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MEASURING THE EDIFICE

Public Relations Measurement and Evaluation Practices Over the Course of 40 Years

Fraser Likely and Tom Watson

Abstract

Public relations measurement and evaluation practices have been major subjects for practitioner and academician research from the late 1970s onwards. This chapter will commence with a brief survey of the historical evolution of the research into these practices. Then, we will discuss James E. Grunig's enduring contribution to their theorization, particularly with financial and non-financial indicators of public relations value. Next, we will consider the current debate on financial indicators, focusing on Return on Investment and alternative methods of financial valuation. Finally, we will look to the future at the measurement and evaluation practices that will attract academic and practitioner research interest.

Key Words

evaluation, financial value, measurement, return on investment

Measurement and Evaluation in Historical Perspective

Early Seedlings of Research

As recently as 2008, an international Delphi study of academics, practitioners and professional association leaders found that the top three research topics for public relations were all connected with measurement, expressions of value and the contribution of public relations to the organization:

1. public relations' role in contributing to strategic decision-making, strategy development and realisation and organisational functioning;

2. the value that public relations creates for organisations through building social capital; managing key relationships and realising organisational advantage;
3. the measurement and evaluation of public relations both offline and online.

(Watson, 2008, p. 111)

These are not new of course, since the history of practices of measurement of the output and outcomes of public relations activity can be traced back to the late 18th century and was evident in the United States and Germany in the following century (Lamme & Russell, 2010; Watson 2012a). At the beginning of the 20th century, Cutlip (1994) identified early monitoring practices in Boston while public relations pioneers such as Edward L. Bernays and Arthur W. Page extensively used opinion research for the monitoring of public opinion and the shaping of communication strategies (Ewen, 1996; Griese 2001). By mid-century, and aided by the operations of press clippings agencies in many countries, many public relations practitioners were monitoring media coverage and undertaking simple measurement of volume (typically column inches) and judgements on its tonality (Plackard & Blackmon, 1947; J. L'Etang, pers. comm. January 10, 2011).

Watson (2012a) has observed that the late 1960s and the 1970s were a period when books and articles addressing public relations evaluation started to appear. These were written by both academics and by practitioners. In 1969, Robinson's *Public Relations and Survey Research* was published. Pavlik says that '[Robinson] predicted that PR evaluation would move away from seat-of-the-pants approaches and toward "scientific derived knowledge"' (1987, p. 66). Robinson confidently stated that practitioners would no longer rely on anecdotal, subjective measures of success; they 'would begin to use more systematic measures of success, primarily social science methods such as survey research' (Pavlik, 1987).

Later Flowering of Research

While there was a trickling stream of publications from both academics and practitioners in the early 1970s, the prime catalyst was a conference held in 1977 at the University of Maryland, chaired by James E. Grunig, in partnership with AT&T. This was followed by the first scholarly special issue, 'Measuring the Effectiveness of Public Relations', in *Public Relations Review*'s Winter 1977 edition, featuring papers from the conference.

In the decade or so that followed the Maryland/AT&T event, there was a flowering of research in the field. Watson (2012a) notes that US journals featured articles and research from Broom (Broom & Dozier, 1983), Dozier (Broom & Dozier, 1983; Dozier, 1984, 1985) and J. Grunig (1979, 1983; Grunig & Hickson, 1976). Cline (1984) produced an annotated bibliography of evaluation and measurement in public relations and organizational communication conducted between 1974 and 1984. Books, chapters and articles, by both academicians and practitioners, were written on such subjects as methodological techniques, evaluation of public relations programmes (such as employee, community relations or marketing communication programmes), evaluation of communication campaigns, measurement of communication channels, measurement of communication products and measuring return on public relations investment (for examples of practitioners, see Graves, 1975; Jacobson, 1982; Sinickas, 1983; Strenski, 1980; Worcester, 1983; for academics, see, for example, Lerbinger, 1978; McElreath, 1975, 1980, 1981; Wright, 1979). Measurement and evaluation consultancies, either as independent firms or as arms of public relations agencies, were growing in number. Booth (1986) portrayed the pioneering work of such public relations researchers as Lloyd Kirban of Burson Marsteller (Kirban, 1983), Michael Rowan (Strategic Information Research Corporation of Hill & Knowlton), Sharyn Mallamad (Needham Porter Novelli), Lisa Richter (Opinion Research of Fleishman-Hilliard) and Frank Walton (Research & Forecasts of Ruder, Finn & Rotman). In particular, Walter Lindenmann of Ketchum (Lindenmann 1979, 1980) was very prolific and helped drive the subject higher up the practitioner agenda.

The public relations service business of media analysis, which had started growing in the mid-1960s (Weiner, 2011, pers. comm.), started to expand with Katie Delahaye Paine announcing her first publicity measurement system in 1987 and establishing the Delahaye measurement business soon after. Pessolano (1985) wrote one of the first articles on the use of the then new desktop computer for analyzing media coverage. In the late 1980s, public relations measurement and evaluation were still largely in the domain of clippings counts, with limited, simple media analysis mainly related to volume and tonality of coverage, much as it has been since the 1930s (Watson, 2012a).

In 1990, there was another major publication event when *Public Relations Review* had another special edition on evaluation, 'Using Research to Plan and Evaluate Public Relations' (Summer 1990). It demonstrated that measurement and evaluation were consistently part of academic and professional discourse. All the authors emphasized the need for public relations to be researched, planned and evaluated – using robust social science techniques. This attitude was particularly fostered by Broom and Dozier's seminal publication, *Using Research in Public Relations* (1990).

This flowering continued through the 1990s, with regular appearances of measurement and evaluation research in academic journals and association and trade magazines. J. Grunig cites 1996 as a pivotal year, an 'explosion of interest' (Grunig, 2008) that lasted throughout the next decade. The summit meeting of academics and practitioners in October 1996, to discuss standards for measuring public relations effectiveness, ultimately fostered the 1997 founding of the US Commission on Measurement and Evaluation, under the umbrella of the Institute for Public Relations. J. Grunig influenced the change in name from the US Commission to just the Commission by sponsoring the first 'international' member (Fraser Likely) in 2001. Today, both the Commission and the trade body, the Association of Measurement and Evaluation of Communication (AMEC) are international, though only the Commission has a unique membership comprised of both academics and practitioners.

By 2000, there was enough interest in measurement and evaluation to have specialized newsletters and magazines devoted to the subject, such as PR Publishing's *Jim and Lauri Grunig's Research* (a supplement in *PR Reporter*) and Melcrum Publishing's *Total Communication Measurement*. By 2012, the public relations measurement and evaluation literature had grown by leaps and bounds, populated with trade associations briefs, White Papers from commissions, books, articles, blogs and websites devoted to the subject.

Towards Excellence

James E. Grunig and the Excellence Study

The date of 1977 and the journal special issue were not the beginning of J. Grunig's engagement with the theory and practice of measurement and evaluation but they indicate when scholarly and industry joint discourse on these topics became public. Joint discourse became a notable feature in J. Grunig's measurement and evaluation research efforts, from this AT&T conference to the IABC Research Foundation–funded Excellence Study to his founding status as a member of the Institute for Public Relation's Commission on Measurement and Evaluation. In the years between 1977 and 2012, J. Grunig played an important role in bridging the gap between academic research and practitioner research on measurement and evaluation and helping practitioners apply theory to their measurement practice (for a recent example, see Paine, 2007).

In the 1980s, J. Grunig commenced work on the IABC research project that was to lead to the Excellence Study (J. Grunig, 1992; Grunig, Grunig, & Dozier, 2002). This evolved from the AT&T research as J. Grunig explains:

> [M]y Maryland colleague, Mark McElreath (now at Towson University), had alerted me to this difference between evaluating public relations programs and evaluating the overall contribution of the public relations function to organizational effectiveness. Thus, the Excellence Study offered the possibility of constructing a grand theory of the value of public relations.
> *(Grunig, 2006a, p. 158)*

The AT&T work J. Grunig addressed was at the programme level, rather than at the level of the public relations department or that of the organization. It was undertaken under a broad mandate, to 'develop measures for and means of evaluating the effectiveness of public relations' for AT&T Corporation (Grunig, 2006a, p. 8). The results of the study (see also Tirone, 1977, for the Bell System case) were applied to evaluate a wide range of public relations activity, at the levels of communication product production and dissemination, communication channels and messages and communication campaigns and programmes. J. Grunig wrote that the research had been an important step on the path to the development of theories of public relations and strategic management: 'Public relations could not have a role in strategic management function unless its practitioners had a way to measure effectiveness' and added with considerable irony that 'the public relations trade press today continues to debate how to evaluate public relations—a problem that I think we solved in the late 1970s with the AT&T research' (2006a, p. 157).

The IABC study was concerned with explaining the value of public relations, which went beyond basic methods of media analysis or programme evaluation. J. Grunig realized that although programme evaluation was important for formative and summative purposes, 'it did not show the overall value of the public relations function to the organization' (Grunig, 2006a, p. 158). This type of observation, however, has not deterred a generation of practitioners from being constantly engaged in a fruitless search for either a single method to evaluate all public relations activity (the so-called 'silver bullet') or to demonstrate that financial value can be divined from the measurement of public relations outputs such as media coverage (Gregory & Watson, 2008).

In the 1980s, J. Grunig had researched the notions of financial results arising from public relations activity while preparing the Excellence Study. In his 2006 article he discusses the concept, but before this is considered, the outcomes of his earlier research in the 1980s are worthy of reflection, as they show the difference so often found between practitioners' perception of client or employers' needs for data and the actual views of those people:

> Although we concluded that it is difficult to place a monetary value on relationships with publics, in order to measure ROI exactly, our interviews with CEOs and senior public relations officers revealed numerous examples of how good relationships had reduced the costs of litigation, regulation, legislation, and negative publicity caused by poor relationships; reduced the risk of making decisions that affect different stakeholders; or increased revenue by providing products and services needed by stakeholders. Those examples provided powerful evidence of the value of good relationships with strategic publics.
>
> *(Grunig, 2006a, p. 159)*

So relationships with strategic publics could offer tangible and intangible value that aided the operations of organizations, through retention of the 'licence to operate', cost reduction and improved revenue. These were not the classic financial ROI but they were evidence of public relations creating and maintaining different types of value. As J. Grunig notes earlier in the same section of the paper, 'Much of this effort (to determine a positive financial return) has been devoted to research at the program level' (p. 159) and this has had a minimizing effect upon acceptance of public relations as a strategic activity: 'For the most part, I believe these explanations of ROI rationalize the enduring belief among practitioners and their clients that traditional publicity-oriented public relations creates value though a change in one of these cognitive concepts' (p. 159). In other words, the pursuit of ROI by so many in the public relations field (including the consultancy and the media analysis service sectors) continues to pigeonhole public relations as the 'symbolic, interpretive paradigm' that focuses on publicity messaging (Grunig, 2009, p. 9).

From strictly a measurement and evaluation perspective, the Excellence Study contributed two significant findings. First, it described a typology for measurement, consisting of five levels where public relations could add value (Grunig et al., 2002, p. 91). They were, in ascending value: (1) individual message or publication level (which could also include communication products and communication channels); (2) programme (or campaign) level; (3) function (or department) level; (4) organizational (or enterprise) level; and (5) societal level. As indicated, much of the literature, in particular the practitioner literature, on public relations measurement and evaluation prior to the release of the third book in the Excellence Study series, was confined to the first two levels of analysis. In fact, it could be said that there was a good degree of confusion between these two levels, between the terms that signify results at each level: output, outtake, and outcome.

Second, it separated the idea of financial value from that of the non-financial value of public relations' effectiveness. While the authors stated that they 'reject any simplistic notion that the only relevant contribution public relations makes is a monetary one—direct to the bottom line' (Grunig et al., 2002, p. 97), they did develop and apply the financial construct of compensating variation to a determination of financial value of public relations programmes with various stakeholders. They also suggested that 'one way to estimate the total value of public relations is to determine the ways in which the function benefits an organization or society and then develop non-financial indicators of these benefits' (p. 101). These non-financial indicators were concerned with the results of stakeholder relationships. Subsequent research on financial indicators primarily, if not exclusively, by practitioners, which we shall shortly see, became engaged with: (1) the continuing knotty debate over concepts of Return on Investment; and (2) the two parallel but separate streams of discussion that have bedevilled relations practice: the continued emphasis on publicity-oriented messaging – the 'symbolic, interpretive paradigm' (Grunig, 2009, p. 9) – which stands well away from the 'behavioural, strategic management paradigm' (p. 9) that is at the heart of the Excellence Study and its subsequent developments.

Interestingly enough, the greatest uptake since the Excellence Study has been with the concept of financial indicators, not with the concepts of levels (typologies) of public relations' effectiveness measurement or non-financial indicators. A number of typologies have been developed, including by Likely (2000), Macnamara (1999) and the International Association for the Measurement and Evaluation of Communications (AMEC, 2011). On the other hand, very little research has been conducted on non-financial indicators. The most relevant example of the interest in financial indicators is the debate over the application of the Return on Investment (ROI) metric, which was identified by J. Grunig in the mid-1980s, and still resonates today. This debate will form much of the discussion in the remainder of this chapter, as it illustrates a current trend and future directions of development in measurement and evaluation.

The Search for Financial Metrics

Evolution of Return on Investment Usage

'Return on Investment' (ROI) is frequently defined in management and marketing literature as a measure of financial effectiveness concerned with returns on capital employed in (profit-making) business activities (Best, 2009; Drury, 2007; Moutinho & Southern, 2010). It is expressed as a ratio of income or earnings divided by the costs that had been applied to generate the income or earnings. In formal public relations nomenclature, the *Dictionary of Public Relations Measurement and Research* defines ROI as 'an outcome variable that equates profit from investment' but does not attempt to classify a 'public relations ROI', other than as a 'dependent variable' (Stacks, 2006, p. 24). In public relations practitioner language, ROI is applied in a much looser form to indicate the results of activity. In 2004, a report by the (then) Institute of Public Relations in the UK defined ROI as 'a ratio of how much profit or cost saving is realised from an activity, as against its actual cost, which is often expressed as a percentage' (Institute of Public Relations & Communication Directors Forum, 2004, p. 15). The report, however, added that, 'in reality few PR programmes can be measured in such a way because of the problems involved in putting a realistic and credible financial value to the results achieved. As a result, the term PR ROI is often used very loosely' (p. 15).

The term has been used in public relations discourse for more than 40 years. The British public relations writer and educator Sam Black commented that it was 'fashionable' to measure ROI in business, 'but in the field of public relations it has little significance' (1971, p. 100). Merims (1972), a practitioner with Motorola, proposed an ROI model in the *Harvard Business Review* that surely gave the concept a fillip in North America. There has been regular interest in the concept over the years by practitioners (for example, Lee, 2002; Marken, 1988; Sierra, 2003; Sinickas, 2003; Williams, 1992; Wood, 2004). The concept of ROI has also been given expression as market mix modelling, a financial indicator promoted by some consultancies in the past decade (Likely, Rockland, & Weiner, 2006).

Watson's (2005) study of more than 200 articles on measurement and evaluation found that the term was not widely used or recognized in academic discourse. Gaunt and Wright (2004), however, found that 88% of a sample of international public relations practitioners were interested in an ROI tool and 65% considered that ROI could be applied to judgements on public relations effectiveness. Gregory and Watson (2008) also noted that use of the term ROI was extant in practice and called for greater academic engagement with practice issues such as the use of business language, including ROI, and communication scorecards.

Outside North America and Europe, Australian studies (Simmons & Watson, 2006; Watson & Simmons, 2004) found that ROI was not used as terminology but business indicators such as sales, turnover and savings were used by 44% of respondents to a national survey. Xavier, Patel, Johnston, Watson, and Simmons (2005) identified that activity outcomes such as increases in share price or changes in government policy were used by 29.66% of award-winning case studies. In the Asia-Pacific region, Macnamara (1999) advocated the use of the language of accountability embodied in concepts such as management-by-objectives, total quality management and quality assurance to position public relations as a contributor to strategic decision-making. Macnamara later identified that 'public relations and corporate communication practitioners are under pressure to evaluate their work, particularly in terms of outcomes and Return on Investment' (2007, p. 1), which indicated the increasing application of business nomenclature, as he had earlier forecast.

Professional literature and practitioner discourse, such as discussions and presentations at the European Summits on Measurement and the IPR Measurement Summits in the United States, however, clearly show that ROI is a term widely used, if not tightly defined. The 2004 study by the (then) Institute of Public Relations in the UK found that 34% of respondents considered public relations budgets in term of ROI and 60% used a notion of ROI to measure public relations activity in some way. It summarized the responses as, 'some inclination towards seeking a form of ROI that could be applied universally' (IPR/CDF, 2004, p. 6).

Recently, Watson and Zerfass (2011) researched understanding of ROI in both the UK (Watson, 2011; a pilot study) and across Europe in the annual European Communications Monitor survey (Zerfass, Verhoeven, Tench, Moreno, & Verčič, 2011). They posed two questions

Q1: Do you regularly use the term 'ROI' or 'Return on Investment' when planning and evaluating communication activities?

Q2: Would you agree or disagree with (seven) statements? [Four of them were consistent with the standard economic definition of ROI.]

Based on 2,209 valid responses, the headline result for the usage of the term 'ROI' or 'Return on Investment' when planning and evaluating communication activities was a 1.1% separation between those who responded Yes (47.6%) and No (46.5%) with 5.9% giving a 'Don't know the term' response. There were also workplace, regional and hierarchic differences across the continent. The same question analysed by the types of organization at which respondents are employed, however, gave a wider indication of ROI usage according to workplace, with those in consultancies and agencies most supportive (59.3%) and practitioners in governmental organizations least supportive (28.2%) and only marginally less than non-profit organizations (32.5%). The usage of ROI in European regions was closely clustered for both Yes and No with the Yes headed by Southern Europe at 50.4% and separated by only 4.4% from the lowest response in Western Europe (45.7%). As regards hierarchy, Chief Communication Officers (or equivalent title) and Agency CEOs showed 53.7% support for usage whereas middle and junior-level staff (team members) were more reluctant at 34.5%.

The second question on ROI explored practitioner perceptions of ROI, especially the linkage between the profit-to-costs ratio which is expressed in business literature (and in some public relations literature, notably IPR/CDF, 2004), and communication outcomes or the achievement of communication objectives. Seven propositions were presented and distributed. Broadly, there was a continued expression by this large group of communicators that ROI and communication could be linked, but in two separated modes.

The most positive response was that 'ROI can be expressed in achievement of communication objectives' (83.1%), followed by the financially linked indicator, 'ROI requires financial assessments of the resources needed for communication' (72.5%) and then 'ROI can demonstrate the non-financial value of communication' (70.5%). The next three propositions dealt with communication's contribution to organizational strategy, a standardized financial valuation of communications results, and the ratio of financial profit arising from communication set against its costs. They all gained more than 50% support from this large, multinational sample of communicators. Only one, 'ROI has to be defined in monetary terms' gained less than 50% support.

Descriptions of ROI Fall into Two Categories

The propositions can thus be placed into two separate and apparently conflicting categories: the financial and non-financial. The 'financial' category proposes that ROI is shaped by financial assessment of resources and a standardized financial evaluation of results which results in a ratio of profit and costs arising from communication activity. Added together, these have a mean of 61.1%. The 'non-financial' are composed of ROI as an expression of achievement of objectives, the creation of non-financial value and contribution to formation of organizational strategy. These average 72.1%.

The 'financial' version is closer to the classic ratio which has challenged practitioners for the past 40 years as it has not been possible to obtain the data to demonstrate financial results, other than in highly specialized disaggregated cases where the sole method of publicity was PR (probably media relations) and the objective was for a specific sales or financial result. While practitioners appear to know that ROI is a widely accepted financial indicator based on so-called 'hard data' and does not account for intangibles, they press on with a belief that a solution will come but agreed measures have not emerged.

The 'non-financial' group of propositions is similar to the 'outflow' concepts first proposed by the Swedish Public Relations Association (SPRA, 1996) and theoretically underpinned by Zerfass (2008). It also links with models of communication management used by many central European corporations which have integrated business and communication strategies, using tools such as communication scorecards (Zerfass, 2008). It is relevant that German communicators were the third lowest users of ROI (34.1%; 12th ranked) as a term because more differentiated forms of planning and measurement have been discussed in this professional community for many years (Zerfass, 2010). Among that nation's examples are Deutsche Telekom, Audi and Henkel which have integrated models of monitoring and management. For them, brand value, reputation and value creation linked to corporate objectives and non-financial key performance indicators are more important than achievement of a profit-to-cost ratio.

Overall, responses to the transnational survey indicate that European public relations practitioners conceive of ROI in a more non-financial frame, thus opposing the established understanding of the concept in business administration and management science. Watson and Zerfass (2011) considered that a 'quasi-ROI', focused on non-financial objectives and outcomes appears to be well supported already by European practitioners and can be fostered by methods that help practitioners to manage and advance future activities such as models of communication management, including communication scorecards and value link models.

These integrate public relations and corporate communications within the whole business planning and monitoring process (the German 'communication controlling' model; cf. Zerfass, 2010) rather than being treated as a promotional add-on or a functional activity. However, the complexity of communication processes and their role in business interactions mean it is not possible to calculate Return on Investment in financial terms. Consequently, they concluded that public relations practitioners should refrain from using the term in order to keep their vocabulary compatible with the overall management world.

James E. Grunig on ROI

Subsequent to the publication of this research, two European researchers engaged in an email dialogue with J. Grunig that was published online by the Institute for Public Relations (IPR Research Conversations, October 2011). The main elements were as follows:

> *James E. Grunig*: I'm very interested in looking at the value of public relations in terms of nonfinancial indicators or as intangible assets. Essentially, I argue that the value of public relations can be found in the relationships it cultivates with publics/stakeholders. Relationships are intangible assets, but they can be measured. In addition, it is possible to conceptualize the

financial returns to relationships; they reduce costs, reduce risk, and increase revenue. However, it is difficult, if not impossible, to measure, or attribute these financial costs to specific relationships. They are long-term, lumpy, and often keep things from happening. Thus, we should measure relationships but explain their value conceptually to understand (but not measure) the ROI of public relations.

Tom Watson and Ansgar Zerfass: We agree with all of your statement, with one exception. We are rigorous about the problems of applying ROI out of its business context, as PR's use (or abuse) of ROI does it no good with decision-making managers who have an accounting or financial management background. Research has found these views in central Europe amongst business managers in charge of 'controlling' (similar to audit) and it is beginning to be identified in the UK. These high-level managers simply don't recognize ROI in the form that it is presented to them by PR staff or consultants with 'PR metrics' or in the concept of ROI outside strictly financial parameters. Hence, we are encouraging PR folks to find their own language which is more accurate, such as value creation or value links, etc. The 'Outflow' concept which came from Sweden in 1996 is more pertinent than ROI.

James E. Grunig: No disagreement here. I talk more about the value of public relations than about ROI. As I said, you can explain the value of relationships; but you really can't measure a financial return to compare with the money invested in it. I tend to use the term ROI because PR people want to hear it used. I will now cease and desist from using it.

Tom Watson and Ansgar Zerfass: Glad to hear we are on the same track . . . this is really a big discussion over here and we feel that a sound position will be supported by those communication officers (often with a managerial background) who are now in charge, while some suppliers still have to do their homework. Understanding that cultivating relationships, listening and issues management is more important than talking and image building is of course difficult and it will take continuous efforts to explain.

The importance of this particular debate is that (1) it offers a clear rejection of the ROI terminology by J. Grunig: 'I will now cease and desist from using it'; (2) it brings the 'communication controlling' model from central Europe into the international arena; and (3) it is counter to the prevailing industry desire to re-define ROI in a public relations context.

The Barcelona Principles Propagate Practitioner Interest in Financial Metrics

In 2010, the second European Summit on Measurement in Barcelona, which is the annual gathering of the International Association for the Measurement and Evaluation of Communication (AMEC) and thus of the public relations measurement service sector, adopted a statement of seven principles about measurement of public relations and corporate communication activity. Called the Barcelona Declaration of Measurement Principles (AMEC, 2010), it was a normative statement that laid emphasis on the measurability of communication activity and specifically rejected Advertising Value Equivalence (AVE) as a valuation of public relations activity. Of the seven principles, three link with the social science emphasis of Excellence Theory, namely: (1) the importance of goal setting and measurement; (2) measuring the effect on outcomes is preferable to measuring media results; and (3) the effect on business results can and should be measured where possible.

These 'Barcelona Principles' were quickly adopted by public relations professional and industry bodies in the UK, North America and globally (Watson, 2012b). They are a baseline which the public relations organizations are using to encourage higher standards in research, planning and measurement. However, this statement – especially the third principle of measuring effects on business results – has led to a revival of industry attempts to define a public relations ROI (PR ROI). At its 2011 Summit in Lisbon, one outcome was that over 80% of delegates identified the need to define PR ROI as the main industry research need. This led to the formation of a task force in North America, led by the Council for Public Relations Firms, and involving members of AMEC and the Public Relations Society of America (PRSA). By late 2011, it had produced a draft report on ROI, entitled *Money Matters*, which was circulated for comment. Its emphasis was almost wholly on economic outcomes of public relations activity and largely ignored situations in which monetary value creation is either not relevant or only a minor part of objectives and strategies. This stance was a throwback to the critique of placing financial valuation on relationships that had been explored in the 1980s by the team preparing the Excellence Study and referred to earlier (Grunig, 2006a). At the time of writing (April 2012), the final version of the report had not been published.

Consideration of Other Financial Metrics Besides ROI

In 2012, Canadian practitioner Fraser Likely proposed the use of two other financial metrics and suggested a set of principles for their, as well as that of ROI, appropriate and accurate application (Likely, 2012). Organizations have three drivers for financial performance: (1) increased revenue; (2) decreased costs or expenditure; and (3) cost avoidance through reduced operational and regulatory risks. Likely acknowledges that public relations practitioners 'have long sought to demonstrate how [their] work contributes to these three drivers' (p. 2). Likely argued that if public relations practitioners were to employ the financial indicator ROI, they should do so in the same way that financial managers and accountants do. They should not try to redefine the term or to use it other than how it was intended. ROI is a financial metric that includes net returns and gross investments applied at the level, and only at the level, of the organization itself. Thus, the term ROI cannot be used as a financial measure for a communication channel (for example, Twitter or YouTube), a communication campaign (for example, marketing communication or employee engagement) or a communication function (for example, Investor Relations or Public Relations Department). In addition to ROI, he identified two other financial metrics that may be more appropriate: Benefit-Cost Ratio (BCR) and Cost-Effectiveness Analysis (CEA). He argues that BCR and CEA are 'more applicable and perhaps more useful than the utilization of a ROI measure' (p. 2).

The BCR metric and the ROI metric are similar in methodology, but the former is used to predict benefits or returns while the latter applies to actual benefits or returns. BCR is best used to assess a proposal or to choose between several alternative ones, to build a business case (Schmidt, 2009). Though it was not labelled as BCR, the most extensive discussion of the use of BCR in PR/C has been by William Ehling (1992). The term he used was *compensating variation*, the same term employed throughout the Excellence Study. Compensating variation is a form of BCR, not ROI. Since then, both academics and practitioners have employed modifications of compensating variation and thus BCR (Shaffer, 2004; Sinickas, 2003, 2004, 2009; Smith, 2008; Weiner, Arnorsdottir, Lang, & Smith, 2010). Yet again, a CEA metric is different from the ROI metric (Levin & McEwan, 2001). CEA compares the relative costs and the outcomes (effects) of two or more courses of action or activities, but it does not assign a monetary value (financial return) to the measure of effect. Like the ROI metric and unlike the BCR metric, CEA applies actual, realized investments or costs. Unlike the ROI metric but like the BCR metric, it applies intangible benefits as effectiveness measures. In public relations, effectiveness may be such measures as channel reach, accuracy of media reporting, length of time on a site, or number of re-tweets (Paine, 2011). Likely states that in a public relations department, BCR and CEA financial metrics have the possibility of greater utility in providing valuable financial measures for the many categories of investments than does the utilization of a ROI measure. These two are underused currently (Likely, 2012, p. 19). He also argued that most of what public relations consultants and practitioners now call ROI measurement, including that of marketing mix modelling or similar approaches using multivariable statistical methods, are not true ROI metrics since they do not include time-delayed net returns as well as all-in gross investments – at the level of the organization (p. 14).

Conclusion

The debate over valid methods of measurement and evaluation of public relations has a considerable history. It is characterized by the repetition of themes – such as the desire for a single method of measurement (the so-called 'silver bullet'), the search for valid financial metrics of value created by public relations, and the adoption of business language to demonstrate alignment with management and the organization – that have kept public relations away from the strategic perspective and focused on the narrower measurement of programmes. As Gregory and Watson commented:

> The measurement of reputation and the desire of some practitioners to imply an ROI for public relations activity have increased the drive towards the use of business language and ironically, a single-method evaluation, in distinction to business itself, which is looking for a multiplicity of evaluative methods. *(2008, p. 340)*

However, more recent development such as Communication Controlling, communication scorecards and alternative metrics such as Benefit-Cost Ratio (BCR) and Cost-Effectiveness Analysis (CEA) bring public relations strategy and its planning, measurement and evaluation back to the tenets of Excellence Theory. They show that the Excellence Theory, despite accelerated time pressures upon public relations practice and the uncertain impacts of social media and the Internet, has an enduring validity and relevance to public relations practices, especially measurement and evaluation.

In particular, the Excellence Study introduced five levels of analysis for measuring public relations value. Over the past 40 years, the first two levels, those of products/channels/messages and of programmes/campaigns, have received a considerable amount of research from academicians and practitioners. We believe the problems have been solved at both levels. Regarding the first level, we think that the current movement to 'standardize' (Geddes, 2011; Stacks & Michaelson, 2011) measurement methodologies will erase any confusion with the measurement of communication channels and message dissemination, be they traditional or social media-mediated channels. At the second level, we agree with J. Grunig's (2006a) observation regarding programmes and campaigns. Campaign outcome measurement can be standardized, given the knowledge we now have. We also agree that the financial metric ROI is not appropriate in the measurement of communication campaign effects. The programme/campaign measurement wheel need not be reinvented every decade. That is why we find AMEC's Validated Metrics approach to be lacking the foundation of years and years of programme/campaign measurement knowledge.

On the other hand, the three higher levels – function, organization and societal – have not received the attention they require. This involves measurement of the public relations department's participation in the strategic management of the organization, measurement of relationships and the intangible assets, and perhaps tangible assets, created by those relationships that the organization has with its publics and stakeholders and measurement of the social responsibility that organizations have to the welfare of society (Grunig, 2008). There is not the same depth of knowledge available that is offered by the first two levels of analysis. We consider that these three levels should be the target for academic and practitioner measurement research efforts over the next decade.

Encouraging efforts have been made. At the level of the function, as noted in the online dialogue between J. Grunig, Watson and Zerfass (IPR, 2011), 'Communication Controlling' or communication performance management has evolved in Germany and Austria since the middle of the first decade. This is a total approach to communication planning and management that aligns corporate and organizational strategy with communication strategy in such a manner as to place communication as a core activity. It is, thus, closely aligned with Excellence Theory because corporate communications directors and the communication strategy are at the heart of the organization and not a secondary or tertiary level function, distant from the dominant coalition. Communication Controlling formulates and demonstrates the contribution of value to the organization by corporate communication and public relations activity: It has 'the purpose of enhancing and demonstrating what communications contribute to corporate value creation [and] makes the alignment of communications activities with the corporate strategy a key deliverable' (DPRG/ICV, 2011, p. 11). It is thus measurable at all stages of communication activity, using a four-stage value link approach that comprises Input–Output–Outcome–Outflow (p. 13). At the levels of the organization and society, some work has been done on intangible assets or non-financial indicators. Phillips (2005) has conducted extensive research on these areas. J. Grunig took on the task on behalf of the IPR's Commission on Public Relations Measurement and Evaluation. This should be a priority area for measurement research in the coming decade.

While we understand the desire to find a single financial bullet whereby the public relation service sector could measure 'public relations', we hope that practitioners will not continue to pursue the unattainable goal of a PR ROI. We suggest that the alternatives of BCR and CEA proposed by Likely (2012) be studied further and that, with an understanding that the ROI metric only can be measured at the level of the organization, research be conducted on other financial indicators for measuring intangible assets.

Public relations measurement and evaluation will continue to be important practice issues in the next ten years. The developments we have discussed above have real potential to meet the challenges that Gregory and Watson (2008) identified. If public relations measurement and evaluation is like a game of basketball, we need a strong team of practitioners and academics working in the same direction, with the same understanding, with the same goals. One player's high-scoring game is not enough for the team to win (Grunig, 2006b). J. Grunig worked with both academics and practitioners on measurement and evaluation research. We strongly believe that for public relations measurement to advance, both in scholarship and in practice, then additional events, commissions, task forces and paper and book opportunities that mix academics and practitioners together are a must.

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