case study (Marshall & Rossman, 1999). The case study was conducted for two different issues in a large organization.

I conducted semi-structured long interviews with 15 public relations practitioners of the organization in the first-round interview (McCracken, 1988). In the second round, I interviewed seven individuals. I also interviewed three elite managers, such as the head of the public relations department, to understand the highest-level public relations executives' perspectives on strategic public relations management and environmental scanning of their organization (Dexter, 1970). I conducted one group interview with seven public relations practitioners to identify issues the organization was concerned about and projected their development based on group interaction.

I detected issues and identified publics around the organization through formal environmental scanning, such as monitoring discussion groups, listservs, chatrooms, and media coverage, for the company during the entire research period. Then, I conducted e-mail and telephone interviews with members of activist publics to identify public attitudes and communication behaviors regarding issues of interest; these behaviors and attitudes of publics are critical factors in constructing scenarios. Eleven open-ended questions, modified from J. Grunig's (1997) research on the situational theory of publics, explored each activist participant's problem recognition, level of involvement, and level of constraint recognition.

## Contributions of the Study

The results of this study will be useful to both scholars and practitioners of public relations in that they explain and demonstrate methods for maximizing the contribution of public relations to strategic management. This study should empower practitioners and help them to find ways to be involved in the strategic decision-making process. The study also contributes to the body of knowledge in public relations by providing one possible process that public relations can contribute to strategic management. It extends the understanding of how practically, as well as theoretically, public relations can be involved in strategic decision-making.

## Delimitation

In this study, I do not attempt to provide a set of scenario-planning formulae to be applied generically to organizations in unspecified circumstances; environmental variables, the drivers of scenario planning, vary among organizations because their environments and situations vary. Rather, I seek to provide a framework for the scenario-building process for public relations scholars and practitioners as a way of being involved in strategic management. This study further applies scenario building to the issues of a particular organization; the outcomes, or possible scenarios, generated in this study are not generalizable. However, from theoretical perspectives, these planning processes and their results provide public relations scholars and professionals with an illustrative perspective on the practical potential of the ideas.

## CHAPTER II: CONCEPTUALIZATION

The purpose of this study is to explore how public relations can contribute to strategic management through scenario building. The study consists of two steps: development of a scenario-building process from a public relations perspective and building possible scenarios for the issues that the organization experiences. This chapter examines the relevant theories and theoretical concepts that are the bases for this study. In this chapter, I review these framing concepts and draw research questions from them. The conceptual framework of this study is based on three broad theoretical concepts: strategic management with different perspectives; strategic management of public relations, including empowerment, environmental scanning, issues management, and the situational theory of publics; and scenario building.

This chapter first reviews the concept of strategic management, different perspectives as well as the key concepts in strategic management, such as environment, uncertainty, and strategic conversation. Although this section does not lead to research questions, a discussion of strategic management is necessary to provide fundamental knowledge for understanding the following two concepts, strategic management of public relations and scenario building.

In the second section, I examine the theories and principles of public relations, specifically the excellence theory and strategic management of public relations, from a management perspective. After a brief discussion of the definition of public relations and the Excellence study (L. Grunig et al., 2002), I present the concepts of organizational effectiveness and excellence to further understand the Excellence theory. A few



principles from the theory that are relevant to this study are closely examined with introduction of three related concepts and theories: environmental scanning, issues management, and the situational theory of publics. Issues management and environmental scanning provide a critical framework for this study, because detection and identification of problems and issues are essential parts of the scenario-building approach. The situational theory of publics is an important concept in order to identify strategic publics and their future behaviors, which have many consequences on the future of organizations.

To develop a method of scenario building from a public relations perspective, it is crucial to understand the concept of scenario building and the general scenario-building process. In this third section, I review literature on the scenario-building technique and elucidate how this method works in strategic planning.

### Strategic Management

Strategic management is the process by which an organization manages relationships with its external environment while following its organizational mission. J. Grunig and Repper (1992) maintained that it was the way to keep the balance between internal activities and strategies to manage responses to external factors, or the environment.

#### *From Management to Strategic Management*

As an academic field, strategic management is young and emerging. Two words, “mission” and “environment,” pervade the literature on strategy (J. Grunig & Repper, 1992). Organizations try to make long-term, strategic decisions that keep harmony with their environments to achieve their mission. According to Kleiner (1996), World War II had great impact on the study of the complicated environment and strategies. The military

developed strategies for situations based on the solutions developed by researchers from diverse disciplines such as social science, physics, mathematics, logics, and physiology. Researchers built on solutions for problems that were beyond the scope of a single discipline. After the war, these researchers scattered in the business arena with theories, strategies, and decision-analysis techniques, which were adopted by management strategists.

Among many organizations that exist in the world, some organizations thrive, whereas the others, small or large, do not survive long enough to remain in memory. The successful ones are often considered as the pillars of the society. In fact, as De Geus (2002) pointed out, even the large, successful companies hardly hold out longer than an average of 40 years, which is the life expectancy of companies with a substantial size. Whereas some companies persist hundreds of years, others exist only as part of history with their names, brands, or memory of a past. According to De Geus, only a small number of companies survive their first 10 years of a high “mortality” (p. 2) period.

These statistics are not encouraging. They suggest that most companies are going to disappear during the next few decades. Even the companies that seem to have great potential may not survive before the next generation. What makes these companies disappear so early in their life? De Geus (2002) speculated that many organizations are unsuccessful because of the narrowness of their management perspectives; they vanish because their management does not see that they are living organizations but only focus on manufacturing products and making profits. Most organizations transform only when they see some changes are happening in the outside. On the other hand, the organizations that live long are different from those short-lived ones in that they are open and try to

perceive what is happening or what is going to happen outside earlier. However, most of what they try to understand lies in the future and is uncertain.

How do people and organizations plan for their future when they do not know what will happen? Schwartz (1991) maintained that managers would be able to build a profound and realistic confidence on the outcomes of their choices when they had a good understanding of uncertainty in the unpredictable world. To have confidence, according to him, the managers should look ahead and think about uncertainties by asking questions such as what challenges they could have or how others would respond to the actions they take. However, instead of asking those questions, people often react to uncertainty with wait-and-see attitudes or take pessimistic views toward issues or events. Sometimes, hoping to understand and lessen uncertainty, managers spend much time on a question like “what will happen to us?” De Geus (2002) said this question is relatively useless, because it is impossible to know accurately what would happen in the future. Rather, forward-looking managers should seek answers for more important questions such as “What will we do if a particular event happens?” Furthermore, the managers and their organization ought to be prepared to make fundamental and painful changes to match the outside world.

### *Strategic Management and Environment*

Unexpected changes in the environment often influence corporate policies--the raw material price suddenly rises or drops, competitors continuously achieve technological advance, or perhaps the government changes the regulations that set the boundaries for the company. However, managers sometimes make decisions that

exacerbate problems because they are not aware of these changes. In fact, many crises could be avoided if managers knew what was going on.

Most companies are surrounded by a fluid and turbulent business environment. The environment was relatively stable until the 1950s and 1960s; since the early 1970s, however, corporations have experienced many constant environmental--socio-economic, political, and technological--changes and uncertainties, whether they are rapid and continuous or in a discontinuous fashion. For example, according to Ansoff (1985), the product markets transformed into a market based on a global perspective in the 1970s. Socio-political changes in the external environment became critical in making strategies. As companies expand their geographical markets, they increasingly faced complex managerial challenges; today, the progressive development of the environment happens day by day. Facing the rapidly changing environment, organizations' executives have become increasingly interested in understanding environmental factors (Georgantzias & Acar, 1985).

Since the 1960s, organizational theorists paid much attention to the relationship between organizations and their environments (Aldrich 1979). Sociologists argued that an organization's survival depends on the extent to which it can adapt to the external circumstance. Strategic management scholars define an organization's environment as any conditions and influences that affect the organization's strategic decisions but are beyond its control (Pearce & Robinson, 1982). They have recognized a variety of environmental elements--such as customers, suppliers, competitors, governments, shareholders, and employees--and acknowledged that they are the sources of competitive advantage for organizations (Porter, 1980, 1985). Companies almost always need to

create some new rules and plans from various perspectives to respond to continuous, fundamental changes in the external world – a turbulent business environment.

Consequently, competitive advantage is not only about how well a company plays the game based on the existing rules, but it is also about how well and promptly the organization is able to change those rules (Govindarajan & Gupta, 2001).

Hatch (1997) reviewed different perspectives on the environment by organization theorists. Modernist organization theories conceptualize the organizational environment as an entity that lies outside the boundaries of the organization, whereas symbolic-interpretivists regard the environment as a socially constructed entity. On the other hand, postmodern theorists believe there is no definite boundary between an organization and its environment; an organization's environment is relative to how the organization is defined.

Regardless of the perspective, the need to be responsive and sensitive about the environment is widely emphasized because organizational survival depends in part on the ability to monitor, interpret, and respond to the issues that threaten or enhance the organization's growth (Georgantzas & Acar, 1995; Govindarajan & Gupta, 2001; Lauzen, 1995). De Geus (2002) maintained that the turbulent business environment during the last 20 to 30 years has reoriented corporate purposes and missions, from making profits to staying in harmony with the external environment by meeting the changing pressures from the outside and making constant changes in internal structures. In addition, he identified five key factors of successful companies: sensitivity, cohesion and identity, tolerance, and conservative financing.

According to De Geus (2002), although they do not have enough data or resources available, these long-lived organizations are open to learn and make changes to adapt. The companies that survive tend to be cohesive and have a strong sense of identity; however diversified they are, they build a community and a solid organizational culture, which gives a strong sense of belongingness to their employees. Long-lived companies are tolerant in that they try to decentralize power and diversify themselves by building positive relationships with the stakeholders within and outside the organization. Conservative financing is another attribute of long-lived companies. De Geus maintained that return on investment hardly influences a company's longevity. Therefore, companies need not overly focus on financial growth. Although the profitability shows the health of a company, it does not predict future success or potential.

Decision making for an organization is based on a perception of the organization itself and its environment. After detecting problems, gathering information, and evaluating possible outcomes, management makes decisions that entail significant consequences for the organization. As organizations have experienced increasing environmental turbulence, strategic management theories have come to recognize the need to be responsive and sensitive about the environment because of the growing impact of environments on organizations (Georgantzis & Acar, 1995; J. Grunig & L. Grunig, 2000b).

### *Uncertainty*

The term "uncertainty" has become one of the popular concepts in business, as a variety of factors have driven the rise in uncertainty. Socio-economic systems become more complex because of the changes in politics and business. Accelerating technological

development and value shifts also complicate the environment. As Schoemaker (2002) pointed out, life is inherently uncertain and yet people, especially those who are in business, dislike uncertainty. Managers traditionally have considered it a bad thing that creates obstacles for the organization in engendering profits and ensuring constant performance; many managers view the external environment as something beyond their control. When bad things happen, they often blame the environment -- claiming that they are not able to control it. Yet, paradoxically enough, they have a tendency to take credit for good news as if they had much power to control for the situation. People feel uncomfortable about the intrinsic uncertainty lying in the future and do not like to think about it for many reasons. However, Schoemaker (1993, 2002) named uncertainty as one source of superior profit, along with structural advantage, operational excellence, and business reinvention. He argued that uncertainties would stimulate reinvention by challenging traditional approaches; organizations may alter the boundaries of what they control through advanced anticipation, flexible strategies, and continuous monitoring.

Van der Heijden (1996) maintained that uncertainty about the future is one of the main reasons why strategic management is needed. Uncertainty raises questions such as whether anything useful can be accomplished, what will happen, and how it will develop. He identified three categories of uncertainty: risk, structural uncertainties, and unknowables. All these categories of uncertainty have to be identified and evaluated before making decisions. Unfortunately, it is impossible to do anything about the unknowables; it is hardly likely for managers to imagine such things will happen. The only thing they can try is to become more adept in reacting to unexpected events. Van der Heijden stated that risk would be estimated based on probabilities. Structural

uncertainties, which are most widespread and common obstacles in building strategy, often arise when what is happening is not interpreted with conventional ways of thinking and strategies. This is the case where entirely new and uncharted strategies are needed. As the uncertainties in the business environment increase, strategic management and planning have developed as a critical part of business and management (von Reibnitz, 1995). People want to anticipate and predict the future so that they do not face any surprise.

According to van der Heijden (1996), the way one views uncertainty in the business environment decides how he or she approaches strategic management. For example, uncertainty is a critical influencer in most long-term strategies, which leads to an evolutionary view; strategy is developed through changes in the environment. On the other hand, people who are inclined to nearer-term forecast and prediction often take the rationalist approach. The next section examines three different perspectives of strategic management more closely.

### *Three Approaches in Strategic Management*

Over the years, strategic management has developed into several schools of thoughts. Among them, three schools have emerged as influential paradigms to interpret the way managers and organizations deal with their business; they are characterized as rationalist, evolutionary, and processual. These three schools have different ways of understanding organizations. The rationalistic approach uses mechanical metaphors for an organization, whereas the evolutionists consider an organization as ecology. From the processual perspective, an organization is a living organism (Van der Heijden, 1996).



### *Rational Approach*

Rationalists, such as Porter (1980, 1985), attempt to find the optimal strategy that separates thought and action. From the simplest and most fundamental point of view, this approach is based on the assumption that there exists one best solution and the task is to find it (Van der Heijden, 1996). The purpose of strategy is to get as close as possible to the best one that optimizes the use of resources. The strategist is responsible for creating the “grand strategy” (Mintzberg, 1990, p. 172) within the limit of available resources, but the perspective itself is not important; if there is only one right answer, anyone with appropriate resources will be able to find it. In the words of this school’s best-known advocates: “Economic strategy will be seen as the match between qualification and opportunity that positions a firm in its environment” (Christensen, Andrews, Bower, Hamermesh, & Porter, 1982, p. 164).

Rationalists believe strategy begins with the definition and purpose of an organization, or the mission, because the task of the strategists is to derive strategic objectives based on the mission and ultimately achieve those objectives. As Mintzberg (1990) pointed out, the goal of this approach is finding out what is best to match what the world wants and needs in order to capture success. Concepts such as distinctive competence, competitive advantage, or strengths and weaknesses are examples of key words (p. 172). Assumptions of this rational school include predictability, clear intentions, implementation based on formulation, full understanding throughout the organization, and reasonable behaviors and thinking from reasonable people (Schoemaker, 1995, pp. 23-24).

Until the 1960s, planning for the future was mostly based on prediction and control; this principle works well if the questions for the future are clearly defined. Many people believed that there would be experts who were able to predict what would happen and give their opinions. Although those people were aware of considerable uncertainty that still existed in the future, they thought the experts' predictions and forecasts could get as close as possible to what would be really happening. Forecasts assume that the past can be expanded into the future; in other words, forecasters assume managers in planning know what they need to do. They often use a statistical extrapolation of variables or simulation models assuming that the future lies in a relatively stable environment or one similar to the present.

However, as Wack (1985a, 1985b) pointed out, even large, well-run companies are in danger of strategic failure during a time of rapid changes. Crises change the whole, well-predicted picture of the future; organizations that are unable to see an evolving reality are limited in obsolete assumptions. The organizations with narrow focus and little flexibility decline (D. Miller, 1993). Consequently, some management scholars observed major failures and weaknesses of this approach and have given alternative views on strategy.

### *Evolutionary Approach*

Evolutionalists believe that strategies emerge within certain environments and can only be comprehended retrospectively. The scholars in the evolutionary school, such as Lindblom (1959) and Mintzberg and Waters (1985), emphasize the complicated nature of organizational behavior, beyond the domains of rational thinking. They maintain that decision making is not always a rational process; rather, as Lindblom observed, managers

often avoid facing difficult situations or constraints. Moreover, different people move away from different constraints, which makes organizational decision-making “polycentric” (van der Heijden, 1996, p. 33); managers in organizations often find they have multiple strategies, which accompany continuous changes. From this perspective, strategy is a viewpoint on developing behavior; therefore, whether a strategy is good or bad can only be evaluated in retrospect.

Mintzberg (1994), one of the leaders of this school, defined strategic as "an adjective to mean relatively consequential" (p. 27). He stressed the process of strategic management more than the certain plans that develop from the process. In a similar context, planning is defined as a “formalized procedure to produce articulated result, in the form of an integrated system of decisions” (p. 31). Consequently, high value is placed on consensus-seeking behavior. He also created the term “emergent strategy” as opposed to the conventional concept of strategy. When people talk about strategy, the strategy is usually based on what happened in the past or patterns recognized from a series of previous events. In addition, he pointed out that most managers do not believe in the grand strategy that solves every problem. They recognize considerable randomness in decision making; Lindblom (1959) also observed ambivalent attitudes rampant among managers.

In sum, evolutionists advocate that managers can improve the chances of success by thinking through the situation. They maintain that developing an optimal strategy is illusionary. As Mintzberg (1994) suggested, managers and organizations are learning this, which results in the fall of strategic planning because of its “pitfalls” and “fallacies” (p. 33).

### *Processual Approach*

In between these two perspectives are processualists, who believe that managers need to pay more attention to the “strategy process”; because of uncertainty in the environment, the key to success was changed from the “optimal strategy” to the “most skillful strategy process” (van der Heijden, 1996, p. viii). According to van der Heijden, this approach starts from the idea that organizational success cannot be codified but entails creative ideas from the people involved. Therefore, an organization’s most precious resource is the brain power of its employees and their networking skills. Processualists suggest that managers or strategists can create processes in organizations that make strategies more flexible and adaptable through learning, although the managers cannot obtain optimal strategies through rational thinking only. Strategists with this perspective look at evolution as a key to the “survival of ideas” (p. 36), not the actual organization’s survival. Thus, they get interested in how organizational process works, which develops into the processual paradigm (Weick, 1990). Rationalists and evolutionists pay less attention to what happens inside organizations; they need not look at the inside because there is only one right solution or even no answer. The strategy process, or strategic conversation, has a formal part designed by the managers and an informal part based on casual conversation regarding the future, which sometimes emerges unexpectedly in organizations (van der Heijden, 1996).

In this study, I approach scenario building from a processual perspective. High velocity in the environment makes one fine, rational strategy for the future lose its value. Rather, the complicated nature of the environment around an organization requires continuous learning and an adapting process inside the organization. The role of public

relations, which will be reviewed closely in a later part of the chapter, is critical in this process as public relations practitioners monitor the environment and bring in external information. It facilitates continuous conversations among the people inside so that they can develop strategies based on an understanding of environmental changes.

### *Strategic Conversation*

Uncertainty exists not only in the organization's external environment, but also within the organization. Although rationalists assume that people in an organization are reasonable and have clear understanding of their goal and strategy, no manager can be completely assured these issues; the institutional aspects of organizational behavior are vague (Mintzberg, 1994). van del Heijden (1996) pointed out that this would be where processual thinking and organizational learning are needed.

According to van del Heijden (1996), conversation is a critical part of the institutional aspects of the processual paradigm. According to him, institutional action is based on thinking, or a "shared mental model" (p. 41), which results from a process of conversation. Strategic conversation is shaped by the way people in the organization see the world; they share a common language and influence each other over time. Therefore, an effective strategic conversation occurs in the organization when the people maintain balances among different perspectives, understand weak signals in the environment, and share conclusions. He argued that any observation, thought, and experience obtained in the environment could be organized and implanted in the organization "only through conversation" (p. 42).

Schwartz (1991) pointed out that most organizations do not get involved in strategic conversations because of the following two reasons. First, managers in many

organizations are not familiar with the notion of having informal conversations for formal processes, such as strategy-generating purposes. Second, management hardly recognizes the need for change. Even until the 1990s, managers tended to have a narrow focus, such as costs and the return on investment.

There also are several reasons organizations do not think about the future but only consider the status quo (van der Heijden, Bradfield, Burt, Cairn, & Wright, 2002). To some extent, individuals are responsible for the failure as they make decisions that have flaws; individual managers tend to follow their habitual thought process and pursue the routines without challenges or changes, which is called “recipe following” (p. 70). Sometimes individuals have biases on issues and narrow frames of thinking. Consequently, they are unable to have diverse opinions or viewpoints that play “devil’s advocate” (p. 61).

Organizations also have many flaws in their thinking. Groupthink, the control of ideas by the group, is often pointed out as one of the major flaws for group decision-making processes. Management teams consisting of people with homogenous backgrounds tend to seek consensus and discourage dissenting voices whether they are critical or not. Consequently, they fail to closely explore the risks of existing strategies or to generate contingency plans (van der Heijden et al., 2002). Organizational identity rooted in the past also limits organizations’ ability to balance change and constancy; organizations avoid changes that threaten their tradition and identity.

Now that I have reviewed the theoretical background of strategic management, I move in the next section to examine the concept of public relations as part of strategic

management. The section first reviews the definition and theories of public relations in general and then narrows its focus to specific concepts that are most relevant to this study.

### Public Relations: Strategic Communication

Although public relations has been defined in many ways, the most useful definitions value the management function of public relations. For example, J. Grunig and Hunt (1984) defined public relations as “the management of communication between an organization and its publics” (p. 7). Cutlip, Center, and Broom (1994) said it was “the management function that establishes and maintains mutually beneficial relationships between an organization and the publics on whom its success or failure depends” (p. 1). In this study, I adopt this managerial approach<sup>6</sup> of public relations as a fundamental framework for building scenarios from a public relations perspective. In particular, this study defines public relations based on J. Grunig and Hunt’s definition.

### *Public Relations and the Excellence Study*

The management approach of public relations originally was based on the systems perspective. The systems theory sees an organization as a living organism. A system is a set of interdependent units that exchange resources and information with its environment for survival. The theory emphasizes how organizations interact with and adapt to their external environment or how the systems do it with their subsystems; public relations is one of the subsystems that make up a system. From this perspective, public relations

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<sup>6</sup> Whereas various perspectives and approaches exist in public relations, a review of the public relations body of knowledge reveals that three major approaches in the discipline: rhetorical, marketing-oriented, and management. Scholars with the rhetorical perspective consider an organization as a rhetor that advocates the position of the organization. Public relations people engage in dialogues in the market place and help parties form opinions and negotiate (Heath, 1992, 2001; Toth & Heath, 1992). The marketing-oriented, or integrated marketing communication (IMC), approach considers public relations as one of sub-functions of marketing to enhance sales. The management approach views that the goal of public relations is to make an organization more effective by helping management make strategic decisions.

maintains the balance between the organization and its environment through communication in an open system. Management counts on public relations practitioners' environmental monitoring scanning activities (L. Grunig et al., 2002).

This approach was well developed in a study called the "Excellence project" (J. Grunig, 1992). A team of public relations researchers conducted extensive research on communication management with an attempt to find answers for the question, "how, why, and to what extent communication affects the achievement of organizational objectives" (L. Grunig et al., 2002, p. ix). Through a thorough review of the literature from the field that were related to the public relations disciplines, such as management, sociology, psychology, marketing, and communication, they identified characteristics of public relations programs that helped public relations departments contribute to organizational effectiveness. A discussion of excellent public relations requires understanding the concept of excellence as well as effectiveness, which will be reviewed below.

#### *Organizational Effectiveness and Excellence*

In the Excellence study, L. Grunig, J. Grunig, and Ehling (1992) defined effectiveness by using the three concepts of autonomy, interdependence, and relationships. Organizations continuously struggle to achieve autonomy because they want to pursue their goals, or mission, with the least obstruction from outside. They are "involved in a constant struggle for autonomy and discretion, confronted with constraint and external control" (Pfeffer & Salancik, 1978, p. 257). Outside interferences--such as government regulations, litigation, and pressure from activist groups--often cost money for organizations.



However, organizations cannot disregard the outside world or control outside groups because they face the reality of interdependence with other organizations and groups. Instead, organizations adjust to, cooperate with, or interact with groups that may restrict their autonomy. Scarcity of resources, an increasing heterogeneity in society, and a growing emphasis on corporate social responsibility are some of the reasons that make organizations political. Meanwhile, the reality of interdependence reminds organizations of the need for relationships with outside stakeholders. Although relationships may limit autonomy, organizations can manage interdependence through relationship building. Good relationships benefit organizations because they allow more freedom for the organizations. Through its boundary-spanning role, public relations helps organizations to manage their relationships with groups in the environment and, consequently, contributes to organizational effectiveness (L. Grunig et al., 1992).

Robbins (1990) identified four approaches to explain organizational effectiveness: Goal-attainment, systems, strategic-constituencies, and competing-values. The goal-attainment approach is probably the most conventional approach to understanding organizational effectiveness. According to this perspective, organizations are effective when they accomplish the goals that they set. For example, companies strive to maximize profit or increase market shares based on specific, measurable goals. Robbins maintained that this approach might be “most explicit in management by objectives” (p. 54). However, this approach has weaknesses because, among other problems, different functions within an organization may have conflicting goals.

From the strategic-constituencies approach, an effective organization “satisfies the demands of those constituencies in its environment from whom it requires support for

its continued existence” (Robbins, 1990, p. 62). Based on systems theory, it gives meaning to the concept of environment by identifying the strategic constituencies that are vital for the survival and success of organizations. Strategic constituencies are groups of people in the environment whose opposition or support can endanger the organization's goals and survival or help to attain them.

The competing-values approach provides a bridge between strategic constituencies and goals. Robbins (1990) stated that an effective organization integrates the values of its strategic constituencies into its goals so that the organization accomplishes the goals that are most valuable both to itself and its constituencies. He maintained that this approach would be useful for an organization going through changes or having a unclear mission. The effectiveness of an organization is subject to the values of the person who evaluates it.

The systems approach is based on systems theory: The organization as a whole is made up of subsystems such as sub-parts or functions. The theory provides a good framework to understand the concept of relationship building in public relations. Organizations attempt to build good relationships with publics within and outside the system. This approach emphasizes the boundary between organizations and their environment or between subsystems within a system (L. Grunig et al., 1992). If any one subsystem works badly, it influences the operation of the whole system. Therefore, as Robbins (1990) asserted, organizations are effective when they survive in their environment and bring in resources necessary for their survival.

J. Grunig and L. Grunig (2000b) argued that incorporating the competing values of strategic constituencies into selected goals would be the most logical way to achieve

organizational effectiveness. Based on the theory, organizations should develop missions that correspond to the threats and opportunities in the environment. Furthermore, the role of public relations in organizational effectiveness becomes clearer—a communication function that provides information about the external environment for the people inside the organization.

### *Excellence Principles*

Based on the Excellence study, the researchers identified characteristics of excellent public relations programs, an “excellence factor” (L. Grunig et al., 2002, p. 56), and confirmed their theory of excellent public relations. Vercic, L. Grunig, and J. Grunig (1996) combined these characteristics and generated normative, generic principles of excellent public relations as follows:

- 1) Involvement of public relations in strategic management;
- 2) Empowerment of public relations in the dominant coalition or a direct reporting relationship to senior management;
- 3) Single or integrated public relations department;
- 4) Public relations as a management function separate from other functions;
- 5) The strategic and managerial role of the senior public relations practitioner;
- 6) Two-way symmetrical model of public relations;
- 7) Symmetrical system of internal communication;
- 8) Department with knowledge potential for the managerial role and symmetrical public relations;
- 9) Diversity embodied in all roles;
- 10) Ethics and social responsibility (pp. 37-40).

L. Grunig et al. (2002) argued that the Excellence theory could be summarized by the following five key words: managerial, strategic, symmetrical, diverse, and ethical (p. 306). According to the study, excellent public relations departments are two-way and symmetric in interacting with publics. They try to balance the interests of their organizations with those of publics. Excellent public relations departments also play a role of ethics counselor to management with knowledge and professionalism. The researchers also found that excellent public relations makes an organization effective when communication programs are managed strategically. Effective communication programs help an organization build good relationships with strategic publics. To further understand the theory of excellent public relations, I turn to specific concepts that are relevant to my study.

#### *Models of Public Relations*

J. Grunig and Hunt (1984) described four models of public relations based on the historical development of the practice in the United States: press agency/publicity, public information, two-way asymmetrical, and two-way symmetrical. These four models help explain the typical role and function of contemporary public relations. The models have been reviewed in several studies (Deatherage, & Hazleton, 1998; J. Grunig & L. Grunig, 1989; J. Grunig, L. Grunig, Sriramesh, Huang, & Lyra, 1995; Kim & Hon, 1998).

The press agency/publicity model and the public information model are one-way models. In the press agency/publicity model, public relations focuses on publicity and seeks media attention in any way possible with propagandistic messages and information. Practitioners who use this model often spread partial, distorted information. In the public information model, the purpose of public relations activities is dissemination of truthful

and accurate information regarding an organization. The public relations practitioners in this model are “journalists-in-residence” (J. Grunig & Hunt, 1984, p. 35) who distribute accurate, but usually favorable, information about their organizations.

The two-way asymmetrical model uses persuasion; public relations practitioners employ scientific research to generate messages to persuade publics to change their opinions and to obtain their support in the ways that the organization wished without changing the organization’s own behavior. The two-way symmetrical model seeks mutual understanding between an organization and its publics. In this model, public relations practitioners use research and dialogue to generate symbiotic changes for both an organization and its publics. Negotiation, bargaining, and conflict-resolution are some of the strategies that are used to obtain understanding and to change behaviors of both the publics and the organization (J. Grunig & Hunt, 1984; J. Grunig, 2001).

J. Grunig and L. Grunig (1992) adopted Murphy’s (1991) idea of mixed-motive model in explaining the two-way symmetrical model of public relations. Practitioners of the two-way symmetrical model have mixed motives; they are not entirely altruistic but also want to defend the interest of the organizations they work for. They sometimes use strategies such as collaboration with publics or symmetrical media use. Therefore, the authors maintained that the two-way symmetrical model was a key element of excellence in public relations and communication management.

In their recent book, Dozier, L. Grunig, and J. Grunig (1995) introduced a new model of excellent, two-way public relations. The new model combines the two-way symmetrical model and the two-way asymmetrical model and describes them as part of a continuum. At the end of the continuum is a communication strategy that advocates the

position of either the public or the organization. These two separate entities engage in mixed-motive communication within the “win-win zone” (p. 48), which is the middle of the continuum. Consequently, asymmetrical communication can be used to persuade publics at one end, but it can be used to influence the position of the organization’s dominant coalition at the other end depending on the situation. In this model, according to J. Grunig and L. Grunig (1996), both the organization and its publics benefit because both sides pursue their own interests. Organizations and publics try to find a middle area between desired outcomes of each side that satisfies both parties. Meanwhile, to some extent, public relations practitioners in the two-way symmetrical model treat the

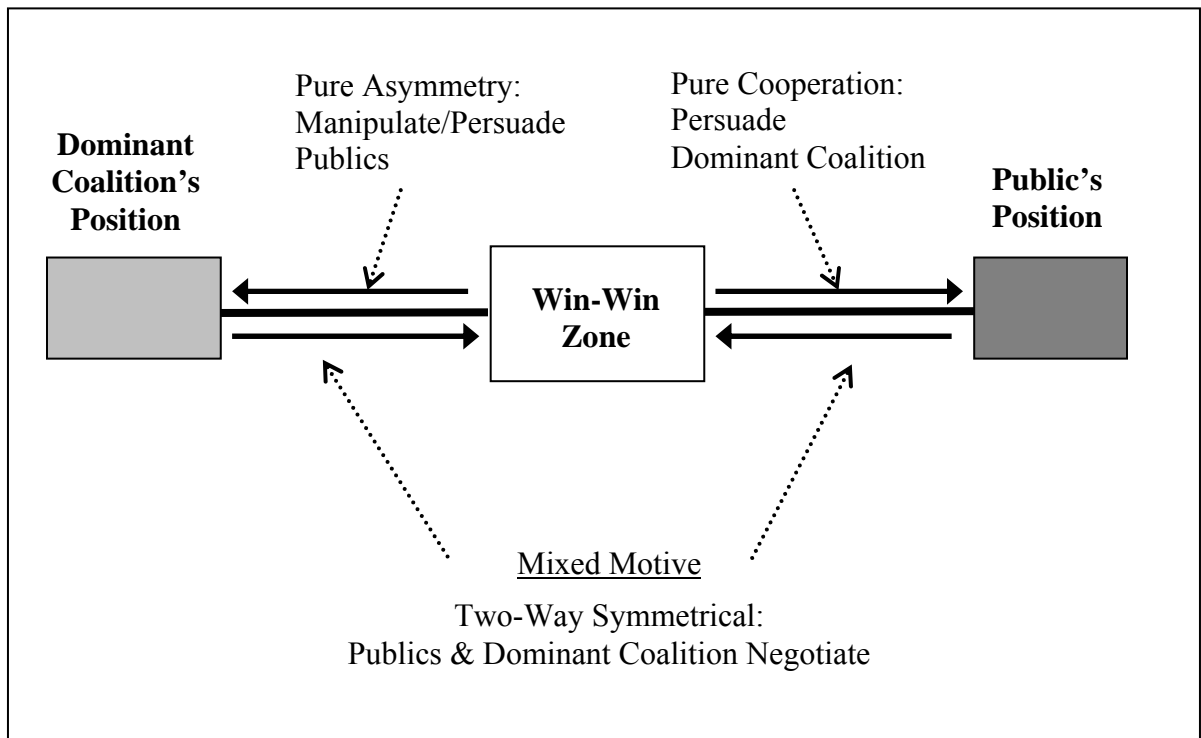


Figure 1. *New Model of Symmetry and Two-Way Communication*  
 From L.Grunig, J. Grunig, & Dozier (2002, p. 357).

organization's dominant coalition as one of the publics to influence through their communication programs (J. Grunig, 2001).

J. Grunig and L. Grunig (J. Grunig, 1989, 2001; J. Grunig & L. Grunig, 1992, 1996; L. Grunig, J. Grunig, & Dozier, 2002) maintained that the two-way symmetrical model is the most effective as well as the most ethical framework for public relations. Symmetrical practices are concerned about how organizations should behave in society and allow public relations practitioners to deal with the interests of both their clients and the publics. They increase the contribution of public relations to organizational effectiveness by helping organizations adjust their behaviors to meet the publics' expectations. Organizations understand and manage conflict through negotiation, compromise, or bargaining. They decrease conflict without giving up their own interests, while public relations practitioners help the publics to understand the organization in the same way. Asymmetrical public relations, although it can be ethical, is more often unethical because it tends to manipulate publics and only looks for the organization's interests. When using the asymmetrical model, organizations often fail to disclose the truth but only try to change publics' behavior. Consequently, J. Grunig (2001) argued that two-way symmetrical public relations was most appropriate for achieving beneficial and harmonious relationships. Public relations would function as a corrective force for an organization by helping the organization adapt to the environment and the publics' expectations.

#### *Role of Public Relations*

Roles are constructions of behavior patterns of individuals in organizations and direct actions of individuals, which engenders repetitive predictable activities (Katz &

Kahn, 1978). Roles are organizations' expectation of individuals that structure organizations. According to Dozier (1992), practitioner roles are a "key to understanding the function of public relations and organizational communication" (p. 327).

The organizational role of communicators is one of the concepts that have been studied in public relations since the 1980s (L. Grunig et al., 2002). Although many of those role studies focused on the issue gender and professional experience (Broom, 1982; L. Grunig, Toth, & Hon, 2001; Serini, Toth, Wright, & Emig, 1997; Toth & L. Grunig, 1993), the research on role enactment provides useful information to examine public relations practitioners' roles in this study. More specifically, research on communicators' use of research in scanning the environment and evaluating the effectiveness of public relations programs helps explain how the public relations function contributes to strategic management and decision making, strategic planning, and issues management (L. Grunig et al., 2002).

Broom (1982; Broom & Smith, 1979) conducted several roles studies in communication and public relations in his seminal works. Based on a set of 24 self-reported measures of role activities, Broom and Smith conceptualized four roles of practitioners: expert prescriber, communication facilitator, problem-solving process facilitator, and communication technician. As expert prescribers, public relations practitioners are regarded as the best qualified and informed experts on public relations. Like the doctor-patient relationship, practitioners prescribe and management passively obeys. The communication facilitator role places practitioners between management and publics as they ease information flow. Problem-solving process facilitators help management to solve organizational communication and relations problems in



symmetrical ways. Finally, practitioners provide technical services as communication technicians; they offer communication services mandated from the dominant coalition. J. Grunig and Hunt (1984) pointed out that this role is mainly played in organizations where the press agency/publicity and public information models are practiced (pp. 21-22).

Dozier and his colleagues (1995) analyzed the role of top public relations practitioners in two categories: technical role and manager role. The role of top communicators is important to achieve communication excellence because the communication department is linked to the dominant coalition and the organization through these people.

Technicians do not contribute to strategic planning or decision-making. Instead, they mostly provide technical services, such as writing releases, articles, and speeches; producing materials such as publications and audio/visuals; and coordinating conferences or arranging events. According to the authors, technician role expertise, or “knowledge of traditional communicator craft” (p. 55), helps excellent departments function and is essential for even the most strategically managed department. However, traditional craft is not enough to obtain excellence in public relations; it is only concerned with the implementation aspect of communication programs and lacks a sense of strategy and goals. Communicators also play the media relations role as journalists-in-residence. They contact media, place releases, and use their journalistic skills to maximize media exposure of their organization.

The manager role, on the other hand, includes research, scanning, planning, and evaluation. Communication managers decide communication policies, take responsibility for their programs, and provide their expertise in public relations problem-solving

(Dozier et al., 1995, p. 108). They participate in the strategic decision-making process with formal power and earn a seat at the decision-making table. At the same time, top managers of communication departments play the role of senior advisor, which involves informal authority. As a senior advisor, the top communicator influences the dominant coalition's decision making through suggestions and recommendations. He or she is often a mediator between the organization and its publics. Hence, the authors argued that a top communicator who played either role, the manager or the senior advisor, would contribute to communication excellence.

L. Grunig et al. (2002) reiterated that the distinction between the manager and technician role of a senior communicator helps distinguish excellent from less-excellent public relations departments. Those in managerial roles possess managerial expertise, such as research and scanning, and are more involved in decision-making processes. They also act as boundary spanners, or the eyes and ears of their organizations, which is based on the understanding and use of "program research" (p. 209). Through program research, communicators gather and analyze information to scan the organizations' environment and evaluate the effectiveness of their programs.

Among manager expertise factors, L. Grunig et al. (2002) separated administrative manager expertise from strategic manager expertise. Administrative managers direct a department's day-to-day operations, such as developing goals and objectives for the department and managing the departmental budget and people. On the other hand, strategic expertise is closely related to the use of two-way models and contributes to the strategic management of the organization. Strategic managers use

extensive research to perform evaluation, to segment publics, and to conduct environmental scanning (p. 229).

### *Strategic Management of Public Relations*

Strategic public relations has become a popular concept among public relations practitioners (J. Grunig & L. Grunig, 2000a). Although the concept does not have an explicit definition, most discussions of "strategic" public relations refer to the plans, objectives, and evaluation of public relations programs that should be within the frame of organizational objectives (J. Grunig & Repper, 1992). From the strategic management perspective, effective public relations must be part of strategic management at the organizational level, while it manages its own programs strategically. It seeks to balance internal activities with strategies that deal with the external environment to achieve an organization's mission and goals. Public relations contributes to organizational effectiveness as part of strategic management; it develops good relationships with stakeholders that can constrain or help the organization achieve its mission.

Some public relations scholars have pointed out that the role of public relations is not well recognized in strategic management. For example, J. Grunig and L. Grunig (2000b) maintained that only a few of these scholars have recognized or described the role of public relations, although writers on strategic management have discussed the environment and list important components. The authors argued that public relations plays a critical role in strategic management by helping the organization to identify the most important components of the environment and building good relationships with them through communication. In so doing, an organization can become effective and competitive. The organization manages the interdependencies with its strategic

constituencies that support or constrain it (J. Grunig & L. Grunig, 2000b; L. Grunig, J. Grunig, & Dozier, 2002; Vercic & J. Grunig, 2000).

Environment is a critical concept in explaining the importance of strategic public relations. Organizations struggle for autonomy in accomplishing their mission and goals; however, because of the interdependency with external factors for resources or information, they have to have good relationships with external groups that might constrain their growth or survival and minimize constraints.

### *Boundary Spanner*

One of the most important functions of public relations is bringing information and opinions from outside as eyes and ears of the organization. White and Dozier (1992) defined boundary spanners as individuals within an organization who frequently interact with the organization's environment and who collect and bring in information from the outside to the dominant coalition's decision-making process. As boundary spanners of an organization, public relations practitioners play a critical role by bringing an outside perspective into the decision-making process and help the organization choose goals that are appropriate for the environment and strategic publics. Public relations contributes to strategic decision-making by monitoring the external environment and helping management understand it. Moreover, the value of public relations will be more appreciated if it helps managers identify uncertainties in the future and be prepared (White & Dozier, 1992). Lauzen (1994) maintained that public relations managers' boundary-spanning activities help them contribute to issues management.

White and Dozier (1992) argued that such decisions involve organizations' adequate understanding of the environment in order to take action. At this stage,

organizations construct new meanings about themselves and their environment considering outside points of view; undoubtedly boundary spanners, such as communicators, play a critical role. Furthermore, according to J. Grunig and L. Grunig (2000b), public relations facilitates relationship building with strategic constituencies and eventually saves money for organizations by preventing bad relationships that might result in costs or revenue loss. The authors defined strategic public relations as a managerial function rather than communication tactics that technicians provide.

As a boundary-spanning function, public relations connects an organization with its external environment and helps management understand and solve problems. Simultaneously, it contributes to the effectiveness of the organization's management by focusing on organizational goals and mission (J. Grunig & L. Grunig, 2000b). To maximize its contribution to organizational effectiveness, public relations must be involved in the strategic management of the organization, which in turn will allow public relations to understand organizational direction. Public relations also needs to be strategic in managing its own programs (J. Grunig & Repper, 1992).

Based on Knights' (1992) "transformation of subjectivity" (p. 523), J. Grunig and L. Grunig (2000b) maintained that the value of public relations becomes more obvious when they reviewed general strategic management theories. Knights and Morgan (1991) and Knights (1992) approached strategic management from a postmodern perspective. Knights and Morgan regarded strategic management as a subjective process in which the participants from various management sub-disciplines, such as accounting, law, marketing, human resources, and public relations, reflect their identities. Thus, public

relations can find its niche in strategic management and demonstrate its unique values and contribution to management processes.

More specifically, public relations brings the problems of publics existing outside the organization into decision making. This benefits the organization because managers, or members of the dominant coalition, often do not see the organization's environment with an objective viewpoint (L. Grunig, J. Grunig, & Dozier, 2002). Weick (1979) maintained that managers enact their environment; they define and view the environment within the scope of their perception. Consequently, functions or departments that monitor the environment must assist their organizations in enacting the strategic aspects of the environment. Public relations can contribute to strategic management by helping managers and the organization enact the environment, which managers from other functions, such as finance, marketing, and operations, may not be aware of. It can also help strategic decision-makers understand who are the publics that have consequence to the organizations.

#### *Model of Strategic Management of Public Relations*

Based on all these concepts and theories, J. Grunig and Repper (1992) developed a model of strategic management in public relations. The model integrates the role of public relations in strategic management, both in the overall strategic management of the organization and in the management of public relations itself. That is, public relations plays an important role in the process of an organization's strategic management by identifying stakeholders, publics, and issues around the consequences the organization may have. The need to monitor the organization's external environment and continuously adjust its mission is emphasized. At the same time, the public relations department and its

programs should be strategic at the functional level; the programs should target strategic publics and be planned, implemented, and evaluated.

The model consists of three major steps: the stakeholder stage, public stage, and issues stage. At the stakeholder stage, an organization has a relationship with stakeholders; and the behavior of the organization and the stakeholder influences each other. At this point, public relations conducts formative research and scans the environment to identify the consequences of the organization's decisions and the decisions of the publics. The organization can benefit from ongoing communication with the stakeholders in building a good, long-term relationship and in managing possible conflicts with them.

As stakeholders become aware of one or more of the consequences of the organization's behavior as a problem and organize to do something about them, the model moves to the next step, which is the public stage. At this stage, the goal of public relations research is to identify and segment these publics. J. Grunig and Repper (1992) recommended focus groups as a helpful research method. The organization should involve publics in the decision-making process through communication in order to manage conflict; otherwise, the organization typically developed communication campaigns to persuade publics that its decisions are good. They also recommended using J. Grunig's (1984, 1997) situational theory of publics to identify and segment publics. The detail of the theory will be examined later in chapter.

At the next stage, publics organize and generate issues. The role of public relations at this issue stage is to anticipate the issues and help the organization manage its response to them. This process is also called "issues management" (J. Grunig & Repper,

1992, p. 147). More of issues management is reviewed in a later part of this chapter. As issues develop, media play a major role in their creation and expansion. Specifically, media coverage of issues may create hot-issue publics who are not as active as activist publics. Public relations can use research particularly in segmenting publics. According to J. Grunig and Repper (1992), communication programs at this stage frequently use the mass media; but they also need to use interpersonal communication with activist publics in order to resolve the issue through dialogue and negotiation.

J. Grunig and Repper (1992) maintained that public relations should design communication programs for different stakeholders or publics at each of the three stages. They also stated that public relations should continue to develop formal objectives, to plan formal programs and campaigns to achieve those objectives, to implement the programs, and evaluate the effectiveness of programs. When public relations practitioners participate in this strategic management process, their major role, according to L. Grunig et al. (2002), is to scan the organization's environment and stakeholders and to identify potential publics among them. Next, then, I will review the concepts related to specific functions of public relations, beginning with environmental scanning.

The model was improved in a recent publication (L. Grunig et al., 2002), which reiterated the conceptual role of public relations in strategic management. This new model helps explain the connection among management decisions, stakeholders and publics, issues, and relationship outcomes. As seen from the Figure 1, they are all interdependent. The organization's strategic decision-makers must work with publics because of the consequences their decisions may have on publics. The organization seeks



to build good relationships with publics when it executes decisions and pursues goals; publics need a relationship with the organization because of its consequences on them.

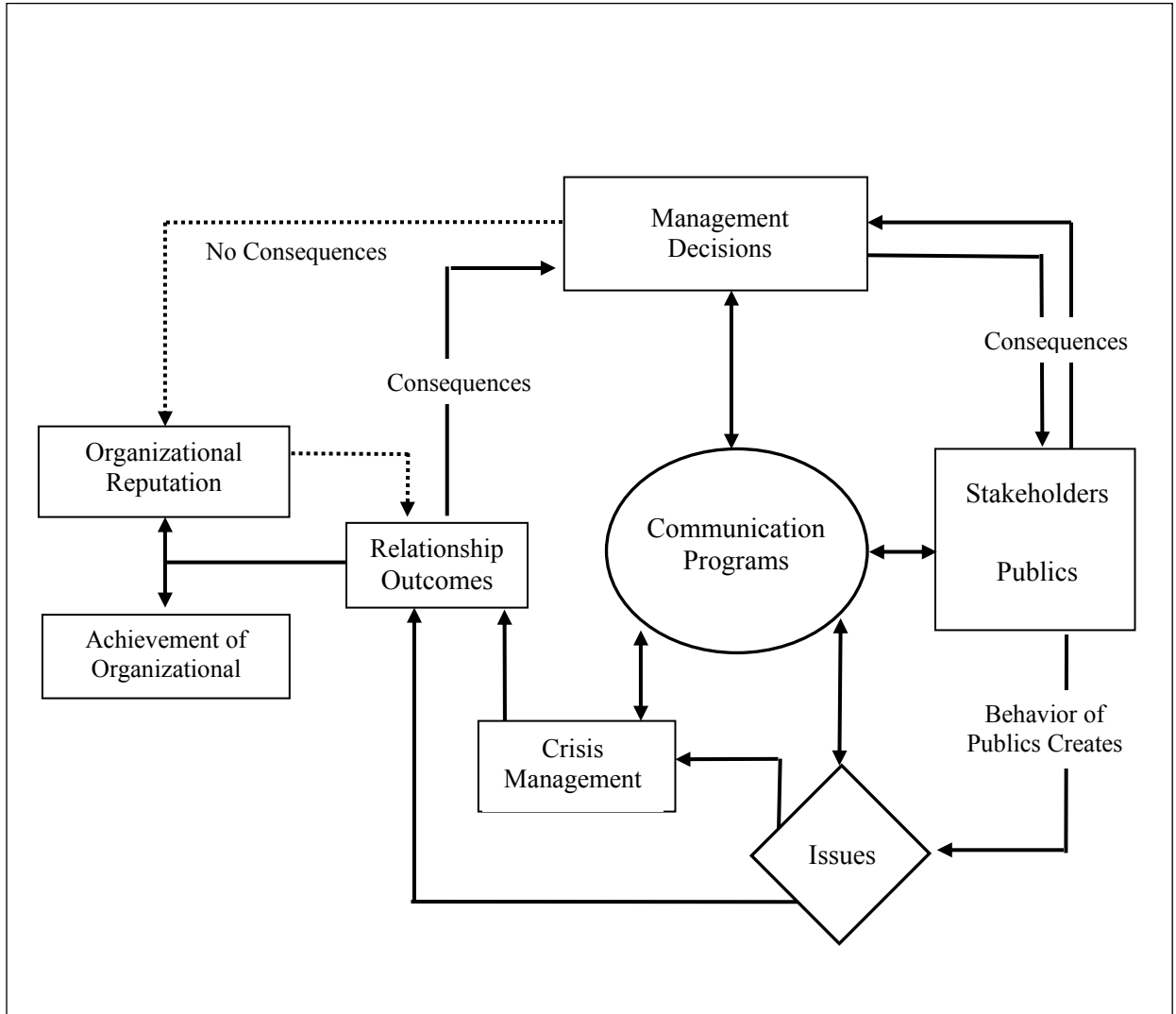


Figure 2. *Model of Strategic Management of Public Relations* from L. Grunig, J. Grunig, & Dozier (2002, p. 145).

### *Environmental Scanning*

Organizations are vulnerable to various factors in the environment, and they need to be sensitive to issues around them. Environmental scanning is an important activity that helps organizations identify issues occurring around them. Environmental scanning is “a methodology for coping with external competitive, social, economic and technical issues that may be difficult to observe or diagnose but that cannot be ignored and will not go away” (Stoffels, 1994, p. 1). This information gathering and processing activity helps an organization respond to the voices and movements outside of it. Dozier and Ehling (1992) defined it as a way to “remain sensitive to what’s going on out there” (p. 176) and to detect environmental turbulence or changes that could affect a system.

Environmental scanning involves seeking signals of changes in the environment. Organizations can anticipate the speed and time of the expected changes by identifying possible consequences and selecting events (Georgantzias & Acar, 1995). The term was first created by Aguilar (1967) and has been used by management scholars mostly referring to corporations’ competitive, economic, and technical environment. He described environmental scanning as the process in which organizations look for information about events and relationships in the environment; the knowledge of environment can help management map the organization’s future. However, the social environment, with which public relations is closely concerned, was often left out of consideration (J. Grunig & L. Grunig, 2000a).

Stoffels (1994) asserted that conditions such as external turbulence, observable signals, distinguishable consequences, plausible anticipation, and commitment to adaptation require environmental scanning. He also maintained that uncertainties in the

environment influence an organization in various ways. The organization should pay attention to the issues at every stage of their development, from emergence to dissipation. Furthermore, environmental scanning allows managers to detect topics and problems before issues evolve into crises and to monitor them when they initially arise. Methods of environmental scanning allow organizations to identify publics they need to communicate with.

Environmental scanning is significant because it is not an end of a process, but rather the beginning of preparation for possible situations. It looks for emerging issues and identifies them from outside perspectives. Furthermore, by identifying emerging topics and situations as well as publics of an organization, environmental scanning allows the organization to make optimal decisions. For public relations practitioners, this informal information-gathering is important because it provides them with a chance to participate in management decision-making. Therefore, by gathering and processing information about the environment and strategic constituencies through formal and informal scanning activities, public relations can contribute to strategic decision-making (Lauzen, 1997; White & Dozier, 1992). Lauzen (1995) maintained that organizational survival depends on the organization's ability to "monitor, interpret, and respond to the myriad issues that both threaten and enhance survival and growth" (p. 187). In several studies on the environmental scanning function of public relations and strategic management, Lauzen (1995a, 1995b, 1997) maintained that the activity helped organizations learn and understand the environment and contributed to organizational effectiveness.

Stoffels (1994) suggested a three-stage process of environmental scanning: Gathering inputs and generating information, synthesizing and evaluating emerging issues, and communicating environmental insights. As a premise for the scanning process, he pointed out that those who conduct scanning must have a basic knowledge of the organization's industry and the environment.

#### *Environmental Scanning in Public Relations*

Unfortunately, environmental scanning is not widely conducted in public relations. In a Delphi study of senior public relations managers in U.S. corporations, Chang (2000) found that only a few of participating organizations had an advanced environmental scanning system in their public relations departments. She also found that most participants were unconvinced about their public relations practitioners' ability to conduct environmental scanning; some of them were not even aware of the concept of environmental scanning.

J. Grunig and Repper (1992) maintained that excellent public relations is incorporated into the concept of strategic management by using environmental scanning. It puts emphasis on "monitoring the external environment and altering the organization's mission to it" (p. 120), which requires that public relations play a critical role in the process. J. Grunig and L. Grunig (2000a) pointed out that public relations must make a unique contribution to strategic management that other management units or functions cannot provide. To conduct environmental scanning, public relations professionals need to do formal and informal research. In addition to traditional monitoring of the media and political processes, they should be engaged in early issues identification and detection,

such as cyber scanning, systematic interviews with boundary spanners within the organization, qualitative research on activists, and personal contacts.

Lauzen (1995) examined the formality of environmental scanning in 16 organizations and concluded that organizations with formal environmental scanning systems monitored more issues in the environments for a relatively shorter period of time, compared to organizations with informal systems. She also argued that organizational culture and environmental complexity were influential factors for organizations' scanning efforts, with stronger influence from the former.

Environmental scanning can help an organization identify emerging issues and problems from outside perspectives and respond to them before they evolve into crises. Previous studies show that organizations with formal environmental-scanning systems monitored more issues than organizations with informal systems (Lauzen, 1995). The issues, problems, and attitudes and behaviors of publics detected through environmental scanning may be important driving factors or topics of scenarios, which will be examined in detail later.

### *Issues Management*

Issues management is a method for linking the public relations function and the management function to help an organization understand its internal and external environments and foster a participative organizational culture. Chase (1984) defined issues management as “the capacity to understand, mobilize, coordinate, and direct all strategic and policy planning functions, and all public affairs/public relations skills, toward achievement of one objective: meaningful participation in creation of public policy that affects personal and institutional destiny” (pp. 1- 2). According to Heath

(1997), issues management “supports strategic business planning and management by understanding public policy, by meeting standards of corporate responsibility expected by key stakeholders, and by using two-way communication to foster understanding and minimize conflict” (p. 9).

The concept and function of issues management emerged in the past century as managements of large corporations made a strategic approach to the government, asking for public policies that are beneficial for their organizations (Heath, 1997). According to Heath and Nelson (1986), it was not until the mid-1970s, when Chase (1984) created the term, that “issues management” (p. 12) was recognized as a specialized area in organizations. Since then, organizations with a sophisticated issues management function have monitored issues, improved business strategies and plans, expanded their operations, and communicated in ways intended to build and strengthen relationships with key publics.

Issues management also is the process whereby organizations use information collected by boundary spanners to know and understand organizational environments and to interact effectively with their environments (Wartick & Rude, 1986). Ewing (1987) maintained that issues management would contribute to early intervention of issues development and allow organizations to participate in the issues development process effectively. Organizations without issues management functions often wait passively until they find themselves being able to do nothing about the issues at the end of the process. Issues management also helps organizations gain harmonious relationships with their stakeholders under turbulent environments; therefore, issues managers are responsible for the response to these issues for decision making (Heath, 1997).

Heath (1997) argued that issues management is a comprehensive and integrated process that combines planning, management, and communication. According to him, issues management contributes to strategic management because it helps organizations 1) interconnect public opinions based on the results from systematic issues identification, scanning, monitoring, and analysis; 2) be proactive toward the issues; 3) conduct sufficient experimental and qualitative analysis to solve problems; and 4) institute two-way communication with constituencies collectively with a long-term view. As a part of assessing an organization's environmental-situational position, he suggested that issues managers get involved in stakeholder identification, stakeholder analysis, and the analysis of business-economic trends and forces, as well as public policy trends and forces. Managers also can play the role of facilitators who harmonize an organization's interests with those of its stakeholders. However, to accomplish these tasks, Heath (1997) also pointed out that issues managers need to have executive-level authority and receive budgetary support from organizations. Similarly, Lauzen (1994) maintained that issues management facilitated defining and accomplishing an organization's strategic plan.

#### *Process of Issues Management*

In general, the issues management process consists of issue identification, issue analysis, issue change strategy options, issue action programming, and evaluation of results (Chase, 1984; Jones & Chase, 1979; Lauzen, 1997). The issue identification stage begins with consideration of trends, such as accelerating social, economic, and political changes, which come before issues. Chase (1984) defined an issue as "a unsettled matter that is ready for decision" (p. 38). Because organizations cannot identify every issue simultaneously, they need to identify and sort out the issues with significance to their

current situation. At this stage, managers put initial priorities on emerging issues based on their type, impact, geography, span of control, and salience (p. 41). In other words, this is the process of separating the wheat from the chaff.

After issue identification, the issues that are most important to the organization become the subjects of research in the next step, issue analysis. Managers at this stage determine the origin of the issue and the major sources or forces that influence that issue. Chase (1984) pointed out the need to review the organization's experience in terms of social, economic, and political changes; no problem or issue is isolated from the real world where the organization has existed. Research on internal and external experiences should be based on both qualitative and quantitative methods. In so doing, managers obtain clear ideas of the origins and development of issues. At this stage, managers also need to conduct research on their present situation through various methodologies, such as surveys of opinion leaders, media content analysis, and legislative trend analysis. Based on the combination of the analyses, managers identify the strengths and weaknesses of their organizations on the issue and decide what actions are to be taken.

In the third step, managers select alternatives for basic decisions they made as a response to issues at the previous stage. An issue change strategy option is "a choice among carefully selected methods and plans for achieving long-term corporate goals in the face of public policy issues, a choice based on the expected effect of each method of employment, cost, sales, and profits" (Chase, 1984, p. 56). Organizations often feel uncertain about their management decisions when they face changes in the environment. Consequently, Chase maintained that organizations might develop alternative strategies in three categories--reactive, adaptive, and dynamic.



Through these steps, issues managers identify, monitor, and analyze trends in key publics' opinions. If nothing is done about issues during this process, the issues develop into public policy and regulatory or legislative constraint of corporations. However, the fundamental goal of issues management is not to avoid legislation or regulation; rather, it seeks balance among the interests of all segments of the community so that each group can get satisfied with the proper amount of reward or benefit corresponding to the cost. Issues management requires efforts to attain understanding and increase satisfaction between parties and to negotiate their exchange of stakes.

#### *Issues Management and Public Relations*

As Lauzen and Dozier (1994) stated, issues management is a means for linking the public relations function and the management function to advance the organization's efforts to interact with the factors in the external environment and to maintain a participative organizational culture. They found that outer directed issues management, based on proactive public relations and participative organizational culture, increased public relations' involvement in the dominant coalition.

J. Grunig and Repper (1992) also suggested that issues management is a joint function of a planning department and a department carrying out one or more public relations functions. Public relations managers who help strategic planning through the issues management process may gain access to management, which eventually enables them to contribute to strategic decision-making (Heath, 1997). However, as Renfro (1993) pointed out, although public relations practitioners are increasingly involved in forecasting the future in the planning process, they often find it difficult to connect these

forecasting activities with monetary values, or the bottom line, because of the complexity in measuring its effectiveness.

Lauzen (1997) maintained that the use of two-way public relations is positively related to issues management, based on an examination of the relation among the type of public relations practice, the type of issues management practices, and the outcomes connected with those practices. In her study of the relation between public relations and issues management, Lauzen argued that the knowledge and use of two-way public relations allow managers to gather and analyze information that would influence effectiveness. She added that involvement in issues management would provide public relations practitioners with opportunities to participate in strategic decision-making. Consequently, the involvement in decision making would enhance the excellence of public relations programs.

Issues management links the public relations function and the management function and helps an organization understand the internal and external environments through issues identification and examination. It helps an organization gain harmonious relationships with its stakeholders by using two-way communication to foster understanding and minimize conflict (Lauzen, 1997). Public relations practitioners are increasingly involved in the process of looking at the future through analyzing stakeholders, business-economic trends, and public policy trends. By facilitating this proactive approach toward issues, public relations practitioners can become involved in the strategic decision-making process (Heath, 1997; Renfro, 1993).

Lauzen (1997) examined the relation between the type of public relations practiced, the type of issues management practiced, and the outcomes associated with

these practices. She found that the use of two-way public relations has positive relation to steps in the issues management process: formal environmental scanning and active sense-making strategies. These two steps enable early issues detection along with accurate issue diagnoses. Her research also showed that two-way public relations practices are directly related to early issues detection and accurate diagnoses. According to Lauzen, environmental scanning and issues analysis are the first part of the process wherein managers create organizational responses to environmental forces. After scanning and identification, they detect and diagnose the specific issue. In conclusion, public relations contributes to issue analysis by helping decision makers in organizations understand issues and make strategic decisions. In so doing, organizations respond to issues with appropriate action and communication strategies that allow them to manage relationships with key publics. In another study, Lauzen and Dozier (1994) also found that public relations practitioners who are involved in issues management were strongly and positively related to the dominant coalition's decision making.

#### *The Situational Theory of Publics*

In the discussion of strategic management of public relations, the importance of identifying and segmenting publics was briefly mentioned. This section reviews related theory and examines how it is relevant to this study. I first outline the basic concept and variables of the theory and expand it to the communication strategies for different types of publics and activist publics in particular.

Understanding the concept of a public is crucial in public relations by definition. A public is a group of people who face and recognize a similar problem and organize for action (J. Grunig, 1984). A public is distinguished from the mass; a public is

homogeneous because the members have something in common, such as problems and issues. Public opinion is another important concept in public relations because it is both a cause and effect of an organization's communication activities. Public opinion influences management decisions; public relations professionals detect and identify opinions and communicate them to those who make decisions. At the same time, most public relations programs attempt to influence opinions of publics (J. Grunig, 1997). From an open system perspective, which considers that organizations and publics have consequences on each other, the linkage between an organization and other systems in its environment is critical. Because organizations' behaviors may cause problems or issues that create publics, they always have the possibility of facing publics, which may develop into activist groups that threaten organizational autonomy. Organizations need a public relations function to manage the process of identifying and communicating with publics (J. Grunig & Repper, 1992).

J. Grunig and Repper (1992) maintained that not all people communicate equally with or affect the organization. Organizations need to communicate with those who have the ability to influence the organization's consequences; public relations professionals should develop communication programs for publics, or the segments of stakeholder categories important for an organization. Publics are groups of people with specific and common problems. They begin as disconnected systems of individuals who think about the solutions for those common problems and organize to do something about it; moreover, they may evolve into organized activist groups. This concept of a public is useful for public relations (J. Grunig, 1997).

### *Overview of the Theory*

J. Grunig's (1984, 1997) situational theory of publics provides a useful tool for public relations managers to identify strategic constituencies, or those who may have consequences on the organization, based on their communication behaviors. It helps communication managers understand communication behaviors of publics by measuring how members of publics perceive situations when they are influenced by organizational consequences. The theory conceptualizes the segmentation of a population into publics based on the extent of active and passive communication and the extent of active behavior regarding certain issues.

By identifying strategic publics, an organization can effectively communicate with those who are important to it; on the other hand, sending messages to a mass audience through mass media is a waste of resources and has little effect. After segmenting them into active and passive publics, the managers can define the nature of public relations problems, such as why people communicate and when they are likely to communicate, and possibly select appropriate public relations objectives. Furthermore, it forecasts the differential responses from publics to certain issues important to organizations based on their communication behavior. Hence, public relations contributes to the strategic management of organizations by helping them identify strategic publics and possibly build relationships with them (J. Grunig, 1997; J. Grunig & Hunt, 1984; J. Grunig & L. Grunig, 2000b; J. Grunig & Repper, 1992). Since its early development, the theory has been studied by several scholars from various aspects, such as prediction of different communication behaviors or communication strategies for different types of publics. (J. Grunig, 1983, 1989; J. Grunig & Disbrow, 1982; J. Grunig & Hunt, 1984; J.

Grunig & Ipes, 1983; Major, 1993, 1998). For example, Major (1993) maintained that the theory would be a useful tool for identifying environmental publics and their orientations toward specific environmental concern in differentiating situational publics.

The theory consists of three independent variables that influence how an individual engages in communication behaviors--problem recognition, constraint recognition, and level of involvement-- and two dependent variables--information seeking and processing (J. Grunig, 1997). That is, the independent variables explain why certain publics have active and passive communication behaviors regarding issues and develop cognitions, attitudes, and behaviors related to the decisions of organizations. That is, these variables are situational in that they explain the perceptions that individuals have of specific situations. Information seeking is an active communication behavior, or a deliberate pursuit of information or an attempt to understand a problem or issue when people obtain the information. According to J. Grunig and Hunt (1984), these publics who seek information become aware publics more easily than those who do not communicate or process information. On the other hand, information processing is a passive communication behavior. People who communicate passively do not look for information, but mostly process information that is provided.

Among the three independent variables, problem recognition is the extent to which an individual recognizes that problem or issue is problematic. That is, when people have problem recognition, they detect that something should be done about a situation and stop to think about what to do; people do not stop to think about a situation unless they recognize that something needs to be done to improve the situation (J. Grunig & Hunt, 1984, p. 149). According to J. Grunig (1997), constraint recognition is the extent to

which people perceive that there are obstacles in a situation that restrict their ability to take any action about the situation. The last independent variable, level of involvement, is the extent to which people connect themselves with a situation (p. 10). That is, individuals are more likely to pay attention to an issue or an event with which they are personally involved or have a connection.

Research based on the theory has shown that high problem recognition and low constraint recognition enhance both active information seeking and passive information processing (J. Grunig, 1997). The level of involvement increases information seeking, but it has less effect on information processing. In other words, people seldom seek information about situations that do not involve them; but when they recognize the situation as a problem, they might randomly process information about situations with low involvement. People who communicate actively build more organized cognitions, are more likely to form attitudes about a situation, and more often engage in a behavior to do something about the situation than those who are engaged in passive communication (J. Grunig & Ipes, 1983).

### *Identifying Publics*

According to J. Grunig and Hunt (1984), those who are not engaged in the problem and have no consequences are a nonpublic. They are not involved in the issue in any way. A latent public consists of people who face a similar problem because of an organizational behavior but have not yet detected it as a problem; they have low problem recognition and high constraint recognition. People who recognize the consequence as a problem but recognize constraints are an aware public. Those who organize to discuss and do something about the problem are an active public. They also seek information

actively. In a study about an activist group, J. Grunig (1989) found that members of active publics were more likely to join or form activist groups than members of passive publics or non-publics.

J. Grunig and Hunt (1984) presented communication strategies based on the theory. Firstly, they maintained that public relations practitioners and organizations need not waste time and money on public relations programs for the publics who have low probability of information seeking and processing because they would not have consequences on the organizations' decision making. If publics with low probability of information seeking are important, they should be reached through programs based on information processing. For publics who process rather than seek information, active communication programs would help the communicators get their messages across. The authors suggested being engaged in communication with the active public, the people who have a high probability of information seeking.

The situational theory of publics helps public relations practitioners understand publics' communication behaviors and the effects of communication on cognition, attitudes, and behavior. According to the theory and related research, high problem recognition, high level of involvement, and low constraint recognition increase both information seeking and processing. The theory identifies and segments publics into four categories: all-issue publics, apathetic publics, single-issue publics, and hot-issue publics.

- 1) All-issue publics: The publics who are active on all of the problems.
- 2) Apathetic publics: The publics who do not care about any of the problems.
- 3) Single-issue publics: People who are active on one or only a few problems that only a small part of the population is concerned with.



4) Hot-issue publics: The publics who are active only on one problem or issue that almost everyone in the population is interested in. This problem or issue usually receives enormous media attention and has been extensively covered by media (J. Grunig, 1997, pp. 139).

Consequently, public relations practitioners can identify the kind of publics regarding particular issues and understand their attitudes and behaviors. Moreover, predictions on the publics' future behaviors help them generate strategic public relations programs for different publics.

#### *Activist Publics*

As previously reviewed, J. Grunig's theory of strategic management of public relations (J. Grunig & Repper, 1992; L. Grunig et al., 2002) conceptualizes that the organizational environment can be defined by the stakeholders, such as consumers, investors, employees, and regulators, and the publics among those stakeholders. Publics initially begin as loose groups of individuals, but form a collective entity as they become active and communicate more. Moreover, these members of active publics often join or form activist groups and try to make issues out of an organization's decisions.

In his theory about an organization's environment, Mintzberg (1983) examined various factors that constitute the environment and classified the environmental influencers into three groups--mass media, government, and special interest groups. The inclusion of special interest groups shows that activist groups are important in defining an organization's environment. These three influencers are interrelated in that they expand the influence of activism. According to J. Grunig and L. Grunig (1997), activist groups usually contact the mass media and seek legitimacy when their target organizations are

not unresponsive to their request. Although media coverage of activism is not always positive to activist groups and critical to the target organizations, activists often have some benefit. They use the media to influence public opinion, which is a public court; as the media coverage on an issue increases, public opinion about the organization becomes more negative. Likewise, the involvement of the government makes the situation more serious. The government, as Mintzberg (1983) pointed out, has control over the eventual authority of a society. Activists often try to involve the government in addition to the media in their activities to work against organizations; the opposition comes from multiple entities. Moreover, as one of “enabling linkages” (J. Grunig & Hunt, 1986, p. 141), which provide the authority and control that enable the organization’s existence, the government may have impact on organizational autonomy.

L. Grunig (1992) argued that the presence of activist groups--sometimes also called pressure groups, special interest groups, grassroots opposition, social movements, or issue groups (p. 504) -- makes the organizational environment more turbulent. According to her, activists provide a threat or pressure to most organizations in the United States because activism may have a negative influence on public opinion or regulation. She also argued that varying types and sizes of activist groups used several tactics and strategies that could disrupt target organizations.

A few studies have been conducted regarding activism and public relations management. C. Elliot’s (1997) study of the situational theory through the Internet found that the members of listservs organized to discuss issues such as women's rights and the environment; most of them were active publics who become empowered by communicating on the Internet. The growing use of the Internet decreased the use of

traditional media and increased activist activities such as boycotts and letter-writing. In her study of a public relations firm's coalition building with activist groups, Pien (1994) found the public relations firm used symmetrical conflict resolution methods in incorporating the interests of the activist groups. The coalition also used asymmetrical methods to confront and work against the more powerful organizations. Her study also showed that the members of active publics join activist groups and form coalitions of activist groups to influence an organization's decisions.

In a case study of environmental activism against a multinational company working in Central America, Anderson (1992) maintained that activist groups were strategic publics because they could pressure an organization by appealing to government, the courts, or media. As the organization failed to identify activist publics or communicate with the activists, they attempted to find information elsewhere and increased pressure on the organization with their own specialized communication networks and tactics. She also argued that public relations practitioners must be sensitive to activists, be able to identify activist publics early, and develop communication strategies to cultivate mutual understanding with them.

In their review of activism, J. Grunig and L. Grunig (1997) proposed the following principles for communicating with activists: 1) listening to all strategic constituencies; 2) telling or disclosing; 3) being continuous in establishing relationships with all strategic publics; 4) acknowledging the legitimacy of all constituent groups; 5) having necessary background and education to conduct two-way symmetrical public relations; 6) determining effectiveness over the long run; and 7) public relations being in or close to the dominant coalition (pp. 27-30). They argued for empowerment of public

relations practitioners, because even an experienced practitioner cannot deal with angry publics unless they have authority endowed by the organization's dominant coalition. Hence, senior public relations managers and the dominant coalition need to share information about activism in the organization's environment. The discussion of strategic management of public relations and related concepts leads to the following research questions:

RQ 1: How is public relations practiced in the case organization?

RQ 2: How, if at all, is the public relations function involved in the organization's strategic management?

RQ 3: How, if at all, does the case organization conduct environmental scanning to identify issues and problems?

RQ 4: How, if at all, is the public relations function involved in the issues management of the organization?

### Scenario Building

Understanding how to develop and improve an organization is integral to strategy. Georgantzis and Acar (1995) maintained that scenarios provided a "multiple perspective" for those who think about strategies. Scenario building is a process that is used for strategic planning in management, providing possible future scenarios for an organization and helping the organization to better understand its environment. More specifically, the process develops future environmental situations and describes a path from any present situation to several future situations; decision makers can examine possible outcomes and uncertainties and prepare for opportunities and threats. The scenario-building process, which requires comprehensive research and understanding of the environment, allows

organizations to be sensitive to every variable as a possible change-maker. It also helps them interpret output based on patterns, which are found from the past and become a database for future strategies (Fahey & Randall, 1998; Linnemann & Klein, 1979; Lukaszewski, 2000; von Reibnitz, 1988; Schoemaker, 1995; White & Dozier, 1992). As organizations faced increased uncertainty and complexity in the environment -- such as the oil shock in the 1970s, the wave of deregulation, rapid globalization, and the emerging new technologies -- some have integrated scenario planning into their strategic decision-making (Schoemaker, 1993). Scenarios are often used to provoke discussions, to investigate alternatives, to provide input to policy, or to help an organization manage change (Ringland, 1998). In this section, I will review the definition and purpose of scenario building in strategic planning as well as the process of scenario building.

Moreover, the value of public relations will be more appreciated if it helps managers identify uncertainties in the future and get prepared for the future. Scenario building is a useful tool to do so (White & Dozier, 1992).

#### *Definition of Scenario*

The name “scenario” is borrowed from a theatrical term – the script or storyline for a play or movie (Schwartz, 1991). Scenarios are stories about how the world may change. In strategic planning, these stories allow managers and decision-makers to recognize, understand, and adapt to the changing environment. Porter (1985) defined scenarios as “discrete, internally consistent views of how the world will look in the future, which can be selected to bound the probable range of outcomes that might feasibly occur” (p. 234). He pointed out that scenarios could be used for forecasting in emerging industries to understand the range of possible outcomes. In addition, when predictions

about certain areas or disciplines of organizations are subject to uncertainty, strategists may use scenarios as a tool to deal with this uncertainty.

In a similar way, Ringland (2002) described scenario planning as “part of strategic planning which relates to the tools and technologies for managing the uncertainties of the future” (p. 2). In the military, scenarios represent comprehensive contingency plans for a wide range of possible events. In management, scenario planning is a method that identifies and examines the different situations that might exist in the future. Strategists of an organization explore appropriate paths and strategies for each possible scenario. Therefore, scenarios are about making choices today based on the understanding of tomorrow, or alternative future environments. As Ringland (1998) stated, scenarios are possible views of the world, which provide a framework in which managers make decisions. Strategists are better informed when they see a wide range of possible situations and, furthermore, can create a better, more successful strategy with this knowledge and insight.

Fahey and Randall (1998) defined scenarios as “descriptive narratives of plausible alternative projections of a specific part of the future” (p. 6). Scenarios are developed based on systematic research in sets of three, four, or more possible situations to learn how an organization or its decisions would progress in each future in the set. Managers can project a wide range of futures to a combination of unfolding events that are both predictable and unpredictable.

von Reibnitz (1988) identified two approaches in scenarios: global scenarios and company-specific scenarios. In global scenarios, the topics are of general interest industry-wide or to several disciplines within an organization. Global scenarios are

developed based on global data. On the other hand, company-specific scenarios provide customized information for a particular company, regardless of what discipline or industry this company belongs to. These scenarios contain data that are only relevant to the company. Schwartz (1991) identified two types of scenarios in a similar way. Broad scenarios are similar for many organizations and have generic components; narrow scenarios question specific points need to think about the range of scenarios in terms of their use.

As Fahey and Randall (1998) pointed out, by definition, scenarios challenge the frame of mind of managers by developing conceivable alternatives. Scenarios lead managers into a new domain and have them look at their beliefs and assumptions from different angles by raising questions that were not previously considered. Therefore, scenarios are not only a creator of thinking, but also challenge traditional and historic assumptions. As an example, I provide sample scenarios by Drucker (Georgantzas & Acar, 1995) in Table 1.

#### *History and Use of Scenarios*

The origin of scenario planning goes back to early in history. The first traces of forward-looking, scenario thinking can be found in the words of historic people such as Seneca (Schwartz, 1991). According to Schwartz, the concept of scenario as is used in this study first emerged during the Second World War for military planning. The U.S. Air Force employed this method in an attempt to visualize what the enemy might do and to generate alternative strategies. However, this approach, which had not been appreciated as a formal planning method, was revitalized in strategic planning in the United States

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**Scenario 1 (Hard-landing scenario 1)**

With every deficit year the indebtedness of the U.S. government increases, and so do the interest charges on the U.S. budget. This in turn raises the deficit even further. Sooner or later, foreign confidence in the United States and the U.S. dollar will be undermined. Foreigners will stop lending money to the United States and try to convert their dollars into other currencies. That will bring the dollar's exchange rates crashing down and also create an extreme credit crunch, if not a liquidity crisis in the U.S. The question is whether the result for the U.S. would be a deflationary depression, a renewed outbreak of severe inflation or, the most dreaded affliction, stagflation—a deflationary stagnant economy combined with an inflationary currency.

**Scenario 2 (Hard-landing scenario 2)**

It is Japan, not the United States, which will have to face an economic crisis. The Japanese hold about half the dollars the U.S. owes to foreigners. In addition, practically all their other claims on the outside world are in dollars. The Japanese have resisted all attempts to make the yen an international trading currency, lest their government lose control over it. This is the first time in peacetime history that the major debtor nation owes its foreign debt in its own currency. To get out of this

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Table 1. *Scenario Example: Drucker's Macroenvironmental Scenarios*  
from Georgantzas & Acar (1995, pp. 28-30).



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debt, the US needs neither to repudiate it, nor declare a moratorium, nor negotiate a rollover. All it has to do in this scenario is devalue its currency and the foreign creditor has effectively been expropriated. The repercussions for Japan extend deep into its trade and domestic economy. By far the largest part of Japan's exports go to the United States. If a hard landing were to come about, the U.S. might well turn protectionist almost overnight. It is unlikely that Americans would let in large volumes of imported goods were the domestic unemployment rate to soar. This would immediately cause severe unemployment in Tokyo, Nagoya, and Hiroshima, and might indeed set off a true depression in Japan.

### **Scenario 3 (Soft-landing)**

Under this scenario, neither the United States, nor Japan, nor even the industrial economies altogether experience the hard landing. Hit instead are the already depressed producers of primary products—food, forest products, metals, and minerals. Practically all these items are traded in dollars. Their prices might not go up at all should the dollar be devalued. Actually, they went down when the dollar plunged by 30 percent between the summer of 1985 and the winter of 1986. Thus, Japan may be practically unaffected by a dollar devaluation. Japan needs dollar balances only to pay for primary product imports, for it buys little else from the outside world and has no foreign debt. The United States may not suffer either and may even benefit as its industrial exports become more competitive. Although the primary producers

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sell mainly in dollars, they have to pay in the currencies of other developed nations for a large part of their industrial imports. The world's leading exporters of industrial goods, the United States, after all still accounts for only one-fifth of the total. Moreover, the dollar prices of the industrial goods furnished by others—the Germans, Japanese, French, British, and so on—are likely to go up. This might bring about a further drop in trade for the already depressed primary producers. Some estimates of the possible deterioration go as high as 10 percent. That would entail considerable hardship, not only for metal mines in South America and Zimbabwe, but also for farmers in Canada, Kansas, and Brazil.

#### **Scenario 4**

There is no landing to speak of, either hard or soft. The scenario method indicates that, after all, it is possible that the economists are wrong. Both the U.S. budget and trade deficits could continue growing, albeit at lower levels than in recent years. This could happen if other countries were willing to put money into the United States based on other than purely economic considerations, on their own internal domestic politics, for example, or simply on the desire to escape risks at home far worse than U.S. devaluation. Although this fourth scenario is so far more supported by facts than macroeconomic theory, it is already playing. The U.S. government talked the dollar down by almost one-third, from a rate of 150 yen to 180 yen to a dollar, between the summer of 1985 and the winter of 1986. This was one of the most massive devaluations ever of a major currency, even though it was simply called a readjustment. (Continued)

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The United States' creditors unanimously supported this devaluation and indeed demanded it. More amazing still, they responded by increasing their loans to the United States and substantially so. International bankers agree that, paradoxically, the more lenders stand to lose by lending to it, the more credit-worthy the U.S. becomes! Again, a major reason for this attitude is that the biggest U.S. creditors, the Japanese, clearly prefer even heavy losses on their dollar holdings to domestic unemployment. Without exports to the United States, Japan might have unemployment close to that of Western Europe. A nine to eleven percent unemployment rate is already concentrated in politically sensitive smokestack industries in which Japan is becoming increasingly vulnerable to competition from new comers such as South Korea.

**Scenario 5** (Clear soft-landing scenario)

Both the U.S. government deficit and the U.S. trade deficit are expected to decrease together until both attain surplus or at least balance, sometime in the early 1990s. presumably both capital flows and exchange rates will then stabilize, with production and employment increasing and inflation decreasing in major developed countries. This is the global, that is, macroenvironmental, scenario to which the Clinton administration appear committed, as are the governments of most other developed countries.

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when Herman Kahn used it as a tool to develop military strategic plans for the Rand Corporation as part of an Air Force program in the 1960s (von Reibnitz, 1995; Wack, 1985a).

Scenarios reached a new stage in the early 1970s as the models of military strategic planning were applied to the business environment. At this time, some companies that were under the influence the oil crisis began to develop scenarios for an industrial use. Among the first users of scenario planning were the oil companies and the automobile manufacturers. During the second half of the seventies and the eighties, scenario planning had been widely recognized in Europe and the United States. As many industries and organizations experienced more difficulties in the business environment, they realized that existing planning techniques had limitation in developing sound business strategies (von Reibnitz, 1995). Since then, many corporations and governments have used scenario building in their strategic management.

For example, Royal Dutch/Shell has been successfully using scenarios since the early 1970s (Goodwin, 2001; Ratcliffe, 2000; Schoemaker, 1995; Schoemaker & van der Heijden, 1992; Wack, 1985a, 1985b). As a long-time beneficiary of the scenario-building technique, Royal Dutch/Shell has used scenarios as a disciplined method for envisioning possible futures and applied them to an extensive range of issues to create and evaluate its strategies. Consequently, the company has remained in a dominant position in the petroleum industry (Schoemaker & van der Heijden, 1992; Van der Heijden, 1996; Schwartz, 1991). Pierre Wack, a planner in the London offices of Royal Dutch/Shell, is one of the pioneers as he formed a department called “Group Planning” (Schwartz, 1991, p. 7). British Airways, Electrolux, ICL, and General Electric also have benefited from

scenarios in their strategic planning processes (Georgantzias & Acar, 1995; Moyer, 1996; Ringland, 1998).

### *Purpose of Scenarios*

Today's societal change from the industrial to the postindustrial era brought about a complex and turbulent environment. Whether it is well recognized or not, this change is a force that organizations must cope with; scenario-based planning has an overriding goal and an underlying mind-set to help organizations confront looming challenges and render themselves efficiently adaptive.

According to Georgantzias and Acar (1995), the purpose of scenarios is not to predict the future, but to identify "possible alternative futures" (p. 40). It looks at an organization's environment and how other competitors might grow (Ringland, 1998) and enables decision makers to identify and explore possible futures so that they can refine present actions and subsequent outcomes (Ratcliffe, 2000; von Reibnitz, 1988). Good scenarios also facilitate careful examination of what might have looked as a completely positive idea before and recognize what may happen out of their anticipation.

When used in the field of strategy or futures studies, scenario building entails more specialized application. It is a process of developing future environmental situations and describing a path from any present situation to several future situations in order to improve decision-making processes within possible future environments. Ratcliffe (2000) described a scenario as an instrument that helps decision makers "by providing a context for planning and programming, lowering the level of uncertainty and raising the level of knowledge in relation to the consequences of actions which have been taken, or are going to be taken" (p. 130). Fahey and Randall (1998) said that scenarios could be used in the

following roles: 1) augmenting understanding; 2) producing new decisions; and 3) reframing existing decisions (pp. 12-13). That is, the goal of scenarios is to augment understanding by helping managers see what possible futures may look like, how those futures may take place, and why they may occur. von Reibnitz (1988) defined the main function of scenario projects as developing goals and strategies for an organization. She suggested that scenarios could be used to create and define future goals and to develop appropriate strategies to accomplish these goals.

Mercer (1995) emphasized the virtue of scenarios that widen viewpoints of managers involved and extend planning horizons. Scenarios have a value as long as they initiate a new type of interaction among those who make decisions and actions (Georgantzas & Acar, 1995). In fact, the scenario-building process is genuinely based on a processual perspective of management; the entire process consists of strategic conversation among the participants. Van del Heijden (1996) maintained that scenario planners should function as process facilitators. According to him, the key to success of scenario building is the scenario planners' attitude toward the task; in his scenario projects, he discovered that scenarios failed mostly when scenario developers had "a clear preconceived idea of the particular story" (p. 43). Rather, client-orientation and open mindset with the perspective of problem solving for management lead to success.

Some organizations have failed to integrate the scenario-building process into the organizations' strategies or planning processes (Ringland, 1998). Moreover, scenario building is not a simplistic, one-shot predictive event, nor an industry analysis. Instead, scenario building, as a process, provides a new perspective on the unexpected ways external environments could change (Fahey & Randall, 1998).

However, there also have been misuses and misunderstanding of scenarios. Two of the most frequent misunderstandings occur when scenarios are taken as predictions capable of influencing the future or when science fictions are created from planners' sheer imagination (Schoemaker & van der Heijden, 1992). It should be noted that scenario building is not a package of technology; rather, it is a learning process that examines comprehensive future options and alternatives and consequently develops optimal strategies (Fahey & Randall, 1998; von Reibnitz, 1988; Schoemaker, 1995; van der Heijden, 1996). It does not attempt to predict the future but provides a new perspective on the unexpected ways external environments could change (Schoemaker & van der Heijden, 1992).

Although scenario building has not been widely used in public relations, just as it has aided these other fields, this method can provide a useful tool that enlarges public relations' contribution to strategic management. White and Dozier (1992) were among the few researchers who used the concept of a scenario in public relations management. They briefly recognized the role of "requisite scenarios" (p. 100) as a part of management decision-making to help decision makers' sense-making capacity. Using the scenario-building process, public relations managers can generate possible futures for an organization considering issues detected from scientific research on the environment, i.e. monitoring, interviews, and cyber scanning. Through these research activities, which will be examined in detail below, public relations can bring in environmental factors that decision makers often overlook.

### *Scenarios and Other Techniques*

Scenario building emerged as a useful tool for planning as managers found errors in general planning methods in the past. From a rationalist perspective, organizations and managers had firm faith in conventional forecasting methods that usually used historical data with the assumption of continuous economic growth. However, unanticipated changes and development in politics, economy, technology, and society made them realize that the old tools did not work as well as before (von Reibnitz, 1988). As business managers and government policymakers observed developing societal trends and processes that were likely to shape public opinion, they supported environmental forecasting as an alternative. Several tools are available to improve the quality of decisions for strategic management. Some of the well-known techniques are Delphi, SWOT analyses, portfolio analysis, and simulations of present realities, to name a few (Georgantzas & Acar, 1995; Ringland, 1998).

However, there are important distinctions between scenarios and other traditional forecasting planning techniques. Despite its popular growth and reception, the usefulness of environmental forecasting, or a forthright mathematical formula, was practically limited; predictions of the consequences of environmental changes are much more difficult than anticipating the primary changes themselves. Although forecasting is a requisite element of management, it is mainly for short-term planning (Georgantzas & Acar, 1995). Farmer (1973) found the limitations of forecasting environmental changes by examining *Fortune* from 1933 and 1950; he argued that even the most revolutionary forecasts were too conservative when it was compared with what actually happened.



Consequently, Georgantzias and Acar maintained that single-point forecasts have not been successful.

Hence, as von Reibnitz (1988) pointed out, managers came to seek a new type of forward-looking planning tool that provides alternative choices and variations, allows early detection of threats and risks as well as opportunities, and involves external factors. Classical forecasting techniques are only pertinent to well-defined subjects and need support from other methods such as scenarios. Below is a review of some of the frequently used forecasting techniques and comparison with scenario planning.

### *Delphi*

Many business and government organizations have actively used environmental forecasting; one of the popular techniques is the Delphi technique. This method, developed by the RAND Corporation in the 1950s, estimates the future based on experts' evaluation. It asks an anonymous panel of experts to estimate individually the probability of certain events occurring in the future. After scoring or weighting their estimates, the panel members are given several chances to revise their answers, and receive feedback on the distribution of the panel's evaluation. The goal of this technique is to have participants converge on future views by comparing their answers with those of others. Although this technique provides an opportunity to explore each expert's perspective and opinions in depth, it has been criticized for problems such as peer pressure and the lack of dialectical conversations among decision-making participants (Georgantzias & Acar, 1995; Ringland, 1998).

### *SWOT Analysis*

SWOT analysis is one of the ways of scanning the internal and external environment as part of a strategic planning process. SWOT stands for strengths, weaknesses, opportunities, and threats. Environmental factors internal to an organization are classified as strengths and weaknesses; strengths are the organization's resources and capabilities that may be used as a basis for developing a competitive advantage, whereas a weakness is the absence of certain strengths. Those external to the organization are classified as opportunities and threats. Certain new opportunities for profit and growth are categorized as opportunities and external factors that may present threat to the organization, such as changes in the environment, are threats. As such, the SWOT analysis provides useful information in matching an organization's resources and capabilities to the competitive environment where it operates so that it can formulate and select strategies. Through the analysis, managers of the organization identify ways to minimize the affect of weaknesses in business while maximizing their strengths (Bradford, Duncan, & Tarcy, 1999).

### *Portfolio Analysis*

Portfolio analysis is another well-know tool for managers. This technique is often used for analyzing market attraction or market growth based on a number of widely differing factors. It shows the present situation of an organization with its various strategic business parts with regard to the organization's competitors. However, it has limits in predicting the future because it takes a present situation and portfolio as a starting point without knowing how the environment will change in the future. Rather, it

is a useful tool to define an existing situation with reference to competitors (von Reibnitz, 1988).

### *Simulations*

Simulation models enable managers and strategists to evaluate and depict systematically possible future developments. These models use statistical analyses and government-supported research programs to evaluate diverse results. von Reibnitz (1988) maintained that this technique has a major problem in that no individual strategist is humanly able to conceive future situations and comprehend their diversity appropriately. Although this method theoretically assumes that simulation models can depict all conceivable factors, individual planners' capacity to digest the future situations and make decisions are limited.

Many scenario researchers and scholars have argued that scenarios are different from forecasting in many ways. According to von Reibnitz (1988), conventional forecasting emphasizes the analysis of an existing status quo situation as well as how the present situation may be predicted into the future. This technique does not consider influences from external environments, but only explores existing internal conditions. Consequently, it is only applied to a limited range of areas within an organization.

Schwartz (1991) pointed out that scenarios are not prediction. In fact, it is simply not possible to predict the future with certainty. Scenarios are tools for helping people learn. Unlike traditional business forecasting or market research, they present alternative images of the future; they do not merely extrapolate the trends of the present.

To understand the future, Fahey and Randall (1998) maintained, most organizations either purchase forecasting or do their own, whereas only a small number

of organizations practice scenario planning. They emphasized the need to combine both scenarios and forecasting as they have weaknesses and strengths. For example, forecasting is vulnerable if an organization or an industry experiences continuous changes and turbulence. However, forecasting also has advantages in that managers can understand how foreseeable trends will blend to produce noteworthy changes in the environment. Therefore, it may help managers create well-researched scenarios.

Scenarios are tools for examining possible futures, which clearly differentiate this technique from standard tools or techniques that are usually based on a past-oriented view (Ringland, 1998). More importantly, scenario planning attempts to include components that would not or could not be properly modeled, i.e., new regulations, value shifts, or innovations. Hence, managers can use scenario building as a disciplined method for generating possible futures for an organization, especially when it is applied to various issues. Scenario building is a superior planning method because it 1) explores various uncertainties, 2) is sensitive to every variable as a possible change maker, and 3) interprets output based on patterns and clusters (Schoemaker, 1995).

Furthermore, by combining scenarios with traditional techniques, managers are able to compare possible futures. In a changing and unpredictable business environment, the ability and opportunity to assess possible futures for an organization is one of the ways to promote responsiveness, flexibility and preparedness, which are the source of important competitive advantage. Scenario planning certainly enables managers to understand and prepare for the future (Ringland, 1998). Table 2 summarizes and compares these techniques.

Table 2

*Comparison of Scenario and Forecasting Techniques*

Method	Purpose	Process	Weakness
Scenario	To help people learn about and examine possible futures by presenting alternative images of the future	Explore various components that could be influential and generate possible futures for an organization with combination of those components on issues	
Delphi	To estimate the future based on experts' evaluation and have participants converge on future views by comparing their answers	Ask an anonymous panel of experts to estimate individually the probability of certain events occurring in the future; give the panel several chances to revise their scored estimates and provide feedback on the panel's evaluation.	Peer pressure and the lack of dialectical conversations among participants

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Method	Purpose	Process	Weakness
SWOT Analysis	To analyze an organization's resources and capabilities to the competitive environment and formulate/select strategies to minimize the affect of weaknesses and maximize strengths	Scan the internal and external environment and classify those factors as strengths, weaknesses, opportunities, and threats.	Based on a past-oriented view
Portfolio analysis	To show the present situation of an organization with its various strategic business parts with regard to competitors	Analyze market attraction or market growth based on a number of widely differing factors	Limitation in predicting the future because it is based on a present situation and portfolio without knowing the future changes
Simulation models	To evaluate and depict systematically possible future developments	Use statistical analyses and government-supported research programs to evaluate diverse results	Individual strategist's capability to conceive future situations and make decisions is limited

### *Elements of Scenarios*

Fahey and Randall (1998) identified four key elements of scenarios as foundation of scenario development: driving forces, logics, plots, and end states. They maintained that these elements are generic for most scenario projects regardless of the type of organizations or approaches to using scenarios. Driving forces are the forces that shape and construct a particular plot. Scenarios plots are not simply the outcome of creative writing or imagination. Scenarios are developed on plots with factors and driving forces that advance the story.

von Reibnitz (1988) pointed out the need for a time frame. For short- or medium-term planning, periods not longer than two to five years are sufficient to work with. A planning horizon more than five years ahead is not appropriate if the scenarios focus on the markets with which the company is associated. However, it should be considered that the behaviors of customers or competitors are often determined by factors unrelated to the market. Many issues and factors are related to legislation, social attitudes, economic situations, world trade, and technological developments. To develop a scenario conceptual model, von Reibnitz (1988) maintained that scenario developers should consider fixed factors as unchangeable blocks of the plot. She named some of them, such as markets, competitive structure, infrastructure, laws and regulations, contracts, and the economic condition, as examples.

Scenario building requires a great deal of research based on diverse resources. Schwartz (1991) recommended using the following sources: remarkable people, such as well-respected journalists; people, especially unconventional thinkers, are a key source of information. Some of the thinkers are luminaries from whom the scenario developer can

learn that their “unofficial” ideas were just as valuable as well as seek for their “official” insights (p. 75). Schwartz also included sources of surprise, such as a broad range of reading other than specialized sources, travel, and network.

Scenario developers have several options in terms of the number of scenarios. Scenarios cannot be created as a simple package in a short time. Scenario planners develop a range of two or three potential future scenarios, which allow them to discuss a range of possibilities and to review their responses to each of them (Schwartz, 1991). Scenario researchers recommend two to four scenarios. Two scenarios are useful because they simplify the thought process. More than four scenarios can be too complicated; scenario planners often fail to keep track of the ramifications in their mind. Finally, each scenario should maintain the maximum possible harmony and consistency without contradiction within itself or among other scenarios. The final scenarios should be as different as possible from one another (von Reibnitz, 1988).

#### *Scenario-Building Process*

According to von Reibnitz (1995), strategic planning is principally based on scenario techniques, because strategic planning is based on given internal and external conditions for a particular organization that look for promising alternatives for the future. Although methodological issues and difficulties still exist, research has progressed in scenario-planning area (Georgantzas & Acar, 1995). Godet (1987, 2001) provide a good review of scenario approach from a theoretical perspective.

Scenario planning consists of linking external and internal environment and factors to develop better strategies for the future. Fahey and Randall (1998) maintained that scenarios generate a distinguishing knowledge asset for organizations. They argued



that scenarios should involve thorough analysis of the present, although the goal would be an understanding of futures and fostering dialogues as well as advocacy. In addition, the authors contended that scenarios are “essentially constructs of the imagination, and so are fundamentally qualitative in nature” (p. 37). Quantitative details can be selectively added. Interviews help managers articulate and interpret uncertainties.

Although there are no rigorous and scientific formulas for building good scenarios, Royal/Dutch Shell constructed its scenarios following these four steps. First, it selected the most critical and most frequent issues based on decision agendas and external environmental changes. It involved the whole management team at an early stage to increase the possibility of success. Second, the scenario builders analyzed the areas of concern in detail and identified critical uncertainties or possible problems in the environment, such as energy, economics, social change, politics, and technology. Through this investigative process, scenarios became a learning process for an organization. Third, it organized scenarios by issues following logical concepts consistently. Finally, it established boundaries for scenarios, such as time frame, geographic ranges, and industries, for more focus. However, the company did not attempt to generate best/worst or high probability/low probability scenarios, nor assess probabilities. Shell focused on previews of possible business environments to stimulate thinking in advance, not on forecasts (Schoemaker & van der Heijden. 1992).

#### *Scenario Building as a Team Process*

In order to set up scenarios, it is necessary to consider the organization of a scenario team. Schwartz (1991) maintained that scenario building should be team-work, because the goal of the project is to identify driving forces that often seem obvious to one

person but hidden to another. Only when working as a team can individuals recognize what each of them as an individual has missed. von Reibnitz (1988) pointed out that the composition of the scenario team would highly influence the quality of scenario outcomes. According to her, the most significant quality in decision-making and scenarios transfer competence of the members; after developing multiple scenarios, they are responsible for selecting a few appropriate scenarios for their organization and communicating the outcomes to other strategists as well as senior managers. Knowledge, experience, and know-how in the subjects are also important. von Reibnitz stated that what is most important is to depict a wide and heterogeneous range of expertise.

At this point, external experts might be invited to scenario teams so that the experts could deal with particular topics within the overall subject. In addition, diversity of specializations and qualifications of the members, diversity in terms of age, and social class are some of components to consider (von Reibnitz, 1988).

#### Scenario Building and the Situational Theory of Publics

As the review of literature shows, scenario building in general does not necessarily include publics as components. General scenario-building processes suggest analyzing external influencing factors, such as major stakeholders and trends, that would affect the organization and examining the relationships among those factors. Then, issues are selected based on their criticality in strategy development of the organization. In the next step, scenario researchers suggest identifying key uncertainties or problems around the issues. However, typically, existing studies and literature in scenario building have not taken “publics” (J. Grunig, 1984, 1997) into consideration.

The situational theory of publics can benefit scenario building and enhance the quality of scenarios by identifying publics and their future behaviors and using them as scenario components. For example, the theory helps public relations practitioners understand publics' communication behaviors and the effects of communication on cognition, attitudes, and behavior. Identifying publics help scenario developers better understand the situation, including the major players and their perceptions and attitudes. The theory also allows understanding of who are the most strategic publics of the organization around an issue.

The knowledge of who the most important publics are, what they are doing about the issue, and how they will behave in the future answers some of the questions that are raised in the key uncertainty identification stage. The types of publics and their expected behaviors identified by this theory can be used as components of scenario development, which will improve scenarios' accuracy and plausibility.

Therefore, in my conceptual process of scenario building, I included a "key public identification" step based on the situational theory of publics. The step first includes identification and segmentation of publics based on their problem recognition, level of involvement, and constraint recognition through interviews with the members of publics. The interviews would also reveal their communication behaviors and other related actions and allow predicting their behaviors.

#### *Conceptual Model of Scenario Building*

Several scenario researchers have proposed multi-step scenario-developing processes. Based on the review of those models, I conceptually integrated a nine-step

process (Ringland, 1998; Schoemaker, 1995; Schwartz, 1991; von Reibnitz, 1988). The conceptual model of scenario building is as follows:

- 1) Task analysis: The scenario team defines the scope, such as time frame and geographic ranges, and analyzes the present situation -- corporate identity, goal, and strategies. The strengths and weaknesses are also analyzed. In this first step, the aim is to recognize and define the organization's main problem areas for the future based on possible questions about the future. When developing scenarios, Schwartz (1991) advised to begin "from the inside out" rather than "from the outside in" (p. 241).
- 2) Influence analysis: External influencers, such as major stakeholders and basic trends are analyzed to assess the external influencing factors and the interrelationships among those influencers.
- 3) Issue selection: Most critical issues are selected based on overall strategic plans and external environmental changes. The factors and issues are grouped for analysis.
- 4) Key uncertainty identification: Key uncertainties or possible problems in the areas of concern are identified. Publics are identified among multiple uncertainties.
- 5) Key public identification: Identify and segment publics based on the situational theory of publics.
- 6) Scenario plot and component identification: Scenario components are identified based on the outcome of environmental scanning and the interviews with publics. The combinations of these factors are developed as scenario plots.

7) Final scenario development and interpretation: Consistency and plausibility of scenarios are checked. This includes anticipating certain reactions from legislators, competitors, customers, or activities groups regarding developments.

8) Consequence analysis: Based on the scenarios, derive possible opportunities and risks for an organization and evaluate them in terms of their significance. The need for additional research and refinement are identified. Researchers should focus on the main issues or topics identified in previous steps and think about the vulnerabilities or robustness of the strategy.

9) Final decision scenarios and strategies: The possibilities of unexpected events happening within the projected scenario time frame are to be analyzed from different perspectives, and final scenarios are published and announced. von Reibnitz (1988) pointed out that disruptive-event analysis benefits a company because it clearly pinpoints the company's major weak points or Achilles heel. Schwartz (1991) recommended circulating a scenario booklet with 70 pages or so. The overall quality of final scenarios is evaluated by their relevance to users, internal consistency, archetype of themes, and stableness.

Thus, based on the steps reviewed above, here I propose a model of scenario building for strategic management of public relations (Figure 3).

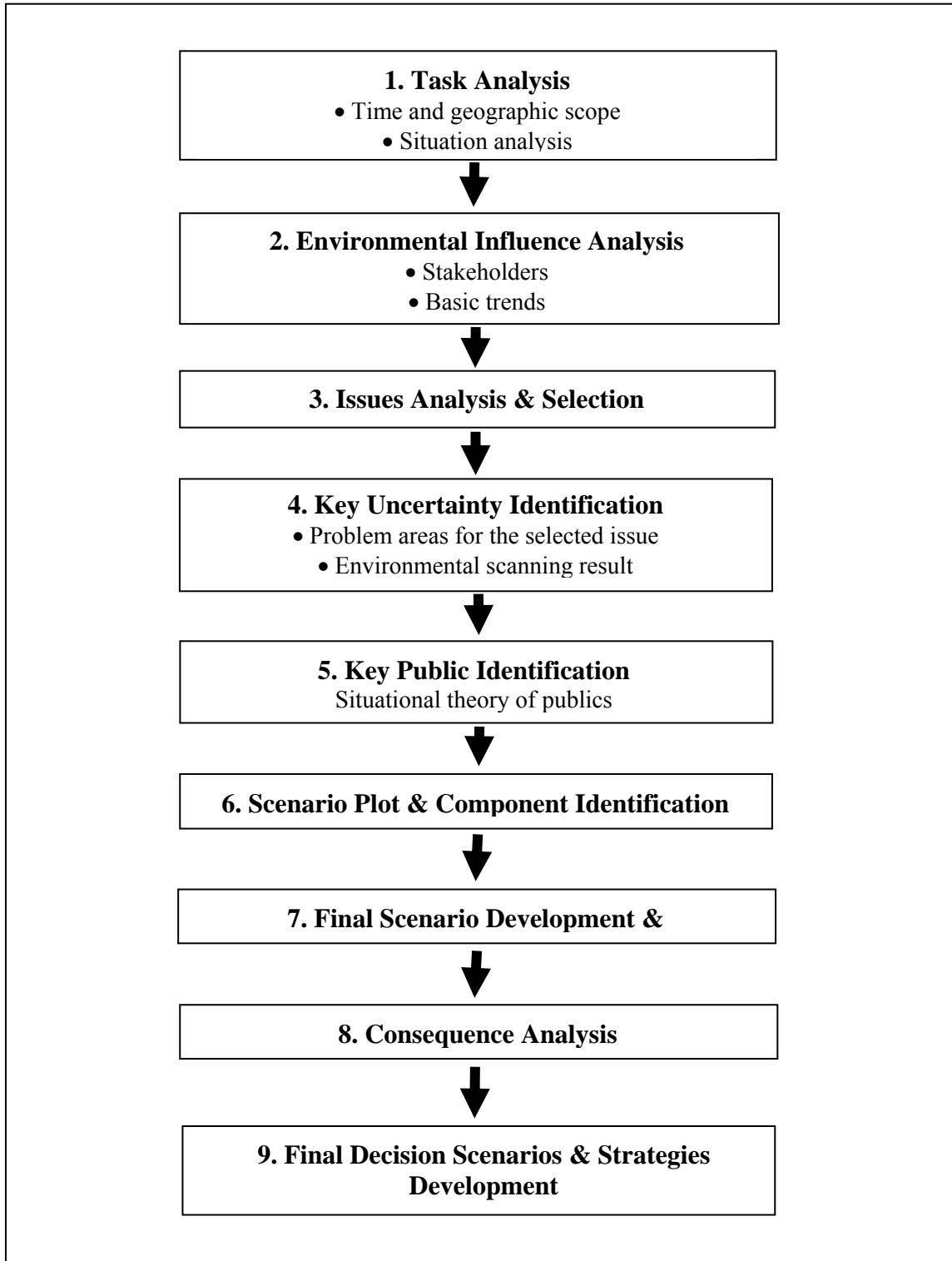


Figure 3. *Scenario Building Process for Strategic Management of Public Relations*

### *Summary*

As Schwartz (1991) maintained, the goal of using scenarios is not to memorize “plan A” and “plan B”; in practice, plan A and B may overlap and recombine in unanticipated ways. Rather, the use of multiple scenarios encourages managers to think through how things may happen, which they may otherwise reject. Consequently, the scenario-building process begins with looking for driving forces, the key factors that will influence the future. The review of the concept of scenario building leads me to the following research questions:

RQ 5: What is the process of scenario building from a public relations perspective for the organization?

RQ 6-1: What are the reactions to the scenarios and the scenario-building technique?

RQ 6-2: What sort of influence might scenario building have on an organization’s decision-making and strategic management of public relations?

### *Conclusion*

The overview of strategic management of public relations, issues management, environmental scanning, and scenario building shows that public relations can participate in and contribute to strategic management through scenario building in at least two possible ways. First, public relations managers can join a scenario-planning team and provide information about issues and publics. The scenario-building process is based on identifying basic trends and uncertainties and helps management compensate for the usual errors in decision making. Environmental scanning, one of the most important activities of public relations, is basically identical to the step that identifies environmental factors and uncertainties in scenario building.

Second, a public relations department can build scenarios derived from research, such as public surveys, interviews, and environmental scanning. On the basis of research results, public relations practitioners can identify problems, issues, and publics, which could be the topics and components of scenarios. The situational theory of publics allows public relations practitioners to segment the publics and anticipate patterns of behavior. Eventually, public relations managers can generate scenarios that help their organizations knowledgeable and sensitive about and get prepared for possible futures. By doing so, they will be able to broaden the perspectives of decision makers and facilitate strategic conversation within the organization.

#### Research Questions

RQ 1: How is public relations practiced in the case organization?

RQ 1 examines what kind of roles the organization's public relations practitioners play and which models of public relations are mostly used. It also provides basic information to help understand public relations' involvement in strategic management, environmental scanning, and issues management, which will be reviewed later. This question is important because it will show where and how scenario building can be used and how the public relations function can make a contribution to strategic management in the case organization.

RQ 2: How, if at all, is the public relations function involved in the case organization's strategic management?

RQ 3: How does the case organization conduct environmental scanning to identify issues and problems?

RQ 4: How, if at all, is the public relations function involved in the issues management



of the organization?

RQ 2, RQ 3, and RQ 4 come from the model of strategic management of public relations and help understand how the public relations practitioners in the study perceive their involvement in strategic management. The information derived from these questions lead to the discussion of how scenario building can be used in the organization.

RQ 5: What is the process of scenario building from a public relations perspective for the organization?

RQ 5 examines the whole process of scenario building from a public relations perspective based on the results of environmental scanning and interviews with the members of publics. This research question incorporates the situational theory of publics and identifies publics for selected topics of scenario building. Therefore, as part of the scenario-building process, I examine the issues and problems the organization faces and explore the perceptions and behaviors of publics based on the situational theory of publics.

RQ 6-1: What are the reactions to the scenarios and the scenario-building technique?

RQ 6-2: What sort of influence might scenario building have on an organization's decision making and strategic management of public relations?

RQ 6-1 and RQ 6-2 derive from scenario building and strategic public relations.

RQ 6-1 explores the public relations practitioners' feedback about the scenarios developed for their organization. RQ 6-2 discuss the potential use of scenario building for public relations practitioners to be empowered and to contribute to the strategic management of their organization.

### CHAPTER III: OPERATIONALIZATION

Because of the exploratory nature of its research questions, this study employed qualitative methods. Qualitative methods focus on an in-depth understanding of the phenomenon in question; they are appropriate when there are many questions and unknown variables (Marshall & Rossman, 1999). The data in a qualitative study are subjective and vary with the perceptions of participants; therefore, the results of qualitative research are representative of the study's participants and are not generalizable.

In this chapter, I discuss the case study method that was used for the study. The chapter also reviews participatory action research, which is a research method that engages practitioners in the research process to attempt to improve their practice and find answers for problems (McKernan, 1991). This study followed action research methods in that I, the researcher, worked with participants, or the public relations practitioners of the case organization, to develop scenarios for the organization.

More specifically, I employed qualitative methods to examine the strategic communication and the scenario-building process of the organization and explored how these scenarios could help the organization make better strategic decisions. The first section of this chapter describes the background of the methodological issues used for this study; it reviews the characteristics of qualitative research and participatory action research and explains these methods dovetailed with the purpose of this study. The review includes close examination of each research method used in the study: semi-

structured interview, elite interview, group interview, document review, and environmental scanning. The later section explains how this study was conducted within the procedural frame for scenario building. I conducted two rounds of semi-structured face-to-face interviews with the organization's public relations practitioners. The first round of the interviews aimed at understanding how the organization's public relations was practiced. I also identified the issues that the organization faced through these interviews. I provide detailed accounts of each step in the scenario-building process based on the model delineated in the previous chapter. The results of environmental scanning, the group interview, document review, and interviews with the members of activist publics were incorporated into the scenario-building process. I then conducted the second-round interviews with the public relations practitioners to receive their feedback about the scenarios and their use.

### Qualitative Research

Most qualitative researchers are constructivists because they believe that reality is socially constructed (Lincoln & Guba, 1985). They are also relativists who emphasize the value of personal experiences and the individual use of knowledge (Stake, 1995). Qualitative research is based on the belief that there is no one single reality; everyone has different perception of reality, which makes each person construct meaning in different ways. When researchers attempt to capture a reality, they conduct research through their lens. They cannot separate or exclude their own meaning and interpretation in the observation, analysis, interpretation, and display.

Qualitative and quantitative research methods focus on different directions and attempt to answer different questions. Quantitative research uses methods such as surveys,

the objective of which are to understand the average or typical behavior of people; surveys attempt to answer “How everybody does it” (Wolcott, 1995, p. 30). In contrast, qualitative research attempts to show “how” and “why” some people do something. It explains similarities and differences of participants and phenomena that are studied. These epistemological differences help explain the distinct variation between the research aims of those who have chosen one or the other method as an analytical lens.

Qualitative research is the appropriate means for conducting this study because scenario building is based on the concept of exploring diverse perspectives from multiple angles. I examined “how” public relations, including environmental scanning and issues management, was practiced as an initial step toward developing a scenario-building process. I then considered “how” strategic decisions were made in the case organization based on long interviews, elite interviews, and document review. I asked questions about “why” certain practices were conducted, while others were not. I qualitatively scanned the environment of the case organizations. I then developed multiple scenarios for the organization based on the results of these environment scanning exercises and the opinions and perspectives examined through interviews. Furthermore, I asked the participants to evaluate the scenarios in terms of “how” to improve the overall quality and to discuss “how” useful scenario building would be, if their organization decided to adopt the technique.

### *Fieldwork*

Whereas quantitative scientists conduct their studies in laboratories or in fields that are set up for experiments, qualitative researchers have been interested in the natural process of making meaning of interactions in the field (Potter, 1996). Fieldwork refers to

on-site research that involves the researcher's direct involvement as a person in a long-term relationship with people in the field (Wolcott, 1995). By conducting research in the field, or natural setting, researchers are able to observe the changes in and dynamics of social interaction focusing on the process. Qualitative researchers get close to the field and eventually become deeply immersed in their participants' worlds; by observing them from the inside, the researchers gain access to the nuances of others' lives giving them enhanced sensitivity to their social interactions. Bogdan and Biklen (1992) pointed out that qualitative studies concern particular settings or context, because an individual's behavior and perspective can only be understood in its immediate context. Consequently, qualitative researchers should approach their research setting and participants with the assumption that everything is potentially crucial and meaningful. I collected a significant amount of this study's data through fieldwork; I conducted research in the organizational settings where participants worked (Agar, 1986).

Kleinman and Copp (1993) argued that researchers should be fully engaged in the field. At the same time, they believe these researchers should reflect their own emotions and attitudes in their fieldnotes and conclusions. Researchers should not deny the emotional content of their personal involvement. Rather, they need to identify and acknowledge their subjective reactions and use those feelings and interpretations as a means of observation and analysis. Immersion involves not only physical presence in the setting to observe how others react to events or phenomena but also the firsthand experience of these events and the circumstances. Active participation in the day-to-day affairs in the field allows qualitative researchers to socialize themselves as they get closer to their participants' lives (Emerson, Fretz, & Shaw, 1995; Van Maanen, 1988). Geertz's

(1973) “thick description” means that qualitative researchers need to describe and interpret the meanings of participants’ life in as much detail as possible.

Qualitative researchers keep a written record of what they observe and experience while they conduct fieldwork (Emerson et al., 1995). This written description, known as “fieldnotes,” does not intend to capture accurate reality; it cannot provide the “best” description (p. 5). There is no single correct method for describing what a researcher perceives or interprets. Rather, fieldnotes involve describing social interactions and phenomena based on the researcher’s active interpretations. Geertz (1973) also maintained that a researcher would be able to explain what happened in the past by writing down the social discourse; thus, fieldnotes are the products of observation and participation. Bogdan and Biklen (1992) recommended that a researcher take notes for everything observed and heard while in the field.

The result of this research, including my participation and observation in the field, has been reported in the fieldnotes. I tried to describe behaviors and phenomena observed as precisely as possible and included my own “observer’s comments (OC)” (Bogdan & Biklen, 1992, p. 157) and “memos” (p. 159). Critical comments or key words from the participants were also quoted in the fieldnotes. To ensure the accuracy of data, all interviews were audio tape-recorded with participants’ permission.

### *Scenario Building as Qualitative Thinking*

Scenario building is a planning process that is based on diverse perspectives and multiple realities. The goal of this process is the consideration of multiple possible situations in the future. Scenario planning experts emphasize the importance of examining different meanings and interpretations for each member in a scenario team,

which will serve as a group interview for this study. For example, Schwartz (1991) maintained that one of the goals of scenario building is to identify driving forces that often seem obvious to one person while remaining hidden to another. von Reibnitz (1988) pointed out that the scenario-building process operates as a transfer of competence and meanings among its participants. Consequently, it is important to gather and illustrate the different knowledge bases and experiences from a wide and heterogeneous range of experts on the topic. Another key recommendation is to have a diverse group of members in terms of their specializations and qualifications, age, social class, and status. I developed two to three scenarios for two issues that the case organization was experiencing, based on the opinions and perspectives of the participants.

#### Action Research

Action research, or participatory action research, is research conducted by researchers and practitioners to find answers for the problems in practice and to improve it. It also is increasingly used for professional development among reflective practitioners (McKernan, 1991). Reason (1994) maintained that participatory action research was widely practiced because of its emphasis on the political characteristics of knowledge construction. This study is action research in that I, the researcher, worked with participants, or the public relations practitioners of the organization, to develop scenarios for the organization. It also discusses the ways in which scenario building can contribute to public relations practices of the case organization.

Action research is a relatively young method with no more than a 60-year history. It has been used largely in education (H. van Beinum & I. van Beinum, 2001). According to Noffke (1995) and McTaggart (1997), the term was invented by social psychologist

Kurt Lewin (1946, 1952) to describe his study on human action around issues of prejudice and democratic behavior. Lewin described action research as happening in cyclic steps, each of which is composed of plan, action, observation, and evaluation of the result of an action. The process is initiated by a general idea that some improvement or change is necessary. However, as Noffke (1995) said, multiple definitions of action research have been developed. As a technology, it is a set of political commitments and a moral and ethical perspective that acknowledges the injustices of and the need for improvements in human life. As a research method, it is a cyclical-spiral process of researching and learning through the continuous revision of thoughts and actions; it does not obtain conclusions for its initial question through the formulation of data collection and analysis (Boog, 2001; Noffke, 1995).

As the term suggests, the idea of participatory action research is straightforward. As social scientific research, it is participatory and practice-oriented (Boog, 2001). Kemmis and McTaggart (1982) said that the combination of the words “action” and “research” explains the essence of this method--it is the test of ideas in practice in order to improve and augment knowledge. Participation in action research indicates having ownership and sharing how research is conceptualized, practiced, and carried into the life-world with others. Action researchers attempt to reinterpret and reconstruct social, scientific, political, and personal activities (McTaggart, 2002). However, participatory action research should be distinguished from some of the concepts such as “participatory development” and “political activism”; the term “research” entails connotations of rigorous study of a condition and the generation of knowledge (McTaggart, 1997, p. 27). It is also different from other types of research, which often involves researchers from the



academy conducting research on people and making them objects of the research. In participatory action research, people from the academy and workplace mutually engage in research in a completely different kind of relationship. They operate as joined forces to improve the theory and practice of a topic with the focus on the workers' own vocational contexts.

Action research is about improving practice more than generating knowledge. Hence, the purpose of action research is to empower participants, as individuals and groups, and to discover solutions to problems (J. Elliott, 1991; McNiff, Lomax, & Whitehead, 1996). Empowerment is one of the most important criterion in verifying a study's contribution to knowledge and action. In this study, empowerment of public relations in strategic decision-making is one of the criteria for the evaluation of the study. This new knowledge, obtained collectively during the research process, is directly linked to practical actions of research participants and immediately enables them to increase performance in practice (Boog, 2001). McTaggart (2002) also maintained that the goal of participatory action research is to "change individual and collective practices, social structures, and social media which maintain irrationality, injustice, and incoherent and unsatisfying forms of existence" (p. 8). In that sense, participants and researchers are independent and equal partners in the research, which structures it as reciprocal learning process (Boog, 2001; McTaggart, 1997).

Participatory action research attempts to help one improve his or her professional practices in many different work environments (Elliott, 1991; McNiff et al., 1996). However, it is different from standard practitioner research, which simply implies research done by individual practitioners on their own work. Good practices underlie

these actions but they do not necessarily examine the motivation behind the action.

Action research requires “praxis” (McNiff et al., 1996, p. 8) more than practice; well-informed, committed action induces knowledge rather than just successful action. When well accomplished, action research can lead to a practitioner’s personal development, better professional practice, role in work environment improvements, and contribution to societal advancement (p. 8).

Inevitably, action research involves many people other than the researcher. How these additional people are involved is central to this methodology (McNiff et al., 1996). It considers several layers of practice; “practitioners” means not only workers, but all people who are involved in the practice. For instance, university professors are practitioners of education, consultancy, and research in selected areas. This notion is expanded to include practices of social and cultural fields (McTaggart, 2002).

Therefore, as McTaggart (2002) stated, scholars in action research play sharply different roles from those in other forms of research, because action researchers have the responsibility to effect change as part of their research. It is a deeply embedded principle of action researcher that a society can only be comprehended by trying to change it. In essence, action research is participatory because of its commitment to change. Action research is also different from other research in that it does not attempt to produce knowledge to be integrated into practice later. Rather, knowledge is produced through the process of the enactment based on incoming understanding. That is, the research portion of participatory action research is not an end in itself; it defers to practice.

The discussion of subjectivity and objectivity is critical in action research (McTaggart, 2002). Unlike the elites in the “scientific community,” “objectivity” is not

what action researchers seek; theirs is an ongoing sociopolitical process to achieve the credibility of evidence and the relevance of theories. Rather, objectification comes from the importance of data and the knowledgeable use of appropriate literatures in research. On the other hand, the collectivistic nature of action research necessitates the disciplining of subjectivity. The research process unavoidably involves the exploration of feelings and examines in-depth meanings through a continuing dialogue (Boog, 2001; McTaggart, 2002). The ethics of action research are similar to those of qualitative research, which are reviewed in the later part of this chapter. McNiff, Lomax, and Whitehead (1996) maintained that researchers should negotiate access with authorities and participants and promise to keep identities and data confidential.

Through this study, I explored the motivating forces for the adoption of scenario building in the public relations practices of the organization by inviting the participation of the communication practitioners. As an action researcher, I was committed to and impassioned by the concept of empowered public relations managers in strategic management. I examined the use of scenario building as a possible tool to improve the practice of strategic public relations. The practitioners participated in the research at every stage of this study.

First, I explored the organizational structure and public relations practices of the organization, including its use of environmental scanning and issues management, through a group interview and individual interviews. During interviews, I solicited the practitioners' advice and opinions by asking them how they thought the public relations practice in the organization could be improved. My role, as researcher, was to facilitate the conversation and summarize each participant's meanings and perspectives. Second, I

examined the environment and the issues of the organization, or the workplace, through a dialogic conversation during the group interview. Third, I, the researcher, introduced a new technique, scenario building, to the practitioners and provided them an opportunity to think about the technique and their own practices. Fourth, I developed scenarios based on the information collected through several interviews with participants. In addition, the evaluative comments and feedback from the participants led to the continuous revision of the scenarios. Lastly, I investigated the potential usefulness of scenario building in improving the participants' practice by conducting individual interviews.

At the same time, this study employs multiple methods of qualitative research within the framework of a case study method. The following section examines the philosophy and background of the case study method before the examination of each method used for data collection and analysis.

### Case Study Method

A case is a bounded system with working parts (Stake, 1998). It is an integrated system that consists of consistent and sequential patterned behaviors. As one of several ways of conducting social science research, the case study seeks to answer questions of "how" or "why." Yin (1981, 1994) defined the case study as a way of exploring an empirical topic by following a set of pre-specified procedures, or research projects that seek holistic explanation for a certain social unit. The case study is a useful method for examining events that exist in real-life settings. In this study, I asked the question of how the organization is strategic in terms of public relations management and how public relations can contribute to strategic decision-making through scenario building of two distinct issues.

According to Marshall and Rossman (1999), a case study approach is appropriate when the purpose of a study is exploratory, when its subject is the investigation of little-known events, or to identify significant variables. They maintained that “studies focusing on society and culture, whether a group, a program, or an organization, typically espouse some form of case study as an overall strategy” (p. 61). Case studies involve immersion in the situation and recognize the impact of the worldview of both the researcher and the participants on the research. Researchers usually have little or no control over the situation in case studies.

As Stake (1995) indicated, case researchers play multiple roles in the study. First, researchers act as teachers as they inform and clarify the phenomenon while providing their readers with the opportunity to be educated through the observation of natural human interactions and socialization. Case researchers advocate the accuracy of description, not its validity. In addition, because researchers set up the criteria for the interpretation of the case, they are evaluators themselves. They also perform biographical and interpretative roles as they introduce new meanings and substantiate new interpretations to readers. When case researchers execute the constructivist task of constructing knowledge out of a phenomenon, rather than merely discovering what already exists, they operate in this interpretive mode. Rather than presenting a concrete theory or material analyzed in light of epistemological assumptions, these researchers often provide their audiences with rich, unprocessed information that is still available for their own interpretations and analyses.

Stake (1995, 1998) categorized case studies based on the conceptual goals of the study; such studies focus on intrinsic, instrumental, collective, and educative qualities.

The intrinsic case study is conducted to better understand a particular case or phenomenon; a researcher's interest in the case derives from the distinctiveness of its story or the uniqueness of its historical background and context within its own world, not from its applicability to other cases or abstract phenomenon. In the instrumental case study, a researcher examines a case in depth to obtain insight into a theoretical or other external goal outside of the case itself. The individual case serves as a supporting instrument for the facilitation and advancement of the researcher's general understanding. Case readers may become interested in a population of cases that the particular case represents; to understand this case, they need to have knowledge of other cases. For a collective case study, a researcher brings a number of instrumental cases together and seeks broad answers for its inquiry into the target population or generic condition. A teaching case study demonstrates a situation or a circumstance that functions as a useful explanatory tool for important concepts or theories.

This study follows the instrumental model for case study in that it attempts to demonstrate the possible value of using scenario-building methods in public relations practice. In order to better understand scenario building in general, I examined the organization's public relations practice and the scenario-building process.

#### *Issues of Case Study*

Generalization is a critical issue in case studies. A case study, the study of a particular phenomenon, is often treated as less valuable than studies that attempt a generalization of a case population for the purpose of theory building. However, according to Stake (1998), researchers need not always look for generalization; and they need not choose case study designs solely for generalizations. He also maintained that

emphasis should be put on the uniqueness of a case, not its capacity for generic representation, because case studies concern themselves with particularization. Although an instrumental case study can be a useful first step in achieving a broader generalization, studies with a quantitative perspective are more appropriate for the process of bringing about the modification of generalizations. Rather, Stake argued that a researcher would be able to teach readers what he or she learned by showing how the case is similar to or different from other cases. Readers then would construct knowledge about the situation while the knowledge is being transferred from the researcher. In this exchange, the researcher is responsible for providing bases of verification for his or her observations and interpretation.

Qualitative case researchers have several conceptual responsibilities. Initially, they should frame the case based on solid conceptualization. Then, they need to select phenomena, situations, or issues that correspond to this frame. Within the case, researchers look for emerging patterns of data that serve the case's development. To do this, they triangulate research methods or interpretation. I review the issue of triangulation in detail in a later part of this chapter.

In sum, the purpose of a case study is "effective particularization" (Stake, 1998, p. 89): These studies aim to represent the case, not the world. Although a small number of cases can neither represent an entire case population nor provide grounds for developing generalizations, a single case can function as a negative example that displays the limits of a grand generalization. In practice, a case study reminds decision makers of particular and previous experiences, thereby offering information vital to decision making. Similarly, Yin (1994) maintained that case studies are generalizable to "theoretical

propositions not to populations or universes” (p. 10). This study does not attempt to demonstrate methods for the adoption of scenario building in public relations practices *in general*. It is an example of the applicability of the process to a *specific* organization with *specific* issues. However, the theoretical propositions that I propose as the results of this study intend “analytic generalization” (p. 10) of theories in strategic management of public relations and scenario building.

### *Research Design*

Marshall and Rossman (1999) maintained that the overall research design strategy in qualitative research resembles a “road map” (p. 62) that enables a researcher to systematically investigate a phenomenon. They argued that research strategy is inexorably related to the purpose of this kind of study.

The case study method is the appropriate research design for this study, because the questions that I asked in this study relate to the central question, “*How* public relations can employ the scenario-planning process as a part of the strategic management function?” In interviews, I explored the environmental-scanning practice of the case organization and asked *why* its public relations practitioners conducted (or did not conduct) environmental scanning in certain ways. After generating scenarios, I asked participants *how* sound and plausible those scenarios appeared to them and *why* they evaluated them in certain ways. According to the guidelines set forth by Stake (1998), I did not attempt to generalize the result of this study to other organizations; the organization does not represent other organizations, and its issues are not necessarily representative of other organizations.



### *A Single-Case Study*

This study used a single-case design (Yin, 1994). The study was performed on a single organization. According to Yin (1994), single-case design is comparable to the one-group post-test-only design. Because the single-case study is a separate research strategy, it should not be considered flawed or incomplete in the same way that the one-shot, post-test-only design is regarded as quasi-experimental design. As Hamel (1992) maintained, I believe a particular aspect of certain phenomenon can be considered as a part that explains the whole and emphasizes generality.

Yin (1994) emphasized that the unit of analysis, or “what the case is,” is one of critical components of a case study research design. The unit of analysis is defined based on the way the primary research questions were defined. The unit of a case can vary from an individual person to an event or entity, such as a decision, a program, and implementation process. However, he also pointed out that cases would need to include propositions to draw feasible limits. In this study, I define a “case” as an organization. I examine the structure and public relations practice of the case organization to understand how scenario building can help the organization enhance its public relations and strategic management. I closely scanned the environment of the organization and identified the issues and problems that it faced.

### *Case Selection*

To begin, decisions about participants and cases need to be considered along with the data collection methods to be used (Marshall & Rossman, 1999). According to Stake (1995, 1998), the selection of proper cases is most significant. He suggested choosing a case of some typicality which promises opportunities to obtain lessons, maximizing what

a researcher and readers can learn from it. The case's uniqueness and contexts are alternative criteria for selection; an atypical case often offers much more to learn than a rather typical case. In addition, in collective case studies, careful selection of samples is important for maintaining balance and variety within the case. However, these attempts cannot necessarily guarantee ideal representation. Consequently, case study research does not promise to help its readers understand other cases.

Although this study is not limited to any type of industry or any size of organization, the organization it sought needed a public relations department or the equivalent with active functions and more than ten staff members. The study's framework depended heavily on interviews with at least seven public relations practitioners in the organization. I initially contacted three organizations asking to study their environmental scanning process and permission to develop scenarios for them. With the assistance of my professional contacts, such as public relations educators and practitioners, I used purposive sampling in selecting organizations. Through an e-mail solicitation, the head of each organization's public relations departments was presented with the background, purpose, and methods of the study. Two organizations withdrew their participation during the initial stages of research; one organization, a large defense industry corporation, decided not to participate after a few initial contacts because of the extremely confidential nature of its industry. Another organization, a multinational automobile manufacturer, stopped responding after a preliminary interview with a communication manager.

However, one organization, Insurance X,<sup>7</sup> remained. Because of the complicated nature of the organization's environment and the size of the organization itself, this

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<sup>7</sup> To hide the organization's identity, I will use a fictitious name, Insurance X, throughout this study.

corporation met the criteria of this study. As a large U.S. company, it has enough typicality to give lessons to readers; at the same time, it is unique in its organizational structure and environment. Insurance X has approximately 40,000 employees and 13,000 agents and financial specialists working for the company. Headquartered in a metropolitan area in the Midwest, the company has several regional operations across the country. About 50 public relations practitioners work in the public relations department. The organization could fulfill this study's aims of balance and variety because it was simultaneously negotiating several issues around its environment.

Among several issues and problems that company had, I selected two issues for this study and developed multiple scenarios for each case issue: insurers' use of credit scoring and the optional federal charter within the context of insurance regulatory reform. These issues were unique enough to maintain atypical characteristics. The issues required the comprehensive understanding and analysis of the organization's environment and situation. They were general issues in the insurance industry; companies in a similar situation had similar issues. At the same time, each case needed different approaches and perspectives to build scenarios so that I could apply the general theoretical model that I proposed to specific but different situations and explore and compare differences as well as commonality between issues.

#### *Triangulation: Multiple Methods*

Case study is the most complex strategy for qualitative research and usually entails multiple methods, such as interviews, observations, document analysis, and--although rarely--even surveys. The use of multiple methods adds rigor, width, depth, and thoroughness to case studies (Denzin & Lincoln, 1998; Marshall & Rossman, 1999; Yin,

1994). Yin (1994) named six prime sources of evidence for case studies: documents, archival records, interviews, direct observation, participant observation, and physical artifacts (p. 78). He recommended triangulation, the use of multiple sources of evidence, for a case study. Triangulation ensures the study's rationale by pushing the researcher to take a broader perspective on issues than he would if using only a single source. Stake (1998) also believed that the use of various methods, including redundancy of data collection and procedures, would reduce the likelihood of misinterpretation. Moreover, Denzin and Lincoln (1998) argued that triangulation is an "alternative to validation" (p. 4), not a strategy of validation; it is a strategy that creates precise, broad, and incisive studies.

Triangulation reduces misinterpretation and verifies observed meanings and interpretations by using multiple perceptions (Stake, 1998). The implications of circumstances, observation, and interpretation on meaning need to be verified because they have different correspondences not only concerning the accuracy of measurement but also regarding the logic of interpretation. Therefore, a researcher strategically improves a study by bringing multiple sources of data and substantiating them in support of one point (Marshall & Rossman, 1999). The researcher may also triangulate other sources, such as investigations, theories, and methodologies (Janesick, 1998; Stake, 1995). Member checking is another source appropriate for triangulation. With this method, researchers ask participants to examine the initial drafts of their reports for accuracy (Stake, 1998).

I explored this study's research questions using several qualitative methods for two reasons. First, a key principle of the scenario-building process is the requirement that

several methods of information gathering be used, such as document analysis and interviews. Second, the triangulation of methods ensures the thoroughness and rigorousness of the study. The methods employed in this study include: (1) face-to-face, semistructured interview, (2) elite interview, (3) semistructured telephone and e-mail interview, (4) group interview, (5) document review, and (6) environmental scanning within a framework of a case study.

Research Methods: Long Interview, Elite Interview, Group Interview,  
Environmental Scanning, and Qualitative Document Review

This study consists of three phases: 1) understanding the case organization's public relations practice, including its public relations roles and models and the involvement of its public relations function in strategic management, environmental scanning, and issues management; 2) developing scenarios for two issues facing the organization; and 3) evaluating the scenarios and their use from a strategic management standpoint.

In the first stage, I examined how public relations practices, including environmental scanning and issues management, are conducted in the organization and how communicators are involved in strategic management. This examination was conducted through interviews with public relations professionals as well as through document review. The second stage focused on the development of the scenarios in respect to two specific issues facing the organization. I scanned the organization's environment to identify related concerns. On the basis of all interviews with public relations professionals, including elite members, and the group and environmental scanning, I compiled a list of these potential problems and issues. Finally, I conducted

interviews with the public relations practitioners again and asked them to evaluate the actual scenarios prepared as well as the possible applicability of these scenarios and the scenario-building technique to their work. I summarize and compare the use of each method in Table 3.

Table 3

*Use of Each Method in the Research Process*

	<i>Phase I</i>	<i>Phase II</i>	<i>Phase III</i>
	Organization Analysis	Scenario Development	Scenario Evaluation
Environmental Scanning	X	X	
Non-elite Interview	X		X
Elite Interview	X		X
Group Interview		X	
Activist Interview		X	
Document Review	X	X	

*Long Interviews*

Qualitative interviews are conversations with a purpose (Kahn & Cannell, 1957). In these interviews the researcher explores topics to examine the participant's point of view on the phenomenon of interest. The goal is not for the researcher to develop his or her own perspective (Marshall & Rossman, 1999, p. 108). Fontana and Frey (1994) maintained that the purpose of an interview is not to explain, but to understand and transmit the complex meaning and knowledge of the interviewee using the interpersonal interaction between an interviewer and an interviewee. An interviewer interprets the interviewee's construction and interpretation of his or her situation. The conversation engages the interviewee, causing his or her knowledge to develop and alter. This dynamic emphasizes the fact that in qualitative interviews, interviewees are to be considered as human beings, not as subjects (Holstein & Gubrium, 1995). Few researchers discuss the appropriate length of long interviews; rather, they emphasize the depth and quality information. However, Broom and Dozier (1990) maintained that interviews that seek depth can last from 45 minutes to several hours.

This is a study committed to investigating how public relations practitioners in the chosen organization perceive their environment, understand the environmental-scanning function, and evaluate scenarios as well as the scenario-developing process. According to McNiff et al. (1996), interviews are a useful method for action research. Formal interviews can help an action researcher establish necessary information or evaluate an outcome.

Interviews have several advantages over other qualitative methods. The interviewer has a fair amount of control over the process. The process is a dynamic and active one in which the interviewer and the participant communicate based on their

relationship and interaction. Interviews allow the interviewees to respond using their own frames of reference; researchers can then explore topics of interest from the interviewees' perspectives rather than their own. The researcher can quickly obtain a great deal of information about an individual's sense of meaning and perspective through the interview's in-depth conversation. An interview provides "depth" over "breadth" (Marshall & Rossman, 1999; McCracken, 1988).

However, there are drawbacks to interviewing. As a method with a foundation built on human interaction and relationships, interviewing depends on its participants' adequate relationship building, rapport, and cooperation. The nature of this social interaction makes it vulnerable to bias, inaccuracy, misunderstanding, and misdirection. Human nature and personality may also drive interviewees to be reluctant to share all of the information that the interviewer hopes to obtain. The interviewee may lie or modify his or her statements so that they seem more socially desirable. The interviewer's level of skill, expertise, and language proficiency are additional critical elements. If the interviewer lacks expertise about the culture or the language, it will compromise his or her ability to obtain good information (Lindlof, 1995; Marshall & Rossman, 1999).

This study specifically adopted "semistructured interviewing" (Russell, 1988, p. 204) from among several available interview methods. This takes the form of a conversation between the interviewee and the researcher based on an interview protocol, or a written list of questions and topics to be covered. This type of interview is effective when a researcher interviews people who are under time constraints, because it allows the interviewer to control the subject matter for investigation while still providing freedom to both the interviewer and the interviewee (Russell, 1998). On the other hand, structured



interviewing offers participants little room for response variation because the researcher asks a series of pre-organized questions. Since the interviewer's preparation controls the kind of responses given, he or she should carefully choose the type of questionnaire or the wording of questions to ensure that they are open-ended enough to allow for some variation.<sup>8</sup>

I designed the interviews to achieve depth, detail, vividness, and nuance in the participants' responses (H. Rubin & I. Rubin, 1995). Depth is "getting a thoughtful answer based on considerable evidence as well as getting full consideration of a topic from diverse points of view" (p. 76). I encouraged the participants to provide depth by telling them what I was interested in and why so that they could feel relaxed talking about the topic in detail. I also worded questions so that they would generate answers with the desired level of depth to convey rich information. I employed probes and follow-up questions as a vehicle for obtaining more rigorous responses than the main questions had generated (pp. 145-146). Detail was obtained by asking participants to elaborate by giving particulars, such as examples and stories. According to H. Rubin and I. Rubin (1995), researchers should design questions to evoke vivid responses that would convey the interviewees' perspectives to readers. To solicit detail, I used questions that requested specifics or signaled interest. I asked for stories and firsthand descriptions of episodes or anecdotes mentioned. As the authors suggested, I also employed several follow-up questions to induce nuanced information. I sought nuance and realistic precision in

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<sup>8</sup> Through unstructured interviewing, a researcher attempts to understand the complicated behavior or perception of participants without imposing pre-established categories; this open-ended ethnographic interview requires the interviewer to establish person-to-person relations with interviewees (Fontana & Frey, 1994).

description by exploring the subtleties of meaning and tried to ask “how” questions to encourage more nuanced answers. I provide the list of interview questions in Appendix A.

### *Interviews with Public Relations Practitioners*

Over the course of the study, I conducted two rounds of semi-structured interviews with public relations practitioners who were not categorizable as “elite members” of the organization; I prepared two different sets of interview questions (see appendices A and B). I provide more detail about the definition and characteristics of elite members later in this chapter.

The two-fold purpose of the first round interviews was to explore 1) how public relations, including environmental scanning and issues management, was practiced in the organization and 2) what the issues of the organization were from the public relations professionals’ perspective. I began by asking the participants to describe the structure of both the public relations department and the organization. I then asked how they practiced public relations and communicated with publics to understand the public relations role and its function. These participants also discussed how the public relations department, including the head of the department, was involved in and contributed to strategic management, how they conducted environmental scanning, and how public relations was involved in issues management. Then, I asked the participants to discuss the issues that they perceived as important ones for the organization from a communication standpoint. At the end of each interview, the questions asked focused on what features the participants believed to be important in their public relations practice and what they thought needed to be done to improve these practices.

In the first round, I conducted 13 interviews with public relations professionals. Because an interview seeks quality over quantity, McCracken (1998) maintained that eight would be an appropriate number of interviewees. In this context, quality is defined as working over longer periods with greater attention paid than a large number of interviews could afford. These participants were not to represent the larger world; they were chosen to represent multiple aspects of the specific public relations department.

In recruiting participants, I used purposive sampling with the help of one contact person, the organization's public relations manager. This person volunteered to take responsibility of being a contact person for me and internally managed this project. The following criteria were used in determining who would participate: the participants' specialty in public relations, length of experience in public relations, the level of their position or job title, their work history in the organization, and their level of involvement in strategic decision-making. That is, I looked for individuals who were identified as public relations practitioners within the organization and had experience in the field. I asked to recruit individuals who were at the manager level so that they could understand the overall public relations practice of the organization, including involvement in strategic decision-making.

Nine of the participants were "team leaders," each serving as a mid-level manager and each holding the title of senior director, director, or senior manager in the areas of media relations, corporate positioning, and corporate relations. Each had a direct reporting relationship to the heads of the department. The other four participants' job titles varied from communication consultant to manager. Participants' history with the company ranged from less than one to more than 20 years. Six people began their career

at this company and had been with it for more than 10 years. The others joined the company from other companies in the same industry or from public relations agencies.

The interviews consisted of eleven face-to-face and two telephone conversations. Face-to-face interviews were conducted in the participants' offices or empty rooms of the organization. Interviews lasted approximately one hour; depending on the interviewee, the interview times ranged from 45 to 90 minutes. The interview time was arranged by the contact person in the organization. I conducted two interviews over the telephone because these participants were not available for interviews during my visit to their office. They had tight schedules for upcoming events. I arranged telephone interviews with them upon their request.

The second round of interviews consisted of scenario review and feedback. I sent the draft of the scenarios that I developed based on the results of the first-round interviews, the group interview, the elite interviews, environmental scanning, and document review through e-mails to the participants. I asked them to review the scenarios and evaluate them based on the following criteria in addition to the overall quality (see Appendix B).

- Plausibility: Are these scenarios sound?
- Realistic value: Do they seem realistic, not too fictional?
- Sense making: Do these scenarios make sense? Are they understandable?

I also asked questions to learn participants' opinion about the usefulness and value of these scenarios in actual public relations practices. I asked them to discuss the possibility of adopting scenario building as a regular activity in the future. I sent the scenarios to 10 public relations practitioners and three elite members; the 10 practitioners

were all participants of the first-round interviews. Three individuals were not included because of the nature of their responsibility. These people were highly specialized in narrow technical areas such as philanthropy and media relations. Seven practitioners and three elite members participated in this second round. The interviews were conducted via telephone, with only one exception of written feedback through fax. Two participants e-mailed back the scenarios with their comments and editing in addition to the telephone conversation. Three people never responded to my interview request.

### *Interviews with Activist Publics*

To identify the attitudes and communication behaviors of the members of activist groups, this study used semi-structured, open-ended telephone interviews, and e-mail interviews. The interview questions were designed to measure the participants' interest and involvement in the study's issues, including their projected behavior regarding the issues (see Appendix C). The questions were modified from J. Grunig's (1997) questionnaires intended for studies based on the situational theory of publics, which identify different segments of publics. I asked each participant how he or she became acquainted with the issue and explored his or her problem recognition, level of constraint recognition, and level of involvement. I also asked questions about what actions the participants had taken and what their plans for future were.<sup>9</sup>

I used two different sampling methods to recruit participants: purposive sampling and snowball sampling. I first contacted 90 people through e-mail. These people were either listed as members of an insurance interest group or built or joined chatrooms or discussion groups about the organization. I identified the activist Web sites, chatrooms,

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<sup>9</sup> I used this method in a similar project to predict the public's communication behavior and action and develop scenarios (Sung, 2003).

and discussion groups through Internet search engines, with key words related to the industry, the organization, and specific topics that the organization was also concerned about. Their e-mail addresses were acquired from the member list or the member information sections of those Web sites. Six people responded to the initial e-mail solicitation and four consented to participate. Interview questions were e-mailed to the consenting participants; two actually replied with their answers.

I also contacted consumer activists, or “consumer advocates,” via e-mail and telephone. I identified several consumer-related activist groups on the Internet and contacted the individual activists listed on those sites by sending an e-mail solicitation. Nine consumer advocates from public interest groups and consumer groups consented to participate; six interviews were conducted via telephone and three interviews were given by e-mail.

Lastly, I also used snowball sampling to identify the consumer activists who had expertise or deep interest in insurance-related issues. A communication official from an insurance trade organization referred to one consumer activist; I contacted that individual and asked him to refer a few others after the interview. In this way, I came to interview four consumer activists over the telephone. Two groups of activists were interviewed for two issues: insurance credit scoring and insurance regulatory reform. I interviewed 12 individuals for the first issue: nine telephone interviews and three e-mail interviews. Thirteen activists participated in the interview for the second issue. Eleven interviews were conducted through telephone and two through e-mail. Each telephone interview lasted about 30 to 45 minutes.

### *Elite Interviews*

Elite individuals are defined as those who have influence and authority within an organization. Elite interviewees can provide valuable information based on their expertise and comprehensive knowledge in the area of interest; these participants also offer vital perspectives based on their social and political positions. They can offer an overall outlook of their organizations and of its relationship to other organizations or the environment (Dexter, 1970; Marshall & Rossman, 1999). According to Marshall and Rossman, an elite interview is “a specialized case of interviewing that focuses on a particular type of interviewee” (p. 113).

Although the interviews conducted with mid-level public relations practitioners were critical, the elite interviews provided crucial insight into the perspectives of the highest-level public relations executives regarding their organization’s environmental scanning, issues-management process, and scenario-building outcomes. Moreover, information from these interviewees contributed to the study by providing data about their positions as top communicators within the organization and the dominant coalition. They also provided broad perspectives on the issues facing the company or the industry and the structure and position of the public relations function.

I conducted three interviews with elite members of the organization. The participants were either heads or senior managers of the public relations department, holding vice president or assistant vice president titles. All three participants were men in their 50s. They had all either spent an extensive period time within the organization or had an extensive background in public relations from another business sector. Two individuals had been with the organization more than 20 years, although they spent a

significant period of time outside public relations. The other individual joined the company six years ago; however, he had extensive experience in public relations because he had worked at public relations firms.

In the first round, I conducted face-to-face interviews using a condensed, structured interview protocol based on the same set of questions I had used to interview the non-elite public relations practitioners (Bowen, 2000). I provide the list of interview questions in Appendix A. Even though I used the same protocol that I used for the interviews with non-elite public relations practitioners, I used different probes for the elite interviews; the interview questions focused on obtaining the elite members' perspectives on public relations practices and environmental scanning as well as of their involvement in the organization's strategic management. I asked the participants to evaluate their reporting relationship with the CEO and other senior managers and to discuss any issues they were concerned about from their business standpoint as communication managers.

Although I expected these interviews to be shorter than those with the non-elite interviewees, they actually lasted 60 to 90 minutes. In general, the limitations for conducting elite interviews are the difficulty of gaining access and making the initial contact. Because elite personnel are usually busy people under time constraints, the interviewer must remain flexible with his or her planning of interview schedules and structure. In addition, interviewers must have solid knowledge of the topic and a concrete understanding of the issues so that they can quickly establish their competence by posing insightful questions (Marshall & Rossman, 1999). Because the interviews with these elite members were also arranged by the contact person before I visited the office, I did not



experience the difficulties mentioned above. Before the interviews, I reviewed the organization's Web site and monitored the Internet sources to educate myself.

For the second round, I used the same set of questions that I used with the non-elite members (Appendix B). The drafted scenarios were sent to the participants in advance and they were asked to review the scenarios in terms of overall quality and understandability. The participants critiqued the plot and structure of each scenario. I also asked them what they thought of the usefulness of these scenarios was and if they would consider adopting a scenario-building technique in their practice. All three elite members participated in this process; two interviews were conducted through the telephone and one via fax.

#### *Group Interview*

One of the purposes of scenario building is to create a shared language among a small group of people, the scenario team (Ringland, 1998). As a way of compiling the team's collective meanings and opinions, this study employed the group interview method. The group interview, often called a focus group, is a research method used to aid a researcher in discovering participants' meanings and modes of understanding through group interaction (Lunt & Livingstone, 1996). Fontana and Frey (1994) defined it as "systematic questioning of several individuals simultaneously in formal or informal settings" (p. 370), which provides an opportunity to explore participants' values and perceptions with direct evidence. According to Morgan (1988), it is a form of an interview that gathers collective data on a particular topic by observing group interaction. The group interview can be a supplementary method of data collection. Although it is not a substitute for individual interviewing, the group interview is an option that provides

another level of data gathering and the group perspective on the research problem that individual interviews cannot offer. This type of interview usually consists of six to twelve people.

This method has several advantages. Primarily, it provides an opportunity to collect rich data through the direct observation of the participants' interaction in a group setting. Participants share meanings and elaborate their ideas through conversation in the more natural atmosphere of the group interview than they do in one-on-one interviews. This method also offers participants a relaxing environment where they can be open about their values and feelings without being intimidated by facing the interviewer one-on-one. A group can be less intimidating or frustrating to participants than some other methods. By discussing a particular topic, the researcher can obtain focused information. A researcher can collect a good deal of information during a relatively short period of time. Group interviewing is also flexible; it allows the researcher to change protocol or agenda and to explore the unexpected issues that often come up during the sessions (Krueger, 1994; Morgan, 1988).

On the other hand, group interaction can work negatively. If there is a phenomenon such as groupthink,<sup>10</sup> individual responses can be contaminated. The interaction among group members may influence what each individual contributes to the group and the overall interview. As the researcher decides the topic of discussion, group interviews may be conducted in a less genuine atmosphere than simple observation. Morgan (1988) pointed out that this type of interview may have limitations because it mainly depends on participants' verbal behavior and self-reported data compared to

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<sup>10</sup> Groupthink happens when people engaged in a group overly seek concurrence. When this mode becomes dominant, it prevents realistic appraisal of action (Janis, 1972).

observation. In addition, group interviews require greater attention to the role of the moderator than individual interviews. If participants discuss issues that are irrelevant to the research study, the researcher may have less control than he or she might have had over an individual interview session. Group interviews require skilled, well-trained moderators, who can facilitate the conversation without influencing the participants. At the same time, moderators are also responsible for ensuring that all participants engage in the discussion during the session and for preventing the domination of the session by a small number of people. I am qualified in this method based on my advanced academic study of it. I trained myself by reading studies that used this method and reviewing literature that examined it. Another disadvantage of this method is the difficulty of data analysis (Krueger, 1994; Morgan, 1988). Because multiple participants said at the same time, sometimes it is difficult to distinguish and understand each individual's comment. A few times I had to repeat the recorded interview because the participants' voices were overlapped and indiscernible.

Group interviewing is well fitted to the purpose of my study because I explored the process of scenario development from a teamwork standpoint. Scenario building allows individuals and teams to learn to identify the uncertainties in their operating environments (Schwartz, 1991). I conducted an 80-minute group interview; its participants generated meanings and values for driving factors and environmental uncertainties and then shared their perspectives through group discussions and interaction. As the moderator, I facilitated the discussion and analyzed the group dynamics emerging during the scenario-building process. The data obtained from the group interview were used as components of scenario building.

The interview began by asking the participants to discuss the organization's identity, goals, and business strategy as well as its strengths and weaknesses from a public relations perspective. I then asked questions about the issues or problems they were concerned about and what would be important influencers outside the organization. I also asked the participants to select the most critical issues, to identify the environmental factors they believed would influence those issues, and to specify their interrelationships. Lastly, they discussed the key uncertainties and potential problem areas and then defined the scope of the scenarios. The list of interview questions is found in Appendix D.

Seven public relations practitioners participated in the interview. I invited the public relations department, mostly mid-level or higher managers, to participate with the help of the public relations manager who coordinated my visit. Six participants were "team leaders" and one was a non-management employee. This group was made up of people who knew each other well because they were all co-workers. The interview was conducted in one of the organization's conference rooms, which had a whiteboard and flip sheet (Lunt & Livingstone, 1996). As a moderator, I summarized the major issues and topics on the flip sheet so that the participants could follow the discussion. I summarize each method used in Table 4.

Table 4

*Comparison of Interviews*

<b>Method</b>	<b>Participants</b>	<b>Number of Participants</b>	<b>Purpose</b>
Non-elite Long Interview	Public relations practitioners	13	<i>Round 1</i> Organization's current environmental scanning process and related activities; public relations' role and involvement in strategic management
		7	<i>Round 2</i> Feedback about the scenarios developed by the researcher; evaluate plausibility and potential for practice implementation
Elite Interview	Two VP and one assistant VP of public relations (department heads)	3	<i>Round 1</i> The high-level executives' perspectives on the organization's strategic public relations management and overall public relations practices
		3	<i>Round 2</i> Feedback about the scenarios developed by the researcher; evaluate plausibility and potential for practice implementation
Activist Interview	Members of active publics or activists	Issue I: 12 Issue II: 13	Identify public attitudes and communication behaviors regarding the issues of interest
Group Interview	Public relations practitioners	7	Develop initial scenarios with the public relations practitioners of the organization through group discussion

### *Interview Protocol*

The use of a protocol helps the interviewer 1) cover all questions in the same order for all interviewees, 2) keep precise prompts, and 3) set up the direction and scope of the interviews (McCracken, 1998). According to Fontana and Frey (1994), semi-structured interview guides are useful for formal interviewing in the field when the researcher is directive. To some extent, I would be directive in conducting interviews since I had specific interview topics planned such as the organization's environmental scanning, issues identification, and scenario development and evaluation. For all types of interviews, I created a list of questions appropriate for the purpose of the study and asked those questions roughly in the same order and way to all participants (see Appendices A, B, C, and D). However, I ensured that the conversations could maintain a natural flow and allowed the participants to continue in the manner they wanted (Marshall & Rossman, 1999).

### *Pilot Interview*

A pilot study is the final preparation for data collection (Yin, 1998). It helps a researcher to refine the data-collection plan in terms of its content and its collection procedures. Usually convenience and access are the central selection criteria for pilot studies. Janesick (1998) maintained that pilot interviews allow the researcher to test certain questions and uncover particularly unclear areas.

Because of limited time and resource, I was not able to conduct pilot interviews for each method. Instead, I tested the interview guides for the long, elite, telephone, and group interviews with two former public relations practitioners outside of the organization. These individuals reviewed the interview questions and suggested revision

or re-writing when the meanings were not clear enough. They also commented on structure of the questions to make them have better flows or to eliminate the use of academic jargon. I made appropriate changes for clarity, such as changing the order of the questions or word choice.

### *Environmental Scanning*

I conducted environmental scanning--the monitoring of discussion groups, listservs, chatrooms, message boards, and other media coverage--for the organization during the entire research period, most intensively during the first three months, from January through March 2004. Using search engines, such as Yahoo! ([www.yahoo.com](http://www.yahoo.com)) and Google ([www.google.com](http://www.google.com)), I identified discussion groups, chat rooms, and activist Web sites related to the organization. I selected the most active groups or sites for regular monitoring and examined the discussions and messages posted on each site to identify major issues that were related to Insurance X or the industry in general. I visited these sites at least once a week and read and recorded newly posted information and opinions. I first analyzed the printed outcome of the environmental scanning I had conducted; this included analysis of the content of online discussions, messages posted on chatrooms and discussion groups, and media coverage. I also examined press releases and other materials posted on activist Web sites that were related to the organization and the issues.

I monitored the media coverage from newspapers and journals via electronic data bases such as Lexis-Nexus and Factiva. I used the organization's name and "insurance" as key words to search for articles related to the organization and relevant industry trends. I printed and filed the articles and documents. I analyzed the data resulting from this environmental scanning--including the content of online discussions, messages, and

media coverage--for future incorporation into scenarios. I acquired the organization's media report produced by the public relations department upon the organization's permission. To obtain more in-depth information and knowledge about the industry and related issues, I also conducted a one-hour semi-structured interview with an insurance trade association's public affairs director to obtain background information about the issues and the industry (Appendix E).

### *Qualitative Document Review*

Documents from the organization--such as administrative documents, proposals, internal reports, and newspaper clippings--provide good sources of information (Yin, 1994). The most important purposes these documents serve are the corroboration and augmentation of evidence from other sources. According to Marshall and Rossman (1999), the history and circumstances surrounding a specific situation or topic can be obtained, in part, from reviewing other documents. Researchers often use both documents generated by "everyday life" and those developed for the specific research to supplement qualitative methods such as interviewing and participant observation. Document review is an unobtrusive method for collecting rich descriptions of the values and beliefs of study participants. Marshall and Rossman listed a number of examples of informative documents to be studied. Those mentioned included minutes of meetings, logs, announcements, formal policy statements, letters, journals, and samples of free writing about a topic (p. 116).

Document review allows a researcher to avoid any obstruction or unwanted reaction from participants. The researcher can observe and describe the participants' values and beliefs without disturbing the setting. Another benefit document review allows



the researcher is the ability to frequently check information over the course of the review process. Disadvantages of this method are the sole reliability it places on the researcher for making inferences from documents. The researcher may need to have comprehensive understanding and background information to make accurate inferences. Since the content analysis depends upon the researcher's interpretation, the validity or accuracy of this evaluation may be questioned. For these reasons, these documents should only be treated as "clues." They are pointers worthy of further investigation rather than definitive findings (Marshall & Rossman, 1999; Spradley, 1980).

In this study, I conducted a qualitative review on the following documents:

- The outcome of environmental scanning.
- Materials related to the issues of interest produced by several groups and organizations.
- Documents related to the organization's public relations organizational structure and practices.

I examined online documents posted on activist Web sites. Some activists who participated in the interview voluntarily sent materials through e-mail. I analyzed information fliers, pamphlets, brochures, and newsletters produced by activist groups as well as the industry trade associations. With the permission of the organization, I also reviewed and analyzed internal documents.

To maintain the originality and quality of documents, I recorded and compiled the summary and history of each document in a filing system (Lindlof, 1995). The collected documents were analyzed based on a coding system; I used the research questions as the framework for this analysis (Bogdan & Biklen, 1992; Marshall & Rossman, 1999). As Marshall and Rossman suggested, this study linked the decision to collect and analyze

documents to the research questions. The documents were reviewed with “skepticism” (p. 117); by continuously comparing the different perspectives of diverse organizations and groups these documents presented, this study sought to find the truth within the texts.

I reviewed news publications, including newspapers, trade and academic journals, industry newsletters, and online documents found in 23 different organizations’ Web site. The complete list of the publications is provided in Appendix E.

### *Scenario-Building Process*

Two sets of scenarios were developed based on the scenario-building model presented at the end of chapter 2. The process began with defining the scope for these scenarios. I asked the participants of the group interview to give their perspective on the appropriate temporal and geographic scope for the scenarios. I also asked them to discuss their corporate identity, goals, and strategies. The participants then talked about the company’s present situation, such as its general strengths and weaknesses and those of its public relations department. The second step in scenario building was to identify and analyze external influencers of the organization. During the group interview, I asked participants to name external influencers that include major stakeholders and basic trends and discuss how these could affect the company and its public relations practice. I also asked for information on the interrelationships among these influencers. This phase also included the environmental scanning I conducted for the company and the insurance industry.

In the next phase, I asked the participants of the long and elite interviews to discuss the issues and problems that they and the company were concerned about. Asking this question to the group interview participants generated an active conversation. Each

interviewee mentioned five to eight issues of concern. Similarly, when I asked the group interviewees to talk about important issues and the potential factors that would influence those issues, they discussed 14 issues and 13 influencing factors. These interview-generated lists of concerns were supplemented by those resulting from environmental scanning.

Based on these interviews, I selected two issues, insurance credit scoring and regulatory reform, for scenario building. I then identified the factors and influencers that might have consequences for the company in regard to these issues. I conducted the interviews with the members of activist groups who were “consumer advocates” for insurance-related issues. They provided another side of the story and told me about their past and projected actions and stances on the issues. Asking questions based on the situational theory of publics, I was able to segment these interviewees into smaller groups and predict their future communication behavior to some extent; this was included as part of the scenario plot. The scenarios’ themes and topics were developed based on the outcomes of the environmental scanning and the interviews with the publics.

Consequently, I developed three initial scenarios for each issue. By combining the potential effects of the influencers and the uncertainties surrounding each issue, I was able to develop the story plots. After drafting each scenario, I sent them to the public relations practitioners of the company and asked for their feedback on the plausibility and comprehensibility of each scenario. The scenarios were revised and refined based on their comments and evaluation. Finally, I asked them to talk about the potential value of these scenarios for their practice in terms of strategy development and decision making.

### *Logistics*

Researchers go into the field as outsiders; they enter the world of their study's participants as visitors or observers. The nature of this study demands the full cooperation of an organization. It is necessary that the company provides unrestrained access to its resources and employees. Some changes may be required because of the secretive nature of certain corporate information or decision-making policies. These changes can affect research schedules and the type of materials included for review.

To conduct interviews with the public relations practitioners of Insurance X, I traveled to the company's headquarters, where the interviewees' offices were located. I worked within the organization's general schedule as well as those of the individual participants. Participant convenience also dictated the group interview location; the organization generously allowed me to use the office conference room, the most opportune space possible. Organizational consent and permission to access its resources were obtained either verbally or via e-mail (Stake, 1995). We agreed that I would conduct this study at the organization's convenience and that its preferences would be given priority.

### *Contingency Plan*

To ensure the feasibility of the data collection in case of unexpected events, I worked with a contingency plan. The most serious potential problem would be if an organization of choice decided not to participate in the study. To be prepared for this possible situation, I recruited more organizations than originally planned; I contacted the heads of several similar organizations' public relations departments to obtain consent. Therefore, even if two organizations that previously consented to participate withdrew, I

could precede with the study without interruption. Had the last organization withdrawn, I would have contacted the multinational organization that I worked for in the past. The top communicator of this corporation in South Korea had verbally consented to collaborate if necessary.

I encountered a situation in which an interviewee was not able to participate on the scheduled day because of her busy schedule. I scheduled a telephone interview instead of a face-to-face interview at the participants' convenience. I reminded the participants of the length of time needed for the interview in advance to ensure that there would be enough time for both conversation and data collection.

#### Data Analysis

Data were collected, stored, and retrieved through a systematic process. Because information is not immediately available after its collection, a good storage and retrieval system is critical for keeping track of available data. In qualitative research, the massive amount of data requires a logical and consistent system. A researcher without such a system will be in data-management limbo. Clear indexing and filing systems enable effective maintenance of and easy access to data. Furthermore, a good system allows archiving of data if the researcher ever needs to go back to the data or analyses once the study is complete (Huberman & Miles, 1994). This study's filing system stored data categorized by organization, date, and participant(s).

Bogdan and Biklen (1992) defined data analysis as the process of searching for and arranging the fieldwork data, such as interview transcripts and fieldnotes, in a systematic manner. A variety of tasks is involved in analysis. Data must be organized, broken into smaller units, integrated, reviewed for patterns and their implications, and

selected to be reported to others. Through this process, researchers increase their understanding of the data and become better able to present their findings to others.

Bogdan and Biklen (1992) also identified two possible approaches of data analysis. In an analysis-in-the-field mode, a researcher analyzes data during its collection; the analysis is nearly complete by the time the data-gathering process is finished. They strongly recommended the use of “observer’s comments” in fieldnotes and writing memos as a way to record the mental connections that arise between the researcher’s feelings and those of participants. The use of metaphors, analogies, and symbolic names can propel the analytic process. This approach should be also useful for scenario researchers (Ringland, 2002). On the other hand, the researcher can perform more formal analysis after most data have been collected. However, qualitative data analysis is never purely formal. Because a researcher cannot avoid reflecting on the findings while in the field, some analysis must happen during data collection. In the more formal sort of qualitative analysis, a researcher develops coding categories based on patterns and regularities that emerge from data, including participants’ modes of thought and behavior.

Huberman and Miles (1994) broke the data analysis method into three sub-processes--data reduction, data display, and conclusion drawing and verification. The data reduction process narrows the available data to a more manageable volume based on a conceptual framework, research questions, and other tools. Data summaries, coding, and themes are organized and built based on the researcher’s selection from fieldnotes and raw data. Data are displayed in an organized, compressed set with structures and synopses. Those displayed data are then transformed via the researcher’s analysis, inferences and interpretations into the conclusion

This study used several other analytical methods in addition to the one listed above. It adopted a pattern-finding technique where codes are examined, compared, and combined based on the research questions of the study (Miles & Huberman, 1994). I also employed a combination of six phases of an interpretive analysis of Marshall and Rossman (1999), qualitative analysis of Russell (1988), and case study data analysis of Yin (1994). Yin maintained that “pattern-matching” (p. 25) is one effective way to analyze data from a case study. He also explained that a researcher can use a strategy that relies on the theoretical propositions of the study. That is, several pieces of information from a case are connected to theoretical propositions.

In this study, I attempted, through different methods, to find patterns among data collected through interviewing, environmental scanning, and document review and to relate them to the research questions. Data were analyzed in three different parts. First, all interview data were transcribed and analyzed thematically to find key issues or themes among data collected. I recorded all of the interviews with an audio tape-recorder. To obtain rich data, I transcribed all interviews word-to-word. I generated a folder to store interview transcripts; I organized transcripts based in the identification of participants and the date and place. In this stage, I “reduced” the data to identify information related to this study and its research questions.

Because this study was based on research questions with theoretical frameworks, I used those research questions as the primary coding scheme for the interview data. Then, I reviewed each transcript several times and made comparisons among transcripts so that I could locate emerging patterns or trends. I read my fieldnotes and memos in the same way. I used these themes and patterns to code the data. Once I located patterns that

matched one another, I named those themes and created codes for each theme. The codes were named in line with their content. For some I used metaphoric phrasing to symbolize the concept or meaning; for others, I employed an exact word or phrase from a participant or myself that could summarize the coded data's meaning.

After I found the patterns or themes, I compared them through an analytic strategy. I compared transcripts with the list of codes and marked each participant's response that corresponded to a code. After I had compared the themes and codes with the research questions, I put the participants' specific responses together. The process was not complete until I found a repetition of themes or gained a new insight. I employed the suggestions by H. Rubin and I. Rubin (1995) and Miles and Huberman (1994) at this stage. I located new themes or patterns that were not related to research questions under a category called "others." I analyzed them, looking for new categories.

I analyzed the data from e-mail and telephone interviews with the members of publics based on the independent variables of situational theory—participants' problem recognition, level of involvement, and level of constraint recognition (J. Grunig, 1997). In addition to the three independent variables, I used their communication behavior and the future action plan as two other categories. All telephone interviews were transcribed and filed in the same way that I described earlier. I also filed the e-mail responses. After I found patterns or themes, I compared them through an analytic strategy and, finally, used them for scenario building (Miles & Huberman, 1995).

I summarized documents that were reviewed and organized the summaries based on the type of documents, such as media coverage, Web site documents, academic



journals, and trade publications. I documented the content of each source and analyzed it based on the themes.

### Criteria for Judging Qualitative Research

#### *Validity and Reliability*

Many qualitative researchers maintain that qualitative research should have different criteria for evaluation than those used to evaluate traditional quantitative methods (Holstein & Gubrium, 1995; Kirk & M. Miller, 1995; Marshall & Rossman, 1999; Wolcott, 1995). They also point out that the standard of objectivity held by natural science cannot be employed in social science, since the goal of this research is to understand the subjective motivations and consequences of human behaviors. Qualitative research does not objectify human interaction or assume that every phenomenon has a causal relationship; rather it attempts to understand the way participants think and talk. Wolcott (1995) argued for “disciplined subjectivity” (p. 165) as a concept parallel to objectivity. Observation cannot be separated from what the observer has in mind. Therefore, he maintained that objectivity in qualitative research indicates mindlessness. Qualitative researchers should recognize and display their biases openly, because these add value and meaning to the study.

In traditional experimental studies, project validity is judged by the extent to which an instrument measures what it is supposed to measure by providing correct information. On the other hand, a qualitative study is valid if the meanings and interpretations extracted by a researcher are continuously found in further interactions. According to Kirk and M. Miller (1995), validity in qualitative research is measured by whether the researcher sees what he or she thinks he or she sees. Kvale (1995) maintained

that validity in qualitative study should mean “whether a study investigates the phenomena intended to be investigated” (p. 26); from a postmodern perspective, he viewed validity as quality and expression of craftsmanship, which checks, questions, and theorizes the phenomena investigated. He suggested communicative validity, or conversation about the observations, and pragmatic validity, or application, as possible approaches to validity. However, some qualitative researchers deny the concept of validity in qualitative research. For example, Wolcott (1995) argued against the significance of validity as a measure to evaluate qualitative research; in his opinion, validity was never demonstrated, but “only made more likely” (p. 170). This study obtained validity in the sense that I found similar patterns repeatedly emerging after a few interviews.

Reliability is the degree to which a measurement provides the same results regardless of the research setting or condition. Kirk and M. Miller (1995) maintained that reliability in qualitative research is measured by the degree to which the observation is independent of research settings and circumstances; the findings should be consistent with particular topics but do not have to be replicated. On the other hand, Wolcott (1995) argued that reliability is not an appropriate concept for qualitative research; reliability could be assessed only if a researcher manipulated conditions. In fieldwork, researchers cannot make things happen. Lindlof (1995) also maintained that the traditional concepts of validity and reliability are not appropriate to qualitative inquiries, because of the changing nature of human interactions and interpretation; qualitative research does not attempt to obtain consistency or reliability.

### *Alternative Criteria*

Lincoln and Guba (1985) proposed four alternative constructs for qualitative inquiries: credibility, transferability, dependability, and confirmability. A credible study is conducted in a manner that ensures accurate identification and description of the subject. It shows that the researcher has precisely identified and described the topic, while constructing multiple realities. This measure is preferred when “exploring a problem or describing a setting, a process, a social group, or a pattern of interaction” (Marshall & Rossman, p. 192, 1999). This study obtained credibility through its in-depth descriptions of the situations and the way its scenario-building processes worked within the parameters of public relations practices.

Transferability is achieved if a researcher can argue that the findings will be of use to others in similar circumstances with similar research questions. Although the results of any one study should not be generalized, another researcher with a similar situation and questions could possibly obtain comparable findings; the responsibility for showing the applicability of the first study rests on the researcher who transfers its original research to another context. However, transferability should be differentiated from generalizability, or external validity, in quantitative research. As a response to the critique that the lack of external validity is a weakness, Lincoln and Guba (1985) argued that a researcher should be able to refer to the theoretical framework of the original study and demonstrate that its data collection and analysis were based on that conceptual framework. This study ensured transferability by providing detailed description of the research methods used; another researcher who conducts a similar study in a similar organization should be able to obtain comparable results.

A researcher achieves dependability if he or she can explain the changes in the phenomenon or in the design. However, it is not identical to reliability, which assumes an unchanging universe and prime conditions for replication. According to Lincoln and Guba (1985), this criticism's assumption that society does not change directly contradicts the constructive worldview held by qualitative researchers.

Confirmability is parallel to the conventional notion of objectivity; it is necessary to ask whether the research findings could be confirmed by other researchers. If the data confirm the findings and implications, the researcher eliminates doubt as to the subjective influence on the study of his or her personality or external characteristics. Whereas one cannot assert that his or her findings are objective, the outcomes of the study are confirmable if other researchers would reach similar conclusions and interpretations from the data. Therefore, the key to confirmability is data, not the researcher. I attained dependability and confirmability through a repeated interview process and triangulation. Interview questions and my interpretation of the phenomena were adapted and refined by my understanding of the setting. The findings were confirmed by repeatedly exploring similar questions with several participants and sources.

#### Ethical Considerations

Ellis (1995) advised qualitative researchers to “make decisions the same way you make them in your everyday lives” (p. 89), when it comes to ethics in fieldwork. In qualitative studies, participants risk exposure and embarrassment, such as the loss of employment and self-esteem, because they share personal views and circumstances (Stake, 1998). Therefore, researchers need to consider ethical issues. For example, traditional interviewing was often considered unethical because interviewers tended to

manipulate the conversation or the outcome of research. Fontana and Frey (1994) pointed out that researchers should be able to manage the degree of their involvement, first, because they do not want to influence the participants and, furthermore, the data. They said that researchers needed to use common sense and to be morally responsible.

Bogdan and Biklen (1992) maintained that researchers ought to inform participants of the purpose of the study early in the interview and to assure them that information collected during the interview would be treated confidentially. I decided to keep all participants' identities confidential. On the organizational level, I discussed this issue with the head of the public relations department and we decided to maintain the organization's confidentiality.

There was no deception used to conduct the study (Punch, 1998). I explained the goal and background of the study to each participant and only asked questions that related to the research questions. As a discreet researcher, I did not disclose anything discussed privately by participants (Bogdan & Biklen, 1992).

All interviews went through an institutional Human Subjects Committee. Before the beginning of any interview, I informed the participants of their right to privacy and acquired informed consent from all of them (Fontana & Frey, 1994; Punch, 1998). In the case of face-to-face interviews, an Informed Consent Form was provided to acquire the participant's signature. For e-mail interviews and telephone interviews, I e-mailed the form to participants before the interview and obtained their verbal consent while having telephone conversations. A few e-mail participants also indicated their consent in their response e-mails (see Appendices F and G).

Recording interviews on audiotape is one method for managing the information they provide in an accurate and retrievable form (H. Rubin & I. Rubin, 1995). Taping allows the researcher to archive data until he or she can transcribe them. This assurance that all data are being accurately recorded allows the researcher to fully concentrate on the interview context and to plan follow-up questions. Audio recording is also a method for capturing informal conversation and discussions about the research with participants and can serve as the medium for a conversational diary. For these reasons, audio taping is one of the most popular methods for data collection in action research (McNiff, Lomax, & Whitehead, 1996). Fortunately, I was able to obtain consent from all participants for this audio tape-recording; if someone had objected, however, I would have used another method.

As an incentive to participation, I promised the organization that I would provide an executive summary of my findings along with the scenarios I had created and the analysis of the interviews with the members of the public. The executive summary contained an overview of public relations' involvement in strategic management, environmental scanning activities, and issues management. Upon the organization's request, I also promised to send a final copy of this dissertation (Bowen, 2000).

## CHAPTER IV: RESULTS

### Overview

This chapter reports the findings of the study based on the methods discussed in the previous chapter. It is organized around the research questions presented in chapter 2 with the purpose of seeking answers for the questions: 1) How is public relations practiced and involved in strategic management within the case organization; 2) What is the process of developing multiple scenarios for actual issues that the company has and what are the scenarios; and 3) How can scenario building help public relations enhance its contribution to strategic management?

The chapter begins with a brief description of the case organization--history, the company's organizational structure, the public relations department's structure, and the corporate business strategy. This information is important to understand what kind of roles and functions public relations has and how it is involved in strategic management of the organization. The unique situation that the participants faced, such as how public relations was positioned and considered by people from the other functions in the organization and how public relations was practiced, was in large part based on this historical and organizational background. However, the description of the organization does not include details; I use a counterfeit name, Insurance X, to refer to the organization. I promised to keep identity of the company confidential. The identity of all participants also remains confidential.

The descriptive section of the chapter is followed by the research questions. The research questions provide the frame for constructing the study and analyzing the data. The results are discussed under each research question. The chapter concludes by discussing the use of my findings for scenario building. The implications of those findings are discussed in the next chapter.

The results come from the data that I collected through methods discussed in chapter 3. Therefore, the data include the insights of the participants, printed information in a variety of documents, and people's opinions and thoughts extracted from Web sites. To deliver the vividness of the data, I used verbatim comments or expressions whenever possible; the findings are reported in the way the participants spoke. In this way, I also tried to achieve originality of the study and empower the participants.

#### Overview of the Organization

Insurance X is one of the largest insurance companies in the United States. The company is based in the suburb of a metropolitan area and has several regional offices across the country. Although it has some business operations outside the country, its business is mostly focused in the United States. About 40,000 employees and thousands of agents and financial specialists work for the company. Insurance X provides several communication channels for customers; they can access the company and its products and services through exclusive Insurance X agents and direct channels such as the corporate Web site and 1-800 customer service numbers in select states. The company also distributes its products through its network of specialists and independent agents.

On the corporate level, the company consists of two business units: the protection company and the financial company. Insurance X Protection, which is the primary



business unit, sells and manufactures regular insurance products and services such as auto insurance, homeowners' insurance, and other property-casualty insurance and distributes other products developed by the second business unit, Insurance X Financial. The financial company, which accounts for about 20 percent of the corporation's business, manufactures financial products and services, such as retirement planning, annuities, and mutual funds targeting affluent and middle-income consumers. It sells about 15 percent of its products through the Insurance X agency, while about 85 percent of sales are made through other distribution channels--independent agents, financial specialists, worksites, financial institutions and broker-dealers. The company has about 5,000 employees; about one third of the employees are located in the headquarters and the rest are in other offices across the country (Insurance X's corporate Web site, 2004; Hoovers, 2004).

At Insurance X, strategic decisions are made in a couple of ways. In the protection organization, a senior operating committee makes decisions and reports to the president of protection. These decisions are made 50:50 in partnership with the regions. Each region has a market operating committee. The regional market-operating committees and the central operating committee at the headquarters work together to examine and to evaluate the issues and opportunities in the market place. Public relations managers sit on those field-operating committees and help local managers identify issues and opportunities in their regions.

The strategic direction of the corporation is led by a group of executives, or "The Senior Management Team." They are the chairman, the presidents of two business operations, the executive vice president, the chief finance officer, the chief investment

officer, the chief marketing officer, and so on. The public relations department does not have presence in this team. The list of the members is as follows:

- Chairman (President and Chief Executive Officer, Insurance X Corporation)
- Senior Vice President and Chief Technology Officer, Insurance X Insurance Company
- Senior Vice President, Human Resources, Insurance X Insurance Company
- Vice President and Chief Financial Officer, The Insurance X Corporations
- Vice President and General Counsel, The Insurance X Corporation
- Senior Vice President, Protection Distribution, Insurance X Insurance Company
- Vice President and Secretary, The Insurance X Corporation
- Senior Vice President, Property Casualty Claims Service Organization, Insurance X Insurance Company
- Senior Vice President and Chief Investment Officer, Insurance X Insurance Company
- President, Insurance X Financial
- Senior Vice President and Chief Marketing Officer
- President, Insurance X Protection

The team discusses overall business strategy needs that would have an impact on the company, such as investment, employment, and business models. It also discusses key issues of the business units. The operating committee handles most business-operation level issues. The presidents of business units and their team decide how they would deal with issues from a property-casualty perspective or from a financial perspective. The senior managers of public relations sit on the operating committee. I was also told that the company is trying to implement a new planning process, from top down

to bottom up, so that it could bring more input from the field organizations to the headquarters.

The company has regional offices across the country. Each of these regional operations supervises the business of the states within the region. The field operation typically has a field vice president and the managers who handle regional marketing, communication, and legal counsel. The lawyers in field organizations are often called “regional council” (Insurance X field corporate relations operations, 2004).

### *Business Strategy*

The company enjoyed a high profit in 2003. Its revenues and net income are expected to rise significantly in 2004 (Insurance X Annual Report, 2003). The business benefited largely from lower insurance claims and claims expenses than in previous years. According to the economy and industry forecast, the insurance industry will maintain the hard market in 2004.

According to the company’s public relations practitioners, Insurance X’s long-term strategic direction for 2004 is to grow and improve its business. Consequently, it attempts to increase its market share by adopting several strategies (Insurance X’s presentation materials on business strategies, corporate Web site). One of the growth strategies is targeted customer acquisition, which focuses on obtaining high-value customers, or those who have relatively lower loss cost compared to low-value customers. This customer segmentation is one of the means to improve its profit margin. To generate competitive advantage for profitable growth, Insurance X is concerned about the following five key areas: brand, claims, technology, manufacturing, and distribution.

The answers for research questions one through four are based on the evidence that I found from the interviews with Insurance X's public relations professionals: three elite members and 15 non-elite practitioners. Most of the non-elite interviewees were team leaders, who were responsible for the teams such as media, public policy, positioning, field operation, and so on.

#### RQ 1: How is public relations practiced in the organization?

The research questions in this study are conceptually based on the review of literature. The review of public relations theories in chapter 2 conceptualized the first research question regarding how public relations is practiced in the case organization. The discussion of public relations practice was analyzed in terms of the roles and models of public relations. The organizational roles that communicators play provide useful, basic information to understand how the public relations function contributes to strategic management and decision making, strategic planning, and issues management (L. Grunig et al., 2002), which will be examined in a later part of this chapter. This research question also concerns the types and extent of research conducted, which explains how public relations is practiced and what public relations professionals do in an organization.

#### *Organization of the Public Relations Department*

Insurance X's public relations function is divided into two categories: the public relations department located at the headquarters, or "home office," and the regional field offices across the country. As of March 2004, 50 public relations practitioners, including senior managers, worked in the home office. Another group of people work outside the home office. About 55 employees worked for the company's field communication function across the country.

At the headquarters, the public relations function consisted of several teams, which were structured to serve the three major clients: the corporate and its two business units, Insurance X Protection and Insurance X Financial. According to the company's public relations practitioners, the department consisted of 11 functions: corporate positioning and reputation management; media relations; government relations; employee/corporation relations; Insurance X Protection; Insurance X Financial; field communication; workforce alignment; and technology capability in terms of delivery through the Internet, intranet, and audio-visual. The participants often distinguished their clients as the corporate and the business units; the corporate side mostly dealt with the external issues of the business, whereas the communicators who worked for the business units managed internal issues. However, a few teams such as media relations, the corporate positioning program, and technology for delivery were common support teams that provided services across all clients.

The department had two vice presidents and several team leaders, who were mid-level managers that supervise each team. The two vice presidents shared responsibilities within the department, although they were in charge of different lines. These two top communicators report to a senior vice president of human resources, who was also responsible for administration, human resources, and law and regulation. Within the department, according to one senior manager, "decision making tends to be driven by team leaders, who are working on particular client activity and particular relation to Insurance X Protection, which is the big business unit." Figure 4 summarizes the organizational structure of Insurance X's public relations function.

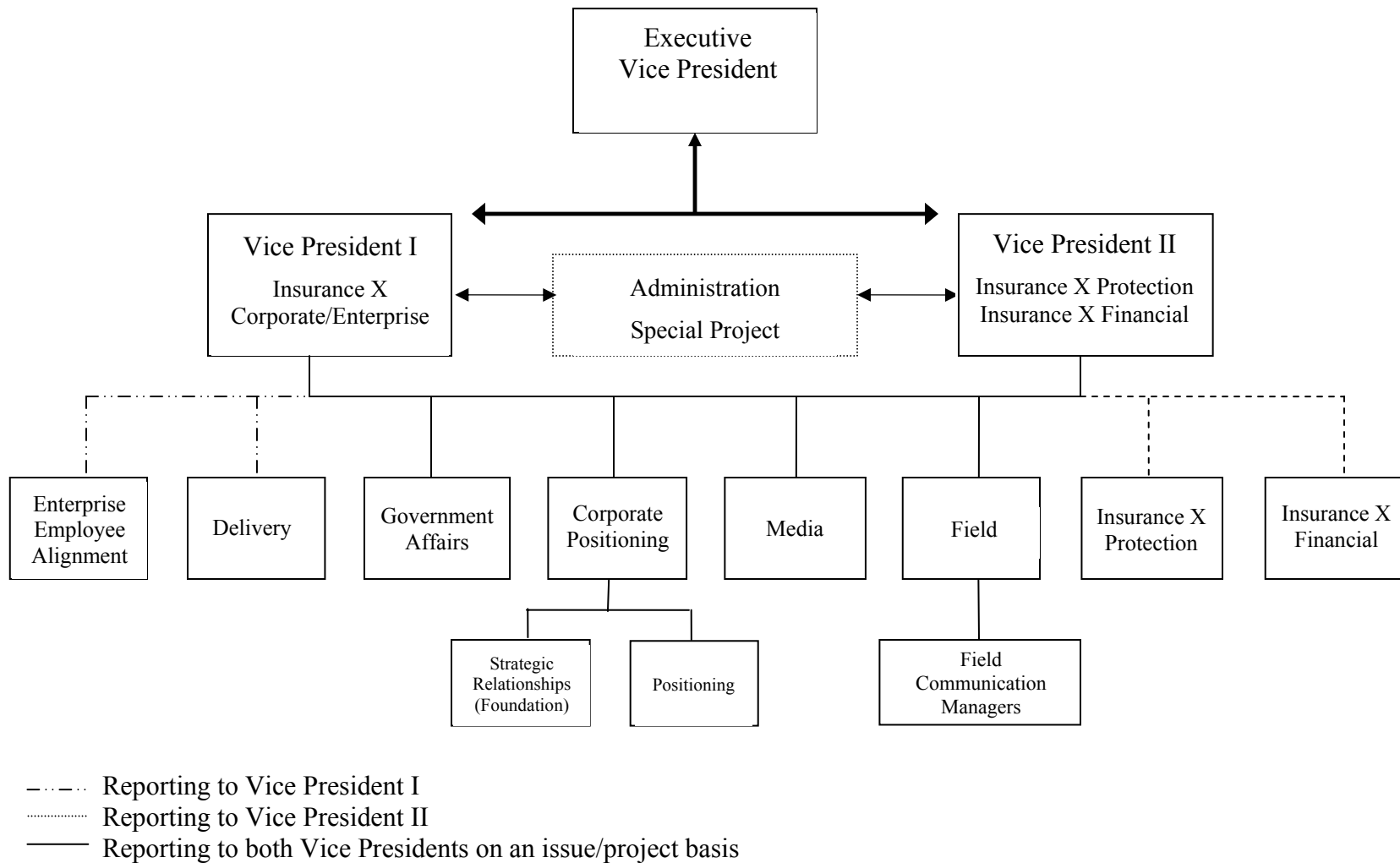


Figure 4. *Insurance X's Public Relations Organizational Structure and Reporting Relationships*

According to the participants, the primary function of the public relations department was “reputation management.” They repeatedly mentioned reputation management as their most important responsibility or goal of communication activities. Reputation management was conducted under the following categories of activities: corporate positioning, philanthropic programs through the non-profit foundation, community relations, media relations, government relations, issues management, and marketing communication. One participant mentioned that these functions were critical in managing the corporate reputation because these were how the company “shows up” to the outside. The other function was workforce alignment, which helped employees, agents, and business partners understand what business strategies were and how their role in the company supported the organization in achieving business objectives.

The corporate positioning team championed reputation management through an independent foundation, community relations programs, and media relations. Consequently, its primary audiences were community leaders, non-profit partners, and the media. It also integrated and collaborated with the investor relations function for shareholder communication; drove messaging and speech development for executive positioning; and directed communication for the workforce, employees, and business partners such as distribution channels and agencies.

At the regional level, a team of three to six field communicators managed all communication-related issues under a field communication manager in each regional office. They were responsible for reputation management, workforce alignment, and departmental administration. Consequently, they played multiple roles, such as the head of field communication department, an industry trade leader, a local media

spokesperson, a writer and editor, an issues manager, and a manager for strategic philanthropic activities. These field communicators, who used to have a dotted-line reporting relationship with the public relations department at the headquarters, directly reported to the home office as a solid-line to achieve “seamless and productive” communication (Insurance X’s communication manual, 2004).

The goal of the public relations department was to achieve corporate business objectives through communication and reputation management. The responsibilities of the communication function included, according to the company’s internal document, leveraging potential to affect the corporate image, maintaining support of internal communication, and gaining consistency across regions (Insurance X’s communication manual, 2004). The participants explained that the public relations department used to have little or no structure until 1998. The practice was based on ad hoc communication. The major role of the communication function was “distribution.” The public relations department improved a communication skill set and developed excellence since 1999 as the need for better communication was advocated internally. Since then, the role of the communication function evolved from simple workforce alignment to reputation management.<sup>11</sup> During the interviews, the participants told me that the department pursues excellence as a “center of expertise” with a much improved skill set both at the headquarters and field office level.

During the interviews, several public relations practitioners of Insurance X emphasized that the company was proactive in communicating with its publics. The

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<sup>11</sup> Because the insurance business depends heavily on the workforce, such as independent and exclusive agents, workforce alignment is an important area for insurance companies. Independent agents simply sell different types of a company’s insurance product, whereas exclusive agents only deal with that company’s product. However, neither of these agents is an employee of the insurance company.



participants identified several constituencies: customers, communities and community leaders, non-profit organizations, media, shareholders, and the workforce--employees, independent contractors, and Insurance X agents. The company reached each constituency through various vehicles. However, communication with consumers, although important, was typically handled through the marketing function and other distribution channels outside the public relations department. The public relations practitioners “partnered” with an expert of the subject matter for consumer communication.

#### *Public Relations Roles*

According to L. Grunig et al. (2002), communication excellence of an organization is best measured by departmental expertise to enact the manager role. From the Excellence study, the following two characteristics are related to the role that communication practitioners play:

- The public relations unit is headed by a manager rather than a technician.
- The senior public relations executive or other in the public relations unit must have the knowledge needed for the manager role, or the communication function will not have the potential to become a managerial function.

Furthermore, the role that public relations practitioners play is analyzed in two categories: technical role and manager role (Dozier et al., 1995). The top communicator’s role, the manager role enactment in particular, is important to achieve communication excellence. As a link to the dominant coalition, top managers should have an appropriate knowledge base, such as strategic management, research, and communication expertise. When communication managers participate in strategic

decision-making, they can have formal power and provide their expertise in public relations problem-solving. They may also play the role of senior advisor and influence the dominant coalition's decision-making through suggestions and recommendations. Manager expertise factors are separated into administrative manager expertise and strategic manager expertise. The manager role enactment includes research, scanning, planning, and evaluation.

By contrast, public relations technicians are not involved in strategic planning or decision-making but mostly provide technical services to implement communication programs. Although this traditional communicator craft is important, it is not enough to obtain excellence in public relations. Communicators also play the media relations role by contacting media, placing releases, and using their journalistic skills to maximize media exposure.

The findings of this research show that Insurance X's public relations practitioners played both the manager and the technician roles. As managers, they were responsible for supervising their team members and creating communication strategies for their clients. However, some of these mid-level managers' responsibility was technical. These practitioners, although working very closely with the dominant coalition, were responsible for producing publications and presentation materials, writing speeches, and coordinating events, which L. Grunig et al. (2002) listed as expertise to enact the technician role.

Meanwhile, the participants explained that the role and responsibility of public relations practitioners varied according to their clients. The major role of the public relations managers who were serving the protection company as a client organization

was as strategic advisors. Because of the size of the protection organization, according to a team leader, a large team “with some of the best minds” supported the client. In contrast, the participants who worked with the finance organization were not so much involved in decision making but played more of a technician role. As executers of internal communication programs or translators of the company’s messages, they planned and produced several meetings for employees, produced audio-visuals for those meetings and publications, conducted scripting, and developed the Web site.

The participants said that this difference might come from the difference between the presidents of these two organizations. According to one public relations manager, the head of the protection business, a new president, was interested in “letting the world know what the company is.” Another participant who worked for the protection side said: “I think it’s easier for us to get at the table, because it’s almost ingrained in the senior executives on this side of the house that we are there.” She told me that they used to be the other way and hardly valued public relations. In the finance organization, the new executive member did not think of public relations as a value-adding function. The participants also mentioned that the nature of the finance organization might be another factor that constrained the role of public relations. Since the finance company identifies itself as a product manufacturer for the organization, its new strategy does not entail many tangible, marketer-related business decisions that will affect the corporate reputation or the public. In addition, as a relatively small organization, it has a small team and does not want to “put a lot of muscle into key advising,” according to one participant.

Insurance X's public relations practitioners considered themselves as "integrators" or "leveragers" of functions and departments within the company. Some participants told me that their responsibility was facilitating communication between the public relations department and other functions, or "conduits within the corporation." One mid-level manager described the public relations program as follows:

We have identified several constituencies ... [O]ur primary role as a public relations department has been and we continue to be integrators. We identify all the sources of information, people who need to be involved in decision making, who need to be involved in communicating, who need to be involved in planning in order to effectively deliver a message to all of our key publics.

The communicators often played the communication facilitator role between an organization's management and publics as they eased information flow. Moreover, they facilitated communication among different functions within the organization, such as marketing, the regional council, and the field communicators. For example, one participant said, the intent of public relations is to remind these people of the need to work closely together and all head in the same direction. At the same time, the public relations practitioners regarded themselves as problem solvers and strategic advisors. The participants told me that they were at the table with their clients and at the front of all issues to solve organizational communication and public relations problems. As one participant said, "We set up a meeting at the beginning with my clients' senior management team and talk to them about communication, why and how this communication is supposed to work, and what they can expect from it."

The top communicators, two vice presidents of the communication department, shared the responsibility of managing the department. One of the vice presidents said that his responsibility was looking at the department as a whole. In particular, he managed the corporate aspects of communication, such as media relations and corporate positioning, both internally and externally. He was concerned about the interplay between what business units needed and did and what the corporation as an encompassing function needed and did. Therefore, he did not worry about the specific business units or normal “day-to-day, run of the mill activities.” He decided his own involvement based on how critical the subject was and what kind of long-term impact it might have on the business. The other vice president managed each business unit-level client service. He was brought in from the legal department to facilitate the integration between the public relations department and the legal department.

These top communicators played the administrative manager role to some extent; for example, they were responsible for managing the department employees and dealing with budget. They also worked together to restructure the communication department and allocate responsibilities. However, their administrative manager role did not exceed their contribution as strategic managers. These elite members related several cases in which they were involved as communication advisors and problem-solving process facilitators. For example, when the company’s business expansion in another industry became an issue that involved litigation, one of the vice presidents was intimately involved in the programs and provided strategic advice for the company.

### *Research and Expertise*

The public relations practitioners said that they conducted a few types of research to understand the needs of their publics. For example, one team leader said that she always tried to make fact-based decisions by conducting focus groups and surveys. The company conducted focus groups with agents and customers to understand their concerns or obtain opinions. However, the public relations department did not conduct formal research on a regular basis. Rather, the communicators often used the seat-of-the-pants type research, such as talking with their counterpart in trade organizations, journalists, field communicators, or the people from other departments. They tried to learn from best practices of other insurance companies through trade organizations such as the Insurance Information Institute (III) and the American Insurance Association (AIA). The company benefited from these networks, because it sometimes obtained research results from these organizations for industry-wide issues. They also relied on public relations organizations such as the International Association of Business Communicators (IABC).

Another manager said he “communicates with the outside world” by looking at trade publications and learned from the well-executed public relations plans of other leaders. He also said that reading the *Wall Street Journal* was important for him because he could learn from other leading companies. He explained:

I’ve always been a very strong believer in finding out the way companies are doing outside the industry... not necessarily the insurance industry... I want to know what other companies are doing. I want to know what Microsoft is doing. I want to know what Hewlett-Packard is doing in terms of how they

communicate with employees and the outside world [and] how their media strategy is put together. You can just learn a lot from all these guys. So another part of this job is somewhat serendipitous.

Therefore, he argued for the need and importance of being sensitive to the overall business environment outside the insurance industry.

The participants said that measurement and evaluation were areas where their organization needed to improve. The company did not have a regular, formal communication audit. The communication survey was stopped two years ago as part of budget restructuring. Now people in public relations conduct a survey in conjunction with human resources. An employee survey was conducted at the corporate level to measure how well the employees understood corporate messages. Although this survey was not designed solely for public relations, the participants said it was useful to receive employees' feedback about communication efforts. One of the participants explained the survey as follows:

The surveys asked how the employees feel about the company's communication effort, whether they needed more information, how confident they were for the future of the company, and whether they thought the leadership was taking their interest into account. The company carefully reviews the surveys and tries to improve its performance on the basis of them.

The frequency of the survey, which used to be conducted quarterly, was recently reduced to once a year. I was told that the company reduced the frequency because many employees felt they were overly surveyed. The participants argued that the company tended to overly conduct surveys in the past. One participant mentioned that

the public relations department conducted “a lot of lip service,” but did not do enough strategic planning and research. For example, she mentioned that the department could have benefited from analyzing and using census data at the department level.

The company received customer feedback frequently. Consumer-related issues are managed in the organization’s research center. The center conducted consumer satisfaction measurement surveys and other market research. The company regularly monitors consumer complaints through letters or phone calls directed to the CEO. Public relations is involved in the process in a rather indirect way by accompanying the CEO and senior managers when they listened to the calls or read letters. Insurance companies are also required by law to monitor consumer complaints that come to the state insurance commissions’ offices.

The participants emphasized the importance of communication skills and expertise of the team members to bring the department from a delivery function to a strategic function. One elite member explained that the department came to be required to be a center of excellence with expertise in communication and public relations as the organization became increasingly aware of its importance. Since then, the department established a skill set and came to have more people with expertise and excellence. This trend changed the human resources of the department. The company used to appoint people without any skills or education in communication or public relations. Most of the team members were raised within the organization and spent most of their career in the same company. In fact, some members of the public relations team had been with the company 20 to 30 years. Consequently, the department did not have many experts in specific areas. For example, according to one participant, the media



relations team had nobody with any media experience in the past. Now they hired people with experience, such as with public relations agencies or media. These people bring rich experience, expertise, and outside perspectives. The organization's management and the people from other departments came to recognize their value and contribution.

In sum, Insurance X's public relations practitioners played both the technician and the communication manager roles. However, the organization perceived the major role of public relations as media relations; consequently, communicators emphasized the media specialist role. The participants also often considered themselves as communication facilitators, or liaisons, who coordinated communication between the organization and the publics or among different departments. Whereas the participants related multiple cases when they had played the communication manager role, such as a communication advisor or a problem-solving process facilitator, they did not have the resources or opportunities they wanted. In addition, the research component in public relations was not highly regarded within the organization.

#### *Models of Public Relations*

As J. Grunig and Hunt (1984) maintained, the four models of public relations are useful to understand the typical role and function of public relations. This study uses the concept of public relations models to analyze Insurance X's public relations practice. The interviews and the review of internal communication materials showed that the company employed all four models. Among them, the company enacts the two-way symmetrical model with good understanding of relationship maintenance. The two-way asymmetrical model is employed along with the press agency model in

supporting marketing. The press agency and public information models are used in media relations as well.

Relationship building was one of the strategies the company adopted for symmetrical communication. Some of Insurance X's public relations activities and programs are aimed at establishing mutual understanding and relationships with its publics. Several participants named agents as one of the important publics that the company tried to build relationships with. A year ago, the company faced a threat of unionization by thousands of its agents who were concerned about the company's commitment and support while the company reorganized the distribution network. One public relations manager explained that it was an entirely unexpected situation: "There were a lot of people even surprised that they could potentially have enough folks to form a union." Since then, Insurance X has tried to improve the relationship with its agents based on "trust," according to one participant.

The public relations department suggested a few steps to maintain a positive relationship with the agents; as a result, the company created a national advisory board made up of about 70 agents and financial specialists. Through this working relationship, the company's leadership regularly met with these workforces. The company also developed several communication channels, such as a Web site and a newsletter. It listened to the voices of these board members, reviewed related issues, and reflected the output in planning and implementation of business decisions. Changes were made on the part of the company as well as that of the agents. The public relations practitioners also said that they obtained information regarding customer issues

through conversations with the agents. Consequently, the agency relationship was perceived as much improved.

However, the company's two-way approach was still evolving into successful relationship maintenance. One participant said, "The agents are listening, but we have a long way to go." The following comment by another manager implied the need for two-way symmetrical communication:

I think there's more awareness that we have to consider the agents. We don't have a lot of people that really grew up in the sales function and understand agents. So we still have to continue to educate people. Not every decision obviously is going to come down to the favor of agents. But at least when we make a decision, we understand the economics both from an agency standpoint and a company standpoint. And when both can be met, that's great. When they are not going to be met, we just have to assure that we explained it in a way that makes sense to the agents or the company.

The company established a foundation for philanthropic programs. As an independent organization, the foundation was purely operated by the company's funding and invested millions of dollars in the United States for programs such as community safety, tolerance and diversity, and economic education. One of the community safety programs targeted school children and educated them on how to respond and get prepared for disasters such as hurricanes, earthquakes, and tornadoes. It also provided children with playgrounds to reduce injuries and improve neighborhood safety. The economic empowerment programs attempted to educate and improve the consumers' understanding and economic literacy. One of the programs

helped teenagers and young minorities understand how to manage financial risks and how to make insurance purchases by explaining the role of insurance in everyday life (Insurance X corporate Web site). The company also sponsored agent and employee volunteer programs in order to build relationships with local legislators, regulators, media, and communities.

Recently the company partnered with Boys & Girls Clubs of America and launched a diversity education program for young people. The company's foundation provided \$4.5 million to sponsor this program. The public relations practitioners expected that the company could benefit from the relationship. First, the company planned to align with the organization and initiate legislative events to reach the key legislative audiences. The third-party endorsement by the organization would also add credibility to the company's position on specific issues. Furthermore, these events and sponsorship programs were described to the media through news releases, which would give the company more exposure.

I was also told that the company realized the value of establishing partnerships as it experienced several crises and catastrophes, such as 9/11 and the California wildfires. During the California wildfires, the company set up a fund to aid victims but found that some of those local funds and not-for-profit agencies were incapable of handling a large donation and not prepared to process such large-scale matters. Since then, the company has recognized the need for partnerships in the public arena in advance and asked its field managers in the catastrophe-prone areas to go out and form partnerships with local organizations.

In addition to releasing accurate information about cases externally, public relations played the role of advocating the position of management and trying to persuade the audiences around the cases based on research. The two-way asymmetrical model was occasionally used to craft messages for employees and customers. This type of public relations activity was mostly employed to support marketing or product promotion for customers. I was told that public relations worked closely with the marketing department to help advertising campaigns and sponsorships, which one of the participants thought was a “more proactive” method than that of public relations to reach consumers and the community. Although not explicit, the data from the interviews revealed that the company used the two-way asymmetrical model when it was engaged in litigation.

The company’s media relations activities used a combination of the two-way symmetric, the public information, and the press agency models. It employed a two-way symmetrical approach to develop relationships with individual journalists. Several participants emphasized the “proactive” media relations effort of the company. The field communication managers were also asked to establish good working relationships with the local media in their region. For example, during the hurricane time of year or tornado season, the communicators contacted the media and provided useful information such as how to react to these natural disasters or how to prevent damages. They could also establish the relationships from a business-trend standpoint by talking about what and how the company is doing or what the industry is like. In that way, they could build personal relationships with journalists and exchange information with each other when needed.

At the same time, Insurance X adopted the public information model to disseminate accurate and helpful information for the public in the areas related to its business. The public relations practitioners, both at the headquarters and in the regional offices, contacted the media and provided releases and information kits about seasonal issues such as catastrophe preparation for tornados or winter driving safety. They also distributed information about the company's business and industry trends as a way to "educate" audiences about the role and importance of insurance in their life and the economy in general.

The participants continuously mentioned the importance of educating the clients and the general consumers. The company understood that negative, and sometimes inaccurate, perceptions about the insurance business and the company were rampant among the consumers and the general population. Therefore, it tried to tell accurate information about itself and change those perceptions by educating consumers. In cases of litigation, the company tried to make sure that everything communicated externally was accurate while maintaining its position. It also used the public information model for internal communication. The company has strengthened its internal communication channels, such as streaming video and publication, to disseminate information about the business and management.

Insurance X tried to gain publicity and media attention through information dissemination as well. One of the public relations emphases during the time of my interviews was "Telling Insurance X Story." The organization's management believed that the value and role of insurance and what it does for the economy were not appropriately recognized or appreciated by people outside. Therefore, it wanted to let

the world know how important the insurance business was and what a good company Insurance X was. It wanted to increase customers' as well as the general population's understanding of it. Public relations practitioners approached the media and "sold" the stories. For example, the company's executive positioning strategy leveraged the key leaders of the company by having them tell the story about the company externally in speaking engagements such as the *Fortune*, *Forbes*, and *Businessweek*-type conferences and made the key leaders remain visible. One participant told me that they defined issues that were important to the company and ensured that the executive spoke about those issues publicly. The following remark by one manager displayed the company's media strategy:

We want to tell the Insurance X story. We want to tell... the significant role that insurance plays in the economy, its importance to our everyday life, and what a top player and good company Insurance X is. The more we can do, the better [will] people feel about the company and the more [will] they purchase from the company... They will have good feelings about who we are and stay with us.

Some of the media relations activities were based on the press agency model. For example, if legal cases were covered by media, the media specialists designed and prepared key messages to explain the company's position and perspective and further influence the public opinion and those who made decisions. The public relations practitioners explained that these activities helped better position the company among the reporters and in the media. They conjectured that this type of media coverage would influence public opinions, and furthermore, the judges of the cases.

In sum, Insurance X's public relations practice is still in transition to excellence. Although the technician role of public relations practitioners was an essential part of achieving excellence, sometimes the practice at this company focused more on the technical rather than the managerial role. The data show that the public relations function was considered as a disseminator of stories and information in many cases within the organization. The public relations practitioners did enact the managerial role; however, it was done through informal processes, not through a formal system.

The need for public relations expertise and skills has increased recently as the company's leadership recognized the value of public relations. The top communicator who joined the department also changed the atmosphere of the department by emphasizing professional competence among practitioners. He changed the senior management's expectation about the department. The participants expected that the atmosphere of the department would continue to change. The research that the organization and its public relations practitioners conducted was in large part informal and "seat-of-the-pants." Formal research such as surveys and focus groups was neither regularly nor frequently conducted. Consequently, the company frequently used one-way models, press agency and public information. The organization's management and some public relations practitioners were interested in having information go out and telling the story of the company to external audiences. The company used two-way public relations in maintaining relationships and getting mutual understanding with some publics after learning a lesson from a crisis.



RQ 2: How, if at all, is the public relations function involved in the organization's strategic management?

According to the Excellence study (L. Grunig et al., 2002), public relations' involvement in strategic management can be examined by observing how public relations is represented among members of the dominant coalition, or the top-level executives who make strategic decisions. To be considered an "excellent" public relations team, the top public relations practitioner must be a part of the dominant coalition, have access to the dominant coalition, or have a direct reporting relationship to a member of the dominant coalition. This research question explores the relationship between public relations and the dominant coalition, focusing on the relationships between the top public relations managers and the dominant coalition and their influence at the decision-making table. In addition to position within the dominant coalition, the role and expertise of the head of public relations are critical. When the top communicator possesses an understanding of two-way symmetry, research expertise, and manager role enactment, the organization is likely to employ a symmetrical model in both internal and external communications. These qualities also influence the extent of access the senior public relations manager has to the dominant coalition and the dominant coalition's dependency on him or her.

A secondary research question concerns the potential of public relations at the departmental level in terms of J. Grunig's (1992) characteristics of "excellent" public relations. These characteristics include the following: 1) knowledge of the symmetrical model, 2) knowledge of the managerial role, 3) academic training in public relations, and 4) professionalism. According to the Excellence study (L. Grunig et al., 2002), top communication managers with all four characteristics tend to employ symmetrical

communication strategies in the organization. These characteristics also influence the means by which the top communicator approaches the dominant coalition.

This research also reviews the relationship between the public relations department and other functional departments, such as the marketing and legal departments. Each relationship may influence the strategic decision-making process. When the public relations department lies beneath those other functional departments, its capacity to contribute to the organization may be limited. It is likely to contribute to strategic planning procedures of the organization only when it has a place in or access to the dominant coalition and has autonomy.

#### *Top Communicators' Relationship with the Dominant Coalition*

The public relations department was involved in long-term strategic management of the organization on certain issues but not all of them. The top public relations managers of Insurance X were not part of the dominant coalition, but they had a direct reporting relationship to a member of the dominant coalition. As I described in RQ 1, the dominant coalition consisted of the chairman, the heads of each business unit, and a few senior managers, including the head of marketing. The two vice presidents reported to the executive vice-president of administration, who was a member of the dominant coalition and the secretary of the corporation.<sup>12</sup> As a former lawyer, this executive member had been a long-time general counselor and had always been involved in the decision-making process. The heads of the human resources, legal, and administrative functions all reported to this executive vice-president. I was told that this executive had a general understanding of communication-related issues, potential

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<sup>12</sup> The company's strategic decisions are made in three different strategy groups: corporate business strategy team, protection strategy team, and financial strategy team. The strategies of protection and financial business units flow from corporate-level strategies made by Insurance X's dominant coalition

problems, and solutions so that he was able to “put up a red flag” if something became problematic from a communication standpoint. However, as one interviewee said, “... he’s not really a communication person.”

Other participants described the dominant coalition’s communicative role as being limited to that of the senior vice-president to whom the public relations officials reported. In one business unit, no communicator was involved in any strategic meeting. In that unit, decisions were made by a small group, or an executive committee, which consisted of its president and four of his top executives. Because public relations did not have representation in that group, members of the public relations department were called in when certain business decisions were made and needed to be communicated. Therefore, the public relations manager of the business unit asserted that he and his colleagues had no direct influence on the decision-making process.

Three executive-level managers directed the public relations department: two vice presidents and one assistant vice-president. One of the vice presidents was a public relations veteran who had been in the field more than 20 years. With a degree in political science and public administration, he had worked for the state government, a broadcasting service, and a worldwide public relations firm. He had joined Insurance X about six years earlier. In addition to extensive professional experience, he had a high level of understanding and knowledge of the profession and was also involved in professional public relations associations. The participants told me that his professional knowledge and perspectives were critical for the development of the public relations department. He had also undergone a somewhat difficult time when he had joined the organization because of several changes he had made in terms of the atmosphere and

the function of the department. However, he came to earn respect from the organization's leaders by proving himself competent and getting results. One participant said: "He deserves a great deal of credit for this department... I would argue that one of the reasons... [for the department's success was because]... he came with an outside perspective."

The second vice president was a former insurance commissioner who had primarily been dealing with government relations in the legal department. He had been with the company for more than 20 years and had been brought into public relations less than a year ago for encouraging integration between the legal and the public relations functions. He had not had any training or education in public relations or communication; he held a degree in law and an educational and professional background in risk management. By contrast, J. Grunig (1992) maintained that formal education would enhance excellence in public relations. This vice president acknowledged: "My background in corporate public relations is minimal... [I am] not trained in that area." His comments during the interview displayed his perception about public relations. He said, "The public relations function we prefer here is primarily media relations and PR support for marketing and community relations efforts, as opposed to the government components." He believed that the public relations department's primary focus should remain the support of internal communication and media relations, as opposed to "marketing PR." In his worldview, the key components of public relations were media relations and community relations, which was a common misconception within this company of defining public relations as press agency or promotion. He also stated that the government component of public relations,

or public affairs, was segregated and handled in the legal department at Insurance X; thus, the segregation was “strongly enforced” within the organization. And, because the interviewee might not have the knowledge that being involved in strategic management and advising the dominant coalition were parts of public relations, he might have limited the role and potential of public relations within the organization.

Nevertheless, the public relations practitioners considered his moving to public relations as a positive sign. Having the executive was a “good source” for the public relations practitioners, because he had a strong background on the issues, especially those that were managed by the legal department. “He knows all of the lawyers in the legal department because he used to work there. And he has an inherent interest in public affairs,” one participant commented. In fact, these two functions, public relations and law, had had a somewhat adversarial relationship. The participants believed this vice president would be able to work as a liaison between the two departments, improving the relationship and facilitating cooperation. The vice president was a strong advocate of the need to have a team that would work with the legal department within the public relations department.

The third individual was an assistant vice-president who managed the field communication functions and business units. He joined the company immediately after graduating from college and had been with Insurance X for about 30 years. He has played several different roles for the company, including field operations, and had been assigned by the company to be a high-level manager of public relations. He had been on three presidents’ staffs. This person also did not have formal training or education in public relations. However, he had been a member of a few professional public

relations associations and had spoken frequently at one of the largest professional conferences. According to him, public relations counselors were valued in the organization by having “total access” to the chairman and the president as was shown by the chairman and assistant traveling together frequently.

This interviewee also mentioned a few examples of counseling the dominant coalition on important decisions and emphasized the role of communicators at the table. In one instance he relayed an issue related to exclusion of the company’s insurance policy. Insurance X was the only company that excluded covering damages from toxic substances. After 9/11 and the anthrax scare, this exclusion policy could become an issue. As client managers, the public relations counselors talked to the president about “why not.” They then had a meeting with the head of product development. But the endorsement was never put on the policy. “That doesn’t mean he listens to me every time. But I talk to him about why we shouldn’t,” he added. He also said that having “access” to and “strategic face time” with the dominant coalition, such as being on the corporate jet with the highest-level executives or going to a meeting with them, was important.

From the professional and the education background of these executives and their perception of public relations, I speculate that the public relations department would be more effective and strategically involved in the organization’s management if the senior managers had more formal training in public relations. With some education, they would be able to have a better understanding of public relations, which would change their perception of public relations as media relations. Furthermore, a deeper

understanding of public relations theories might change the role of the department from communication technicians to strategic managers.

Some of the non-elite practitioners considered the lack of a direct reporting relationship to the CEO or the president somewhat problematic. They pointed out that it would be better if the heads of their department belonged to the dominant coalition, instead of going through an executive vice-president. One participant specifically said, “It would be better if [the vice president of public relations] reports directly to the chairman,” because she thought it would “add credibility and recognition” of public relations and make it easier to be part of the business strategy. According to another participant, “It is a totally different dynamic when you have somebody in between.” One of the team leaders compared the pros and cons of having a direct reporting relationship as follows:

My personal opinion is that it’s more effective when it’s one-on-one with the CEO. But the way we are doing it now is certainly more collaborative and there are more people involved [than before] and getting the benefit of different perspectives... a lot of good thinking. But [it] tends to slow things down, because anything done through committees is a slow[er] process than if you just work on it directly.

However, the participant acknowledged that a direct reporting relationship was not essential within the “shared service” system considering management costs. It could lose efficiency because it would entail changes in the organizational structure, logistical issues, and needs for more resources. Thus, even though a direct reporting would be important in “theory,” he said, the dotted-line reporting relationship that

existed was practical—the dots in the dotted-line relationship were connected “pretty closely.” He further discussed the difficulty of maintaining the balance between the department he belonged to and the client organization he was serving while explaining the mechanism of “shared service”:

When you are a shared service like we are, you serve two different masters. We are part of public relations; but at the same time, we serve Insurance X Financial. We have a dotted-line relationship to people of Insurance X Financial, including the president.... There are times when you might want to ask for help from the officials of the public relations department to influence decisions or make something happen or not make something happen. But we don't do that very often. We just try to work directly with folks over here and have good relationships with them.

The head of public relations had had a seat at the table as well as a direct reporting relationship until a few years ago. The company used to have a senior vice-president of public relations, who was part of the dominant coalition and one of the solid reporting lines to the chairman. Since the person previously in that position had retired about five years ago, public relations had not had a seat on the senior management team. Consequently, the vice president came to report to the executive vice-president instead of replacing her position in the senior management team. Participants offered several reasons for this change. First, the current CEO had reduced the number of people that directly reported to him in order to keep the decision-making group small and efficient. Second, according to some, this pattern of reporting was designed to facilitate integration among several departments. Management believed



that having the heads of human resources, legal, and public relations report to one person would force integration among these departments. I also learned that such a reporting structure resulted from organizational politics.

The mid-level public relations managers who had direct reporting relationships with these top communicators had tenure at the company of from four to 20 years. Their influence on and contact with the dominant coalition varied depending on their responsibilities. Some had daily-based reporting and working relationships with the chairman and the president, whereas others hardly had contact with the dominant coalition. The extent of involvement of public relations in the strategic decision-making process also varied depending on the individual participants. One person stated that the public relations practitioners were not particularly engaged in the decision-making process in terms of the overall strategy. Instead, they were brought in once the strategy was made and only when there was a need for help from a public relations specialist. Some public relations managers were always working with the chairman and the president of one of the business units. They supported these executives with their presentations, speeches, and meetings in terms of messaging.

*Strategic Involvement: Access as the Key*

One of the top public relations practitioners maintained that not being part of the dominant coalition was not a big issue for him since his department was involved in different types of decision-making procedures. Although “not necessarily formally,” the public relations department was involved in the decision-making process to the extent that the executive vice-president, to whom the heads of public relations reported, was a member of the senior management team. If this executive vice-president noticed

that some decisions might be problematic, he would further pass them down to the public relations department for recommendations, strategies, and tactics. The top communicators would be brought to the table when the decision makers needed advice from a communication perspective on critical issues, but not on any regular basis. For example, on the issue of global outsourcing, the senior communication managers were asked to join the table with a communication perspective from the beginning of the discussions of each of the issues. The communicators were in charge of identifying the options and the areas that the company needed to consider from an employee-relations perspective. They were part of the taskforce team from the beginning and had been at the business decision table for this issue. In addition, when it came to decision making at the department level, the senior managers had autonomy to make their own decisions. The executive vice-president, who could overwrite the decisions, granted power to the department heads to make decisions and run the department.

The heads of the public relations department believed that they had enough access to the dominant coalition, even though they did not have a direct reporting relationship to the CEO and were not regular members of the strategic decision-making body. One executive underscored: “I don’t think it matters that much as long as you have access to the CEO, which we do. All the time, [it is] totally open.” Because the communication channel was completely open at all times, the senior public relations managers were able to communicate with the CEO directly, one-on-one, whenever necessary. For instance, if a media issue cropped up, and if the top communicator thought that the CEO should be aware of it, he could call the CEO and talk about the corporate positioning issue at any time. This executive talked with the CEO directly,

one-on-one, about issues such as the design of the annual report or the content of it. “I can call him any time, night or day... there are no barriers in terms of communication,” he said. He emphasized the relationship he had with the dominant coalition as follows:

So I think the solid-line reporting relationship is nice to have, but not a must have. I can call his office and make an appointment and go see him. I don’t have to go through anybody else, like the executive vice-president. And vice versa. If the CEO wants to see me, he picks up the phone and I go up. We don’t communicate through any executive vice-president. We communicate directly.

Another executive also said that the senior managers had access to members of the dominant coalition through occasions such as being on a corporate jet or going to a meeting with them. He called these occasions “strategic face time.”

The participants also spoke about the potential problem of being involved in decision making too excessively. One top communicator said, “There are practical limitations to being half way involved.” In a large organization such as Insurance X, decisions were being made all the time. But they did not have enough people or time to sit in all different decision-making bodies. This individual believed that everyday-type decisions did not need the communicators’ presence. Rather, he said that there was more than one way of achieving the involvement without having to be present at meetings.

Indeed, Insurance X’s public relations practitioners discussed many different ways of being involved in the strategic decision-making process. One executive member said that the public relations practitioners were “in all the different parts of business everyday to a large extent.” Typically, public relations’ involvement was decided on a

case-by-case basis by the clients or those who led strategic business issues. Therefore, the extent of the contribution of the public relations department was primarily a decision made by the clients. Whereas the most senior-level managers were not always sitting at the table, many mid-manager-level participants were. Most primary clients understood the value of public relations, invited the public relations people to the table when they made a decision, and kept the communicators up-to-date about what was going on in their business. “We are so on the table. It’s coming from everywhere. We are definitely at the front of every issue,” a mid-level manager said. Some participants said that they were asked to participate in too many decision-making processes. According to one, the public relations practitioners were engaged in the decision-making process “more than enough.”

The communicators sat in the clients’ staff meetings and were considered as partners with those business units. Other than being key business partners, the participants identified themselves as strategic advisors or counselors. The members of the department, especially the manager-level practitioners, usually sat on several committees and were involved in communication strategy and development. They participated in basic communication plans and business decisions and advised the clients about “why not.” Most of the time, public relations practitioners were at the table to determine what the public relations ramifications would be. They were with the clients, or decision makers, from beginning to end and looked for opportunities to leverage communication. They tried to assess whenever there would be a negative impact and let the clients know about the potential ramifications of their decisions on external audiences, from customers to regulators. For example, in the protection unit, public relations practitioners sat on the operating committee with vice-president-level senior managers of the organization.

Sometimes the public relations practitioners were informally engaged. They were aware of what was going on and able to provide their opinions. If any major decisions were going to occur, they usually had the ability to raise communication issues around those decisions. One participant stated the following:

Should you have the ability to consider the communication or reputation implications of decisions before final decisions are made? The short answer is “yes.” But there’s more than one way of achieving that structurally without having to be present at meetings... We will sit at a whole bunch of other conversations leading up to that and afterwards.

The public relations practitioners go through the decision-making process using what is called a “reputation filter.” A reputation filter is a business decision-making model that was established in the public relations department to be applied to issues management and reputation management.<sup>13</sup> Although this process did not permeate throughout the company, the communicators had the power to stop things that were going wrong. The communicators would take most major business decisions through the reputation filter to determine what their impacts would be. Especially at the vice-presidential level, the senior managers counseled the decision makers through benchmarking, assessment of the reaction, and stakeholder evaluation. If something had the potential to damage the reputation of the company, the public relations people would have influence over the decision based on a cost-benefit analysis. They helped the clients either by altering the decisions or by reminding them of the potential ramifications “at least when they make decisions,” according to one practitioner.

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<sup>13</sup> In Insurance X, reputation management consists of corporate positioning, issues management, community relations, and the Insurance X Foundation.

Another manager defined himself as a counselor and said that his role was to make the management think about “not doing something in the timing.” When he played this role in a product-development process and helped the decision makers think in depth, it resulted in aggravation from the people at the table who thought it slowed down the process. As they went further, they also developed internal and external strategies to communicate those decisions inside and outside the company. A media relations specialist explained that her responsibility was “to sit in those meetings and to think with an external hat,” based on the following questions: Is this newsworthy? Is there an opportunity here? Or is there any risk?

### *Crisis*

The public relations department’s involvement in the strategic decision-making process was beneficial for improving preparation for potential crises. Because of the nature of the business, the company was highly sensitive about crises. As a business entity in general, the company, including its facilities and employees, could face various types of crises. Being in the financial industry entailed the possibility of being involved in corporate scandals. Whenever its customers were victims of a crisis, such as a natural disaster, it would in turn influence the company’s business and cost a fortune because of their coverage it paid. The damage would be even bigger if the company was not prepared to manage the crisis.

The public relations department had vast interests in crisis communication. It has a monthly “crisis luncheon,” during which the entire team gets together and discussed the steps that were necessary to follow under crisis situations. The participants of this exercise were asked to respond to fictional scenarios generated by the crisis

communication team. The topics used in the crisis scenarios varied from a fire in the corporate facility to a corporate jet crash. The company also had crisis management binders that included the procedures of crisis handling and emergency contact information and telephone numbers of the members of the department as well as important figures of the company. One senior manager said that his crisis team updated and republished this manual on a quarterly basis, explaining, "...simple things like telephone numbers... have to be documented... [also]...who is accountable and who will do what to keep your crisis plan up to date." Everybody in the communication department was trained to know what his or her job would be when a crisis occurred and kept the manual in the office, car, or at home. This specific process would be put into action for crises such as a terrorist attack, a hurricane, or a wildfire. The participants also said that the company continuously learned from past crisis experiences. For example, a tremendous lesson had been realized from 9/11, which had become the basis for the sophistication of Insurance X's crisis communication plan. Meanwhile, the field communication managers were responsible for coordinating crisis communication locally regarding marketing issues.

*"Not Early Enough"*

Sitting at the table did not necessarily mean that the communicators were satisfied with their involvement. The participants were aware of the fact that they were not completely involved in strategic discussions within the organization. When asked if they were called in to the decision-making table in the proper time, some assertively stated, "No." They explained that the public relations department contributed to strategic planning on some issues but not all of them and that, even when they were,

they were not brought in early enough. The clients often called them in for advice after issues evolved into critical situations. One participant remembered, “It would be nice if they were called earlier... we often times are not brought in until the last minute.” In worse cases, people made decisions for how the project would be completed and asked the public relations practitioners to communicate whatever they decided without understanding the impact of their decisions on employees, analysts, external stakeholders, and the media. This delay often resulted from a few people not wanting any involvement of the public relations department in the process. Whereas the most of the clients saw the value of public relations and communication, still some people, on a case-by-case basis, did not understand the bottom-line impact. They often lacked a customer focus or did not see the dollar value attached to the public relations programs.

In addition, participants considered the narrow-mindedness of the individuals in other functions one of the reasons why public relations was left out. One participant mentioned the “silos” in a large bureaucracy as the explanation for the difficulty that public relations had experienced while serving other functions. He said:

In a large bureaucracy, there are silos. If you are not in a particular silo, your work gets dismissed. So all the lawyers think lawyers are great and other people aren't great. Or the actuaries might think actuaries are great and other people don't understand actuaries.... So when you are outside the business and providing a service to that business [but] not necessarily in the same silo... [you can be] perceived negatively.

Another practitioner explained the late-involvement issue in a similar context by calling it “tunnel vision.” She firmly believed that the communicators needed to be in



the meetings at the beginning through to the end. But at the same time, she thought that the people outside the department could not see the importance of having public relations in decision making yet. She explained the situation as follows;

Everyone's working in silos. They have their responsibilities, so they are not thinking about the greater impact or the greater good. Sometimes you are doing a great project that really has external value, and you can proactively go out and positively talk about [it]. But people don't recognize that, because they are not trained to think that way... Public relations has come a long way as far as getting involved in meeting early enough.

Thus, the situation had been improving. According to one person: "There's an opportunity, so they involve us sooner. We've come a long way over the past couple of years. But there's still room to grow." Another participant said that one way to increase the involvement was by educating the people who did not have a focus on the customers: "We are trying to educate them of the ramifications of our customers. When they make their decisions, we are making educated business decision with all of their ramifications. So, the key is getting them to see other perspectives from the customer standpoint." The communicators would set up a meeting at the beginning of the decision-making process with the clients' senior management and talk to them about communication, such as why and how this communication plan would work and what they could expect from it.

#### *Encroachment: Working With Other Functions*

The company did not consider public relations as a profit-generating function. Within the "shared service" approach, the public relations department was considered an

internal agency or agency of record that supported business units and their individual functions on an as-needed basis. One participant explained the basic economic rationale of the system—The department’s service is loaned to various departments. Even within the organization, the business units or functions that employed public relations would pay for the service. This organizational perception about public relations certainly had a strong influence on the roles the communicators played in relations with their clients. In most activities and programs, public relations partnered with other functions or the clients. The participants repeatedly said that the role of public relations in the strategic decision-making process was integration. However, often, the integration was not initiated by the communicators. Some comments implied that the role of public relations was that of coordination. As one participant said: “We don’t earn money for the company. We only cost the company.”

In Insurance X, the public relations domain was relatively limited. All functions of government relations and public affairs were managed by the legal department. Much of customer relations was under the marketing influence. The relationship management with workforces, such as agents, was a shared responsibility between the communication and the human resources department. Therefore, public relations was often considered as media relations or community relations, including the foundation’s charity work. As previously mentioned, the public relations department’s leadership was shared by a lawyer who was also the head of the legal department. This person had hardly had experience in public relations or communication-related issues and considered the role of public relations integration between the public relations and the legal departments or a media relations support group for the public affairs area. Even

though the intention of having him in communication was to improve relations between the legal and the public relations departments, one could conjecture that this type of relation falls in the category of “encroachment,” discussed by L. Grunig et al. (2002, p. 213).

Little was said about the conflict or encroachment between the client organizations and the public relations department. However, through the interviews, I discovered some tensions between the public relations department and the legal or the marketing department. A few participants mentioned occasional disagreement between the communicators and the lawyers. They said that the lawyers did not have a good understanding of what public relations was. Some also relayed the adversarial relation that the two departments historically had over power issues. One participant explained the relationship as follows:

There was a real understanding that the lawyers understand law but don't understand communication. And the lawyers felt that we understand communication but not the law. So we were always sort of at logger heads... We would ask to do something; the lawyers would say no. Instead of telling us what we can do, they tell us what we couldn't do. And we would tell them the same thing that they can't testify that, because it is going to be bad in the media. In some cases, they would testify at a public hearing and we would get very bad coverage in the media even though what they said would be absolutely right.

Therefore, according to another public relations member, the working relationship was based on the question, “You want to help us or don't you?” The public relations department was typically responsible for coordinating the area of media relations with

the process that the lawyers led. He additionally mentioned the prejudice that lawyers have against communicators: “Lawyers have the license to practice, and we don’t. So their feeling is that anybody can do public relations. Anybody can do communications.” Recently the public relations department established a public policy team to improve the effectiveness in government relations and issues management.

Although not so explicit, some tension existed between the marketing and public relations departments as well. One mid-level manager said: “I think the perception right now is that there is tension. I personally have a very good relationship with marketing, though.” This individual believed the integration between marketing and public relations was tougher on the corporate level because of its magnitude. One of the examples of a recent conflict was a sports events sponsorship program.

Historically, the sponsorship program had been in the spectrum of public relations. Insurance X had recently reorganized the marketing function by adding more staff and hiring a new executive to create a more professional and broadly focused department. Marketing came to have its own internal public relations people and moved the entire program into the marketing department to further leverage the span of the sponsorship through public relations activities without input from the public relations department.

#### *Earning the Seat*

When asked if public relations was involved in the strategic decision-making process of the organization, several participants told me that their involvement was a result of their continuous effort to earn the seat among peer groups. One team leader said: “It’s not a given. You’re constantly selling the importance of the value of strong communication strategies in order to achieve business goals.” A senior manager also said

that his team came to be depended upon by the leadership in shaping the messages that needed to be articulated after earning the seat at the table. Another executive said that public relations people should earn their own seat at the table and the respect from others by delivering visible results to decision makers based on “business knowledge, strategic mind, and integrity.” He also emphasized that public relations practitioners should be seen as business people, not as “somebody who writes a letter for them, who puts out a publication, or who does nice in the community.”

This public relations department had experienced a transition from a delivery function to a strategic function. In the past, public relations had been thought of as “a soft area that deals with fuzzy stuff” or “sleepy hollow.” One public relations manager said, “There was a time when this department was looked upon disparagingly as a kind of a dumping ground for people who could not make it elsewhere.” In an old model, the company assigned people without any public relations expertise or skills and asked them to “fix the house.” Now the communicators believed that the department was positively positioned as a critical function that helped the company achieve the business objectives and leverage resources. One interviewee said, “It is taken as one of the critical factors that take the company where people want to go.” For example, the department received significantly more resources. A new executive member joined the department as a vice president, which would add communication’s power and influence over the organization. The foundation budget as well as the department budget doubled compared to the previous year. The department’s external positioning programs received a significant increase in funds. One of the senior managers said that the amount of the money, \$39.5 million, was the evidence that management recognized the strategic value public relations

delivered. He said: “That’s my bottom line measure for value; how much they give you and how much they allow you to spend. I think it’s a good measure. We have very significant budgets, and that’s a true measure of what the corporation sees in us as value.”

Participants offered several explanations for this change of position. First, the participants mentioned that one of the department heads, the vice president, deserved a great deal of credit for the improvement in the department because he contributed to changing the department as well as the organization’s perception of the public relations function. This top communicator, who had had extensive experience in public relations from the agency side, moved to Insurance X a few years ago and had made great strategies. With a strategic mind and approach, according to the participants, he proved himself and eventually received respect from the dominant coalition. “He did it by not only working hard, but by getting results. He’s got a good mind,” one participant said. Some participants also said that the success was possible because he came with an outside perspective.

Second, the combination of the growth of the company and being a public company from a private business entity resulted in role changes as well as the new position of public relations within the organization. As the company grew and became profitable, it had more money to spend on programs other than the core business actions. By being public, the company and its management became more aware of the consequences of external influencers such as the government regulators and the shareholders. In addition, the change of the dominant coalition influenced how public relations was operated and managed. According to the participants, the CEO and the president of the protection unit, who joined the company relatively recently, had

interest in making use of the communication function to promote how great the company was. This change helped their causes. As one person put it, “We’ve got some leadership at the top of the organization [who] understand[s] the need for communication.”

Knowledge and expertise in communication helped the department obtain recognition and improve its position in the organization as well. The department began to identify and establish a core skill set of public relations to achieve a “center of excellence.” It also imported knowledge of a scientific communication model, which one participant explained as the process of “communication, awareness, and understanding.” She said that she tried to apply this model in the programs that she had managed. When hiring new people, the department looked for a good, broad background of communication and public relations. The department was in the process of reorganization to remove less-skilled people and replace them with people who had true consultancy abilities. It also adopted training programs for its employees. Professional designation also helped transition the department from being an “order taker” or “sending out stuff” to being a strategic advisor. Before, public relations practitioners were often making brochures or video tapes that had no connection with any plan or purpose. They were doing so just because someone had told them to. The practitioners’ professional and strategic approach helped earn respect from the leadership. For example, the success of external positioning programs through strategic media relations activities put the department in good shape.

Another important asset that had moved the department closer to strategic management was the communicators’ business knowledge and understanding. To earn

the seat, according to the participants, it was important that the senior management saw communication as a function that helped the company achieve its business goals. They had to prove that the communication function was not expendable. Therefore, they tried to tie themselves into the business plan by demonstrating the critical link between communications and success. One participant said, “That’s why business knowledge is so important.” Another communicator emphasized the significance of having knowledge in various areas:

You need to have an inherent understanding of what can and cannot be done just based on what the products are, what the law is, and what the regulators say.

That’s very important, [but] not enough of us have that. We’re getting there, but I think that’s a problem that is replete in our profession: lack of awareness of the importance of business knowledge.

This individual believed that the ideal public relations practitioner would be someone with “a mile wide and an inch deep” knowledge base so that she would know what she needed to know and what she had to do when the time came.

The last attribute that the participants named as a significant component was the broad understanding of business outside the insurance industry. Because of the nature of the insurance business, the participants said that they needed to be responsive to any trends and changes in society, such as demographics and the propensity to consume. One participant relayed a few examples of how a trend would be reflected in insurance. Along with the trend to get bigger homes came people moving to the suburbs. Insurance companies had known about this in advance because they had insured their homes. Insurers sensed the trend to buy SUVs as they rated and provided insurance for



those cars. Therefore, this participant underscored the need to look upon a demographic profile and the changes in society. He believed the opportunity to be a savvy public relations practitioner was “limitless” if he or she had a “broader view.”

### *Summary*

Derived from the interviews, I conclude that Insurance X’s public relations practitioners had enough access to the dominant coalition once the highest-level executives recognized the need. The heads of the department had direct and frequent communication with the CEO on a case-by-case basis. However, the conflicting answers regarding the use of public relations indicated that the function was not typically part of strategic management and that it might fail to be appreciated within the organization. Public relations may not be able to obtain enough support from the organization, such as budget resources or human resources, which would better develop the department’s function. Hence, it may face continuous limitations in participating in strategic management.

Because the heads of public relations reported to a member of the dominant coalition, one who was not in the communication department, communication between the public relations department and the dominant coalition was somewhat delayed. In addition, the heads of the public relations department did not have seats at the decision-making table. They were usually invited when the dominant coalition saw a situation as problematic, not based on the longer-term strategic values or consequences. In other words, public relations’ involvement was decided on by the dominant coalition on a case-by-case basis. When the members of the dominant coalition have a narrow perception about public relations, they tend to define public relations as media relations

or community relations. If public relations' role as a strategic advisor was not enacted among the members of the dominant coalition, its involvement in the decision-making process would be limited even if the communicators had that capability. This will make it challenging for public relations to make a contribution to strategic management. Consequently, public relations may remain as a technical function, according to L. Grunig et al. (2002). Having the public relations function report to the individual with a legal background or having a department head without a public relations background resulted in a similar problem. The strategic area of public relations tended to be overlooked by these executives. They were most concerned about the media relations and community relations components of public relations.

Not having public relations at the decision-making table may lead to information shortage among the dominant coalition about the organization's environment and its publics. The information the public relations practitioners collected as the eyes and ears of the organization may not be communicated to the dominant coalition when it is needed. Therefore, public relations will not be able to play the role of strategic advisor or the source of information about the issues in the environment during the decision-making processes. In turn, the organization's dominant coalition may fail to make strategic decisions that maintain balance with the external environment.

When I asked the public relations practitioners whether they were involved in the strategic management of the organization, the answers varied. Some participants confidently said that they were everywhere, whereas some others asserted that they were not. Still a few said that they were sometimes there but not always. These different responses may be explained by the following reasons. First, the participation in strategic

management varied according to the organizations. For example, the communicators who worked for the protection unit said that they were involved in the decision-making processes all the time; whereas those in the financial unit told me that they were not. This discrepancy came from the different perspectives each organization's decision-makers had about public relations. Second, being strategic meant different things for different people. For example, one of the elite members said that a few public relations managers worked closely with the dominant coalition, especially the CEO, as strategic advisors and were "always there." In many cases, those communicators were responsible for generating speeches or presentation materials for the CEO, which would be considered part of a technical role enactment by L. Grunig et al. (2002).

RQ 3: How does the organization conduct environmental scanning to identify issues and problems?

As conceptualized in chapter 2, environmental scanning is one of public relations' critical functions to help an organization identify the problems and issues in its environment. L. Grunig et al. (2002) said that organizations also scan their environment to identify and anticipate trends and classify strategic publics. Organizations scan their environment in many different ways.

To better understand how environmental scanning was conducted in the company, I asked the participants how they identified these environmental concerns. Their answers illuminated the ways in which the company defined its environment, which publics it considered important, and who was responsible for monitoring the external environment.

The public relations practitioners I interviewed told me that they were aware of most of the issues around the company. Depending on the issue, environmental scanning was conducted by several functions in addition to public relations. For example, the agent-related environment was also monitored by human resources. The legal department scanned the governmental, legal, and legislative environment continuously. The public relations function, although involved in scanning these environments to certain extent, was mostly concerned with media-based environmental monitoring. One participant emphasized the importance of being open to all of these channels and the necessity of communication with all of the parties, because that way “people can hear information sooner than later.” This person named several key sources and channels, which were similar to those mentioned in Stoffels’ (1994) “sources of environmental information” (p. 108).

The interview data and document analysis revealed that the organization and the public relations department did not have a formal process or system for environmental scanning. I was told that the existing scanning activities were based on day-to-day monitoring, which was a more reactive than proactive endeavor. The participants also said that they were often informed about their environmental issues through their business-unit clients. This process was described by one participant as “not a very proactive [one].”

These scanning activities were conducted in both the home office and in field offices. Field communication managers were asked to monitor their regional environments to identify issues that could jeopardize the company’s reputation and to report their findings to the home office’s communicators. One participant described the

role of field-office scanning as the “eyes and ears to indicate to us the issues that could be problematic.” However, there was neither a regular scanning and reporting system nor a set template for these field offices to follow. Rather, these activities were conducted on an issue-specific basis. This *ad hoc* attitude toward environmental scanning was no different at the home office. As one of the participants’ comment indicated, the public relations practitioners had no formal scanning processes other than the media monitoring performed routinely by the department’s media team. This participant said, “Sometimes things will happen and that will tell us that an issue is out there.”

Insurance X recently implemented the monitoring function of field communicators when it changed the reporting structure between the field organization and the headquarters. Until the previous year, field communicators did not have a solid reporting relationship to the public relations people in the home office; they were connected through a dotted line. Historically, field communication managers had been hired by the field vice-president. Consequently, they mostly worked directly for the head of the field organization and did what he or she wanted to get done. As one participant said, “So many times it was ‘get me in front of the [newspaper] or make me look good in front of my employees,’ but it wasn’t really tied in [to] his or her business plan which is tied to that of the corporation.” Lately, the organization had begun to hire people in a more systematic, rigorous way through human resources because it realized the field communicators’ “inherent value” and skill for identifying an issue in the field.

One of the participants related a critical example of an issue being picked up and reported by a field communicator. In some areas, mold had developed after homes

were flooded by rainfall. This increase of mold, a toxic growth favoring an anaerobic damp environment, was being used by customers as the justification for large insurance claims. They sought to get their homes completely rebuilt. This issue was immediately brought to the headquarters by one of the field communicators. Thanks to this “red flag,” the company was able to manage the issue in its early stages before it became a larger problem.

In the home office, the media relations team has primary responsibility for monitoring business units and a staff area of the company. Each member of the team has the responsibility of understanding the happenings within a certain business unit and of identifying issues therein that might risk the corporate reputation. Like the field process, this was informal. The members were also responsible for preparing for the potential management of those issues. Details of the process of preparation and of the actions taken after the issues were identified will be reported in detail in RQ 4.

### *Media*

Insurance X’s environmental scanning relied heavily on media monitoring. When I asked how they scanned their environment, most participants cited the media as the most significant source of information. In particular, they told me that the issues and potential issues relating to the external environment were discovered through media, including small trade publications and newsletters.

Contact with reporters was another normal source of information. The questions about the company’s position or achievements would alert public relations practitioners to potential or active issues. These issues were sometimes specifically related to Insurance X and were sometimes about the general corporate environment. These

reporters were not only a useful channel for disseminating information but a source of environmental scanning as well. If the public relations practitioners determined that the topics brought to their attention via reporters had significance, they would evaluate the ramifications of the decisions on the company in light of this new information. For example, stories regarding other insurance companies were monitored to gather information because they were likely to include topics or issues that Insurance X was also associated with. “Sometimes what’s happening to other companies will raise a potential issue for us... we can get that [information] either directly from what we are seeing in the media or from the companies that we are associated with,” one mid-level manager said.

Media monitoring was conducted by a team located within the public relations department. Members of this media team were assigned to track some publications based on an issue. If a member found some relevant information through this monitoring, he or she would bring that piece of information to the communicator who was concerned about the issue and say, “You might want to look at this; maybe we should give them a call.” Each client manager occasionally scanned specified publications, such as trade publications, that were particularly concerned with topics related to those of his or her client and area of responsibility. One of the managers said these monitoring activities were not performed on a regular basis; she described it as happening on an issue-by-issue, reactive basis.

Major competitors were often in the news, which provided Insurance X with a great deal of information. One participant, a media specialist, said that she and her colleagues tracked the competition’s activities through “Biz 360,” a database program

accessible via the Internet. Broadcast and print news stories were fed into this database with tracking tools and Web-based information resources such as Lexis-Nexis and Factiva. The team also used regional clipping services to manage local media stories. Their database stored everything and categorized it based on key words. The media team then analyzed the stories--positive, negative, and neutral--and further categorized them based on region and subject matter. They also rated stories about their competition for comparative analysis. These results were formatted into a report at the end of every month. Many regional organizations also did their own local media report. The headquarters' media team merged these local data with its own data to generate one cumulative report as "one map." These reports were distributed to company officials, the entire communication department (including regional communicators), and some key clients. At the point of the interviews, the team was in the process of finessing the list to make it smaller; because some clients were not focused on broad-based communications updates.

### *Interpersonal Communication*

The participants named various interpersonal communication channels as other sources of information. A few communicators said that they kept in close contact with regional leadership, including field communicators, because issues might surface in the regions. These field operations comprised a huge component of the total environmental-scanning process, because the field communicators were knowledgeable about regional events and concerns.

Communication with their clients and executives was another way of obtaining information. One client manager said that he received most of his information



regarding business issues through his involvement in senior staff meetings. Sometimes, clients or people from other departments called the communicators to inform them about, discuss, or ask questions about a new issue. This demonstrated how critical close client contact was to the process. A team leader told me that she was often informed of a new issue by the president of a business unit and would exchange opinions about these issues at the weekly meeting. Occasionally, conversations with employees, agents, customers, community partners, or government regulators provided information on new issues or problems.

#### *Agency Relations*

Several departments--such as public relations, human resources, and distribution--were involved in scanning the environment related to the agents. The public relations practitioners told me that the company paid great attention to its agents, since it had experienced unionization threats from them a few years ago. Relationship maintenance with the agents was a priority of the company; it tried to monitor the different ways in which agents could communicate with each other so that it could identify its agents' movements or issues in advance. Again, there was no formal system of monitoring.

According to the participants, their relationship with the national agency advisory board provided an important source of environmental scanning. Consisting of 67 agents and financial specialists, this board was created by the company after the unionization issue. Some communicators met with board members to discuss pending issues or to get an agent perspective on a problem. In exchange, the communicators would provide advice on communication strategies to the key businesses. Often times,

in that council and that process, they discovered issues with the potential to damage or enhance the company's reputation. There were also affinity groups in the corporation that identified issues and brought them up to human resources.

The participants told me that they intermittently monitored Web-based dialogues, such as those in Yahoo chatrooms. Many participants told me that they would log in to monitor these chatrooms if they had free time. There was no systematic channel for sharing or forwarding information garnered from this type of scanning activity, unless individual practitioners initiated it. However, I was told that some people in human resources and employee communication were paying close attention to the chatrooms from an internal perspective. It was important for these people to know what was going on from an agency distribution and sales support standpoint.

#### *Legal Department*

Often non-public relations functions, such as the legal department, conducted more proactive monitoring activities than did the public relations department. The company's environmental scanning was in large part conducted by the legal department. The nature of the insurance business causes it to face many lawsuits; Insurance X was no exception and was engaged in several legal cases. One elite member said, "What we are being sued about tells us what issues are out there." The company had a scan of government relations activities on a monthly basis and frequently monitored the new bills in state legislatures. Because each state has its own issues, monitoring of regulatory activities required a lot of resources and effort. A regular report analyzed the regulatory environment. Included in this report was

information on bills under consideration, their likelihood of passing, and the company's planned efforts and position in relation to those bills.

Consequently, the public relations practitioners acknowledged that the team of lawyers had much broader radar than they had in the areas of government relations and regulation. They considered the legal department a critical source of environmental scanning information and tried to maintain good relationships with the lawyers.

### *Customer Complaints*

Incoming customer complaints helped the company identify problems. Insurance X had a few ways to gather, analyze, and handle those complaints as part of its customer relations operations. The first method focused on monitoring insurance department complaints. State governments require insurance companies to have a customer complaint-handling system. If consumers believe they have been wronged, they can complain to their state insurance department's commissioners. Then the formal process dictates that the insurance commissioner sends this complaint to the insurance company. The participants said that, after logging the complaints and identifying any trends, they handled these problems. Some customers' complaints came directly to the company and were received by the chairman's office or the customer service call centers. The company kept these complaint letters and tape-recorded those calls for analysis. The participants told me that they took the actual number of complaint letters or calls, tracked every one of them, logged them for comparison purposes, and identified trends. One team leader told me that she would even sit down with the chairman and listen to those tapes.

### *Trade Organizations*

Several participants mentioned trade organizations as crucial sources of information. They emphasized the significance of industry-based intelligence. The public relations practitioners worked in tandem with the people at these organizations and shared industry-specific information. This interaction gave them the ability to monitor the activities of various departments of insurance in state governments. It also served as a vehicle, in addition to media monitoring, for scanning the environment of other companies in the industry. The trade organizations were contacted on a case-by-case basis whenever the need for this industry angle arose.

### *Summary*

Overall, public relations practitioners at Insurance X were not particularly active in environmental scanning and issue identification. Although they were trying to be sensitive to the external environment and to obtain information about it through their radar, they did not precede other functions of the organization. In other words, the information they received often came through the “eyes” and “ears” of other departments; public relations did not function as the information-gathering branch of the organization. One participant even mentioned the crisis hot line as a possible source of information if an issue would come up.

Consequently, the public relations department lacked some boundary-spanning. The research the communicators conducted was normally informal, with occasional formal research and scanning activity. Although the participants were aware of the need for and importance of monitoring the external environment, they said that they rarely conducted formal scanning because they lacked the time and resources.

Monitoring activities were treated as a secondary priority, something they did when they had time. In addition, because the organization did not have a formal environmental-scanning system, it also did not have a systematic way to share the valuable information it generated. Some participants told me that the department had a weekly team meeting where the team leaders shared issues and identified opportunities for integrating within the other teams. A formal system for environmental scanning and information dissemination would help the public relations function position itself as strategic advisors to the whole corporation. Such a system would enable the communicators to function as an “early warning” system (L. Grunig et al., 2002, p. 443) as well as to be proactively involved in the strategic decision-making process.

Insurance X’s environmental scanning focus tended to be on media sources, such as media monitoring or contact with reporters. Most participants named media as the most significant and sometimes their only source of information. Although the legal department was proactive in identifying regulatory issues by scanning the regulatory environment, the organization was still overlooking important groups of publics, such as activists. The general business environment and social trends were not considered to be important subjects of environmental scanning. Only one participant said that he occasionally scanned the business world outside of the insurance industry. He believed that knowing what the players of the business world were doing in terms of communication or media strategy would benefit this company. However, few participants were concerned about this area. Rather, they differentiated the issues based on the level--corporate, industry, and environment--and tended to focus more on the corporate-level issues. This focus can be dangerous for communicators because it

might prevent them from identifying broader, longer-term issues, which may be more important in strategic management.

RQ 4: How, if at all, is the public relations function involved in the issues management of the organization?

Issues management is a process by which an organization understands, leverages, and manages its resources and capabilities to direct and participate in the creation of public policy through two-way communication (Chase, 1982; Heath, 1997). It enables an organization to intervene in issues development early enough to effectively influence the process in the way the organization desires (Ewing, 1987). Through this process, an organization is proactively engaged in relationships with its stakeholders. Heath (1997) maintained that issues managers should be involved in the identification and analysis of stakeholders and of trends in the environment. Issues managers can also facilitate communication between the organization and its stakeholders based on their high level of authority and resources.

The in-depth conversations with the participants illuminate the issues-management process of Insurance X in general, such as who led the process, what kind of authority and responsibility the public relations managers had in issues management, and how the process could be improved by involving public relations.

Insurance X did not have a formal issues management process either on the department level or on the organization level. The process was often initiated and led by the clients from each business unit or the people from other functions, such as law and regulation. The public relations department did not have an issues management team per se; issues management was considered one of the sub-areas of reputation

management. No specific person or team had responsibility on a regular basis. The issues-management accountability was shared by multiple teams, such as the crisis management group, the corporate positioning team, and the media relations team. The media team worked especially closely with all of the other groups in dealing with the media aspect of the issues.

The participants told me that the company was proactive in passing legislation that would position itself better in the market. One participant presented the following as an example of successful issues management. Insurance X was involved in a legal case when it expanded into an industry outside insurance. Business owners in this industry perceived the company's entry into the market as a threat. Legislation that restricted insurers from acquiring ownership in that industry was passed in Texas, which would have been liability for the company. The company filed a law suit against Texas based on the rationale that it had the ability and right to conduct business in the market under the First Amendment, among other reasons. It finally received a preliminary ruling in its favor. During this process, according to the participant, public relations jumped in and said, "Let's do some media work; let's do a release here, something that could help us to manage the issue across the country." The story was picked up by several national media such as the *Wall Street Journal's* wire, which included the interview with several lawyers of the company.

#### *Issues Management Process*

At Insurance X, issues were identified and followed in many different ways. As mentioned in RQ 3, neither the organization nor the public relations department had a formal issues identification system. When I specifically asked the participants if they

had any formalized system to identify and manage issues from their early stages, most of them simply answered, “No.” Rather, issues management was based on day-to-day monitoring. Once the public relations practitioners identified an issue, according to one participant, they assessed the level of performance and risk in a way that could be described as “non scientific” or “gut feeling.” Then they brought in the “core team” and helped the team understand the issue. This core team generally consisted of a client manager, a media relations person, and an employee communication specialist. If the team members agreed that the issue was urgent and needed close attention, they would involve other people.

One executive explained that the department had proposed a formalized system a few times. People liked the idea in principle, but he said they did not want to establish the system in practice. They thought it would slow down decision making or create decisions that were second guesses. This relates to the discussion of “silos,” which were mentioned in RQ 2. The executive explained the situation as follows:

That’s my job to decide about X, and I don’t need to go to you to get your approval or to ratify my decision. We actually have decision-making trees that we’ve prepared and submitted. In principle, people like them; in practice, they tend not to.

Therefore, the public relations practitioners typically had to depend on an informal system such as interpersonal communication with the people who were closely involved in the issues.

Another participant listed a few reasons for not having a formal issues management system. He thought the previous leadership of the company did not feel a



need for a formalized issues management process. Traditionally, issues were handled on an *ad hoc* basis as issues arose, which “seemed to work at the time,” according to one individual. In addition, Insurance X’s history accounted for the absence of a formalized system. The company had been a subsidiary of a large corporation until it became a public company a few years ago. “It tended not to be quite as in the limelight as it is today as a stand-alone publicly-held company,” the participant said. The need for a formalized issues management process had evolved over a relatively short time. The managers came to understand the benefits of an issues management process and desired to implement a procedure on a formal basis. However, he added that a “fair amount of time pressure” was one of the obstacles for the introduction of a formal process. Although people saw the need, they did not give priority for the creation of such as process; they believed the process would be nice to have, but not a requirement.

I found only one piece of information that concerns the process of issues management in a formal way: a communication guidebook for regional communication managers. This document lists five action guidelines: 1) Identify top issues to develop public relations aspects of communication campaigns on public policy issue; 2) Develop and execute a proactive regional issues management strategy to integrate; 3) Identify, cultivate, and engage third-party relationships with opinion leaders vis-à-vis a stakeholder communications strategy; 4) Serve as a subject matter expert and develop communication strategies on major policy and industry issues that are appropriate for the company’s business goals and objectives; and 5) Coordinate an issues-based and crisis communications strategy team with regional and home office team members (Insurance X field corporate relations operations, 2004).

Management of strategic issues involved the people from functions other than public relations. The issues-management process was based on committees; in fact, one participant told me that the company was “committee-driven.” Whenever an issue came up, a committee was established with people from across functions. An issue committee typically consisted of an official as a champion and several mid-level managers from across the business units and different departments: manufacturing, marketing, legal, finance, human resources, and others as necessary. Consequently, the issue would be looked at from all angles. The committee drove decisions and assigned people to sub-committees so that they would report back to the committee on actions. The committee met often, from once a week to several times a week, to discuss and update the issue and to develop strategies. For example, one client manager told me that he was a member of a special team for the “Do not call” issue. This government program that limited telemarketing calls was expected to potentially cost billions of dollars for the company.<sup>14</sup> One members of the media team was also involved. The project team, led by a senior manager from marketing, consisted of the people from functions such as systems, IT, agency, law and regulation, and communication. The team met twice to three times a week.

One of the mid-level managers discussed the advantages and disadvantages of the committee structure. He said that the committee-driven structure tends to delay the decision-making process. For example, a cross-functional committee with 10 to 15 people from different departments might remain disoriented if it did not have clear

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<sup>14</sup> The FTC introduced a new program called the National Do Not Call Registry to give consumers an option about whether to receive telemarketing calls. Once a consumer registers his or her number through this free registry, most telemarketers cannot call the number. More details about this issue will be examined in RQ 5.

leadership. Nobody would take responsibility unless proper accountabilities were assigned to each member. However, he added that “it is hard not to do so” because of the complex nature of the insurance business. The insurance industry is highly regulated by the government, which requires knowledge about the legal boundaries for most business decision-making. Even the decisions that concern public relations often require legal consideration. In that sense, the committee structure is effective to acquire the input from experts in different areas including law and regulation. However, the participants pointed out the continuous difficulty of the committee approach as it still wrestled with the question of how to make the process faster and more efficient.

The public relations practitioners were involved in several different committees. Often one communicator was engaged in multiple committees, depending on his or her responsibility. Therefore, the communicators were only knowledgeable about the issues or topics that they were personally involved in. The participants told me that they normally obtained information about those issues through e-mails or weekly team leader meetings.<sup>15</sup> The team leader meeting was a roundtable discussion where that department’s team leaders or client managers updated the progress of their areas and shared important information about issues. They also discussed the opportunities for integration and cooperation among different teams at the department level. However, the participants described the difficulty of being up-to-date with all the issues. For example, one of the team leaders said that she was not familiar with some of the public policy issues because those issues were not in her area of concern. She said that there was too much information going on and she did not find time to follow all of it.

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<sup>15</sup> A few months after the interviews, I was told that the meeting became a bi-weekly assembly because of each team leader’s busy schedule.

When the communicators caught issues through their “radar,” as one executive member described it, they tracked those issues in relatively informal ways. At the home office, the communicators received information gathered from other parts of the company. I was told that the only formalized issue-tracking mechanism was tracing media. Media tracking was conducted on a daily basis. The members of the media team followed issues through tools such as automatic electronic programs. The rest of the issues were followed through an informal monitoring system; members of issue committees learned the development through their direct involvement. They also kept track of some issues through publications or backgrounders. One person said that legislative or regulatory issues were typically traced through regional councils--the lawyers in the field offices--and field communication managers. Agent-related issues were traced through the agency advisory council. Customer issues were tracked through customer service people.

The media relations team also had a document called *Hot Topics* that listed issues the company was tracking. This document included the names of internal experts who were associated with each subject matter. The team was responsible for generating and updating the list by adding or subtracting issues and contacts. These contacts were the lawyers in most cases; one participant said that the list tended to be “heavily skewed toward litigation.” The list was shared with all the regional organizations. However, I learned that this listing activity had not been done for awhile because the system did not work the way it was designed to. It was not so effective as was expected. Again, the discontinuity stemmed from a priority issue that a different participant named as a reason for not having a formal issues management system within the

organization. One participant, expressing the department's desire to revisit and regenerate this hot-topics list, said: "That's unfortunate, because it should be a priority. We should always be integrating and talking about [issues]." She expected that the newly generated public policy team would take this responsibility.

*Role in Issues Management: Communication Is Critical, but Not Central*

Most participants said that public relations' involvement in issues management was critical. However, each participant's description and explanation about the roles and involvement of public relations in issues management varied. One participant explained the difference: "There's a variety of different ways that we service issues... Different teams are involved in different levels." Because the company did not have a formal system of issues management, public relations' involvement and role were not consistent.

Most participants pointed out the importance of constant involvement in issues management. One of the mid-level managers told me that he and his colleagues had their "antenna" on all the time; "we are not just operating in the dark," he added. Another participant said, "It's really us being the eyes and ears of issues that are out there and bringing them back to the table." For example, when some agents tried to form a union, the public relations practitioners were part of the issues management team. The company worked with the National Labor Relations Board to stop the unionization attempt and used a range of methods, such as stages of testimonies. Media relations people attended all of the meetings and were involved from beginning to end so that they could "completely recognize all the different stages they went through and prepare key messages" when a decision was rendered. The company also provided all

the field managers with legal relations training so that they could understand what was happening and deliver the right message to the audiences. The manager also said: “It is very important for media relations to be at the table early, because we help with reputation management and positioning of the brand. It really is about how the brand is perceived.”

Although the public relations practitioners believed their early involvement was significant, the reality was that they were not involved in issues management as early as they desired. Involvement was decided by the people who led or directed the issue team; if those people did not recognize the need for public relations, the communicators could not participate in the issues-management process. As mentioned earlier in this chapter, public relations practitioners were often brought in after decisions were made and asked to communicate the decisions. For example, one mid-level manager said:

If I look at the big picture, oftentimes I find that decisions are made and we are brought in... The decisions for how their assignments are going to be completed are made; and then we are told: “Okay, this is what we are doing. Now, can you help us communicate it?” rather than helping people to make decisions and to understand the impact their decisions may or may not have on either employees, analysts, external stakeholders, or media.

Some managers outside public relations hesitated to involve public relations or did not want to involve it at all because of their misunderstanding about public relations’ role. Although the purpose of public relations being at the table early was to help decision makers, these decision makers often considered it as intervention or

“formulating” what or how they should do it, according to one participant. This person added that they did not understand that the intention was helping them make their decision “in a way that is less likely to meet resistance [and] more likely to meet acceptance.” Another participant had a similar comment, that people often thought that public relations was there as another layer of approval.

Overall, the participants considered issues management as a coordinated effort among several organizations and functions. As mentioned in the overview of the organizational structure, Insurance X had decentralized structure based on the “shared service” system. Hence, issues management was a harmonized endeavor between the home office and the field organizations or among different functions; public relations practitioners at the headquarters played this coordinator role as “integrators” in issues management. Issues often came up through the field organizations in each region. In each field office, a lawyer, or the regional council, had primary responsibility for government relations and regulatory matters of each state within the region. The field communicators worked with the regional council to ensure that the company would be properly positioned from a government-relations standpoint. If a regional office received a media call, the field communicator in that office would call the home office’s public relations staffers and receive their help in contacting an appropriate central legal person. This system was designed to maintain a consistent message around the country.

The public relations managers also coordinated communication among different functions and delivered the message to various audiences, including media. As seen from the *Hot Topics* list, the public relations practitioners in the media team were

responsible for identifying and listing internal experts related to the issues and arranged meeting between the two functions, legal and communication. The typical agenda of those meetings included discussion of outstanding issues, the issues that could potentially be controversial, or where the lawyers needed to be involved. Even within the public relations department, this integrating and coordinating effort continued. For instance, the media relations people brought in the public policy team to a meeting about “Do Not Call” legislation because they saw a public policy component in the issue and wanted to make sure that both teams were aligned. Public relations was also responsible for engaging industry groups and working closely with the trade organizations in issues management. Often trade organizations such as the Insurance Information Institute (III) and the Property Casualty Insurance (PCI) had broader polls of the situation and better information. If an industry issue had broken, the trade organization was often asked to respond to it on behalf of individual companies.

Public relations managers also functioned as communication advisors who provided a communication perspective about an issue and helped issue committees make strategic decisions. They used a “reputation filter,” which I mentioned in RQ 2, to examine communication ramifications of those decisions and inform the decision makers of the potential impact. According to one elite member, when decision makers took an important business action, the communicators would look at the action and explore its implication by running a filter against the decision. Then, they would mitigate the chance of an issue arising or decide how they would deal with the situation. They also teamed up with other departments, especially the legal department, to advise on how to manage the publics outside the government. They



identified the sources of information and the people who needed to be involved in decision making, communicating, and planning. Their accountability included audience analysis, message development, strategy recommendation, and implementation of the business decisions. Among these tasks, the participants emphasized message development as major. Strategies were developed both proactively and reactively to leverage all the positive stories about the organization with constituencies to, according to one participant, “build a bank of good will.”

One of the team leaders relayed the case of toxic-substances coverage policy that was referred to by another participant in RQ 2. She said that the company looked at how it would protect the company as well as the customers from the damages caused by toxic substances. Traditionally, the company’s insurance policy had not included coverage of property damage by toxic substances (such as anthrax), whereas most competitors’ policy did. Recently the company faced the question of how to maintain responsibility as well as competitiveness. Not including toxic-substances damages in the policy could be a competitive advantage for Insurance X profit-wise because it could save money for not covering those damages. At the same time, incidents such as the bio-terrorism scare made the company consider changing the policy. The public relations managers took the issue through the filtering process and presented what impact the decision would have on customers as opposed to how it would influence the company. This team leader explained the situation as follows:

Some people in this part of the business really don’t have a focus on the customers as much they should; they are really looking at protecting the company’s assets, which is important. But we are trying to educate them a little

to at least know the ramification on our customers.

Clearly, the participants believed that one of their roles in issues management was to educate decision makers on strategy, focus, and measurement of communication. One participant said that he tried to help other issues managers understand who their target audiences were and focus on those audiences without being distracted.

### *Media Relations*

Dealing with media was an indispensable part of Insurance X's issues management. Most participants explicitly and implicitly emphasized the media relations aspect of public relations in issues management. As described earlier, some decision-makers perceived media as a critical component in issues management. They involved media relations specialists in the issues management team early so that they could examine the situation from different angles and approach media. If an issue was significant and had potential to generate coverage, the media team would be mostly included in the process. If not, the public relations practitioner who was involved in the issue team or committee coordinated communication with the media team. The media relations people created messages around the issue, created a stand-by statement, prepared a public statement, and lined up spokespersons, in addition to tracking media. However, as one manager explained, it was not an active process based on regular reporting; rather, it was identification of issues if they came out.

One of the media relations specialists explained the importance of media relations in issues management. Whenever a spokesperson had an interview, messaging came through the media team. Hence, the media team and issues management teams went "hand in hand" whenever decisions were made. This happened more frequently in

litigation. When legal cases were covered by media, the team designed and prepared key messages for them to explain the company's position and perspective. This specialist emphasized the importance of working with media and providing information when the company won cases; media tended to recognize conflicts or the company's trouble but hardly paid attention to the cases that the company won. She explained that winning the cases helped better position the company among the reporters as well as in the media, because they could see how well the company was doing through those decisions. It was seen as an opportunity to influence public opinions as well; by relaying those cases through media, the company could show a history around the issue and show that it did not necessarily do things wrong as many times as it was accused of doing. In addition, decisions made by other judges, especially those who supported the company's position, could influence the judge of an on-going case.

#### *Lead by Legal Department*

The interview data and the review of documents revealed that the legal department led much of issues management at Insurance X. As previously mentioned, because of the complicated regulatory nature of the business, lawyers played a critical role. As one participant admitted, the public affairs function in the legal department had a government-relations bias. The heavy dependence on the legal department often resulted in components other than government relations being overlooked in the issues-management process. In a document that delineated the areas of responsibility for the field communicators, issues management was included in government relations, which is mostly managed by the legal department. One practitioner said, “[For] all of the issues, there are lawyers who specialize and track those issues across the country.” Any

activities that would follow legislation, such as grassroots initiatives and lobbying, were handled by the people in law and regulation. If an issue involved a communication component, certain members of the communication department would help for small amount of time.

I was told that, in the past, there was “almost an adversarial relationship” between the two functions, public relations and legal. One communicator said the working relationship was “*ad hoc*”; the people from the legal department would not discuss issues with the public relations practitioners until those issues developed into a serious situation. “If we ask them why they waited so long to let us get involved,” he added, “then they wouldn’t even listen to us or would say, ‘Do you want to help us or don’t you?’” Some participants also pointed out that some lawyers did not understand the value of public relations or the importance of public opinions. A few years ago, one of the top lawyers of the company testified in one state’s public hearing regarding some legislation. When he was asked a question about the public, he said, “It doesn’t matter what the public thinks about this.” Although the lawyer’s opinion was correct, the tone of his comment made it seem as if the company did not care about the public.

However, public relations’ involvement in issues management was increasing in the organization as it tried to improve its relationship with the legal department. Today, public relations practitioners partner closely with the lawyers and the lawyers look out for potential issues that would result from business decisions. The public relations department recently created a new team called “public policy,” which was responsible for public affairs or government affairs issues from a public relations perspective. These practitioners had desks in both the public relations and the legal department and

sat at both teams' meetings. One of the team members said that both being with legal people and sitting at the table were helpful because the communicators were able to pick "bits and pieces" of information and follow up. In addition, their proximity increased lawyers' access to these communicators; the lawyers frequently asked questions or pulled the public relations people into discussions.

This team also functioned as a conduit within the organization, according to one team member. After having discussions in the legal department and finding the areas that needed public relations input, the communicators came back to the public relations department and told the appropriate people what was going on and how they could work as partners. One person explained that the team also served as a "liaison" between public relations and the legal department to enhance issues management. They made sure all the right people were around the table, whoever might be the best player: public relations, law, and marketing. The team also worked closely with the media relations people to coordinate message delivery from the legal department to media. By having this function, according to one participant, "The right hand now knows what the left hand is doing." At this initial stage, much of their work was still "ground work," such as investigating where the needs were or contemplating the extent to which the company should be in front as a part of the leading group.

I learned that public relations' involvement and contribution were increasing as it provided the lawyers with communication advice. One participant assessed that the relationship-building effort was working. Typically, the lawyers called somebody in public relations after an issue had reached a critical point. Since the organizational structure was changed, public relations' strategic suggestions had been better received;

public relations could stay in front of the issue. For example, the public policy team was involved in the management of the credit-scoring issue as the lawyers asked for help. The lawyers presented the company's stance on the issue and asked the communicators to advise on managing this issue. The public relations practitioners developed communication strategies, such as a consumer education plan that would help the company in the long term and short term, and that went along with the overall strategic timeline.

However, this person added that some people still did not bring public relations into discussions. Whereas certain people who had worked with the communicators before would instantly think about updating and involving them, others would have an e-mail sent to the public relations people after a discussion went on more than a week. The participants hoped that they would be involved earlier in more cases. The team members said that they were going to prove that public relations could be partners with the lawyers, and that they could use communication in a strategic and focused way to help the lawyers get what they wanted. They also expected that this new function and relationship would help public relations take a proactive stance rather than just respond to issues. The participants said that they regularly met with the executive member who had just moved to public relations from the legal department. Although this executive was not their direct reporting line, they believed they benefited from his insights and extensive experience in law and regulation.

#### *Summary*

Issues management at Insurance X was an informal, *ad hoc* process. Instead of having an issues management function or system, the company responded to issues as

they occurred. Issues were typically managed through committees that were assembled on a specific problem after it was identified. The role and involvement of public relations were not systematic, either. Public relations practitioners were brought into the issues-management process when issues managers recognized the need. The company did not have a formal environmental scanning system; rather, the communicators were informed by their clients or lawyers about emerging issues. Consequently, public relations was reactive in dealing with issues.

The relationship between the public relations and the legal department was critical to understand Insurance X's issues management. Because of the nature of the insurance business, many of its issues involved legal or regulatory concerns. Therefore, the issues management process was often led by the company's legal department; public relations was regarded as a supporting function. It served as a communication advisor, if involved in the process at all. Recently, as a part of its endeavor to integrate the two departments, the company moved a senior manager of the legal department to public relations and appointed him as a second vice-president of the public relations department. The public relations department also generated a new team that would partner with the legal department to deal with public-policy issues. The participants considered these changes an opportunity to increase their involvement and contribution.

Members of the public relations department tried to influence the issues-management process by providing a communication aspect to the issues. They attempted to introduce a "reputation filter," emphasizing the ramifications of decisions especially for their influence on the company's reputation. Whereas some people outside public relations understood the value of public relations and included it in the

decision-making processes, many others did not. They considered public relations' advice as intervention by outsiders that would slow down their process. Even when public relations was involved in issues management, its role was often considered media relations and, to some extent, community relations. The participants themselves emphasized the media component in issues management. When they talked about the "communication ramifications" or "public relations aspects" of issues, they tended to focus on media relations. Consequently, public relations' participation in issues management, and issues tracking in particular, heavily focused on media.

RQ 5: What is the process of scenario building from a public relations perspective for the organization?

This section examines the process of scenario building for Insurance X. Two sets of scenarios were developed for two different issues, credit scoring and the optional federal charter. Steps one through three were explored as generic for both cases.

### *Topic 1: Insurance Credit Scoring*

#### *Step 1: Task Analysis*

The aim of this first step is to examine the present situation of an organization and to identify the company's main problem areas for the future. This step includes defining the time and geographic scope and analyzing the company's existing goal, strategies, and corporate identity as well as its strengths and weaknesses. During the group interview session, the participants were asked to define and identify the items above. Some of them also mentioned related information during individual interviews.



*Time scale.* Insurance X did not have a formal corporate planning period. I was told that the businesses were typically planned on a one-year basis, which came from the organizational mentality as a sales company, according to one participant. This time scale was not appropriate for the purpose of scenario planning, which needed to be more forward-looking than a year. The time scale should be long enough to induce a fresh look, but it should not be beyond imagination and the capability to obtain adequate information. For example, changing the corporate culture and major policies in a large organization such as Insurance X would take at least a few years. During the group interview session, participants unanimously agreed that a three- to five-year timeframe would be appropriate considering the changes in the political, economic, and social environment.

*Geographical range.* Although Insurance X has business in the United States and Canada, most of its business focused on the U.S. market. Hence, the participants agreed that the scenarios would be based on the United States.

*Identity, goal, and strategy.* Insurance X is one of the largest insurance carriers in the United States and is a big name brand in the country. The participants said Insurance X was already one of the best-known names in the world and the company had “somewhat of the identity” as a large insurer, which was connected to its size and position. Unlike other companies that strived to be known more widely and gain recognition, the company already had high brand recognition as one of the industry leaders.

The company’s mission statement showed that it tried to represent itself as a customer-oriented company that protected customers’ quality of life through risk

management. The interviews with the public relations practitioners showed that they wanted to identify their organization as a company that cared about its customers. One interviewee referred to it as “people business.” However, the participants pointed out that there was somewhat of a discrepancy between the identity that was connected with that name among the general audiences and the identity that they wanted to be connected with. Whereas the company desired to be perceived as a financial service provider, the brand and corporate identity were mostly aligned with its insurance business; consumers and the buying public saw it as an insurance company, not as a broader financial protection company. Consequently, it was challenging to implement a broader strategy. The participants said that part of their role was to establish the company’s identity and eliminate the discrepancy.

Based on the review of documents and interviews, Insurance X’s organizational goal is to grow. The company’s strategy was named “better, bigger, broader.” It developed and implemented several strategies to achieve its goals. Although Insurance X was one of the market leaders with good foundations, it still needed to get more market shares and customers to win the competition. To compete with big corporations in the industry, the company expanded its distribution channels: exclusive agencies and financial specialists, independent producers, and direct sales channels such as corporate Web site and a toll-free number. In addition, it sought to grow profitably in addition to becoming bigger. The company employed new methods and tools to more precisely match the premiums individuals paid to the risks they represented. It tried to reach out to the customer segment that had been often overlooked—middle-income customers (Insurance X annual report, 2003).

Customer retention was another foundation to grow. The participants of the group interview maintained that retaining existing customers and minimizing the number of customers who left the company were critical before the company tried to expand. One of the executive members of the company explained that renewal customers were more profitable than obtaining new customers. He said, “In a company the size of Insurance X, if you could improve the renewal ratio by one point, it’s worth \$400 million.” The company’s marketing and sales, as well as public relations, efforts focused on finding loyal customers and keeping them. Customer retention was important considering that the insurance industry had limited room for growth. “You are not going to have that many new houses [or] brand new automobiles. [There are] just a limited number of growth opportunities [about] how demographics are going... So you have to win by taking customers from someone else,” one participant said.

Another strategy was to be proactive and out in front on some industry issues. Insurance X had been part of a larger company and overshadowed by its parent. In addition, insurance companies typically maintained low profiles because they were heavily regulated. One participant said, “The less on the radar screen, the better.” However, as it became an independent company, it began to be more visible than before. The new leadership of the company also had an appetite for Insurance X to be out in front on a number of issues to take a lead role in changing and improving the industry. The company attempted to be a leader in terms of how the industry was perceived as consumer friendly and business friendly.

Meanwhile, the company’s situation was analyzed by examining its strengths and weakness during the group interview.

*Strengths.* As one of the market leaders, Insurance X enjoyed a few advantages. The group interview participants said that the strong brand name and high quality of the product were strengths of the company. The company's brand was well recognized by consumers and the general population. Insurance X also had strong market presence. It established a variety of distribution and communication channels and could easily reach and be reached by consumers. Relatively high renewal rate of existing policyholders was its strength as well. For example, the company had about 90 percent of homeowner customers renewing every year. This not only reflects high customer satisfaction, but also helps make the company's business profitable.

*Weaknesses.* Although the company's brand was highly recognized among consumers, its corporate identity was relatively weak. One of the public relations managers described the insurance industry as a "very vanilla industry," where consumers saw all companies the same. Consumers often confused the company with its competitors. Therefore, it was a challenge for the company to establish a robust corporate identity both from a service standpoint and an advertising standpoint.

Another problem that the participants discussed was that the company was not seen as the company it was. They believed the company was not rightfully positioned in the United States. That is, they did not think Insurance X was positioned as being as big and as powerful and as good a company as it actually is. Part of this problem came from the nature of the insurance business and its products. Most people only take advantage of the product when something bad happens to them. Therefore, insurance is not connected with something positive; either the consumers pay for many years and feel as if they are not getting anything out of it or they use it because

something bad happens. “It is not a Coca-cola kind of feeling,” one participant commented. Furthermore, people inherently do not understand the function of insurance and how it operates. The participants believed these negative perceptions about the product and the industry influenced how the company was perceived. Hence, one of the messages they tried to get across was that society could not function without the insurance mechanism: Insurance enables people to drive a car, to own a business, and to engage in normal activities.

Insurance is a challenging, competitive industry in that every company is going after the same market share. Whereas the market hardly grows, several players—big and small—target one another with intensive advertising and marketing. The insurance industry is heavily regulated by each state government. If a company has business in 50 states, it has to deal with 50 different regulators and 50 different regulations. The participants said that the regulatory constraint was a huge obstacle for the company to grow. Every insurance regulator could make decisions that could affect the company’s reputation. Consequently, they maintained that this system slowed decision making and business processes in general and limited the company’s introduction of creative products and business models. Competition with other insurers as well as the companies in the financial industry was another issue. As a publicly traded company, Insurance X was responsible to its shareholders; the company’s expense structure should be based on the board-proven decision making to run the company as efficiently as possible. On the other hand, some competitors, especially mutual companies, did not have such a challenge and could be flexible and aggressive in the market.

## *Step 2: Environmental Influence Analysis*

The analysis of major stakeholders and basic trends helps understand and assess the external influencing factors and the interrelationships among those influencers. The participants were asked to identify the stakeholder groups and some of the trends that they thought were influential in the environment. They identified 12 influencers or factors. Through environmental scanning and document review, I could identify general social trends, such as economics and consumer trends.

*Competition.* Similar to other industries, Insurance X's public relations managers pointed out the highly competitive market situation as the most critical influence. The insurance industry has limited growth potential. The market is already saturated with countless large and small insurance companies. It would not grow unless there are sudden changes in demographics or life style. This situation forces the players to create new products and new business models based on innovative distribution channels or marketing.

*Legislation and regulation.* State legislators and regulators are important influencers for the company as well as the industry, because insurance is heavily regulated by state governments. Each state has a state insurance department, which is headed by an insurance commissioner elected by state constituencies. A state regulator's principal responsibility is to protect the interests of insurance consumers in his or her state. Consequently, organizations such as the National Association of Insurance Commissioners (NAIC) have large influence.

Whenever an insurance company introduces a new product, the company has to go through each state and obtain approval. All insurance products, their criteria and

offerings, should be filed and remain open to public, including competitors. Insurance X's public relations practitioners said that it usually took two years for the company to introduce a new product across the country state by state. By the time the product is introduced in the last state, it already needs changes that meet the market changes. "[That is] a part of the reason we cannot actually grow... in order to stay competitive, new products are something we have to be developing all the time," one participant said. Furthermore, new ideas are only good for a while; without getting patented, new ideas will be quickly snatched by competitors while waiting for approval and introduction.

Because the regulatory framework is managed by Congress, the legislators in Washington, DC, have influence on the industry and the company to a great extent as well. One of the main issues in insurance regulation is who controls the industry and how to do that. In 1999, Congress passed the Financial Modernization Act, also known as the Gramm-Leach-Bliley (GLB) Act, which includes provisions to protect consumers' personal financial information held by financial institutions. After the GLB was passed, state insurance regulators initiated a program to modernize regulation partly because they were worried that this bill could create a federal insurance regulator by Congress (<http://www.ftc.gov/privacy/glbact>). In addition, the insurance industry is subject to government regulations in the area of consumer protection, mainly through the Federal Trade Commission (FTC).

*Consumers.* Attitudes of consumers to the insurance industry, the company, and different products need to be considered as well. Consumers, according to the participants and industry publications, do not understand the function and value of

insurance in society. Consequently, one of the messages that the industry as well as Insurance X try to get across is that society cannot function without the insurance mechanism. In addition, consumer attitudes toward insurance are not favorable; because they are forced to buy it whether they want it or not. They hardly recognize the value of insurance; insurance is not used unless an individual experiences accidents. Consumers are sensitive to the price, too. Some consumers shop around for better premiums. The public relations practitioners pointed out that retaining loyal customers would eventually have a competitive advantage for the company.

*Weather.* The weather can cause disasters for the company's policyholders. Natural catastrophes--such as floods, earthquakes, hurricanes, tornados, and wildfires--have been concerns for the overall insurance business; because they often result in damages that are hard to manage and need resources that are beyond what insurers can afford. Insurance companies' appropriate responses to their customers under disastrous situations, such as hurricane Andrew in 1994, have been an issue.

*Technology.* New technology has changed the way business operates in many ways. The Internet introduced new marketing and distribution channels through Web sites. Access to consumers and collection of information became easy. Many insurance companies, which traditionally depended on agents' sales, use a variety of methods such as a corporate and agent Web site and toll-free numbers.

*Demographical trends.* The demographical changes in the United States could imply both opportunities and threats for the company. The trends such as aging Americans or increase of immigrants could imply a new market for insurance.



*Politics.* The interviews and environmental scanning were conducted in 2004, which is the year of a presidential election in the United States. Several public relations practitioners pointed out that the focus of domestic politics would be on the election. Consequently, it would be difficult to make any prediction about political movements in Congress until the end of the year. Even after the election, many political decisions would be influenced by the person who becomes the next president, including whether he is democrat or republican.

*Others.* In addition to the influencers mentioned above, economy, shareholders, employees, agents, media, and globalization were named as the factors that may influence the company in the future.

### *Step 3: Issues Analysis and Selection*

At this stage, the issues that the organization faces are identified through environmental scanning. Among them, most critical issues are selected considering overall strategic plans and external environmental changes. The factors that influence the organization and the selected issues are grouped for analysis. In this section, I briefly discuss the issues identified through my environmental scanning and the interviews with the public relations managers. I reviewed news publications, including newspapers, trade and academic journals, and industry newsletters, and online documents found in 23 different organizations' Web site. Through this process, I identified 40 issues (see Appendix G).

During the individual and group interviews, I asked participants to name the issues or topics that their organization was concerned about. Although the participants worked in the same department, their personal areas of interest varied depending on

their clients and responsibility. They had only a basic level of knowledge about the issues outside of their clients' specific interests. From a national standpoint, these participants were involved in all federal and state-specific issues because they worked in the headquarters. The following is a detailed examination of a few major issues. These topics are listed in alphabetical order, not by importance or urgency.

*Agency relations.* Management of the relationships with the workforce, especially with the agents, was one of the top issues. "If you have 40,000 employees and 30,000 agents aligned, it makes a huge difference," one manager said. After experiencing a unionization threat from agents in the previous year, the company had been trying to improve its relationship with its agents. The public relations managers said that the company's leadership had undertaken a few actions to reach out and build relationships. For example, they had created a national advisory board, which consists of more than 60 agents and financial specialists. Issues related to agents were communicated through this board. However, the public relations managers pointed out that the agent-company relationship was still volatile and had the potential to become an issue sooner or later. One manager said, "Even though we've gone a long way in a year, we still have a long way to go with the agencies."

Agency education is critical in building a positive relationship with agents. One executive described it as "cultural transformation of the corporation." Sometimes agents did not have a comprehensive understanding of the product and were unable to provide appropriate professional advice to consumers. Some consumer complaints could have been prevented or resolved if the agent had helped them understand their coverage and what to expect from their policy. This cultural change would involve

transformation of the agent from mere application writers into a sophisticated, networked financial advisor. In this capacity agents would build relationships with their customers and explain the value of what the customers have purchased.

*Additional Living Expense (ALE).* If the home of a homeowner's insurance policyholder becomes uninhabitable because of a covered loss, such as a catastrophe, the policy covers the reconstruction of the house and provides an "Additional Living Expense" clause for costs of living while the house is being repaired. Provided that the expenses a customer incurs are reasonable, the homeowner's insurance carrier pays for housing and food for a reasonable period of time, up to the applicable limit. Usually, this period is the length of time it takes to rebuild a house.

The participants told me that ALE was both a competitive advantage for the company as well as an opportunity for misunderstandings with customers. The problem happens when a customer finds what he or she believed would be covered is not covered by this insurance policy in the event of catastrophe. Insurance X's ALE policy has a one-year cap for disbursements; this time limit might cause problems. If a customer's home is not re-built within a year, this expense money stops coming. Even though one year is generally enough time to repair a damaged home, things could go beyond one's control, such as contractors not being available or being unable to get construction permits on time. This is more problematic if Insurance X's policy cap is shorter than that of competitors.

ALE became an issue for the company after the California wild fires. Insurance X's policyholders were unable to build their homes within one year because of the shortage of contractors in California. Some people could be left homeless once their

ALE money had run out. The company faced an ethical decision: Should it extend the ALE time-cap to ensure the well being of its customers and corporate image, or should it stay with the law and the contract? In addition, this could always become an issue in future catastrophes. The bigger the catastrophe and the more it drains local resources for recovery, the more likely is ALE to become an issue.

*Catastrophe, weather, and crisis.* Because of the nature of its business, Insurance X was responsive to natural and man-made of catastrophes. Although the company had tried to manage its exposure to natural catastrophes such as earthquakes, floods, wild fires, hurricanes, and tornados, according to the group interview participants, it was still vulnerable to these catastrophes. In the past, the company experienced a severe hurricane in the South and had to cancel policies to avoid bankruptcy. Since the terrorist attacks of 9/11, insurance companies have to be prepared for non-natural disasters and need to be more prepared than before. Nevertheless, corporate America is unaware of the potential disasters and is still vulnerable to surprise attacks or events.

*Class action law suits.* A class action is a legal method for a large number of individuals to join lawsuits if they have all been injured, financially or physically, by the same act or set of actions of a defendant. To handle such cases efficiently, the law allows individuals to combine their cases and prosecute their claims together with comparable claims against the same defendant. Since class action litigation became permissible in the 1960s, innumerable class actions have been brought in state courts (<http://law.freeadvice.com>).

Like other large corporations, Insurance X had seen an increasing number of class action lawsuits brought against it, which is extremely costly for the company. The legal expense includes the cost of litigation and the preparation of different filings for each state involved. This type of litigation became a big issue for the company because it not only resulted in financial damage but also tarnished the company's reputation. Participants also pointed out that their company was a class action target for those who abused the system for their own economic interests. In principle, class action lawsuits are based in a faith in society. The law attempts to provide an opportunity to rectify those who suffered from the neglect of the same defendant. However, according to the communicators, the system was exploited in certain areas, often blue collar and anti-corporate, as "a shadow regulatory mechanism." They worried that the company and the insurance industry would continue to repeatedly deal with the same situation as long as the system continues.

*Comprehensive Loss Underwriting Exchange (CLUE).* A Comprehensive Loss Underwriting Exchange (CLUE) report contains a claim history for a property over the preceding five years. Similar to a credit report, a CLUE report tracks and tells the insurance-claim histories of the insured properties as well as the homeowner as the losses that a homeowner reported go on the house file as well as the individual's personal file. These reports have been used by the insurance industry as an underwriting tool to evaluate insurance company risks. The purpose of CLUE is to create a database of information provided by insurance companies on the claim and loss histories of properties so that the insurance companies could search the database when evaluating and underwriting new policies. When a consumer looks for new

insurance, the company considering issuing the policy can obtain information on his or her claims history, as well as of the properties the company may be insuring, and underwrite appropriately. The logic is that, according to insurance companies, it is predictive that a house is likely to get more claims when it has previous claims on it; previous claims are an indicator of similar problems in the future.

Although the claims history of the property can be a source of interesting information for potential homebuyers, it can also be a major roadblock on the way to homeownership. CLUE also follows the individual homeowner. If one had a house and had several claims on that house, this claim history would follow this individual when he or she moved to another house. Although the new house had no claims, this individual's rate would be higher, because he or she had claims on the previous house, which might be tied to his or her behavior. The dwelling history can be also problematic. If an individual purchases a house knowing that it has a number of claims, this new homeowner's rate may be higher than expected. On the other hand, realtors are against CLUE, because it slows down business; potential homebuyers may change their decisions after discovering the claim history. Some legislators are also not in favor of it because they do not believe there is a causal relationship between claim history and underwriting.

*Corporate image.* Many consumers and the general population have a negative perception of the insurance industry. Part of this comes from the unique nature of the product. Unless they have accidents or problems, customers do not need insurance. The only time they do need it is when something bad happens to them. If nothing negative occurs to them, they may feel that they have wasted their money. Furthermore, some

types of insurance, especially auto insurance, are not products that a consumer has an option about. Consumers are forced by the government to purchase it. Consequently, according to the participants, consumers hardly appreciate insurance products and services. They have only a grudging perception of it. “People inherently do not understand the function of insurance,” one public relations manager said.

This generally negative attitude toward insurance affects the corporate images of specific companies as well. It is difficult for a company to develop an identity that differentiates it from its competitors; insurance is a competitive market in which most players run after one another with similar products. Consequently, the external positioning of the company was a critical issue for the public relations practitioners. The communicators said their message to the public was that society could not function without insurance. The focus would be on showing consumers how insurance enables them to drive a car, to own a business, or to engage in normal societal activities. In addition, the company desired to correct consumers’ negative concepts of insurance by illustrating what a good company it was and what contributions it made to society.

*Credit score.* I was told that the issue of credit scoring was more difficult to manage than the other issues because of the huge gap between the company’s position and those of its opponents. The use of credit scoring, or financial stability, as a rating and underwriting tool for insurance has become an active issue. Insurance scores are confidential numerical rankings based on an individual’s credit history and are used as a part of an insurance underwriting and pricing model. These days, almost all insurers use them. Actuarial studies have demonstrated the connection between an individual’s fiscal management and his or her risk for an insurance claim. The correlation between

the two is quite high; one participant said that its predictive capability was “almost scary.” Insurance X found this link between credit scores and other behaviors more than 10 years ago and developed a tool that uses credit as one of the factors in its measurement. It is one of the most sophisticated models in the industry.

This use of credit scoring is a sensitive issue with publics, because it directly influences their insurance premium or even the acceptance of their application. Many people are against the use of credit scoring for insurance rating purposes. It is unpopular with consumers, because they do not want their credit scores used in this way. Privacy issues are related, too. As their constituencies have complained, legislators have become concerned about it as well. A few states have tried to restrict or ban the use of credit scoring for insurance rating. For these reasons, the insurance industry’s use of credit scoring has become a political, a regulatory, and a consumer issue.

Although insurers maintain that the relationship between credit ratings and insurance claims does exist, they also admit that they cannot explain why it exists or how a bad credit score can cause riskier behaviors behind the wheel. For example, one of Insurance X’s public relations practitioners said the following:

We can’t tell you why this works, but we can tell you that we can show you direct relations between your behavior with your finances and your behavior on the road. And this has been proven over and over again. The problem is that people cannot intuitively make that link.

This person acknowledged that he had hard time providing answers to questions such as, “Even if I am in debt, what does that have to do with the way I drive?” So far,



insurers have conjectured that the same risk-taking personality who accumulated unreasonable debt might also take larger risks on the road. The insurers argue that those people who oppose this practice “inherently don’t understand it” because they cannot see the link between these two behaviors.

The lack of an explanation for the correlation resulted in consumer and legislative opposition to this use of credit scoring. Opponents have pointed out that “correlation” is not sufficient for explaining causality. They also have maintained that credit scoring is discriminative because it indirectly disadvantages people with lower incomes or those with specific racial or ethnic backgrounds. According to these opponents, although insurance scores do not include specific information on race or income, they do reflect the patterns of certain groups, which is similar to redlining.

Some consumer advocates and regulators have asked insurers to release their insurance rating formulas and to make their data publicly available so that those who are interested in the topic may study and analyze them. However, insurers are reluctant to make their models public, because these models are one of their trade secrets. As one public relations manager at Insurance X said, “We are not willing to release our model because we feel it’s proprietary.”

*Do Not Call.* In response to consumer complaints about massive unwanted telemarketing calls, the Federal Communications Commission (FCC) revised its rules and implemented the Telephone Consumer Protection Act (TCPA) and established a national Do-Not-Call registry in coordination with the Federal Trade Commission (FTC). Starting in June 2003, consumers can, if they choose, reduce the number of unwanted phone calls by registering their telephone number online or via telephone.

The Do-Not-Call registry is national in scope, applies to all telemarketers, and covers all interstate and intrastate telemarketing calls. Commercial telemarketers are not allowed to call an individual if his or her number is on the registry. If a consumer files a complaint with the FTC for an unwanted call, the telemarketing company will be subject to fines and penalties ([www.donotcall.gov](http://www.donotcall.gov); <http://www.ftc.gov/donotcall/>).

This regulation became an issue for Insurance X, which has used phone calls for distribution and marketing. The company has been charged with violating the regulation when a registered consumer complained about its marketing call. The case was settled when, in addition to complying with all related laws and regulation, the company entered into an agreement with the state government and paid its fines and penalties. The communicators projected that this regulation would continue to be an issue for the company.

*Global sourcing.* One of the options for improving business performance is to build offshore global service centers for outsourcing. The outsourced services are delivered into the domestic operations from those offshore locations. A large number of Fortune 500 companies are doing or planning to do this outsourcing. Insurance X is not an exception. The company had already outsourced some of its technical services and plans to do more. During the course of this study, the company was preparing to expand its global sourcing and had been identifying the areas for outsourcing.

This issue has two areas of potentially significance. First, it could disrupt the internal organizational structure. The company's employees had reacted sensitively to outsourcing, because they were worried about their job security. At the same time, this is also one of the "hot" issues in the presidential election along with issues such as

domestic economy and employment. Although companies have had to employ global sourcing to get through, it would end up being a critical issue for the company if seriously discussed as an election issue. “I think it’s too early to tell... [but] election issues that might become more critical than they normally would be,” an elite member said. If this does become a serious issue and if the company decides to move forward with offshore offices, the company may face customer backlash as well as negative media coverage on the topic of domestic unemployment.

Although global sourcing has been good for the world economy and the United State’s overall economy, some legislation is under consideration to prevent it. Furthermore, policyholders would not see the companies’ cost savings from outsourcing come back to them. The company needs to devise messages to assure consumers that by improving the expense ratio with global outsourcing, the company would be able to benefit the consumer by reducing prices. In addition, some people, like consumers and the general audiences, are genuinely averse to global sourcing.

*Regulatory modernization and the optional federal charter.* State governments regulate the U.S. insurance business. In other words, 50 states have 50 different regulators and sets of regulations based on different legislatures. These regulatory tools were established more than 50 years ago and have not been changed since. The insurance industry maintains that dealing with 50 regulatory systems is inefficient and costly. In addition, the industry argued that this system obstructed innovation and free competition in the insurance market. Hence, insurance companies had argued that an up-to-date, sophisticated insurance market in the United States is needed. These arguments fall under the catchphrases “regulatory reform” and

“regulatory modernization.” They also contended that such modernization, because of competition and product and service innovation, would benefit the customers as well as the insurance companies.

One of the proposals, supported by many large insurers and trade organizations including the American Insurance Association (AIA) and the American Council of Life Insurers (ACLI), is optional federal chartering (or a national insurance charter). This approach would allow insurers to choose to follow either the new federal regulatory route or to continue on the state regulatory path, depending on the size and scope of their operations. The optional federal charter approach resembles the banking regulatory system and emphasizes market-based regulation by eliminating the government controls over price and product. The supporters of this approach maintain that strong federal oversight would improve consumer protections. On the other hand, state governments and some legislators and consumers oppose the OFC for a few reasons. First, state insurance regulators do not want to lose their control over the industry. Some fear that Congress and federal regulators may adopt their own version of regulation. Second, the state-based system could be reformed to comply with nationwide uniform standards and market-oriented regulation. A third objection is that consumers are better protected by state regulators, who are more attentive to their local constituents. Some opponents also point out that the scope of this federal preemption of state regulation may result in problems without changing anti-trust laws (Berrington, n.d.).<sup>16</sup>

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<sup>16</sup> The insurance industry has been exempted from federal regulation and anti-trust laws because it is under heavy regulation of each state.

The company considered this regulatory issue to be a high-level and long-standing one the industry had to deal with. As many conversations about the need for modernization have been going on among trade associations and the industry for several years, this issue had started to develop more at a national level. Even though many insurance companies do not have a solid stance regarding the issue, Insurance X decided to lead on this issue and announced its support for the OFC. The public relations practitioners acknowledged that it was still early to predict the development of the issue. Furthermore, it was only considered as a priority by the people in the legal department and those involved in public policy. Some participants asserted that this topic was far from becoming a serious issue because there were many others that needed their immediate attention and involvement.

*Retention.* Many of Insurance X's communicators stated that one of the biggest issues for the company was customer retention. They indicated that the ability to keep customers would increase the company's competitive advantage and support the company's business goal and strategy of growth. This was significant, because the insurance business would not be a growing industry unless sudden demographic changes occurred. One public relations manager said, "You have to win by taking customers from someone else." Another individual emphasized the importance of the issue as follows:

Whether it's federal legislature, ALE, catastrophe exposure, or global sourcing, these are miscellaneous issues. All those are fun little projects and issues to manage and create public relations strategy. I think the biggest challenge [or] the biggest obstacle is keeping the customer as we get them in the door, [which

is] retention. Building loyalty among the people who are our customers, that's the biggest long-term issue for the company. We got lots of different pockets around the company dealing with it. Maybe integrating it is an opportunity. Although this issue was primarily related to the marketing and production functions, the participants believed that public relations was closely involved in the effort through its responsibilities for corporate positioning, agency education, and the Insurance X Foundation.

*Technology.* Several changes resulting from new technology were discussed by the public relations practitioners. The Internet and e-commerce had a significant impact on the way the insurance business operated. Companies not only had an additional marketing and distribution channel, they were also able to observe new players whose business models were based on their Web sites. These competitors changed the structure of the industry by cutting prices with a new mechanism. The way information was gathered and analyzed, the core of the insurance business, was changed by technology. It also revolutionized communication with and among consumers. Consumers were now able to share complaints about the company and its service online: e-mails, corporate activist Web sites, discussion groups, and chatrooms.

*Others.* A few other issues were discussed. For example, mold growth in homes in certain areas concerned the company, because this would affect its homeowner insurance policyholders. Terrorism insurance was a new topic as well. Controversy and scrutiny in the financial industry could influence the company's finance business, Insurance X Finance. There were also some company-specific issues that I cannot share because they would disclose the identity of the company. Although these were all

interesting topics with great value for consideration, I have chosen not to discuss them here.

*Summary.* Several participants said that it would be hard to single out one important issue, because these types of issues tended to interrelate to one another. One communicator said, “I don’t know if there’s just one.” As a large corporate entity, Insurance X had many key publics regarding several on-going issues on a day-to-day basis. For example, if U.S. jobs going overseas became a big presidential election issue, it would turn into a serious concern for the company because it had facilities and employees working overseas. The complicated nature of politics prevents the communicators predicting any future developments on this issue.

Some issues were closely related to one another. For example, if a hurricane hits the center of Miami and displaces hundreds of thousands of people, the company may have numerous policyholders collecting ALE with a one-year limit. If the damages and losses are too large for the company to cover, it may not be able to manage its catastrophe exposure. If customers cannot repair their homes and re-settle within a year, it may also become an issue. Consequently, catastrophe management and issues surrounding ALE would go hand in hand.

In sum, the review of the issues shows that individual issues are interrelated and closely connected to one another. The complicated nature of the external environment, although not limited to the insurance business, increases this interdependence. Furthermore, interdependency will escalate if the issue is viewed from a longer-term perspective. Therefore, the analysis of individual issues would necessitate comprehensive review of the environment.

As a result, two issues were selected as the topics of scenario building: insurer's use of credit scoring and the optional federal charter. The first issue, insurance credit scoring, was selected because of the issue's currency and impact on the company's business as well as consumers. Most public relations practitioners who participated in the interviews named it as one of the company's major issues. The second issue, the optional federal charter, was chosen for the following two reasons. First, in contrast to the first issue, this issue was in its initial stage. Several communicators said that they did not know much about the issue. Some individuals even said they did not believe this could be an issue at the corporate level because of obstacles. However, the company just announced its support for the OFC proposition and decided to take an initiative for leading this issue. Second, the issue had potentially great impact for the company and the insurance industry in general, because it was about how the insurance industry would be regulated. Consequently, it would eventually influence how the business would be operated.

#### *Step 4: Driving Forces Identification*

Ringland (2002) defined driving forces as "forces in the macro-environment that will affect the key factors" (p. 131). The main task of this stage is to identify major forces that drive the development of the specific issue and detect uncertainties or possible problems related to them through environmental scanning. After obtaining basic information about credit scoring through interviews with Insurance X's public relations practitioners, I reviewed sources such as newspapers, journals, trade publications, and the Web sites of consumer groups and trade associations.



Many insurers use credit scores as a rating and underwriting tool. According to insurers, actuarial studies demonstrated a strong correlation between an individual's credit score and the risk of insurance claim. This issue had appeared more than 10 years ago and had been discussed by media, consumer groups, state governments, and insurance commissioners. However, it became widespread only recently as many insurance companies began to use it for rating; more consumers were influenced by credit scoring and complained about it. Hence, state governments had discussed the possibility of regulating or banning credit scoring since two to three years ago. The issue of credit-based insurance scoring poses the following questions:

- What will be the attitude and action of state legislatures regarding credit scoring in the near future?
- Will state insurance commissioners (or insurance regulators) be favorable to the use of credit scoring?
- Will insurers be able to establish and justify the validity of credit scoring to consumers?
- What will be consumers' perception and attitude toward credit scoring? What can they do about it?
- How will the credit-related lawsuits turn out in the near future?
- What will be the reaction of state legislature?

To answer the above questions and to explore the possible developments of scenarios for this issue, the scenario environment was divided up into influence areas such as politics, economy, society, and technology. Within those areas, 45 influence

factors were identified. I eventually identified 13 driving forces that were most relevant to the three influence areas:

- State insurance regulators: 1) Perception about credit scoring; 2) Interest in consumer protection; 3) Interest in insurers' position; and 4) Influence by public opinion.
- Consumers: 1) Perception and understanding about credit scoring; 2) Insurance purchase behavior and trends; 3) Policyholder satisfaction; 4) Loyalty to an insurance brand or company; 5) Interest in consumer protection; and 6) Willingness to participate in consumer actions.
- Consumer organizations and activists: 1) Interest and involvement in credit scoring; 2) Resources and capacity for lobbying; and 3) The size and influence of the organization.

These factors were combined and developed scenario plots in Step 6.

#### *Step 5: Key Public Identification*

Among the three strategic stakeholders, I conducted interviews with twelve members of consumer organizations. I adopted J. Grunig's (1984, 1997) situational theory of publics to explore the participants' communication behaviors and segment them into publics. The interview questions also attempted to explore the nature of the problems they were concerned with, the amount and nature of the interviewees' communication behaviors, and the likelihood of their participation in collective behaviors to influence the organization's decision-making.

J. Grunig and Hunt (1984) identified four types of publics, based on their behavior types: nonpublic, latent, aware, and active. I explored the participants' behavior types through questions about their problem recognition, level of

involvement, and level of constraint recognition. The interviews showed that the participants were members of an active public. All participants had high problem recognition, a high level of involvement, and low constraint recognition.

The participants had a high level of understanding about the issue, and strong opinions about it as well. They commonly viewed insurance credit scoring as an extremely negative apparatus that insurance companies used to increase premiums or deny some people's coverage. The participants sought information actively and were involved in actions that had consequences on the organization directly and indirectly. They were strategic publics in that they could pressure the company, as well as the insurance industry, by appealing to the regulators, the legislators, the courts, or media. These participants were also the members of an all-issue public, because they were concerned about any issues that were related to consumer rights and affairs. The following is the analysis of interview results based on independent and dependent variables of the situational theory.

*Problem recognition.* When people have problem recognition, they stop to think about what to do to improve the situation (J. Grunig & Hunt, 1984). The participants had a high level of problem recognition in that all of them perceived the issue as problematic and frequently stopped to think about what to do about it. The interviews typically began by asking if the interviewee was familiar with the issue; all participants said that they had definitely heard about the issue and understood it well. Some of them enthusiastically continued to talk about the negative aspects and problems of the issue even without additional questioning. A few participants had extensive knowledge of the insurance industry in general, as well as this issue. Some

other participants named these people as “experts.” Several participants referred to one of the participants as the only person who worked full-time on insurance issues in the country. Another participant explained his interest in and knowledge about the issue by saying, “Probably there are only two people in the country who know more about it [than I].” A few other participants also said that they were familiar with this issue “more than a general public,” although they did not identify themselves as experts.

Participants had strong but varying reactions about how much they knew about the issue and how often they stopped to think about it. One activist, a former insurance agent, said: “Oh, Jesus! Over the last four years, [I] thought about it tremendously. I’ve spoken about it many times and written about it, and right now [I am] fighting in the state legislature here [his state] to get rid of it.” Others also said they thought about the issue frequently, with responses such as “a lot,” “several times a week,” “frequently,” or “everyday.”

The frequency varied depending on the urgency of other issues activists were concerned about. Most consumer-advocates covered broad areas of interest including the insurance or the finance industry and had many consumer issues in their agenda. For example, one participant said, “A lot of what I do is what the moment requires, so [the issue] may not be a priority for a couple of weeks and then may be one for four or five days.” He described how often and how much he thought about this issue as follows:

Certainly now I think about the University of Connecticut Huskies or New York Yankees and the Red Sox, or many other things that I think about. But when I

think about [work], when I'm at work, [and] when I'm thinking about problems that consumers face in the financial market place, this is a key problem. So I think about it a lot in that context.

Similarly, other participants said that the credit scoring issue was one of the primary issues that they were concerned about.

The issue was relatively widely known among consumers because it had been discussed for a while. The participants knew about it well because they had worked on the issue since it first appeared a few years ago. One person said that he first heard about insurance credit scoring about 10 years ago as an insurance commissioner, when a small number of companies used it only for underwriting. At that time, not much had been done or discussed about it because regulators had limited authority to regulate underwriting guidelines. Consumers were not aware of it as well. Credit scoring became a more widely and frequently discussed issue recently as many insurance companies began to use it for rating. The issue has been active since state governments discussed regulating or banning credit scoring two to three years ago.

The issue's relatively long history influenced how the issue was perceived. Some people had less interest in the issue now compared to when it first appeared. One participant, the head of a non-profit insurance research organization, actively followed the issue two to three years ago; he came to pay less attention now because the issue was "in a quiet period" after many states handled the credit scoring issue through legislation. He said, "We just don't see as much legislation or new regulation on it the last 18 months." However, he would maintain a certain level of interest because he expected these laws to be revisited in the next few years.

On the other hand, because of the same reason, the issue was widely known. Publics learned about it through several channels, such as media, consumer groups, state governments, and insurance commissioners. In addition, consumer interest and involvement in this issue has increased as more people experienced renewal denial or a premium hike because of credit scores. “There’s a lot of grassroots anger about credit scoring and there’ve been quite a few states taking up the bill, so it’s been very active issue,” one of the participants said. Another person said that he received phone calls from angry consumers at least once a week.

Overall, the participants had extremely negative perceptions of insurance credit scoring both as policyholders and as consumer advocates. They first questioned the validity and accuracy of this apparatus. They commonly complained that credit scoring was fallacious and “full of mistakes.” One participant argued that his own study found errors in that about twenty percent of people were misclassified around each data point studied. He said, “We know that this is very questionable and [may involve] some manipulation.” Another person pointed out that credit scoring was “counterintuitive” for him as well as general consumers. The participants’ negative perception of the insurance industry influenced their attitude toward this issue. One of the participants called the industry’s communication effort a “pathetic [but] very powerful public relations campaign [to build] another cathedral in Hartford [by] squeezing consumers by coming up with a hokey theory.”

The participants believed that credit scoring was an illogical method to measure an individual’s risk of financial loss. They maintained that the strong correlation between credit scores and financial loss, which insurers use to ground

their argument, did not prove any cause-and-effect relationship. One participant said, “I just have not seen any credible independent study prove that yet.” In addition, the participants pointed out that even the representatives from a large insurance company could not clarify how having bad credit scores explained one’s behavior behind a wheel. He criticized the inappropriate nature of this mechanism as follows:

If I’m laid off because of [bad] economy, it takes me a year to find a job, and during that time, [I] might get behind. Then I get a job, get back to normal, and pay off my bills, and everything is back to normal. Why am I a worse homeowner or a worse driver [than the person] next to me? ... Is correlation all you need? ... How about hair color? The California Department of Motor Vehicles did a study and found that there was a correlation between accidents and hair color. This got as much evidence as [they] got.

He also criticized the insurance industry for lacking a thesis: “You have to have a thesis first, then test correlation to prove the thesis.”

Consequently, according to the participants, insurance credit scoring entails a fairness issue, such as discrimination against people with low incomes or temporary financial difficulties. One participant said it was “manifestly unfair” because he believed that “credit scores have nothing to do with your propensity to pay your insurance or to file a claim on your insurance.” Another consumer advocate, who was a former insurance agent, said:

There are many good people who have never had claims through no fault of their own but with poor credit. They may not have the education to have great jobs; the job market may have collapsed in their industry; it could be [that]

they had a very sick child or death in the family. I just looked at my customers and how many of these [scores] would adversely affect [them].

The participants also maintained that credit scores enable insurers to identify somebody's race or financial status without asking questions; long established credit-scoring studies show that different patterns are associated with different races. "I'm not saying that every company that uses it is engaged in redlining, but it will take you on a wonderful tour of redlining if you wanted to use it that way," one activist said. That is, insurers would be able to redline and only accept people of particular racial groups based on their credit-score profile. Some studies have established this unfairness to low-income minority communities. For example, Maryland banned the use of credit scoring after a study there found that credit scores would have an adverse impact on African-Americans in Baltimore.

In addition, some participants pointed out that the previous studies on insurance credit scoring were unreliable. Although some activists and academic researchers tried to obtain insurers' data and conduct independent analyses in a manner that would be replicable by others, the companies would not give access with reasons such as trade secrets or protected assets. One person said that the insurers did not allow any access even though he and other researchers offered a confidentiality agreement. The participants said that even the studies that appeared to be scientific were not replicable, because the data and the methods were not publicly available. "I have not seen any credible study [that] proves that yet. I think many studies were paid for and designed by the insurance industry," one participant said.



*Level of involvement.* Level of involvement refers to the extent to which people connect themselves with a situation (J. Grunig, 1997, p. 10). People are likely to pay attention to an issue or a problem that they are personally related to or have connection with. The interviews with the consumer advocates showed that all participants were strongly involved in this issue. However, the type of involvement, or how they were involved in the issue, was divided into two categories: policyholders and consumer advocates.

A few participants told me that they were personally involved in this issue from a personal aspect, because they were insurance consumers. One participant explained that it was “counterintuitive” to him when he first heard about it as a policyholder: “I didn’t see any reason why my good credit score may [have a relationship with] my neighbor’s tree falling on my car. I still don’t see the connection between a public risk of financial loss and a person’s credit score.” A consumer advocate from a Northwestern state said: “I felt some emotional investment in it. I guess it could happen to just about anyone. So that was sort of personal.” Another person who recently joined the consumer group in Texas said that he took the time to check his credit score since he began working on this issue. One person who established and managed an online forum that discussed insurance issues said, “I have both property and auto insurance and I’d like to have the other drivers to have insurance, too.”

When I asked how they were connected to this issue, most participants answered that they were deeply involved in the issue as consumer advocates. Although some people said that they did not see any personal connection or involvement in the issue because they had good credit scores, they had professional interest in the issue

because it would affect consumers in general. In fact, a few participants said that they were concerned about any issues that would possibly hurt consumers. They considered insurance credit scoring as a problem that would hurt consumers, especially those who were likely to be discriminated against and disadvantaged because of their economic condition or race. One participant stated: “I don’t think this issue has tremendous effect on me personally, no. But it offended me personally, because I just think it is a very unfair anti-public interest policy.” Still another person, who told me that he had good credit history, also said: “Actually it probably helped me through lower rates. But I’m not sure whether it is fair.” Another consumer advocate explained that his professional interest in this issue came from his work making the insurance industry more fair and reasonable and making sure insurance companies operate properly by providing service to people without discrimination.

*Constraint recognition.* According to J. Grunig (1997), constraint recognition is the extent to which people perceive that there are obstacles that restrict their ability to take any action about the situation. I explored the level of constraint recognition by asking the participants if they thought they could do anything about the issue. The consumer advocates who participated in the interviews had mixed perceptions about their constraints. Most participants had low constraint recognition about doing something about the issue; they had taken or were taking a variety of actions during the time of the interviews. At the same time, they recognized the limitations of their influence on the insurance industry or on immediate changes in the way credit scoring was used. In other words, they had low constraint in terms of taking their own actions but had recognized constraint about the result to some extent.

Several participants confidently and assertively said that they were sure that they could do something. They also told me what they had done or were doing to work against credit scoring. One of the consumer activists, a former insurance agent and a representative of a national association of professional insurance agents, said that he had spoken out against the issue since he was an agent. This person had traveled to more than ten states to lobby state legislators or contact the Department of Insurance in each state. He had even gone to Washington, DC, and lobbied for Congressional action against it. He told me that he did all these things while he was an insurance agent and was fired by the company because of them. "If something's wrong, I'm going to stand up to it," he said.

I was told that the participants and their organizations took several actions to pursue legislative regulatory changes. The actions that the participants were engaged in or leading during the interviews included: conducting independent research and releasing the results, publishing newsletters, posting information on Web sites, talking to media, telling consumers to take action and join their programs, writing letters, lobbying state insurance regulators and legislators for the ban of credit scoring, and testifying in front of state governments.

Lobbying state legislatures was one of the most frequently used actions; the goal was persuading legislators to pass a bill that would ban the use of credit reporting for insurance. Almost all participants said that they were involved in lobbying. Some of them were engaged in lobbying by meeting with state legislators and talking to insurance regulators. One person even said that he went to his state legislature everyday and tried to talk to people so that they would support legislation that would

ban credit scoring. He also helped other insurance agents or consumer activists by providing information he had collected, and he called their senators and representatives on their behalf to explain the importance of the new bill. If those people wanted to influence their state legislature, he told them how to put together new legislation and how to introduce it.

Testimony was another way to influence the regulation of credit scoring. Several participants told me that they had testified in front of state legislators, regulatory agencies, associations, or Congress. A participant who was active in lobbying said: “I testified yesterday; I let state legislators hear about credit scoring. I’m scheduled to testify next week against credit scoring, and I still stay in touch with commissioners of insurance in several states.” The participants also used interpersonal communication with legislators by talking with those who might have interest in the issue. A Texas-based consumer advocate assessed that his organization and its coalition accomplished legislative success in Texas to some extent, although they did not get everything they wanted. He testified at a hearing, talked with legislators, and met with the people in the state insurance division. He was also serving on one of the committees in the insurance division while the study was conducted.

On the other hand, the participants were well aware of their constraints. They acknowledged that their efforts would not be able to change the situation or have strong impact on the insurance industry’s behavior. The insurance industry exerted much political influence and pressure on regulators and legislators, whereas they lacked political power and resources. One of the participants, a former regulator, compared his current position to his previous one:

As an insurance commissioner, I could regulate it. I could study it. I could analyze it. I could call in insurance companies and demand that they prove that they needed to do this, which I did. There's a lot of difference in being a consumer group.

One of the participants told me that he became less involved in this issue as he realized "how much pressure the companies put on regulators to allow [it]." He explained that he had put effort toward the issue, such as testimony, when he first encountered it in the late 1990s. However, it became clear to him that the property casualty insurance industry was going to move forward and pressure organizations such as the NAIC to endorse it. Therefore, he came to distance himself from the issue as he understood the enormous political influence that he could not overcome. "I just did not feel that we had a lot of chance when I saw the political efforts the companies were putting toward," he said. Another participant had a similar comment:

I knew where I couldn't make comments on it. I also understood that this was something that the insurance industry wanted to move so much that I was not likely to be able to change that, because the industry has so much more power compared to a consumer advocate, or an average consumer.

He explained that the only things he could do were file comments at the NAIC, write columns about credit scoring in the industry trade press, and send comments to his state department of insurance.

The fact that a majority of insurance companies uses credit scores was another constraint, because it limited alternatives for action. The participants acknowledged the need to engage and educate more consumers; however, education would not help much

if consumers had few choices. I was told that a majority of insurers employed credit-based underwriting or rating in one way or another. Consequently, even though consumers were told to shop around and find insurers that would not employ credit scoring, those companies might not be licensed in their areas or they might not be affordable. “If the vast majority of the market is served by the companies that only offer credit-based underwriting, you don’t really have a choice,” one person maintained. The participants also pointed out that auto insurance is not an option; it is required by the government.

Their lack of resources made the activists feel constrained in their actions. Many participants mentioned resource availability as a problem. When I asked them why they did not involve more grassroots or consumers as opposed to writing or lobbying, often the answer was that they had limited ability to mobilize publics. “We only mobilize the public when we have to... we prioritize and figure out,” said one participant. One person said that he did not believe he could do anything by himself; rather, he worked in a network with other experts and provided other people with information and opportunities to talk to each other. “We provided state legislatures with an alternative view,” he said.

On the contrary, according to the participants, the insurance industry has many messengers as well as boundless resources and funding. In addition to these problems, some participants mentioned the structure and politics within consumer organizations. According to one consumer advocate, “a long-time problem for insurance consumer advocates” is that many of these consumer organizations are not set up as membership organizations. Even some of the few membership organizations that

work for insurance issues have problems; they receive their funding partially through the sale of insurance products, which makes it hard for them to operate completely from a consumer perspective.

*Communication Behavior.* J. Grunig (1997) defined information seeking as an active communication behavior that deliberately pursues information or attempts to understand an issue when information is obtained. The publics that seek information become aware publics more easily than those who process information. Most participants in this study said that they not only paid a great deal of attention when they heard about credit scoring, but they also searched for more information. For example, one person said he tracks e-mail messages and Web sites on a daily basis.

Networking with people working on similar issues was one of the methods the participants used to seek more information. They told me that they frequently ask questions of the experts through interpersonal communication. Through this network, the activists often forward new information or materials to other people with similar interests. One participant, who identified himself as a “fairly new” person in this area, said that he receives a lot of help from the people with more experience. Many people also said they look for information on a systematic, regular basis; they search the Internet to collect publications or any related information put out on the Web. Furthermore, a few people told me that they wrote papers or published newsletters based on that information. One participant compiles information from the industry and other sources and publishes a newsletter to summarize it.

Sometimes the participants were doing more than seeking information from other sources; some groups actually conducted formal research and generated their

own information. One participant, who was heading the insurance division of a national consumer group, said that he had conducted his own studies, such as reanalyzing 500,000 credit scores to measure the accuracy of the method. His organization had a database that analyzed credit scores outside of the credit industry; several people were working on credit scoring within the organization because it involved not only insurance, but also other areas such as mortgaging, housing, and banking. In some cases, according to one activist, research was conducted to find “any statistics or data that will back up the implication” of the negative aspect of credit scoring.

A small number of participants said they were passive in information gathering. They would read about credit scoring if it happened to be in the newspaper but would not necessarily go out and look for more information. One person said: “When I see it, I read it. But right now, I’m not looking for new information on that.” He explained that he would pay attention to the issues that were more urgent and pressing at the moment.

Furthermore, the participants were active in disseminating and sharing the information that they had sought and gathered. They not only stopped to think about the issue, but they talked about it with latent or aware publics. These people were creating and providing information for those who had little information about the issue in addition to actively looking for information. Therefore, many participants believed engaging consumers was important. The consumers who experienced insurance problems because of credit scores often contacted the consumer organizations and asked for help or advice. They were told to call their legislators or



insurance commissioners and complain about it, because these people were the ones who could control it. The participants also told me that they often advised consumers to shop around and find some companies that did not use credit scores; a small number of companies, about 10 percent of the business, were still not using credit scores. One participant said he encouraged the complaining consumers to interrogate their commissioners about conducting similar research that the insurance department of the state of Maryland did.

The consumer organizations and activists also tried to reach out to the broader consumer public and encouraged them to participate in actions, such as calling or writing e-mails and letters to state legislators or insurance regulators. The consumer organizations held credit score seminars for consumers or other grassroots organizations and discussed the issue. These seminars were used for educating the grassroots as well as providing opportunities to organize them to go back and work in their states. The consumers were, according to one participant, overwhelmingly supportive of these actions because they thought it was “despicable” that insurance companies use credit scores for insurance rating. Some people even took time off from work and visited the state capital to lobby or testify. I learned that many consumers changed their behavior as they heard about this, such as shopping around to find an insurance company that did not use credit score. One participant said:

I know one person who actually took a policy from a company that was more expensive than another one just because [of] the principle of it. I think that’s a little extreme. But a lot of people, once they know about the issue, do change their behavior and they do think, “Hey, maybe I can go to another company.”

However, a typical problem was that most companies used credit scoring. The same participant added, “So I think they feel kind of trapped.”

In fact, some participants said that the credit scoring issue was relatively well known to the consumer public, or that it was “more popular” than other issues, because it directly influenced some consumers. People receive notices in their bill when their rates go up due to credit scoring. They become upset because they had not filed any claim and made all their payments on time. Consequently, it is relatively easy to engage consumers and earn their support in the attempt to pass legislation.

Several communication channels and methods were used to reach consumers and broadly disseminate information about the legitimacy of banning credit scoring. E-mail is one of the most frequently, as well as easily, used methods. Some participants told me that they send out e-mail action alerts to tell their members and other consumers about the problem and to ask them to contact their legislators. The organizations’ Web sites are frequently used to offer information and materials for consumers. Many participants also said they write about the issue in publications or personally publish newsletters. Each organization publishes a newsletter that includes information about consumer issues. One activist said that he gathers information from other publications and puts it into a paper. He sends his papers to all the members of his “little” organization to notify them of what is going on in the industry and how he feels about credit scoring. He further asks the members to distribute the paper to the people they know.

The participants were also actively writing columns and articles in trade publications or other popular publications. Some people who are not with membership

organizations said that writing in newsletters and other publications is their way of reaching audiences. The media are also used as a way to reach audiences. The participants told me that they send their words out through media, such as editorials, letters to the editor, op-ed pieces, and talking to reporters. These behaviors coincide with J. Grunig and L. Grunig's (1997) analysis of activist groups. They observed that activist groups often contact mass media and seek legitimacy when their target organizations are unresponsive. These participants and their organizations talk to media; they also encourage the grassroots to speak out in the media.

In many occasions, consumer organizations build a coalition to overcome the difficulties coming from limited resources and power. Those in the organizations' Washington, DC, offices in particular said they are in contact with many coalition partners around the country. During interviews, I often found that some participants knew other participants even though I did not mention their names or organizations. One of the organizations functions as a hub and holds regular meetings with grassroots organizations so that other consumer groups could get together and establish power to support the coalition. It also has programs regarding credit scoring.

To build a coalition, organizations work with a variety of groups, such as insurance agents who are against credit scoring, student groups, and organizations that work on poverty or discrimination issues. One participant said that his organization works with a Christian coalition, because this group considers insurance credit scoring to be anti-family: "It turned out to be quite useful; because they have a lot of access to conservative legislators, who we did not have access to."

The participants hardly mentioned any interaction with the insurance companies or trade organizations regarding this issue. Only one participant who works for a consumer group's state organization said that he barely talks with them although he is often in the same room with the insurers. He explained the situation as follows:

They didn't think they needed to compromise or relent at all. Most of the compromising they did was between the various interests of the insurance companies that were involved in this, and they didn't really approach us. So, we haven't really communicated much with them, which is I think unfortunate. But maybe they will find something that we can both work on.

This person believed that the absence of communication comes from the two parties' completely different positions. In all other issues, he "at least" talks with the opposite side. However, he is not willing to have a dialogue with insurers as well: "I don't really like to be in the relationship dominantly with the insurance industry, which is [why] we don't really talk." He added that many legislators have a similar view about the industry.

*All-Issue Public.* According to J. Grunig (1997), publics can be identified and segmented into four categories: all-issue publics, apathetic publics, single-issue publics, and hot-issue publics. The activists who participated in this study are all-issue publics who are active on all consumer-related problems and issues. Most participants had high problem recognition and a high level of involvement, because they believe credit scoring influences consumers. Many of them have multiple consumer issues on their agenda, although credit scoring is one of the primary issues. One of the participants explained his interest in this issue as follows:

Most of us are generalists. I'm hired to work for the consumers. So I'm concerned about the cable television industry and media concentration. I'm concerned about credit reports generally, not just credit scores used by insurance companies.... It's part of the use of information, the accuracy of information about consumers.

Therefore, most participants believed they have a connection to anything that might affect consumers as representatives of consumers.

*Future.* I explored what the consumer advocates thought would happen to insurance credit scoring in the future. Several participants said that they would like to see this scoring banned nationwide through litigation with a court ruling that would restrict its use in underwriting and rating. One person envisioned that more states would take up the issue, although only Maryland and Hawaii had banned credit score during the course of this study. He also predicted: "In next 5 years, probably 30 states will have an outright ban on it. And the other 20 will have severe restrictions." He maintained that several states, such as Washington and California, have begun to take a restrictive stance toward insurers' use of credit scores.

Others, although not so optimistic as this person, were positive that some of the politics would change and work better for consumers. One consumer advocate said, "I think we are just going to come back and go for a ban," although he believed it could be a "toss up." According to this person, some conditions and changes need to be considered. First, the use of credit is proliferating in areas where it was not meant to be used. Because of its rapid expansion, the trend would be hard to stop. According to him, some organizations might even use credit scores to examine applicants' qualification

for a job. On the other hand, many states restrict the use of credit scores for insurance purposes based on support from both conservative and progressive legislators. He believed more regulations would be employed, although not every state would ban it.

Most participants agreed that Congress would play a critical role regarding this issue. One of the participants said, “Any industry that loses in the states comes crying to Congress with large campaign contributions, begging Congress to get those 50 monkeys off our back in a sleeping Gorilla.” That is, they predicted more aggressive lobbying for the members of Congress for federal preemption. He went on to discuss the regulatory issue in the insurance industry, which is the other issue this study examines. More details of that discussion are reported later in this study.

Finally, the participants said that they would continue to watch the development of the issue and keep pushing for a ban. Some state-based activists were optimistic that they would be able to find ways to improve the bill and pass it in the next session. One senior consumer advocate from Washington, DC, told me that his organization prepared a few back propositions in case the attempt to get a ban failed. “We have different ways to limit [to] improve the situation,” he explained. “We think the ban is the best, but we have other things that we can propose.”

*Summary.* The participants had high problem recognition, a high level of involvement, and relatively low constraint recognition regarding the use of credit scores for insurance. They were deeply involved in this issue and working aggressively to ban the use of credit scoring. These participants were members of an active public who actively sought information about the issue by searching the Internet, tracking news on a daily basis, or talking to the experts on the issue and

other colleagues through the network of consumer advocates. Thus, as J. Grunig (1997) pointed out, these consumer advocates were highly likely to communicate about and pay attention to this issue. They tried to reach out and persuade consumers to participate in actions, such as calling or writing e-mails and letters to state legislators or regulators to complain about insurers' wrongdoings. E-mail action alerts, organizations' Web sites, and newsletters were some of the channels they used. They also told consumers to "shop around" for better insurers. They were also members of an all-issue public; most participants were interested in any issues that would affect consumers.

According to the participants, this was one of the major issues that they were working on during the course of this study. General consumers' interest and involvement in the issue had also increased. Most participants had extremely negative perceptions of insurance credit scoring based on their distrust of the insurance industry in general, which in turn facilitates active communication with those who have little information. The participants described credit scoring as an unfair and unreasonable apparatus that had more harms than benefits for consumers, such as redlining or profiling of low-income minority communities. They also maintained that insurance credit scoring was neither valid nor reliable, because the strong correlations between one's credit history and the likelihood of filing insurance claims could not prove any cause-and-effect relationship. The fact that insurance companies denied consumer organizations' request to access their data raised skepticism and distrust. The consumer advocates believed that they could do something about the issue and were involved in

actions: lobbying, writing letters, testimony, publishing newsletters, posting information online, conducting independent research, and talking to the media.

However, they also recognized limitations in influencing the insurance industry and making immediate changes in the way credit scoring was used because of their lack of financial resources. Hence, they often worked with other consumer organizations; the network of developed as an alliance of consumer groups that worked against the issue and the insurance industry. The consumer organizations built coalitions with diverse interest groups for a variety of causes, such as religion, ethnic diversity, and family values, to overcome the difficulties coming from their lack of resources and power. Whereas the company, Insurance X, failed to identify the consumer activists as one of its strategic publics and communicate with them, the activists continued to work against the company and the insurance industry. Their constant attempt to find information and increase pressure on the organizations will continue with their own specialized communication networks and tactics. Some consumer groups conducted formal research and released the results from their studies through media. Consequently, the participants were strategic publics who could pressure insurance companies by appealing to state governments, the courts, media, and regulators and legislators.

These people tried to reach out and engage consumers in action for two reasons: education and grassroots mobilization. Consumer education served two goals: Empowering consumers in their insurance purchase and using their involvement as a means to pressure the industry and legislators. Participants accomplished communication with consumers through channels such as publications, media, Web



sites, and online forums or discussion groups. A large part of this action was based on providing a consumer's perspective to regulators and legislators because of limited availability of resources.

The consumer advocates expected to continue, or even increase, their actions in the future; although they did not believe that their actions would instantly change the situation or influence the insurance industry, which would exercise political influence on regulators and legislators with boundless resources. In addition, credit scoring was widely used in U.S. society, even in the areas that hardly had anything to do with credit. A majority of insurance companies use credit scoring, which limits alternatives for consumer. Nevertheless, participants said that they would like to see insurance credit scoring banned nationwide. They would continue to watch its development and keep pushing for a ban. Some state-based activists were optimistic that they would be able to improve the bill and pass it in the next session. They anticipated more regulation as more states began to take up the issue and examine the ban or strict regulation after atrocious incidents. Litigation and court rulings would add restrictions on the use of insurance credit scoring. Participants also said that Congress would play a critical role in development of this issue.

*Implications for scenarios.* According to the interviews, consumer activists had been working against the issue and would continue to do so. Their actions often involved other environmental influencers, such as state governments and regulators, legislators, and media. They also said that they would work harder to ban credit scoring. It is expected that consumer advocates would continuously criticize credit scoring that does not have logical foundation, which has influenced insurance

regulators' perception. This issue inherently involves consumers' perception of the insurance industry in general. Negative public opinions regarding credit scoring may have influenced how the industry is perceived.

*Step 6: Scenario Plot and Component Identification*

At this stage, primary scenario topics and initial scenario themes were developed based on the outcome of environmental scanning and the interviews with the members of publics. I considered a few possible developments by examining and combining the trends of the individual key factors and critical environmental influencers. Consumers and state regulators were identified as the most important key factors; other factors were combined into scenario plots to project future scenarios. State insurance regulators were the most significant influencers in the situation, because they had the authority to control insurance operations in each state. Consumer advocates were one of the publics who were against the use of credit scoring on behalf of general consumers. They were also opinion leaders who influenced consumer opinions and attempted to change latent consumer publics to aware and active publics. Figure 4 displays the projected combination of two key factors and their influence on the future of insurance credit scoring.

Based on the Issue Map (see Figure 5), I combined the uncertainties, trends, driving forces, and the public's future behavior and created initial scenario theme. As the Issue Map shows, four possible developments were identified: the status quo, increasing consumer complaints with moderate regulatory changes, continuous use of credit scoring with strict regulation, and a complete ban on credit scoring. I decided to develop two scenarios among the four possibilities.

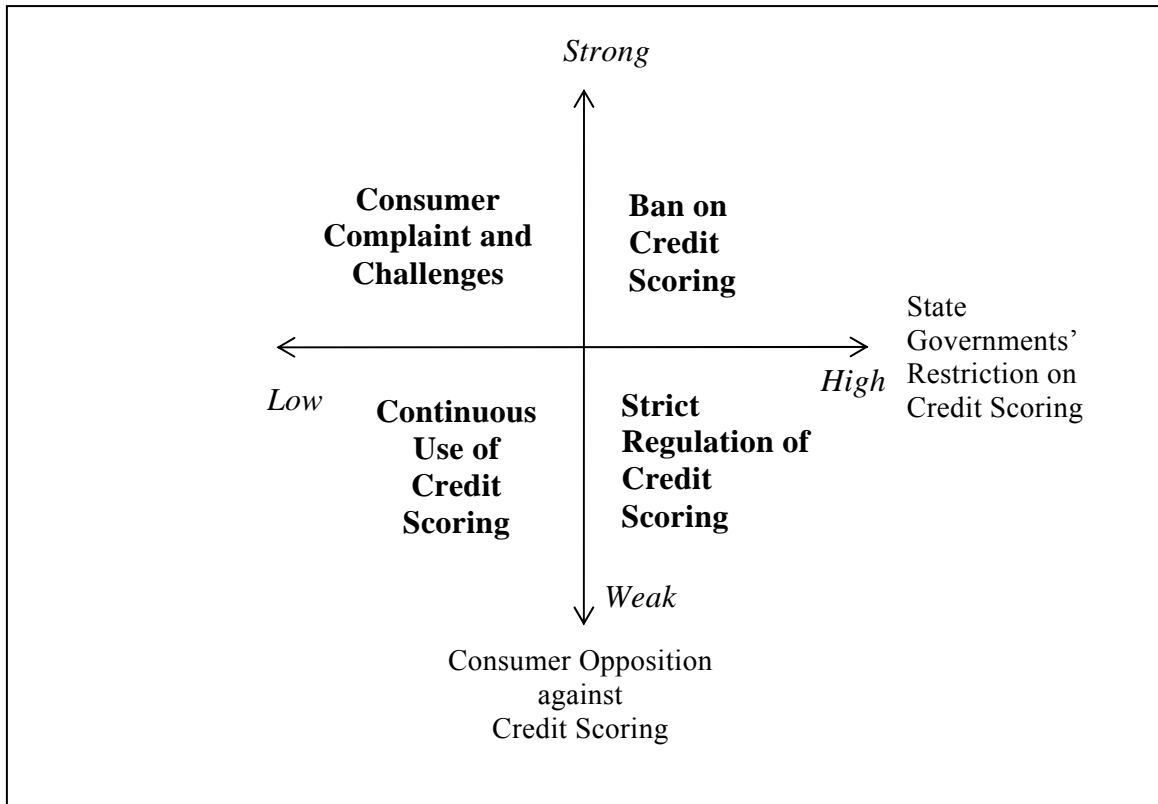


Figure 5. *Issue Map: Credit Scoring*

The first situation, the status quo, would not have significant influence on Insurance X's business. On the other hand, the other two scenarios implied that the company needed to consider several environmental factors, such as consumers, consumer advocates, regulators, and legislators; they could influence one another, which would result in bad situations for the company. The company would need similar strategies for these two situations; therefore, I decided to develop a scenario for the complete ban on credit scoring.

The second option, increasing complaints with moderate regulatory changes, was worthwhile to develop a scenario because it was between a complete ban and the status quo. I believed this situation could be midway in the process of regulatory reform from a longer-term perspective. The plots, or the combination of those factors, are as follows.

*Complete ban on the use of credit scoring.* More consumers experience a premium rise partly because of credit scoring. Consumer complaints and problem recognition increase in the next few years. Consumer organizations' continuous efforts to educate consumers about the negative aspects of credit scoring succeeded. These groups also built a powerful coalition with multiple organizations. Many consumers joined these groups and participated in their actions, such as writing or calling their state regulators and legislators. In addition, consumers challenged credit scoring through multiple methods, such as class action lawsuits. Some state courts favored consumers and ordered the ban on credit scoring. In other states, legislatures passed new bills that completely banned the use of credit scoring.

*Increasing complaint and moderate regulatory changes.* The use of credit scores flourishes in U.S. society. Although some consumers complain about credit scoring, most people accept it as an inevitability. Consumer activists' education effort has little effect. Insurance X's active use of credit scores attracts customers with good credit history. However, insurance regulators still see credit scoring as problematic. Some state governments make moderate changes with insurance regulation to minimize consumer damages.

### *Step 7: Scenario Draft and Feedback*

A draft of scenarios was developed from the plots structured at the previous step. I developed two scenarios for Insurance X regarding the issue: the complete ban of the use of credit scoring in insurance and continuous use of credit scoring with moderate alteration. All driving forces and environmental influencers were considered to develop a story line and generate situations for each scenario. I sent the draft to the public relations practitioners of Insurance X and asked them to provide feedback and comments on the scenarios in areas such as plausibility, realistic values, and usage. The participants provided their comments through telephone interviews and e-mails. A few participants helped edit and revise the scenarios. I examined the participants' feedback in greater detail later in this study under RQ 6-1.

Overall, participants determined that the scenarios were sound and accurately depicted the situation with a thorough review of related components. A few participants pointed out the small number of scenarios as a possible weakness. They preferred to see multiple scenarios, which they believed would delineate the future more accurately. One participant suggested including other possible situations, such as a strict limit of the use of credit scores without a total ban. Another individual commented on the role of consumers and consumer advocates in the scenarios and said that their role was not so critical as described. Rather, he named regulators and agents as primary players in the discussion.

### *Step 8: Final Scenario Development and Interpretation*

With the help of Insurance X's public relations practitioners, I checked the consistency and plausibility of the scenarios. This process included anticipating certain

reactions from legislators, competitors, customers, and activist groups in certain situations. The draft from Step 7 was revised based on the feedback.

### *Final Scenarios*

*“Insured, but Not Scored”*: *Complete Ban on Credit Scoring*. As the labor market—the payroll market in particular—remains weak, the unemployment rate increases and levels of household income stay low. More and more consumers experience financial difficulty. Meanwhile, the minority population of the United States continues to grow as a result of immigration. Many minorities and recent immigrants have low income. As many insurance policyholders experience rate hikes or are rejected because of low insurance scores—regardless of their driving records—public awareness of the issue of credit scoring increases. A majority of those who are affected are low-income minorities and the people living in poor neighborhoods. Thus, groups such as consumer groups, minority groups, and ethnic organizations are concerned about the issue. The bad credit problem becomes a social issue and draws attention from federal and state governments. In addition, Hispanics live largely in a cash society and their non-use or limited use of credit has a deleterious impact on their rates.

Consumer groups try to ban the use of credit scoring for insurance. The groups publicize it as “redlining” that discriminates against consumers. They build a coalition with a variety of groups, such as religious or ethnic organizations, and obtain support from state insurance commissioners and insurance agents who are against credit scoring. Because of the coalition’s education efforts, consumers change their insurance-shopping behavior. The media cover negative stories related to insurance

scoring. An investigative news program reports the lack of “scientific evidence” of credit scoring and questions previous studies. Some studies reveal that credit reports have a high rate of error and many consumers have been disadvantaged by the errors. A significant number of Insurance X policyholders, especially those who do not have good credit-scores, file complaints with their state insurance commissioners and write and call state representatives. The lobbying efforts and grassroots activism of consumer advocates influence state legislators. States such as Texas and California decide to ban credit scoring for insurance. Even in the states where credit scoring is allowed, the state governments develop stricter regulation and require insurers to disclose their scoring data and formula, which Insurance X has kept as a trade secret. Insurance X refuses to compromise or resolve any credit-related disputes. It comes to face more consumer lawsuits.

*“Credit Rules”: Continuous Use of Credit Scoring.* The U.S. economy stays robust and healthy with the end of the war in Iraq. The insurance price drops in some instances because of heavy competition; the use of technology; and the reform of distribution channels, such as direct marketing or Web-based marketing. The use of credit scoring proliferates in several industries other than insurance as a critical evaluative tool; consumers become fatalistic about the trend. Credit-score management is considered the personal responsibility of each individual in U.S. society. Since a large number of complainers are minorities or people with low income, they have little social and political influence. The development of new technology enables individuals to access their credit reports easily.

A number of “lower value” Insurance X policyholders, especially those who do not have good credit scores, move to the competitors with better rates or those that do not use credit scoring. However, the company’s strategic “high value” customers remain loyal. Consumer groups’ effort to form public opinion against credit scoring has little effect because of their limited resources. The media do not pay attention until something “bigger” happens. Most consumers have little information and understanding of credit scoring. They do not consider it when buying insurance. As the opponents increasingly request permission for an independent study, the insurance industry decides to cooperate and open the data. In most states, insurance companies succeed in persuading state legislatures and continue to use it.

*Step 9: Consequence Analysis and Strategies Development*

This stage evaluates possible opportunities and risks for an organization, based on the scenarios. It identifies the need for additional research and refinement as well as new strategies. von Reibnitz (1988) advised focusing on the main issues and contemplating the vulnerabilities or robustness of the strategy. The overall quality of final scenarios is evaluated by their relevance to users, internal consistency, archetype of themes, and stableness.

The two scenarios for the issue of credit scoring led to the conclusion that Insurance X needed to examine the use of credit scoring not only in the insurance industry, but the U.S. economy and society in general. At the same time, it should remain sensitive to the movements of insurance regulators and legislators in each state. Furthermore, the interviews with the consumer activists showed that they were strategic publics who could indirectly pressure the insurance industry through lobbying



and grassroots mobilization. Although these people were not considered critical players in the current situation, they were highly likely to exercise influence on regulators and legislators as they increasingly formed coalitions with various interest groups.

Therefore, the public relations practitioners need to develop communication strategies based on the following. First, they should continuously monitor the “broader” environment, such as state governments and consumer groups. Although the company delegated the environmental scanning responsibility of each state to field communication managers in each region, this activity was neither regularly nor rigorously conducted. The public relations department needs to establish a system that would reinforce frequent reporting and seamless and close communication between the headquarters and the field organizations. Second, Insurance X may need to include consumer advocates on their list of stakeholders and have direct communication with them. These people are not only active, but also strategic in their actions. Most of them said they would continue to work against credit scoring, which could cause problems for the company in the future. For example, one of the issues consumer advocates raised was access to the credit scoring formula and data. Insurance companies’ credit scoring tools were under attack because the companies refused to open their sources as well as method. The activists had a valid point that this type of information should be public, because it clearly affected consumers. If the company is transparent and confident about its credit scoring apparatus, the company may consider giving them access and permission to study with a strict confidentiality agreement. Otherwise, activists would continuously use denial of disclosure to undermine the legitimacy and

fairness of each company's credit scoring apparatus, which could involve regulatory intervention.

### *Topic 2: The Optional Federal Charter*

Steps one through three are repetitive because the scenarios are based on the same organization within the same time frame. The scenario-building process was customized for each issue from Step 4 by identifying different major influencers and uncertainties for different issues.

The issue of the optional federal charter (OFC) was in such an early stage of development that some public relations practitioners who participated in interviews did not consider it as an issue. They said that it was too early to predict its future. Most communicators said that this was a "public policy" issue that they were not familiar with. Some people were pessimistic about this issue for a few reasons. One public relations manager thought that it would be difficult for the company to find a voice for this issue because of a huge obstacle against the company: State governments were unwilling to give up regulatory authority. She also pointed out that consumers would be apathetic about the regulatory issue; having the consumers understand the benefits they would enjoy with this change would be difficult. The federal government's willingness to listen to the proposal was questionable when there were other priorities, such as terrorism, unemployment, the economy, the war, and so forth. She maintained that only a small number of people within the company, such as the lawyers and very few staffers in public relations, were interested in the issue.

#### *Step 4: Driving Forces Identification*

Again, I repeated the same process of the review of sources such as newspapers, journals, trade publications, and Web sites. The insurance industry in the United States traditionally has been regulated by individual states. Insurance is regulated by 51 different jurisdictions, which has resulted in varying price and product regulation. There is a growing consensus that the current state-based insurance regulatory system needs fundamental reform.

The National Association of Insurance Commissioners (NAIC), a trade association that represents insurance regulators, and individual states have been trying to come up with a solution. NAIC has tried to create uniform regulatory standards among states to minimize the problem of having multiple jurisdictional requirements. The American Insurance Association (AIA), the trade association for insurance companies, proposed an optional federal chartering system. Under this system, insurers would be able to choose the regulatory approach (state or federal) most beneficial to the size and scope of their operations. For federally chartered insurers, many state insurance laws would be preempted, such as price and product regulations, licensing, solvency and financial condition, marketing, underwriting, claims, and cancellation/non-renewal provisions.

Key uncertainties or possible problems in the areas of concern were identified through interviews with public relations practitioners and environmental scanning, such as review of media coverage, trade publications, and online documents. A variety of factors characterized the environment, or scenario field, of the issue and the organization. To consider the possible developments of the issue, it was necessary to

identify the driving forces in influence areas such as politics, economy, society, and technology. Insurance X's public relations practitioners identified four driving forces, or key stakeholders, other than insurance companies and their trade associations: state governments, Congress, the federal government, and consumers. According to them, consumer awareness was low in this case because of the nature of the product:

Consumers do not think about it until they need to when something bad happens.

However, consumers have negative opinions of the insurance business in general. In identifying the future of insurance regulatory reform and the OFC, the issue poses several questions:

- Will Congress be interested in this issue in the near future?
- Will Congress and consumers be favorable to the increased role of the federal government?
- Will insurers and their trade organizations be able to make it clear that the OFC actually benefits consumers as well as improves the efficiency of their business?
- What will consumers think about insurance regulatory reform?
- What will be the position and influence of consumer advocates and their organizations?
- What will be the resistance and influence of state insurance regulators? What will they do to persuade Congress?
- Can the state system be improved to meet insurers' demands for uniform, market-based regulation?

To answer the above questions, I identified key uncertainties in the scenario field. I first defined Congress, state regulators, and consumers as the main influence

areas for this issue other than insurance companies. Environmental scanning and the interviews with the public relations practitioners of Insurance X identified the following 14 key influence factors most relevant to insurance regulatory reform from the three influence areas:

- Congress: 1) Interest in insurance regulatory reform (including options such as the OFC, federalization, or an improved state system); 2) Legislative priority on other issues; 3) Sensitivity to constituents; and 4) The influence of lobbying on Congress.
- State regulators: 1) Resistance against the OFC or movement for federal regulation; 2) Willingness to reform and improve; 3) Lobbying efforts and other strategies directed toward Congress; and 4) Influence on shaping of public opinion.
- Consumers and consumer advocates: 1) Perception of insurance; 2) Buying behavior and trends; 3) Policyholder satisfaction; 4) Loyalty to brand or insurers; 5) Interest in insurance regulation in general; and 6) Interest in consumer protection.

*Step 5: Key Public Identification*

To develop scenarios, I examined the perceptions, attitudes, and behaviors of consumer advocates based on the same set of questions that I used for credit scoring. Among a few groups of strategic publics, I selected the consumer advocates for interviews for the following reasons. First, the interviews with public relations managers and the pilot interviews with consumers revealed that general consumers were not aware of the regulatory issue, let alone the OFC. They were latent publics or non-publics. Therefore, they did not seem to have influence on the issue at least during the course of this study. On the other hand, consumer advocates were closely involved in the issue with higher interest. Access was the second issue. Although I tried to

conduct interviews with regulators in many ways, all state insurance commissioners and their offices declined communication with me. The trade association of insurance commissioners also declined any participation in this study.

Instead, I obtained information about general consumers' perception of the OFC through the data from focus group interviews that one of the insurance trade organizations conducted (Insurance Trade Association). The study aimed at understanding perception about the OFC with consumers with different political affiliations. I incorporated the interview data into scenario development. According to the study, the focus group participants had a negative attitude toward the federal government and believed state governments were more responsive to the people. However, they did not see a problem in the current insurance regulation system, such as a complicated system with excess paperwork. They did not even know who regulated insurance. They also had a negative view of insurers because they believed insurers dropped policyholders when they filed claims or raised rates dramatically after a single claim. The study also found that the participants positively reacted to federal government playing a role in leading reform by simplifying the process and monitoring state regulation to follow uniform regulation. However, they doubted that changes that would benefit insurers, such as cost savings or new products, would pass on to them with better prices.

My interviews with the thirteen consumer advocates showed that they had similar perceptions and attitudes to those of consumers. Participants' problem recognition and the level of involvement varied, although most participants had low constraint recognition. In addition, the participants' knowledge and levels of

understanding differed; some people had in-depth understanding of the issue, whereas others did not recognize the issue until I explained it to them.

Regardless of the amount of their knowledge and understanding about the issue, all participants pointed out the need for insurance regulatory reform. Most of them objected to the proposed optional federal charter system because they viewed the proposal as the insurance industry's attempt to minimize government regulation. Furthermore, they were hostile to the insurance industry and called for improved consumer protection through tougher regulation.

Nevertheless, the participants were not active in information seeking or any other forms of action. They did not see the OFC as a moving issue because it involves complicated politics and several parties with different interests; they expected no immediate change at least within the next few years. The reaction from Congress was considered critical to predict the future of this issue. Congress does not have an interest in this issue, which prevents the insurance industry from doing anything at that point. The consumer activists had high constraint recognition because they have considerably fewer resources and less political influence compared to the industry. Often the regulatory issue was considered as a national issue; state-based activists thought that they had hardly any connection to this issue. I was told that they would think about any actions once the issue became big, which would not be in the near future.

*Problem recognition.* The participants had varying degrees of problem recognition. Whereas a few participants were knowledgeable about the issue, including its history, some people had not heard the term "optional federal charter." I

had to explain the issue in detail. However, many people said they frequently thought about insurance regulation in general; even those who were not familiar with the OFC thought that insurance regulation is problematic and needs regulatory reform. Thus, in some cases, the questions were directed about regulatory reform in general, not the OFC.

About half of the participants had high problem recognition for the issue of the optional federal charter. They paid attention to the issue when they heard about it and thought about it a great deal. For example, one of the consumer advocates said he thought about it “daily for the last four years at least.” He said that his interest could go back longer than that because the first federal charter proposal was introduced to Congress in 1966. It became particularly active in 1999 when Congress repealed the class legal act. This revised the idea of federal regulation and provided options such as federal standards, which he interpreted as insurance deregulation. However, the level of interest varied depending on the situation. If people came out with new studies or new ideas, he would be thinking about it more. When Congress had interest in it and called him in for testimony or advice, he would have more interest in this issue and think about it a great deal, such as all day long or two to three days. “I may not think about it for a month... a typical day is 20 minutes,” he said. He explained that he focused on a new insurance regulation proposal by Senator Michael G. Oxley during the course of this study, which was similar to, but different from, a federal charter. He believed this is a much more immediate issue than a federal charter, because it is “on the table now.”



On the other hand, a few other participants were not familiar with either the OFC or regulatory reform. One state-based activist regarded the issue as something that should be handled nationally, not on the state level. He said that he heard “just a little bit” about regulatory reform and added, “[We] let the people in DC handle it and then they ask me to write something.”

Some of the activists I interviewed had low problem recognition about the optional federal charter proposal because they were not worried about the issue. They explained that it was not a moving issue and would not become a real one soon, either. One person said he would consider it as a problem and would do something about it when it became “ripe.” Similarly, another participant stated:

At some point, I will try to figure out more. But I’m quite aware that the worst thing that will happen this year is [that] the House committee will pass some bill. That’s the only thing that could possibly happen. I do not think it will go to the floor.

One consumer advocate who worked for an organization’s Washington, DC, office explained why he did not pay attention to the issue by discussing the background of the issue in great detail. He told me that the insurance industry just began a lobbying process, which Congress would enjoy to some extent by earning campaign contributions from the industry. During this process, Congress would have hearings because this issue is critical. At the same time, the industry would be developing and packaging its model and message. Hence, he projected that the current OFC proposal has little significance. He related a few cases of how a new law was passed in Congress: “It’s going to take them some time. Not that long, but

several years. And over the several years, Congress will hold the industry hostage, raise campaign contributions, and try to figure out what to do.” He explained that the consumer organizations would increase their efforts by the time the insurance industry finally found its focus of strategy and organized its movement, such as how to appeal to more members or where to make the compromises. “But right now, I got many other problems. I got the bankruptcy guys; I have got the cable television guys; I got all these guys trying to rip off consumers,” he said.

In fact, several pieces of information revealed that the issue is in a very early stage. In addition to the interviews with the consumer advocates, my observation, document review, and the interviews with the people from the insurance industry confirmed that this issue is undeveloped. Some groups or parties involved in insurance regulation are not decisive about their position; those groups are often not organized and have no strong drive. For instance, I tried to contact the members of a non-profit organization called “The Alliance for Sound State Uniform Regulatory Efficiency” (ASSURE) for interviews. It turned out to be a lobbying group of insurance regulators. Although the organization’s Web site claims that it is “a non-profit coalition made up of consumers, legislators, industry and business leaders” who support state governments’ authority to regulate the insurance industry, the group does not have actual organization or membership. Later a few people told me that it is not an actual consumer group. One consumer advocate described it as “a lobbying barn of the insurance regulators in the sectors of the insurance industry.” According to him, the group does not have consumer presentation, although it was originally

supposed to; it does not hire or appoint anybody to its board or include consumer participation. He added, “It really doesn’t exist.”

The participants had varying opinions about the Optional Federal Charter proposal and the regulatory system in general. Some people supported state-based regulation, which would be structurally similar to the current system. They maintained that the federal government tends to preempt states from taking action for the issues that it handles. “That is a big mistake because a lot of the reforms that [are] really meaningful and that make real changes for people started in the states,” one participant said. This person also argued that hundreds of reforms that started in states eventually percolate up to the federal government or to other states. He concluded that the states are the “laboratory for democracy.” Another consumer advocate said that he partially supports the state system because different states have different needs. For example, regional factors in each state--such as earthquakes in California, mold in the Northwest, and hurricanes in the Southeast--affect the way costs are broken down. Different states also have different demographics; some have a higher percentage of the elderly, whereas others have more young people. Therefore, it would be hard for the federal government to oversee all sides that vary geographically. He maintained that compartmentalization is necessary to manage such factors. Some people were worried that the federal government having the authority to regulate might give people less control. As one person said: “An industry prefers one weak gorilla to 50 active monkeys. As you know, they are moving towards that.” Several participants mentioned this phrase.

However, some participants believed federal regulation would provide better protection for consumers. These people pointed out that many states are not capable of handling the industry appropriately. According to one participant, “Too many states are just so severely beat up by the industry, because they don’t have the resources or the manpower available to do what’s necessary.” He said that he wanted to see the federal government take a larger role and oversee insurance regulation, because it would give states more power by having them focus on the areas that they really need to. Another participant maintained that states should retain some control, such as how things would function in a state.

Not all participants had a position about who should regulate the insurance industry. A few people said they did not support either the federal or the state system, because neither of them would provide enough regulation and control. One of the participants stated: “I’m not necessarily against federal regulation or state. I just want to make sure that there is regulation.” A consumer advocate who was an insurance expert also said that his position was that one is not better than the other. Rather, he was aware of that each system has pros and cons. Although the state system is not great, it has some areas that are very good, such as solvency regulation. According to this participant, California has good auto insurance regulation, whereas many states have bad regulations. Meanwhile, the federal system could be designed more tightly so that it could provide strict regulation across the country.

Although individual participants had different perspectives on who should have the authority to regulate insurance--state government, federal government, or a combination of both--and varying problem recognition and interest in the OFC, they

had one thing in common: opposition to the optional federal charter. In fact, all of the participants had high problem recognition about insurance regulation. One participant said: “I don’t see [OFC] occurring probably for another four to five years. But regulatory reform, oh God, is that a must.” Tighter insurance regulations and stronger consumer protection were unanimously supported. The participants believed that the current regulatory system has many weaknesses in the area of consumer protection and that something should be done to make changes.

Activists I interviewed seemed to believe that the OFC would only undermine consumer protection. One of the participants said that most consumer groups are “definitely against” the OFC. As previously reported, the consumer activists believed that the industry pursues this regulatory guideline as a strategy to get out from the states that heavily regulate them, as well as to avoid a strong federal law. That is, by having an option, an insurance company might take the federal charter in a state with strict regulation, whereas it would comply with the state law when a state regulation is weak. The comments from the participants clearly showed that they had a problem with the concept of “option.” For example, one participant said: “We, the consumers, just don’t like having an option. That’s the worst type of situation.” Another person was also very firm and direct in expressing himself and simply stated, “I’d love to see them regulated very tightly.” He said that he would not care whether it would be a state or a federal system as long as it was good regulation. When I asked a consumer advocate about the reaction and opinions of general consumers, he confirmed that few people are aware of the issue; however, he added that they would care if it became an option. He continued to explain as follows:

We don't care if it's a good, high-quality consumer protection. That's what we want. We don't care where that has occurred. [If] the federal government would do it better than the state [governments], we'd be for that. But if they create a federal option, that we fear... The insurance companies would go to whichever would be good for them, which, almost by definition, [would] be worse for consumers.

The participants believed that the unique characteristics of insurance should be considered for regulation. For example, auto insurance is a complex product in that consumers are required to purchase it. However, they do not buy their insurance; once they apply, somebody else makes a decision and buys it for them. Most consumers do not understand the insurance mechanism. Therefore, when consumers do not have informed choice, according to the participants, a market based on free competition is impossible. Historically, the insurance industry had been heavily regulated by state governments but exempt from the anti-trust law. In that sense, one participant argued as follows: "I'm for regulation of the business of insurance, either by anti-trust law or through a regulatory structure. I just don't want to see it completely deregulated and exempt from the anti-trust law." This person maintained that what the insurance companies means by consumer benefit from more competition in the OFC proposal is only about competition with banks or other financial institutions, not among insurance companies.

Most consumer activists did not support the deregulation of insurance because they worried that the insurance companies would continue to be exempt from the anti-trust law under weak oversight of one federal trade supervisor. Furthermore, they were

concerned about the effectiveness of the federal regulator. “We don’t know what this person will require from the insurance companies,” one participant said. Another participant pointed out that the OFC proposal modeled the banking industry, which only has a supervisory agency with little regulatory authority. This would give the insurance companies the FDC oversight exemption in addition to the anti-trust exemption. Therefore, he believed that the proposal is “completely improper” for the insurance industry. The following statement from one of the participants describes their perspective well:

I’m not for or against any particular system... I just don’t see the optional federal charter as a vehicle that would rather give us the system that would be better. It can only give us the system that is worse. I oppose it. But that doesn’t mean I support any state system. I’d like to see it improved, but that’s a different issue than whether I support the optional federal charter.

In fact, much of the participants’ problem recognition and opinion about the OFC was based on their perception. The participants commonly had extremely negative perceptions about the industry; that is, whatever insurance companies do or plan to do is wrong and they only try to squeeze consumers for profit. Hence, the people perceived the OFC proposal as problematic because they believed that it is one of the insurance industry’s attempts to avoid government regulation. Some people described it as shopping for more favorable regulation. One activist called the industry’s effort to pursue the OFC “outrageous”; with an option to choose the regulatory frame between a federal and state charter, insurance companies would look for the least regulation, which would eventually deregulate the industry. Most

participants pointed out that OFC entails the risk of worsening consumer protection. One of the participants asserted that what the insurance industry wants out of this proposal was “the least regulation possible” and “the right to move to a place with less regulation.” Another activist criticized the industry for being deceptive in its messages: “The industry and their friends are very careful to select terms that hide what they are actually doing from the public.” He explained the problem as follows:

If you go through a public opinion poll of people and ask them, “Do you want insurance regulatory reform?” overwhelmingly they will say, “Yes.” But they don’t mean that they want less regulation and more supposed competition. They want more regulation. They want bad products taken off the market. They want price increases to be stopped... Now they are saying “regulatory reform,” and historically people know that means increasing regulation. Now it means decreasing regulation, but the public doesn’t know that yet. It’s a big sham.

This person also maintained that if legislation for insurance deregulation were to be submitted, people would be against it. They know what happened when the airline industry and the power industry were deregulated. On the other hand, in my interviews with public relations managers from the insurance company, the participants repeatedly used the airline industry when they explained the benefit of competition and deregulation for consumers. The same example was also used in one of the trade organizations’ publications.

*Level of involvement.* The participants’ level of involvement in the issue varied as much as their problem recognition. Whereas some people had extremely high involvement, others did not see any connection between the issue and themselves.



Among those who recognized their involvement, some people had answers similar to those they had about the credit scoring issue: a high level of involvement as a consumer advocate. They said that they felt very much connected to the issue as a consumer advocate and as a consumer. One person said: “There is a lot between me and this issue... It affects consumers. We represent consumers of insurance. So anything that we hear about that affects them, we have connection to. This obviously is one of those.” Another participant also said that he was involved in the issue as one of the small number of consumer advocates in Washington, DC, who work on financial issues.

The interview data also revealed that much of this difference came from the background and previous experience of each participant. Those who had been officially engaged in the regulatory issue had a high level of involvement. For example, one participant who was a former insurance agent saw that he was deeply involved in this issue because it could have influenced his work as a board member of an agent organization. When I asked him if he was connected to the issue in any way, he said, “Oh, yes, yes, indeed... I would not have known the regulations and the law concerning the industry in 50 states, which is something I had to contend with.” An independent researcher who had worked on insurance issues also had a high level of connection to this issue. He explained, “I felt connected to it also because of my background working for at one time the National Association of Insurance Commissioners.” About half of the interview participants said they did not see a connection to or involvement in the OFC or regulatory reform.

The participants' level of involvement was highly influenced by the organizations they belonged to. They were often reactive in participating in the issue because their involvement and action were influenced by the organizations. Even though individual participants thought they were involved and needed to do something about the issue, they had to follow the organizations. By contrast, those who personally had low involvement showed a relatively high level of involvement as they were asked to work on the issue by their organization. "Right now I'm doing what I'm asked to do by the people who are focusing on it," one participant said.

*Constraint recognition.* As I reported earlier, some participants did not know about the issue or had limited understanding of it. Therefore, they had not thought about doing anything about the issue. However, those who were well aware of and interested in this issue had a low level of constraint recognition, in large part because they thought the insurance industry is constrained in pursuing the OFC proposal and is not able to make any change at this stage. Some participants had very low constraint recognition about the range of the actions they could take. For example, one participant said, "I think there's something I can do about just about any issue." A few people listed several actions that they had taken, such as research, writing and talking to legislators and regulators, and encouraging consumers to take actions.

Obviously, the participants were aware of their constraint in general: limited resources and political power. Some people pointed out that their organizations are neither membership organizations nor are comprised of many people. Even the organizations based on membership do not have large budgets. On the other hand, the insurance industry has a much larger budget backed with a huge amount of cash. The

insurance companies could enlarge their political impact by sending out advertisements, mass mailing, distributing messages through policyholders, and running public relations campaigns. Several people mentioned that the industry has much more money and resources to conciliate Congress. The participants often had separated what they could do and the influence their actions would have on an outcome. That is, some people had low constraint recognition about doing something about the issue. However, they were still aware of limitations on their influence and the actual success of their actions. As one person said:

When you ask [me] if there's anything that I thought I could do about the issue, I always think there is. Whether am I actually successful about doing it, that question comes down to me. There are a lot of resources that the industry has but I don't have.... So I guess the way I look at it is how hard is the industry going to push; how much resources are they going to bring in; and are people in Congress going to look into them or are they going to listen to popular support with the people who vote for them?

One of the participants told me that he had been communicating with the insurance industry, including trade associations and insurance companies, regarding this issue. This person said that the industry listens to what the consumer advocates say and respects them. The industry also tries to earn their support and is sometimes willing to change some part of its behavior for it. However, he said that the industry does not take them so seriously they would like to be taken: "They know we are serious. But they also know that we don't have money or anything directly to fight them. I don't think they think we are the most important player, but they try to listen."

The constraint from limited resources was overcome in part by the grassroots support. The participants believed that they could compete with the insurance industry because of their popular support. They explained that insurance companies rarely receive public support because many people look at the industry negatively. One participant told me that many insurance issues are “toss ups”; whereas the industry pushes with massive money and power, the consumer organizations are backed by the support of consumers. “The thing with insurance is that we have a chance always. A lot of people look at insurance [as] a necessary evil and [are] distrustful of the insurance industry,” he said. Another participant mentioned that he could have “indirect impact” on the issue by forming opinions within the power structure and talking to insurance lobbyists, consumer advocates, public officials, journalists, and academics.

*Communication behavior.* According to the situational theory (J. Grunig, 1997), those that actively seek information are more likely to become aware publics than the publics that process information passively. The interview results showed that only a few participants are actively pursuing information, whereas the others are simply processing. They said that they search for more information and often conduct their own research. They are well aware of where to get it. These participants are also engaged in actions to influence the issue.

During the course of the interviews, some people said that they mainly process information rather than actively search for more information. Frequently, the main source of information is those who are working on the issue; they read through the information forwarded by others through e-mails and newsletters. “I would say the primary source of information is people who are working on this, mostly in DC,” one

participant said. Other participants said they obtain information about this issue when they run across something while reading newspapers, listening to radio, or watching TV. One of the participants said, "If a reporter called in and wanted to do a story about it, I would read up about it and be the spokesperson." Since the issue would be mainly managed in Washington, DC, the people who work in each state would typically put available information together and talk about it for local reporters. He speculated that he would have more resources and information if it became more of a priority for him. However, his activities at that point were limited to a Northwestern state.

Among those who were active information seekers, Internet searching was the most frequently used method. The participants gather and save online documents. This information searching is conducted by monitoring the interest groups involved, such as their public statements, releases, or testimony. They talk directly to interest groups and the experts on the area. One participant told me that conversation with public groups helps him get feedback on this issue. The feedback usually is negative about the deregulation or re-regulation proposal.

A few participants conduct formal research about this issue. One of the participants, a historian and researcher, said he does historical research; this person had been to presidential and university libraries to find papers and documents that would trace the origin of the issue to the 1940s. Another participant is a senior member of a consumer organization that has a research function. The organization had been conducting research on regulatory issues and came out with a position paper. When members of the organization came to know that the insurance companies were looking at the federal option charter, they realized that the state system was in trouble and

conducted a comparative study of individual states using questionnaires and data analysis of how each state handled different issues. They also studied the systems that had been proposed, including the national insurance system, and determined which states they thought were best. This participant maintained that the discrepancies in consumer protection among states led to the conclusion that a form of federal law would be necessary. The results of these studies had been released through media and the organization's Web site. The studies were also cited in letters and testimonies to Congress.

Because of its limited resources, the organization often worked with people from other consumer organizations. This organization had only four people working on insurance issues; it called on people from other consumer organizations for help. I was told that they often worked together and decided who would take the lead on a specific issue. For example, if one group took a lead about market conduct, the other would lead the insurance regulation issue while helping its counterpart on market conduct. "So I guess about 35 to 40 people [are] involved in any one time," the participant added.

About half of the participants said that they are taking no or very few actions about the issue because they believe this issue is not critical yet. However, the others are involved in a variety of activities, which were not different from the actions taken for credit scoring. Congress was named as the most important factor in this issue; consequently a large part of the actions were taken toward Congress. A few participants worked on presenting different perspectives to Congress, as opposed to the only perspective Congress typically heard--the company's point of view. One person

told me that legislators hear little from their constituents. He guessed that they would hear from five constituents about an issue. Therefore, he believed, hearing from the consumer advocates might make a big difference in their decision-making.

The activists also communicate with insurance regulators and state legislators through letters or face-to-face meetings, of which the main goal is to make sure that they have a solid understanding about this issue and to keep the regulation in the state. One person told me that some of the letters are directed to Congress. Testimony is frequently used as well. The participants said that they had testified before several organizations, such as a trade organization of insurance regulators and state insurance departments. One participant told me that he had signed on to testify to Congress and also asked a number of other consumer advocates around the country to join; the testimony included attachment of a long letter from 80 consumer organizations. Some people were writing about the issue in newsletters or trade publications so that more people could know about it. A few people said they publish their own newsletters or publications.

The issue, the optional federal charter and insurance regulatory reform, was a political one that highly depended on the decision of Congress. As one way of influencing Congress, the participants and their organization tried to engage and mobilize the grassroots. One participant explained that to make an issue out of a topic, one must make people stand up and take notice of it. Another person maintained that this issue has more political standing with the public than other consumer issues. If the general consumers were educated, they would act politically and vote differently based on who was for or against the regulation. To obtain people's attention and to invite

their participation, the consumer organizations need to present appropriate information and reach out to them through media.

The participants acknowledged that providing consumers with information such as how to act in a deregulated market would be of no help. Rather, they believed, people would get upset and begin to talk to their state representatives and others if they knew about the market deregulation movement. “Education lets people know that this is going to be a deregulated insurance market and it raises political consciousness,” one participant said. Meanwhile, some people mentioned the difficulty of working with media. Although they talk to reporters on an individual basis and try to get them interested in the issue, newspapers and television hardly cover it because of its low news value. One person explained, “Basically they want to wait until something goes terribly wrong and they will write about it.”

The participants agreed that they do not use public engagement and grassroots mobilization as often as they want. Doing so is more difficult if the issue is national; local-level issues are handled by reaching out to local consumer groups. However, mobilizing the grassroots across the country requires a lot of resources and coordination effort. For example, one of the participants’ groups has 50 million U.S. members. Involving every member would be difficult, even though his or her participation would have an impact.

*Aware and latent publics.* Among J. Grunig’s (1997) four public segments, the participants belonged to a latent public and an aware public. Most participants believed they were involved in this issue; about a half of them had a high level of involvement. They also had high problem recognition and low constraint recognition, which made



them actively seek information and be involved in actions to involve other people. Because insurance regulation is not a widely-recognized issue, it first has to be known to the public.

A few individuals were members of a latent public that had a low level of involvement, low problem recognition, and low constraint recognition. They had little knowledge about the issue through information processing, such as hearing from fellow consumer advocates or reading a few articles in publications. However, these participants still had strong negative attitudes toward the issue and said that they would do something if it became a more serious issue in the future.

*Future.* As I reported in the earlier part of this section, most participants said that they do not see the OFC happening in the near future. During the course of the interviews, the participants told me that few grassroots organizations or general consumers are concerned about the issue. Although one participant said that he is aware that several local groups of his organization are involved in the issue, most participants said that public interest and involvement are extremely low. The participants projected that it would take at least a few years before the issue became big. One person expected that the issue would move forward about four to six years later because of political pressures. He pointed out that the insurance companies would have fairly strict regulatory agendas; he said, “I don’t see any possibility of anything happening in the next few years, [or] at least this year.”

The consumer activists were planning to do something in the future if the issue became important or if there was a movement toward passing the bill. Those who were already involved in actions expected that their work and involvement would increase in

the next few years. The participants unanimously said that they would work to defeat any movement toward the optional federal charter. They also predicted that public interest and involvement would increase once the public came to know about the OFC. One consumer advocate said, “If the public would be hurt, we believe that public would speak out.” However, he said that all these movements should be properly timed to when the proposal would actually develop into a bill. Another participant described the process as follows:

There could be public involvement or engagement depending on how serious the threat gets. Generally it’s just a rule; we try to get stuff done without a lot of effort. Grassroots mobilization is a lot of effort. If you can get it done by writing a letter instead of getting 300 people to write letters, you have to really do it. It’s the question of escalation really.

This participant also explained that there are different levels of grassroots mobilization. Sending out e-mails and asking people to e-mail their representatives are considered easy. Having media events or phone banking requires much more work and resources. He expected that this issue would get to at least the first level.

I was told that Congress would play a critical role in delaying the issue’s development. According to the participants, Congress is not interested in the issue. This is more so in the election year; insurance regulatory reform certainly would not have priority when there are several key issues that are directly related to the presidential election. One participant said that the companies would need to spend large sums of money on lobbying and campaign donations, or “pay tribute,” if they want pass the bill. “They are not going to let this industry get off cheap with a major

change to law,” he said. This person also mentioned that some of the members of Congress have the public interest at heart and would closely review the proposal, which would entail a series of hearings.

The expected outcome varied by individual participants. A few people said they could not forecast anything about the issue because they had no idea where this issue would go. Some others expected to have modified regulation that would lie halfway between the state and the federal system. For example, one person predicted that states would have at the least 30 to 40 percent control over the industry under a federal system, because they would not give up their authority. The state-system supporters were adamant that they would fight for the state system and maintain it. Meanwhile, one of the senior advocates pointed out that not all consumer groups are completely against deregulation and said, “We are progressive.” He projected that the industry would continuously develop and revise its proposal. “We want to see what they put on the table. Their initial proposal is always... garbage. It’s always the worst case. We know that they are going to lose on it,” he said.

*Summary.* The findings from the interviews showed that the participants’ problem recognition, level of involvement, and constraint recognition varied. Whereas some people had high problem recognition, a high level of involvement, and low constraint recognition, others were unfamiliar with the issue and did not have involvement or a perception of constraint regarding the issue. Some participants, especially those who belonged to state-based groups, viewed this issue as something to be managed at the national level. In addition, most participants believed that it was not a significant issue yet. They projected that it would take a few years for this topic to

evolve as a serious issue. The participants' opinions regarding insurance regulatory reform varied as well. Some participants strongly supported the current state-regulated system, because they believed state governments would provide better consumer protection than would the federal. They called the industry's federalization effort as "preference of one weak gorilla over active 50 monkeys." In contrast, some others recognized the need for federal control. However, all participants had extremely negative attitudes toward the insurance industry and agreed that regulatory reform with better consumer protection was a must. In addition, they unanimously opposed the OFC proposal, which they believed would give insurance companies an option to choose weaker regulations than today's.

Participants' level of involvement in the issue varied as well. Individual participants' background and previous experience had significance influence. Similar to credit scoring, participants were aware that they were constrained in terms of resources and political power. Most consumer organizations were not based on membership and had small budgets, whereas the insurance industry would exert its large budget and political influence to lobby Congress. However, they tried to overcome this gap by obtaining support from grassroots to pressure Congress. If the general consumers knew more about insurance regulation, the participants believed, they would act politically, such as voting differently based on who was for or against the regulation, and form public opinions about this issue.

I identified all four types of publics: active, aware, latent, and non-publics. Few participants were not actively seeking information or involved in any actions. However, the members of latent and aware publics said they would pay more

attention to the issue and join actions once the issue evolved. Even the members of an active public were not involved in actions. In that sense, the consumer advocates and their organizations were not strategic publics.

The consumer activists projected that the OFC proposal would not happen at least during the next few years. They were not engaged in any actions during the course of this study. However, should the issue develop into a bill, they planned to begin action or increase what they were already doing. The expected future also varied by individual participants: modified regulation halfway between the state and the federal system, such as a state-based system with a universal standard, maintenance of the current state-based system, and a complete federal regulation. In any case, the participants projected that the industry would keep developing and revising its proposal to persuade Congress.

One interesting finding was that often activists' level of involvement was influenced by their organizations' agenda. Many of them had not formed a personal view or position and followed the direction of the organizations. For example, one participant said, "This is not an issue we would get involved in, because our board has not reached consensus on this issue."

The issue is at an early stage. Even the members of an active public are not involved in actions because they believe it is too early to do something about the issue. However, both the active and the latent publics said that they would pay more attention to the issue and act if it evolved into a bigger issue. Consequently, these consumer advocates and their organizations are not strategic publics yet; they do not have a strong position or strategy regarding the issue except that they are all opposed to the

optional federal charter proposal. All believed that giving the insurance industry an option for regulation would hurt consumers, which also resulted from their negative perception of the industry.

*Step 6: Scenario Plot and Component Identification*

The primary scenario themes and components were identified through environmental scanning and interviews with members of the publics. I examined multiple possibilities of combining the trends and key factors to create each scenario's plot and content. Congress, state regulators, and consumers were identified as the most important factors; I combined other factors into the scenario plots as well. Figure 5 displays the projected combination of two key factors.

Congress was the most critical influencer for the development of this issue. It has the ultimate authority to change insurance regulation. State regulators have a serious stake in this issue; possible regulatory reform options such as federalization could take away their job as well as authority. Consumers' stake and involvement in this issue are obvious: How insurance is regulated will influence consumer protection as well as pricing and underwriting methods. Consumer advocates often played the role of opinion leaders who influenced public opinions. They were engaged in many actions on behalf of unorganized, general consumers. Figure 6 describes the interrelationship between Congress and consumers regarding insurance regulatory reform.

Based on the Issue Map below, I created initial scenario themes based on the combination of uncertainties in the trends, driving forces, and the public's future behavior. Four possible developments were identified: maintaining the current state-based system with stronger consumer protection, modifying the state-based system

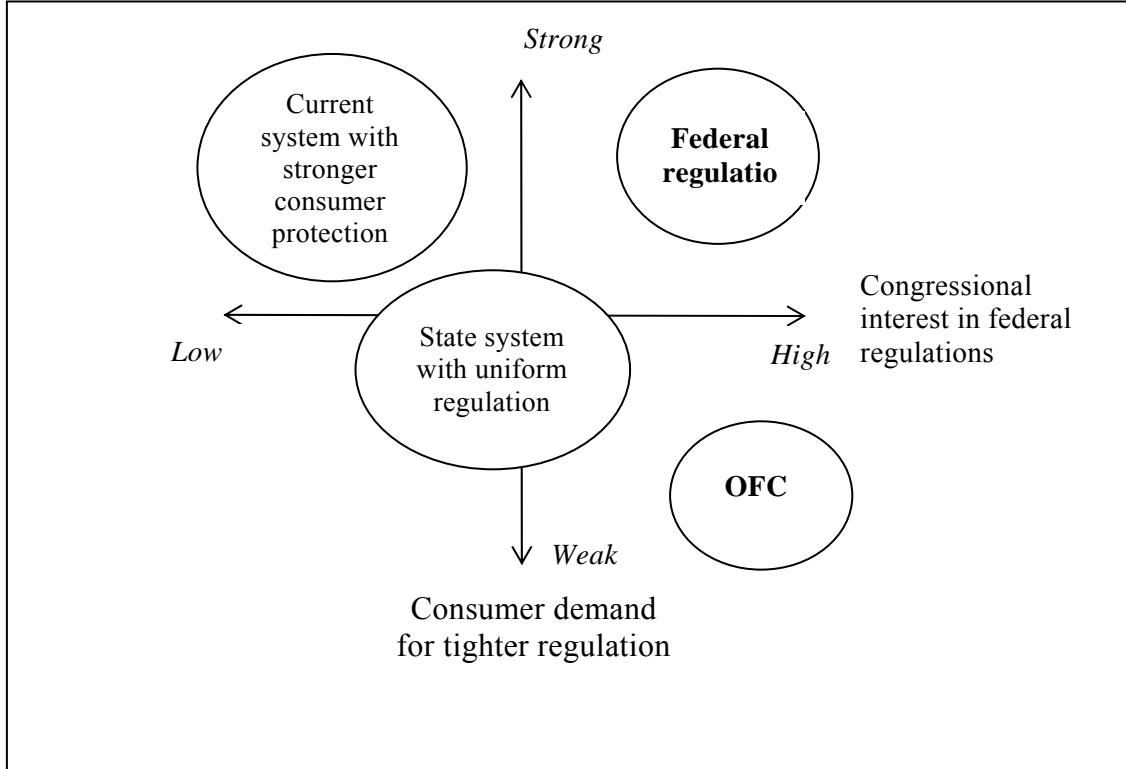


Figure 6. *Issue Map: The Optional Federal Charter*

with uniform regulation, adopting the optional federal charter proposal, and converting to a completely federally-regulated system. Among them I decided to develop scenarios for three possibilities, all except for the adoption of the OFC.

*Maintenance of the current state-based system.* The insurance industry fails to interest Congress with the OFC proposal. Nor does it make consumers understand the need for federal regulation. Congress discusses the need for insurance regulatory reform. The industry's active communication and action backfire by stimulating opponents. Opponents, such as consumer activists and state insurance regulators, build coalitions and lobby Congress to fail the OFC. Rather, they argue for stricter regulations for consumer protection. Because of the pressure from states and negative

public opinion, Congress pays no regard to the OFC. Congress finally decides to maintain the current state system. Each state government tightens its consumer protection.

*Modification of the state-based system with uniform regulatory standards.* Even after several years' discussion, Congress has not made a decision about insurance regulatory reform. The only consensus among involved parties is the need for reform. A few influential trade organizations come up with a new proposal that falls midway between the state-based system and federalization. Insurance companies communicate the benefit of the OFC. Consumers, however, are indifferent to who regulates insurance. Consumer groups are strongly against the OFC and lobby for stricter consumer protection. Congress understands both sides: the industry's need for consistent regulation and better consumer protection. It passes a new bill that maintains state regulators' authority while they follow uniform regulations.

*Complete federal regulation.* Congress recognizes the insurance argument for the need for uniform federalization. Public trust in corporate Americans and insurance companies declines after several management misconduct incidents. A few large insurers are criticized for irresponsible catastrophe management. Both Congress and consumers see the value of strict federal government intervention. Consumer activists begin to move after a few years' waiting. They are strongly against the OFC and run campaigns to publicize their position. Congress accepts the industry's demand for uniform regulation but does not allow any options. It decides to federalize insurance regulation.



### *Step 7: Scenario Draft*

A draft of scenarios was developed from the plots structured in the previous step. I developed story lines for each scenario based on the combination of driving forces and influencers identified in the previous steps. Three scenarios were developed and sent to the public relations practitioners for their feedback. Again, more details about the participants' feedback are reported later under RQ 6-1.

Insurance X's public relations practitioners generally provided positive feedback about the scenarios. They considered the scenarios thorough and accurate. Some public relations practitioners, who were not familiar with this issue, said that the scenarios were helpful to understand the issue and the situation quickly. However, they waived comment on the actual content of each scenario because of their lack of knowledge. Consequently, only four participants were actually able to provide feedback about the details of the scenarios. Overall, participants suggested no significant changes.

### *Step 8: Final Scenario Development and Interpretation*

The scenario draft was revised based on the comments from Insurance X' public relations practitioners. Consistency and plausibility of scenarios were also checked while anticipating certain reactions from legislators, competitors, customers, or activist groups regarding developments. The three final scenarios are as follows.

*“State is where it belongs”*: Maintenance of state-based system. Although insurers have worked toward the Optional Federal Charter for a few years by 2009, they have failed to create enough interest in Congress to make the OFC a reality. Congress finally begins to discuss the issue of insurance regulatory reform after the

2008 presidential election. Insurance X has announced its support for the OFC and played a leading role through lobbying. The company tries to communicate about the issue with its customers and general consumers and work with the media. The OFC and regulatory reform issue receives the spotlight in the media. Most consumers are indifferent to the regulation discussion for insurance, unless they see any direct price benefit. The active communication efforts of Insurance X and fellow insurers only provoke those who are against the OFC. The opponents, who have been inactive while the OFC was not a moving issue, act aggressively as they hear more about the issue through the media. They attack the OFC as an effort to avoid tight state regulation. They emphasize the need for improved, stricter state regulation for consumer protection, which appeals to the U.S. consumers as well as the Congress. The opponents mobilize grassroots by encouraging consumers to write or send e-mails to their representatives to support the state system. Consumers, who are upset about continuous rate increases and issues such as credit scoring, gladly join the action. The pressure from states and negative public opinion prevent Congress from considering the OFC seriously. Congress finally decides to maintain the current state system with some revision. Several state governments tighten consumer-protection regulations.

*“What we need are some changes”*: *Uniform regulatory standards*. Although Congress has discussed insurance regulatory reform for several years, it will not have made a choice until 2009. All involved parties acknowledge the need for reform. Organizations such as the National Conference of Insurance Legislators (NCOIL) and the National Association of Insurance Commissioners (NAIC) offer a new reform proposal for state-based uniform regulatory standards to fight the OFC. Insurance

companies try to educate customers about the benefit of the OFC. However, consumers do not care about who regulates the insurance industry. Because of continuous price increases, they just want more government regulation on pricing. Some consumer groups that worry that the OFC may deregulate the business also argue for stricter state regulation. Whereas Congress understands the insurance industry's need for consistent regulation, it does not consider the OFC as an alternative because of the pressure from state insurance regulators and negative public opinion. Several state governments propose supporting NAIC's uniform regulatory standards proposal and tighten consumer protection. Congress finally decides to adopt the state-based uniform system.

*"No option": Complete federalization.* Among several proposals submitted, Congress becomes interested in the uniform federalization option. Because of continuous scandals of big businesses, Americans lose trust in corporate America and ask for more intervention of the federal government to ensure corporate transparency and consumer protection. Insurers fail to manage catastrophes. Their incompetence in handling large claims and crises makes consumers question the worth of property-casualty insurance and be distrustful of the industry in general. Although consumers are not interested in insurance regulations, a majority of them want tighter consumer protection. Whereas insurers compete to obtain competitive advantages, consumers feel they are not well protected. Consumer activist groups begin to move as the issue becomes ripe. More and more consumer organizations express their concern about the OFC, because they worry that it may undermine consumer protection by giving insurers options to shop for lighter regulation. The consumer groups begin a campaign to educate consumers and publicize their opposition. They raise the issue of anti-trust

regulation in the insurance industry and argue for the federalization of regulation to deal with unfair practices.

Insurance companies advocate the need for federal regulation to compete with banks and to overcome inefficiency of the state system. New technology changes the way insurance products are marketed and distributed. The increase of mega insurance companies through M&A and the entrance of foreign insurers add support for the OFC. The companies' demand for a federal system is accepted by Congress and the consumers. Congress decides to federalize insurance regulation without any option; insurance companies end up being regulated by a strict federal system.

*Step 9: Consequence Analysis and Strategies Development*

At this stage, I assessed opportunities and risks for the organization in terms of strategy development based on the scenarios. I identified the main issues that the company needed to consider in developing communication strategies.

The review of the scenarios reveals that Congress has an absolute power in this issue. As the consumer activists pointed out, the future of this issue depends on whose side Congress is on, the insurance industry or the state regulators. Therefore, these scenarios have limitations in that they do not include interviews with members of Congress or insurance commissioners. On the other hand, the interviews with consumer activists provided a more objective point of view about the issue. Furthermore, the participants made it clear that they would be active once the issue became ripe. Although they might not be considered as a strategic public at this point, they could certainly become one in the future. Because of the criticality of Congress, it is expected that the government relations function in the legal department would

maintain the lead in this issue. However, public relations could be proactive in areas such as dialogue with consumer advocates and understanding public opinions through research.

According to the interviews with consumer activists, the position of the organization is critical for the individuals to take actions. Consequently, Insurance X's public relations practitioners may consider working with these consumer organizations before they take firm positions and get engaged in actions. As the interviews show, only a few organizations decided their future direction regarding the issue. The company could approach those organizations and form a coalition with them, if it could find a common ground. Frequent communication and relationship building with them would eventually help the company come up with a proposal that benefits both. Finally, as my third scenario shows, Insurance X and the industry may end up with the worst situation. They certainly should be prepared for this kind of situation.

RQ 6-1: What are the reactions to the scenarios and the scenario-building technique?

#### *Overall Evaluation of Proposed Scenarios*

Most participants from Insurance X believed that the two sets of proposed scenarios, credit scoring and the optional federal charter, were overall useful and sound. They said that the scenarios combined well the complete list of facts and components based on thorough research about the background. They especially pointed out that the scenarios successfully and accurately identified who and what the main concerns were. The participants also positively assessed that the scenarios effectively summarized the

situation. Mostly the thoroughness of the background research and review of components were indicated as the strength of the scenarios.

Some participants hesitated or waived their option to make comments about specific issues because of their lack of expertise on the issue. They thought themselves not quite involved in these issues because, from their perspective, the two issues were the responsibility of the people in public policy or public affairs. Consequently, a few people said, “I’m not very familiar with them,” or “So-and-so will be a better person for this issue.”

Although I explained the goal of scenario building was not to “predict” and “describe” the accurate future, but to “broaden” the perspectives by examining some possible future situations, some people asked for the reasons why I had only a limited number of scenarios instead of multiple scenarios (Ringland, 2002). They still perceived these public relations scenarios as an attempt to present one’s prediction and asked me why I had only developed scenarios about two or three extreme situations, and not those in between which they believed to be more realistic. One public relations manager thought that the scenarios were too simplistic in that I provided only two for the issue of credit scoring and three for the OFC. In that sense, the OFC scenario set, which contained three scenarios, had the benefit of the third scenario with more nuances. “Although it’s very possible that one of these scenarios can turn out to be the case,” according to him, “comprehensive” scenario development might need eight or ten scenarios to cover the whole field of likely possibilities and would make the process more interesting. He also added, “The more scenarios you write, the more likely it is that you are going to capture the real

complexity of an issue and the possible outcome.” On the other hand, another public relations practitioner, who I believe had a better understanding of the goal of this project, said that the number of scenarios or their specific direction would not be significant. She said, “You can have five people in the room and have five different scenarios.” She believed one situation, and its future, would always be interpreted differently by different people.

Meanwhile, the public relations practitioners had a more positive reaction and evaluation for the OFC scenarios than the credit scoring scenarios. Although they did not explain why, two explanations are possible. First, they were less familiar with the OFC than credit scoring. As I explained earlier, the OFC issue was new and emerging, whereas credit scoring had been discussed inside and outside the organization.

Because the issue had developed already, they knew more about the issue and could be more critical about the scenarios. Some people said that what I described in the (future) scenarios was already happening. On the other hand, most participants had little knowledge about the OFC and actually learned “new” information from my scenarios. Second, the different number of scenarios might influence the participants’ perception. It is possible that they believed three possibilities depicted the future more accurately than two scenarios.

#### *Feedback about the Credit Scoring Scenarios*

One participant suggested increasing the number of scenarios and including other possible situations, such as one that would describe the limit of the use of them, but not ban the credit scoring. Another manager made a similar comment about the possibility of something happening in between. One executive had a comment on the

role of consumers described in the scenarios. He believed the scenarios overemphasized the role consumers played. He explained that consumers, although it might “sound somewhat crass,” had not been generally a “driving force in the discussion” of credit scoring. The discussion had been primarily led by regulators and agent-generated pressures; the issue continued to be discussed primarily as a result of a number of anti-insurer regulators and some consumer activists. According to him, these consumer activists did not have broad legitimacy, because most of them were self-appointed.

#### *Feedback about the OFC Scenarios*

My three scenarios did not include the possible adoption of the OFC. One person commented that having not been given the option reminded her of the need to be prepared for all options. Her feedback included the following:

Looking in depth, the scenarios we are hoping for would not occur. [We need to] be more prepared for how our communication will affect what we want.

[In the] complete federalization [scenario], you are using a lot of argument we are using, but showing how they can hurt in a wrong way [and] lead to a completely wrong direction. That’s also a good thing to look at it, how could you be saying the right thing, but could it be interpreted the wrong way.

Several participants said they were not able to evaluate the scenarios in depth because of their lack of expertise on this issue. However, they typically said that they learned much about the issue from reading the scenarios.



### *Other Comments*

A few participants suggested minor revisions regarding the writing style or phrasing, which was rather technical, although I asked them to provide feedback about the scenarios in terms of their content, strategic values, and overall usage. In addition, they were concerned about how the scenarios described their company and their position in the scenarios. For example, the participants recommended changing how I described credit scoring because the original description might imply that credit scoring was related to how much money a person had. They wanted me to make clear in the scenario that the premise of credit scoring is how money is managed, not on how much is available. They also suggested that I make clear that the process of credit scoring has positive influences on consumers (my scenarios had only mentioned potential disadvantages of credit scoring because of the errors). For example, it could lower premiums for those with good scores. I speculate that this feedback comes from the fact that the participants considered me an outsider and cared about how the company would be viewed from the outside.

One participant made comments on the use of language in the scenarios, such as academic jargon. For example, he thought the term “hot issue,” which I used to explain credit scoring, is “not very professional slang.” He suggested replacing the term with “the issue of significant impact.” On the other hand, this same person pointed out that I used “a lot of doctoral terms” in explaining the phases of scenario development.<sup>17</sup> He said that terms such as “environmental factors,” “levels,” and “stages” were confusing to readers who were not used to these “jargons.”

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<sup>17</sup> I provided the participants a three-page document for each issue. The documents included three phases of scenario-building process and brief background in addition to the scenarios.

RQ 6-2: What sort of influence might scenario building have on an organization's decision making and strategic management of public relations?

The purposes of scenarios are to examine an organization's environment and to identify possible future situations so that decision makers can refine present actions and subsequent outcomes (Ratcliffe, 2000; Ringland, 1998; von Reibnitz, 1988). Good scenarios facilitate careful examination of the environment and recognize what may happen out of anticipation. Scenarios entail specialized application when used in strategic management, such as developing organizational goals and strategies. They also widen managers' viewpoints and expand planning horizons by initiating a new type of interaction among those who make decision and actions (Georgantzas & Acar, 1995; Mercer, 1995). Although scenario building has not been widely used in public relations, it can become a useful tool to empower public relations practitioners and enlarge public relations' contribution to strategic management. Public relations can generate possible futures for specific issues from communication's perspectives based on scientific research on the environment and help decision makers' sense-making.

#### *Long-term Strategic Thinking*

According to the participants, one of the primary values of scenario building is providing a chance to look at the situation from different, long-term perspectives. One participant said that this type of scenario-building process would be "absolutely useful for longer-term public relations." Another public relations practitioner, who is responsible for these issues, agreed that scenarios help in the thinking process:

It's obviously valuable for me because these are issues I work with. I'm always reading more information, getting opinions, getting another outlook...

as many different ways as possible. This is a very different way to look at these issues as compared to how people think about it right now... It's very useful and just provides another outlook and helps make your thinking richer.

I think it's an added tool to a list of tools we already have.

That is, according to this individual, people tend to project the outcome, or what would happen, based on what they would like to see and think. This process would be valuable in the communication field because it would force people to think about what it would take to get the company to reach its goal. "We don't necessarily think about what all our options are and think about the surrounding scenarios we set up as options. We don't necessarily think about the entire atmosphere," the participant said. For example, for the issue of credit scoring, the organization tended to view the issue from an insurance perspective without including all constituencies such as legislators and consumers.

Some participants pointed out that Insurance X's public relations policy was still too focused on short-term communication solutions and argued for broader, larger, longer-term thinking. One public relations practitioner said that his colleagues sometimes took "too a client-based approach." He explicated the problem as follows:

It is important to serve a client, but you are here overall to serve the corporation. So if they focus on just what their client is doing and don't have understanding of how that fits in the bigger picture... such as the U.S. economy. If they don't see those kinds of things, that's why you are going to find different people talking about different things than key issues. We should all really be talking about four, five key issues... it's all directly linked to

something, an overall business goal, a business approach kind of thing.

Another practitioner said: “I think that [short-term perspective] hurts us. This is about doing what drives the corporation.... [but] it’s always hard to go to somebody and risk [making] someone angry.” For example, even though a client might ask for something that would not work, such as producing pointless videos—and research found that people hardly watch video tapes—very few people were actually willing to go back and give the client suggestions or recommendations. The other thing the communicators did not have enough of was, according to the same individual, “alternatives” to what would not work. Many people lacked creative approaches to communication, which only came from mile-wide, inch-deep broad experiences in different fields.

Consequently, the participants maintained that they need a uniform model, such as scenario building, so that everyone could follow and compare an issue as a part of the bigger issue, the overall company. “I think that it’s very useful to the extent that you can help provide more formal structure in terms of how to do [forward thinking] better,” one manager said. He believed that people need a rigorous process that would prevent them from helplessly sitting down and recklessly assuming positive futures.

### *Education*

As I reported earlier, several participants (most of whom are not directly responsible for these two issues) said that these scenarios provide a good opportunity to learn about the topics. These participants discussed what and how much they learned from the scenarios, instead of commenting on the details. “I learned so much from your

scenarios,” one team leader said. This person was responsible for internal communication, rather than external public relations. The other person, who said that these issues would not influence his work and clients, also said the following:

I would say that this kind of scenario development actually benefits someone in my situation, who doesn't know much about it... for the purpose of bringing someone like me up to speed on the issue. I think in a short speck of time, you have done a pretty nice job of summarizing the issues and where they could go. It's one thing for us to say, "Here's how things stand now," but I think it would be very useful for everyone to be involved.

This individual suggested that role play based on these scenarios would help the communication managers react to the future.

This “educational effect” was detected during the group discussion as well. When I asked the participants to discuss any topics or issues they believed to be important to the organization, they named the issues that were mostly concerned about their own clients. It turned out that some participants had not been familiar with many of the critical issues having to do with their clients. For example, a manager responsible for public policy named “CLUE” as an issue; another participant asked him what CLUE stood for and what it was about. A detailed explanation was provided for the group as well as this person, which I believe was a group learning process. Similar situations were observed during the whole group interview session, such as situational analysis and environmental analysis. The participants discussed the environmental trends and issues based on their observations and exchanged opinions. During the second round of the individual interviews, a few participants

said that they would like to know what other participants, especially those who were directly responsible for these issues, would say about the scenarios and their use in practice.

### *Scenario Approaches in Practice*

Participants often confused the goal of this scenario-building project with their current practices. I was told that some of scenario approaches were already in use at Insurance X. A few participants compared the scenarios I developed through this study with those scenarios. According to one manager, the company often uses “what-if” scenarios to explore rising issues. “Although they were not as thoughtful and as rigorous as what you developed for this study,” he said, those informal scenarios were used to think about what one thing would happen. He added, “I think people would be foolish not to indulge and engage in to some extent the future by focusing merely on the past and present.” This individual believed that people in public relations and communications should try to anticipate where the issues might go. When a potential issue appeared, he would examine it and raise “what if” questions to the people involved: What if the problem gets worse? Although the process occurs around a table and is not formal, he initiates the discussion with lawyers and marketers and talks through the possible outcomes.

Many participants mentioned the company’s crisis scenarios, which I reported earlier, as one of the examples of scenario usage in their company. This monthly luncheon meeting is based on another form of “what if” scenarios and has a considerably different goal: It is a one-hour meeting to discuss responses to hypothetical crises. However, they often associated the crisis scenarios with scenario

building because of the similarity in title. Another participant maintained that his team already uses this kind of approach. For example, he emphasized that their planning includes examination of the environment of the next one year and used these “issues management” and “scenarios” in practice. However, when I asked him to relate how those were actually used, he was not able to provide any specific examples.

#### *Scenario Implications and Future Use of Scenario Building*

Most participants were positive about adopting a scenario-building technique in their organization. Some people said it would be absolutely possible to use it as part of their actual public relations practice. If the head of the department sees the need, according to one participant, the scenario-building project has a high chance of employment.

#### *Scenario Workshop*

After reading the proposed scenarios, a few participants told me that the next step needed was actual discussion of strategies directed from the scenarios, such as how Insurance X would react to the ban on credit scoring. One manager called the scenarios “a half the discussions.” A deeper examination and discussion would lead to more rigorous scenarios with possibly more subtle nuances, which then would provide interesting subjects for further discussions on strategy and education for the people who would not have everyday involvement. Participants believed that the company was likely to take this approach and make it more rigorous.

Participants also thought the department would be able to afford this type of project in the form of a workshop. One participant said maximum one-day, and desirably half-a-day, would be appropriate. However, he added that the success and

direction of the project would depend on how much the head of the department would champion and remain firm about this approach.

#### *Cross-Functional Integration*

Participants expected that the scenario-building process would be able to initiate cross-functional conversation as well as strategy development. One participant projected that there would not be any resistance even though public relations leads the scenario-building project. Another practitioner also thought that people from other functions, such as legal and marketing, would be willing to participate in the project. However, as a few communicators said, the public relations department was “getting there” to be involved and lead strategic discussions; it was not completely a part of discussions. It was expected that scenarios would create a code among those who were involved in the issue so that everyone, including public relations practitioners, could share goals and focuses. Furthermore, scenario building led by public relations would enable the communicators to direct strategy development.

#### *Heavy Workload*

On the other hand, some negative reactions existed: not enough time for additional work because of busy everyday work. It was often pointed out that having the members of the public relations department conduct this type of project would be difficult, even though possible, because people would have to work the project into their everyday work, which was already overwhelmingly busy. “People just have to then change the way they look at long-term objectives as related to strategy,” one person said.



Another person projected that the introduction of this kind of project in the form of a regular workshop might result in “strong resistance” among public relations practitioners, especially if it should take more than one day. In fact, some public relations practitioners tended to distinguish long-term issues from those of the short-term. I often observed that the participants said long-term thinking and strategies would be nice to have, but not necessarily what was needed or at least not a critical issue at that moment. “They are overworked,” one practitioner said. Even though the shared service approach was intended to prevent overworking, almost all participants talked about overload, which kept them from doing some other work, such as strategic thinking and long-term planning based on brainstorming or long discussions.

A large part of the negative reaction toward the use of scenario building came from the lack of resources and staff. The lack of financial resources would automatically mean that the department maintain a low profile and little recognition within the organization. Furthermore, some members of the department lacked public relations skills and expertise. One executive explained the situation as follows:

We’ve got too much to do and not enough people to do it. And in part that’s because we have a legacy of folks inside the home office and outside in the field with relatively low PR skills, and got sent to the department because it was an easy place to be put without having to make a hard decision about suitability for being continued at Insurance X... if you look at the field organization, at least half of them, probably 60% of them, are not PR people. But they are running; they are doing PR work, so [they are] not doing very well.

He also added that the department continuously struggles to move all the least-skilled people out and bring in newer, younger, more skilled people.

### *Summary*

Most participants evaluated scenario building as a useful tool for their public relations practice. I also found an unexpected contribution of scenario building: education. They agreed that scenarios would initiate long-term strategic thinking among communicators and help them have broader perspectives. They also said that scenario building could be employed at the organization in the form of a short workshop. However, although the participants recognized the value of long-term strategies, they were not able to conduct their practice in that way because of each practitioner's workload. The findings suggest that scenario building would be difficult to adopt as an internally-driven project unless the project is strongly supported by the department heads and the organization.

## CHAPTER V: IMPLICATIONS AND CONCLUSIONS

The purpose of this study is to explore how public relations can employ the scenario-building technique as a part of a strategic management function and apply the proposed model in developing scenarios for the specific issues that the case organization had. In addition to finding answers for the research questions that were posed in the beginning of the study, I was able to find the evidence that scenario building can be employed in public relations practices and, furthermore, benefit its practitioners in many aspects.

The results of my research are reported in chapter 4. The chapter provides the answers for the research questions based on the description and analysis of the data that were obtained through interviews and document review. I first summarize the data and my major findings based on each research question. In addition, I interpret the data and discuss the implications of these findings for scenario building in the strategic management of public relations.

Among the many results of this research, the following four have greatest significance.

- 1) Strategic management of public relations requires both the public relations practitioners' competence and the dominant coalition's recognition and understanding. Public relations can be involved in strategic management and make contributions only when both are present.

- 2) Strategic management of public relations requires more than communication and public relations expertise. To be fully involved in issues management and strategic decision-making, public relations managers need to have adequate business knowledge and information beyond the public relations realm. They must understand the organization's business, the industry, and the business environment in general, in addition to the knowledge and expertise in public relations.
- 3) Scenario building is useful for an organization in a complex environment to systematize environmental scanning and communication-strategy development. It can also be incorporated with issues management and engage cross-functional managers.
- 4) Scenario building benefits public relations practitioners not only as a strategy-building technique, but as a device for internal educational and organizational learning.

#### Overview of Results

Strategic management of communication is not a primary part of Insurance X's public relations. Although the company's public relations practitioners maintain that their practice is strategic and proactive, they are not formally engaged in strategic decision-making or issues management. This discrepancy results from the different perceptions about public relations between the public relations practitioners and the organization's dominant coalition and non-public relations managers. Often some members of the dominant coalition consider public relations as media relations or community relations. This leaves Insurance X's public relations away from the decision-making table too often.

Although several participants define their role as strategic advisors for the management of the company or clients by providing advice on “communication ramifications,” they play both the technician and the communication manager roles. As managers, public relations practitioners consider themselves primarily as communication facilitators and coordinators between the organization and the publics or among different client departments. Whether they are media relations specialists or not, public relations practitioners highly emphasize the media relations function because the organization perceives public relations mainly as media relations.

Insurance X’s organizational structure has critical influence on how public relations is practiced and perceived within the organization. Because the public relations department is considered an internal public relations agency as part of the shared-service system, its primary role is to support each business unit to communicate business issues. Consequently, depending on clients, public relations focuses more on the technical than the managerial role as an information disseminator.

Insurance X uses all four models of public relations. The company often uses one-way models, the press agency and the public information model, to “tell” the positive stories about it with the hope of changing negative public perception. It relies on the public information model to disseminate helpful information for the public, such as tornado preparation and hurricane advisories, in the form of releases and information kits. It also tries to educate consumers about the value and role of insurance in the economy. This aims at correcting the negative perceptions about insurance. Insurance X also tries to gain publicity and media attention through press agency. Litigation-related communication often involves designing and disseminating messages that

explain the company's position with an attempt to influence public opinion.

The organization employs two-way symmetrical public relations in maintaining relationships with and obtaining mutual understanding about publics, agents, and the community in particular. It has tried to build a good relationship with its agents since it had experienced a crisis. It created an advisory board that consists of agents and financial specialists; the voices of agents are heard through regular meetings between the board and Insurance X's management. The company's philanthropic programs through Insurance X Foundation are also based on two-way symmetry to maintain relationships with local communities, legislators, regulators, and media. Public relations practitioners occasionally use the two-way asymmetrical model to craft messages for employees and customers. Those messages advocate the position of management and try to persuade the audiences based on research. This type of activity is mostly employed to support marketing or product promotion.

Insurance X's strategic decisions are made by a group of senior managers called the "Senior Management Team"; the heads of public relations are not part of this group. They do not have a direct reporting relationship to the CEO; however, the top communicators have access to the dominant coalition as they report to an executive who is a member of the dominant coalition. They also frequently gain access to the CEO through informal but direct communication. Whether formal or informal, they believe access is the key to strategic involvement. Typically, the top communicators are brought to the table after senior managers recognize the need for communication advice. Even though the public relations practitioners maintain that they are involved in strategic management of the organization, their involvement is ad hoc on a case-by-case basis.

They are not brought in early enough to influence decision-making; clients often invite them in for advice after something goes wrong.

Public relations' involvement in strategic decision-making processes has recently increased as a result of continuous effort to earn the status; it used to be considered as a "fuzzy area" or simply a delivery function. The public relations department has increasingly emphasized expertise and professional skills as the company's management recognizes the value of public relations. The top communicators also contribute to change the atmosphere of the public relations department and advance it by changing the dominant coalition's expectation. The organization typically conducts informal and "seat-of-the-pants" (L. Grunig et al., 2002, p. 394), rather than formal, research.

Insurance X does not have a formal environmental scanning function or process. Neither the organization's management nor public relations practitioners themselves consider environmental scanning as public relations' major responsibility. The absence of a formal environmental-scanning process implies that public relations does not fully function as the organization's eyes and ears. The participants often obtain information about publics or the external environment from their clients in other departments or journalists. As a decentralized organization, much of the environmental scanning is conducted by field communication managers. However, there is no regular reporting system between the field offices and the headquarters. The only regular environmental scanning is media monitoring.

No formal issues-management process or function exists at Insurance X. The company manages issues based on ad hoc committees that are created when an issue arises. Issues managers decide the membership of committees and subsequent

responsibility. Although the public relations department has a “reputation filter,” a decision-making model that measures the ramification of decisions on the company’s reputation, the people outside the department do not appreciate the process; rather, they consider it cumbersome and believe it only delays decision making. In the issues-management process, public relations practitioners typically play a supporting role. On the other hand, the members of the legal department often lead the committee because the insurance industry is highly regulated and needs to be sensitive about legal boundaries of decisions. Public relations practitioners are expected to function as media specialists or at least provide media-related advice. Consequently, within the public relations department, the members of the media team are most actively involved in issues management.

#### *Public Relations Scenarios*

Two sets of case scenarios demonstrate how to develop scenarios from a public relations’ perspective. I selected two important issues, the use of credit score for insurance and the optional federal charter in the context of insurance regulatory reform, because of their significance for the company and uniqueness. Scenario building requires close examination of potential and existing issues around the organization and broad understanding of macro- as well as micro-level environment. Therefore, these scenarios are based on extensive environmental scanning. My revised model of scenario building also involves interviews with the members of publics based on the situational theory of publics. In this study, the interview data provide critical components of scenarios.



### *Credit Scoring*

Credit scoring was much developed and was at an “issue” stage (L. Grunig et al., 2002, p. 144). The use of credit scoring has increased across the business in the United States and has become established as a part of the insurance rating system. The public has a firm, negative position toward insurance credit scoring and a clear direction for its future action. As members of an active public, the consumer advocates have a strong opinion based on high problem recognition and a high level of involvement. They actively seek, generate, and disseminate information. They plan to participate in more actions and involve more “general” consumers through education and grassroots mobilization. Both the company and consumer advocates agree that consumer education is necessary for this issue. However, in-depth conversation with both parties reveals that they approach consumer education from different angles. Insurers want to educate consumers so that they can understand the legitimacy of the system and support their position, whereas consumer advocates want to increase consumer awareness of this “problem” and persuade general consumers to join the movement to ban credit scoring.

The interviews with consumer advocates show that the organization needs to consider the following issues: legitimacy and validity of the insurance credit scoring formula, transparency of the credit scoring formula, and access to the data. In addition, whereas credit scoring has become established as a part of the rating system, many insurance regulators view it negatively and agree with consumer activists in large part. According to the interviews, consumer activists expect to increase their action to ban

the use of credit scoring; they plan to continue lobbying and giving testimony, as well as increasing their use of grassroots mobilization to pressure state legislators.

Like the consumer activists, Insurance X's public relations practitioners also had a firm position about the issue. They acknowledge that they cannot explain the causal relationship between credit scores and driving behavior, nor do they try to explain the legitimacy of credit scoring, which many consumer advocates criticize as fallacious.

The two scenarios I developed around the issue of credit scoring display two distinctive possibilities. In both situations, negative consumer perception about insurance is prominent. This perception, in my view, will not change if the insurance industry continues to deny consumer activists' request to access its data and refuses to consider independent studies. That is, transparency of the credit-scoring apparatus is the key to this issue.

#### *The Optional Federal Charter*

The second topic, the optional federal charter and insurance regulatory reform, is in its initial stage and has not evolved into an "issue" yet. Because the OFC is such a new, emerging topic, it is hard to predict where the issue will go. Consumer awareness and involvement are low; consumer advocates may or may not be a strategic public. Even the participants are not certain about their own position or future behavior by saying that they will wait until the topic becomes bigger and more serious, which is expected to take at least a few years. All types of publics are found among the participants: active, aware, latent, and non-public. This again indicates that it is a drifting issue. In fact, no consensus exists even among the consumer activists regarding

this problem. Most participants say that they do not have a firm position about the topic. Rather, they say that they will follow that of their organizations. However, they agree that whatever the insurance industry proposes would be bad for consumers.

Because of this lack of concrete information, this topic entails more alternatives than credit scoring, which the public relations practitioners find more thought provoking and stimulating. However, the interview results imply that the organization may collaborate with consumer groups that have not established their positions during the next few years while the OFC becomes a bigger, more serious issue. In addition, at this stage, the key issues will be how to let the world know about this topic and how to influence public opinion.

#### *Summary*

The scenario-building activity from a public relations' perspective helps communicators obtain comprehensive understanding of the issue and the environment at a glance. For the public relations practitioners who are directly involved in an issue, it provides a foundation to develop public relations strategies as part of the organization's larger strategy. The scenario-building process is based on "strategic conversation" among communicators, which reinforces their strategic thinking. Furthermore, it enables public relations to instigate and lead cross-functional discussion about strategies. For those who do not have first-hand responsibility for the issue, scenarios present quick overviews of the issue so that they can be on the same page with other communicators. Consequently, scenarios can be a useful tool of internal education as well as strategy-development apparatus.

## Discussion of Results

According to Yin (1994), one important result of case study research is the generation of propositions based on results. However, when the study is exploratory, its purpose may be simply exploration rather than the development of propositions. In this study I developed seven research questions based on a literature review in public relations and strategic management and collected data to answer those research questions. I found important patterns emerging throughout the data collection, analysis, and interpretation process. Thus, in this part of the final chapter, I present seven propositions for a normative theory of public relations scenario-building in relation to the strategic management of public relations. The propositions, based on extensive evidence presented in chapter 4, identify what functions and structure help make an organization's public relations practice strategic and how an organization can adopt and better use scenario building.

*Proposition 1. The more excellent an organization's public relations, the more likely the organization is to accept, appreciate, and best use scenario building in its public relations practice.*

The findings of this study support this proposition. The data that I gathered through interviews and document review show that the organization follows some of the Excellence principles that I discussed in chapter 2. More specifically, Insurance X's public relations follows these principles:

- 1) A direct reporting relationship to senior management.
- 2) A single public relations department.
- 3) The strategic and managerial role of the senior public relations practitioner.

However, as several participants pointed out, public relations is not involved in strategic management on a regular basis. Rather, even when it is involved, it is often brought in the last minute or after decisions are made. On the other hand, a few mid-level managers said they are always at the table with their clients. These seemingly conflicting stances imply that the function is not typically part of strategic management and that it is not highly appreciated within the organization. Because of this lack of recognition, public relations may not receive enough support, such as budgetary and human resources, which would otherwise better develop the department's function. Hence, it may face continuous limitations in participating in strategic management.

The fact that top communicators are not members of the dominant coalition shows that the organization does not fully recognize the value of public relations. Although the senior managers of public relations report to a member of the dominant coalition, this individual is not a communication person. I was told that this person looks for communication-related advice from the public relations managers once he sees potential problems in decision making. Again, public relations is not a part of decision making, unless these non-public relations individuals realize the need. The public relations practitioners maintain that the formality of reporting relationships or inclusion in management decision-making are not significant as long as they have access to the dominant coalition, especially the CEO. According to the participants, although the heads of public relations are not formally involved in strategic decision-making, their frequent communication with the dominant coalition, especially the CEO, contributes to effective issues management. However, this situation reveals where and how public relations is positioned within the company.

When the dominant coalition has a narrow perception about public relations, it tends to define public relations as media relations or community relations. If public relations' role as a strategic advisor is not enacted, its involvement in the decision-making process would be limited even if the communicators had that capability. This makes it challenging for public relations to contribute to strategic management. At the same time, individual public relations practitioners share the responsibility; some public relations practitioners do not have appropriate education or background, let alone research competence.

Furthermore, not having public relations at the decision-making table is likely to result in information shortage among members of the dominant coalition about the organization's environment and its publics. The information that the public relations practitioners collect as boundary spanners may not be communicated to the dominant coalition when it is needed. In turn, the organization's dominant coalition may fail to make strategic decisions that maintain balance with the external environment.

Insurance X's public relations practitioners play both the technician and the manager roles. Although an individual practitioner may say that he or she is an advisor for clients, he or she often plays the technician role more than the managerial role. Instead of strategic advisors, communicators are often considered media specialists or communication facilitators.

One of the main issues with strategic management of public relations at Insurance X is the inconsistent definition and understanding about "being strategic" among communicators and within the company. The public relations practitioners at Insurance X do not have a common understanding of what it means to be strategic. When I asked

them how they are involved in strategic management or decision-making, individual participants provided different answers based on different meaning. Whereas some people consider strategic public relations as full participation in management and providing advice on the communication ramifications of decisions, others have a narrow definition, which L. Grunig et al. (2002) called a “message-only approach” (p. 383): aligning messages with the goals of the organization. These practitioners do not believe that not having a seat at the decision-making table is a problem. Rather, they consider the frequency of the contact and the physical distance with the dominant coalition as indicators of strategic public relations regardless of the type of responsibility or tasks. With this type of perceptions, public relations may remain marginalized from strategic management and end up being a technical delivery function.

The public relations department does not have symmetrical relationships with other functions in the organization. For example, public relations is often considered as a support function for the legal or the marketing department in the areas such as media relations and community relations. Because of the organization’s emphasis on government affairs and regulatory matters, the legal department often leads the issues-management process.

I also speculate that the public relations department would more effectively and proactively participate in the organization’s strategic management if the senior managers had more formal training in public relations. For example, the public relations function has two vice-presidents who share the responsibility. One individual is a public relations veteran who has professional knowledge and expertise. The other executive is a former lawyer with no training or education in public relations or communication. This person

has a narrow view of public relations and has little experience in the field. He considers the role of public relations to be integration between the public relations and the legal departments or media relations. Even though the intention of having him in communication was to improve relations between the legal and the public relations departments, one could conjecture that this type of relation falls in the category of “encroachment,” discussed by L. Grunig et al. (2002, p. 213). However, the public relations practitioners do not see this encroachment negatively; rather they consider this executive an additional resource. I believe their reaction comes from the fact that they have another vice-president who has a strong public relations background and thus they do not fear losing their power and resources.

I found evidence that Insurance X is an organization in the course of transformation toward excellence. A few participants discussed the importance of having “strategic minds” and people with public relations competence. The department has been trying to restructure by replacing people who do not have communication expertise with people with superior skills and knowledge. Whereas the communication function used to be known as a place for anybody, now it receives more respect. Hiring people with professional knowledge contributes to changing the atmosphere of the department and achieving excellence.

The department also has generated a new function, government affairs, to deal with public affairs issues in conjunction with the legal department. Participants in this study believe the relationship has improved recently. The public relations department has tried to introduce strategic approaches and scientific processes, such as the reputation filter, although it seems to receive little appreciation or recognition within the



organization.

Because Insurance X lacks some of the characteristics of public relations excellence, it may experience difficulties in adopting and using scenario building. First, public relations is not considered a management function responsible for helping develop strategy—which is the goal of scenario building. People from other functions may perceive this type of process as beyond public relations' scope. Second, public relations practitioners invest much of their time in technical tasks, such as writing and editing, leaving little opportunity for managerial activities.

*Proposition 2. The more an organization employs two-way communication, the more likely it is to generate scenarios that are plausible. In turn, the more an organization adopts scenario building, the more likely it will recognize the value of two-way communication.*

The two-way symmetrical model is useful to build and maintain relationships with publics. Insurance X employs this model for communication with agents and the community. However, its public relations practitioners failed to provide examples of two-way communication and relationship building with other publics. Instead, the public relations practitioners as well as the organization's dominant coalition seem to focus on sending out information. Insurance X's public relations department does not conduct formal or informal research regularly, which partially results from the dominant coalition's misperception equating public relations with media relations. Insurance X does not recognize and communicate extensively with consumer activists. However, the interviews with activists show that they constitute strategic publics that may have consequences on the organization. An active public, obviously, actively communicates

about the issue and is engaged in actions to influence the issues.

The scenario-building process I developed shows the value of two-way symmetrical communication, which would help the organization understand its environment and the publics within it. By understanding the publics' perceptions and attitudes, the organization can have a realistic expectation about their future behavior. Although the accuracy of scenarios is not the primary goal of scenario building, accuracy would certainly help public relations practitioners come up with workable strategies for the future. Hence, accuracy would increase the value of scenario building and enhance public relations' credibility. In addition, this type of information sharing and collection could add to the organization's database.

*Proposition 3. An organization with a formal environmental scanning function is more likely to employ scenario building and use it effectively than an organization that does not conduct environmental scanning.*

*Proposition 4. An organization with a formal issues management function will employ scenario building more effectively than an organization without it.*

As I reported earlier, Insurance X does not have a formal system for issues management. This absence of issues management may cause problems for the company. The *ad hoc* nature of issues management means that Insurance X may fail to identify issues before they evolve into serious problems. This situation results from the fact that the organization does not have a formal environmental scanning function or system either in public relations or in other departments. Even when an issue arises and an issues management team is formed, public relations practitioners are often left out until communication problems occur. Based on my observation and interviews, the

organization does not expect strategic involvement of public relations in issues management, which is often decided by each issues manager. Consequently, it is desirable for Insurance X to establish a formal process of issues management or have a function that systematically incorporates that function with environmental scanning.

The public relations department needs to establish this issues management function and take ownership of public relations issues. Moreover, frequent communication with the dominant coalition should allow its members to see that the function helps maximize organizational effectiveness. That realization could lead to broader responsibility for public relations, since the dominant coalition could see first hand its value and application outside of the well-known publicity function.

A few changes with the organization's environmental scanning activities and issues- management processes would improve its capabilities in strategic management. Early involvement of public relations could improve decision. Currently, according to the public relations practitioners, some managers make decisions without communicators' input and only bring in communicators for their advice once something goes wrong. Having communicators at the table would help avoid this inefficiency and ineffectiveness, although non-communication managers may not see the value from a short-term perspective. Appropriate and prompt information about the environment would allow the organization to make strategic decisions that are environmentally sensitive and responsive. The public relations department's "reputation filter" is a useful tool for accomplishing this.

Insurance X's public relations department needs to establish a formal environmental scanning function and share the results with other functions and the

dominant coalition on a regular basis. The company needs to expand the scope of any environmental scanning it does do. Its monitoring activities tend to focus on existing customers, employees, and agents. These activities highly depend on news media. The company should broaden its scanning to identify and consider other publics, such as general consumers and consumer activists. As is, the company is not able to proactively identify diverse publics unless they raise problems that are covered by the media.

The scenario-building process involves environmental scanning in several steps. If an organization regularly conducts environmental scanning, it already has much information that is needed for scenario building and, consequently, can employ and develop scenarios with a minimum of extra effort. An organization with a formal issues-management system will enjoy similar benefits because much of the scenario-building process overlaps with issues management. On the other hand, the public relations practitioners of Insurance X speculate that it may be difficult to employ this process because it requires too much time and effort outside their everyday responsibility.

*Proposition 5. An organization's structure highly influences how strategic management of public relations is implemented.*

Although Insurance X's "shared service" system has advantages, such as efficiency, I found that it hinders public relations from taking a proactive, strategic approach. As an internal agency, public relations is considered a supporting function that is often limited to delivery of technical services such as writing or media planning. Even public relations practitioners see themselves as integrators or facilitators of communication, not leaders. This is clear in issues management. Public relations often has limited involvement in issues management because its participation is decided by

those who lead the issues committees. Participants used the concept of “consultant” to explain their role. However, much of their consulting remains in the area of media. In addition, to support each business unit and function, the public relations department is highly fragmented into several teams.

In that sense, the organization needs to consider how to make its public relations function strategic. Although the public relations practitioners I interviewed said that they expect and desire to have more involvement, many tend to remain narrow and short-sighted about strategy because of their workload. According to Luckazewski (2000), 95% of undesirable situations that affect organizations come from daily operations. However, the other 5%--non-operating situations—need strategic consideration because they may threaten the organization’s survival as well as its reputation. Insurance X’s public relations practitioners tend not to consider longer-term—three to five years—strategies critical for them because they are overwhelmed by everyday tasks and deadlines. If the organization establishes scenario building as its regular project, it can provide a formal and compulsory process that forces public relations practitioners to think more strategically and have a wider perspective than they do now. Scenario building requires the competence and expertise of the participants. Therefore, it eventually improves communicators’ strategic problem-solving power and cultivates a strategy-embedded culture.

*Proposition 6. Scenario building forces and institutionalizes strategic thinking in public relations.*

As the participants pointed out, scenario building facilitates longer-term strategic thinking and conversation among communicators. It also helps

communicators take a holistic approach. Insurance X's public relations department is highly fragmented, based on clients and areas of specialization, such as media relations, public policy, and community relations. Because the organization is thus fractionalized and decentralized, it needs integration and common understanding among communicators. As the interviews with public relations practitioners show, individual practitioners mostly focus on the areas that are directly related to their daily responsibility. Although these communicators maintain close relationships with their clients through the "shared service" system, and consequently obtain up-to-date information through their relationships, they tend to focus on the areas that directly influence their clients. They frequently say, "It's not my area," or "That's not my issue." However, longer-term strategies need broader perspectives, which inevitably involves interrelationships among issues. Although the public relations department of Insurance X already maintains collaboration among different teams, it should increase this communication. The scenario-building process, because it involves extensive review of the issue and the environment, can initiate and facilitate strategic conversation and educate those who are involved in the process directly and indirectly. Developed scenarios also provide succinct, quick overviews of the situation to those who are not familiar with the issue.

The two cases in this study successfully demonstrate the scenario-building process in different situations. The review these cases reveals that the issues, insurance credit scoring and the optional federal charter, are related to each other to some extent. In fact, although I selected only two issues for scenario development, the scenario-building process shows that most issues identified in the early stage are interrelated.

Regulatory reform will result in significant changes in how the insurance business is operated. It will influence the issues that concern the product policy and regulation, such as credit scoring, CLUE, and ALE. Furthermore, all of these issues are naturally related to a bigger and more fundamental issue: customer retention and growth. For example, the interviews with consumer advocates reveal that negative consumer perception and reputation have great influence on their problem recognition and actions.

The interviews with the members of consumer organizations imply that media coverage of this activism, whether it is from a negative or a positive angle, may benefit the activists. Both issues, credit scoring and the OFC, are not well-known among general consumers. News coverage would increase awareness of these issues and may influence consumers' problem recognition, which would eventually influence public opinion.

As Mintzberg (1983) maintained, government intervention can make the situation serious because it leads to more control. The consumer activists try to involve the government in addition to the media in their work against organizations. Consequently, management of these two issues requires collaboration among several functions and well-crafted strategy. Activists encourage communication and other action through multiple channels. I also found a similar situation to what Anderson (1992) established in her study of activists: When organizations fail to identify consumer activists as people to communicate with, activists try to find information through their own networks and increase pressure through lobbying. Insurance X needs to be sensitive to these activists, identify them early, and develop communication strategies to cultivate mutual understanding with them.

During the course of my research, I found little evidence of communication between the organization and consumer activist groups. When I asked one of the vice presidents of public relations, he said that he talks with a few consumer activists a few times a year. He said these people have “no legitimacy because they are self-appointed consumer advocates” without substantial consumer support (although he acknowledged that the company could do more education). In other words, the organization fails to recognize consumer groups as strategic publics. It rarely tries to build relationships with them. My interviews with consumer activists show that they believe insurance companies do not care about them because of their lack of power and resources. However, the executive I spoke with also recognizes the value of these groups. He explained that their opposing view on credit scoring comes from their lack of education and information. The next thing the company needs to do, he believes, is to make sure the right people have access to the resources. However, he added that different people should be approached in different ways. For example, consumer groups based on particular ethnic groups such as Hispanics or African-Americans would help both the consumers and the company. His example provides evidence that relationships with consumer organizations could help the company.

The two issues I explored in depth show that it is hard to develop scenarios without proper understanding of publics. In these cases, the absence of communication with publics results in a lack of understanding about their perception as well as behavior. The cases demonstrate how scenarios can initiate and facilitate strategic conversation. Scenario building helps public relations managers understand the need to take publics into consider in decision making.



*Proposition 7. Scenario building empowers public relations practitioners by helping them enact the strategic-manager role within the organization and in their relationships with other organizational functions.*

As L. Grunig et al. (2002) maintained, the value of public relations is in bringing a diverse set of problems and possible solutions into strategic management. Specifically, it brings the problems that the publics perceive into decision making. Scenario building is a useful tool to enhance this role in several ways. First, the scenario-building process requires close examination of the environment and the publics, which also overlaps environmental scanning. Therefore, the use of scenario building naturally enhances and formalizes the environmental-scanning function. Second, the scenario-building process has much in common with the issues-management process in that it identifies, analyzes, and draws strategy options. Whereas scenarios examine multiple possible situations in the future, issues management focuses on handling the issue in a strategic way (Chase, 1984; Jones & Chase, 1979; Lauzen, 1997). The proposed model of scenario building incorporates a large part of issues management. Third, scenario building entails cross-functional conversation and collaboration among different functions. This is especially useful for organizations like Insurance X, which have highly diversified functions and departments. Insurance X's public relations has a relatively limited domain because several areas of public relations are managed by other functions such as law and regulation or marketing. Public relations can invite input from other departments and work together in developing scenarios, while it maintains the leadership of the process. This process can improve others' perception of public relations beyond lip service or media relations and position it as a strategic function. Scenarios and the process of

scenario development also can be an important opportunity for education and information sharing across the organization. The public relations department can lead the management of uncertainty and strategy development from a communication perspective (van der Heijden, 1996). I provide the list of my propositions in Table 5.

### Model of Public Relations Scenario Building

I began the scenario-building process based on the conceptual model that I proposed earlier. The actual development, which is an application of the conceptual framework, involved moderate changes during the course of research. The participants' reactions suggest the following areas need to be improved in the model.

First, as some participants pointed out, I found that the use of language needed modification. Practitioners found the scenario-building process that I provided with the draft of scenarios too academic with heavy use of “doctoral” or theoretical terms. (The document I sent to the participants appears in appendices H and I.) For example, a few participants found terminology such as “influence areas,” “scenario field,” and “factors” confusing because these terms were too academic. To make the scenario-building process more relevant and easier to use, it is crucial to avoid unnecessary jargon that might create resistance.

Second, a few participants were sensitive about any description that might depict their organization negatively, whereas others believed those points expanded their perception and understanding. Participants wanted to see a balance between positive and negative information, especially when an outsider develops the scenarios. In revision of the scenarios, I tried to maintain this balance and make appropriate

Table 5

*Propositions*

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Proposition 1. The more excellent an organization's public relations, the more likely the organization is to accept, appreciate, and best use scenario building in its public relations practice.

Proposition 2. The more an organization employs two-way communication, the more likely it is to generate scenarios that are plausible. In turn, the more an organization adopts scenario building, the more likely it will recognize the value of two-way communication.

Proposition 3. An organization with a formal environmental scanning function is more likely to employ scenario building and use it effectively than an organization that does not conduct environmental scanning.

Proposition 4. An organization with a formal issues management function will employ scenario building more effectively than an organization without it.

Proposition 5. An organization's structure highly influences how strategic management of public relations is implemented.

Proposition 6. Scenario building forces and institutionalizes strategic thinking in public relations.

Proposition 7. Scenario building empowers public relations practitioners by helping them enact the strategic-manager role within the organization and in their relationships with other organizational functions.

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changes in describing the situation. Those who build scenarios for organizations as outside people should keep this in mind.

Finally, those who build scenarios should obtain consensus about the number of scenarios among participants. Although scenario-building experts maintain that different numbers of scenarios have varying advantages and disadvantages, the participants preferred having more options and alternative perspectives.

Meanwhile, the first four steps--task analysis, environmental influence analysis, issues analysis, and key uncertainty identification--are not clearly separated. In addition, from a public relations' perspective, participants tend not to differentiate the general environment from the task environment. Scanning of the general environment could be beyond the capability and responsibility of public relations. Rather, key uncertainty identification at Step 4 is similar to the environmental scanning activities in the public relations context. Therefore, for the purpose of public relations strategy, Step 2, environmental influencer analysis, may be incorporated into Step 4. This is both realistic and reasonable; because public relations focuses on publics—those who form around specific issues—that are identified at Step 3. A part of Step 1, defining time and geographical scope, also can be decided after an issue is selected. However, situational analysis can be used for brainstorming as well a warming-up task. Consequently, I modified the model as shown in Figure 7. Although this study does not include strategy development from the organizational perspective, I believe that it is crucial to maintain that stage in the model for future use. As I reported earlier, the ultimate goal of this project, scenario building, is not creating story lines or making predictions, but initiating

strategic conversation and developing strategy. The modified scenario-building process is as follows.

*Step 1: Task Analysis*

Analyze the organization's present situation based on methods such as SWOT analysis and identify the organization's identity, strategy, and goals. Participants of the scenario-building process obtain and share a platform to understand the organization and its issues.

*Step 2: Issues Analysis and Selection*

After gaining congruent understanding of the organization's situation, examine the potential problems and issues through environmental scanning. Identify and analyze critical issues and problems that have potential to influence the organization. Select the most important issues for scenario building.

*Step 3: Time and Geographical Scope*

Define the scope of scenario building, such as time frame and geographical range, considering the characteristics of the issue or problem.

*Step 4: Environmental Influencer Analysis*

Continue environmental scanning to identify and analyze external influencers related to the selected issue. At this stage, analyze major stakeholders and basic trends to assess the external influencing factors and their interrelationships.

*Step 5: Key Public Identification*

Identify and segment publics around the issue based on the situational theory of publics.

*Step 6: Scenario Plot and Component Identification*

Combine scenario components identified through Step 3 and Step 4 to generate scenario plots. Examine multiple combinations of the components to develop plausible plots.

*Step 7: Final Scenario Development and Interpretation*

Check consistency and plausibility of scenarios based on the anticipation of driving forces' reactions and behaviors.

*Step 8: Consequence Analysis*

Analyze possible opportunities and risks around the issue and assess their significance. The scenario team may decide move back to Step 3 and Step 4 if it identifies a need for additional research.

*Step 9: Final Decision Scenarios and Strategy Development*

Analyze the possibilities of issue development within the projected scenario time frame from different perspectives and discuss strategies for each situation. Announce and publish final scenarios.

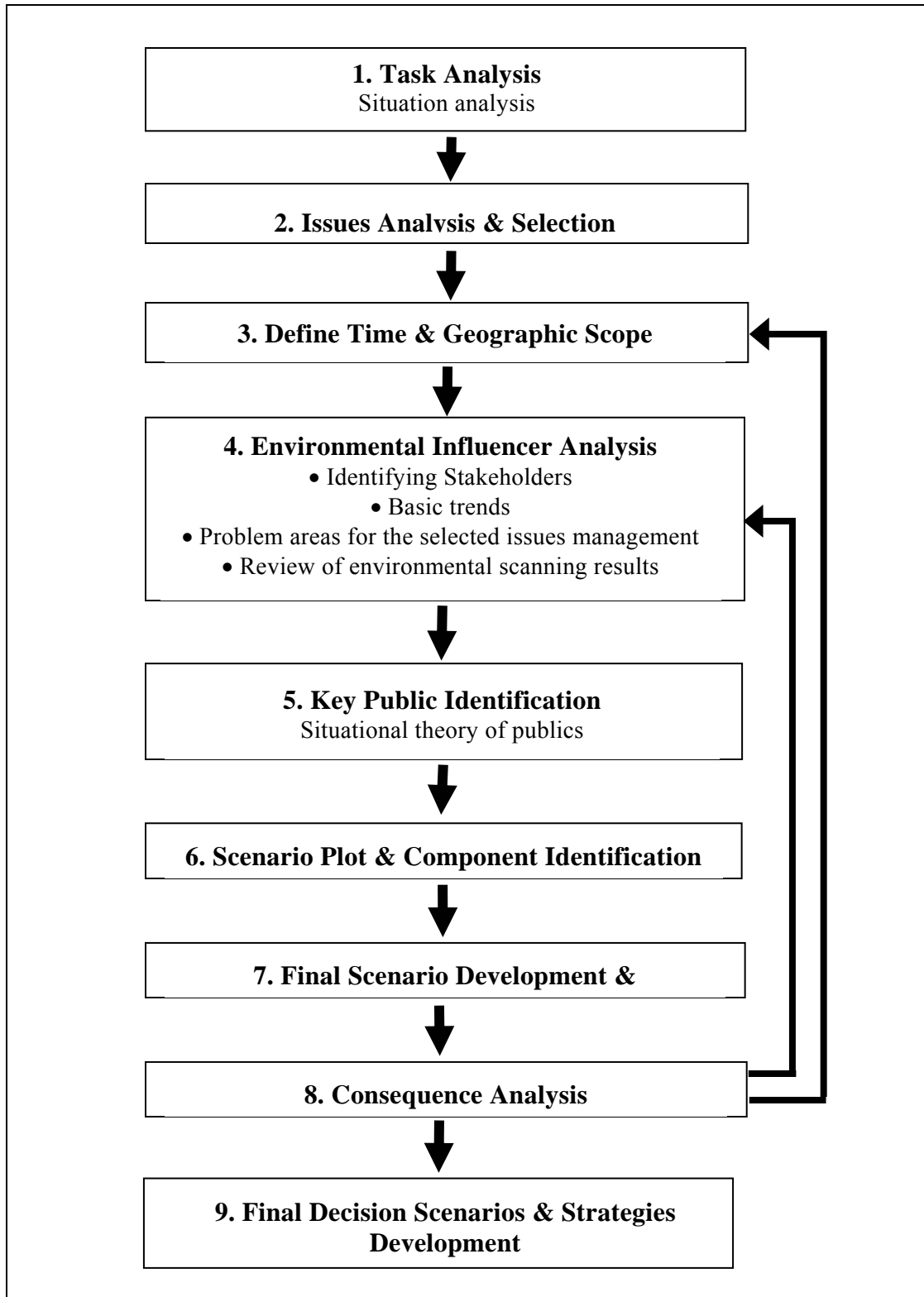


Figure 7. Model of Scenario Building from a Public Relations Perspective

## Evaluation

Qualitative methods focus on in-depth understanding of the phenomenon in question. As I discussed in chapter 3, a qualitative approach is appropriate for this study because of its exploratory nature. This study examined the public relations practice of one organization and explored the process of scenario building from a public relations perspective. I answered my research questions through a variety of approaches to data collection. The qualitative methods were useful because they provided the opportunity for participants to discuss the research topic from their point-of-view. Qualitative research also allowed me to interpret and to understand the perception and attitudes among public relations professionals toward their clients and colleagues as well as toward their job. This section evaluates the quality and value of my research as a qualitative study.

Assessing validity and reliability in qualitative methodology is different from that of quantitative methods (Holstein & Gubrium, 1995; Kirk & Miller, 1995; Marshall & Rossman, 1999; Wolcott, 1995). As Lindlof (1995) pointed out, the conventional standards of validity and reliability are not appropriate to qualitative inquiries, which attempt to understand the way participants think and talk. Because of the changing nature of human interactions and interpretation, qualitative research does not attempt to obtain consistency or reliability. Instead, I evaluate my research based on Lincoln and Guba's (1985) four alternative constructs for qualitative inquiries: credibility, transferability, dependability, and confirmability.

Credibility indicates that the study was conducted in a manner that ensures accurate identification and description of the subject. In this study--an exploration of



the role of public relations and use of scenario building--credibility was obtained through in-depth descriptions of the complexities of situations, the organizational structure of the case organization and its public relations function, its decision-making processes, and public relations' involvement in issues management. I also present detailed descriptions of each issue based on close examination and report of the attitudes, perceptions, and behaviors of the members of publics. Furthermore, I describe each stage of scenario building for each issue with great detail. My research provides a thick description, which enables the readers to draw their own conclusion about the situation. In other words, this study is credible because it describes decision-making processes and scenario-building procedures within the parameters of the public relations practice of the organization.

As Lincoln and Guba (1985) said, a researcher achieves transferability if he or she can argue that the findings will be of use to others in similar circumstances with similar research questions. I provide the theoretical frame of the study and detailed description of the research methods in chapter 2 and chapter 3. I also demonstrate the process of data collection and analysis related to the organization and its issues through the process of scenario development that I describe in chapter 3. Those who conduct similar studies in similar situations should be able to apply the method and results of this study to another context. Although this study does not attempt to generalize its findings and results to other situations, it is possible that another researcher with similar questions will be able to obtain comparable responses.

This study attains dependability (Lincoln & Guba, 1985) by employing a triangulation of methods to obtain data. I used multiple methods--face-to-face

interviews, phone interviews, a group interview, and qualitative document review--to explain the phenomenon. Furthermore, the data acquired from four methods directed me to overlapping findings and led to the conclusion that I provide in this chapter. Through the repeated interview processes, I understood the setting and adapted and refined interview questions and my interpretation of the phenomenon.

Confirmability, an equivalent to the notion of objectivity in conventional methods, concerns whether other researchers can confirm the findings. I believe my study established confirmability through triangulation (Lincoln & Guba, 1985). Throughout chapter 4, I provide thick descriptions of situations along with quotations from the participants. The results are confirmed as I repeatedly explore similar questions with several participants; the participants' information has many overlaps and similar patterns. I included as much direct quotation as possible.

Furthermore, the use of triangulation should establish the trustworthiness of the study. Multiple forms of evidence led me to the conclusions that I present in this chapter (Lindlof, 1995; Marshall & Rossman, 1999). The use of triangulation also helped reduce misinterpretation and verified my observation of meanings and interpretations (Stake, 1998).

Member checking is another way of evaluating the quality of the study (Lindlof, 1995; Stake, 1998). Researchers ask participants to examine the accuracy or truthfulness of their interpretation. I confirmed my interpretation with participants by asking them additional questions after interviews. I often rephrased what they told me during the interviews. For those who participated in both the first and second round of

interviews, I asked similar questions in both interviews so that I could confirm my understanding.

I have evaluated the quality of my research based on the criteria that are suggested by several qualitative researchers (Kvale, 1995; Lindlof, 1995; Marshall & Rossman, 1999; Stake, 1998). This evaluation should provide the readers with confidence in my study. I pursue in-depth understanding and description of the phenomena, the public relations management at the organization and the possibility of using the scenario-building technique in public relations within two different issues.

#### Limitations of the Study

A primary limitation of this study is limited access to the organization's resources and employees. Although I had interviews with a significant number of participants, they are all members of the public relations department. I have rich data about public relations management and issues management of Insurance X from these participants; however, participation from other department outside public relations may provide different perspectives on the same topics. Inclusion of non-public relations practitioners could establish scenario building as a cross-functional process, which this study argues for.

Another limitation of the study is that the interviews with the members of publics included only one group of publics: consumer advocates. Other groups of publics, such as state regulators, declined to participate in the study. Additional interviews with other "driving force" publics would have enhanced the scope and quality of the scenarios.

The volunteer nature of participation may contain a bias. I initially recruited three large corporations for this study; but two organizations withdrew for reasons such as the confidential nature of the business. On the other hand, Insurance X expressed interest in strategic management of public relations and was cooperative throughout the research process. I may assume that the organization already had greater interest in strategic public relations than the other organizations, which could bias the findings toward the implication that organizations can employ scenario building for their public relations practice and enhance strategic involvement through it. It is possible that this organization has atypical interest in strategic management of public relations and involvement compared with other organizations.

Another limitation this study is that 15 public relations practitioners participated. Because of the communicators' busy schedule, it was extremely difficult to gain access to individual practitioners. Furthermore, I only interviewed the communicators residing in the home office. One reason for this limitation is decentralization of the organization; the field communication managers were scattered across the country. However, I interviewed all three elite members of the public relations department, which definitely provides valuable data.

Because interviews involve personal interaction between an interviewer and an interviewee, cooperation is essential; it is possible that interviewees were not willing to share all the information the interviewer was trying to find, or they might not be telling "true" information in order to look and sound reasonable (Marshall & Rossman, 1999). It is also possible that the participants provided only socially desirable answers during the interviews. For example, the anecdotes and examples that the public relations

practitioners relayed were mostly positive stories about their organization. Some individuals strongly maintained that their public relations practice was proactive and strategic; however, they often failed to provide actual examples. These communicators seemed reluctant to share negative stories or instances about the organization. Some managers shared negative instances and information about internal politics and structure but asked me not to use that information in my research.

In addition, the use of a tape recorder could have had negative effects on the interviews. One interviewee felt uncomfortable with recording her voice, although she consented to use it; and some other interviewees also often looked at the recorder during interviews. Therefore, it is possible that they were not so natural and open as they might have been without the tape recorder.

In reporting the results, I omitted some valuable cases because they may have disclosed the organization's identity. For example, several participants repeatedly discussed one issue as a good example of a proactive stance public relations took. However, the issue is unique so even a brief description would reveal the company. Although those stories and examples helped me draw the conclusions of this study, I am not able to discuss the data because of my promise with the organization not to disclose its identity. If this issue were included, it would provide rich data.

A final weakness of this study is the limited variety of internal documents I obtained from the organization. Whereas the organization provided some valuable documents--its crisis manual, communication guide manual, and reports regarding specific issues--it did not share internal documents related to issues management or

environmental scanning. Most documents I reviewed for environmental scanning and issues identification were external documents (see Appendix G).

## Implications

### *Theoretical Implications*

This research makes a significant contribution to the theory of public relations in that theoretical discussion of a specific technique that public relations can use in strategic management is necessary. It articulates a theoretical foundation of development of the process of scenario building and provides theoretical links. Several studies have discussed the theoretical foundation of strategic management of public relations. This is among the first to come up with how to manage public relations strategically. Public relations practitioners have been told to think and act strategically, often without knowing how to. Although the term “strategic public relations” is frequently picked up by scholars and practitioners of the discipline, few people have provided the step-by-step solutions or guidelines for “strategic” modes of public relations or described the way public relations could move beyond its technician role into one focused on making contributions to strategic management.

The study contributes to the body of knowledge in public relations by providing one possible process that public relations can contribute to strategic management. As part of strategic management of an organization, public relations practitioners should be aware of their organization’s business as well as the environment in general. This study demonstrates why it is necessary for public relations to have a longer-term, broader perspective beyond being specialists with technical expertise.

The scenario-building process is based on factors in the environment that may have consequences on the growth, and even survival, of an organization. I have incorporated the processes of scenario building, issues management, and environmental scanning and explained how these concepts are closely related in public relations. This study also adds one more practical application of the situational theory of publics (J. Grunig, 1997). Many studies in public relations have already demonstrated that publics are critical. I employ the theory and use it as one step of the scenario-building process.

This study also supports and expands the Excellence theory by showing the relationship between the organization's excellence and strategic management of public relations. The findings of my study show that the public relations function may not be excellent unless the organization and its dominant coalition recognize and appreciate its value. In other words, "shared expectation" (Dozier et al, 1995, p. 10), or the middle sphere of communication excellence, is essential for public relations to be involved in strategic management. At the same time, my research found that communicators' knowledge of management, two-way communication, and research was critical to practice strategic public relations. Scenario building will help an organization achieve communication excellence because it directly and indirectly forces the organization and its public relations function to follow excellent principles. The process inevitably involves some of the excellence principles, such as the knowledge of research, two-way symmetry, and manager role, and eventually empowers public relations practitioners as part of strategic decision-making.

### *Practical Implications*

One of the goals of this study was to create a model of scenario building in public relations and implement the process. This study demonstrates how to use the method for maximizing the contribution of public relations to strategic management. Practitioners may use the proposed model in their practice. A scenario will be a helpful instrument for strategic management to examine comprehensive future options and develop optimal strategies for decision making. In addition, the scenario-building process will empower practitioners by helping them discover novel and valuable ways for involvement in decision-making processes. In doing so, the study will also extend the understanding of how public relations can participate in strategic decision-making practically as well as theoretically.

This study provides a practical model of scenario building as well as a step-by-step procedure for implementation. Practitioners who want to try this method may use the model I propose in their practice. It also emphasizes the importance of regular and systematic environmental scanning. Practitioners should realize that information from environmental scanning may not only help them to practice better, but also empower them because it enhances their knowledge base. Public relations practitioners and their organization may re-evaluate their issues management process based on the findings of this study.

I also emphasize that professional knowledge and skill sets are essential for strategic management of public relations. Public relations expertise and research competence are vital components in the scenario-building process. Furthermore, I believe this study shows balance between academic theory and practical application in



scholarly research. This study attempts to fill the gap between industry and academia by providing a practical framework based on a solid academic foundation. From the practitioner's perspective, this scholarly research should be applicable as well as educational for everyday practice.

#### Directions for Future Research

This study is one of the first to use scenario building in public relations research. Additional studies based on a similar conceptual framework are needed. Although I do not attempt to generalize the results of this study, it certainly can inform practitioners and scholars concerned with similar situations.

Future research could be conducted to reflect more diverse perspectives and situations. In this study, I develop scenarios based on the input of public relations practitioners. However, as I suggested earlier, collaboration with cross-functional managers other than public relations practitioners, such as lawyers and marketers, may expand the use of this method and theory. Inclusion of diverse communicators, such as field communication managers at Insurance X, may also provide different perspectives on issues management and environmental scanning.

This study has been conducted by a single researcher; the scope of environmental scanning and interviews with publics are limited because of resources such as time. In future studies, a team of multiple researchers can broaden the scope of environmental scanning both at the micro- and macro-level. Interviews with multiple groups of publics would increase the accuracy of scenarios and depict more dynamic and realistic situations.

Future research also could include actual strategy development and evaluation as part of scenario building. Applying this model to organizations with different structure and environments would enhance the model as well as the theory of strategic management of public relations. Finally, this study is based on qualitative methods. In future research, inclusion of quantitative methods that some planning techniques use may provide a valuable perspective.

## APPENDIX A

### Interview Protocol (A)\*

#### *Interview with Public Relations Practitioners/Elite Members*

##### *First Round*

##### Introduction

- Background of the study
- Interview process: Informed consent form and confidentiality,

##### Grand Tour Questions

1. Could you please tell me about yourself, including professional experience and education?

##### General Public Relations Practice

2. Could you briefly tell me about the public relations practices of your organization?
3. Could you tell me what your responsibility is?
4. What is the organizational structure of your public relations department?

##### Strategic Decision-Making

5. How does your organization make strategic decisions? What is the general process of organizational decision-making?
6. Are you or somebody from your department involved in management decision-making? If so, in what way are you or that person involved?

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\* Because of the nature of qualitative interviews, I used this protocol as a guide and framework of the conversation. The order of questions and probes vary in each interview.

### Environmental Scanning and Issues Management

7. What is the process of identifying key public relations issues in your organization?
  - a. Where do you usually obtain information about the environment?
8. How do you and your department come to know about any problems and issues regarding the organization usually?

### Current Issues

9. Could you tell me about a few issues or problems that you and your organization is concerned about or interested in at this point?
10. How is public relations involved in dealing with those issues?
11. How did you know about it and what have you done to manage the issue?
12. How do you and your organization track those issues?
13. What do you expect to happen in the future and what is your future action plan for this issue?

### Finale

14. Is there anything you think the department or the organization need to do to improve its public relations practice?

## APPENDIX B

### Interview Protocol (B)\*

#### *Interview with Public Relations Practitioners/Elite Members*

##### *Second Round*

1. What, if anything, is your reaction to these scenarios in terms of plausibility or realistic values?
  - a. Are they sound and realistic?
  - b. What is your overall reaction?
2. What would you recommend to improve the quality of the scenarios?
3. In your opinion, how could these scenarios be used in public relations management of your organization?
  - a. Do you think you can use this type of technique in your practice?
  - b. If yes, how do you think you can use it?
  - c. If no, why not?
4. Based on these scenarios, what are you going to do about this issue in the future?

---

\* Because of the nature of qualitative interviews, I used this protocol as a guide and framework of the conversation. The order of questions and probes vary in each interview.

## APPENDIX C

### Interview Protocol (C)\*

#### *E-mail/Telephone Interview with the Members of Publics*

1. Have you heard about this issue (credit scoring or the OFC)? If so, how much have you heard?
2. How often would you say you thought about it?
3. When you heard about this issue, did you think there was a connection between you and it? How are you connected?
4. Did you believe you could do anything about this issue? If so, what could you have done?
5. Tell me what you know about this issue.
6. How much attention do you pay to the issue when you hear about it?
7. Have you deliberately sought more information about the issue? If so, where?
8. Are you for or against credit scoring/the optional federal charter? Why?
9. What, if anything, are you doing about the issue? Have you participated in any action? If not, why?
10. Did you do anything else about the issue, or change your behavior in any way? Did you join or form any groups to do anything about the issue?
11. What are you going to do about this issue in the future?
12. Could you please recommend somebody else who can talk about this?

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\* Because of the nature of qualitative interviews, I used this protocol as a guide and framework of the conversation. The order of questions and probes vary in each interview.

## APPENDIX D

### Interview Protocol (D)\*

#### *Group Interview*

#### **Introduction**

Scenario planning is a process that helps an organization better understand its environment and make strategic decisions based on that. During this scenario session, we are going to first identify environmental factors around Name of the Organization and their potential effects on the organization in the future. In addition, from a public relations perspective, we will take the possible behaviors and attitudes of publics into account as one of critical scenario components. At the end of this session, we will develop initial issues for scenarios.

- 1) Ice breaker
  - Could you introduce yourselves for the recording purpose?
  
- 2) Analysis of the present situation
  - a. Please explain/define your corporate identity, goals, and strategies?
  - b. What are the strengths and weaknesses of the organization from a public relations aspect?
  
- 3) A brief brain-storm session
  - a. What are some current issues that the organization is concerned about?
  - b. What are some other problems and issues that you think are potentially important for the organization in the future?
  - c. What would you identify as the organization's main problem areas or issues as far as public relations is concerned?
  - d. Let's talk about the past of the organization. Has the organization experienced similar situations like this before?
    - (a) Can you explain whether or not the organization has experienced similar situations?

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\* Because of the nature of qualitative interviews, I used this protocol as a guide and framework of the conversation. The order of questions and probes vary in each interview.

- (b) How have these similar situations in the past influenced your thinking for the future?
  - (c) How do the previous situations influence your thinking for the future?
  - (d) Examples?
- 4) Issue selection
- a. What are the most critical issues considering the overall strategies and external environment?
- 5) Influence analysis
- a. What are the important factors outside your company, such as major stakeholders or basic trends, that may have influence on us?
  - b. What kind of impact will these external factors have on the organization?
  - c. What kind of interrelationships do those influencers have? In other words, how are these factors influencing each other?
- 6) Key uncertainty identification
- a. What are the key uncertainties or possible problems in the area of concern?
  - b. Who are the current and potential stakeholders?
    - (a) How would you order them in rank based on potential impact?
    - (b) Have you thought about them in order-wise?
  - c. What are they likely to do about this problem or issue?
- 7) Decision on the scope of the issue
- a. What will be the time frame for the scenarios?
    - (a) Given this type of issue, how far out would you plan your strategy/strategic goal?
    - (b) What time frame would you plan for your strategy?
  - b. Where do we want to focus in terms of the geographic range?
    - (a) How far would you extend the geographical range in this strategic plan?
    - (b) What regions, in the U.S. or other countries, are you going to include?



8) Initial scenario plot

- a. Of all the things we've talked about so far, which ones do you consider to be the most important?

9) Conclusion

- a. What other issues would you address that we have not discussed?
- b. Among the things we've discussed, what is the most important?

## APPENDIX E

### List of Publications for Document Review

#### *News Media*

1. Associate Press
2. The New York Times
3. BestWire
4. Business Wire
5. Chicago Sun
6. Indianapolis Business Journal
7. PR Newswire
8. The Hill
9. The Wall Street Journal
10. Publishers Weekly Daily
11. The San Diego Union-Tribune
12. Los Angeles Times
13. Miami Daily Business Review
14. The San Francisco Chronicle
15. San Antonio Express
16. Houston Chronicle Austin
17. Star-Telegram
18. The Business Journal of Milwaukee
19. Investment News

#### *Industry Publication List*

1. Insurance & Technology
2. Regulation
3. Contingencies
4. Insurance Networking & Data Management
5. Insurance Journal
6. American Banker
7. Insurance Day
8. Best's Review
9. National Underwriter Property & Casualty
10. Business Insurance
11. National Underwriter Life & Health
12. Corporate Financing Week
13. Insurance Networking
14. Club Management

*Organization Web Site and Online Publication List*

1. National Association of insurance commissioners (NAIC)
2. National Association of Professional Insurance Agents (PIA): Connection
3. National Association of Mutual Insurance Companies (NAMIC)
4. American Insurance Association (AIA): Advocate
5. American Council of Life Insurance
6. Insurance Information Institute (III)
7. Roughnotes.com
8. The Foundation for Taxpayer & Consumer Rights
9. Citizens for a sound economy
10. Consumer Federation of America
11. Credit Forum
12. Center for Economic Justice
13. Texas Watch
14. Insurance Credit Scoring
15. Louisiana Watch
16. National Association of Professional Allstate Agents (NAPAA)
17. United Farmers Agents Association
18. The National Association of State Farm Agents
19. The Coalition of Exclusive Agent Associations
20. Consumer Union
21. Anti-Insurance X discussion group
22. Anti-Insurance Web site

## APPENDIX F

### E-Mail Solicitation Requesting Access for Public Relations Manager

Dear Public Relations Manager:

My name is MinJung Sung; I am a doctorate student in the Department of Communication at the University of Maryland. I am contacting you to inquire if you are willing to participate in a study that will explore the management of public relations at your company. Below is some general information about the study and participation.

What:

As you know, corporations nowadays face various problems and issues in their environment. As organizations have experienced increasing environmental--socio-economic, political, and technological--changes and uncertainties, they have recognized the need to be responsive and sensitive about their environments. A variety of environmental elements--such as customers, competitors, governments, activists, communities, shareholders, and employees--have become sources of competitive advantage for organizations. Consequently, public relations managers are to play a critical role by bringing an outside perspective into the decision-making process. This study will identify issues and problems around the organization and develop possible future scenarios based on those factors.

How:

The interview will be conducted face-to-face based on your preference and logistical convenience. Once you decide to participate, I would send an e-mail containing more details. I also would ask you to indicate whether you would be willing to answer follow-up questions, if needed. Your participation would take approximately one hour. However, the actual amount of time you spend participating might vary depending on the length and details of your answers.

Although participating in this study may not be of direct personal benefit to you, the insights and expertise that you contribute will enhance the bodies of knowledge about communication and strategic management of public relations. This study will also be of tremendous help in my pursuit of Ph.D. in Communication, as my research interests are strategic management of communication and public relations in corporations. If you are interested, once the study is completed I will be happy to send a copy of an executive summary to you.

When:

The face-to-face interview will be conducted twice between February and June of 2004. The time and place of interview will be decided based on your preference and convenience.

Please also read the attachment, "Informed Consent Form," which provides further information about the study, the investigator, participants' rights, and contact information for the principal and student investigators.

Should you have questions or concerns about this e-mail, the study, or participation, please respond to this e-mail at [mjsung@wam.umd.edu](mailto:mjsung@wam.umd.edu). If you decide to participate in this study, please explicitly indicate in your reply e-mail to the same address that you have read and understand the attached Informed Consent Form.

Thank you very much for considering participating in this study on strategic public relations. I certainly look forward to hearing back from you.

Sincerely,

MinJung Sung, Ph.D. Student  
Department of Communication  
University of Maryland  
2130 Skinner Building  
College Park, MD 20742  
301-408-4252  
[mjsung@wam.umd.edu](mailto:mjsung@wam.umd.edu)

## APPENDIX G

### E-mail Solicitation for Members of Publics

To Whom It May Concern:

My name is MinJung Sung; I am a doctorate student in the Department of Communication at the University of Maryland. I am contacting you to inquire if you are willing to participate in a study that will explore the management of public relations at <<Organization Name>> and its relationship with people like you.

I acquired your e-mail address from <<Name of Chatroom/Discussion Group>>, in which you have a membership. I would be most appreciative if you would read some general information about the study and participation below.

Organizations nowadays face various problems and issues in their environment. For example, many companies have experienced consumer boycott campaigns or negative public attitude and opinions. The purpose of this study is to explore public attitudes and behaviors as well as corporate communication strategies. There are several Internet communities such as chatrooms and discussion groups that discuss those issues, and some people joined the campaigns. I am sure that you, as a member of <<Name of Chatroom/Discussion Group>>, are interested in those issues, and would like you to answer several open-ended questions about your experience and opinion of the movement. Your identity and that of your community will remain confidential unless you explicitly tell me otherwise. Only you and I would know that your answers are yours. You can decline to answer questions or stop participating at any time. By not responding to this e-mail, you decline to participate in the study, and I will not contact you any further. I would send an e-mail containing about 10 questions to you. I would also ask you whether you would be willing to answer follow-up questions, if needed. Your participation would take approximately 30 minutes, although this depends on how much time you devote to answering the questions.

Although participating in this study may not be of direct benefit to you, the insights and expertise that you contribute will enhance the bodies of knowledge about communication between organizations and publics like you. This study will also be of tremendous help in my pursuit of a Ph.D. in Communication, as this is part of my dissertation research. If you are interested in, once the paper is complete I will be happy to send a copy to you.

Please also read the attachment, "Informed Consent Form," which provides further information about the study, the investigators, participants' rights, and contact information for the principal and student investigator. Should you have questions or concerns about this e-mail, the study, or participation, please respond to this e-mail at [mjsung@wam.umd.edu](mailto:mjsung@wam.umd.edu). Should you decide to participate in this study, please explicitly indicate in your reply e-mail that you have read and understand the attached

Informed Consent Form.

Thank you very much for considering participating in this study. I certainly look forward to hearing back from you.

Sincerely,

MinJung Sung, Ph.D. Candidate  
Department of Communication  
University of Maryland  
301-408-4252  
[mjsung@wam.umd.edu](mailto:mjsung@wam.umd.edu)

## APPENDIX H

This project was approved by the IRB at the University of Maryland, College Park, on March 1, 2004

### **INFORMED CONSENT FORM**

Project Title	Scenario building from a public relations perspective
Statement of Age of Participant (parental consent needed for minors)	I state that I am 18 years of age or older, in good physical health, and wish to participate in a program of research being conducted by Dr. Larissa Grunig and Ms. MinJung Sung in the Department of Communication at the University of Maryland College Park, Maryland 20742-7635.
Purpose	The purpose of the research is to understand the role of public relations in organizational decision making based on public involvement and opinion and provide scenarios about possible situations in the future as a result of organizational behaviors and management decisions.
Procedures	The procedures involve answering approximately 10 questions about my understanding and involvement in the issue related to the organization. I understand the interview will be conducted via e-mail and will take approximately 30 minutes. However, the actual amount of time I spend participating might vary depending on the length and details of my answers.
Confidentiality	All information collected in the study is confidential, and my name and specific identities will not be identified at any time. I understand that all data I provide will be destroyed when their use is no longer needed but not before a minimum of five years after data collection.
Risks	I understand that there are minimal privacy risks associated with my participation due to the unprotected nature of e-mail communication. For instance, many employers have policies that allow them to review employee e-mail.
Benefits	I understand that the study is not designed to help me personally, but that the investigators hope to learn more about strategic management of public relations in organizations.
Freedom to withdraw and ability to ask questions	I understand that I am free to ask questions and/or to withdraw from participation at any time without penalty and/or decline to answer certain questions.
Contact Information of Principal Investigator	Dr. Larissa Grunig, Department of Communication, 2116 Skinner Building University of Maryland, College Park, MD USA 20742-7635 Phone: 301-405-6532, e-mail: <a href="mailto:lgrunig@umd.edu">lgrunig@umd.edu</a>
Contact Information of Institutional Review Board (IRB)	If you have questions about your rights as a research subject or wish to report a research-related injury, please contact: Institutional Review Board Office, University of Maryland, College Park, Maryland, 20742; (e-mail) <a href="mailto:irb@deans.umd.edu">irb@deans.umd.edu</a> ; (telephone) 301-405-4212
Obtaining a copy of the research results	I understand that I may obtain a copy of the results of this research after March 1, 2005 by contacting Dr. Grunig at the above listed address or MinJung Sung (Student Investigator) in the Dept. of Communication, 2130 Skinner, University of Maryland, College Park, MD 20742-7635, phone: 310-408-4252, e-mail: <a href="mailto:mjsung@wam.umd.edu">mjsung@wam.umd.edu</a> .

**Please explicitly indicate your consent in your response e-mail.**



**INFORMED CONSENT FORM**

Project Title Scenario building from a public relations perspective

Statement of Age of Participant (parental consent needed for minors) I state that I am 18 years of age or older, in good physical health, and wish to participate in a program of research being conducted by Dr. Larissa Grunig and Ms. MinJung Sung in the Department of Communication at the University of Maryland College Park, Maryland 20742-7635.

Purpose The purpose of the research is to develop a scenario-building process from a public relations perspective and provide scenarios about possible future situations as a result of organizational behaviors and management decisions.

Procedures The procedures involve a one-on-one interview with the investigator. The interview will include providing responses to her questions about my understanding and involvement in public relations activities of my organization. I understand my participation will require approximately 1 hour. However, the actual amount of time I spend participating might vary depending on the length and details of my answers. I also understand that the interview may be audio-taped with my permission.

Confidentiality All information collected in the study, including tape-recorded data, is confidential, and my name and identity will not be identified at any time. I understand, if applicable, the audio-tape of the interview will be kept by the investigators for up to five years before it is destroyed. The data I provide will be grouped with data others provide for reporting and presentation.

Risks I understand that there are minimal personal and privacy risks associated with my participation and my interview being audio-taped.

Benefits I understand that the study is not designed to help me personally, but that the investigators hope to learn more about strategic management of public relations and its role in management.

Freedom to withdraw and ability to ask questions I understand that I am free to ask questions and/or to withdraw from participation at any time without penalty and/or decline to answer certain questions.

Contact Information of Principal Investigator Dr. Larissa Grunig, Department of Communication, 2130 Skinner Building University of Maryland, College Park, MD 20742-7635  
Phone: 301-405-6525, e-mail: lgrunig@umd.edu

Contact Information of Institutional Review Board (IRB) If you have questions about your rights as a research subject or wish to report a research-related injury, please contact: Institutional Review Board Office, University of Maryland, College Park, Maryland, 20742; (e-mail) [irb@deans.umd.edu](mailto:irb@deans.umd.edu); (telephone) 301-405-4212

Obtaining a copy of the research results I understand that I may obtain a copy of the results of this research after March 1, 2005 by contacting Dr. Grunig at the above listed address or MinJung Sung (Student Investigator) in the Dept. of Communication, University of Maryland, College Park, MD 20742-7635, phone: 310-408-4252, e-mail: [mjsung@wam.umd.edu](mailto:mjsung@wam.umd.edu).

Printed Name of Participant \_\_\_\_\_

Signature of Participant \_\_\_\_\_

Date \_\_\_\_\_

Initial here if you agree to have the interview taped \_\_\_\_\_

## APPENDIX I

### List of Issues\*

1. Population and demographics: Increase of Asian population
2. Population and demographics: Overall trend
3. Population and demographics: Aging America
4. Population and demographics: Retirement income for baby boomers
5. Health care: Medical cost inflation
6. Merger and Acquisition in the insurance industry
7. Competition: International financial service companies
8. Technology
9. Integrity of financial companies
10. Consumer perception and education
11. Mold
12. Reconnecting with the middle class
13. Global market: China & Latin America
14. Legislative movement in Congress
15. Class-action legal reform
16. IRS and financial regulation
17. Catastrophe
18. Product innovation and consumer demand
19. e-business
20. Consumer-direct insurance
21. Terrorism
22. Terrorism Risk Insurance Act
23. Insurance pricing
24. Regulatory reform and the optional federal charter
25. Regulation
26. Economy
27. Income insurance
28. Politics: The Presidential election
29. Premium-growth trend
30. Asbestos class action
31. Outsourcing
32. Patent
33. Job and employment
34. Credit scoring
35. ALE
36. CLUE
37. Agent relationship

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\* Three company-specific issues are not listed to avoid disclosing the organization's identity

## APPENDIX J

### Scenarios for Credit Scoring (Year 2007)

#### ■ Background

Credit-based insurance scoring has been a hot issue. The interview with 12 consumer advocates show that consumer groups are deeply involved in this issue and working aggressively to ban the use of credit. The current situation poses the following questions:

- What will be the attitude and action of state legislatures regarding credit scoring in the near future?
- Will state insurance commissioners be favorable to the use of credit scoring?
- Will insurers be able to establish and justify the validity of credit scoring to consumers?
- What will be consumers' perception and attitude toward credit scoring? What can they do about it?
- How will the credit-related lawsuits turn out in the near future?
- What will be the reaction of state legislature?

#### Three Phases of Scenario Development

##### ■ Phase 1: Key factors for the scenario field

To consider the possible developments of this scenario field, credit-based insurance scoring, several driving forces were identified. The scenario field is divided up into system levels – business and business environment – and influence areas such as politics, economy, society, and technology (insurance distribution and marketing). Within the influence areas, 45 influence factors were identified and defined.

Then the 13 key influence factors most relevant for the three influence areas for insurance regulatory reform were selected:

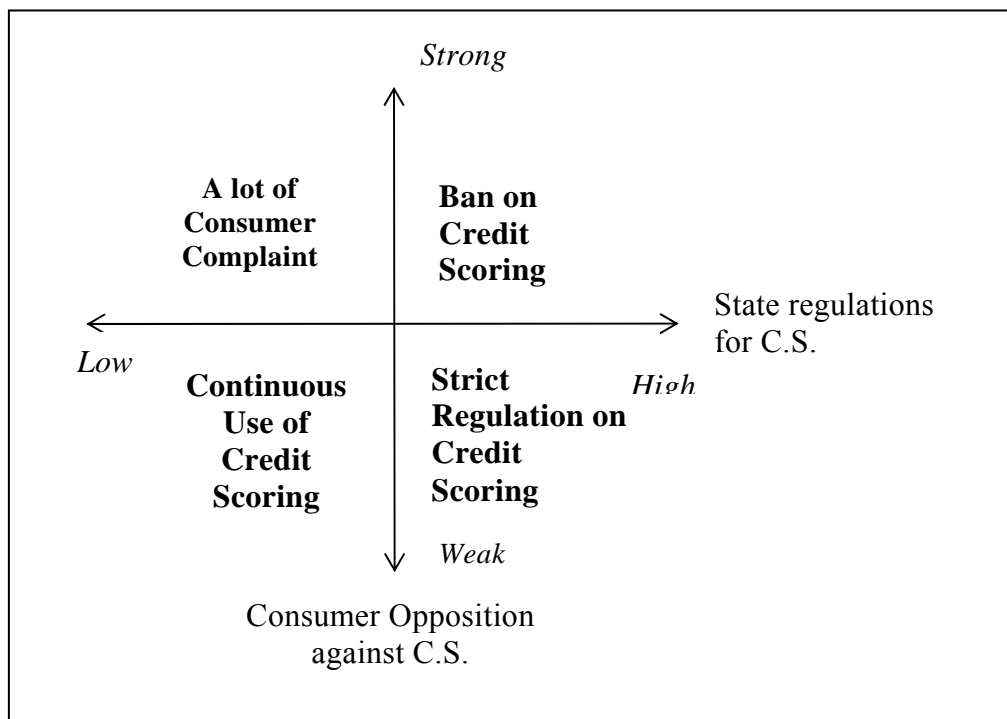
- State regulators (commissioners): Perception of credit scoring, interest in consumer

protection, interest in insurer's position, and shaping of public opinion

- Consumers: Perception of credit scoring, buying behavior, policyholder satisfaction, loyalty to brand or insurers, interest in consumer protection, and willingness to participate in action
- Consumer organizations (activist groups): interest & involvement in credit scoring, resources and capacity for lobbying, and size and influence of the organization

■ Phase 2: Future Projections

A few development possibilities were considered for key factors to develop the scenario content. The trends of the individual key factors and critical dimensions were examined to illustrate future developments. Consumers and state regulators were identified as the most important key factors; other factors were combined into scenario plots to project future scenarios. The following graph displays the projected combination of two key factors.



*[Scenario 1] Ban on Credit Scoring: Insured, but Not Scored*

As the labor market—the payroll market in particular—remains weak, the unemployment rate increases and levels of household income stay low. More and more consumers experience financial difficulty. Meanwhile, the minority population of the United States grows as a result of immigration. Most minorities and recent immigrants have low income. As many insurance policyholders experience rate hikes or are rejected because of low insurance scores—regardless of their driving records—public awareness of the issue of credit scoring increases. A majority of those who are affected are low-income minorities and the people living in poor neighborhoods. Thus groups such as consumer groups, minority groups, and ethnic organizations are concerned about the issue. The bad credit problem becomes a social issue and draws attention from federal and state governments.

Consumer groups try to ban the use of credit scoring for insurance. The groups publicize it as “redlining” that discriminates against consumers. They build a coalition and obtain support from state insurance commissioners and insurance agents who are against credit scoring. Because of the coalition’s education efforts, consumers change their insurance-shopping behavior. The media cover negative stories related to insurance scoring. An investigative news program reports the lack of “scientific evidence” of credit scoring and questions previous studies. Some studies reveal that credit reports have a high rate of error and many consumers have been disadvantaged by the errors. A significant number of Allstate policyholders, especially those who do not have good credit scores, move to the competitors that provide better rates or that do not use credit scoring. The lobbying efforts and grassroots activism of consumer advocates influence state legislators. *States such as Texas and California decide to ban credit scoring for insurance.* Even in the states where credit scoring is allowed, the state governments *develop stricter regulation and require insurers to disclose their scoring data and formula*, which Allstate has kept as a trade secret. Allstate refuses to compromise or resolve any credit-related disputes. It faces more consumer lawsuits.

*[Scenario 2] Continuous Use of Credit Scoring: Credit Rules*

The U.S. economy stays robust and healthy with the end of the war in Iraq. The insurance price drops in some instances because of heavy competition; the use of technology; and the reform of distribution channels, such as direct marketing or web-based marketing. The use of credit scoring proliferates in several industries other than the insurance industry as a critical evaluative tool; consumers become fatalistic about the trend. Credit-score management is considered the personal responsibility of each individual in U.S. society. Since a large number of complainers are minorities or people with low income, they have little social and political influence. The development of new technology enables individuals to access their credit reports easily.

A number of “lower value” Allstate policyholders, especially those who do not have good credit scores, move to the competitors with better rates or that do not use credit scoring. However, the company’s strategic “high value” customers remain loyal. Consumer groups’ effort to form public opinion against credit scoring has little effect because of their limited resources. The media do not pay attention until something “bigger” happens. Most insurance consumers have little information and understanding of credit scoring and do not consider it when buying insurance. As the opponents increasingly request an independent, credible study for credit scoring, the insurance industry decides to cooperate and open the data. In most states, insurance companies succeed in persuading state legislatures and continue to use it.

## APPENDIX K

### Optional Federal Charter (Regulatory Reform: Year 2009)

#### ■ Regulatory Reform – Optional Federal Charter

The insurance industry in the U.S. has been traditionally regulated by states. Insurance is regulated by 51 jurisdictions, which results in varying price and product regulation. There is a growing consensus that the state-based insurance regulatory system needs reform, such as some type of federal intervention. The National Association of Insurance Commissioners (NAIC), the trade association representing insurance regulators, and individual states have been trying to find a solution. NAIC has been trying to create uniform regulatory standards among states to minimize the problem of having multiple jurisdictional requirements. The American Insurance Association (AIA), the trade association for insurance companies, proposed an optional federal chartering system. Under this system, insurers would be able to choose the regulatory approach (state or federal) most beneficial to the size and scope of their operations. For federally chartered insurers, many state insurance laws would be preempted, such as price and product regulations, licensing, solvency and financial conditions, marketing, underwriting, claims, and cancellation/non-renewal provisions.

#### ■ Background

Regulatory reform in the insurance industry is moving slowly and posing several questions:

- Will Congress be interested in this issue in the near future?
- Will Congress and consumers be favorable to the increased role of the federal government?
- Will insurers and the AIA be able to make it clear that the OFC actually benefits consumers as well as improves the efficiency of their business?
- What will consumers think about insurance regulatory reform?
- What will be the position and influence of consumer advocates and their

organizations?

- What will be the resistance and influence of state insurance regulators? What will they do to try to persuade Congress?
- Can the state system be improved to meet insurers' demands for uniform, market-based regulation?

### *Three Phases of Scenario Development*

#### ■ Phase 1: Key factors for the scenario field

A scenario field – regulatory reform and adoption of the OFC – is characterized by a variety of related factors. To consider the possible developments of this scenario field, it is necessary to identify the driving forces. To do this, the scenario field is divided up into system levels – business and business environment – and influence areas such as politics, economy, society, and technology (insurance distribution and marketing).

Within the influence areas, 50 influence factors were identified and defined. The perception and action of consumers were measured through the interview with 13 members of consumer groups.\* Then the 14 key influence factors most relevant for the three influence areas for insurance regulatory reform were selected:

- Congress: interest in insurance regulatory reform (including options such as the OFC, federalization, or an improved state system), legislative priority on other issues, sensitivity to constituents, and the influence of lobbying on Congress
- State regulators: Resistance against the OFC, willingness to reform and improve, lobbying efforts and other strategies directed toward Congress, and shaping of public opinion
- Customer/markets: Perception of insurance, buying behavior, policyholder satisfaction, loyalty to brand or insurers, interest in insurance regulation, and interest in consumer protection

#### ■ Phase 2: Future Projections

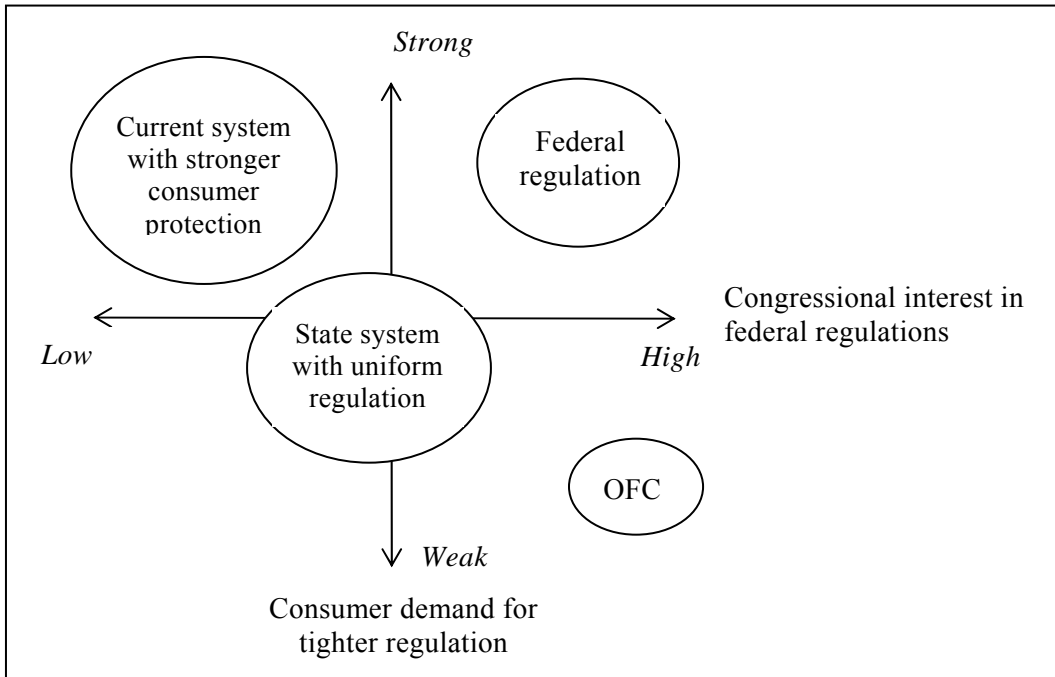
A few development possibilities were considered for key factors to develop the scenario content. The trends of the individual key factors and critical dimensions were

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\* The interview result and analysis will be provided to Allstate as a separate report.



examined to illustrate future developments. Consumers and Congress were identified as the most important key factors; other factors were combined into scenario plots to project future scenarios. The following graph displays the projected combination of two key factors.



■ Phase 3: Scenarios

*[Scenario 1] Going Nowhere: State Is Where It Belongs*

Although insurers have worked toward the OFC for a few years by 2009, they have failed to create enough interest in Congress to make the OFC a reality. Congress finally begins to discuss the issue of insurance regulatory reform after the 2008 presidential election. Allstate has announced its support for the Optional Federal Charter and played a leading role through lobbying. The company tries to communicate about the issue with its customers and general consumers and work with the media. The OFC and regulatory reform issue receives the spotlight in the media. Most consumers are indifferent to the regulation discussion for insurance, unless they see any direct price benefit. The active communication efforts of Allstate and fellow insurers only provoke those who are against the OFC. The opponents, who have been inactive while the OFC was not a moving issue, act aggressively as they hear more

about the issue through the media. They attack the OFC as an effort to avoid tight state regulation. They emphasize the need for improved, stricter state regulation for consumer protection, which appeals to the U.S. consumers as well as the Congress. The opponents mobilize grassroots by encouraging consumers to write or send e-mails to their representatives to support the state system. Consumers, who are upset about continuous rate increases and issues such as credit scoring, gladly join the action. The pressure from states and negative public opinion prevent Congress from considering the OFC seriously. Congress finally decides to maintain the current state system with some revision. Several state governments tighten consumer protection regulations.

*[Scenario 2] Uniformity Regulatory Standards: What We Need Are Some Changes*

Although insurance regulatory reform has been discussed in Congress for several years, Congress does not make a choice among several proposals until 2009. All involved parties acknowledge the need for reform. The organizations such as the National Conference of Insurance Legislators (NCOIL) and the National Association of Insurance Commissioners (NAIC) offer a new reform proposal for state-based uniformity regulatory standards to fight the OFC. Allstate and other insurers try to educate customers about the benefit of the OFC. However, consumers don't care about who regulates the insurance industry. Because of continuous price increases, they just want more government regulation on pricing. Some consumer groups who worry that the OFC may deregulate the business also argue for stricter state regulation for consumer protection. Whereas Congress understands the insurance industry's need for consistent regulation, it does not consider the OFC as an alternative because of the pressure from state insurance regulators and negative public opinion. Several state governments propose supporting NAIC's uniform regulatory standards proposal and tighten consumer protection. Congress finally decides to adopt the state-based uniform system.

*[Scenario 3] Federalization: No Option*

Among several proposals submitted, Congress becomes interested in the uniform federalization option. Because of continuous scandals of big businesses,

Americans lose trust in corporate America and ask for more intervention of the federal government to ensure corporate transparency and consumer protection. Insurers fail to manage catastrophes. Their incompetence in handling large claims and crises makes consumers question the worth of property-casualty insurance and be distrustful of the industry in general. Although consumers are not interested in insurance regulations, a majority of them want tighter consumer protection. Whereas insurers compete to obtain competitive advantages, consumers feel they are not well protected. Consumer activist groups begin to move as the issue becomes ripe. More and more consumer organizations express their concern about the OFC, because they worry that it may undermine consumer protection by giving insurers options to shop for lighter regulation. The consumer groups begin a campaign to educate consumers and publicize their opposition. They raise the issue of anti-trust regulation in the insurance industry and argue for the federalization of regulation to deal with unfair practices.

Insurance companies advocate the need for federal regulation to compete with banks and to overcome inefficiency of the state system. New technology changes the way insurance products are marketed and distributed. The increase of mega insurance companies through M&A and the entrance of foreign insurers add support for the OFC. The companies' demand for a federal system is accepted by Congress and the consumers. Congress decides to federalize insurance regulation without any option; insurance companies end up being regulated by a strict federal system.

APPENDIX L

Project Schedule

	Week 1 (3/1-5)	Week 2 (3/8-12)	Week 3 (3/15-19)	Week 4 (3/22-26)	Week 5 (3/29-4/2)	Week 6 (4/5-9)	Week 7 (4/12-16)	Week 8 (4/19-23)	Week 9 (4/26-30)	Week 10 (5/3-7)	Week 11 (5/10-14)	Week 12 (5/17-21)	Week 13 (5/24-28)	Week 14 (5/31-6/4)
Preparation/ Arrangement	→													
Non-elite Interview				Round 1 →							Round 2 →			
Elite Interview				Round 1 →							Round 2 →			
Environmental Scanning	→													
Document Review	→													
Group Interview				→										
Activist interview (phone/e-mail)					→									
Scenario Development								Initial Draft →					Final Draft →	

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