



SEVENTH EDITION



MANAGEMENT COMMUNICATION

A Case Analysis Approach



JAMES S. O'ROURKE, IV

Management Communication

This new edition of *Management Communication* is a case-based textbook that introduces students to the strategic communication methods that are crucial to master in order for them to develop into effective and ethical managers at all levels of business. Effective communication skills are necessary for success in the business world, and James O'Rourke has written a highly readable book filled with anecdotes and examples to engage students in the learning process.

This Seventh Edition includes both classic and new features. The strategic approach is integrated throughout the book, allowing students to understand how a communicated message affects the business as a whole. New case studies provide students with hands-on experience of scenarios they will encounter in the real world, looking at global companies such as Facebook and Nike. Further updates include new content on technology, corporate culture, and disinformation.

An ethical thread is woven through the text, demonstrating how ethical decision making can be applied in all aspects of communication. Chapters on intercultural communication, nonverbal communication, and conflict management provide students with the skills to build relationships and influence stakeholders – key skills for any manager.

This text will provide students with a well-rounded understanding of management communication and the support material ensures it serves as a complete resource for instructors.

James S. O'Rourke, IV is an American rhetorician and Professor of Management at the University of Notre Dame, USA. He was founder of the Fanning Center for Business Communication.

"James S. O'Rourke's *Management Communication* (Seventh Edition) is a masterful, strategic excursion through business and management communication. Using some of the most significant business scenarios from industry, this book immerses students and practitioners into real world contexts to teach everything from intercultural communication and ethics to writing and speaking. Students are going to love it!"

Heidi Schultz, PhD

*Clinical Professor, Management and Corporate Communication
Kenan-Flagler Business School at the University of North Carolina
at Chapel Hill, USA*

"As they say, Jim O'Rourke 'wrote the book' on Management Communication. The Seventh Edition takes an impressive leap forward and hits all the marks. It addresses enduring questions about why communication matters so much in business, introduces foundational skills with nuance and depth, and includes pithy, up-to-date cases featuring name-brand companies that appeal to students."

Elizabeth A. Powell, PhD

*Julie Logan Sands Associate Professor of Business
Darden School of Business, University of Virginia, USA*

"Managerial communication has become more complex and nuanced. Professor O'Rourke's Seventh Edition of *Management Communication: A Case Analysis Approach* provides relevant, up-to-date content and cases that effectively equip business leaders to successfully navigate an ever-changing global environment."

Matt Abrahams

*Lecturer in Strategic Communication
Graduate School of Business, Stanford University, USA*

"This is a book I would recommend to every business school professor. O'Rourke's updated and revised Seventh Edition takes on the most challenging issues in management communication and addresses changes in technology, management practices, and the increasingly uncertain global business world in a thoughtful, considered way. His cases offer clear, effective, and innovative content on management communication practices targeted to the greatest needs of both students and managers."

Professor Tracey Holden

Department of Communication, University of Delaware, USA

"While there is no substitute for real-life experience, this book comes close. O'Rourke's research and writing style open up the dynamic management communication challenges so typical for leaders in an unpredictable global market environment. These cases are well selected, and they offer understanding beyond theory, teaching future leaders how to think."

Vilma Luoma-aho

*Professor of Corporate Communication, Vice Dean of Education
Jyväskylä University School of Business and Economics, Finland*

"Not many books are *essential* for success in Management Communication for instructors, researchers, or students. This one is. We can each immediately benefit from Prof. O'Rourke's remarkable insight and experience. Building on the foundations of our discipline, he shows us how to anticipate and succeed in the challenges just ahead. Jim served as a beacon, helping to guide Wharton's Communication Program. Now he returns in print to benefit faculty and students alike."

Lisa Warshaw

*Director, Wharton Communication Program (2000–2020),
University of Pennsylvania, USA
Founder, Peer Learning Venture*

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Seventh Edition

JAMES S. O'ROURKE, IV

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Preface

Many years ago, as an Air Force officer assigned to a flight test group in the American Southwest, I had the opportunity to speak with an older (and obviously wiser) man who had been in the flying business for many years. Our conversation focused on what it would take for a young officer to succeed – to become a leader, a recognized influence among talented, trained, and well-educated peers. His words were prophetic: “I can think of no skill more essential to the survival of a young officer,” he said, “than effective self-expression.” That was it. Not physical courage or well-honed flying skills. Not advanced degrees or specialized training, but “effective self-expression.”

In the years since that conversation, I have personally been witness to what young managers call “career moments.” Those moments in time are when a carefully crafted proposal, a thorough report, or a deft response to criticism saved a career. I’ve seen young men and women offered a job as a result of an especially skillful speech introduction. I’ve seen others sputter and stall when they couldn’t answer a direct question – one that fell well within their area of expertise – during a briefing. I’ve watched in horror as others simply talked their way into disfavor, trouble, or oblivion.

Communication is, without question, the central skill any manager can possess. It is the link between ideas and action. It is the process that generates profit. It is the emotional glue that binds humans together in relationships, personal and professional. It is, as the English poet William Blake put it, “the chariot of genius.” To be without the ability to communicate is to be isolated from others in an organization, an industry, or a society. To be skilled at it is to be at the heart of what makes enterprise, private and public, function successfully.

The fundamental premise on which this book is based is simple: Communication is a skill that can be learned, taught, and improved. You have the potential to be better at communicating with other people than you now are. It won’t be easy, but this book can certainly help. The fact that you’ve advanced this far is evidence that you’re determined to succeed, and what follows is a systematic yet readable review of those things you’ll need to pay closer attention to in order to experience success as a manager.

WHAT THIS BOOK IS ABOUT

This book will focus on the processes involved in management communication and concentrate on ways in which business students and entry-level managers can become more effective by becoming more knowledgeable and skilled as communicators.

The second premise on which this book is based is also simple: writing, speaking, listening, and other communication behaviors are the end products of a process that begins with critical thinking. It is this process that managers are called on to employ every day in the workplace to earn a living. The basic task of a manager, day in and day out, is to solve problems. The basic tools at a manager's disposal are mostly rhetorical.

Management Communication supports learning objectives that are strategic in nature, evolving as the workplace changes to meet the demands of a global economy that is changing at a ferocious pace. What you will find in these pages assumes certain basic competencies in communication but encourages growth and development as you encounter the responsibilities and opportunities of mid-level and higher management, whether in your own business or in large and complex, publicly traded organizations.

WHAT'S DIFFERENT ABOUT THIS BOOK

This book is aimed directly at the way most professors of management communication teach, yet in a number of important ways is different from other books in this field.

First, the process is entirely strategic. We begin with the somewhat nontraditional view that all communication processes in successful businesses in this century will be fully integrated. What happens in one part of the business affects all others. What is said to one audience has outcomes that influence others. Without an integrated, strategic perspective, managers in the twenty-first-century economy will find themselves working at cross-purposes, often to the detriment of their businesses.

Second, the approach offered in *Management Communication* integrates ethics and the process of ethical decision making into each aspect of the discipline. Many instructors feel either helpless or at least slightly uncomfortable teaching ethics in a business classroom. Yet, day after day, business managers find themselves confronted with ethical dilemmas and decisions that have moral consequences for their employees, customers, shareholders, and other important stakeholders.

This text doesn't moralize or preach. Instead, it offers a relatively simple framework for ethical decision making that students and faculty alike will find easy to grasp. Throughout the book, especially in case studies and role-playing exercises, you will learn to ask questions that focus on the issues that matter most to your classmates and colleagues. The answers won't come easily, but the process of confronting the issues will make you a better manager.

Third, this text includes separate chapters on Technology (Chapter 7) and Listening and Feedback (Chapter 8), as well as Nonverbal Communication (Chapter 9), Intercultural Communication (Chapter 10), and Managing Conflict (Chapter 11). These are topics that are often either ignored or shortchanged in other texts. These interpersonal communication skills are clearly central to relationship building and the personal influence all managers tell us they find indispensable to their careers. And, you'll find a newly revised chapter devoted to Persuasion (Chapter 6), which explores the science that underlies the process of influence.

Finally, *Management Communication* examines the often tenuous but unavoidable relationship that business organizations and their managers have with the news media. A step-by-step approach is presented to help you develop strategies and manage relationships, in both good news and bad news situations. Surviving a close encounter with a reporter while telling your company's story – fairly, accurately, and completely – may mean the difference between a career that advances and one that does not.

THE ADDED VALUE OF A CASE STUDY APPROACH

The seventh edition of this book contains more than three dozen original, classroom-tested case studies that will challenge you to discuss and apply the principles outlined in the chapters. Two of the chapters (8 and 13) include role-playing exercises. Appendix A, "Analyzing a Case Study," will introduce you to the reasons business students find such value in cases and will show you how to get the most from the cases included in this book. A

rich, interesting case study is always an opportunity to show what you know about business and communication, to learn from your professors and classmates, and to examine the intricate processes at work when humans go into business together. Reading and analyzing a case are always useful, but the more profound insights inevitably come from listening carefully as others discuss and defend their views.

THE REST IS UP TO YOU

What you take from this book and how you use it to become shrewder and more adept at the skills a manager needs most is really up to you. Simply reading the principles, looking through the examples, or talking about the case studies with your friends and classmates won't be enough. You'll need to look for ways to apply what you have learned, to put into practice the precepts articulated by successful executives and discussed at length in this book. The joy of developing and using those skills, however, comes in the relationships you will develop and the success you will experience throughout your business career and beyond. They aren't simply essential skills for learning how to earn a living; they're strategies for learning how to live.

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CHAPTER 1

Management Communication in Transition

This book will argue that management communication is the central skill in the global workplace of the twenty-first century. An understanding of language and its inherent powers, combined with the skill to speak, write, listen, and form interpersonal relationships, will determine whether you will succeed as a manager.

At the midpoint of the twentieth century, management philosopher Peter Drucker wrote:

Managers have to learn to know language, to understand what words are and what they mean. Perhaps most important, they have to acquire respect for language as [our] most precious gift and heritage. The manager must understand the meaning of the old definition of rhetoric as “the art which draws men’s hearts to the love of true knowledge.”¹

Later in the twentieth century, Harvard Business School professors Robert Eccles and Nitin Nohria reframed Drucker’s view to offer a perspective of management that few others have seen. “To see management in its proper light,” they write, “managers need first to take language seriously.”² In particular, they argue, a coherent view of management must focus on three issues: the use of rhetoric to achieve a manager’s goals, the shaping of a managerial identity, and taking action to achieve the goals of the organizations that employ us. Above all, they say, “the essence of what management is all about [is] the effective use of language *to get things done*” (emphasis mine).³

The job of becoming a competent, effective manager thus becomes one of understanding language and action. It also involves finding ways to shape how others see and think of you in your role as a manager. A number of noted researchers have examined the important relationship between communication and action within large and complex organizations and conclude that the two are inseparable. Without the right words, used in the right way, it is unlikely that the right actions will ever occur. “Words do matter,” write Eccles and Nohria, “they matter very much. Without words we have no way of expressing strategic concepts, structural forms, or designs for performance measurement systems.” Language, they conclude, “is too important to managers to be taken for granted or, even worse, abused.”⁴

So, if language is a manager’s key to effective action, the next question is obvious: How good are you at using your language? Your ability to take action – to hire people, to restructure an organization, to launch a

new product line – depends entirely on how effectively you use rhetoric, both as a speaker and as a listener. Your effectiveness as a speaker and writer will determine how well you are able to get others to do what you want. And your effectiveness as a listener will determine how well you understand others and can do things for them.

This book will examine the role language plays in the life of a manager and the central position occupied by rhetoric in the life of business organizations. In particular, though, this book will help you examine your own skills, abilities, and competencies as you use language, attempt to influence others, and respond to the requirements of your superiors and the organization in which you work. If you think that landing your first really big job is mostly about the grades on your transcript, think again. Communication skills are most often cited as the primary personal attribute employers seek in college graduates, followed by a strong work ethic, teamwork skills, initiative, relating well to others, problem-solving skills, and analytic abilities.⁵

Management communication is about the movement of information and the skills that facilitate it – speaking, writing, listening, and processes of critical thinking – but it’s more than just skill, really. It’s also about understanding who you are, who others think you are, and the contributions you as an individual can make to the success of your business. It’s about confidence – the knowledge that you can speak and write well, that you can listen with great skill as others speak, and that you can both seek out and provide the feedback essential to your survival as a manager and a leader.

This chapter will first look at the nature of managerial work, examining the roles managers play and the characteristics of the jobs they hold. We’ll also look at what varies in a manager’s position and what is different from one manager’s job to another. And we’ll look at the management skills you will need to succeed in the years ahead. At the heart of this chapter, though, is the notion that communication, in many ways, is the work of managers, day in and day out. We go on to examine the roles of writing and speaking in your life as a manager, as well as other specific applications and challenges you will face as you grow and advance on the job.

WHAT DO MANAGERS DO ALL DAY?

If you were to consult a number of management textbooks for advice on the nature of managerial work, many – if not most – would say that managers spend their time engaged in planning, organizing, staffing, directing, coordinating, reporting, and controlling. These activities, as Jane Hannaway found in her study of managers at work, “do not, in fact, describe what managers do.”⁶ At best, they seem to describe vague objectives that managers are continually trying to accomplish. The real world, however, is far from being that simple. The world in which most managers work is a “messy and hectic stream of ongoing activity.”⁷

Managers are in constant action. Virtually every study of managers in action has found that they “switch frequently from task to task, changing their focus of attention to respond to issues as they arise, and engaging in a large volume of tasks of short duration.”⁸ Prof. Harvey Mintzberg of McGill University observed CEOs on the job to get some idea of what they do and how they spend their time. He found, for instance, that they averaged 36 written and 16 verbal contacts per day, almost every one of them dealing with a distinct or different issue. Most of these activities were brief, lasting less than nine minutes.⁹

Harvard Business School professor John Kotter studied a number of successful general managers over a five-year period and found that they spend most of their time with others, including subordinates, their bosses, and numerous people from outside the organization. Kotter’s study found that the average manager spent just 25 percent of his or her time working alone, and that time was spent largely at home, on airplanes, or commuting. Few of them spend less than 70 percent of their time with others, and some spend up to 90 percent of their working time this way.¹⁰

Kotter also found that the breadth of topics in their discussions with others was extremely wide, with unimportant issues taking time alongside important business matters. His study revealed that managers rarely make “big decisions” during these conversations and rarely give orders in a traditional sense. They often react to others’ initiatives and spend substantial amounts of time on unplanned activities that aren’t on their calendars. He found that managers will spend most of their time with others in short, disjointed conversations. “Discussions of a single question or issue rarely last more than ten minutes,” he notes. “It is not at all unusual for a general manager to cover ten unrelated topics in a five-minute conversation.”¹¹ More recently, managers studied by Lee

Sproull showed similar patterns. During the course of a day, they engaged in 58 different activities with an average duration of just nine minutes.¹²

Interruptions also appear to be a natural part of the job. Rosemary Stewart found that the managers she studied could work uninterrupted for half an hour only nine times during the four weeks she studied them.¹³ Managers, in fact, spend very little time by themselves. Contrary to the image offered by management textbooks, they are rarely alone drawing up plans or worrying about important decisions. Instead, they spend most of their time interacting with others – both inside and outside the organization. If you include casual interactions in hallways, phone conversations, one-on-one meetings, and larger group meetings, managers spend about two-thirds of their time with other people.¹⁴ As Mintzberg pointed out, “Unlike other workers, the manager does not leave the telephone or the meeting to get back to work. Rather, these contacts *are* his work.”¹⁵

The interactive nature of management means that most management work is conversational.¹⁶ When managers are in action, they are talking and listening. Studies on the nature of managerial work indicate that managers spend about two-thirds to three-quarters of their time in verbal activity.¹⁷ These verbal conversations, according to Eccles and Nohria, are the means by which managers gather information, stay on top of things, identify problems, negotiate shared meanings, develop plans, put things in motion, give orders, assert authority, develop relationships, and spread gossip. In short, they are what the manager’s daily practice is all about. “Through other forms of talk, such as speeches and presentations,” they write, “managers establish definitions and meanings for their own actions and give others a sense of what the organization is about, where it is at, and what it is up to.”¹⁸

THE ROLES MANAGERS PLAY

In Prof. Mintzberg’s seminal study of managers and their jobs, he found the majority of them clustered around three core management roles.

Interpersonal Roles

Managers are required to interact with a substantial number of people in the course of a workweek. They host receptions; take clients and customers to dinner; meet with business prospects and partners; conduct hiring and performance interviews; and form alliances, friendships, and personal relationships with many others. Numerous studies have shown that such relationships are the richest source of information for managers because of their immediate and personal nature.¹⁹

Three of a manager’s roles arise directly from formal authority and involve basic interpersonal relationships. First is the *figurehead role*. As the head of an organizational unit, every manager must perform some ceremonial duties. In Mintzberg’s study, chief executives spent 12 percent of their contact time on ceremonial duties; 17 percent of their incoming mail dealt with acknowledgments and requests related to their status. One example is a company president who requested free merchandise for a schoolchild with a disability.²⁰

Managers are also responsible for the work of the people in their unit, and their actions in this regard are directly related to their role as a leader. The influence of managers is most clearly seen, according to Mintzberg, in the leader role. Formal authority vests them with great potential power. Leadership determines, in large part, how much power they will realize.²¹

Is the *role of leader* important? Ask the employees of Chrysler Corporation. When Lee Iacocca took over the company in the 1980s, the once-great auto manufacturer was in bankruptcy, teetering on the verge of extinction. He formed new relationships with the United Auto Workers, reorganized the senior management of the company, and – perhaps, most importantly – convinced the US federal government to guarantee a series of bank loans that would make the company solvent again. The loan guarantees, the union response, and the reaction of the marketplace were due in large measure to Iacocca’s leadership style and personal charisma. More recent examples include the return of Starbucks founder Howard Schultz to re-energize and steer his company, and Amazon CEO Jeff Bezos and his ability to innovate during a downturn in the economy.²²

Popular management literature has had little to say about the *liaison role* until recently. This role, in which managers establish and maintain contacts outside the vertical chain of command, becomes especially important in view of the finding of virtually every study of managerial work that managers spend as much time with peers

and other people outside of their units as they do with their own subordinates. Surprisingly, they spend little time with their own superiors. In Rosemary Stewart's study, 160 British middle and top managers spent 47 percent of their time with peers, 41 percent of their time with people inside their unit, and only 12 percent of their time with superiors.²³ Robert H. Guest's study of US manufacturing supervisors revealed similar findings.²⁴

Informational Roles

Managers are required to gather, collate, analyze, store, and disseminate many kinds of information. In doing so, they become information resource centers, often storing huge amounts of information in their own heads, moving quickly from the *role of gatherer* to the *role of disseminator* in minutes. Although many business organizations install large, expensive information technology systems to perform many of those functions, nothing can match the speed and intuitive power of a well-trained manager's brain for information processing. Not surprisingly, most managers prefer it that way.²⁵

As *monitors*, managers are constantly scanning the environment for information, talking with liaison contacts and subordinates, and receiving unsolicited information, much of it as a result of their network of personal contacts. A good portion of this information arrives in oral form, often as gossip, hearsay, and speculation.²⁶

In the *disseminator role*, managers pass privileged information directly to subordinates, who might otherwise have no access to it. Managers must not only decide who should receive such information, but how much of it, how often, and in what form. Increasingly, managers are being asked to decide whether subordinates, peers, customers, business partners, and others should have direct access to information 24 hours a day without having to contact the manager directly.

In the *spokesperson role*, managers send information to people outside of their organizations: an executive makes a speech to lobby for an organizational cause, or a supervisor suggests a product modification to a supplier. Increasingly, managers are also being asked to deal with representatives of the news media, providing both factual and opinion-based responses that will be printed, broadcast, or posted to vast unseen audiences, often directly or with little editing. The risks in such circumstances are enormous, but so too are the potential rewards in terms of brand recognition, public image, and organizational visibility.

Decisional Roles

Ultimately, managers are charged with the responsibility of making decisions on behalf of both the organization and the stakeholders with an interest in it. Such decisions are often made under circumstances of high ambiguity and with inadequate information. Often, the other two managerial roles – *interpersonal* and *informational* – will assist a manager in making difficult decisions in which outcomes are not clear and interests are often conflicting.

In the role of *entrepreneur*, managers seek to improve their businesses, adapt to changing market conditions, and react to opportunities as they present themselves. Managers who take a longer-term view of their responsibilities are among the first to realize that they will need to reinvent themselves, their product and service lines, their marketing strategies, and their ways of doing business as older methods become obsolete and competitors gain an advantage.

While the *entrepreneur* role describes managers who initiate change, the disturbance or *crisis handler* role depicts managers who must involuntarily react to conditions. Crises can arise because bad managers let circumstances deteriorate or spin out of control, but just as often good managers find themselves in the midst of a crisis that they could not have anticipated but must react to just the same.

The third decisional role of *resource allocator* involves managers making decisions about who gets what, how much, when, and why. Resources, including funding, equipment, human labor, office or production space, and even the boss's time are all limited, and demand inevitably outstrips supply. Managers must make sensible decisions about such matters while still retaining, motivating, and developing the best of their employees.

The final decisional role is that of *negotiator*. Managers spend considerable amounts of time in negotiations: over budget allocations, labor and collective bargaining agreements, and other formal dispute resolutions. In the course of a week, managers will often make dozens of decisions that are the result of brief but important negotiations between and among employees, customers and clients, suppliers, and others with whom managers must deal.²⁷

MAJOR CHARACTERISTICS OF THE MANAGER'S JOB

Time is Fragmented

Managers have acknowledged from antiquity that they never seem to have enough time to get all those things done that need to be done. In the early years of the twenty-first century, however, a new phenomenon arose: demand for time from those in leadership roles increased, while the number of hours in a day remained constant. Increased work hours was one reaction to such demand, but managers quickly discovered that the day had just 24 hours and that working more of them produced diminishing marginal returns. According to one researcher, "Managers are overburdened with obligations yet cannot easily delegate their tasks. As a result, they are driven to overwork and forced to do many tasks superficially. Brevity, fragmentation, and verbal communication characterize their work."²⁸

Values Compete and the Various Roles Are in Tension

Managers clearly cannot satisfy everyone. Employees want more time to do their jobs; customers want products and services delivered quickly and at high-quality levels. Supervisors want more money to spend on equipment, training, and product development; shareholders want returns on investment maximized. A manager caught in the middle cannot deliver to each of these people what each most wants; decisions are often based on the urgency of the need and the proximity of the problem.

The Job Is Overloaded

In recent years, many North American and global businesses were reorganized to make them more efficient, nimble, and competitive. For the most part, this reorganization meant decentralizing many processes along with the wholesale elimination of middle management layers. Many managers who survived such downsizing found that their number of direct reports had doubled. Classical management theory suggests that seven is the maximum number of direct reports a manager can reasonably handle. Today, high-speed information technology and remarkably efficient telecommunication systems mean that many managers have as many as 20 or 30 people reporting to them directly.

Efficiency Is a Core Skill

With less time than they need, with time fragmented into increasingly smaller units during the workday, with the workplace following many managers out the door and even on vacation, and with many more responsibilities loaded onto managers in downsized, flatter organizations, efficiency has become the core management skill of the twenty-first century.

WHAT VARIES IN A MANAGER'S JOB? THE EMPHASIS

The Entrepreneur Role Is Gaining Importance

Managers must increasingly be aware of threats and opportunities in their environment. Threats include technological breakthroughs on the part of competitors, obsolescence in a manager's organization, and dramatically shortened product cycles. Opportunities might include product or service niches that are underserved, out-of-cycle hiring opportunities, mergers, purchases, or upgrades in equipment, space, or other assets. Managers who are carefully attuned to the marketplace and competitive environment will look for opportunities to gain an advantage.

So Is the Leader Role

Managers must be more sophisticated as strategists and mentors. A manager's job involves much more than simple caretaking in a division of a large organization. Unless you are able to attract, train, motivate, retain, and

promote good people, your organization cannot possibly hope to gain an advantage over the competition. Thus, as leaders, managers must constantly act as mentors to those in the organization with promise and potential. When you lose a highly capable worker, all else in your world will come to a halt until you can replace that worker. Even if you should find someone ideally suited and superbly qualified for a vacant position, you must still train, motivate, and inspire that new recruit, and you must live with the knowledge that productivity levels will be lower for a while than they were with your previous employee.

Managers Must Create a Local Vision as They Help People Grow

The company's website, annual report, and those slick-paper brochures your sales force hands to customers may articulate the vision, values, and beliefs of the company. But what do those concepts really mean to workers at your location? What does a competitive global strategy mean to your staff at 8:00 a.m. on Monday? Somehow, you must create a local version of that strategy, explaining in practical and understandable terms what your organization or unit is all about and how the work of your employees fits into the larger picture.

MANAGEMENT SKILLS REQUIRED FOR THE TWENTY-FIRST CENTURY

The twenty-first-century workplace requires three types of skills, each of which will be useful at different points in your career.

Technical Skills

These are most valuable at the entry level, but less valuable at more senior levels. Organizations hire people for their technical expertise: Can you assess the market value of a commercial office building? Can you calculate a set of net present values? Are you experienced in the use of C++, Python, or SAP/R3 software? These skill sets, however, constantly change and can become quickly outdated. What gets you in the door of a large organization won't necessarily get you promoted.

Relating Skills

These are valuable across the managerial career span and are more likely to help you progress and be promoted to higher levels of responsibility. These skills, which help you to form relationships, are at the heart of what management communication is about: reading, writing, speaking, listening, and thinking about how you can help others and how they can help you as the demands of your job shift and increase at the same time.

Conceptual Skills

These skills are least valuable at the entry level, but more valuable at senior levels in the organization. They permit you to look past the details of today's work assignment and see the bigger picture. Successful managers who hope to become executives in the highest levels of a business must begin, at a relatively early age, to develop the ability to see beyond the horizon and ask long-term questions. If you haven't formed the relationships that will help you get promoted, however, you may not be around long enough to have an opportunity to use your conceptual skills.

TALK IS THE WORK

Managers across industries, according to Deirdre Borden, spend about 75 percent of their time in verbal interaction.²⁹ Those daily interactions include the following.

One-on-One Conversations

Increasingly, managers find that information is passed orally, often face-to-face in offices, hallways, conference rooms, cafeterias, rest rooms, athletic facilities, parking lots, and literally dozens of other venues. An enormous amount of information is exchanged, validated, confirmed, and passed back and forth under highly informal circumstances.

Telephone Conversations

Managers spend an astounding amount of time on the telephone these days. Curiously, the amount of time per telephone call is decreasing, but the number of calls per day is increasing. With the nearly universal availability of cellular, satellite, and online telephone services, very few people are out of reach of the office for very long. The decision to switch off your mobile telephone, in fact, is now considered a decision in favor of work-life balance.

Video Teleconferencing

Bridging time zones as well as cultures, videoconferencing and Zoom calls make direct conversations with employees, colleagues, customers, and business partners across the nation or around the world a simple matter. Carrier Corporation, the air-conditioning manufacturer, is now typical of firms using desktop videoconferencing to conduct everything from staff meetings to technical training. Engineers at Carrier's Farmington, Connecticut, headquarters can hook up with service managers in branch offices thousands of miles away to explain new product developments, demonstrate repair techniques, and update field staff on matters that would, just recently, have required extensive travel or expensive. Their exchanges are informal, conversational, and not much different than they would be if both people were in the same room.³⁰

Presentations to Small Groups

Managers frequently find themselves making presentations, formal and informal, to groups of three-to-eight people for many different reasons: they pass along information given to them by executives; they review the status of projects in process; they explain changes in everything from working schedules to organizational goals. Such presentations are sometimes supported by PowerPoint slides or PDF outlines, but they are oral in nature and retain much of the conversational character of one-to-one conversations.

Public Speaking to Larger Audiences

Most managers are unable to escape the periodic requirement to speak to larger audiences of several dozen or, perhaps, several hundred people. Such presentations are usually more formal in structure and are frequently supported by PowerPoint or Corel software that can deliver data from text files, graphics, and photos, and even motion clips from streaming video. Despite the more formal atmosphere and sophisticated audio-visual support systems, such presentations still involve one manager talking to others, framing, shaping, and passing information to an audience.

THE MAJOR CHANNELS OF MANAGEMENT COMMUNICATION ARE STILL TALKING AND LISTENING

A series of scientific studies, beginning with Rankin in 1926,³¹ and later with Nichols and Stevens (1957)³² and Wolvin and Coakley (1982),³³ serve to confirm what each of us knows intuitively: most managers spend the largest portion of their day talking and listening. E. K. Werner's thesis at the University of Maryland, in fact, found that North American adults spend more than 78 percent of their communication time either talking or listening to others who are talking.³⁴

According to Werner and others who study the communication habits of postmodern business organizations, managers are involved in more than just speeches and presentations from the dais or teleconference podium. They spend their days in meetings, on the telephone, conducting interviews, giving tours, supervising informal visits to their facilities, and at a wide variety of social events. Each of these activities may look to some managers like an obligation imposed by the job.

Shrewd managers see them as opportunities to hear what others are thinking, to gather information informally from the grapevine, to listen in on office gossip, to pass along viewpoints that haven't yet made their way to the more formal channels of communication, or to catch up with a colleague or friend in a more relaxed setting. No matter what the intention of each manager who engages in these activities, the information they produce and the insight that follows from them can be put to work the same day to achieve organizational and personal objectives. "To understand why effective managers behave as they do," writes Prof. John Kotter, "it is essential first to recognize two fundamental challenges and dilemmas found in most of their jobs." Managers must first figure out what to do, despite an enormous amount of potentially relevant information (along with much that is not), and then they must get things done "through a large and diverse group of people despite having little direct control over most of them."³⁵

THE ROLE OF WRITING

Writing plays an important role in the life of any organization. In some organizations, it becomes more important than in others. At Procter & Gamble, for example, brand managers cannot raise a work-related issue in a team meeting unless the ideas are first circulated in writing. For P&G managers, this approach means offering their ideas in explicit detail in a standard one-to-three-page memo, complete with background, financial discussion, implementation details, and justification for the ideas proposed.

Other organizations are more oral in their traditions – 3M Canada comes to mind as a "spoken" organization – the fact remains: the most important projects, decisions, and ideas end up in writing. Writing also provides analysis, justification, documentation, and analytic discipline, particularly as managers approach important decisions that will affect the profitability and strategic direction of the company.

Writing Is a Career Sifter

If you demonstrate an inability to put ideas on paper in a clear, unambiguous fashion, you're not likely to last. Stories of bad writers who've been shown the door early in their careers are legion. Your principal objective, at least during the first few years of your own career, is to keep your name out of such stories. Remember, those who are most likely to notice the quality and skill in your written documents are the very people most likely to matter to your future.

Managers Do Most of Their Own Writing and Editing

The days when managers could lean back and thoughtfully dictate a letter or memo to a skilled secretarial assistant are mostly gone. Some senior executives know how efficient dictation can be, especially with a top-notch administrative assistant taking shorthand, but how many managers have that advantage today? Very few, mostly because buying a computer and printer is substantially cheaper than hiring another employee. Managers at all levels of most organizations draft, review, edit, and dispatch their own correspondence, reports, and proposals.

Documents Take on Lives of Their Own

Once it's gone from your desk, it isn't yours anymore. When you sign a letter and put it in the mail, it's no longer your letter – it's the property of the person or organization you sent it to. As a result, the recipient is free to do as he or she sees fit with your writing, including using it against you. If your ideas are ill-considered or not well expressed, others in the organization who are unsympathetic to your views may head for the copy machine or simply click "forward" on the message containing your work. The advice for you is simple: don't mail your first draft, and don't ever sign your name to a document you're not proud of.

COMMUNICATION IS INVENTION

Without question, communication is a process of invention. Managers literally create meaning through communication. A company, for example, is not in default on a bond issue until a team of auditors sits down to examine the books and review the situation. Only after extended discussion do the accountants come to the conclusion that the company is, in fact, in default. It is their discussion that creates the outcome. Until that point, default was simply one of many possibilities.

The fact is managers create meaning through communication. It is largely through discussion and verbal exchange – often heated and passionate – that managers decide who they wish to be: market leaders, takeover artists, innovators, or defenders of the economy. It is only through communication that meaning is created for shareholders, employees, customers, and others. Those long, detailed, and intense discussions determine how much the company will declare in dividends this year, whether the company is willing to risk a strike or labor action, and how soon to roll out the new product line customers are asking for. Additionally, it is important to note that managers usually figure things out by talking about them as much as they talk about the things they have already figured out. Talk serves as a wonderful palliative: justifying, dissecting, reassuring, and analyzing the events that confront managers each day.

INFORMATION IS SOCIALLY CONSTRUCTED

If we are to understand just how important human discourse is in the life of a business, several points seem especially important.

Information Is Created, Shared, and Interpreted by People

Meaning is a truly human phenomenon. An issue is only important if people think it is. Facts are facts only if we can agree on their definition. Perceptions and assumptions are as important as truth itself in a discussion about what a manager should do next.³⁶

Information Never Speaks for Itself

It is not uncommon for a manager to rise to address a group of his colleagues and say, “Ladies and gentlemen, the numbers speak for themselves.” Frankly, the numbers never speak for themselves. They almost always require some sort of interpretation, some sort of explanation or context. Don’t assume that others see the facts in the same way you do and never assume that what you see is the truth. Others may see the same set of facts or evidence but may not reach the same conclusions. Few things in life are self-explanatory.

Context Always Drives Meaning

The backdrop to a message is always of paramount importance to the listener, viewer, or reader in reaching a reasonable, rational conclusion about what she sees and hears. What’s in the news these days as we take up this particular subject? What moment in history do we occupy? What related or relevant information is under consideration as this new message arrives? We cannot possibly derive meaning from one message without considering everything else that surrounds it.

A Messenger Always Accompanies a Message

It is difficult to separate a message from its messenger. We often want to react more to the source of the information than to the information itself. That’s natural and entirely normal. People speak for a reason, and we often judge their reasons for speaking before analyzing what they have to say. Keep in mind that, in every organization, message recipients will judge the value, power, purpose, intent, and outcomes of the messages they receive by the source of those messages as much as by the content and intent of the messages themselves. If the messages you

send as a manager are to have the impact you hope they will, they must come from a source the receiver knows, respects, and understands.

YOUR GREATEST CHALLENGE

Every manager knows communication is vital, but every manager also seems to “know” that he or she is great at it. Your greatest challenge is to admit to flaws in your skill set and work tirelessly to improve them. First, you must admit to the flaws.

T. J. and Sandar Larkin, in a book entitled *Communicating Change: Winning Employee Support for New Business Goals*, write:

Deep down, managers believe they are communicating effectively. In ten years of management consulting, we have never had a manager say to us that he or she was a poor communicator. They admit to the occasional screw-up, but overall, everyone, without exception, believes he or she is basically a good communicator.³⁷

YOUR TASK AS A PROFESSIONAL

As a professional manager, your first task is to recognize and understand your strengths and weaknesses as a communicator. Until you identify those communication tasks at which you are most and least skilled, you'll have little opportunity for improvement and advancement. Foremost among your goals should be to improve existing skills. Improve your ability to do what you do best. Be alert to opportunities, however, to develop new skills. Add to your inventory of abilities to keep yourself employable and promotable.

Two other suggestions come to mind for improving your professional standing as a manager. First, acquire a knowledge base that will work for the years ahead. That means speaking with and listening to other professionals in your company, your industry, and your community. Be alert to trends that could affect your products and services, as well as your own future.

It also means reading. You should read at least one national newspaper each day, including the *The Wall Street Journal*, *The New York Times*, *The Washington Post*, or the *Financial Times*, as well as a local newspaper. Your reading should include weekly news magazines, such as *Bloomberg BusinessWeek* and *The Economist*. Subscribe to monthly magazines such as *Forbes* and *Fortune*. And you should read at least one new hardcover title a month. A dozen books each year is the bare minimum on which you should depend for new ideas, insights, and managerial guidance.

Your final challenge is to develop the confidence you will need to succeed as a manager, particularly under conditions of uncertainty, change, and challenge.

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Case 1.1: Airbnb

Scaling Safety with Rapid Growth

THE LOPEZ INCIDENT

When 19-year-old Jacob Lopez traveled overseas to Madrid in July 2015, he anticipated an enjoyable trip and planned to stay at an Airbnb property. His decision to book an Airbnb in Madrid stemmed mainly from his great experience at an Airbnb property in Brazil just a year prior.^{1,2}

Lopez arrived in Madrid on July 4 and met his host, who turned out to be transsexual, at the subway near the property. The host walked with Lopez to the apartment and, upon arrival, locked the main door to the unit. Then, according to Lopez, the woman ordered him to perform a series of sexual acts. Lopez initially refused to obey. He was scared for his life after the host began to hint that she would harm him if he did not comply. She also severed the Internet lines to hinder his ability to reach out for assistance.

Lopez texted his mother, Micaela Giles, in the United States. Giles immediately phoned Airbnb from the family's Massachusetts home for help. However, Airbnb personnel indicated that an address to the property could not be provided as she was not the registered guest. They went on to say that Giles would need to ask the Madrid police to call Airbnb directly for the address to be released. She hung up the phone and repeatedly attempted to call the Madrid police. Each time she rang authorities, she was led through a series of prompts in Spanish only to have her calls continuously dropped. After several attempts, Giles tried to call Airbnb again, but was unable to connect to the company's emergency hotline.

Eventually, Lopez was able to escape by telling the host that he had to meet friends who knew where he was and who would call the police if he did not show up to join them. According to Lopez, the host sexually assaulted him prior to his escape. When questioned, the host maintained that the sexual actions were consensual. Lopez has undergone extensive counseling to overcome the trauma resulting from the situation.³

AIRBNB COMPANY OVERVIEW

In 2007, two 20-something entrepreneurs, Brian Chesky and Joe Gebbia, saw a need in a century-old industry. These two recognized that the lodging and hospitality business had not tapped into the sharing economy. Doing so could provide convenient and economical options for consumers. So, with a website called *airbedandbreakfast.com*, the duo launched their idea.⁴ Chesky and Gebbia decided to pair the debut of their start-up with a local

San Francisco design conference in hopes of garnering more attention. For US\$80 a night, the friends rented air mattresses in their shared apartment and reached out to members of the city's designer population to do the same. Gaining the interest of only three guests and three hosts, the first attempt was an overall failure.⁵

But Chesky and Gebbia did not stop there. Instead, they paralleled their second attempt with an even bigger event, the 2008 Democratic National Convention in Denver, Colorado. At this time, Nathan Blecharczyk, Gebbia's former and technologically savvy roommate, joined the team. The three were able to secure a steady revenue. However, when elections came to an end, revenue dropped significantly.⁶

On the advice of an established entrepreneur, the three took their gig to New York City, an area overpopulated with tourists and desperate for economical lodging options. This environment, paired with an increasingly "open" society in which members were quickly becoming more willing to share due to social media expansion, proved to be the perfect springboard for the start-up.⁷

Not long after its debut, Air Bed and Breakfast, or more commonly referred to as Airbnb, transformed into a global billion-dollar company. The entity's transactional process is fairly straightforward. Airbnb hosts post pictures of their property on the company's website and online community members can search the site to find lodging. Property prices range from less than US\$50 to more than US\$1,000 a night and guests can choose between renting an entire home or apartment, a private room, or a shared room.⁸

Airbnb prides itself in fostering a community feel among guests and hosts. Chesky sums it up as follows:

Airbnb is about so much more than just renting space. It's about people and experiences. At the end of the day, what we're trying to do is bring the world together. You're not getting a room, you're getting a sense of belonging.⁹

Airbnb's business model provides assets to both hosts and guests. Hosts are able to earn supplemental income, sometimes enough to cover the cost of their own rent or other property-related expenses, and guests have access to relatively low-cost accommodations that they can book efficiently.

Today, a small team of Airbnb executives manages the company. These key staff members include the Chief Executive Officer, Chief Technology Officer, Chief Product Officer, Chief Financial Officer, Head of Global Hospitality, Head of Global Policy and Government Affairs, and Chief Business Affairs and Legal Officer.¹⁰

AIRBNB'S BUSINESS MODEL

Airbnb is among the fastest-growing accommodation companies in the world. In December 2014, Chesky shared some news via *Twitter*: "Airbnb now has 1 million homes on its platform and is adding more than 20,000 new ones each week."¹¹ Equally impressive, the company's growth stemmed from a small workforce of approximately 1,600 employees globally.¹² Airbnb deliberately runs a lean operation, but what is most compelling about the company is that it does not own real estate. Unlike traditional hotel companies, which own and profit from physical real estate, Airbnb is purely in the business of connecting people with other people and, by doing so, people with places.

The company's core focus is connecting cost-focused travelers to homeowners that provide lodging solutions in desirable sections of cities that hotels traditionally underserve. Many users are repeat customers highlighting the fact that the service enables travelers to live like the locals. In essence, Airbnb provides unique travel experiences as well as quick, affordable, and safe accommodation for travelers.

Airbnb's business model is straightforward. Users fall into one of two classifications: hosts or guests. Hosts represent the asset owners who list their homes and apartments on the platform. In effect, hosts provide the listings that are available to customers on the Airbnb digital platform. Guests reflect the demand on the platform, representing customers that are seeking to rent listings in cities around the world.

Airbnb's two main customer segments are personal travelers and business travelers, with personal travelers comprising the majority of its users.¹³ Airbnb approaches customer acquisition through two core sales channels – online advertising and word-of-mouth.¹⁴

According to Kenontech.com, a blog that highlights start-ups, "Airbnb is very aggressive with its online marketing and ads can be found through an extensive network of affiliate sites and as part of search results on major search engines."¹⁵ Kenontech.com goes on to say that the second sales channel, which emphasizes a

Example: 4-night reservation at a listing with a nightly rate of \$100 and \$50 cleaning fee

Subtotal: (4 nights x \$100) + \$50 cleaning fee = \$450
 Host Payout: \$450 – (3% x \$450) = \$436.50
 \$450 - \$436.50 = \$14
 Host Service Fee to Airbnb = \$14 (*rounded up to nearest dollar amount*)

FIGURE 1.1 Sample Nightly Fee Rates. *Source:* Airbnb website. “What Are Host Service Fees?” <https://www.airbnb.com/help/article/63/what-are-host-service-fees>. Accessed February 2016

word-of-mouth approach, stems from the founders’ belief that “if they provided their users with a great experience there would be a high probability that their users would spread the word.”¹⁶

Furthermore, the company generates revenue from two main sources, commission from renters and commission from homeowners. Commission rates are maintained at a minimum to keep users from moving the transaction offline. Airbnb charges hosts a 3 percent host service fee for each booking completed on its platform. Withdrawn from the host payout, this fee covers the cost of processing guest payments.¹⁷ Airbnb also charges a guest service fee when a customer’s reservation is confirmed. The current guest service fee is a variable fee that ranges between 6 and 12 percent of the reservation subtotal (before fees and taxes). The higher the subtotal, the lower the percentage, allowing users to save money when booking large reservations.¹⁸ Figure 1.1 illustrates a sample calculation that the company provides on its website to explain the host service fee structure.

THE NATURE OF THE SHARING ECONOMY

The sharing economy offers the ability for anyone with an asset, whether a car, home, or extra space in his or her driveway, to capitalize monetarily on that asset simply by renting it.¹⁹ The nature of the sharing economy facilitates peer-to-peer business transactions. By way of a digital clearinghouse, companies such as Parking Panda allow consumers to find a parking space before they even enter a garage. Via Uber or Lyft’s electronic platform, a consumer can summon a personal driver with just a couple of clicks.²⁰ As for finding a deal on overnight accommodations in an instant, Airbnb allows travelers to forego a call to the Holiday Inn by renting another consumer’s bedroom for US\$50 a night or, if one prefers a more glamorous option, renting a beachside mansion for a US\$1,000 a night by simply perusing the company’s website.²¹

All members of the sharing economy share three main attributes:

1. They rely on recent technological advances to satisfy established consumer demands in innovative ways;
2. They enter a space with well-established companies and disrupt the current competitive landscape; and
3. They function in interstitial areas of the law due to the timing of emergence.²²

RAPID GROWTH OF AIRBNB

Since 2008, Airbnb has enjoyed unmatched growth in the accommodations industry compared with its peers. According to *The Wall Street Journal*, which reported Airbnb’s most recent valuation in June of 2015, the company has a valuation of US\$25 billion and 2015 revenues were projected to reach US\$900 million.²³ By comparison, Marriott, which manages more than 4,000 hotels, is valued at US\$21 billion and last year reached US\$13.8 billion in revenue.²⁴ In only a few years, Airbnb grew from a small start-up to an established company with a market value larger than many of its traditional hotel competitors. Furthermore, Airbnb’s valuation is approximately twice the size of rival travel site Expedia and more than five times the size of HomeAway, Airbnb’s closest online competitor.

Analysts contend Airbnb commands a premium valuation given the company’s accelerated growth rate over the last few years. Airbnb’s US\$900 million in projected revenue for 2015 was 360 percent of the company’s revenue in 2013, which totaled US\$250 million. From 2014 to 2015, the company had an estimated revenue growth of 113 percent year-over-year.²⁵ Airbnb’s next closest competitor for year-over-year growth was HomeAway at

AirBnB vs. Public Competitors: Revenue Growth 2014 vs. 2015

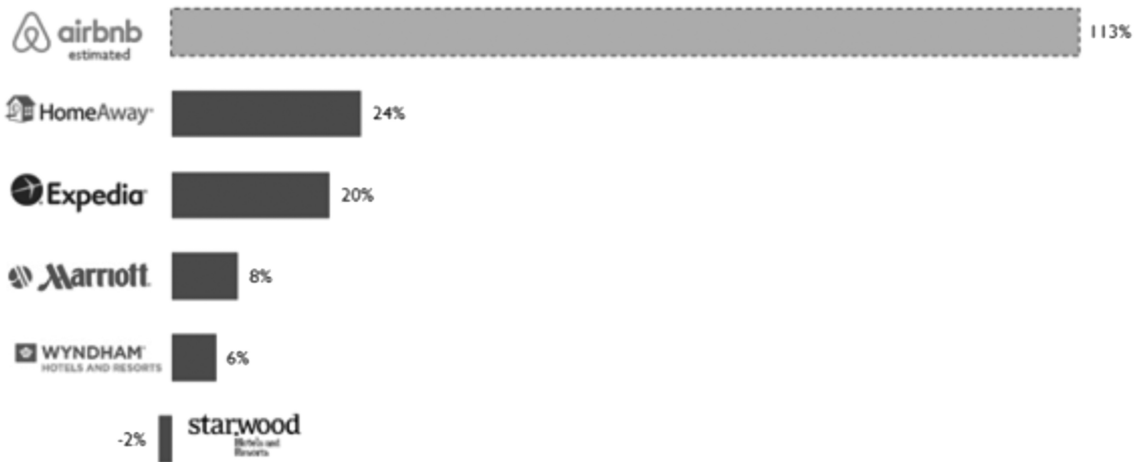


FIGURE 1.2 AirBnB vs. Public Competitors: Revenue Growth 2014 vs. 2015

24 percent and Expedia at 20 percent. Traditional hotels like Marriott continue to grow at more conservative rates hovering between 5 percent and 10 percent (see Figure 1.2).

Beyond revenue and valuation, Airbnb is quickly becoming a mainstream lodging brand recognized among travelers. According to equity research firm CB Insights, the term “Airbnb” recently surpassed “Marriott” in Google search popularity for the first year ever in 2015.²⁶ Analysts remain bullish that Airbnb’s online dominance will likely continue to grow, further enhancing its competitive position among its primary rivals in the lodging industry (see Figure 1.3).

With many promising growth metrics, institutional investors continue to flock to Airbnb as a seemingly secure investment opportunity with a bright future. The Dow Jones Venture Source, an online database that tracks company performance of privately held venture-backed companies, currently ranks Airbnb as the third most valuable private start-up in the world, trailing only Uber and Xiaomi.²⁷ Airbnb maintains a stable roster of prominent investors. Notable companies include Sequoia Capital, Andreessen Horowitz, Tiger Global Management, TPG Growth, T. Rowe Price, and Fidelity Investments.²⁸ What is clear is that the company is well capitalized and positioned to grow. What remains uncertain to some is the company’s ability to sustainably manage this rate of growth.

POLITICAL AND REGULATORY ENVIRONMENT

On September 2, 2014, an independent city-wide poll from Quinnipiac University asked, “Do you think New York City residents should be permitted to rent rooms in their homes for a few days at a time to strangers, similar to a hotel, or should this practice be banned?”²⁹ The results of this poll showed a sound majority of voters, 56 percent, in favor of allowing short-term rentals to strangers. Only 36 percent of New York voters wanted to ban the use of short-term rentals.³⁰

Approximately one year later, in November 2015, Airbnb commissioned a survey to gauge whether New York residents perceived the company and its rental service in a favorable or unfavorable way. David Binder Research polled more than 400 respondents over an 11-day period and found the following:

- 65 percent believed Airbnb should be legal in New York
- 22 percent believed Airbnb should be illegal in New York
- 5 percent answered they view Airbnb “very unfavorable”

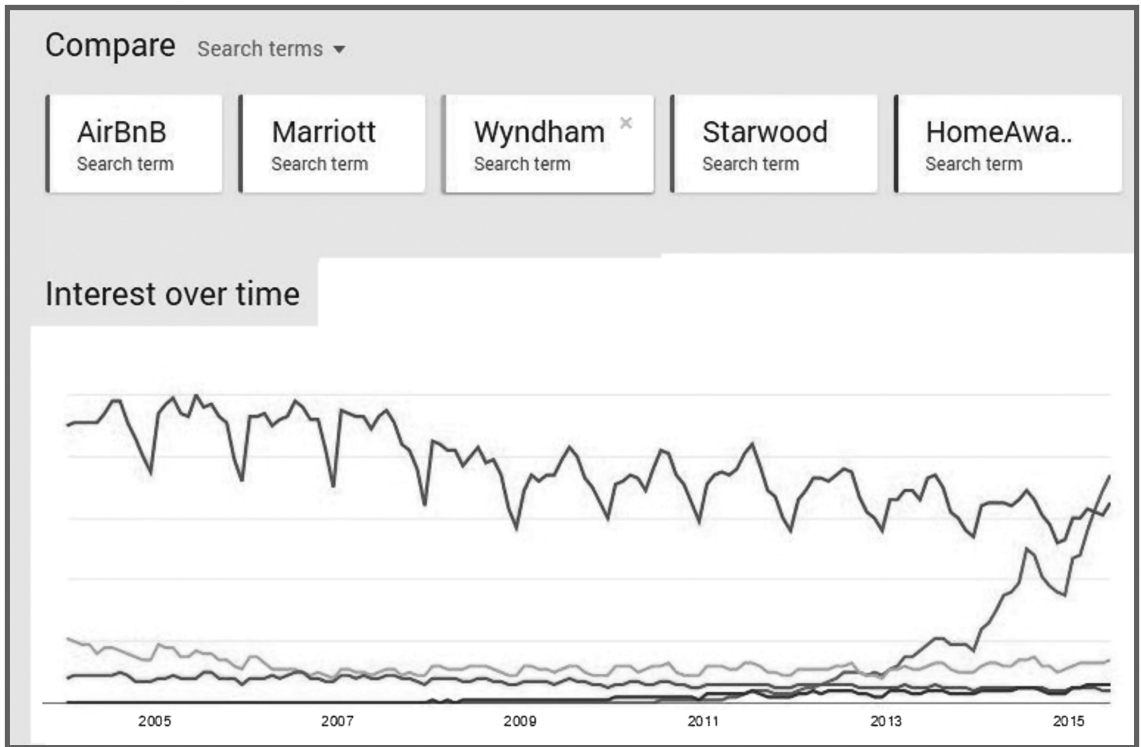


FIGURE 1.3 Google Search Popularity (2015)

- 10 percent answered they view Airbnb “somewhat unfavorable”
- 25 percent answered they view Airbnb “somewhat favorable”
- 12 percent answered they view Airbnb “very favorable”
- 48 percent of voters had “No Opinion” of Airbnb³¹

While Airbnb maintains sound consumer support in many of the cities where it operates, the company is no stranger to political and regulatory controversy. Over the last two years, the company has been embroiled in high-profile political battles with regulators in some of its most lucrative markets, including San Francisco and New York City. In November 2015, San Francisco voters headed to the polls to vote on Proposition F, which was commonly known as the “Airbnb Initiative.”

Proposition F was a ballot initiative drafted by city officials in an effort to toughen regulations on short-term rental apartments and homes in the city of San Francisco.³² A political initiative capable of reducing short-term listings and revenue for Airbnb, Proposition F presented the first significant instance in which Airbnb faced an organized political effort to regulate the company’s business model in its own backyard – San Francisco. Numerous Airbnb opponents, including hotel industry-backed opposition, affirmed Airbnb was operating under interstitial areas of law and urged regulators to codify clear rules that would regulate online rental platforms to a similar standard that traditional hotels must comply with under the law.

Proposition F attempted to enact the following key rules for Airbnb and other short-term rental platforms. If the proposition passed by a majority vote, each company, and their rental hosts, would be required to comply with the following rules:

1. A 75-day imposed limit over the course of a year on all forms of short-term rentals where the host is not present during the stay. Hosts prohibited from listing a unit if it exceeded the 75-day limit.

2. Require hosts and rental platforms to submit quarterly reports to the San Francisco Planning Department detailing which nights the unit was rented out and which nights the host occupied the unit.
3. Insert Legal Standing provisions enabling permanent residents and nonprofit housing groups the right to sue hosts and rental platforms for violating the rules.

On November 4, 2015, Airbnb scored a victory as voters favored letting city residents rent out their homes.³³ Proposition F lost by a vote of 55 percent to 45 percent. Airbnb outspent its opposition by a factor of 16 to 1, spending US\$8 million to defeat the measure. In comparison, Unite Here, a hotel workers' union, raised only US\$482,000 in support of the measure. In the wake of Airbnb's victory, Christopher Nulty, a spokesman for the company, released the following statement: "Voters stood up for working families' right to share their homes and opposed an extreme, hotel-industry-backed measure."³⁴

TERMS OF SERVICE AND USER LIABILITY

As opposition groups across the country remain committed to portraying Airbnb as unsafe and preoccupied with evading sensible regulations, Brian Chesky, CEO and Co-Founder of Airbnb, provides his viewpoint as it relates to the sharing economy. Chesky asserts, "There were laws created for businesses, and there were laws for people. What the sharing economy did was create a third category: people as businesses."³⁵ Regulators in cities across the world, in particular where Airbnb operates, continue to grapple with the new business model that has risen from the sharing economy. While consumers continue to lend support to Airbnb and similar sharing economy services, questions still remain on where liabilities rest in this new way of doing business. Do liabilities rest with the users of the service or the company facilitating the service?

Airbnb's Terms of Service agreement clearly defines which party assumes liability and how Airbnb approaches risk management and legal strategy. Airbnb operates in hundreds of countries, territories, and cities across the world. Naturally, this diverse geographical presence makes it inherently difficult to inform users of all the applicable public safety, housing, and zoning laws that might apply to them as hosts or guests. Instead of opting to educate all users of the relevant housing and safety laws that apply to them in their respective territories, Airbnb chooses to place all legal responsibility on the user through their terms of service agreement.

Airbnb's Terms of Service state, "Please read these terms of service carefully as they contain important information regarding your legal rights, remedies, and obligation." Airbnb's Terms of Service are over 16,000 words in length.³⁶ In comparison, Marriott's Terms of Use for the United States and Canada are just under 2,500 words.³⁷ Uber's Terms are under 5,000 words,³⁸ and Homeaway, an Airbnb competitor that owns more than five other rental companies, has a Terms page on its website that totals just under 13,500 words.³⁹ As of February 14, 2016, Airbnb's Terms of Service were last edited on July 6, 2015, two days after the Lopeze incident.

Airbnb says that it has no control over the conduct of its hosts, guests, or any other user of the site. The company disclaims all liability in this regard to the maximum extent permitted by the law. Airbnb states that it does not control the content contained in any of its listings and the condition, legality, or suitability of any accommodations. Moreover, Airbnb states that all bookings are made and accepted at the member's own risk. The Terms of Service agreement also states that Airbnb does not act as an insurer.

However, as of May 2012, Airbnb began offering a Host Protection program or Host Guarantee, in which hosts are covered up to US\$1 million for damage and injuries. Airbnb's website states that the Host Guarantee does not cover cash and securities, pets, personal liability, or common areas.⁴⁰ Furthermore, the insurance is "secondary," meaning the Airbnb policy takes effect only after a host exhausts his or her personal insurance coverage.⁴¹

Members of Airbnb are sometimes listed as "verified" or "connected" which simply indicates that they went through the verification process. Per the Terms of Service, this is not a guarantee of the member's identity or whether they are trustworthy, safe, or suitable. Members are encouraged to use their own judgment when accepting and selecting hosts and guests.

Airbnb's preferred strategy of informing users of their legal responsibilities through the Terms of Service agreement does not come without contention between users and the company. Many users confirm they do not read the Terms of Service agreement and the company is aware of this significant caveat.

In September 2012, Nigel Warren, a New York City resident, illegally rented out his bedroom for US\$100 a night while he was away in Colorado for a three-night trip. Upon his return from Colorado, Nigel was contacted by his landlord who had been cited for five violations for operating as an “illegal transient hotel.”⁴² The fines, if enforced, would have amounted to US\$40,000 in punitive damages. Fortunately for Mr. Warren and his landlord, the city dropped the sizable fines due to an administrative error of the city’s buildings department.

Due to his experience, Mr. Warren posed a pressing question that many stakeholders wish the company would more thoroughly address. Acknowledging that Airbnb knows within reason that many of its hosts who live in large cities are violating rules, he wondered why Airbnb doesn’t warn people about the potential for legal hassles. “By ignoring local laws, you (Airbnb) are making casualties of the very people you need to make your site a success,” Warren said.⁴³

AIRBNB’S SAFETY TIPS

Tips for Guests

Clicking on the link “Trust and Safety” at the bottom of Airbnb’s homepage directs viewers to another page with a link entitled “I’m a guest. What are some safety tips I can follow?” Airbnb suggests reading the reviews of other guests to ensure the host is reputable. If guests are skeptical about the host after reading the review, they are encouraged to use their intuition and not book their stay with that host. Guests can also ask hosts to complete “profile verifications” before booking with them. Airbnb suggests that guests talk to the host and start a conversation about the upcoming stay. It also recommends traveler’s insurance and reminds guests to call the local police or emergency services immediately if personal safety is threatened.⁴⁴

Tips for Hosts

Above the link for guest safety tips, customers can learn about how to stay safe as a host. Airbnb encourages hosts to read reviews of the guests and to use common sense when accepting a guest’s request to stay at their listing. Hosts can require guests to complete verifications before they book, such as Verified ID. With Verified ID, guests might be asked to upload their government-issued ID, link their Airbnb account with their page on another social media site (i.e., Facebook), or upload an Airbnb profile photo. Airbnb also asks hosts to call the local police or emergency services if their personal safety is threatened. Airbnb suggests that hosts designate a safe location in case of an emergency. Hosts can also notify their neighbors that they are hosting an Airbnb guest as a precautionary measure.⁴⁵

OTHER INCIDENTS LEADING UP TO JULY 2015

Incident 1

In June of 2011, an Airbnb host who identified herself as “EJ” reported that the person who rented her apartment trashed it and stole jewelry, cash, and electronics. EJ wrote about this incident on her personal blog. Airbnb initially responded by trying to persuade EJ to remove her blog post and declined to help her recover from the damages. Following the incident, Chesky stated in a blog on Airbnb’s website on August 1, 2011, that he hopes

this can be a valuable lesson to other businesses about what not to do in a time of crisis. With regards to EJ, we let her down, and for that we are very sorry. We should have responded faster, communicated more sensitively, and taken more decisive action to make sure she felt safe and secure. But we weren’t prepared for the crisis and we dropped the ball. Now we’re dealing with the consequences.

Following the response, Airbnb said they would provide a US\$50,000 insurance guarantee for any loss or damages at the property of an Airbnb host. Since the incident, the policy has increased to US\$1 million but is secondary to the host’s personal insurance. Also, Airbnb planned to launch a 24/7 hotline for its users to report problems. Finally, Chesky offered his own e-mail address in case customers had trouble getting in contact with an Airbnb representative.⁴⁶

Incident 2

A couple rented an Airbnb property in the Hamptons (New York) in June 2014. Following Airbnb's safety tips, the couple read the reviews of the host and, because of the positive nature of the reviews, decided to book the stay. Before arriving at the home and meeting with the host, the couple texted the host to let him know the timing of their arrival and asked a few questions about items in the house and where to pick up the keys. The host was reportedly friendly and responsive.

Later that night at 2:45 am, the male guest received a text from the host that read, "Do you want to try." Shortly after, the host let himself into the locked house with another set of keys and appeared to be inebriated. The host then asked the male guest, "The girlfriend, she's cool, right?" The male guest calmly asked the host to leave, but not before the host picked up the guest's keys and wallet. The male guest asked the host to put the items down and the host did so before departing.

Shortly afterward, the terrified couple left the home. The female guest tried to call the 24-hour emergency line but could not reach an Airbnb representative after waiting on the line for 45 minutes. The couple then filed a complaint and received a response that Airbnb would be forwarding the case to their Trip Experience Team. The couple drove back to Manhattan where they found a hotel priced at US\$350 per night. That Monday, the couple called Airbnb twice by phone, but no one returned their calls.

Only after *Business Insider* reached out to Airbnb for comment on the incident did Airbnb take down the host's listing and ban him from the site permanently. They reimbursed the couple for their stay, apologized for the delay, and gave them a US\$500 credit to try Airbnb again. A spokesperson for Airbnb commented about the incident in a *Business Insider* article, "We deeply regret that this matter was not handled properly and our response fell well short of the standards we set for ourselves. This behavior is totally unacceptable and the host has been permanently removed from Airbnb."⁴⁷

In September 2015, the couple ventured back onto Airbnb's site and found that the same property where the incident occurred was relisted on the site under a different name. As a result, Airbnb banned the property again.

Nick Papas, an Airbnb spokesman, commented in another *Business Insider* article:

We have technological tools and procedures that help ensure bad actors don't try to come back to our community. In this case, one investigator didn't properly employ these tools. We've since addressed this issue and we are implementing procedures to ensure it doesn't happen again. We will also make it clear to the host that he is not welcome and has no place in the Airbnb community.⁴⁸

RESPONSE TO LOPEZ INCIDENT

The onus was left on Jacob Lopez's mother to rescue her son in Spain. At the time of the incident, Airbnb's policy was to withhold the location of the guest if anyone other than the guest were to ask and would not report a crime unless contacted by the guest. Lopez's mother called the Madrid police department but was unsuccessful in her attempts. Even if she had been able to reach someone in Madrid, the inefficiency of Airbnb's protocol would likely not have allowed for police to reach her son in time.

Nick Papas commented in a *New York Times* article:

We realize we can learn a lot from this incident and we can do better. We are clarifying our policies so that our team will always contact law enforcement if we are made aware of an emergency situation in progress. Safety is our number one priority, and we want to get our hosts and guests as much help as possible.⁴⁹

As reported on July 13, 2015, Belinda Johnson was promoted to Airbnb's Chief Business Affairs and Legal Officer. In this role, she is responsible for legal matters, civic partnerships, public policy, social and philanthropic initiatives, and communication. According to Airbnb CEO Brian Chesky, she'll "become more of the face and the voice of the company."⁵⁰

DISCUSSION QUESTIONS

1. If the press posed the following question to you as an Airbnb executive, how would you respond? “You claim that safety is your first priority, yet a teenager was sexually assaulted in one of your properties. How do you explain this?”
2. Is it Airbnb’s responsibility to protect its guests? Should the company implement an automaticity plan?
3. Should Airbnb communicate all safety and policy changes to customers? How should it communicate changes?
4. Is Airbnb being proactive enough in its safety efforts? Is the business growing too fast to properly protect guests?
5. Although it would slow growth, is a more thorough vetting process for hosts and guests needed?

WRITING ASSIGNMENT

Please respond in writing to the issues presented in this case by preparing two documents: a communication strategy memo and a professional business letter.

In preparing these documents, you may assume one of two roles: you may identify yourself as an Airbnb senior manager who has been asked to provide advice to Chip Conley, Strategic Advisor for Hospitality and Leadership, regarding the issues he and the company are facing. Or, you may identify yourself as an external management consultant who has been asked by the company to provide advice to Mr. Conley.

Either way, you must prepare a strategy memo addressed to Chip Conley that summarizes the details of the case, identifies critical issues, discusses their implications (what they mean and why they matter), offers specific recommendations for action (assigning ownership and suspense dates for each), and shows how to communicate the solution to all who are affected by the recommendations.

You must also prepare a professional business letter for the signature of Mr. Brian Cheskey, Airbnb Chief Executive Officer. That document should be addressed to all Airbnb customers and prospective customers, explaining the actions the company is taking. That letter, which would contain no inside address or by-name salutation, would be posted to the company’s website. If you have questions about either of these documents, please consult your instructor.

ACKNOWLEDGMENTS

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Case 1.2: Twitter Inc.

The Suspension of Former US President Donald J. Trump's Twitter Account

TIMELINE

January 6, 2021, is a day that will be remembered in the history of the United States forever. The actions that took place are some of the most unprecedented in the nation's short history and the unique nature of the actions that took place before, during, and after indicates how important the use of social media was in communicating what took place. The importance of the message spread by Donald J. Trump at the time indicated the importance of speech in creating outcomes that result in real-world actions.

On the morning of January 6, Congress was scheduled to meet in a joint session with Vice President, Mike Pence, to confirm that then-Democratic Candidate Senator Joe Biden would become the next president of the United States of America. Behind the scenes, however, supporters of the outgoing president were traveling to Washington DC to rally behind him and show their support to the president's narrative that the election was unfairly decided. Donald Trump and his supporters' goal was to derail Congress and cause a recount of the votes that they believed would somehow change the outcome of the election.¹

Morning. At 8:17 am, Donald Trump sent his first tweet of the day, explaining his distrust of the states' ability to count their votes correctly and the need for Vice President Mike Pence to call off the session.² At noon on January 6, Mr. Trump hit center stage outside of the White House, on the south lawn near the Ellipse where he began the last of his speeches from 1600 Pennsylvania Avenue (see Figure 1.4).³ At the same time, supporters of Mr. Trump were gathering outside the Capitol Building to protest on the west end of the complex following his narrative. While the speech continued at the White House, Congress finally met at 1:05 pm to begin the necessary process of confirming the election.⁴

Afternoon. As Congress met in a joint session, Vice President Mike Pence released an official statement from his desk stating that he would move forward to confirm the vote count as scheduled.⁵ Five minutes after this statement, Mr. Trump ended his speech with fiery tones and requests that his supporters march to the Capitol Building and "show them [Republicans] the kind of pride and boldness that they need to take back our country." This language is seen as one of his messages that helped propel the violence that would soon take place. Simultaneously, Representative Paul Gosar (R-AZ) and Senator Ted Cruz (R-TX) begin their objection to the joint session and requested that the joint session retire into their respective chambers to discuss the challenge to

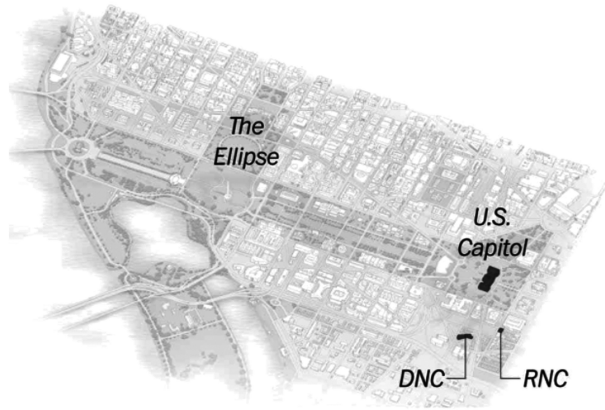


FIGURE 1.4 Map of Washington DC Locations Relevant to January 6, 2021

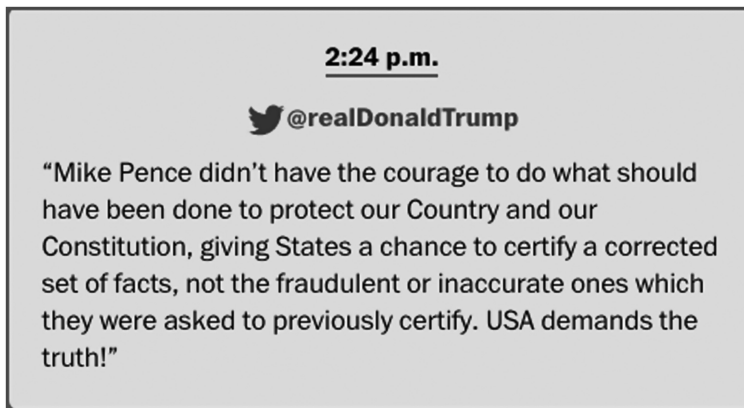


FIGURE 1.5 Trump Account Twitter Message, 2:24 pm, January 6, 2021

Arizona's Electoral College ballots, using Donald Trump's narrative that "voter fraud" is widespread among the states' ballots.⁶

Only 20 minutes after this action was taken by the majority-controlled Republican Congress, supporters from the rally at the White House met with those who were outside the west side of the Capitol Building to overtake the Capitol police and gain control of the stairs leading to the entrance of the building. As Trump supporters begin to storm the Capitol Building, two bomb threats are called into the DNC and RNC headquarters situated just a few short blocks away (see Figure 1.4). This threat adds to those already taking place and diverts law enforcement resources to both areas.⁷

Insurrection. As the pro-Trump mob gained access to the Capitol building, both houses of Congress were forced to evacuate, and Mr. Trump begins to use his Twitter account to continue his message stream. At 2:24 pm, Mr. Trump tweets about Vice President Pence and his disdain for not using what he sees as the Vice President's power to overturn the election, further adding fuel to the fire taking place at the Capitol building (see Figure 1.5).⁸ Shortly after pro-Trump protestors break into the Capitol building, one of them is shot, Air Force veteran and avid Trump supporter Ashli Babbitt, the first official shots fired at the Capitol.

Mr. Trump then changes his narrative and returns to Twitter, telling his supporters that they should "remain peaceful. No violence! WE are the party of law and order" (see Figure 1.6). The shift in narrative is unsuccessful, as many pro-Trump supporters continue to search the Capitol building for members of Congress in the hope of causing harm or violence in the name of their narrative. The National Guard finally arrives at about 4:00 pm that afternoon as the situation continued to spiral out of control.⁹

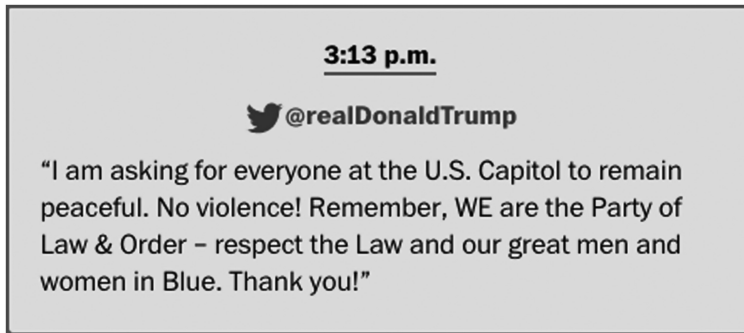


FIGURE 1.6 Trump Account Twitter Message, 3:13 pm, January 6, 2021

Evening. As the DC National Guard was brought in, President-elect Biden held a press conference from his home in Greenville, Delaware, where he called on Mr. Trump to “end the siege” taking place at the Capitol. A response from Mr. Trump appeared shortly after on his Twitter account where a video was shared of him asking for an end to the violence and for his supporters to go home, again changing his tone and narrative from earlier in the morning. Mr. Trump’s message in the video is confusing, however, as he tells his supporters that “We love you,” but also asks for them to leave the Capitol peacefully.¹⁰

Finally, as the National Guard is able to gain control of the Capitol building, Washington DC Mayor Muriel Bowser imposes a curfew requiring all citizens to go home. This curfew results in 69 protestors being arrested in the aftermath of the violence. Continuing his affection for Twitter, Mr. Trump tweets again, telling his supporters that those people involved in today’s actions were “great patriots” and that they will “remember this day forever!” This tweet finally leads Twitter Inc. to suspend his account for 12 hours and delete all his tweets sent that day.¹¹

Aftermath. After 13 anxious, violent hours of siege, the National Guard, US Secret Service, and Capitol Police finally regained full control of the Capitol complex and were able to bring back members of Congress to officially confirm the vote count for President-elect Biden. The official press release from the Capitol Police reveals that five people died in the aftermath of the actions that took place on January 6; one person was a Capitol police officer, Brian Sicknick.¹² Mr. Trump again returned to his favorite platform that day and released another video finally calling for a smooth and peaceful transition of power.

In the aftermath of Mr. Trump’s and his supporters’ actions on January 6, the outgoing president sent his last tweet. He told his supporters (and the world) from the platform that he would not be attending the inauguration of President Biden on January 20, disagreeing with the video he sent the day before. Mr. Trump’s tone and narrative during these several days contradict themselves repeatedly.¹³ It finally becomes clear to an overwhelming majority of readers and viewers that he assisted in spreading disinformation during these events.

FOUNDING OF TWITTER INC.

Working on a group project at New York University, Jack Dorsey was inspired to create a “status-based” social network platform. He noticed during a school project that a group member would send an update on their part of the project via SMS (short message service). At that point, Jack Dorsey came to the idea of a website individuals could use to update each other on all aspects of their life. His main business partners, Evan Williams and Biz Stone, were tech entrepreneurs involved in the development of podcasting and microblogging.¹⁴

In April 2007, Twitter officially incorporated after years of software development, marketing, and the typical windfalls that come with corporate formation in the technology industry. Five years later, Twitter went public with a declared valuation of US\$31 billion and Jack Dorsey as CEO. In the same year, they surpassed 200 million followers.¹⁵

Profitability. By December 31, 2020, Twitter reported nearly US\$3.7 billion in revenue generated from advertising services and data licensing. Advertising services accounted for 86 percent of total revenue. Over the

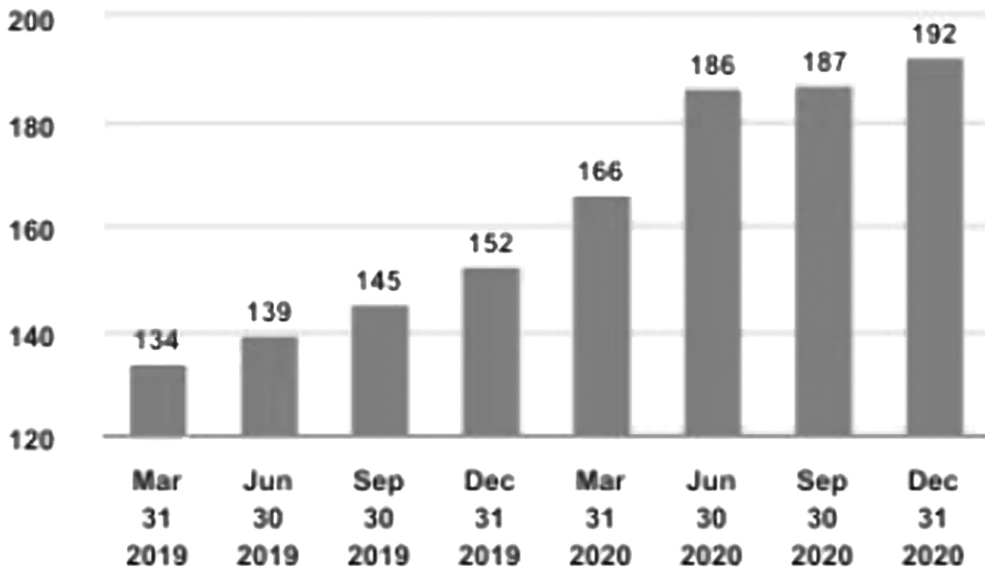


FIGURE 1.7 Twitter Monetizable Daily Active Usage Worldwide 2020 (quarterly average in millions). *Source:* <https://www.statista.com/statistics/282087/number-of-monthly-active-twitter-users/>

previous few years, Twitter had been a profitable company. However, in 2020, they recorded a net loss of US\$1.4 billion largely attributable to increased R&D expenditures, a rapidly expanding workforce, and the acquisition of large-scale servers to support the uptake of users.¹⁶

Key metrics. Twitter experienced explosive growth in the number of active users, especially between 2010 and 2013 when its daily active user count grew from 30 million to 255 million. To evaluate its user growth, Twitter employs the metric “monetized daily active usage” or mDAU. Twitter’s 2021 Form 10-K¹⁷ defines mDAU as “people, organizations, or other accounts who logged in or were otherwise authenticated and accessed Twitter on any given day through twitter.com or Twitter applications that are able to show ads.”

Figure 1.7 shows the worldwide quarterly average mDAU for the years 2019 and 2020. The scope of mDAU went from 152 million to 192 million, respectively. The large increase is mostly due to the public seeking information during the Covid-19 pandemic that ravaged the world. By 2023, Twitter management expects mDAU to increase to 315 million.

Most active users come from outside the United States. Figure 1.8 separates the company’s mDAU into US and international segments. By the end of 2020, the international mDAU was 155 million while the United States accounted for 37 million. International users are projected to increase as the Internet becomes more widely accessible, governments put fewer restrictions on free speech, and developing countries transition to developed economies.

Daily tweets. According to internetlivestats.com, on average, every second, some 6,000 tweets are sent, accounting for 350,000 tweets a minute, 500 million tweets a day, and nearly 200 billion tweets a year. The sheer magnitude of daily tweets sent displays the daily activity Twitter handles for millions of users.¹⁸

Notable figures. The most influential Twitter accounts are operated by politicians, entertainers, athletes, businesses, and various plutocrats. The Twitter account with the most followers as of 2021 was former US President Barack Obama with 130.3m followers, entertainer Justin Bieber with 114.4m, and singers Katy Perry with 110m and Rihanna with 102.7m. Portuguese football player Cristiano Ronaldo has 92m, then former US President Donald J. Trump with 88.7m (prior to suspension).¹⁹

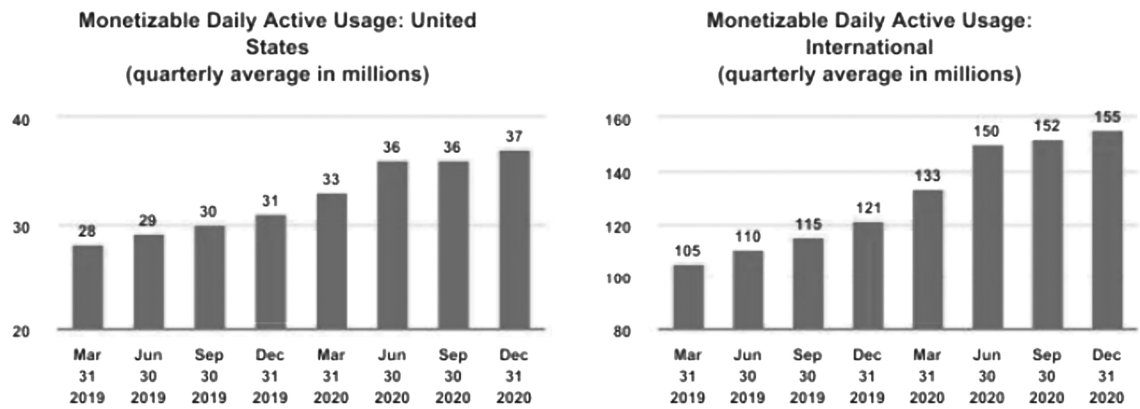


FIGURE 1.8 Twitter Monetizable Daily Active Usage, US and International 2020. Source: <https://www.internetlivestats.com/twitter-statistics/>

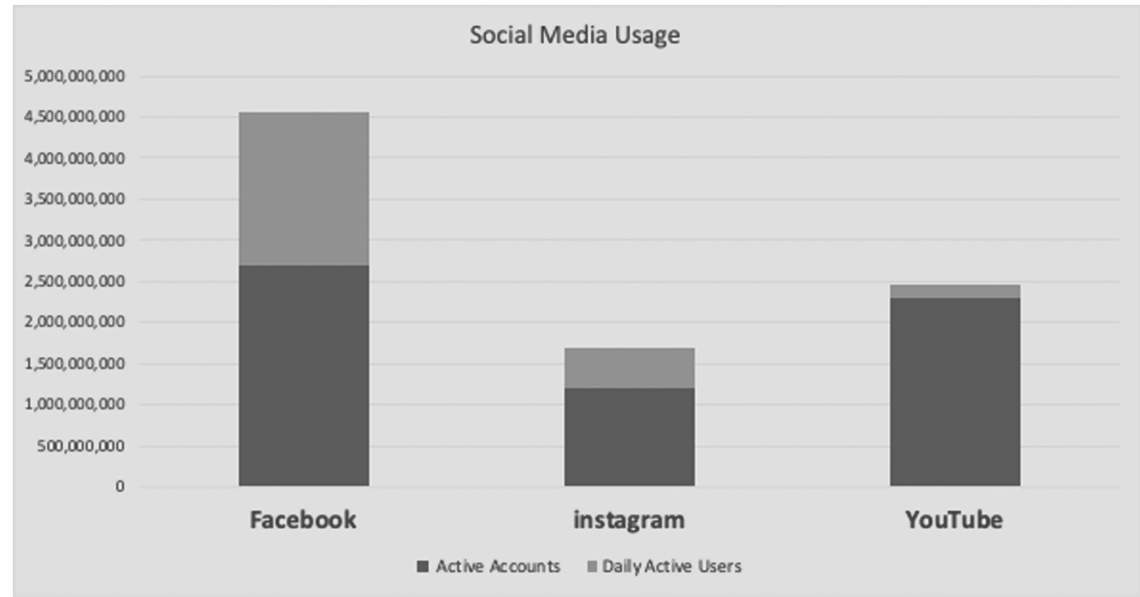


FIGURE 1.9 Social Media Usage 2020. Source: <https://www.businessofapps.com/data/instagram-statistics/#> and <https://www.businessofapps.com/data/youtube-statistics/#2>

SOCIAL MEDIA ECOSPHERE

Although Twitter is a key player in the social media ecosphere, they are not the only company with a strong foothold in the industry (see Figure 1.9). Other notable companies with hundreds of millions of users include Facebook, Instagram, and YouTube. These companies offer platforms on which users are able to establish accounts connecting them with family and friends, sharing personal pictures and videos, and creating original videos for educational or entertainment purposes.²⁰

Facebook. Facebook was created by Mark Zuckerberg (and a few others) as a way to connect Ivy League students with one another. The idea quickly grew into a mass social media phenomenon where users can share pictures, provide status updates, create communities (called Facebook groups), and play games. By 2020, Facebook reported more than 4.5 billion users, substantially more than any other social media platform. Their daily active user rate was more than 2.5 billion, overshadowing Twitter, YouTube, Instagram, and others. By 2021, Facebook reported more than US\$84 billion in revenue, with a market capitalization of US\$945 billion (see Figure 1.10)

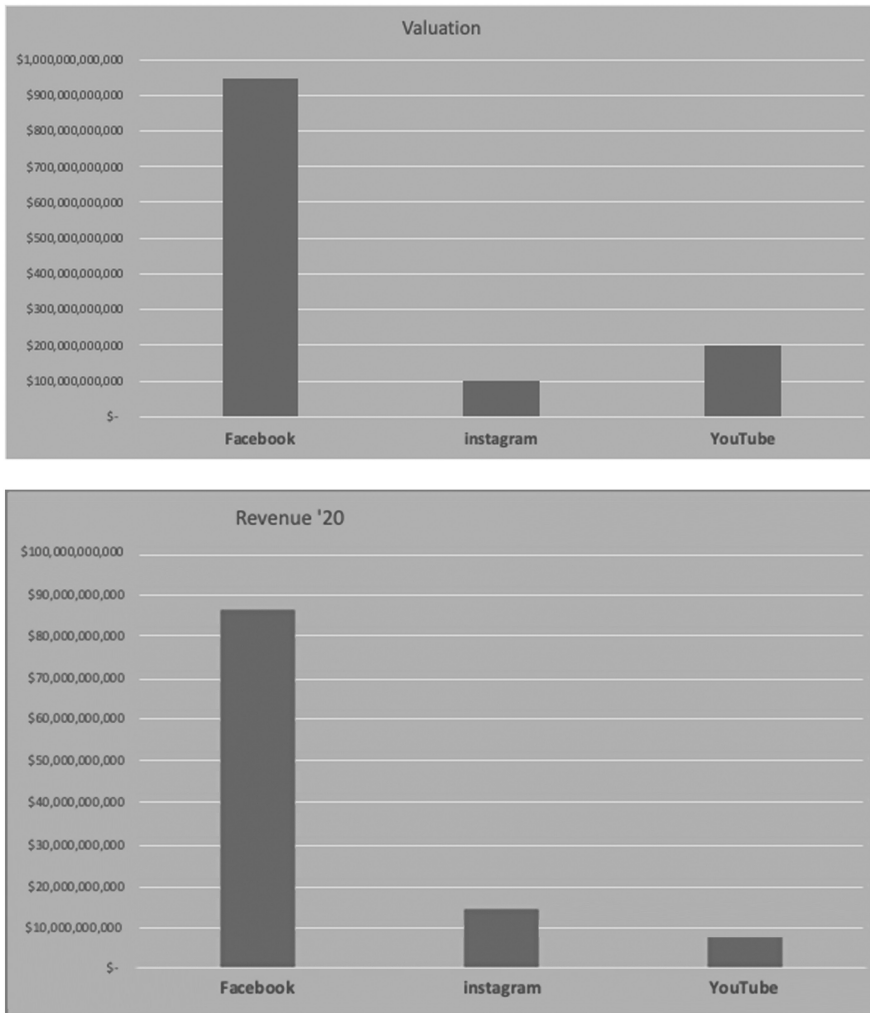


FIGURE 1.10 Twitter Valuation and Revenue 2020. Source: <https://www.internetlivestats.com/twitter-statistics/>

Instagram. Instagram is a wholly owned subsidiary of Facebook. Users log on to share personal pictures and videos with their followers. Users can also post pictures to their “story,” which will remain accessible for 24 hours and temporarily update followers. As of 2020, Instagram reported more than 500 million daily active users and one billion active accounts. Financially, Instagram had about US\$13 billion in revenue as of 2020 and the company was valued at more than US\$100 billion (see Figure 1.10). Instagram is comparable to Twitter in user count and valuation, but even here, Twitter trails its competitors.

YouTube. YouTube is an online video platform owned by Alphabet Inc. Users can watch and upload videos. The content is composed of but not limited to music videos, educational lectures, sports highlights, movie trailers, comedic videos, and others. According to an official statement from YouTube, users watch 1 billion hours of video every day. As of 2020, YouTube had nearly 2.5 billion daily active users, with revenue of more than US\$13 billion and a declared valuation of US\$200 billion (Figure 1.10).

DONALD J. TRUMP AND THE TWITTERSPHERE

Donald Trump created his Twitter account in 2009 but was not a particularly active user until several years later. Mr. Trump began to tweet heavily during his 2016 presidential campaign. He used his Twitter account

to communicate the ideas, goals, and plans he would implement if he were elected president. He was also well known for using it to scrutinize his political opponents.²¹

Donald Trump's usage of Twitter increased substantially after he became president, sending some 23,858 messages during his four-year term. His tweeting volume grew exponentially during his four years as president, with just 2,506 tweets in 2017 and 10,601 tweets in 2020.²²

Mr. Trump used Twitter as a disintermediation strategy to circumvent the typical bottlenecks of mass communication. In the past, presidents waited for occasions such as the State of the Union to deliver key messages to the public. Mr. Trump was able to communicate better than previous presidents because he could instantly deliver his messages, which allowed the public to know what he was thinking and doing. He was critical of the media, accusing them of twisting his words and selecting quotes to mislead audiences about what he was saying.

Donald Trump had a significant impact on the Twitter platform. Although he was only the sixth-most-followed person on Twitter, his impact was likely the highest. The reason for this is that @realDonaldTrump had greater engagement than accounts with many more followers. Barack Obama, the most-followed person on Twitter, accumulated a total of 117.9 million "likes" on Twitter while Donald Trump had well over 1.6 trillion, more than 14 times as many.²³

Donald Trump had very high levels of engagement for three key reasons: the first was the total volume of his activity. The second was the nature of his tweets. Many of the other, high-volume Twitter users had teams of people charged with running their accounts, posting manufactured content often used for promotion, such as a concert for a large pop star. The majority of Donald Trump's tweets were written by himself. Organic tweets, those written by users themselves, are more likely to receive higher levels of engagement. Finally, many of Mr. Trump's tweets were highly controversial, which caused many users to respond, usually posting whether they agreed or disagreed with the message.²⁴

The high engagement of Donald Trump's Twitter account generated a lot of revenue for Twitter. According to analyst estimates reported by Marketwatch, Donald Trump generated approximately US\$2 billion for Twitter. This is based primarily on the number of new users he brought to the platform and the increase in current user activity as a response to his posts.²⁵

Although he was an active user of Twitter's platform, Donald Trump was very critical of Twitter as a company. His feud with Twitter began after the company labeled one of his tweets, noting that it violated Twitter's rules about glorifying violence. Mr. Trump was very unhappy with Twitter's actions and, in response, tweeted about how he thought Section 230 of the Communications Decency Act of 1996 gives too much power to companies such as Twitter.

CONCERN AT TWITTER INC.

Following the insurrection at the Capitol, employees at Twitter grew concerned that their platform had led to the violence. Most Twitter employees believed that Donald Trump's tweets violated Twitter's rules and should, therefore, be removed. Jack Dorsey, Twitter's CEO, however, had not removed any of the tweets nor Mr. Trump from the platform.

Two days after the insurrection at the Capitol, 350 Twitter employees wrote a letter to Jack Dorsey (Figure 1.11). The employees demanded that Twitter remove @realDonaldTrump, provide a clear account of their decision-making process regarding the president's tweets, and launch an investigation into the last several years of corporate actions that led to Twitter's role in the insurrection.

On January 8, 2021, Twitter permanently suspended @realDonaldTrump and released an official statement on their blog that explained their reasoning.²⁶ Twitter claimed that they removed Donald Trump due to the risk of further incitement of violence. Over the next few days, Facebook, Snapchat, and Tumblr, as well as multiple other social media platforms, removed Donald Trump.

WRITING ASSIGNMENT

Please draft a letter for Mr. Dorsey's signature addressed to all Twitter employees in response to their concerns about Mr. Trump's Twitter account and the company's role in the events of Wednesday, January 6, 2021 in Washington, D.C.

Staff,

We are disturbed by the day's events in Washington, D.C. and request three actions of Staff:

1. Permanently suspend @realDonaldTrump over his actions on January 6
2. Provide a clear account of the day's decision making process regarding the President's tweets
3. An investigation into the last several years of corporate actions that led to Twitter's role in today's insurrection

For the last four years, we have watched right wing extremists grow on our platform, nurtured by @realDonaldTrump. We have seen Twitter leadership struggle to deal with the violent, hateful rhetoric shared by @realDonaldTrump. We have respected those decisions and had faith in those who make them, knowing that settling policy around hate speech and misinformation is nuanced and difficult. We appreciate stronger measures, like the interstitials recently used on his account and his Jan. 6 timeout.

We do not believe these actions are sufficient.

Trump is no longer a legitimate democratic actor. In a video posted on Twitter, he called the election "fraudulent" and a "landslide" in his favor, while referring to his loyalists as "very special" even as they broke into the Capitol building and clashed with police. At no point did the outgoing President unambiguously denounce their actions.

We must examine Twitter's complicity in what President-Elect Biden has rightly termed insurrection. Those acts jeopardize the wellbeing of the United States, our company, and our employees.

First, we request that @realDonaldTrump's account be suspended permanently, before he can further harm using our platform.

Second, we request more transparent internal communications around Twitter's civic integrity policy and how it applied.

Third, we request an independent investigation into Twitter's role in these events. Despite our efforts to serve the public conversation, as Trump's megaphone, we helped fuel the deadly events of January 6th. We request an investigation into how our public policy decisions led to the amplification of serious anti-democratic threats. We must learn from our mistakes in order to avoid causing future harm.

We play an unprecedented role in civil society and the world's eyes are upon us. Our decisions this week will cement our place in history, for better or worse.

We do not claim to speak for any other Tweepers than those who add their names here.
The Undersigned

FIGURE 1.11 Twitter Staff Letter to CEO Jack Dorsey. *Source:* <https://www.washingtonpost.com/context/letter-to-jack-dorsey-from-twitter-employees-asking-to-permanently-suspend-donald-trump-s-account/d9b84fa1-c7cb-4c5b-a90a-fdf167ff0c7a/>

As you do so, please keep two issues in mind. This assignment calls for no additional research and no further inclusion of facts or events subsequent to the time and date of the employee letter on January 7, 2021. Second, although the letter you write will be addressed to Twitter employees, it is quite likely the contents will be quickly distributed well beyond the company's headquarters in San Francisco, California. People affected by the Chief Executive's words and ideas will include employees, shareholders, business partners, customers and service users and, perhaps, anyone in a position to read the tweets of the President of the United States.

Please format the letter in 12-point type with one-inch margins all around, single-spaced within paragraphs, double-spaced between, flush-left and ragged-right justification. Check for spelling and grammatical errors and please provide a signature block for Mr. Dorsey.

ACKNOWLEDGMENTS

This case was prepared by research assistants Nicklaus Brincka, James Eason, and Mustafa Siddiqui under the direction of James S. O'Rourke, IV, Teaching Professor of Management, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Information was gathered from corporate as well as public sources. Editorial assistance: Rachel Karnafel and Mary Bacon.

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Case 1.3: Domino's "Special" Delivery

Going Viral through Social Media

We all have our secret ingredients ... and in about five minutes they will be sent out on delivery where somebody will be eating these. Yes, eating 'em. And little did they know that cheese was in his nose and that there was some lethal gas that ended up on their salami. Now, that's how we roll at Domino's!¹

Mondays are never anyone's favorite day to be at work. But, for Tim McIntyre, VP of Corporate Communications at Domino's Pizza, Monday, April 13, 2009, might rank as the worst Monday he had experienced in his 25 years with the company.² While wrapping up his workday at the corporate office in Ann Arbor, Michigan, McIntyre received an e-mail alerting him that videos featuring company employees contaminating food in an unidentified store had been posted on the online video sharing site, YouTube. What had been a quiet day following Easter weekend suddenly turned into the first day of a full-fledged communications and marketing nightmare.

THE NIGHTMARE BEGINS

At 4:30 pm on April 13, McIntyre received an e-mail from the webmaster of www.goodasyou.org, a GLBT advocacy blog site, alerting him of the existence of a number of damaging videos the group had discovered posted on YouTube.³ (The GLBT site showed interest in the videos because the word "gay" could be heard several times in the narration.)

After just one viewing, McIntyre knew that the five amateur videos could seriously damage the Domino's brand, not to mention putting the company at legal risk. He said, "You know what, this is a bad one – they're in uniform, they're in the store. We need to do something about it."⁴ Each video, recorded by a current female Domino's Pizza employee, featured a male employee performing various acts of food contamination. To make

things worse, the director and actor are in full Domino's uniforms, are at work during normal store hours, and imply in the narrative that the contaminated food will soon be delivered to unsuspecting customers. It wouldn't be until much later that night that McIntyre and team would discover the identity and location of the people responsible for the videos.

Thankfully for Domino's, Good As You felt obligated to quickly notify corporate headquarters as soon as the videos were found; however, to protect the public, the bloggers also posted the video links on their own site.⁵ (Refer to the Appendix for McIntyre's response and correspondence with Good As You.) McIntyre said that this initial notification came about 15 minutes prior to his corporate social media team discovering the existence of the videos online.⁶ Within that same hour, another popular consumer affairs blog site, www.consumerist.com, also posted the videos on their site. Within 24 hours, McIntyre would learn that the most popular video had received 250,000 YouTube views.⁷ And that was just the beginning – the videos were going viral before McIntyre's eyes.

McIntyre scanned through the past experiences of his long tenure with Domino's to recall a situation in which he had dealt with something similar – crimes, accusations, and brand problems – something to use as a reference point on how to proceed. When nothing similar came to mind, he realized that no plans, protocols, or off-the-shelf solutions in a communications handbook could help remedy the situation before him.⁸ It was up to him to pull his team together to face this unprecedented threat. But what should his first step be? And what kind of irreparable damage might Domino's suffer if he chose the wrong course of action?

THE VULGAR VIDEOS

McIntyre credits two savvy readers at *The Consumerist* who used clues in the videos and innovative geo-mapping and investigative tools to identify the location of the videos' creators by 11:00 pm on Monday, just six-and-a-half hours after the videos originally surfaced.⁹ The two culprits in their early 30s, Kristi Hammond and Michael Setzer, turned out to be full-time employees at a Domino's Pizza franchise location in Conover, North Carolina (Figure 1.12).

Hammond's "opus piece" is a two-minute-and-26-second video named, "Dominos Pizzas Special Ingrediants" (sic) (Figure 1.13) in which the two employees joke about being lazy workers and mention that their manager is in the back reading a newspaper, as usual. The video shows Setzer in vivid detail passing gas on salami and stuffing cheese for sandwiches up his nose, all while Hammond laughs and jokes in the background about this being business as usual at Domino's. The camera then pans to the overhead order screen, which Hammond says displays the name of the customer who will receive the delivery.

The other videos, called "Sneeze Sticks," "Dominos Pizza Buger," and Domino's Part I" (Figures 1.14–1.16) contain Setzer sneezing on cheesy bread, stuffing a pepper up his nose while making oven-baked sandwiches, and

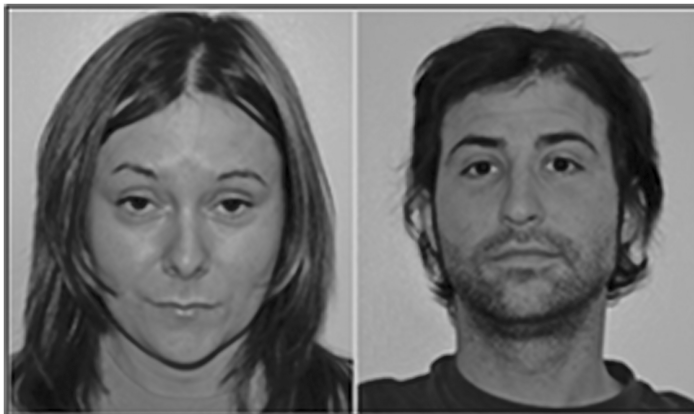


FIGURE 1.12 Kristi Hammond (Director/Narrator) and Michael Setzer (Actor)



FIGURE 1.13 Video 1: "Dominos Pizzas Special Ingredients" (sic)



FIGURE 1.14 Video 2: "Sneeze Sticks"



FIGURE 1.15 Video 3: "Pizza Buger" (sic)



FIGURE 1.16 Video 4: "Dominos Pizza Part I"

demonstrating how long it takes to make change for a customer due to restrictive policies. The following are a sample of quotes transcribed from one of the videos:

Kristi: "Hello, this is Kristi back again. And here at Domino's I like to be lazy ... You see Michael over there hard at work – yeah, not really. Did y'all see that? He just blew a booger on those sandwiches! Do you remember the time when you sneezed? [laughter] Do it again, do it again!"

Michael: "This is Michael's special Italian sandwich."

Kristi: "And on the sandwich it goes. Now, Michael, I think that these sandwiches are going to be full of protein."

DOMINO'S PIZZA BACKGROUND

Started in 1960 by Tom Monaghan as a single store, Domino's Pizza quickly grew through a network of company-owned and franchise-owned stores. With more than 5,000 stores in the United States and 3,700 stores in international markets, the chain is now recognized as the world leader in pizza delivery, based on reported consumer spending.¹⁰ Domino's employs 125,000 team members in the United States and more than 60 countries around the world.¹¹ These employees crafted and delivered well over 400 million pizzas worldwide in 2008.¹²

Domino's Pizza is a publicly traded company on the NYSE under the symbol DPZ. In 2008, the company had global revenues of US\$1.4 billion. Sales were split with 55 percent in the United States and 45 percent internationally. Between 2004 and 2008, Domino's experienced growth primarily from international expansion, with just 39 new stores opening in the United States and 977 stores opening internationally.¹³

FRANCHISEES

While the network of Domino's stores consists of company- and franchise-owned stores, the latter remains the primary driver behind the company's growth. Over 90 percent of US and 100 percent of international stores are franchise-owned. Franchise owners are required to operate their stores in compliance with written policies, standards, and specifications drafted by Domino's corporate headquarters, but there are numerous cases in which franchise owners have autonomy, including setting menu prices and hiring employees. Corporate headquarters provide franchisees with training materials, comprehensive operation manuals, and franchise development classes, but it is up to the franchisee to ensure operations and employees meet the standards of the Domino's brand.¹⁴

CORPORATE COMMUNICATIONS TEAM

Tim McIntyre began his tenure at Domino's Pizza immediately after graduating from college. Twenty-five years later, as Vice President of Corporate Communications, he now reports to the Executive Vice President of Corporate Communications, who reports to the company's CEO.¹⁵ McIntyre's long, successful tenure at Domino's contributes to what he refers to as high levels of trust and "full support from the management team" on critical issues.¹⁶

McIntyre's internal team handles all of the company's public relations, but partners with two external agencies for advertising and new media strategy work.¹⁷ A new team focused specifically on social media formed at Domino's about one month prior to the outbreak of the YouTube videos. This team had been planning to launch the company's presence online through several social media outlets just one week later – before Hammond beat them to it.

THE COMPETITIVE PIZZA INDUSTRY

Domino's Pizza operates in the highly competitive food service industry in the Quick Service Restaurant (QSR) sector. The QSR pizza category is large and fragmented and, at US\$33.9 billion a year, is the second largest category in the US\$230.0 billion US QSR sector. Competition within the QSR sector is particularly intense with regard to product quality, price, service, convenience, and concept. Within the United States, there are approximately 69,000 pizzerias serving about 3 billion pizzas annually, but the main pizza delivery and carry-out competitors are Domino's, Pizza Hut, and Papa John's. Together, these three comprise 47 percent of pizza delivery in the United States. Internationally, Pizza Hut is the principal competitor to Domino's.¹⁸

In general, individual customers in the QSR sector do not comprise a large portion of sales. Instead, businesses rely on volume and repeat purchases. For Domino's Pizza, no customer accounts for more than 10 percent of sales.¹⁹ If customers perceive a problem in product quality, price, service, or convenience, the implications to future business success could be serious. For this reason, there is nothing more important or sacred to Domino's than the trust of its customers.²⁰

SOCIAL MEDIA PLAYERS

Due to the growth of social media websites on the Internet, individuals now have the ability to instantly share messages, images, and videos with a global audience. Once a posting is made, it can also be copied by other users and uploaded to other sites, thus compounding the impact of the posting. In this case, three sites were immediately involved: www.youtube.com had the original posting by Hammond and Setzer, and two prominent blog sites, www.goodasyou.org and www.consumerist.com, copied the posting and put it on their own websites within hours.

In today's technologically advanced world, the Internet instantly connects people all over the globe. In the United States alone, estimates of broadband Internet connection show that 84 million of the 119 million US households, or 71 percent, had broadband connections to the Internet by 2010.²¹ With the simple click of a mouse, Internet users can quickly access unprecedented amounts of information. Much of that information is posted by companies, news outlets, or other organizations, but increasingly, information is being posted and shared by common users on social networking websites.²²

Some of the most popular social networking and content-sharing websites in the United States are Facebook, MySpace, Twitter, and YouTube.²³ Facebook boasts a network of more than 350 million active users with an average of 50 percent logged on every day,²⁴ MySpace has more than 100 million active users,²⁵ and Twitter had the largest yearly growth of members at 1,382 percent when it hit 7 million members in February 2009.²⁶ YouTube started in 2005 and is now the most widely viewed video service in the United States ahead of Fox Interactive Media, CBS Corporation, Yahoo! sites, and others.²⁷ By January 2009, YouTube claimed more than 100 million unique US visitors.²⁸ YouTube's users, according to the website, watch "hundreds of millions of videos a day" on YouTube, and every minute, an additional 20 hours of video is uploaded to YouTube by users.²⁹

The uploaded content by users on many social networking sites does not go through a formal review or approval processes by the website, so the users have great authority to post information they deem as appropriate. Once a posting is made, the content can easily be copied by other users and uploaded to other sites. This compounding effect of information being shared across websites is difficult to control and contain, so information can quickly spread and reach other users. "Viral" is a term commonly used to describe Internet content that is quickly popularized through sharing by users.³⁰

In this situation with Domino's Pizza, the videos posted by Hammond and Setzer went viral. YouTube had the original posting that was uploaded by Hammond and Setzer, but within hours, two prominent blog sites – goodasyou.org and consumerist.com – copied the posting and put it on their own websites.³¹ Once this occurred, Hammond and Setzer, as well as Domino's, lost the ability to control where the videos were posted and who was able to view them. This trend of everyday users posting and sharing information, and the impact of information going viral, is summarized well by Tim McIntyre in a response to consumerist.com about the Domino's video pranks. McIntyre said:

The "challenge" that comes with the freedom of the Internet is that any idiot with a camera and an Internet link can do stuff like this – and ruin the reputation of a brand that's nearly 50 years old, and the reputations of 125,000 hard-working men and women across the nation and in 60 countries around the world.³²

A single Internet user, according to McIntyre, can have an immediate impact felt globally.

PUTTING OUT THE FIRE

Tim McIntyre knows that the most valuable asset of Domino's is the unfailing trust of its customers. Because of the nature of the industry it is in – home food delivery – Domino's customers literally invite the company and its delivery drivers into their homes at the same time they hand over home addresses, credit card information, phone numbers, and names as they place an order. It was this trust that McIntyre was afraid would be forever damaged if this issue were not contained quickly and quietly.³³

Instinct was telling McIntyre that the videos were most likely a hoax – a stupid prank pulled by two bored workers – but he didn't know for sure. But, whether the videos were pranks or not, Domino's customers would soon decide for themselves if he didn't come up with a plan.

When talking about that first day, McIntyre said, “My first reaction when I saw it was anger. I was angry because I love this place, I love this brand, I love the franchisees that I work with. And I took it personally ... we [the immediate response team] channeled anger into action.”³⁴

Needless to say, Monday’s events were not a practice fire drill for McIntyre and his team; the following weeks were going to need a lot of that action to contain this rapidly spreading media fire.

DISCUSSION QUESTIONS

1. What appears to be the business problem facing Domino’s in this case?
2. Who are the key stakeholders?
3. What should Tim McIntyre and the communications team do first?
4. What should Domino’s do about the employees who made the video?
5. What should Domino’s do about the store where the video was made?
6. What steps should Domino’s take to resolve this crisis?
 - a. How should Domino’s respond at the local, national, and/or global level?
 - b. What mediums should Domino’s use to communicate its message?
7. How can Domino’s ensure a similar crisis does not occur in the future?
 - a. How should Domino’s work with franchisees?

WRITING ASSIGNMENT

Please respond in writing to the issues presented in this case by preparing two documents: a communication strategy memo and a professional business letter.

In preparing these documents, you may assume one of two roles: you may identify yourself as a Domino’s Pizza senior manager who has been asked to provide advice to Tim McIntyre regarding the issues he and the company are facing. Or, you may identify yourself as an external management consultant who has been asked by the company to provide advice to Mr. McIntyre. Either way, you must prepare a strategy memo addressed to Tim McIntyre that summarizes the details of the case, rank-orders critical issues, discusses their implications (what they mean and why they matter), offers specific recommendations for action (assigning ownership and suspense dates for each), and shows how to communicate the solution to all who are affected by the recommendation.

You must also prepare a professional business letter for president and COO Patrick Doyle’s signature. That document should be addressed, in general, to all Domino’s retail customers. As an alternative, you may address a different letter to Domino’s franchisees, explaining to them what they should know about the facts of the case and the company’s response. If you have questions about either of these documents, please consult your instructor.

ACKNOWLEDGMENTS

This case was prepared by research assistants Adam Peebles and Christina Vaughn under the direction of James S. O’Rourke, IV, Teaching Professor of Management, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Information was gathered from corporate as well as public sources.

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APPENDIX

****UPDATE:** From Domino's corporate:

Thank you for bringing these to our attention. I don't have the words to say how repulsed I am by this - other than to say that these two individuals do not represent that 125,000 people in 60 countries who work hard every day to make good food and provide great customer service. I've turned this over to our security department. We will find them. There are far too many clues that will allow us to determine their location quite easily.

Regards,

Tim McIntyre

Vice President, Communications

Domino's Pizza, LLC

NOTES

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- 31 Personal interview with Tim McIntyre, September 25, 2009.
- 32 Letter to Jonathon Drake by Tim McIntyre on April 14, 2009. Posted by Chris Walters. "Consumerist Sleuths Track Down Offending Domino's Store." *Consumerist.com*. April 14, 2009. Accessed December 2009. <http://consumerist.com/2009/04/consumerist-sleuths-track-down-offending-dominos-store.html#comments-content>
- 33 Ibid.
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CHAPTER 2

Communication and Strategy

In Chapter 1, we looked at the role communication plays in the life of a manager – we examined why managers communicate. In this chapter, we look much more closely at how managers communicate – we examine the process itself. Elsewhere in this book, we will see the products of that process: writing, speaking, listening, conflict management, and group interaction.

DEFINING COMMUNICATION

First, though, a definition may be helpful. If you read enough books on this subject, you'll find more definitions than you can understand or remember. Here's one that is both easy to understand and easy to remember: *Communication is the transfer of meaning.*¹

"I sent you an e-mail," your manager asserts. "Didn't you get it?" You got 40 e-mails that day. What did his say?

"We put out a memo on that subject just last month," a junior VP claims. "Why weren't the employees complying?"

They get dozens of messages in their in-boxes each day. Are you surprised no one read it? For those of you who remember the memo, did you understand it? For those who think they understood what the Vice President meant, what was your reaction? Wasn't that just a backgrounder? An update of some sort, meant to provide you with information about the development and implementation of some policy that won't really affect you? For those who received, read, understood, and remembered the memo: What was your incentive for complying with the Vice President's request? How does this affect you and, more importantly, what's your motivation for getting involved?

"That memo is crucial to the future of this company," your boss thunders. "It's about the vision our senior team wants to see throughout the entire organization." Gee, all that in one memo, and you just glanced through and deleted it. Maybe it's still around somewhere; look in the All Mail file. When you get a few minutes, you really should read it. For now, though, there's a lot more on your plate that seems much more urgent, and "vision memos" will have to wait.

Sounds familiar? It's all too familiar in many organizations because people, particularly managers, confuse the act of communicating with the process of communication. They honestly believe that a message sent is a message received. And a message received would certainly be understood and complied with, right? For them, communication is mostly, if not entirely, about sending messages. For managers who truly understand the process, however, communication is about much more than sending messages. It's about the transfer of meaning.

When I understand a subject the way you understand it – with all of the intricacies, complexities, context, and detail – then you have communicated with me. If I am aware of not only what you know about a subject but also how you feel about it, then you have communicated with me. When I comprehend just how important a subject is to you and why you think it's important to take action now, you have communicated with me. All of this may be possible in a memo to the staff, but it's certainly not easy. Because communication is a complex, ongoing process that involves the whole substance of ourselves, it would be an unusual memo that could capture all of that. The transfer of meaning may take more than just a phone call or an e-mail message.

ELEMENTS OF COMMUNICATION

To successfully transfer meaning, you must understand that every message you receive comes from a sender who encodes the details of its content and selects a medium through which to transmit what she knows or feels. That message may be impeded by noise, primarily because of the cultural context in which it will be delivered, as well as the receiver's field of experience. The effect of the message will also depend on the frame of mind or attitudinal set you bring to the situation, along with the system of ethics that governs communication in your organization, your industry, and your society.

If all of this looks complex, congratulations, you now have a firm grasp on the obvious: Human communication is intricate, delicate, difficult, and, above all, complex. The remarkable fact is, however, we do it every day, and, more often than not, we achieve some degree of success. Orders get placed, deliveries are made, customers are satisfied, people do what you ask of them, and the business you work for runs – more or less – the way it's supposed to.

The real question here isn't whether you can communicate. You showed that you can do that when you filled out a business school admissions application. The real question is whether you can get better at it. Can you impress your clients enough to keep them? Can you encourage a reluctant employee to give the best he's got? Can you convince the boss that you are the one to take on those new responsibilities? We each have basic skills. What we need is a set of higher-level competencies that will serve the world-class organizations we will work for in the years ahead.

PRINCIPLES OF COMMUNICATION

Communication is a process that involves several basic principles. They are things we know to be true about human communication across time and cultures, across organizations and professions, and across nations and economies. Above all, we know that communication is the following.

Dynamic

Human communication is constantly undergoing change. One message builds on another; one experience adds to another.

Continuous

Communication never stops. Even when you hang up the telephone, you're communicating the message that you have nothing more to say. Silence, in fact, can be among the more powerful forms of communication. Simply said: you cannot *not* communicate.