

Manage the function like a business by weighing up resources versus outputs and outcomes

ARE YOU SPENDING THE “RIGHT” AMOUNT?

To back up a request for more budget or defend the existing one, you need to know exactly what you're spending – and what you're getting in return. But how can you tell if you're spending too much on communication? Angela Sinickas suggests five approaches to weighing up the cost versus value of your communication activities.

If your management insists on increasing your budget each year, you're probably not spending enough. To see if you're spending too much, compare your costs with others' and hope you don't look too bad, or show the payback your spending brings to your company.

1) Efficiency vs. benchmarks

Benchmarking your costs against similar costs at other organizations can be useful – but only if you compare like against like.

- *If you're benchmarking costs*, look for comparisons with similar types of communication “products.” For example, compare your publication with others that have the same number of issues per year, the same number of pages, a similar print run, and the same use of color and graphics. Then calculate cost per printed page, per reader, per year, as shown in Figure One. For other types of costs, such as external PR, you might compare your budget as a percentage of your company's revenue to equalize costs among larger and smaller organizations.
- *If you're benchmarking staffing levels*, look for organizations in your own industry so that factors affecting the need for communication are similar.



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Service companies need more communication than manufacturers. Organizations with more units, products or locations need more communication than their smaller peers, as do publicly traded or heavily regulated companies. Staffing should be compared not in absolute terms, but stated as the number of internal communicators per 1,000 employees, or the number of PR staff per million dollars of revenue, or the number of investor relations staff compared against market capitalization. Also compare use of outside agencies or freelancers for a more complete picture of staffing.

Staffing and budget comparisons need to include careful lists of what work is actually accomplished with those resources. For example, in one benchmarking study, a client's internal communication budget included a US\$250,000 annual HR survey, while HR surveys were not done by any other benchmarked communication departments.

Figure Two shows six different types of PR support one communication client provides to management during litigation. Even though their PR staffing and budget levels were higher than for others in the insurance industry, they actually delivered far more communication to their company, which has a reputation for winning more cases than their peers.

Benchmarking sometimes starts with management's assumption that your organization should be at the low end of the range for budget and staffing. But being somewhere in the middle is often a better goal. I've seen many companies with very low spending end up with sub-par results. For example, one employee

publication relied heavily on clip art and generic photos. Unfortunately, those cheap illustrations conveyed inaccurate impressions about the topics of the articles they “decorated” to the point that articles that were highly relevant for the audience were ignored because readers assumed the stories were about something frivolous. This company likely lost far more in unrealized revenue than it saved in publication production costs.

2) Efficiency vs. effectiveness

Even when management asks for a benchmarking study to measure a communication department's efficiency, we need to also compare effectiveness. One client for whom we conducted a financial benchmarking study turned out to have slightly more staffing and spending than any of their comparator groups. If that's all we had measured, the end result might have been cutbacks.

Fortunately we were also able to compare this company's internal communication audit survey results with our database. They not only exceeded the benchmarked norms on items like understanding of key business topics or how useful various channels were, but they even set some new high scores for the database.

3) Cost vs. benefit

Another client was asked to reduce her entire communication budget by 15 percent. The recommendation she presented to management achieved the overall reduction, but without any cuts for the monthly employee publication. When senior leaders questioned this, she used survey results to explain that 94 percent of sales staff said the publication helped them talk more

effectively with customers. Management agreed that reducing the page count could erode the company's potential revenue.

Similarly, tracking results from communication staff time can help you obtain more staff. For instance, you could track the amount and accuracy of media coverage versus the amount of time spent talking to different reporters. If you show that you get better coverage from the media you spend more time talking with, that could help you get more resources.

4) Resources vs. impact

Another way to examine if resources are being devoted to the right purposes is to capture how much staff time or money is spent communicating with different stakeholders compared against:

- How many times a year stakeholders receive contact from your organization or the volume of content (pages, screens, hours) they receive. While this doesn't get to the outcomes of those contacts, it's a good "leading" indicator of potential impact. If you don't have frequent enough contact with people, you can't expect to influence them.
- How well key stakeholder groups say their communication needs are being met.

We asked various communication functions at one client to track how much time they spent creating different communication products or events in terms of "full-time-equivalent" staff (FTEs). We were able to compare FTEs versus total contacts per year and other measures, to see how efficiently different communication groups reached some of the same stakeholders. This helped identify ways to avoid overlapping and to use the most efficient distribution systems for all communications to those stakeholders.

Another useful measure of how well you're allocating your staff resources is to compare FTEs by stakeholder groups against your management team's rating of how well they think each stakeholder group's needs are being met.

Figure Three shows an example where a "5" rating by executives means that they think the stakeholder group's needs are being met very well. The three groups at the right on the chart received fairly high ratings from management, yet took relatively little staff time, so senior leaders would see these communications as fairly efficient.

On the other hand, they might feel that the communication staff is spending a lot of time on the needs of the two groups at the left of the chart, but not getting sufficient results for that effort.

Having a perfect match-up on this chart isn't necessarily good, but it can be useful to know. For example, a savvy communicator could make a good argument for adding staff to communicate with business partners for this organization since executives feel this group's needs are not being well met, and there are relatively few resources currently devoted to satisfying those needs.

5) Investment vs. return

No amount of spending on communication is too much if it brings in more revenue or cost savings than it took to execute. Proving the return on investment (ROI) for a campaign doesn't have to be difficult or expensive, but it does take forethought in planning.

For example, if you want to show the return of employee communication on safety or external PR on sales, try a new campaign with only a pilot group of your locations. If accidents go down or sales go up far more in the pilot locations, you can show the cost savings or revenue increases compared to the cost of your

communication approach as a highly favorable and convincing ROI for the campaign.

Asking for more resources

All these approaches will help you manage your department more like a business by focusing on how you're dividing up your resources in comparison to their outputs (efficiency measures) and outcomes (effectiveness measures). Then, when you ask senior leaders for more resources, you can show them what return they can expect for their investment. scm

Figure One: Benchmark a flagship publication: Annual cost per page per reader

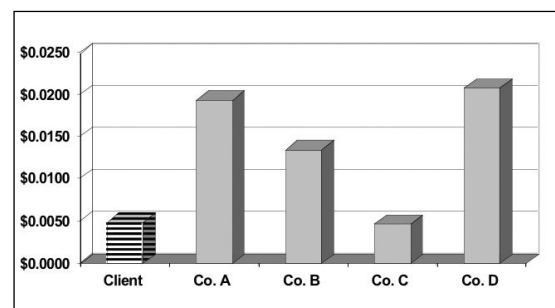
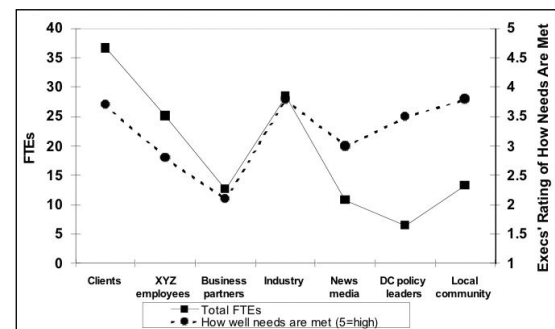


Figure Two: Benchmark what PR staff does (e.g., types of litigation support)

Role involves:	Comparator Companies					
	Client	A	B	C	D	E
Research/stakeholder assessment	X		X			
Strategy/counsel	X	X	X	X		
Releases/press conferences	X	X	X	X	X	X
Message points for leaders	X	X			X	X
Answering Qs from public and media	X		X	X	X	
Graphics support for trials	X	X				
Employee communication	X	X	X			

Figure Three: Total FTEs spent on stakeholder group vs. how well execs say each group's needs are met



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