Corporate Communication 8th edition Argenti Solutions Manual

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Chapter 1
The Changing Environment for Business

This chapter gives you an opportunity to cover material with your students that will help set the tone for them to be able to see communications as a necessary and strategic function of business. First and foremost is the information about changing attitudes toward business in the United States.

For most senior executives, the world they grew up in is wildly different than the world they are living in now, particularly when it comes to the role that businesses play in society. Today, companies across every industry face increasingly high expectations from the public with regards to a wide range of global issues. Partially due to the rise of social media, public scrutiny of corporate activities is constant and intense. This chapter will focus largely on key events that have influenced the shift in operating environments for businesses. I divide up the analysis of the shift into three parts; first taking a historical look into public attitudes toward U.S. businesses, next examining the effects of globalization on business, and finally discussing how companies can use improved corporate communication tactics to address the constantly changing environment.

Using video clips from popular media not only brings many of these concepts to life for students (in an often humorous and entertaining manner!), but also helps to hammer home just how important communication strategy is in our daily lives. For this chapter, I usually also show the annual meeting scenes from both Oliver Stone's *Wall Street* and Danny DeVito's *Other People's Money.* Both films are available throughout the United States and in many other parts of the world as well. You should even be able to find the appropriate scenes on YouTube.

- The scene from *Wall Street* is in the second half of the film. It includes an introduction by Richard Dysart followed by the famous speech to a group of shareholders by Michael Douglas's character, Gordon Gekko. The characterization of older management is that they are a bunch of lazy, overweight, overpaid bureaucrats shuffling paper back and forth. Gekko looks quite appealing by contrast, but you must point out to students that Gekko is actually a very negative figure in the film as well.

- The depiction of business is a choice between bloated/bureaucratic or charming/corrupt; neither is acceptable. You will want to point out that the Gekko character is representative of a typical outsider – an appealing characterization in both literature and film. Also note that the public tends to prefer entrepreneurs to corporate drones. You might also want to discuss how these perceptions have changed in recent years. For example, to what extent did the dot-com bubble burst affect our trust in entrepreneurs? What business

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types do we characterize as corrupt after the Enron scandal? Many stereotypes remain the same, while others have not. You can also discuss the recent *Wall Street* sequel, in which Gekko is now a philanthropist. That can lead to interesting comparisons to John D. Rockefeller and the Robber Barrons. And, finally, you might mention that Gekko did his job SO well that management overinvested in companies in the 90s and the early part of this century, which created a whole set of other problems.

- The clip from *Other People's Money* is toward the end of the movie. In this case, Danny DeVito comes to speak at Gregory Peck's annual meeting. Here, the older manager is not a bloated bureaucrat, but clearly out of touch with the times. DeVito is unlikable but ultimately correct in his assessment of needed changes.

To conclude the discussion on the changing environment of business it will be important to illustrate how exactly companies can use improved corporate communication tactics to address the constantly changing environment. This conclusion will give you the chance to wrap-up the session and end with some tactical and action-oriented content.

When teaching Chapter 1, instruction should vary depending on the levels of your students. For example, if teaching this chapter to executives I would challenge them each to examine how their own companies responded well (or poorly) to the changing business environment. In an MBA course, you might ask your students to reflect upon how a company they have worked at or are interested in working at has handled the increasing consumer demands for social responsibility. If you are working with undergraduates, have them research a crisis like Walmart and evaluate it based on the criteria that I include in the textbook.

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Teaching Note

The Redwood Health System Case

The Redwood Health System case is new to the eighth edition and offers students a unique opportunity to look inside the inner dynamics of a corporate leadership transition and understand best practices when transitioning control from a seasoned CEO to his or her predecessor. The case focuses specifically on issues related to change management and how best to communicate with constituents in times of change or uncertainty.

Introduction

Founded in Marin County in 1980, Redwood Health System was recognized as a leader in health care delivery in California and across the United States. Originally founded as a single hospital called Valley Clinic, Redwood Health System began to acquire community hospitals throughout the region in the 1980s; however, unifying so many hospitals under the Redwood banner was challenging. In the early 2000s, Redwood attempted to move to a managed care model, though abandoned their efforts as it proved to be too administratively burdensome.

However, the passage of the Affordable Care Act (ACA) in 2010, and its particularly comprehensive changes that came into effect in 2014, forced Redwood to once again contend with the need to move to a managed care model and similarly to find leadership capable of ushering in such a change. On September 15, 2018, the Board of Directors of Redwood Health System simultaneously announced at its annual physician retreat the retirement of its beloved CEO of 8 years, Eric Bell, and the hiring of Elizabeth Wells as his replacement.

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Purpose of the Case Study

1. To identify ways for corporations to compete in changing business environments

2. You only have one chance to introduce yourself as a leader

3. To give students the opportunity to think about what effective and seamless c-suite leadership transitions should look like

4. To understand that changing environments impact the way businesses must be run

5. To assess what the decreasing consumer trust of corporations means to a business and how it should affect how business leaders act and communicate

6. To help students understand that:
    - Mistrust of business is rising, and CEOs and other leaders must act in ways that gain the trust of key stakeholders
    - Recognizing the changing environment is paramount to developing a meaningful and effective strategy
    - Alignment of corporate communication with a company's overall vision & strategy is key

Key Business Issue

Following the passage of the Affordable Care Act, it became clear to Redwood leadership that the hospital system could no longer sustain their current fee-for-service model. To stay competitive, Redwood needed to shift to a managed care model. The Redwood system had tried for a manage care model in previous years, but many physicians felt that managed care jeopardized their professional autonomy. Additionally, since this new model would disrupt the way all high-earning specialists received their paychecks, many employees at Redwood did not welcome the change.

When Elizabeth Wells' CEO appointment was announced at the annual physician retreat along with news that she would be spearheading this drastic transition she faced a big challenge. Anytime a corporation ushers through major change – especially with new leadership at the helm – strategic corporate communication is instrumental. When teaching this case be sure to focus on best ways to communicate to both successfully mobilize and sustain successful change.

Case Questions

1. What problems does Redwood face?
2. What problems will Elizabeth Wells have in executing her strategy?

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3. How has the business environment changed following the challenges of COVID-19?

Additional Questions for Discussion

1. What should Elizabeth Wells have done differently in her welcome speech to garner the good will of her employees during such a drastic period of change?
2. When introducing Wells to the entire Redwood team, should Anders have highlighted other key qualities or traits?

Communication Strategy

When driving serious change within an organization it is quite likely that not all stakeholders will welcome the change. To reduce the negative responses received from the target audience, leadership should carefully consider how and when to relay information to key stakeholders. For example, in the Redwood case, when Wells introduces herself for the first time to Redwood employees at the retreat, she immediately launches into the drastic transformation she is going to lead.

Any change – whether it's good or bad – instigates an emotional experience for all that are involved. Changes generally bring about either strong negative or positive emotions. Negative emotions might include anxiety, confusion, frustration, fatigue and resistance, while positive emotions might enhance sense of focus, enthusiasm, feeling of momentum, hope or confidence.

After articulating Wells' objectives, students should explore the execution of Wells' communication plan. Who are the most important constituencies that she is addressing? What would have been the best channels for her to use to reach these groups? What are the opportunities for Wells' to increase her own reputational capital and gain the trust of her new employees?

Solutions

1. When driving serious change, leaders should mobilize constituents to align them with their vision or the company vision. To do this successfully, leaders should define clear goals for the next 1-2 years, communicate transformation as a compelling story, offer inspiring view of better long-term future, bring in significant number of new senior managers, highlight common external threat or enemy.

2. Sustaining change is also difficult. To ensure that the new change or transition is built to last, leaders should integrate goals into key processes, communicate

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transformation successes regularly & publicly, build new capabilities, use dedicated team to implement change program and monitor progress, and perhaps introduce new incentive programs for employees.

Teaching the case

Distribute the case (Redwood A) prior to the session to allow students an opportunity to read the case thoroughly, meet in study groups to prepare their remarks, and tie case issues to readings for that particular day.

In addition to the case, have your students read the following article in the Harvard Business Review: "The Secret Behind Successful Corporate Transformations," authored by myself, Jenifer Berman, Ryan Calsbeek, and Andrew Whitehouse. The article will give students additional context to understand corporate transformations and will allow your class discussion to go one level deeper.

Students should spend the first third of the class focusing on key problems as described earlier in this teaching note. Once all of the problems have been discussed, present key frameworks from either a textbook or reading that can help students to put the problems in context. We recommend focusing specifically on issues and best practices surrounding corporate transition and change management.

For the last third of the class, share Redwood B (a short extension of Redwood A). Then allow your class to reflect on and assess how the company should respond to the situation as well as key takeaways based on the class session for that day.

Key Takeaways

1. Remember that ushering in dramatic change may trigger emotional responses; therefore, considering the best communication channels and tone are extremely important when delivering key messages.
2. Realize that, in times of uncertainty, CEOs bear ultimate responsibility for the events that occur. Their words and actions more than ever must reflect the values of a company.
3. Recognize the value of strategic communications.
4. Understand your reputational risk and what you can do to build reputational capital as a new leader
5. As a new leader, transparency and ownership are key to building trust with new employees and other constituencies.

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Redwood Health System (B)

On March 20th, 2019, Max Schmidley, Head of Cardiology at Valley Clinic, met for lunch with Harry Anders in downtown Mill Valley, a couple miles away from Valley Clinic.

"Good to see you, Max," Anders said as Schmidley sat down at the table. "How's the family?"

Schmidley, 65, had been with Redwood for 25 years, and had become a good friend of Anders. Schmidley was well-liked among the physician community and well-respected in his field, having published often in the Journal of Cardiology and he had been a mentor to many young physicians who had trained in the system. Schmidley was a social network hub at the hospital. He had led multiple patient safety improvement efforts, including the recent hospital-acquired infection reduction effort and fall-reduction program. In addition, Schmidley's department brought in significant revenue for the hospital under the fee-for-service (FFS) system.

Max Schmidley began:

"Harry, I appreciate your meeting with me today. Something has been on my mind that I was hoping to discuss with you. I've been doing a lot of thinking since the physician's retreat last fall. I stewed so much over the weekend that I felt the need to meet with you first thing this week. Rachael Bernstein, a star in the orthopedics department, recently told me that physicians there are so frustrated with the new physician compensation plan that they are threatening to leave the system and start their own independent outpatient clinic. Some of the new and talented physicians coming out of training are expressing concern about joining the system, knowing they could make much more in a traditional FFS model with standard compensation practices."

"I understand the theory of the new compensation plan: a physician is scored and rewarded based on four equally-weighted criteria, including quality of care, volume of cases, patient satisfaction scores, and ability to contain costs. In reality, however, the plan has been a disaster. In a sense, it has been an utter culture shock for those who have been part of the Redwood family for years, if not decades. Where once physicians were collaborative and supportive of each other, now physicians are competitive with one another over so-called quality scores and how they measure up. There are also complaints about the validity of the quality metrics that the hospital is using to measure physician quality. What's more, physicians are angry that there was no effort to engage docs in creating these scores."

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"I have heard from our finance people that the system is actually losing revenue and is showing early signs of losing market share to competitor systems. I understand we had to make the shift to Accountable Care, but the combination of these factors is making it hard for me to understand the logic behind these decisions, let alone justify them to my fellow doctors. We have long delivered quality care to our patients, but much of this quality is immeasurable using this new tool. The system's ability to retain top talent and provide the highest quality care to patients cannot be measured with a simple four-pronged assessment."

"I'm coming here to ask you to talk to Wells. You know they refer to her as Ms. M.B.A. – short for 'Mistress of Brutal Action.' But she's bright, and might listen to you. As Chairman of the Board, you have more authority to speak with her about the decisions she has made in her recent tenure as leader. As you've heard, there is significant frustration, and I am concerned that top talent will leave the system if we continue down this path. Is there not a balance we can strike between trying sticking with the ACO model and preserving the culture and practices that have made us so successful? Do these MBAs have to be so cruel?"

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