

# THE ROLE OF PUBLIC RELATIONS IN THE PROCESS OF CORPORATE GOVERNANCE

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## **ABSTRACT**

*Public Relations, as defined by numerous theorists, are one of the key management functions within the organization. Corporate communications, so named the comprehensiveness and integration of an organization's overall communications and public relations as its integral part in profit-oriented organizations, in terms of functional organization, are taking a central role in a company's communication with stakeholders and with the aim of achieving the most positive possible reputation. The management style and practice of corporate governance in Croatian corporations developed in parallel with the development of the entire Croatian economy in the past two decades, and thus the importance of corporate communications was obtained and recognized as a management function. Companies increasingly take care of their own image and communication with their stakeholders and also devote more attention to analysing their communication processes. The authors analyse the place and role of corporate communication within the management structure of Croatian companies with special emphasis on access and use of possibilities provided by corporate communication managers in the companies. The goal of this paper is, by using qualitative methodological approach through in-depth interviews, to determine in what way and to what extent top managers of Croatian corporations use public relations in the corporate governance process. For the purposes of the paper the authors established a theoretical sample that stratified three managerial types, depending on the ownership position from which it derives - in privately owned Croatian companies, state-owned companies and companies owned by international corporations. The authors conclude that, despite the trend that Public Relations hold an increasingly important role in corporate processes at the global level, there is a significant space in which scopes and tools of public relations may have a significant positive impact on managing organizations, especially on the strategic level. The authors also recommend further possibilities for developing and enhancing the role of public relations in effective corporate governance processes.*

**Keywords:** *corporate governance, public relations, corporate communications, Croatian companies*

## **1. INTRODUCTION**

The main field of theoretical research regarding corporate governance begins with Adam Smith's *"Wealth of Nations"* which already emphasized that directors (current managers) cannot take care of and manage an enterprise and money as well as the owners themselves. A major contribution to the understanding of corporations and private property in 1932 is the work of authors Adolf Berle and Gardiner Means *"The Modern Corporation and Private Property,"* which begins with the development of the theory of corporate governance (eg cit. Dropulic Ruzic, 2011, 173).

According to Berle and Means (Berle, Means, 1932) the term *corporate* is a form of business in which the owners are not liable for the obligations or any other obligation that a company creates or may create (limited liability), and there is a separation of the ownership function from the function of administering company resources. Gillan, Hartzell and Starks (2003) studied the relationship industry, investment opportunities and the structure of corporate governance. In a sample of 2300 firms, examining them over four years, they concluded that the management structure varies with the characteristics of industries and companies. These are proven by Black, Jang and Kim in 2006, using examples from companies in Korea, whose corporate governance practices affect legal guidelines as well as the factors of industry, company size and business risks (eg cit. Dropulic Ruzic, 2011, 175).

Tipuric et al. (2008, 6) define corporate governance as *"a system of control mechanisms that all vendors should provide crucial inputs returns on their investment in the corporation, not jeopardizing its long-term survival and prosperity"*.

There is considerable debate about what actually is corporate governance. Simplified, corporate governance outlines how individuals, responsible for leading corporations, need to implement their own and organizational activity.

Regarding basic economic problems, Hruska (Hruska, 2005) suggests that *"the problem is that corporate management wants to resolve the allocation of decision rights and control of the entities that have the incentive and information to effectively use corporate resources to create value, and which are at the same time responsible to other parties who have taken the risk of involvement in the corporation"*. The same source states that the Croatian business environment is dominated by corporations in which ownership and management are not separated, and that the fundamental problem of Croatian corporations is the possibility of expropriation of small shareholders.

Meant under corporate governance is a system of management and control of companies (eg cit. Racic, Cvijanovic, 2006). It involves a set of relationships between the management of the firm, its supervisory board; shareholders and other stakeholders that affect the joint-stock company (cf. OECD, 2004). Corporate governance involves a way of defining the strategic goals of our society, the means of achieving those goals and ways of measuring achievement, as well as the definition of key stakeholder relationships with the very company and to each other (eg cit. Racic, Cvijanovic, 2006).

The objectives of corporate governance include transparency of business operations of the firm, effective and efficient use of its resources and the establishment of relations among the stakeholders that will facilitate the achievement of the strategic goals of the corporation. Causing an increase in trust and accountability, good governance gives the company credibility towards its business partners, employees and others. Good corporate governance is also a significant factor in attracting investment in the company and investor protection (cf. Versic, Marusic, 2004).

Judge (2010, 159, cit. Dropulic, Ruzic, 2011, 177) points out that the authors distinguish important mechanisms of corporate governance in various countries: Saberwal and Smith (2008) explain how the Anglo-American system of corporate governance mechanism is the

most important *stock market*, while Chen Chung Hsu and Wu (2010) cited the correlation between companies that have a need for external funding mechanisms with the quality of corporate governance. Levy (2009) in Western Europe underlines the ownership concentration in pyramidal ownership structure, while Stafsudd (2009) in Scandinavian countries do rely on social norms.

According to the same source, Shen and Lin (2009) in transition countries, like China, allocate state and informal networks, while Zattoni, Pedersen and Kumar (2009) emphasize the formation of structure liability, especially in large enterprises. Safieddine (2009) argues that the Islamic nations rely on Sharia law, preventing and business decision-making, while Wong, Chang and Cheng (2010) emphasize that, in Taiwan, the primary control mechanism is having a family.

The main areas of corporate governance are linked to relations of power, influence, authority and accountability within complex business systems. A quality corporate governance system results in reducing the cost of capital and the efficient use of resources, and maintaining a balance between economic and social goals of the company (eg cit. Tipuric, 2008).

Corporate governance practices have emerged in free-market economies as a set of structures with the aim of aligning the interests of management companies with their shareholders. Corporate governance refers to expanding the interests of its shareholders and the society at large.

According to some authors, the area of corporate governance includes the corporate legal framework and practice of decision making in supervisory boards of corporations and governments, various aspects of corporate finance, bankruptcy laws, the laws that regulate the activities of financial institutions, relationships with employees, contract law and theory, property rights, compensation systems and *systems of internal information* and control systems (Nezirc, 2005, 238).

The corporate governance system of a country is determined by a number of factors, the most important is the legal framework of the country and the observed concentration of ownership. Concentration of ownership shows major shareholders shares in the capital of the corporation, and thus, shows distribution of power between stakeholders in the corporation. *Open system* of corporate governance (*Outsider Control System*) in which neither side has the ability to monitor active management (main control mechanisms come from the outside).

Investors have "*ownership of earnings*", but without control of the corporation. A *closed system* of corporate governance (*Insider Control System*) is where there is active control over the management and key internal mechanisms of corporate governance. The point is to control the dispersion without "*ownership of earnings*."

The corporate governance framework should protect shareholders' rights, respect the rights of holders of material interests, to ensure that a timely and accurate list of all things as important to the corporation/company, including its financial position, results, ownership, and management of the corporation/company, to provide strategic direction of the corporation/company, effective monitoring of management by the board, and board responsibilities of corporation/company to shareholders. With corporate governance, which is especially emphasized, is ensured sustainable economic growth, a healthy economic expansion, improving economic efficiency, create jobs (increased employment), generate tax revenue (Clerk, 2007, 130).

Likewise, the term corporate governance can be defined as *a system of monitoring mechanisms by which all vendors providing critical resources returns on their investment in the corporation, with care not to jeopardize the long-term prosperity and survival of the business, or corporation*. Corporate governance is an area that deals with relationships within the management structure and corporate relationships with all stakeholders.

Corporate governance systems have much more in common than it seems at first, especially when combined with major investors and the legal system that protects the rights of investors (Sclifer, Vishny, 1997, 770). One business area, or program, can combine a number of industrial factories in various countries that are based on similarity to a specific business area.

## **2. CODE OF CORPORATE GOVERNANCE**

The basic rules of management of companies can be found in the relevant laws or regulations of a particular country. An important role in the development of corporate governance and capital markets play that encourages efficient operations (eg cit. Racic, Cvijanovic, 2006, 2). In international practice, it is often and editing corporate governance issues through the code - *a set of rules or standards of good practice*, which typically are issued by collective bodies - such as government bodies, various boards, committees established by the stock market, business community, the associations of certain industries, managers or investors, academic or consulting organizations (cf. Versic Marusic, 2004).

Rules defined by *regulations and codes* provide a framework in which individual firms apply some or all of them, and complement their own practice in accordance with their own needs and interests. These interests do not always match the broader socially desirable goals of transparency, investment protection from abuse, effective use of resources (Racic, Cvijanovic, 2006, 2). Therefore, there is the possible misuse or establishment of deficient corporate governance practices in each company, as well as the spread of such practices in some parts of society and countries.

Aware of the importance of responsible and ethical behavior-based businesses within the economy, global corporations have adopted, partly on their own initiative, and as recommended by the Organization for Economic Cooperation and Development (OECD, 1999) an *ethical code* of conduct which is committed to respect the principles of ethics in all their business such has accepted the obligation to act in accordance with the principles of responsibility, efficiency, transparency, quality, acting in good faith and respect for good business practices by business partners, business and social environment and its own employees.

The same code states that its founding principles are: transparency, clearly defined procedures for the operation of the supervisory board, management and other bodies and structures that make important decisions, conflicts of interest, effective internal controls, and effective system of accountability. The Croatian Code of Corporate Governance has been established in accordance with OECD principles and the examples and experiences of existing codes of other countries.

It consists of seven chapters: 1) *Introduction - objectives and basic principles*, 2) *Public disclosure*, 3) *Company bodies*, 4) *Audit and internal control mechanisms*, 5) *Investor relations*, 6) *Stakeholders*, 7) *Disclosure compliance provisions of the code*.

With these principles, we are arriving to an integrated management system: "In general, a network of relationships is the *"management system"* (*de facto, if not de jure*) to the modern corporation" (Post, Carroll, 2006, 133). Several authors emphasize the emergence of a new paradigm of corporate governance: the *shareholder-access*, based on the shareholders, and the *approach based on interest-group* influence on the organization (Money, Schepers, 2007, 4).

The communication process is usually divided into four steps or stages (Cutlip, Center, Broom, 2008). The first step is to *define the problem* in public relations. In this step, the situational analysis and research process precedes. The second step is *planning and programming*. The third step is the *implementation of the communication* itself. It covers the process of communication, the level of communication, the shaping and spreading of the message, and the strategic choice of communication channels. The fourth step includes *evaluation* of the communication process.

American author Wilcox, in his book *Essentials of Public Relations*, defines eight basic elements in the planning of public relations: situation analysis, objectives, publicity, strategy, tactics, calendar, budget and evaluation.

### **3. DEFINITION OF CORPORATE COMMUNICATION**

Zerfass (eg cit. Milas, 2011, 43) has set a *draft of corporate communication theory* under which connects sociological theory, communication theory and economic-theoretical approach and set up an interdisciplinary theory of corporate communications. Zerfass from these three scientific perspectives connects corporate governance, communication and social integration in the concept of corporate communications. Zerfass said: *The term of "integration" is often so unstable, which gets a new, multi-dimensional, meaning - as a normative basis, functional process, as well as a strategic necessity for communication* (Zerfass, 2008, 65).

The term public relations has become another name for the *"spin"* or corporate lying, while some theorists (Grüning, Hunt, 1984) indicate a more strategic approach to public relations. Steyn thinks that there is no theoretical difference between *"corporate communications"* and *"public relations"* (Steyn, 2003, 168). Author Claudia Mast understands corporate communications as part of organizational communication, except the part that does not include the entrepreneurial or commercial sector (Lucius, Lucius, 2008, 11). The same approach can be found in the understanding of the concept of corporate communication which is emphasized as a synonym for the communication activities of a company: small, medium and large, with respect to their entrepreneurial activity (Milas, 2011, 32). Real insight into the meaning of the corporate communication is to understand all the possible implications of different ways of conceptualizing these practices.

Previously defined concepts of public relations, publicity and public opinion are undoubtedly a common component of communication (eg cit. Sirocco, 2012, 25). The same author explains that communication is the essence of public relations, the element that connects individuals and forms public opinion. Many theorists and practitioners agreed on one thing - it is impossible not to communicate (eg cit. Jugo, 2012, 25).

Some authors define corporate communications as: *"Corporate communications is a management function that provides a framework and vocabulary for more effective coordination of all means of communication with the overall objective of establishing and maintaining a favorable reputation with the stakeholders on which the organization depends"* (Cornelissen, 2004, 23). Furthermore, Dolphin defines corporate communications as *"a function that deals with the process of identifying, establishing and maintaining long-term relationships with the public perception of the organization as well as those who help produce successful outcomes for Corporate Strategy"* (Dolphin, 2003, 5). Gayeski stated *"Corporate communications is a professional practice in the development and implementation of communication rules and tools to improve the dissemination, understanding, and acceptance of information in a way that will help to reach organizational goals"* (Gayeski, 1993, 2).

Defining communication with stakeholders who are not consumers, access to one of the defining corporate communications is a way to describe a communication of corporate value, as opposed to the promotion of products or services to consumers (eg cit. Tench, Yeomans, 2009, 599). This approach, according to Tench and Yeomans, corporate communication links with the concepts of managing corporate reputation, corporate image and relationship management. Furthermore, according to theorist Van Riel, corporate communication can be divided into three main types: *communication of management, marketing communication and organizational communication* (Van Riel, 2003, 67).

American authors see corporate communication from several angles. Argenti and Forman pointed out that it is most visible as a function of the organizational structure, which can be centralized or dispersed in various organizational units of the company. Milas in his analysis defines corporate communications as “*a process that corporations use to communicate messages to all key stakeholders*” (Milas, 2011, 34).

The dialogue with stakeholders has other effects: it reduces a conflict situation, avoids risk and increases confidence (Burchell, Cook, 2006, 163-166). Tench and Yeomans concluded that the role of corporate communication in organizational terms as an area that “*balances the needs of influential interest groups with the needs of the organization*”. Then the role of Corporate Communications shares to is ascertain whether the majority of the resources in a wide range of stakeholders or just channeled towards those who have the power (customer, shareholder or a politician) and link one group to another (Tench, Yeomans, 2009, 617). Kitchen and Schultz define the concept and the idea that a “*corporation itself has become a brand that needs marketing*”, it needs to communicate because, in their opinion, the greatest part of marketing communications, and most of the communication is in fact marketing (Kitchen, Schultz, 2001, 5). This approach forms the approach to corporate communications as “*an umbrella*” that is open like a protective and educational resources of strategic business units and individual brands within the portfolio (Kitchen, Schultz, 2001, 11).

Each of these definitions highlights the important aspects in which corporate communication is “*placed*” in organizations and its specific role in the management of the organization.

<b>Communication area</b>	<b>Type of relationship</b>	<b>Role</b>
<i>Market area</i>	Relationship with customers Relationship with suppliers Relationship with competitors	Clients Suppliers Competition
<i>Internal area</i>	People relationship	Employers
<i>Financial area</i>	Investor relationship	Providers of capital
<i>Public area</i>	Public relations Political relations	Public/State

*Table 1: Zoran Tomic, Corporate Communications (taken from peer-reviewed lectures)*

Events are changing all over the world; these changes have led to intense public interest by large corporations. People are looking for a voice in the conduct of large corporations. They want strong leadership, and demand accountability, ethics and corporate results.

#### **4. PLACE AND LOCATION OF PUBLIC RELATIONS IN ORGANIZATION HIERARCHY**

First, it is necessary to define: whether public relations is defined and placed at strategic or operational level. In some companies the role of public relations is merely a tool, and not a part of strategic management, they do not participate in decision-making and strategic planning, but only participate in the implementation of publicity (eg cit. Milas, 2011, 76).

Furthermore, according to Anne Gregory the first indicator is to define the role of public relations: *Do public relations have strategic importance in the organization and is the organization proactive or reactive?* Gregory emphasizes the need to identify where the particular ranking functions (public relations) in a hierarchical structure within the company

(Gregory, 2006, 18). In the organization where the role of public relations is understood as part of a proactive policy of business enterprise, it is natural that the head of the organizational unit positioned public relations as part of the top management and has an advisory role to the management of the enterprise with the full responsibility for making corporate communications strategy. Otherwise, where the public relations placed at a lower level and business model is reactive, the head of public relations is not a member of the management company and is not involved in the decision-making processes.

Röttger, in his analyses, is not evaluating the last ascertainment as the indicator of professionalism, given that this does not indicate integration into Management. Good access to information from public relations professionals do not necessarily go hand in hand with organizational and political influence in decision-making (Röttger, 2000, 248).

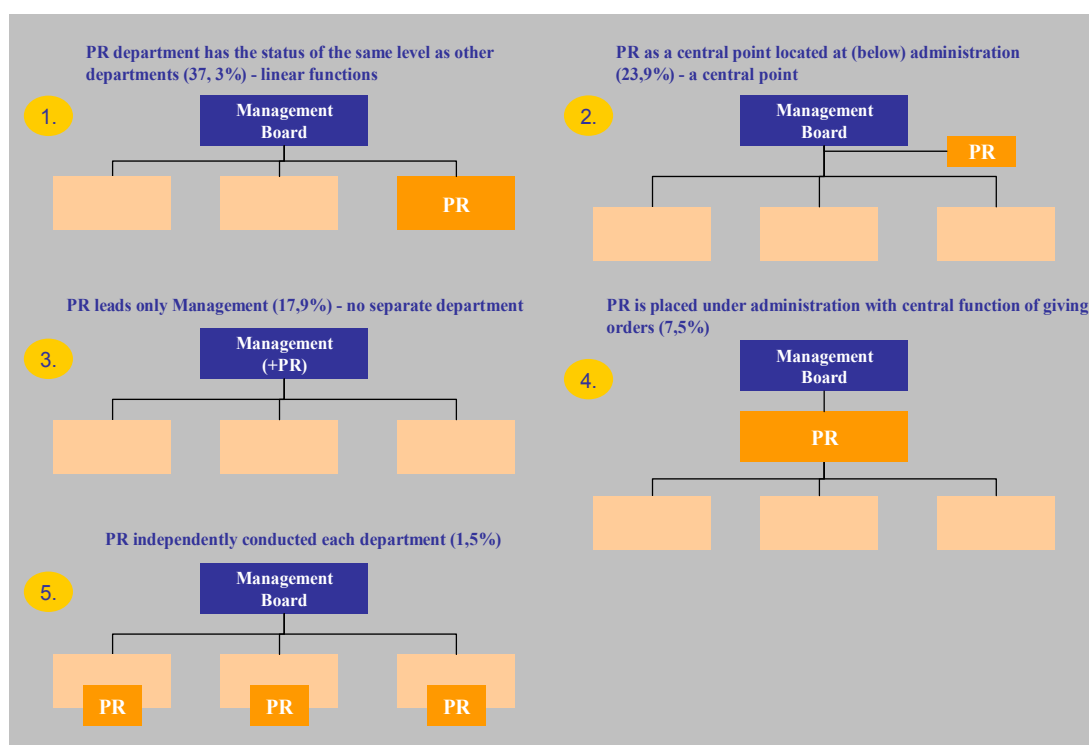


Figure 1: The involvement of public relations in hierarchical structures by Röttger (taken from Milas, 2011, 79, cited example Kunczik, 2007, 208)

According to the above indicators, the public relations department in 37.3% of cases has the status as a *line function* that is located on the second level like other departments, while 23.9% have the status of independent departments. One of six respondents (17.9%) responded that management works and public relations that do not have their own public relations department (research conducted by Ulrike Röttger on a sample of 27 organizations in Hamburg, Germany).

Public relations in corporations take the role of communication with its non-market environment; their importance becomes a clearer view of the social role of the corporation, with measurable performance of companies and has not only to economic activity but also to the social, environmental consequences. If stakeholders, corporate behavior judge as illegitimate, there is a high risk in long-term period of losing credibility (Milas, 2011, 103). Public relations, as the link between the organization and its environment, has organizational and strategic role with strategic planning and long-term management and has possible early detection of potential risks (Zerfass, 1995, 12).

On the other hand, Wilcox pointed out that public relations are most successful when they are part of the process on the highest level of management.

If practitioners of corporate communications plan to gain influence in the strategically managed companies and as a result contribute to excellent corporate governance, they need to take into account different considerations (Gutierrez Garcia, 2008, 13): *Corporate Communications: Integrated vision*. Of course, communication is very important in relation to managers and their decision-making processes. According to Mintzberg, managers spend a lot of time thinking about the situation in the region. They collect information on what is happening in the market, what are the main trends and challenges. It is an important part of the decision-making process. They also spend time in communicating their vision, thus gaining influence inside and outside company. But, this is only one part of the nature of corporate communications.

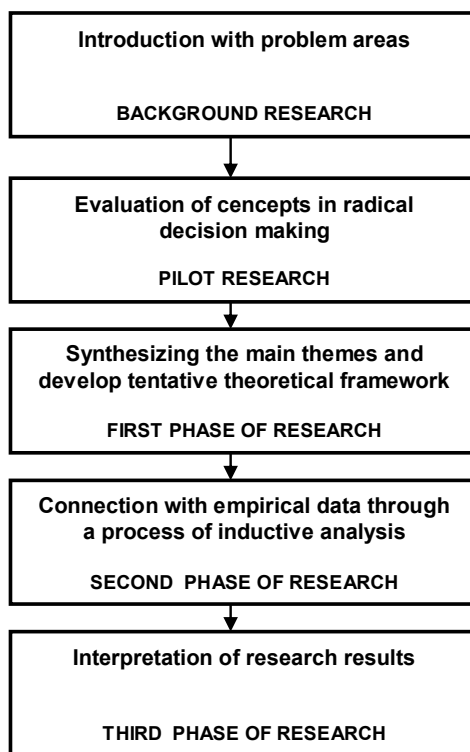
The structural dimension is, in this case, an important feature. This helps to keep communication links together, giving coherence and consistency. Furthermore, as regards the existence of various interest groups and the relationship that a company has, there is some evidence, from both theoretical and empirical point of view, that the profession corporate communications tends to coordinate communication of different stakeholder relations into one communications groups. However, an important question emerged: *how it will manage various requests for information?* (Gutierrez Garcia, 2008, 18).

## **5. THE METHODOLOGICAL FRAMEWORK OF THE RESEARCH AND RESULT OF ANALYSIS**

Empirical investigation the phenomenon impact of public relations for corporate governance in Croatian companies based on qualitative analysis of data generated by the interviews conducted with leading Croatian managers who have experience in the field of public relations.

Conducted research role of public relations in corporate governance can be displayed through five basic stages, as shown in Figure 2. The first phase is introduction to problem domain which includes background research literature. The second phase of the research is to evaluate the concept emerged in the first phase. Evaluation of initial concepts is done as a pilot study that includes three experts in the field of public relations. After the pilot study, a major study was done that includes six decision makers - managers who have contact with the subject matter of public relations. Arising from basic research, three remaining phases come up in the research framework. The third phase consists of synthesizing the main themes and developing a tentative theoretical framework, which then, in the fourth stage, through a process of inductive analysis was associated with the empirical data. Interpretation of the results is the last phase of the research framework.





*Figure 1: Review of basic research phases*

The process of defining and explaining concepts that make up radical model decisions in large organizations consisted of three chronological phases:

- 1) Search for significant patterns of convergence or divergence of the proposed model through analyzing the data from the respondents. Revised data are categorized on the basis of their relevance to a particular research focus
- 2) Exploring the theoretical dimension from the patterns that have appeared. Data associated with the dimensions of the emerging structures are continuously connected to other data forms until sizes did not become evident
- 3) Integrating patterns in the theoretical framework of public relations in the corporate governance of Croatian companies

Research on the role of public relations in strategic decision-making within the organization was conducted in 2009. By the Croatian Public Relations Association (CPRA), it was shown that Croatian experts have no large influence on strategic decisions in organizations in which they work (Jugo, 2012, 32).

For the purposes of this paper, the authors have conducted qualitative research interviews among six companies and established a theoretical sample that stratified the three managerial types, depending on the ownership position from which it derives its position - Croatian private companies, state-owned enterprises and companies owned by international corporations. This research was conducted with the aim of obtaining high quality insight into the specifics of public relations market in Croatia, his role in the corporate governance and management perception of corporate communications role, as well as, the creation of high-quality and clear perception of the role of corporate communication in the corporate management.

The basic idea of this research was to bring an interview people to position of spontaneous declaration of their opinions and views on the current situation in the company with respect to

the existence or non-existence of corporate communication, the role of head of corporate communication department in decision making processes, and possible improvements in relation to the current situation. Interviews were conducted with six top managers.

Interviews were conducted in the period from 15 January 2013 until 28 February 2013. The average length of the interviews was 45 minutes. The questions were related to several thematic groups whose goal was to gain insight into these problems as follows:

- The first group of questions focused on the interpretation of whether a company has a separate department for corporate communications and organization and functioning of the department; how many employees do they have
- The second group of questions dealt with the importance of appearances in the media: who and which person (or group) of people are performing in the media public, in which cases the appearance of supervisory board, in which management, in which head of department
- The third group of questions examined the way *when, how and what extent* corporate communications manager participates in strategic decision making processes in the company
- In the fourth group of questions, we analyzed the extent corporate of PR and corporate communications contribute in the company operations and analyzes the ways in which this is happening
- The last group was related to the evaluation of company and CEO image issues: in which cases should corporate PR address positive image of management appearance and company by themselves

The issue of confidentiality is an important ethical dimension that must be taken into account. When analyzing and searching of empirical data collected, it was used to code the system as a basis for the achievement of anonymity. The researcher has detailed descriptions of the names of individuals, with linked individual statements, but they do not appear in the text. In presenting the results of research by decision-makers are encrypted randomly assigned designations of Respondent 1 (I1) to Respondent 6 (I6). However, the issue of confidentiality has full complexity than initially shown. An important issue is the question of names and similar data to which respondents referred in their statements. It was decided that the research results will not display or any of those elements, since they are not crucial to the research problem, but will be in place of the words in brackets to give their description.

The survey showed that interviewed respondents organizations and management for greater contribution to public relations considered practitioners of public relations. As the prevailing argument, respondents emphasized the fact that they, as leaders of the organization, are mainly responsible in the appearance to the public, as well as, in defining communication policies. Their subordinates, head of departments or assistants, apparently failed in properly animating how public relations can really contribute to the organization. The reason for this view is the absence of actual knowledge and practices of individuals, and some of them, claim that lack of sufficient knowledge about the management and the strategic view in which the organization is going. Respondents emphasized the relatively low sequence identity strategic function of public relations (interview I1, I2, I3, I5) and the fact that public relations is a profession that does not allow visible return on investment in a short period, which puts managers in a position to foreground other control functions (primarily sales, development, production) and not PR (interview I4). Some of them point out that the large corporations are given more importance in positioning functions of public relations (interview I2, I6) and activities around the measurability of investment into the relationship and communication with stakeholders.

1) Examining the importance of public relations and thus the presence of a special department of corporate communications within the organization, according to an analysis of the interviewed managers, we can conclude about the differences depending on the industry in which the organization operates and ownership structure. Most have employed highly qualified staff (average 3 full time employed are working in department of marketing and corporate communication). Most of the interviewed companies have marketing and PR outsourcing companies, leading public relations on behalf of the organization. In multinational enterprises, department and the role of corporate communication is defined at headquarters (interview I2, I6).

Headquarter has a separate role: marketing and public relations are divided (interview I2). The specificity of the ICT industry is that public relations are run on a technical level (Interview I2), while in the hotel industry, public relations departments, with the CEO, are working exclusively on behalf of the CEO (interview I3). Cable manufacturing company has no need for a separate department of public relations because of specific industries (interview I4). In the telecom industry, the Board proposes marketing activities and submits them to the marketing department (interview I5). Most interviewed managers do not have enough staff, or do not believe that PR is an important aspect in the presentation of company in the public.

2) Talking about the performance in the media and the presence of the CEO and Supervisory board, the attitudes are somewhat the same. Research participants provided primarily that supervisory board very rarely occurs in the media, only some topics that CEO is not allowed or do not want to stand out (interview I5). In the hotel industry, which is 95% export-oriented industry, the larger part of media appearance is performing by middle management, depending on the topic and issues (interview I3). In health care industry, depending on the characteristics and competencies of middle management, presence in media is through CEO (interview I1). In cable manufacturing industry, exclusively performing is CEO, but if it comes to specific issues, acting department managers with act, with prior approval of the CEO (interview I4). Research has shown that the heads of departments should not act in media without prior approval of CEO (all respondents).

3) When CEOs talk regarding involvement public relations in daily operations, most respondents agree that it is necessary that the PR personnel are involved in the planning of the company and those business activities that are not directly related to communication (I1, I2, I3, I5). Some respondents even argues that, if the persons, responsible for in PR departments, does not participate in the overall business processes, their work become exclusively on the technical level, which can significantly reduce the quality of communication (interview I1). Respondents also cited importance of companies that have experience on international level and provide experiences and practices from the market which are well developed (interview I2). None of interviewed managers do not include corporate communications practitioners in strategic decision making processes, even though the majority of them think that it should. Also, emphasize that the level of competence and expertise of key staff in PR department are crucial to be involved in strategic activities and involvement in decision-making processes.

4) Part of the research in which is analyzed the return on investment in public relations, most of them feel that PR is a very important part of business, but they do not analyze or not see the return on investment, e.g. *Corporate communications* has little contribution in operation business (interview I1, I3, I4). On the other hand, in the telecom industry, which is concentrated on the media and so-called "*customer relations*", the role of PR is important (interview I5, I6). Multinational companies regularly monitored on a quarterly and semi-annual basis the return on investment in marketing activities, as well as increased sales of certain activities (interview I2, I6). It is easy to conclude that state owned companies has less

sensitive to PR, do not pay more attention and not follow the return on investment, while structured multinational companies have an obligation to lead the local level in all part of analytics and submit to headquarters.

5) Segment that gave freedom to managers in interviews of almost all respondents (I2, I3, I5, I6) noted that they expect that profession of public relations continues to evolve in the future and its role within the organization further gain became more important. Entry to the EU market will open a market and it will increase a number of educational programs and projects of the organization, and thus, the experts in public relations will become more qualified (interview I1, I3, I4). In this way, role of PR will get stronger position in the organizational hierarchy. Questions about the image of the company and its leaders, answers were the same, all put the organization ahead of their own brand names, but do not move their presence in the media, because they personify with organizations (interview I5). Some believe that the role of corporate communication must be closely linked to the CEO and other members of the Board (interview I1). In multinational companies, brand of the company is sufficient for recognition and media attractiveness (interview I2, I6). Ratio that is acceptable to all the respondents in media presence is: 30% presence of the Board, 70% presence of the company itself.

## **6. CONCLUSION**

Key elements of corporate governance aims to improve company operations through surveillance and trough monitoring management performance while ensuring accountability for the management of all shareholders and stakeholders. Corporate governance is a clear system through which corporations are directed and controlled. It encompasses the entire business operation of the mechanics trying to establish a system of checks and balances between shareholders, directors, auditors and management. Corporate governance is a set of control mechanisms that all vendors should provide crucial inputs returns on their investment in the corporation and not to compromise their long-term survival and prosperity. Such a definition of corporate governance suggests that corporate governance is really the core of the modern market economy and a democratic society.

CEOs and management around the world are now under greater public scrutiny. Shareholders and the public are looking for higher standards of ethics and corporate responsibility. The role of corporate communications in corporate governance is to improve the image of the employer, shareholders and customers target groups. Public relations have become the eyes and ears of business, and their goal is to ensure effective communication channels with clearly defined goals to shareholders and the target audience. Corporate communications need to communicate with all stakeholders from different cultural backgrounds, they must provide relevant feedback to the directors, must communicate changes in the community and adapt to minority groups. If corporate governance is perceived as a set of processes, customs, policies, laws, decisions, institutions and monitoring mechanisms which affect the management, control and administration of the corporation, it is important to ask questions modeled on Kaena (2003, cited example Tipuric, 2008, 6): *Who controls the corporation and why, how to manage the corporation and in whose interest?*

Company's today have a social perspective in terms of social obligations. Public relations today have become a necessity in every field, public or private organizations, educational institutions and government organizations. The essence of public relations is the endeavor of any organization to draw public attention to their ideas and products. These days, in every area of government organizations, industry and commerce, people firmly believe in their right to be informed about what is happening and why something is happening in the organization. The profession of public relations refers to communication techniques of spreading knowledge and attitudes about the organization and its activities. In countries with high rates

of growth (such as India), where the economy is going up, new products and services are running, the way of life and attitudes changes, corporate communication techniques are gaining in importance, especially in the business sector and specific industries.

Organizations cannot survive without public relations, but with the planned PR program in real or public sector, corporations can expect much better results, while enhancing the reputation and corporate image of the organization. An enterprise that is consistent and has a good corporate image cannot be easily attacked by public or interest stakeholders.

Further research on this subject is needed: *It is mandatory to transfer into theoretical terms*, because a deeper understanding of the value of corporate communications can mean good corporate governance.

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