

Corporate America Behind the Curve
Makovsky 2006 State of Corporate Blogging Survey

Paper by

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Published by the Institute for Public Relations
August 2006

Corporate America Behind the Curve by Robbin Goodman
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Published by Institute for Public Relations
www.instituteforpr.org

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Highlights of the
Makovsky 2006 State of Corporate Blogging Survey

Executive Summary

Who will admit that in 1996 they questioned – even doubted – the power of the Internet to transform the way business everywhere would be conducted? Despite evidence of another major shift taking place, many senior executives seem determined to doubt the Internet’s power to alter business communications.

While the credibility of corporate blogs — whether sanctioned by the company or written by others — is growing, executives at top companies have been slow to come to grips with their importance in building a dialogue with customers and other stakeholders, including critics, according to the *Makovsky 2006 State of Corporate Blogging Survey*, conducted in February and released in May 2006. The study — a national telephone survey of 150 senior executives (directors and above) of a cross-section of Fortune 1000 companies — was commissioned by Makovsky + Company, and conducted by Harris Interactive®.

The survey revealed that only a very small number of top executives are convinced to “a great extent” that corporate blogging is growing in credibility either as a communications medium (5%), brand-building technique (3%) or a sales or lead generation tool (less than 1%). In contrast, most executives are somewhat or not at all convinced of blogs’ growing credibility in these areas, (62%, 74% and 70% respectively).

Moreover, nearly half of senior executives polled do not have corporate policies pertaining to blogging, although 77% believe that their organizations should have such policies.

Clearly, we are seeing a snapshot of the beginning of a corporate activity and a medium which is set to grow rapidly and which will become increasingly important to corporations around the world. Companies that do not recognize this trend and take action to capitalize on it will miss out on valuable opportunities. They will also put themselves at risk of being blindsided by unfavorable publicity.

This white paper reviews key findings from the *Makovsky 2006 State of Corporate Blogging Survey* and recent evidence supporting the need for organizations to take notice and develop a strategy to engage blogs effectively.

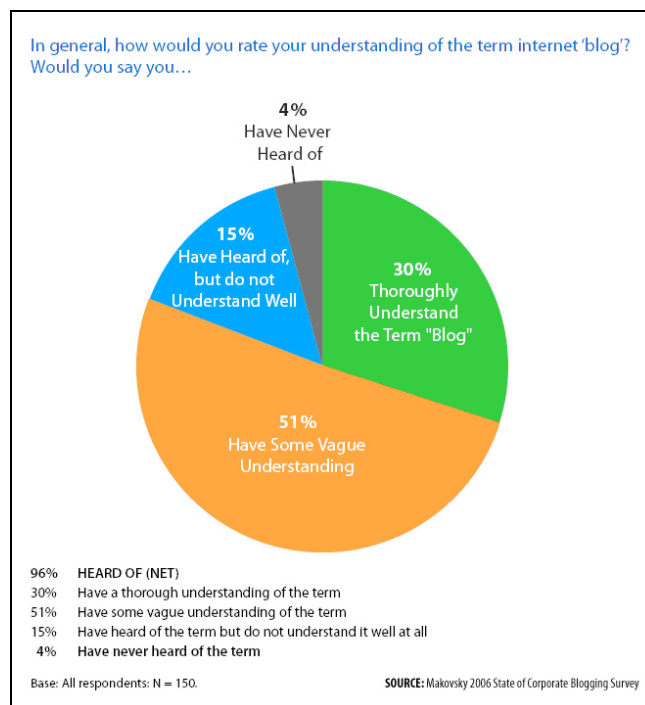
Defining a new medium

A blog (short for “weblog”) is a website that typically combines text, images and links in a kind of personal journal. Publishing tools that are relatively easy to use and maintain enable the blogger to share news and opinion instantly and worldwide.

Since their initial appearance more than twenty years ago, blogs have emerged as an increasingly popular and powerful means of communication, with a profound effect on public opinion and the traditional media. As of July 31, 2006, there were more than 50 million blogs on the Internet, according to blog search engine Technorati, with new ones being created at the rate of about 175,000 a day (or, two per second).¹

While nearly all (96%) the Fortune 1000 senior executives polled in the *Makovsky 2006 State of Corporate Blogging Survey* have at least some familiarity with blogs, only three out of ten (30%) say they have a “thorough understanding” of the term “Internet blog.”

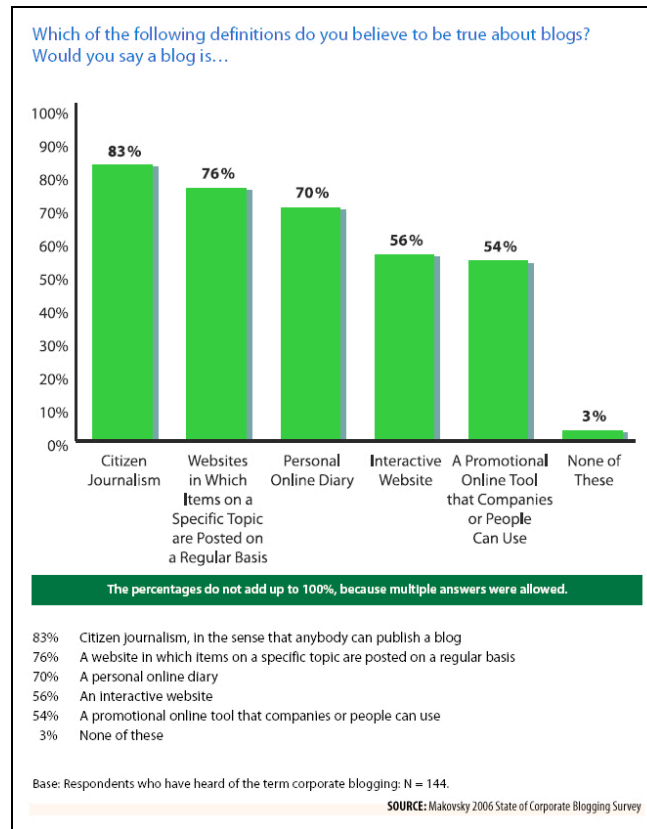
TABLE 1



An overwhelming majority (83%) of respondents believe that blogs are “citizen journalism, in the sense that anyone can publish a blog.” However, nearly half (46%) of respondents were unaware that blogs can also be an online promotional tool.

¹ <http://technorati.com/weblog/2006/02/81.html>

TABLE 2



Bloggers are indeed the citizen journalists who used camera-equipped cell phones and the web to deliver breaking news about the suicide bombers on the London Underground and whose questions about the credibility of the Bush National Guard documents ultimately cost Dan Rather his job at CBS ... but blogging is a much bigger enterprise.

The blogosphere — the universe of blogs — is huge and inclusive. There are blogs representing the mainstream media and the new consumer-generated media. There are blogs penned by individuals who have become authoritative sources on complex subjects of narrow interest. And there are corporate blogs, frequently penned by executives.

GM was among the first corporate giants outside the technology field to bring the human voice of its executives to the public in a blog. Vice Chairman Bob Lutz's first "Fast Lane" column, on the Saturn brand, was posted in January 2005. He continues to blog passionately about his company's products. He is also connecting directly with a large number of people, questioning conventional wisdom and revealing facts that might not otherwise have been exposed to a mass audience.²

² <http://www.thecorporatebloggingbook.com/?s=bob+lutz>.

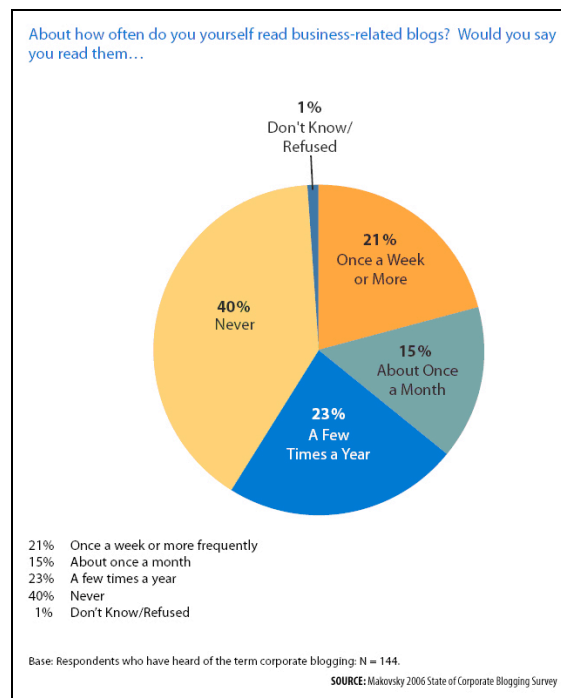
Some experts contend that CEOs are answerable only to investors and that security and other regulatory restrictions constrain them from blogging. However, while it is true that not every CEO has the inclination or interest to blog, every CEO's constructive engagement with all of the company's stakeholders — including investors, analysts, employees, customers, suppliers, distributors and the members of the communities in which they reside and do business — is essential. A blog can be an efficient and cost-effective medium for reaching them.

Connecting with the blogosphere

“Chances are that if people aren't talking about your company in blogs today, they will be soon,” wrote former Microsoft blogger Robert Scoble and his co-author Shel Israel, in their book, *Naked Conversations: How Blogs are Changing the Way Businesses Talk with Customers*. “You would be wise to join these conversations, if only to thank those who sing your praises or to correct factual errors.”

Notwithstanding the fact that blogs have clearly moved beyond the realm of diarists and technologists to benefit mainstream businesses, only one in five (21%) senior executives surveyed reports actively reading business blogs on at least a weekly basis.

TABLE 3

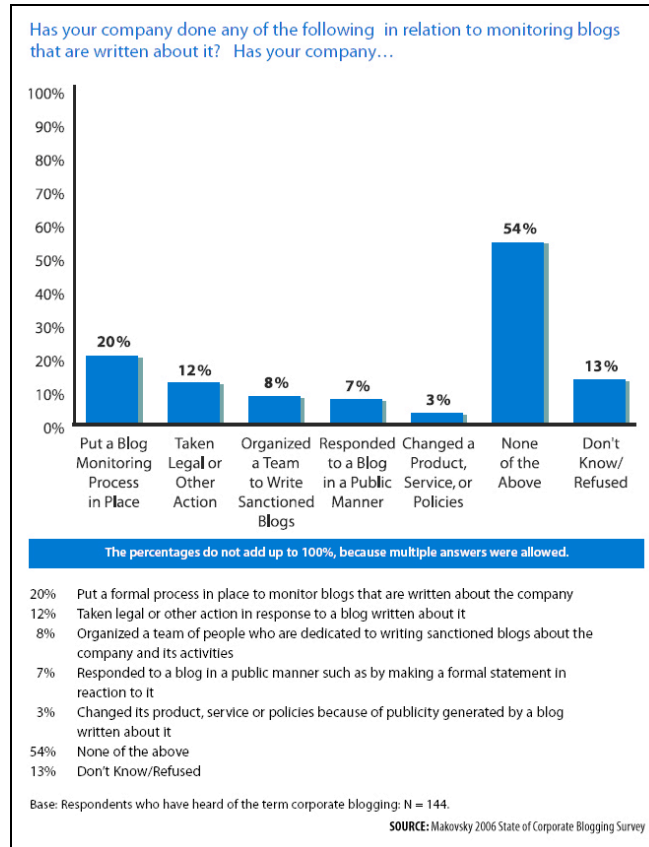


The survey further revealed that a surprising 80% of Fortune 1000 companies have failed to create a formal process for monitoring the blogs that are written about it ... despite the fact that

12% of Fortune 1000 companies have taken legal or other action in response to a blog written about it!

Further, only 8% report organizing a team of dedicated people to write sanctioned blogs about the company and its activities in response to blogs written about their companies. And a mere 3% of executives surveyed say that their company has changed a product, service, or policy because of publicity generated by a blog written about it.

TABLE 4



The same characteristics that make the Web an ideal medium for positive communications — namely immediacy, speed, ease of use, and the pass-along effect — are also ideally suited to the spread of negative publicity ... so blogging can help to make or break a corporation's reputation.

As blogger Jeff Jarvis, author of the BuzzMachine blog, has said, "Today, when you lose a customer, you don't lose just that customer, you risk losing that customer's friends. And thanks to the Internet and blogs and consumer rate-and-review services, your customers have lots and lots of friends all around the world."

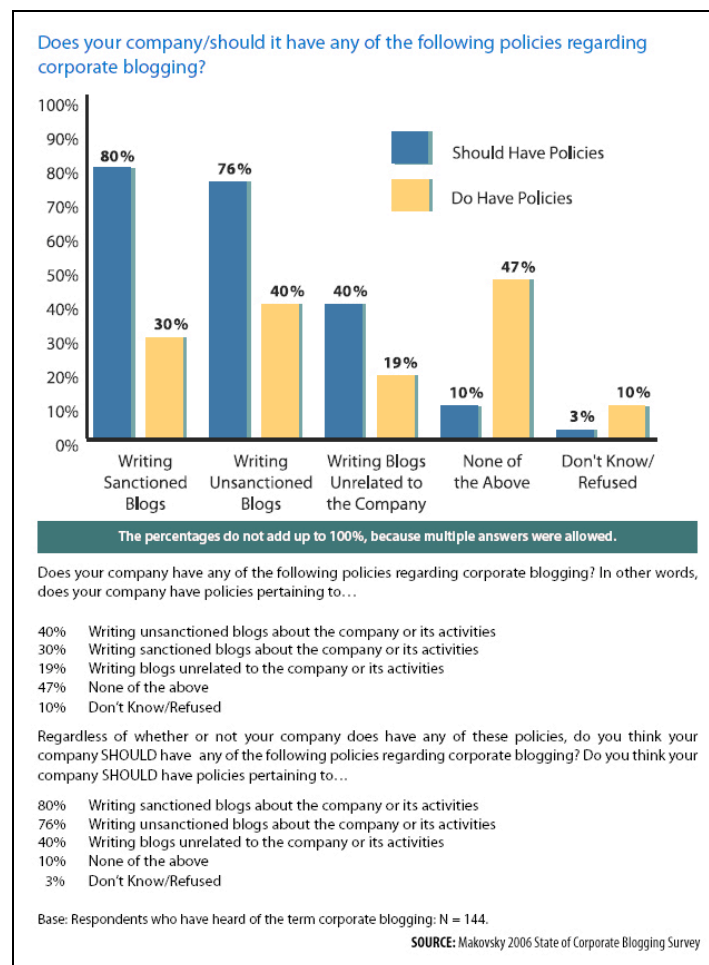
Managing risk

Because the culture of blogging places a high value on communiqués that are honest, spontaneous, provocative and at times even shocking, bloggers have the power to both enhance and destroy a company's reputation. Without guidance, it is possible for bloggers to breach defamation, privacy, trade secret, copyright, securities and other laws ... and for companies to find themselves vicariously liable.

The *Makovsky Corporate Blogging Survey* revealed that a substantial number of executives recognize those risks.

Eighty percent of the Fortune 1000 executives surveyed believed that their company should have blogging policies for sanctioned blogs, unsanctioned blogs (76%) ... and even blogs unrelated to the company or its activities (40%). In every category, fewer than half actually had the necessary policies in place.

TABLE 5



It was surprising to us to discover how few companies specifically address the issue of blogging among their employees. Most are relying on preexisting corporate policies on related issues, such as confidentiality, protecting corporate reputation and Internet use at work. But a proactive approach to blogging is in the best interest of the corporation, as our survey respondents clearly acknowledge. The reactive approach — firing an employee for an offending blog — damages the reputations of everyone involved.

A survey conducted in 2005 by the Society for Human Resource Management (SHRM) found that three percent of HR professionals had disciplined workers for their blogs.³ While blog-related firings are still relatively rare, employees and contractors have reportedly been fired for indiscreet blogging at a number of major companies, including Starbucks, Delta Air Lines, Wells Fargo and Kmart.⁴

Heather Armstrong, a web designer and the author of Dooce.com, lost her job in 2002 for blogging about her co-workers ... despite the fact that she never named her employer, a Los Angeles-based software firm. Today, to be “dooiced” is to be fired because of something you have written in a blog.

It is important to note that the free speech protection of the First Amendment does not extend to the workplace. Forward-looking corporations are developing blogging policies and guidelines designed to preempt such problems as the dissemination of trade secrets, without stifling the kinds of blogs that can also create valuable word of mouth about a company.

Slow on the uptake

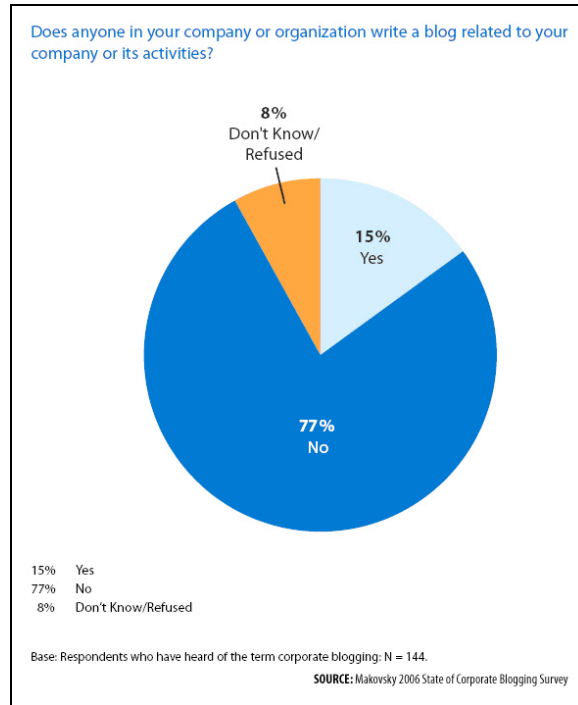
According to Socialtext’s “Fortune 500 Blogging Wiki,” as of August, 2006, only 30 (6%) of the Fortune 500 reported active public blogs written by their employees about the company or its products.⁵

In Makovsky’s *Corporate Blogging Survey*, a minority (15%) of the Fortune 1000 executives surveyed report that someone in their organization is currently writing a blog related to the company or its activities.

³ http://www.vindy.com/content/business_tech/295480290650479.php

⁴ <http://www.cnn.com/2005/US/Careers/04/05/blogging/index.html>

⁵ <http://www.socialtext.net/bizblogs/index.cgi>

TABLE 6

Indeed, the vast majority (77%) of executives polled report that no one in their organization is writing a corporate blog.

The comparatively slow adoption of corporate blogging as a communications strategy may be a function of the relative lack of awareness among senior corporate executives of the potential benefits of the new medium.

Still lacking credibility?

Nearly three-quarters (73%) of the Fortune 1000 executives surveyed said the credibility of corporate blogging was growing “somewhat or not at all” as a way to develop the brand; seven out of ten (71%) said blogging’s credibility was growing “somewhat or not at all” as a sales or lead generation tool for corporations; and nearly two-thirds (62%) said its credibility was growing “somewhat or not at all” as a communications medium for corporations.

TABLE 7

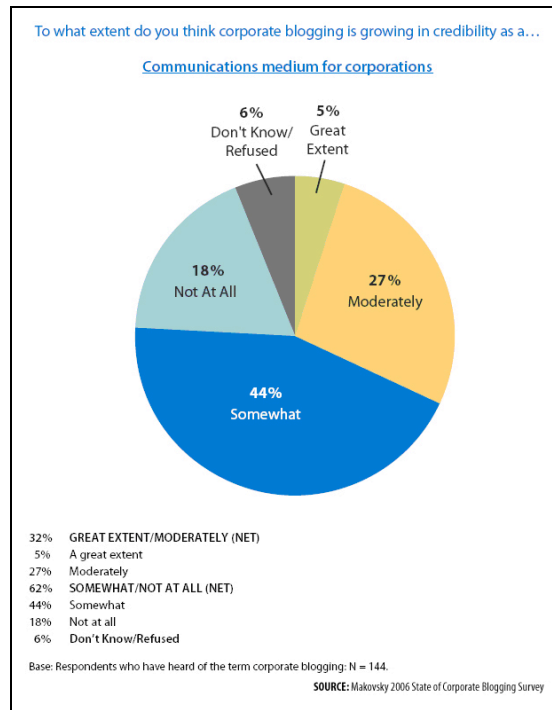


TABLE 8

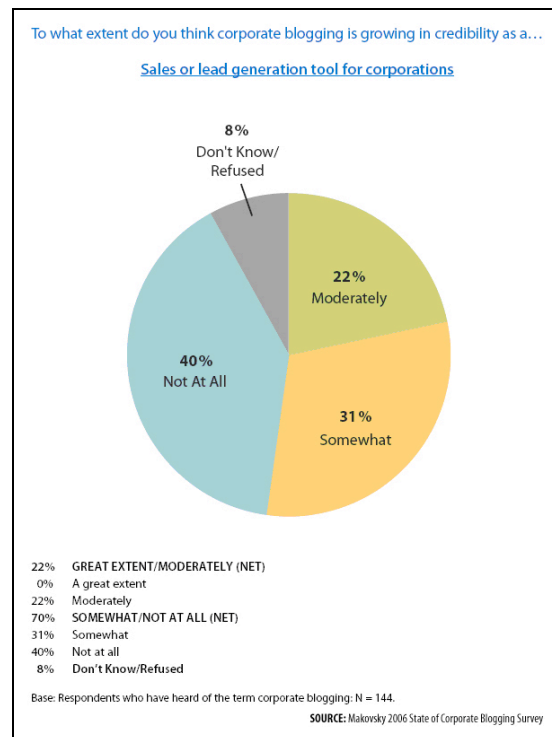
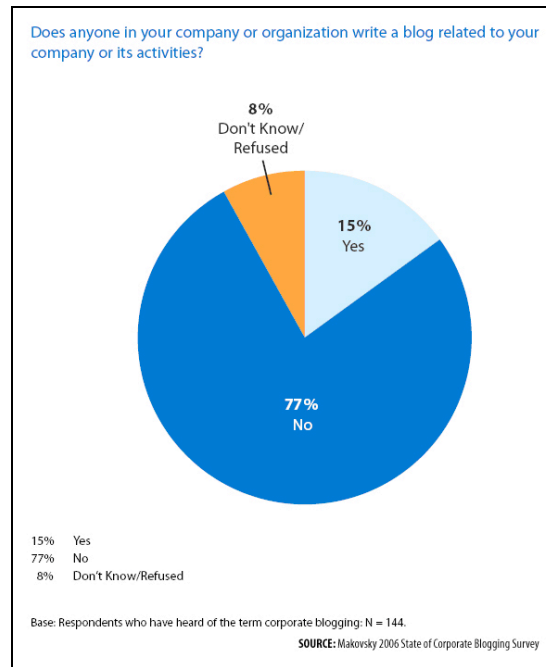


TABLE 9



This represents quite a surprising reality gap, given the fact that blogging can help to make or break a corporation's reputation. In today's wired world, a company's brand is at risk at the click of a mouse; Dell, the technology leader, learned all too well.

In 2005, Dell had a policy of monitoring online blogs and discussion forums, but not making proactive contact or responding publicly to bloggers.⁶ Last summer, when Jeff Jarvis's calls and emails to Dell about a defective computer brought no satisfaction, he launched a series of critiques of the company in his blog, *BuzzMachine*. Daily visits to the blog doubled and hundreds of readers posted their own complaints. Ultimately, the story was picked up by *BusinessWeek* in an article titled "Dell in the Bloghouse."

The Dell case is representative of scores of similar situations involving companies that did not recognize the true importance of the new medium of blogging: first, because blogs represent an opportunity to create a presence and support a brand; and second, because whether or not a company sponsors a blog, external bloggers can have a powerful impact on the public perception of the company's products and services.

In July of 2006 Dell finally joined the blogosphere with *One2One: Direct Conversations with Dell*, addressing service issues directly with its customers. As *news.com* reported, the blog hosts commentaries with Dell experts on new products and industry developments.

⁶ http://buzzmachine.com/archives/cat_dell.html

The lag in corporate America's reaction to the growing credibility of corporate blogs as a communications medium urgently needs to be rectified. Other recent research suggests it will be. JupiterKagan's "Corporate Weblogs: Deployment, Promotion, and Measurement" report predicts that large companies will double the number of corporate blogs in 2006.⁷

Whether they are used to demonstrate expertise, share knowledge, improve customer satisfaction levels, support a product brand, facilitate a crisis response or burnish a company's reputation, blogs should be an essential element of every corporation's communications strategy.

Methodology

Harris Interactive® conducted this survey on behalf of Makovsky + Company using its Executive Omnibus™, a nationwide telephone survey of 150 leading executives in Fortune 1000 companies of whom 144 had at least heard of the term "corporate blogging." The survey was conducted between February 8 and 28, 2006, and the executives interviewed were from a broad range of industries, services, locales and sizes of companies. Data from this sample are not weighted and are representative only of the body of individuals surveyed. In theory, with a probability sample of this size, one can say with 95 percent certainty that the results have a sampling error of plus or minus 8 percentage points.

These statements conform to the principles of disclosure of the National Council on Public Polls.

About Makovsky + Company

Founded in 1979, Makovsky + Company (www.makovsky.com) is today one of the nation's leading independent global public relations and investor relations consultancies. The firm attributes its success to its original vision: that the Power of Specialized Thinking™ is the best way to build reputation, sales and fair valuation for a client. Based in New York City, the firm has agency partners in more than 20 countries and in 35 US cities through IPREX, the third largest worldwide public relations agency partnership, of which Makovsky is a founder.

About Harris Interactive®

Harris Interactive Inc. (www.harrisinteractive.com), based in Rochester, New York, is the 13th largest and the fastest-growing market research firm in the world, most widely known for *The Harris Poll*® and for its pioneering leadership in the online market research industry. Long recognized by its clients for delivering insights that enable confident business decisions, the Company blends the science of innovative research with the art of strategic consulting to deliver knowledge that leads to measurable and enduring value.

⁷ <http://www.tekrati.com/research/News.asp?id=7353>

DEMOGRAPHICS

Interviewing: February 8-28, 2006
 Respondents: 150 Executives in Fortune 1000 companies
 Margin of Error: +/- 8.0% in 95 out of 100 cases

NOTE: A (*) means less than one-half percent responding; and a (-) means nonresponse or zero percent

Gender

81% Male
 19% Female

Title

32% Director
 47% Vice President
 1% Group VP
 1% Division VP
 2% 1ST VP
 9% Senior Vice President
 2% Executive Vice President
 2% Chief Financial Officer (CFO)
 2% Chief Executive Officer (CEO)
 1% President
 1% Officer
 1% Controller
 1% Treasurer
 1% Other

Industry/Service

34% Manufacturing
 20% High Tech
 46% SERVICES (NET)
 28% Finance/Insurance/Real estate
 10% Wholesale/Retail trade
 8% Transportation/Communication/Utilities

Region

33% Northeast
 30% Midwest
 25% South

13% West

Number of Employees

19% Less than 5,000

19% 5,000 - 10,000

60% More than 10,000

2% Not Coded

Sales

3% Less than \$1 billion

61% \$1 billion to less than \$5 billion

14% \$5 billion to less than \$10 billion

20% \$10 billion or more

1% Not Coded

Robbin Goodman is executive vice president and a partner of Makovsky + Company Inc. www.makovsky.com. She is head of Makovsky's Online Fluency practice, which helps corporations master the social networking challenge through corporate blog strategy and planning, employee blogging policies, monitoring and outreach services.