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ARTICLE

Public relations, business news and the reproduction of corporate elite power

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ABSTRACT

This article discusses the rise of corporate public relations in Britain and offers an alternative explanation of how it has benefited the corporate sector. Most assessments of corporate PR tend to support traditional radical media accounts of strong corporate influence over media production and public opinion. All either argue or assume that PR is an effective form of 'mind control' with which to influence 'the masses'. Against this account, this article instead argues that corporate PR has been more frequently used to gain a competitive advantage over rivals and has been primarily targeted at other corporate elites. This corporate elite focus has worked to further exclude non-corporate elites from participation in the production of financial and business news. As a result, a more general corporate advantage has been gained as much by exclusion as persuasion of the general public. After a brief discussion of the evidence and debates, these conclusions are illustrated with a case study of the Granada take-over of Forte in 1995–96.

KEY WORDS ▪ business news ▪ elites ▪ media–source relations ▪ public relations

Introduction

This article discusses the rise of corporate public relations and business news in Britain and attempts to explain how it has benefited the corporate sector.

Over the last two decades, the use of corporate public relations has expanded significantly. This expansion coincided with 18 years of Conservative government, an expansion of business news, and a free-market agenda that dominated social and economic policy-making. Put together, these trends add further weight to long-standing radical accounts of corporate control of the national media and public opinion. This article questions this account. Instead it argues that corporate public relations (PR) is primarily aimed at influencing other, mostly corporate, elites, rather than the general public. The results are a focus on particular sectors of news production in which non-corporate elites are not so much influenced by, as excluded from, corporate elite debate. Thus, a process of elite competition and conflict, utilizing PR and reproduced in media texts, results in a situation in which non-corporate elites usually lose out and certain corporate elites usually benefit. After a brief discussion of the evidence and debates, these conclusions will be illustrated with a case study of the Granada take-over of Forte in 1995–96.

The corporate PR industry has grown significantly during the last two decades. Surveys by Carl Byoir and Associates (Public Relations Consultancy Association [PRCA], 1986) show that in-house PR and corporate use of consultancies expanded strongly in the UK at the start of the 1980s. In 1979, 25 percent of the UK's top 100 companies and 20 percent of the top 500 companies used PR consultants. In 1984, just five years later, the same survey revealed that 85 percent of the top 100 and 69 percent of the top 500 used PR consultancies. For much of the 1980s the consultancy industry continued to record growth rates of 25–30 percent and, following a slow-down during the recession, has once again begun expanding. UK fee income for PRCA members rose from £18 million in 1983 to £252 million in 1997.

This expansion of corporate PR coincided with a strong political shift towards free-market policy-making which clearly benefited the cause of corporate capital over labour. As many authors (for example, Pollard, 1992; Lowe, 1993; Hills, 1996; Hutton, 1996; Mitchell, 1997) have documented, the policies of Conservative Governments resulted in a steady stream of political legislation, all of which has repeatedly favoured business interests. These included the assault on the labour market and union movement, the introduction of flexible working practices and the casualization of the labour force, extensive privatization and deregulation of industries and the financial sector, the shift of the tax burden towards indirect taxation and away from top earners and corporations, and attacks on the welfare state and public spending.

For most of the period these changes were completed with the support of a largely pro-Conservative media. As such, these developments add weight to many radical assertions about corporate control of the media – a control that has been enhanced through increased use of PR. Those who have produced studies of business news-source dominance (Glasgow University Media Group, 1976, 1980; Tumber, 1993; Mitchell, 1997) or historical accounts of the development of the corporate PR industry (Bernays, 1923; Kelley, 1956; Dreier, 1982; Nelson, 1989; Tulloch, 1993; Cutlip et al., 1994; Stauber and Rampton, 1995; Ewen, 1996) are very clear about the effective use of corporate PR. In each case it is assumed that business sources frequently manipulate and slant news coverage to their own needs and that PR is, in essence, another corporate tool with which to bend the public will. For those such as Ewen (1996: 10), this relationship is summed up by Edward Bernays, the 'grandfather of public relations': 'Bernays conveyed his hallucination of democracy: A highly educated class of opinion-moulding tacticians is continuously at work, analysing the social terrain and adjusting the mental scenery from which the public mind, with its limited intellect, derives its opinions.' These views echo many established and wide-ranging radical accounts of news production. Although explaining elite control through wider cultural trends and belief systems (Hall et al., 1978; Golding and Middleton, 1982) or economic explanations of ownership, advertising and news commodification (Murdock, 1982; Herman and Chomsky, 1988; Schiller, 1989; Bagdikian, 1992), these alternative approaches share similar assumptions. While they rarely refer to PR and business sources, they tend, like those writing about PR, to assume that those who own the means of production are able to influence the general public through various pressures applied to the media. Thus, corporate control leads to a corporate 'propaganda model' (Herman and Chomsky, 1988) or a corporate 'refeudalization' of the 'public sphere' (Habermas, 1989), in which inferior minds are led by more sophisticated ones in the pay of powerful corporations.

Unfortunately, the assumptions about public and media control which underpin such radical interpretations have come under sustained criticism in recent years. Liberal pluralist studies of the media and audience reception research have put a greater stress on the autonomy of those involved in the production and reception of texts. Audiences, it has frequently been argued, are not 'cultural dupes' passively absorbing capitalist propaganda (Morley, 1980; Ang, 1986; Fiske, 1989). Journalists have repeatedly claimed their relative independence from media owners and corporate sources (Harrison, 1985; Tiffen, 1989; Schudson, 1991) and, therefore, cannot be simply relegated to the role of 'secondary definers'. Indeed, journalists and business sources are often shown to be antagonistic to one another (Lichter and Rothman, 1988; Tiffen, 1989; Ericson et al., 1991) and wider audience demand is interested in business news only if a sensational negative story is being reported (Tiffen, 1989; Ericson et al., 1991; Tumber, 1993). From the point of view of corporate sources, most studies of business organizations identify as much conflict and competition as consensus (Richardson, 1993; Grant, 1993; Boswell and Peters, 1997) – resulting in an elite conflict that is often reflected in the media (Schlesinger and Tumber, 1994; Hallin, 1994; Miller, 1994). As one would therefore expect, the concept of a coherent elite 'dominant ideology', when scrutinized, has appeared difficult to sustain (Abercrombie et al., 1984, 1990). All of which suggests that radical accounts which are simply dependent on explanations of corporate 'mind control' are limited and/or lacking in complexity. The persuasion of journalists and the public of the merits of such free-market thinking can only be seen as a partial explanation for the successful imposition and acceptance of a pro-business agenda on British policy-making. The means by which corporate PR has benefited the business sector as a whole thus needs to be reassessed.

An alternative (but not completely contradictory) thesis can be found in a closer examination of PR and business news. Findings from both indicate a pattern of exclusion rather than persuasion of the general public. First, not only is professional PR mostly patronized by the corporate sector, its audiences and concerns are primarily corporate ones also. As a recent survey by Fleishman Hillard (White and Mazur, 1995) of 80 US and 113 EU companies demonstrates, good corporate PR means forgetting the general public and instead targeting elite decision-makers. For EU companies the audience priorities are as follows: Shareholders (48%), Employees (35%), Securities Analysts (29%), Business Media (21%), Government Officials (19%), General Media (7%) and the General Public (6%). Similarly, a breakdown of the major occupations of PR practitioners in rank order, during the period 1989–96 (PRCA, 1990–97) are: Financial, Consumer, Corporate, Trade and Industry, Government Relations, International, Employee Relations and High Tech. Financial, Corporate and Trade and Industry, three of the four main categories, are in fact primarily aimed at the business and financial communities.

Second, this becomes significant when one realizes that, parallel to the growth of corporate PR, business and financial news has also expanded in Britain during the same period (Jones, 1987; Parsons, 1989; Tumber, 1993; Tunstall, 1996). Jones (1987) observed in the 1980s that industrial relations reporting was seriously declining and that the main growth area was in financial reporting – a sector that had come to occupy a third of the editorial space in *The Times*, *The Independent* and *The Daily Telegraph*. For Tunstall (1996: 354), the 1980s has been a period in which 'financial news has tended to take-over from political news and foreign news as the premier serious news field'; and *The Financial Times* has taken the place of *The Times* as the most respected broadsheet newspaper.

Third, business and City sources, in addition to financially supporting business news with high levels of advertising, are also its dominant sources. Kopel (1982), Andrew (1990) and White and Mazur (1995), along with most other authors of guides to financial PR, all emphasize the closed circle that has developed between financial PR practitioners (PRPs), City editors, analysts, institutions and top managements. As a result, journalists covering financial and business news tend to move in small exclusive circles consisting almost exclusively of City sources. The few studies of business and financial media that exist (Dreier, 1982; Ericson et al., 1989; Parsons, 1989; Andrew, 1995) come to similar conclusions about business-source dominance. These also tend to agree that business news is paid for by business advertising and is largely for business consumption.

Fourth, business and financial news, despite the long-term promotion of free-market policies and financial products, generates little interest from the general public. A 1993–94 survey (reproduced in Tunstall, 1996: 217) presented a list of 23 items which readers of *The Sun*, *Mail* and *The Times* 'specially choose to read', and placed 'personal finance' sections at number 22, with only 6 percent of readers wanting to read them. At number 23 was business and company news, with 4 percent of readers interested. In *The Times*, with the highest proportion of AB readers and shareholders, personal finance came 13th, with 14 percent of readers interested, and business news came 17th, with 12 percent interested. Thus in Parsons's estimation (1989: 3):

> The financial press – the term we shall use to describe economic and business reporting as well as strictly financial coverage – is then a unique interpreter, less of 'mass opinion' than of the views and values of a more limited and narrower elite which comprises the readership of the financial pages.

In effect, the corporate sector, combining PR with its advertising and news source advantages, has 'captured' business and financial news. Thus, even though business elites may be in conflict and journalists may be active in their reporting, business news will always follow corporate agendas and ignore non-corporate interests. As one might conclude, if the majority of debates on issues such as take-overs, corporate governance and regulation, and privatizations and demutualizations, are contained within such 'elite discourse networks', the cumulative results are likely to be rather negative for the social and economic conditions of the population at large. This alternative description of elite communications conflict and non-elite exclusion is illustrated with the following case study.

Case study of the Granada take-over of Forte 1995–6

This study looks at the professional communications campaigns involved in the Granada Group take-over of Forte in 1995/6. On 22 November 1995, the Granada Group unexpectedly announced its intention to take-over Forte with a bid of £3.28 billion. Forte immediately decided to oppose the bid and both groups gathered in large teams of top City advisers. The bid was vigorously contested by both sides throughout the 60 days allotted by the Takeover Timetable. A significant part of this contest involved the communications campaigns led by two of the largest UK financial PR consultants – Brunswick for Forte and Citigate for Granada. Both Granada and Forte were considered to be leading companies in high profile consumer markets[1] and the campaigns accordingly produced several thousand articles across the national, regional and trade press. Both campaigns were ultimately successful. Forte succeeded in forcing Granada to raise its already generous bid to £3.8 billion. The value of Forte's shares therefore rose 54 percent over a 64-day period – almost putting the company out of Granada's reach. Granada's campaign, on the other hand, eventually helped to secure the take-over by persuading both Forte and Granada shareholders to back Granada in spite of the rising costs and risks involved.

However, the success of the two campaigns can also be looked at rather more critically. City elite sources almost entirely dominated the reporting of events in the media. In this closed 'elite discourse network', the future interests of employees and customers, and the long-term development of the businesses themselves, were considered unimportant next to the will of the market and promises of 'shareholder value'. By the end of the bid, the high stakes involved meant that, whichever company won, Forte was going to have to be dismantled and approximately half of it sold off. Thousands of jobs would be at risk, costs cut, and high levels of debt incurred – all in order to fulfil promises to shareholders. Ultimately, the only real beneficiaries were those who dominated the media debates – City advisers, large institutional shareholders and the senior management teams of both sides. Thus a PR conflict between elites, involving elite winners and losers, also ensured that certain financial elites could only win and many non-financial elites could only lose.

The research for this study involved accumulating information on the activities of sources and their PR practitioners, through documents and interviews with participants.[2] The findings were compared with a detailed content analysis of the national press during the 60-day take-over period[3] and accounts of business journalists who reported on the take-over.

Elite conflict reflected in the media

The bid itself must also be looked at as part of an ongoing conflict – a war of position and manoeuvre – that continues to take place between organizations doing business in the City. In this case both corporations had grown through a mixture of expansion and aggressive acquisition. Granada, with Gerry Robinson as Chief Executive since 1991, had acquired several smaller companies, and had proved victorious in a hotly contested take-over of LWT in 1994. Forte's history included a merger then a take-over of Trust Houses, a successful defence against an attempted take-over by Allied Breweries and a protracted battle for control of the Savoy. This contested take-over quickly became a full-scale conflict between alliances of City elites. Both companies began by assembling expensive teams of stockbrokers, financial advisers, accountants and financial PR consultants.[4] The conflict quickly spread as many other interested parties were drawn in and developed an interest in the outcome of the bid. These included seven of the ten largest institutional shareholders in the City, the Council of Forte which controlled 50 percent of the voting rights for Forte, a rival leisure company Whitbread which eventually reached a deal to buy up Forte's roadside business, and external institutions including the Takeover Panel, Inland Revenue and Monopolies and Mergers Commission.

As part of the conflict the two sides expended significant resources in trying to control communication channels and influence media coverage. Citigate added a team of nine to Granada's in-house team. Forte, in addition to its own award-winning department, brought in six people from Brunswick and advisers from Makinson Cowell.[5] Both sides prepared themselves by setting up fake opposition teams within their own camps. Both operated a 'rapid rebuttal' system whereby the media were constantly monitored and responses given within hours. Between them they generated eight public documents (sent to 75,000 shareholders and interested parties) and over 200 press releases. But the public documents were only a small part of what was involved. Most of the communications work was carried out in telephone conversations and private meetings with journalists, analysts and fund managers. Since the written output of respected commentators helped to influence shareholders, every major journalist, editor and analyst also became a target. Both sides used favourable analyst quotes in their public documents and in the information sent to journalists. Both sides also looked to other third parties to present their cases. William Shawcross, William Rees-Mogg, PKFA hotel analysts, Melvyn Bragg and several business academics were encouraged, along with a number of respected chief executives, to get their views on the take-over into the business columns. A Citigate memo (16 January 1996) explains the extent of this activity in the preceding week:

> Bernard Taylor's piece is still with *The Times* . . . The FT have agreed in principle to a piece to be submitted by Melvyn Bragg for Friday's paper . . . David Blackwell at the FT has written an article on Sutcliffe for Wednesday's paper which I think will be OK. He has talked with Don Davenport at Sutcliffe and we have tried to provide him with everything he needed . . .

The campaigns focused on a complex mixture of issues, all of which were calculated to have an impact on the deliberations of financial decision-makers. Tables 1 and 2 record the most common points and arguments that appeared in the content analysis of 425 articles. The tables reveal that there were a

Table 1 Most common points/arguments, favouring Granada, appearing in selected newspapers ($N = 425$ articles)

Most repeated arguments	Percentage of articles
Rocco Forte out shooting/Nepotistic family-run business	13.4
Forte management is distracted by 'trophy' assets	8.7
Forte management is generally poor/Poor results and track record	9.6
Forte's poor returns to shareholders	7.8
Granada's management track record compared to Forte's is better	7.5
Granada's management results and track record are very good	8
Gerry Robinson has a great track record/Profile and philosophy	10.4
Granada can make £100 million savings after take-over in 1st year	9.4
Granada's plans to sell assets and 'exploit synergies'	12.7
Forte's new plans unworkable: hotels unstable, dividends high, etc.	15.5
Analysts/The City favours Granada	14.6

Table 2 Most common points/arguments, favouring Forte, appearing in selected newspapers ($N = 425$ articles)

Most repeated arguments	Percentage of articles
Granada is a '1980s style conglomerate'/Conglomerates bad	9.9
Granada is an 'asset stripper'/Has no 'industrial logic'	12.5
Gerry Robinson and Granada know nothing about hotels	8.7
Forte's recent new management changes, new directors, etc.	10.4
Forte's previous disposals, rebranding and new focus	11.3
New Forte disposals during bid	16.5
Forte's sale of the roadside business to Whitbread	9.9
Hotel market has been through a poor cycle/Start of upswing	9.2
Forte profit forecasts up	5.9
Forte hotels revalued upwards	5.4
Forte's special dividend payments	11.3
Forte says it is worth more	8.5
Analysts say Granada must raise bid/Forte will escape	11.3

number of subjective issues that appeared to be linked to the presentation of seemingly objective figures. Thus, commentary on personalities and managements and general speculation about management styles, future markets and performances were merged with assessments of past and current financial performance. All these factors made up the promotional campaigns in which financial elite decision-makers were the targets to be 'spun'.

Financial spin-doctoring began with the presentation of very different sets of figures. At every opportunity the Granada campaign compared Forte's poor results to Granada's own impressive ones. According to Granada's documents (24 November 1995a, 14 December 1995c, 9 January 1996a, 16 January 1996b) Forte's five-year history read: operating profits down 11 percent, earnings per share down 41 percent, dividends per share down 24 percent, net assets down £590 million, share price relative to the FTA All Share Index – down 40 percent. Granada's own five-year history (see previous documents) read: operating profits up by 341 percent, cash flow up by £775 million, dividends per share up by 68 percent, etc. Looking at Table 1, 7.8 percent of articles mentioned Forte's poor return to shareholders and 8 percent mentioned Granada's strong results and track record; 7.5 percent directly compared the two companies, showing Forte in a poor light next to Granada. Forte's first line of defence was to re-present its figures in ways that made the fluctuating performance of one five-year period into a dramatically improving performance over three years. Using an alternative time span, different accounting periods, and forecasts for a year that had not yet been completed, Rocco Forte was able to declare (Forte, 2 January 1996a: 1):

> We are forecasting profits before tax and exceptional items for the year ending 31 January, 1996, of not less than £190 million, which represents an increase of 50 percent over the previous year. We have more than trebled profits and increased earnings per share by five times over the last three years . . .

However, Forte's most impressive communications initiative was to transform itself completely over the 60-day period. Realizing that no amount of figure spinning would hide its recent poor financial performance, Forte set out to dissociate itself from its past. This transformation began with changes to the management team and ended with several new board directors and Rocco Forte relinquishing his joint roles as Chief Executive and Chairman. By the end of the bid, Forte (15 January 1996b) was thus able to declare that over two-thirds of the management team had joined in the last three years. Looking at Table 2, 10.4 percent of articles mentioned Forte's changes of management or announced new board appointments. At the same time, Forte embarked on a massive disposals programme aimed at turning the company into a 'new, focused hotels group'. As the bid progressed it announced a series of deals and disposals, the most significant of which was the £1.05 billion sale of its roadside business to Whitbread: 16.5 percent of articles featured one of Forte's many disposal deals during the 60-day period. The Whitbread sale alone featured in 42 articles (9.9%). As Forte made clear, not only would the disposals transform Forte into a 'new focused hotels' group, it would hand over a lot of spare capital – enabling the company to pay off its mounting debts and/or increase dividend payments to its existing shareholders.

Having re-written the past and re-presented the company, Forte was then in a position to promote its own optimistic future. With the aid of research commissioned from hotel analysts PKFA, it argued that the hotels market had generally suffered in the recession but was now picking up extremely strongly: 9.2 percent of articles repeated the points about the hotels market going through a poor cycle and now being at the start of an upswing. Accordingly, the other side of this strategy was to cast doubt on Granada's future profitability. Granada was criticized for its lack of focus, lack of hotel sector experience and for being 'a 1980s style, acquisition driven conglomerate'. Looking again at Table 2, 12.5 percent of articles presented the views of Forte and others that Granada was an 'asset stripper' and the bid had 'no industrial logic': 9.9 percent referred to Granada as a 'conglomerate' and questioned the value of conglomerates to shareholders. Clearly, six weeks into the bid, Forte's campaign had turned City opinion in its favour. It had persuaded 'the City' that its figures were respectable compared to others in the struggling hotels sector; it was becoming a dynamic new company with new management, associated with an upturn in fortunes; it had focused on hotels at a time when hotels were going to be very profitable and Granada's bid was an attempt to make short-term profits at the expense of long-term ones and a highly risky venture. Citigate's own analyst research (4 January 1996) at the time came out by a ratio of six to one in favour of Granada either withdrawing or substantially increasing the bid. A swathe of 48 articles in the period subsequently reported that 'analysts' and/or institutions thought Forte would escape. Accordingly, Forte's share price began to creep up while Granada's own share price edged down – thus indicating that investors would not support the bid.

Granada, in response, continued to press home its superior financial record but also pushed the debate into other speculative areas. The company had a different version of the future in which the 'new' Granada would be balanced and secure against cyclical markets and would gain from the 'potential synergies' offered by the take-over. Its plans were most graphically illustrated by repeated claims that it could save an extra £100 million in profits from Forte's operations in the first year of management. Looking at Table 1, 9.4 percent of articles commented upon Granada's £100 million savings plan; 12.7 percent of articles repeated Granada's arguments about potential synergies and cash generated from the disposal of 'trophy assets'. It disputed the charge that it was a conglomerate – preferring instead to call itself a 'modern leisure company' with a 'great track record for integrating acquired companies'. Granada argued that Forte, on the other hand, had suffered by being too reliant on the highly cyclical up-market hotel industry. Doubts were cast on the viability of Forte's future financial plans, which included a generous share buy-back scheme and a promise to increase dividends by 20 percent each year for three years. Forte was thus going to be a very risky venture to invest in (Granada, 16 January 1996b: 8–9):

> Forte's defence is flawed . . . creating an unbalanced risk . . . A buy back scheme that may never happen coupled with an imprudent dividend commitment . . . A management change that isn't a change . . . retaining up-market hotels which are highly capital intensive, are vulnerable to an economic downturn and provide low returns, even in buoyant times . . .

Looking again at Table 1, Granada's questioning of Forte's plans was repeated in 15.5 percent of articles.

The greatest weapon for Granada was, however, in the comparison of management teams and chief executives. Granada finished its campaign as it had begun it – by focusing on management and personalities and, more particularly, on the Forte family. The Fortes, although well connected in certain political and business circles, were poorly perceived in 'the City' and had developed a reputation for being 'nepotistic', overly extravagant and anachronistic in their practices. All these elements were played upon by Granada and exploited to the full. It began on day one of the bid when Granada informed the press that Rocco Forte, the Chief Executive, had been out shooting on the day the bid was launched. Granada continually referred to Forte's interest in 'trophy assets', the shooting incident and other wasteful extravagances. Looking again at Table 1, 13.4 percent of articles mentioned either Rocco's 'shooting fiasco' or made reference to Forte being a family business run on nepotistic lines; 8.7 percent of articles repeated Granada's claims that Forte had been 'distracted by trophy assets'. The negative images of Rocco Forte and Forte were in direct contrast to those accorded to Gerry Robinson and Granada. Robinson had come from a poor family background in Ireland and had worked his way up through a number of UK corporations. For years Robinson had made a point of personally going to meet his main shareholders on a regular basis and had built up his and his management team's profiles with City institutions; 10.4 percent of articles in the period talked about Gerry Robinson's track record and management philosophy, or relayed information about his upbringing and past business record. Ultimately, as the stakes got higher and both options began to look exceedingly risky for shareholders, the bid turned back towards the abilities of the respective management teams. As one former Forte adviser explained, this proved a crucial issue:

> Well bids become very personal, particularly if you are Gerry Robinson, a highly successful businessman, the smartest man to come out of Ireland in the last 20 years, and especially if your opponent is Rocco Forte, seen as a bit thick, there because it's the family business . . . And yes, that kind of thing does influence people. If you went and asked all the brokers 'Who would you back, Gerry Robinson or Rocco Forte?', they would say 'Gerry Robinson' every time. It's all part of the calculation.

In the last two weeks Citigate and Granada proved particularly adept at pushing their case and, with an increased bid, support turned back towards them. Granada/Citigate's research (18 January 1996) now indicated that analysts supported Granada by at least two to one. During the final two weeks 62 articles (14.6%) reported that 'analysts' and/or institutions backed Granada to win. By the deadline of 1 pm on 23 January, Granada had received 67.58 percent of shareholder acceptances for Forte shares.

From elite conflict to elite capture of the media and non-elite exclusion

Although the media actively reflected and relayed the conflict between elites involved in the take-over, there were rather less pluralistic consequences to the conflict. What is demonstrable is that coverage of the take-over battle was appropriated by the business media and the business media were largely 'captured' by the communications campaigns of Granada and Forte. The results of this capture were that all input and all debates came from the City. Other voices and other concerns were ignored. As a result, regardless of the outcome, the winners in the whole take-over process were guaranteed to be City elites of one kind or another. The losers were going to be those whose concerns and interests were barely heard. This is not to say that the media were acting in league with their sources, or that they simply reproduced PR material uncritically. Certainly, journalists were critical of the two sides and attempted to obtain a variety of opinions from those involved and those whom they considered to be independent experts – analysts, fund managers and other chief executive officers. However, their agendas and the materials they worked with came almost exclusively from a small City community which was severely limited in its objectives, priorities and general norms and values.

Despite the take-over drawing extensive media coverage, the communications network that debated the issue included comparatively few participants. The two companies, their advisers, rival chief executive officers, institutional shareholders and analysts, all formed a closed financial circle in which journalists had to be accepted or risk being left outside altogether. Although there were some 75,000 private shareholders, their holdings amounted to no more than 15 percent of the company – the same amount as Mercury Asset Management (MAM), the top institutional shareholder. In fact, the top 10 institutional shareholders together owned 34.22 percent of Forte. To all involved the communications emphasis was thus directed at some 25–30 key institutions and those that influenced them. The two chief executives accordingly spent a large proportion of their time in one-on-one meetings with top institutions. Around them, analysts, advisers and PR practitioners made up the communication channels that defined the terms of the debate. Journalists –

Table 3 Article positioning in national newspapers ($N = 582$ articles)

Newspapers	Business Pages	Home Pages	Other	Total
The Financial Times	107	—	—	107
The Times	95	6	4	105
The Daily Telegraph	80	2	1	83
The Independent	65	8	1	74
The Guardian	65	3	2	70
The Daily Mail	37	—	2	39
The Daily Express	23	—	1	24
The Mirror	11	—	—	11
The Sun	7	2	—	9
The Sunday Times	26	2	—	28
The Sunday Telegraph	18	1	—	19
The Observer	12	—	1	13
Total	546 (93.8%)	24 (4.1%)	12 (2.1%)	582

those who were accepted in the City – automatically joined the two-way communication channels that stretched between the companies and the principal institutional shareholders. Because journalists covering the story were completely tied into City circles in such a way, the news production process was, in effect, captured by the business media. Looking at Table 3, of 12 national newspaper titles, 93.8 percent of all articles appeared in the business and financial news sections. Of the 4.1 percent that appeared in the home pages, nearly all were smaller extracts of larger articles written by financial journalists in the business pages.

Looking at Table 4, it is clear that contributions to news texts were also monopolized by City and business sources. The main sources cited were mostly anonymous analysts and fund managers. Granada and Forte between them provided 53.4 percent of citations, and other business sources – mostly other company chief executives and directors in the sector – accounted for 8.8 percent. Granada and Forte were also the most common contributors to news output and actually dominated with a steady supply of 'information subsidies' – all of which found willing takers among the financial media; 383 out of 425 articles (90.1%) included contributions from Granada, Forte, or both sides. That is, they included figures, quotations and/or arguments supplied by those companies or they discussed such contributions in comment pieces. Even where journalists showed scepticism about the information they received, they rarely offered alternative arguments or figures.

The focus of the majority of articles was the shareholders – more specifically the institutional shareholders. The simple message that both sides wanted to communicate was that they would offer 'more value to share-

Table 4 Provision of sources cited ($N = 501$ citations recorded in 425 articles)

	(%)	
Forte total	27.1	
Rocco Forte		13.4
Forte named		6.8
Forte anon		7.0
Granada total	26.3	
Gerry Robinson		14.2
Granada named		6.6
Granada anon		5.6
Fund Manager/Broker/ Analyst/Consultant	34.9	
Named		13.4
Anon		21.6
Other Business	8.8	
Other Non-business	2.8	
Total	100	

holders'. Forte attempted to argue that Granada had undervalued the company and therefore shareholders should not sell. Granada attempted to communicate that Forte had not given shareholders value in the past and, if the bid were to be successful, Granada would offer more value to them in the future. Virtually all of the 36 press releases and eight public documents produced mentioned shareholder value: 'Granada believes that in recent years, Forte has failed to deliver adequate value to shareholders . . .' (Granada, 24 November 1995a: 6); 'Well structured and carefully timed disposals of businesses have achieved excellent value for shareholders . . .' (Rocco Forte in Forte, 8 December 1995b: 4). This focus was similarly translated into the majority of news items. Looking at Table 5 it is apparent that the main audience for the news texts are also shareholders; 63.5 percent of articles either address shareholders or refer to them.

The result of this corporate elite capture is the automatic exclusion of other participants, and challenges to the take-over system and/or the running of the City. Looking back at Table 4, 14 citations (2.8%) were contributed by non-financial elite sources. These appeared in seven different articles (or 1.65 percent of the total). Not only were non-elites excluded, so were potential rival elites from the worlds of academia, politics, law and industry. Table 5 also shows that employees, private investors and customers are only referred to (and occasionally addressed) in 13.4 percent of all articles. At the same time the news produced acted to support business norms. For example, the view

Table 5 Those referred to or addressed in articles ($N = 425$ articles)

Those referred to/Addressed	Percentage of articles
Shareholders/Investors (usually refers to institutions)	63.5
'The Market'/'The City' (as in 'The City backs Granada')	39.8
'Analysts' (e.g. 'Analysts think bid should be raised')	21.4
Takeover Panel/Takeover rules	12.2
Employees	7.1
Private investors	4.2
Customers	4.2
(Total number mentioning one or more of these three	13.4)

that 'the City'/'the market' knows best, is continually reinforced. Articles frequently used such phrases as 'City opinion believes . . .', 'Market sentiment dictates . . .', 'Analysts have determined that . . .'. Looking back at Table 5, 39.8 percent of articles referred to 'the City' or 'the market' in such phrases; 21.4 percent referred to 'analysts' in similar ways. Looking now at Table 6, it is also clear that articles which questioned the take-over, and showed concern with how it would affect those outside the City, were comparatively rare. Many of the objections noted here were only mentioned in passing as part of much lengthier pieces. Only 12 (2.8%) articles in total chose to focus on one or more of these issues – making objection to the process a key theme. Most of the articles (97.2%) therefore did not significantly challenge the take-over on anything other than grounds of shareholder value.

In effect, the capture of the story by corporate PR, and the City more generally, resulted in what might be called a closed 'elite discourse network'. The parameters of the debate were narrowly defined by the fact that news sources and news audiences were all from the City business community. Despite there being both a high level of conflict and of critical debate, many City norms were perpetuated and remained unchallenged. All others with a stake, including employees, customers and legislators, could not participate in the debate and, most of the time, were not aware of it. Thus, the effects of the

Table 6 Critical points/arguments appearing in selected newspapers ($N = 425$ articles)

Critical arguments	Percentage of articles
Cynicism about the take-over/take-overs, their short-termism and value	4.7
Jobs will be lost as a result of the take-over	3.5
Cynicism that the main winners will be the advisers involved	1.2
Concern at the tax loopholes being exploited by either side	1.2
Concern at inequality of private and insitutional shareholders	1.2

take-over on 80,000 employees and millions of customers, and the voting intentions of 75,000 private shareholders (many of them loyal Forte customers), were virtually ignored. The material consequences of the whole take-over process very much reflected the inherent balance of power suggested by this 'closed discourse network'.

The biggest beneficiaries were, in fact, the institutional shareholders. For the whole 60-day period shares in Forte and Granada were heavily traded. The value of Granada's shares rose, from two days before the bid to two days after, by 5 percent. Over the same period, Forte shares went from 260p to 402p – a dramatic rise of 54 percent. The total increased value of the two stocks, over a 64-day period, thus translates to £1.534 billion – the vast majority of which was gained by institutional shareholders. The other clear beneficiaries were the advisers. Estimates of total advisers' fees for both sides were £155 million[5] – with more to come when Granada began its expected disposals programme of large parts of Forte. The final beneficiaries were the senior managements of both companies. Most of the directors of both sides had shareholdings in their companies and would have seen respectable rises in their personal income. Gerry Robinson, recently voted the 13th most powerful man in Britain (*The Observer*, 1 November 1998), added to his growing reputation in the City with yet another successful take-over. The Forte family, although they had lost their family business, still came away with over £300 million from the sale of their shares. Rocco Forte has since gone on to found a new, international, up-market hotel chain called RF Hotels. At the time of writing it had expanded to a chain of 10 luxury five-star hotels in 18 months.

The obvious victim in the battle was the 60-year-old Forte company, along with its 38,000 employees. By the time the conflict was over, the stakes had become so high that, whatever the outcome, both companies would be forced to carve up Forte and sell off large parts of it. During the bid, in an effort to stay afloat and maintain shareholder support, Forte began selling off what would amount to 40 percent of its empire. It also offered to give away its Savoy shares to loyal Forte shareholders and committed itself to raise dividend payments by 20 percent a year for three years. Granada, on the other hand, had to take on significant debts in order to buy Forte and also pledged a special dividend to shareholders as part of its raised offer. It eventually became apparent that, to pay for this, Granada would expect to dismantle and dispose of between 45 and 60 percent of its acquisition. In fact, over the next two years it made sales of £1.75 billion – or 46 percent of the Forte empire.

Granada also claimed it would make savings in the first year, from what remained of the company, of £100 million. Since Forte's profits at the time were £258 million for the whole of the company, it intended to increase profitability through quite considerable cuts. There were many ways and means by which the large debts incurred were paid off and the extra savings extracted. One obvious way was through job losses and by generally economizing on staffing costs. According to Richard Power (interview 30 November 1998) as he described daily events at Forte during the 60 days:

> Every day a piece of news went down the line to employees – telling them both the good and the bad news . . . We knew that if we won the bid it was going to be a complete blood-bath to make the profit increases we had promised. There were going to be lots of cuts and we would have to hack off bits of the business on all sides. But then we knew the same was going to happen if we lost and we thought it was better to do it from our side.

Thus employees, already working in two of the poorest paid and least secure industries (hotels and catering), were about to have job cuts and 'greater flexibility' imposed on them. The last to lose out were taxpayers. The plans of both companies involved making use of tax loopholes. These meant that one side or the other could claim to be paying shareholders more because the construction of their deals meant that certain fund-holders would not have to pay tax on the deals.[6] Unfortunately, such results were rarely looked at by the financial journalists involved. Most either ignored the implications or were prone to giving such advice as that expressed by the FT's authoritative LEX column (10 January 1996): 'No public interest is served by a loophole that involves taxpayers subsidizing corporate raiders. But until the rules are changed, bidders would be mad not to exploit them to the full.'

Conclusion

Although this take-over gained more media coverage than most it was not atypical in terms of its size or in terms of those who gained or lost most by it. 1995 was in fact a record year for merger and acquisition activity with deals worth £69 billion or 10 percent of the value of the stock market (three times the previous year) taking place – a figure that now appears small next to current levels of activity. £1 billion was paid out in City advisers' fees alone in that year. According to most studies of mergers and acquisitions (see Hutton, 1996; Sudarsanam, 1995; KPMG in Buckingham and Atkinson, 30 November 1999), the main beneficiaries are usually the managers of the acquiring business and the shareholders of the target company – rarely the acquiring company. In fact, according to a KPMG report (Buckingham and Atkinson, 1999), while 82 percent of executives thought their acquisitions successful, only 17 percent actually 'added value'. But this activity and these results do not form part of any mainstream debate. Most take-overs, like the one documented here, are rarely reported outside the business pages.

The benefit of corporate PR to big business in Britain has thus slowly become clearer. PR, while being a means of corporate conflict, has also worked to exclude non-corporate elites and block coverage of wider financial activities and trends. The example given here is take-overs. However, they are only one type of activity that is generally confined to the financial and business pages. Others include the demutualization of building societies and other financial institutions, many smaller privatizations and government disposals, legislation and regulation covering monopolies, the selling of financial products and the general governance of the financial markets. Frequently, these micro-scale events and issues appear to have little wider macro-significance. But, looked at together, they have added up to significant social changes. For example, between 1979/1980 and 1996/97 the equity value of the Stock Market rose from being approximately two-fifths of the value of government income to being three and half times it. At the start of 1980 public investment was half the level of private. By 1990 it had dropped to a tenth (Cairncross, 1992: 257). In the same period executive pay rose by 50 percent in real terms and corporation tax was cut from 52 to 33 percent; all while the bottom sixth of the population saw their income drop in real terms (Hutton, 1996: 7, 172). In all of this, PR has played a part. PR has identified the target elites and information that matter to its corporate clients. It has worked to block unwelcome mainstream coverage, exclude non-corporate voices, and helped to define the boundaries of corporate 'elite discourse networks'.

This study therefore offers an alternative interpretation of PR, the media and the extension of corporate power in Britain – one that has interesting implications for political economy accounts of media production and consumption. It has attempted to offer a communications-oriented account of increased corporate power and rising inequality that avoids many of the criticisms levelled at radical political economy. In this overview, factors such as 'dominant ideology', conspiracy, the 'malleable masses' and journalist compliance under pressure, become less significant for the maintenance of corporate advantage and advancement. Instead, a number of points have been stressed. First, corporate PR is a fundamental tool of elite corporate conflict, with its main focus being to influence business elite decision-making rather than promote 'people's capitalism' or influence the general public. Second, within this conflict, mainstream news is avoided while business news has been all but 'captured' by corporate elites. This has been effected through advertising and corporate source dominance and been further exacerbated through the use of professional PR personnel and methods. Third, this capture means that both non-elites and rival elites are excluded from corporate 'elite discourse networks' and that most debates covering business and financial issues – from financial regulatory policy to ownership and corporate governance –

are highly influenced by corporate elite objectives, norms and values. Fourth, the consequences are that a significant proportion of financial activity, corporate regulation and economic policy-making evolves in a way that is likely to benefit corporate elites and ignore others – and do so out of sight of the general public.

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Notes

1 In 1995 Forte (formerly Trust House Forte) came 92nd in the FTSE index and 35th in *The Times 1000*. Its market capitalization was £2.236 billion, its turnover was £1.789 billion and it had 36,000 employees. Granada was 118th in the FTSE and 127th in *The Times 1000*. It had a market cap of £3.278 billion, a turnover of £2.098 billion and 43,000 employees.

2 The principal source of documentation, records and news cuttings, was the archives of Citigate Communications – Granada's PR firm. Documents included: all public documents produced by both sides, most of Granada's and some of Forte's press releases, Citigate/Granada's internal communications documents and analyst/fund managers briefings and presentation materials. Fourteen interviews were conducted. The interviewees are listed in the references.

3 The newspaper content analysis recorded a total of 582 articles appearing in nine national daily newspapers and three Sunday papers. Articles selected had to be specifically focused on the take-over and had to be 6 cm or more for broadsheet publications and 3 cm or more for tabloids. Preliminary analysis was applied to all articles appearing in these newspapers between 23 November 1995 and 23 January 1996. Seven out of the 12 publications, accounting for 425 articles, were selected for closer analysis: *The Financial Times* 107; *The Times* 105; *The Daily Telegraph* 83; *The Sunday Times* 28; *The Sunday Telegraph* 19; *The Guardian* 70; and *The Observer* 13. For each of these articles a number of elements were coded and recorded.

4 These included: Lazard Brothers, Hoare Govett, BZW, Touche Ross, JP Morgan, SBC Warburg, UBS, Cazenove, Morgan Stanley, Price Waterhouse. All of these advisers, like Brunswick and Citigate, were rated in the City as being in the top half dozen operating in their sectors (see Hambro, 1995).

5 Estimates (*PR Week*, 26 January 1996; *The Financial Times*, 23 January 1996; *The Daily Telegraph*, 22 January 1996) for Citigate's fees were between £800,000 and £1 million; and for Brunswick, between £1.75 million and £2 million. Both sets of fees were roughly on a par with those of the accountants and solicitors involved in the bids.

6 According to Graham Searjeant of *The Times* (22 January 1996), if Granada won the bid the take-over would have cost taxpayers up to £450 million.

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