

“Understanding is the Beginning of Approving:” Vapid Platitude or Cornerstone of Public Relations?

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A paper presented at the 8th International Public Relations Research Conference
March 10-13, 2005
Miami, FL



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INTRODUCTION

André Gide (1869-1951) was a French writer, humanist and moralist. In 1947, he won the Nobel Prize for literature. In the 1970s, The Financial Times used his quote, “understanding is the beginning of approving,” as the summary line for its slick brochure on the benefits of corporate advertising.

It is a nice thought but does it have any real meat to it? Is there any data in the corporate arena that can substantiate that understanding (i.e., familiarity with a corporation) facilitates approval (i.e., favorable attitudes toward the corporation)? Does familiarity breed favorability? Or is the old saw “familiarity breeds contempt” really the case?

The authors of this paper are a practitioner with 36 years of reputation measurement experience and a Ph.D. candidate in public relations. We hope this paper will generate more research on the topic and influence corporate decision making.

The following sections of this paper will describe:

- ♦ The underlying research that forms the database that has been analyzed
- ♦ Hypotheses and research questions
- ♦ Results
- ♦ Discussion of results

THE UNDERLYING RESEARCH

The data source for this paper is the Roper Corporate Reputation Scorecard™ study of Bellwether companies. In 2003 and 2004, the Roper Public Affairs unit of NOP World conducted research among 6000 Americans to measure the reputations of 30 companies.

Companies were selected from the 2002 Advertising Age list of *Leading Global Advertisers*. The top four to six companies in each of six industries were selected. Since there were only four financial services companies on the list, a sixth automotive company was added. The list was developed for the 2003 study and kept the same for the 2004 study.

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Paper presented at the Eighth International Public Relations Research Conference, March 10-13, 2008
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The list of companies by industry is as follows:

<p><u>Automotive</u> General Motors Ford Toyota DaimlerChrysler Volkswagen Honda</p>	<p><u>CPG</u> Procter & Gamble Unilever Altria Nestle Coca-Cola</p>	<p><u>Pharmaceutical</u> Johnson & Johnson GlaxoSmithKline Pfizer Bristol Myers Squibb Wyeth</p>
<p><u>Entertainment</u> Time Warner Walt Disney Co. Sony Corp. Vivendi Universal Viacom</p>	<p><u>Technology</u> Microsoft Hewlett-Packard IBM Canon Vodafone</p>	<p><u>Financial Services</u> Visa International American Express MasterCard Int'l Citigroup</p>

The data for this paper are drawn from the 2004 research.

Interviews were conducted using the NOP World Online Panel. A stratified random sample was drawn and 6000 respondents participated in the study. Each respondent was randomly assigned five companies to evaluate.

The Roper Corporate Reputation Scorecard™ measures knowledge and evaluations of each company and likelihood to engage in supportive behaviors. The questionnaire covered:

- ♦ Awareness (ever heard of company)
- ♦ Familiarity (extremely familiar, very familiar, somewhat familiar or just know the name)
- ♦ Overall impressions (10-point scale where 10 means extremely favorable and 1 means extremely unfavorable)
- ♦ Evaluations on 12 corporate attributes (10-point scale where 10 means excellent and 1 means poor). Attributes studied are:
 - Is a leader in its industry
 - Gives back to the local communities in which it operates
 - Cares about the environment
 - Will produce the next innovation in its industry
 - Goes the extra mile to ensure customer needs are met
 - Is a very profitable company
 - Is open and honest with the public
 - Has highly ethical senior management
 - Will prosper in the long run
 - Offers the highest quality products and services
 - Cares about its customers
 - Has an excellent management team
- ♦ Association of company with personality traits (yes/no). Eight traits studied are:
 - Trustworthy
 - Friendly
 - Strong
 - Fun
 - Greedy
 - Dull

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- Arrogant
- Deceitful
- ◆ Likelihood to engage in supportive behaviors (10-point scale where 10 means extremely likely and 1 means not at all likely):
 - Recommend to a friend the products and services of the company
 - Recommend to a friend purchasing or investing in the stock of the company
- ◆ Recall of communications and source of recall
 - Advertising
 - News stories/articles

HYPOTHESES AND RESEARCH QUESTIONS

The following research questions and hypotheses will be addressed:

H1: Individuals who are extremely/very familiar with corporations will have more favorable impressions of those corporations compared to those who are less familiar or just know the name.

H2: Individuals who are extremely/very familiar with corporations will be more likely to recommend those corporations' products and services to a friend compared to those who are less familiar or just know the name.

H3: Individuals who are extremely/very familiar with corporations will be more likely to recommend that a friend purchase stock or invest in those corporations compared to those who are less familiar or just know the name.

RQ1: Does familiarity affect how individuals evaluate corporations on whether they "give back to the communities in which they operate?"

RQ2: Does familiarity affect how individuals evaluate whether corporations "are open and honest with the public?"

RQ3: Does familiarity affect how individuals evaluate whether corporations "will prosper in the long run?"

RQ4: Does familiarity affect how individuals evaluate whether corporations "offer the highest quality products and services."

RQ5: Does familiarity affect how individuals evaluate whether corporations "care about [their] employees?"

RESULTS

Significant differences for all the hypotheses and research questions have been analyzed using an analysis of variance, followed by Scheffe's conservative post hoc test to determine differences within the levels of familiarity. Mean scores are based on a 10-point scale, whereby the higher the mean score, the higher the individual evaluated the corporation.

H1 is supported: Each of the industry groups has significant differences within the levels of familiarity. Individuals who report they are extremely/very familiar have more favorable impressions of the companies within the industries, with means ranging from 7.05 (financial services) to 8.15 (CPG), based on a 10-point scale.

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Individuals who are somewhat familiar with or just know names of the corporations within each industry rated them significantly lower, with means ranging from 5.79 (financial services) to 7.08 (CPG) (See Chart 1).

Mean Scores of Impressions of Industries by Levels of Familiarity

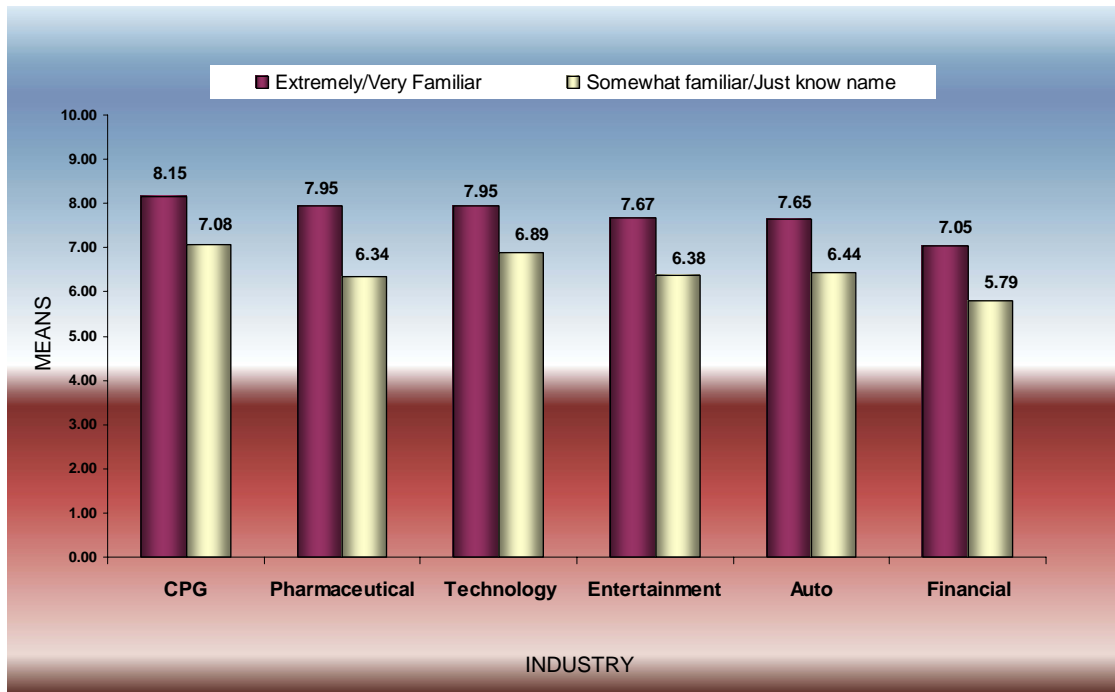


Chart 1: Mean scores are based on a 1 to 10 scale (1 = extremely unfavorable impression; 10 = extremely favorable impression). Therefore, the higher the mean score, the more favorable the impression. All means presented are significantly different within levels of familiarity of each industry based on a one-way analysis of variance ($p \geq .05$)



H2 is supported: Within each industry group, significant differences are found within the levels of familiarity. Individuals who reported they are extremely/very familiar are more likely to recommend products of corporations within each industry group to a friend with means ranging from 5.69 (financial services) to 8.00 (CPG) on a 10-point scale. Individuals who are somewhat familiar or just know the name are less likely to make recommendations, ranging from 4.27 (financial services) to 6.68 (CPG) (See Chart 2). Therefore, individuals with more familiarity are more likely to recommend products to a friend compared to individuals who are less familiar.

Mean Scores of Likelihood to Recommend Products to a Friend by Levels of Familiarity

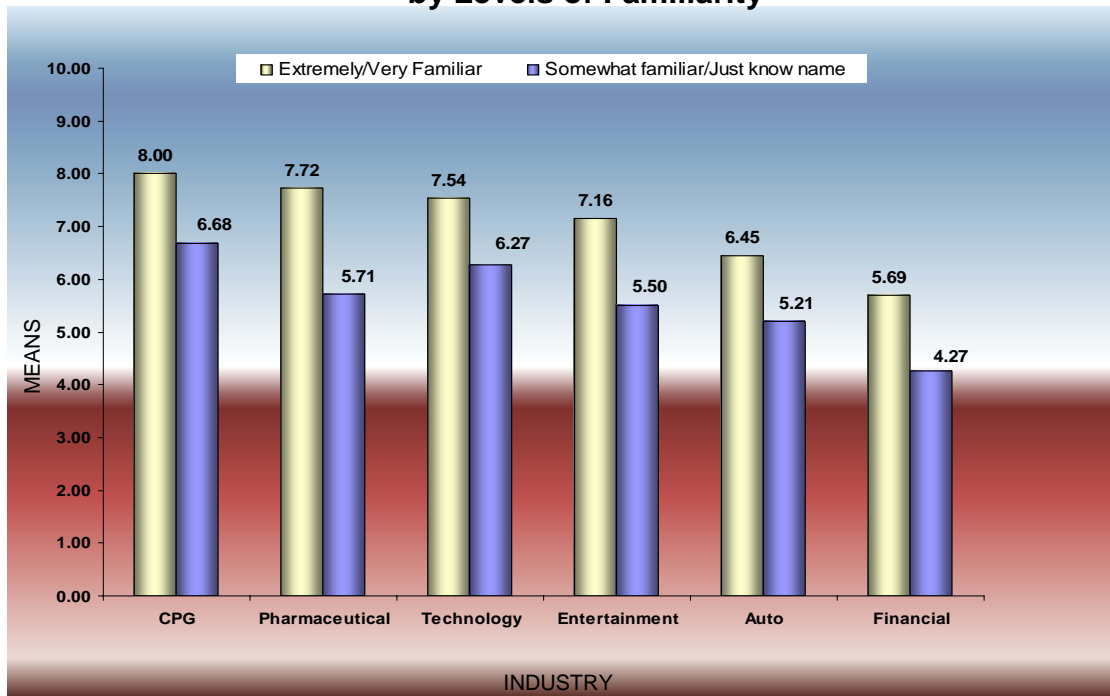


Chart 2: Mean scores are based on a 1 to 10 scale (1 = not at all likely; 10 = very likely). Therefore, the higher the mean score, the more likely the individual is to recommend the product or service to a friend. All means presented are significantly different within levels of familiarity of each industry based on a one-way analysis of variance ($p \geq .05$).



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H3 is supported: Similar to H2, within industry groups, significant differences are found within the levels of familiarity on whether individuals would recommend stock of or investment in the company to a friend. Of the three hypotheses, this question results in the lowest overall means. Individuals who reported they are extremely/very familiar are more likely to recommend investment, with means ranging from 4.95 (financial services) to 6.38 (CPG). Individuals who only know the name or who are somewhat familiar with the corporation have means ranging from 3.82 (financial services) to 5.29 (CPG) (See Chart 3).

Mean Scores of Likelihood to Recommend Stock or Company Investment to a Friend by Levels of Familiarity

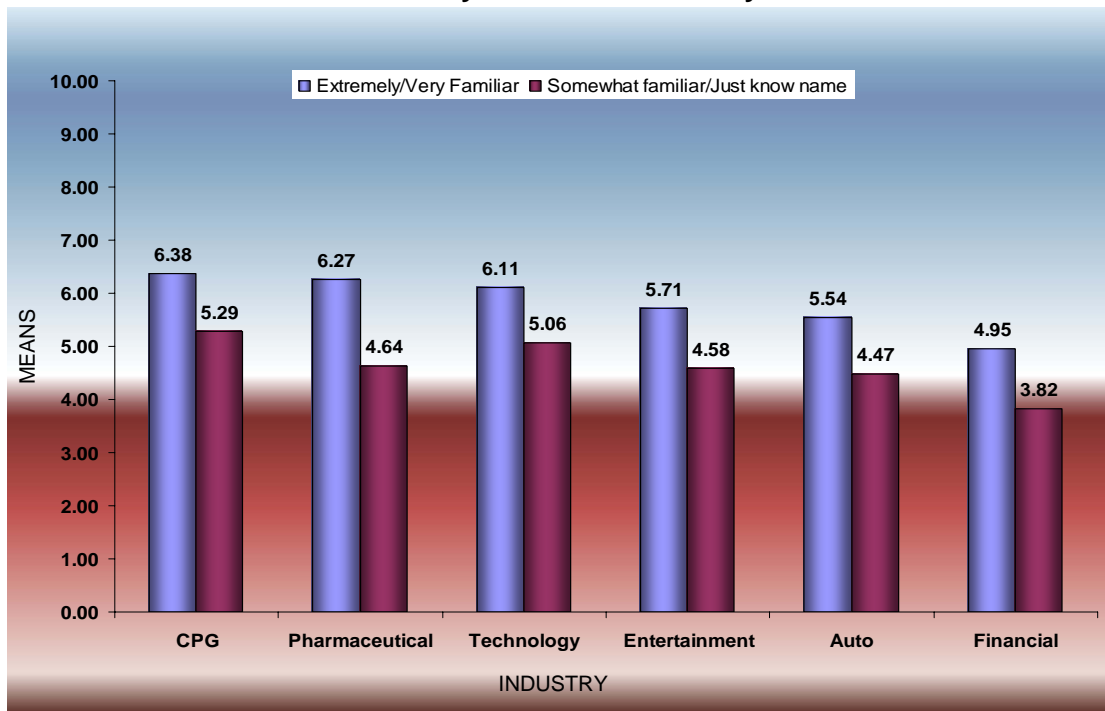


Chart 3: Mean scores are based on a 1 to 10 scale (1 = not at all likely; 10 = very likely). Therefore, the higher the mean score, the more likely the individual is to recommend purchasing or investing in stock to a friend. All means presented are significantly different within levels of familiarity of each industry based on a one-way analysis of variance ($p \geq .05$).



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Results for RQ1 found significant differences within the levels of familiarity. Individuals who are extremely/very familiar with corporations are more likely to indicate that the corporations “give back to the communities in which it operates.” Concerning extremely/very familiar respondents, means range from 6.19 (financial services) to 7.37 (CPG). The mean scores for respondents who are somewhat familiar or only know the name range from 5.62 (financial services) to 6.63 (CPG). (See Chart 4).

Mean scores of industries that “give back to the community in which it operates” by levels of familiarity

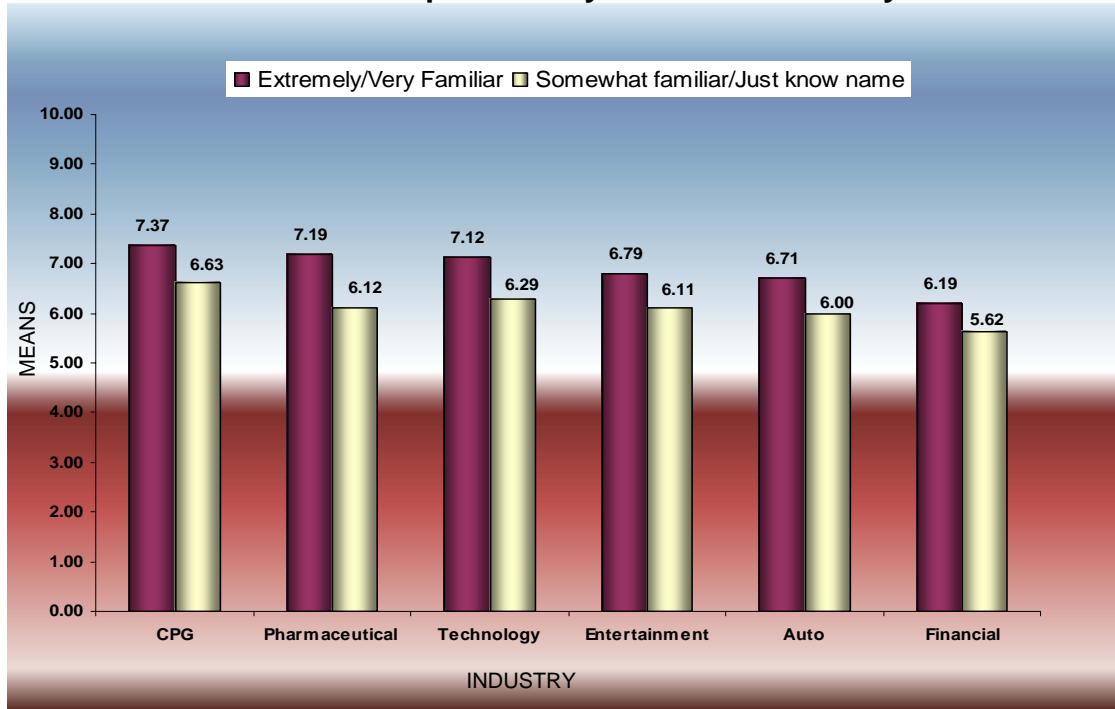


Chart 4: Mean scores are based on a 1 to 10 scale (1 = poor; 10 = excellent). Therefore, the higher the mean score, the higher the individual evaluated the industry. All means presented are significantly different within levels of familiarity of each industry based on a one-way analysis of variance ($p \geq .05$)



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Regarding RQ2, significant differences are found within the levels of familiarity regarding respondents' perceptions that the corporations "are open and honest with the public". For respondents who are extremely/very familiar with corporations within industry groups, means range from 6.24 (financial services) to 7.26 (CPG) on a 10-point scale. Mean scores for respondents who are somewhat familiar or just know name of the corporations within industries range from 5.68 (financial services) to 6.59 (CPG). Therefore, individuals who are more familiar with a corporation believe that the corporation is more open and honest with the public (See Chart 5).

Mean scores of industries that "are open and honest with the public" by levels of familiarity

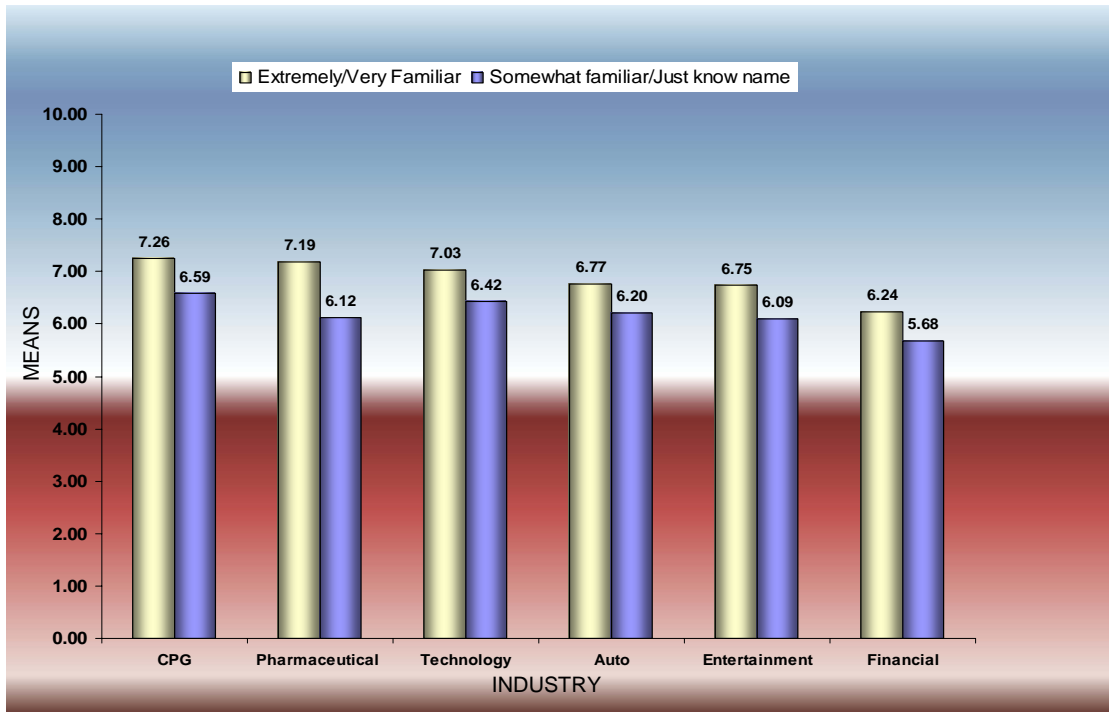


Chart 5: Mean scores are based on a 1 to 10 scale (1 = poor; 10 = excellent). Therefore, the higher the mean score, the higher the individual evaluated the industry. All means presented are significantly different within levels of familiarity of each industry based on a one-way analysis of variance ($p \geq .05$).



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RQ3 asks respondents whether they believed the corporation “would prosper in the long run.” This question is especially important because many individuals will only invest in or purchase products from companies that they anticipate will continue to thrive or have staying power. Mean scores are significantly different within the levels of familiarity, with those who are extremely familiar/very familiar with corporations assigning mean scores ranging from 7.92 (financial services) to 8.56 (CPG). Respondents who are somewhat familiar with or just know name of the corporation have mean scores ranging from 6.97 (financial services) to 7.78 (CPG) on a 10-point scale. Compared to the other research questions, the means are relatively high, indicating that respondents’ believe all these major corporations will thrive. (See Chart 6).

Mean scores of industries that “will prosper in the long run” by levels of familiarity

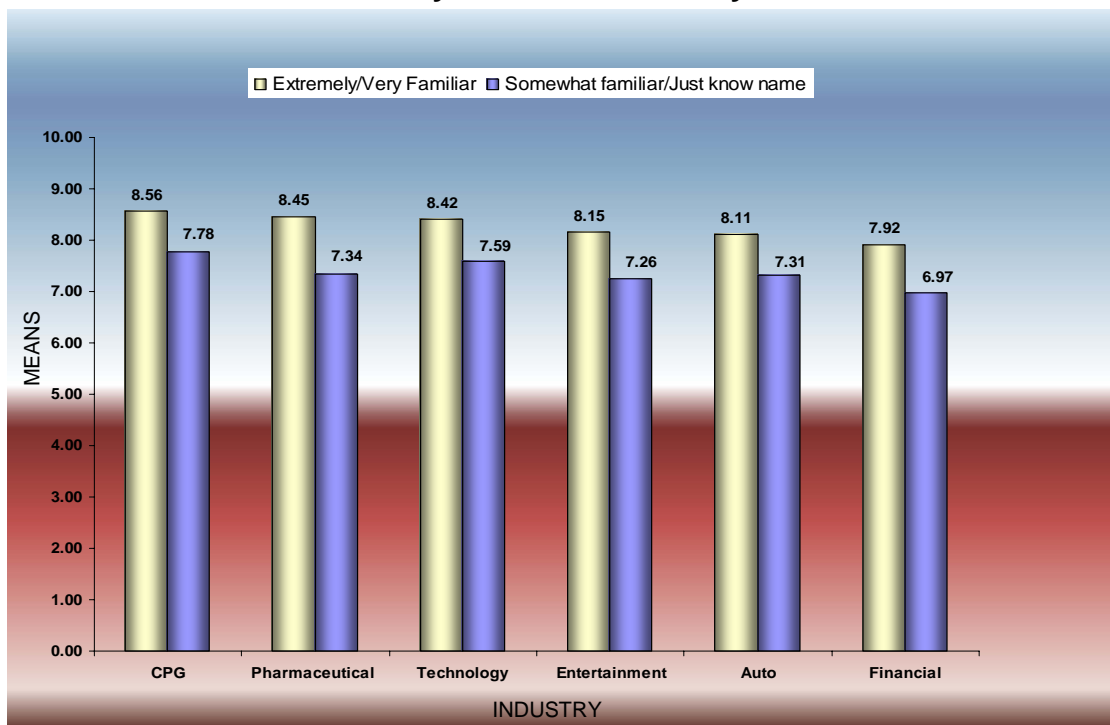


Chart 6: Mean scores are based on a 1 to 10 scale (1 = poor; 10 = excellent). Therefore, the higher the mean score, the higher the individual evaluated the industry. All means presented are significantly different within levels of familiarity of each industry based on a one-way analysis of variance ($p \geq .05$).



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Similar to RQ3, mean scores of RQ4 question are higher compared to other research questions. This question regards which corporations respondents feel “offer the highest quality products and services.” Significant differences are found with means for respondents who are extremely/very familiar with the corporations in each industry ranging from 6.96 (financial services) to 8.24 (pharmaceutical) while means for respondents who are somewhat familiar with or just know names of the corporations in each industry range from 6.13 (financial services) to 7.08 (pharmaceutical) (See Chart 7). This indicates that familiarity of corporations influences the respondents’ perceptions of product quality.

Mean scores of industries that “offer the highest quality products and services” by levels of familiarity

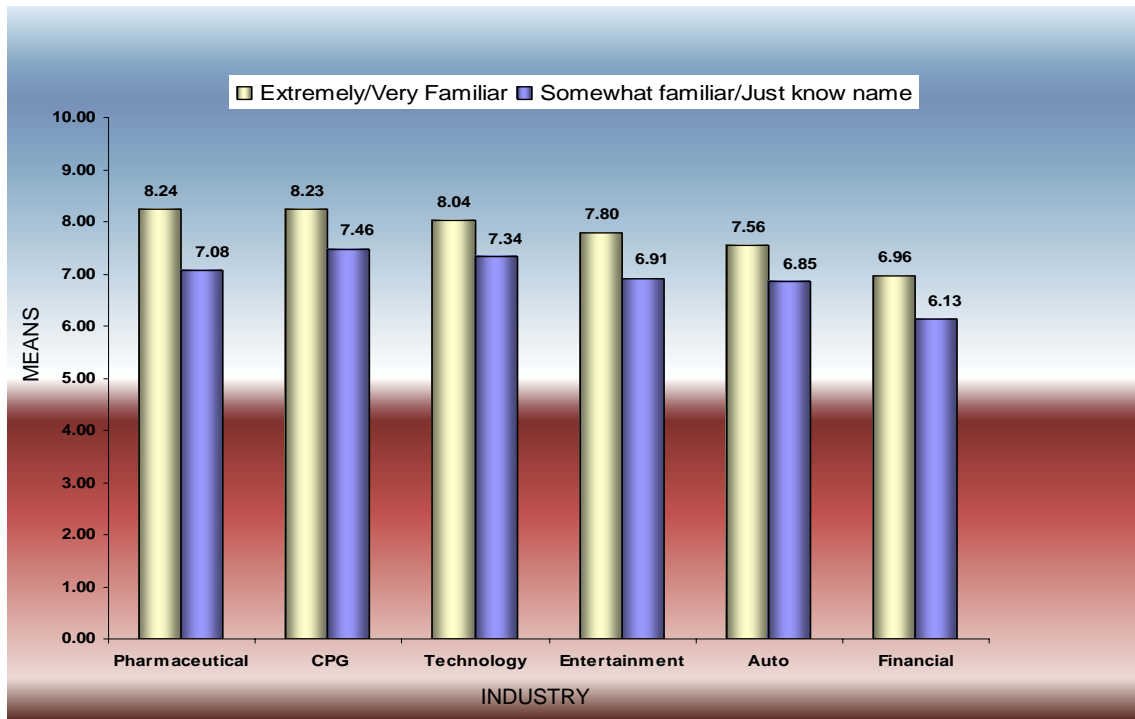


Chart 7: Mean scores are based on a 1 to 10 scale (1 = poor; 10 = excellent). Therefore, the higher the mean score, the higher the individual evaluated the industry. All means presented are significantly different within levels of familiarity of each industry based on a one-way analysis of variance ($p \geq .05$).



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The last research question, RQ5, addresses both internal and external communication in how well they think corporations in each industry “care for their employees.” Significant differences are found within the levels of familiarity with means for the extremely/very familiar ranging from 6.28 (financial services) to 7.16 (pharmaceutical). Mean scores for those who are somewhat familiar with or just know names of the corporations in each industry are significantly lower, ranging from 5.75 (financial services) to 6.22 (pharmaceutical) (See Chart 8).

Mean scores of industries that “care about its employees” by levels of familiarity

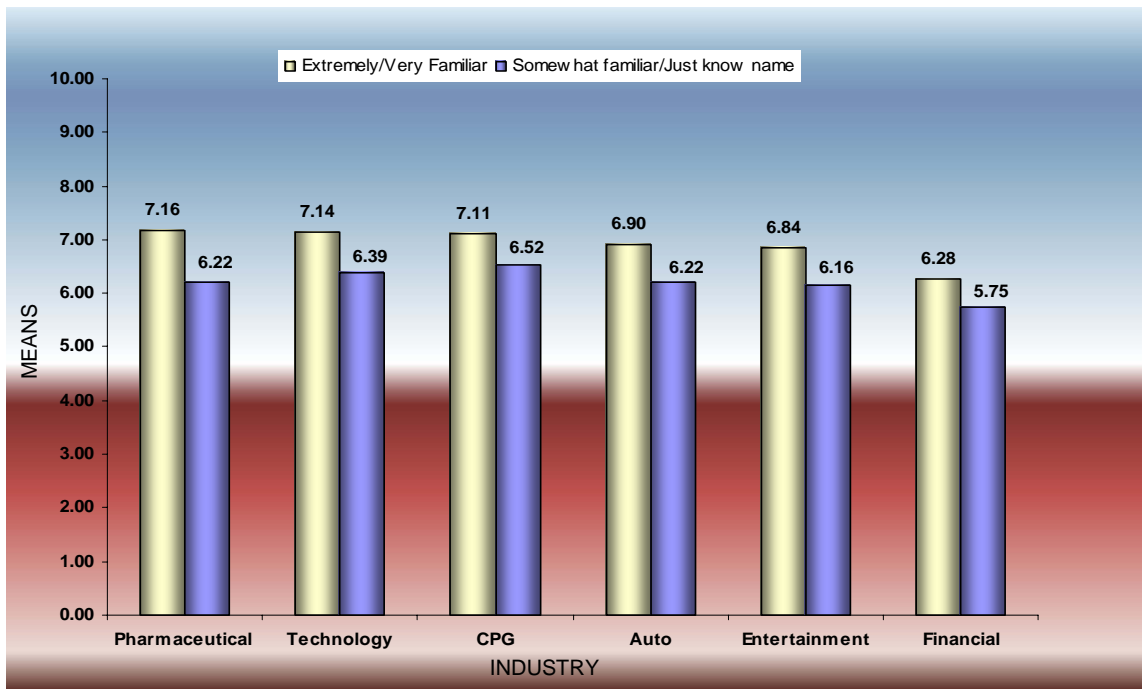


Chart 8: Mean scores are based on a 1 to 10 scale (1 = poor; 10 = excellent). Therefore, the higher the mean score, the higher the individual evaluated the industry. All means presented are significantly different within levels of familiarity of each industry based on a one-way analysis of variance ($p \geq .05$).



DISCUSSION

It is crystal clear from this analysis that understanding (familiarity) is the beginning of approving (favorable attitudes). But this (now supported) axiom does not just involve warm feelings. Those individuals who are more familiar with corporations (compared to those who are not as familiar) are more likely to evaluate these corporations favorably with respect to specific attributes, such as:

- ♦ Giving back to communities
- ♦ Being open and honest with the public
- ♦ Prospering in the long run
- ♦ Offering the highest quality products and services
- ♦ Caring about its employees

But the rewards of familiarity and the favorable attitudes they engender are even more tangible. Familiarity and favorability lead to behaviors that support corporations' strategic goals, specifically:

- ♦ Recommending the corporation's products/services (which ties into the recent research being done on word-of-mouth marketing and brand advocacy).
- ♦ Recommending the corporation as an investment.

The case could be made that corporate managements, who under-invest in communications, are not fulfilling their stewardship responsibilities. Keeping key constituencies informed is critical to corporate success. This paper deals with the general population of Americans. But other research over the years has demonstrated that the familiarity breeds favorability principle extends to institutional investors, individual investors, business journalists, customers and prospects and other key corporate constituencies.

There are a number of other areas which can be explored in this database. For example, some industries (CPG, pharmaceutical and technology) tend to be viewed more favorably than others. Lowest respect is shown for the financial services industry.

♦ It should be noted that there are some wide variations in evaluations of corporations within industries.