

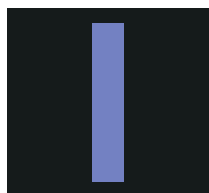


# Sierra's Theology of Com

## Calculating the Value of Organizational Communication Through

by LORENZO SIERRA

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I couldn't help but wonder if my tie was on straight. For that matter, I was hoping my new suit made a good impression.

Somehow, I had gained an audience with an up-and-coming CEO and his human resources manager. I was there with a group of consultants who were telling the duo about the services they were receiving as a client. My role was to get them to buy additional internal communication services.

I was on top of my game. Goals. Strategy. Audiences. Media. Measurement. I addressed it all.

I was formulating the company's communication plan in my head when the CEO said, "I really see no value in that [communication]."

What could I say? What could I do?

No value?

This was one of those CEOs you see in various national publications, a forward thinker. Yet he did not "get it" when it came to the value of communication.

The sad fact is that many business leaders don't understand the value of communication. Moreover, I've had discussions with communication professionals who find it hard to calculate the value they bring to their organizations.

It's those conversations and my own humbling experience that led me to develop an easy-to-understand way of showing non-communicators the value of what we do. The equation is simple:  $V = (c + e)^P$

That is, the *value* of communication is equal to the *costs* plus the *efforts* of what you're communicating to the power of *perception*.

### VALUE

Don't confuse value with the ubiquitous term ROI, or return on investment. ROI lets you know what you're getting for what you're spending. Value, on the other hand, is the relative worth of a thing or concept. In

this case, the concept is communication.

Organizational communication is a lot like love. You really can't quantify it with raw numbers, but you need it to survive.

In the equation, V (value) is used to determine the monetary and anecdotal worth of what you're communicating and assumes that you're doing all the things good communicators do. For example, you have approached your communication strategically. You have clearly stated goals. You have solid messages. You know your audience. You've determined the most effective media. You know how to measure the success of your efforts. You stay within your budget.

Starting from the same vantage point, the value of internal organizational communication can be determined by calculating the costs and efforts of what is being communicated. This can be a new product. It can be a performance program. It can be an employee benefit plan. It can be any number of organizational endeavors.

### COSTS

Here, you are actually putting a real dollar figure on the value of communication. Again, look at what you're communicating.

For example, if you're communicating your organization's medical benefit plan, use the bottom-line amount your organization pays to provide the benefit. In many organizations this is a substantial figure. Therefore, if your organization pays \$1 million to provide medical benefits, the monetary part of the equation is \$1 million.

Another way to look at the cost portion of the equation is by estimating the effect of not communicating. Staying with your organization's medical benefit plan as an example, consider the ramifications if the plan is not communicated. For starters, employees may not know how to use their medical benefits properly. In that case, the \$1 million investment is squandered because your

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## ational Communication Cost, Effort and Perception

organization's plan is no longer the competitive differentiator it was meant to be.

Moreover, in some countries medical benefit plans require legislatively mandated communication. Not fulfilling these requirements can lead to fines. In this case, possible fines also can be seen as a way to determine costs.

### EFFORTS

In today's business world, time is often your most valuable asset. The time you take to achieve an organizational goal is a resource that can't be recouped. The efforts you make on behalf of your employer/client must produce results that help move the organization forward.

So you can estimate the value of effort monetarily and anecdotally. Monetarily speaking, efforts can be calculated by adding up an employee's total monetary rate (salary, benefits, overhead, etc.). You

can use a variety of time measurements to calculate efforts as well (hourly, weekly, monthly, etc.).

It can be argued that this portion of the equation is better suited for the cost element. But efforts also relate to employees' organizational well-being. This is where the anecdotal element figures in.

For example, you may have employees who take a great amount of time and effort to create a new manufacturing process. If the process is not communicated properly, it may never meet its potential. The employees who labored long and hard to develop this new process may feel slighted. Morale may suffer. And this can harm the organization.

### PERCEPTION

This is perhaps the most powerful element of the equation. Perception is what fills any gap between reality and expectations. Your job is to

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$$V = (C + e)^p$$

keep that gap as narrow as possible.

Perception permeates an organization.  
 Perception is the conclusion people draw from the things your organization says and does.  
 Perception is the invisible media vehicle people

use when you do not formally communicate that which should be formally communicated, or from an employee's perspective, "That new business initiative can't be that important if you didn't

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## RESEARCH LINKS FAVORABLE MEDIA COVERAGE TO SALES

Prove to me that PR works! That's the long-standing request being made to professionals in charge of communicating with an organization's external audience.

But until recently, determining the effect of media coverage as a result of PR efforts has been limited because of the high cost of research. In the past two years, however, new technology has provided factual evidence that more and better media coverage is directly correlated to increased sales.

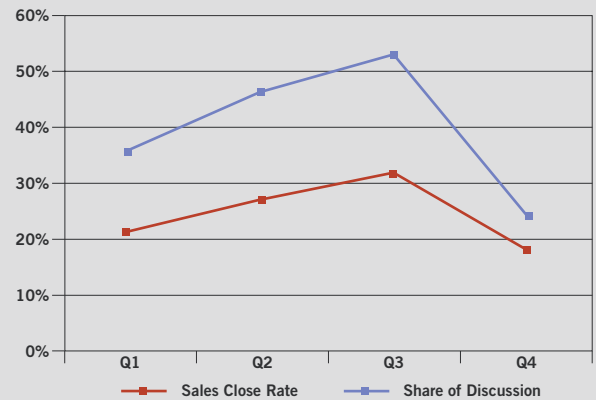
Using artificial intelligence and audited, high-quality data metrics, Surveillance Data Inc. (SDI), a Pennsylvania-based data and analytics company, analyzed more than 5 million stories in 120 studies for major corporations and nonprofits. The research yielded proof that a new measurement, Share of Discussion (SoD), is directly correlated to sales—sometimes at levels high enough to enable the prediction of outcomes. SDI's position paper, "It Works: Correlating Outputs to Outcomes," defines SoD as the quantity and quality (tonality) of media coverage (unpaid) that a company receives compared to that of its competitors.

In one study, the company's SoD was compared to the closing ratio for its sales force, as shown in "Discussion's Impact on Sales Closing Ratios." At a correlation of R=.90, this example shows that a salesperson is more likely to close a sale when the prospect has heard positive things about the seller in unpaid media.

Another example, "Prescription Volume vs. Share of Discussion," comes from a leading pharmaceutical manufacturer experiencing lower-than-expected sales. When SoD was examined, management learned that although product coverage had increased threefold, the level of discussion in the category had increased fourfold, resulting in a significant decline in the product's SoD. Even more interesting was how closely sales followed SoD. In fact, SoD consistently preceded sales for this product by 12 weeks at a correlation of .85, enabling forecasts of future prescription levels based on SoD.

Though these studies were conducted exclusively on outside media coverage, it is likely a similar mechanism applies to internal communication. For example, employees who hear more positive unpaid messages about their companies should be more likely to outperform those who do not.

DISCUSSION'S IMPACT ON SALES CLOSING RATIOS



### CALCULATING SHARE OF DISCUSSION

1. Capture media coverage of company and competitors.
2. Obtain audited media values or impressions, and apply to all coverage.
3. Measure tonality of each mention; subtract negative stories to get net favorable value or impressions.
4. Divide each company's net favorable value or impressions by the total of all competitors to obtain Share of Discussion.
5. Track Share of Discussion against sales, stock price, customer preference or other predefined outcomes.

Clients	Total Media Value	Positive Plus Neutral Media Value	Negative Media Value	Net Positive Media Value	Share of Discussion
Firm A	\$140,000	\$100,000	(\$40,000)	\$60,000	44.4%
Firm B	\$250,000	\$150,000	(\$100,000)	\$50,000	37.0%
Firm C	\$75,000	\$50,000	(\$25,000)	\$25,000	18.5%
TOTALS	\$465,000	\$300,000	(\$165,000)	\$135,000	100%

\*All figures in U.S. dollars

—Gary Getto, executive vice president of Surveillance Data Inc., is an analytics expert in the health care industry who developed EXOGIN, an artificial intelligence, linguistics-based technology enabling the qualitative analysis of large volumes of text.

—Angela Jeffrey, APR, vice president of PRtrak/Surveillance Data Inc., is a multiple Gold Quill and Silver Anvil award winner who developed PRtrak, a do-it-yourself media measurement tool providing standardized, audited metrics. For more information, visit [www.prtrak.com](http://www.prtrak.com).

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## V = (C+E)<sup>P</sup>

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bother to show me what it means to me and how I can help make it happen."

To ensure that your costs and efforts are bearing their proper rewards, you must do your best to manage perception. Yes, managing perception is akin to herding cats. But you risk losing all communication value if your audience takes your message and formulates a different conclusion from the one you intended.

## SHOW YOUR VALUE

As a communicator, you bring value by giving your audiences, clients and leaders exactly what they want at a great price. Except the price you are looking at is composed of intangible things such as commitment, productivity and contentment.

So take this equation — $V = (c + e)^P$ —and show your organizational leaders the value of communication, the value that you bring to the company. 

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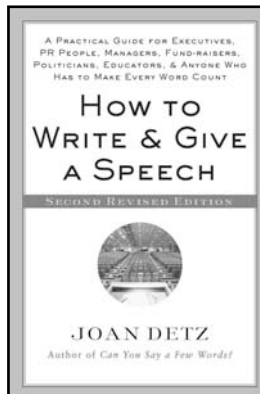
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