

ST. MARY'S UNIVERSITY COLLEGE
FACULTY OF BUSINESS
DEPARTMENT OF MARKETING MANAGEMENT

**AN ASSESSMENT OF PUBLIC RELATION PRACTICE IN THE
CASE OF ETHIOPIAN INSURANCE CORPORATION**

By
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JUNE, 2013
SMUC
ADDIS ABABA

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MANAGEMENT**

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Creating proper public relation is one of the vital factors that determine the competitiveness of a specific organization and create a better image in the mind of both internal and external customer. The importance of the role of public relation in the service sector is to develop commitment, motivation, and morale among people to enable them to function under different circumstances (Banik, 2004:38). The bottom line of public relation practice is in the results that come from putting theories and principles to work in a way that benefits the organization issuing the paycheck and the society of which that organization is apart (Allen, 2002:1).

According to Banik, (2004:39) public relation is a deliberate, planned, and sustained effort to establish and maintain mutual understanding and goodwill between an organization and its publics. Public relation is an effort to identify and interpret policies and programs of an organization with the objective to establish a bridge of understanding and goodwill between an organization and its publics (Banik, 2004:4). Public relations provide a service for a company by helping to give the public and the media a better understanding of how he company works. Public relations also help a company to achieve its full potential.

Ethiopian Insurance Corporation (EIC) was established in 1976 by proclamation No.68/1975. The Corporation came into existence by taking over all the assets and liabilities of the thirteen nationalized private insurance companies, with Birr 11 million (USD 1.29 million) paid up capital aiming the following objectives.

- Engage in all classes of insurance business in Ethiopia;
- Ensure the insurance services reach the broad mass of the people;

Subject to the provision of Article 18 of the Housing and Saving Bank establishment proclamation No. 60/1975, promote efficient utilization of both material and financial resources. EIC was operating the business for about nineteen years under protected monopolistic system as state owned-sole insurer. After the demise of the Marxist regime in mid-1991 a fundamental change has taken place and there was a shift in political, economic and social orientation from totalitarianism to that of liberalism. Therefore, EIC was re-established as public enterprise under proclamation number 201/94 with Birr 61 million (USD7.13million) paid-up capital. Upon re-establishment of the Corporation in 1994 as state owned enterprise, the law covers the following new objectives to the Corporation:

- Engage in the business of rendering insurance services;
- Engage in any other related activities conducive to the attainment of its purposes.

The corporation owns a web page that allows access to information about the corporation to anyone interested. Under the web page there are sections like publication, service, news, financial, which gives sufficient information for the public.

1.2. Statement of the Problem

Public relation recognizes a long term responsibility and seeks to persuade and to achieve mutual understanding by securing the willing acceptance of attitude and ideas. The main reason for the company's poor image in the mind of the society is the gap of mutual lines of communications, service and social events understanding acceptance and cooperation between an organization and its publics. Some of the problems related with the public relations are limitation of decision making due to unclear structural setup of the organization and not having clear distinguishing goals between departments and limited public relation services offered by the department due to shortage of manpower and facility, and budget limitation. The best public relation department spends time counseling to management to adopt positive programs and to eliminate questionable practices so that negative publicity does not arise in the first place (Kotler: 2002:605).

Based on preliminary inquiry the student researcher made to the company's public relation and business development department head; on how the company uses public relations tools such as company profile, sponsorship, press release, community service and social events, building good image and taking share and programs like attending public seminars, lobbying, counseling and the likes. Such appropriate tools are not sufficiently applied by the company. Based on these facts, the student researcher tried to assess the public relation practice in Ethiopian Insurance Corporation (EIC) which was useful for creating and maintaining favorable image in the mind of customers.

1.3. Basic Research Questions

1. What are the effects of the corporation's public relation practices on external publics?
2. What is the corporation's level of participation in social activities?
3. How does the corporation communicate with the external publics?

1.4. Objective of the Study

1.4.1. General Objectives

The general objective of this study was to assess the public relation practice of Ethiopian Insurance Corporation and suggest ways to improve its public relation practice.

1.4.2. Specific Objectives

The specific objectives of this study were:

- To describe the extent of effectiveness of the corporation's public relation practice for external audience.
- To identify the corporation's level of participation in social activities.
- To describe how the corporation communicate with the external public.

1.5. Significance of the Study

First and foremost this study had a great importance to the student researcher in doing the cross match of the theoretical aspect with the real marketing practices. This study is hoped to be useful for other researchers who may be interested to conduct research in similar topics. In addition this study can have an importance to EIC as an input for decision making.

1.6. Delimitation of the Study

This study was delimited to public relation practice of Ethiopian Insurance Corporation. Despite the corporation having different branches across the country; the study was delimited on the head office found in Addis Ababa around Legehar and additional two branches located around Piassa and Merkato to reach customers. Similarly the student researcher had reviewed the past three years (2010-2012) public relation practice of the corporation; so as to have a reliable data.

1.7. Research Design and Methodology

1.7.1. Research Design

In order to answer the above basic research questions, the student researcher has made use of descriptive research method. Descriptive research method helps to describe the research setting as it is and also allows the use of both quantitative and qualitative approach.

1.7.2. Population and Sampling Techniques

The student researcher used non-probability sampling approach, particularly convenient sampling technique. Due to the difficulty nature of determining sample size of the customers of EIC the student researcher used Malhotra's (2006, 329) suggestion of 150 respondent customers as representative sample in order to have sufficient and reliable data.

1.7.3. Types of Data collected

The student researcher used both primary and secondary data. The primary data was collected from customers and head of the corporations' public relation department. The secondary data gathered from reference books, internet, and previous researches.

1.7.4. Methods of Data Collection

The student researcher used both open and close ended questionnaire, and interview to collect primary data. Questionnaires were distributed to customers while they were coming to the corporation for service. Interview was taken personally with the head of the EIC's public relation department. The secondary data was gathered through referring different text books, internet, and published and unpublished data of the corporation; related with the subject matter.

1.7.5. Methods of Data Analysis

The student researcher had make use of both qualitative and quantitative data analysis techniques. The responses that were collected from questionnaires are analyzed using quantitative approach; tabulation and percentage are used. Responses that have been obtained through interview are narrated qualitatively.

1.8. Limitation of the Study

While conducting the study, the student researcher had experienced certain limitations. Among others, the following are the major limitations encountered by the student researcher.

- ❖ Some respondents were not able to complete the questionnaire.
- ❖ The time schedule outlined to collect the questionnaire was not mate because of respondents.
- ❖ Monetary constraint. Hence, the student researcher was not able to address more branches.
- ❖ Most of the respondents were not interested to fill the open ended questions, as a result this type of questions were left out.

1.9. Organization of the Paper

The study is organized in four chapters; the first chapter gives introduction which includes background of the study, statement of the problem, basic research question, objective of the study, significance of the study, delimitation (scope) of the study, research design and methodology and organization of the study. The second chapter deals with review of related literature. The third chapter incorporates data presentation, analysis, and interpretation. Finally, the summary, conclusions, and recommendations are presented on the fourth chapter.

CHAPTER TWO

REVIEW OF RELATED LITRATURES

2.1. Overview of Public Relation

2.1.1. Meaning and Definition of Public Relation

According to Banik, (2004: 5) PR is the establishment of two way communication to resolve conflict of interest and establishment of understanding bases on truth, knowledge, and full information. From this perspective PR requires execution of communication program designed to bring public acceptance and common understanding. Further, Banik stated that PR is the skilled communication of ideas to identify, interpret policies and programs of organization with the objective to establish a bridge of understanding and good will between the organization and the public's. It aims at winning the good will of various constituents of the public. In doing so it promotes a better climate for industrial peace, higher productivity and corporate discipline and also at coving the credibility, performance and potential of the company's image as well as the image of its product or service.

PR can be defined as the development and maintenance of positive relationship between organization and its publics. The development places the responsibility on the shoulder of the organization and the word maintenance identifies PR as ongoing and continues process (Milner, 1995: 184).

In 1948 the council of the institute of public relation (IPR) considered it was necessary to agree on a suitable definition of PR as i was understood and practiced in the United Kingdom. The result did not satisfy everyone but the IPR definition has provided a basis for the development of the profession in Britain. The institute definition is that PR practice is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its publics (Black, 2004: 3). Black further described part of this definition which requires most emphasis, the need for a public relations program to be deliberately planned and sustained. Relationships between individuals and between groups of people are fundamental and exist

without any assistance from PR practitioners. The function of PR practitioners is to develop and encourage attitudes and behavior which will nurture the delicate plans of mutual understanding which assist their strong and healthy growth.

2.1.2. History of Public Relation

According to Banik, (2004: 10) PR in the past has been practiced as an information and publicity tool of the government, he also clearly categorized the phases of history; he explained that public relation in the past has been practiced as an information and publicity tool of government. Further, he clearly categorized the phases based on Indian history as the era of propaganda, the era of publicity and the modern public relation.

These three phases have their definite common objective; the phases of propaganda techniques was used to preserve the government rule and keep an eye on their enemies, the era of publicity relation facilitates the availability of information to the public at large, the modern public relation on the other hand is becoming an integral part of management process in the business activity. It establishes credibility, become a strategic resource to the management unlike any other profession, modern public relation demand a high degree of ethical conduct, credibility, knowledge and creativity.

2.1.3. Functions of Public Relation

PRs target; is to create a conducive work environment for the company, and implementing programs to meet organizations objectives by maintaining sustainable image, bringing the gap between customers, employees, suppliers, stockholders, government labor groups, presses, citizens, action group and the general group (Blech, 2004:95)

According to kotler (2006:425), PR department may perform any or all of the following functions.

Press Relation /Press Agency: - creating and placing the news worthy information in the media to attract attention of the audience.

Investor Relation: - maintaining relationship with shareholders and others in the financial community.

Development: - PR with donors or members of not-for-profit organizations to gain financial or voluntary support.

Counseling: - spends time counseling top management to adopt positive program and to eliminate questionable practices so that negative publicity doesn't rise in the first place.

Lobbying: - building and maintaining selection with legislator and government officials to influence legislation and regulation.

Product or Service Publicity: - publicizing specific products.

2.1.4. Objectives and Aims of Public Relation

The main objectives of PR is creating and maintaining a favorable image as well as good communication with the public. According to Black (2004: 18) the practical application of public relation can be summarized under three main headings:-

- **Positive steps to achieve good will:** - this consists in arousing and maintaining good will and public interest in the activities of an organization in order to facilitate the successful operation and expansion of those activities.
- **Action to safeguard reputation:** - it is equally important to look inward are the organizations and to eliminate customers and practices which, though legitimate, are likely to offend public opinion or to interfere with mutual understanding.
- **Internal relationships:** - using public relation techniques internally in an order that the staff and employees of the organization shall be encouraged to identify their own interest with those of the management.

2.1.5. Elements of Public Relation

1. The message to be transmitted.
2. Encoder.
3. Decoder.
4. Medium or channel in which the message is to be transmitted (television, radio, etc).

2.1.6. Nature and Function of Public Relation

The PR practitioner has to conduct activation which the organization has contact. The specific nature of such groups will vary according to circumstances. Jefkins in sahu and raut (2003: 145) identified seven basic publics; which include community, employees, government, the financial community, distributors, consumers, and opinion leaders. With the nature of such group, nature of PRs practice will vary accordingly. For example, when PR activity is done to consumers the purpose will focus on why they buy from us and the like. With regard to this the nature of public relation varies accordingly with the target group.

Public relation may at different times, fulfill a variety of different functions. According to tony yeshin, (1999: 167-170) the following list identifies some of the most important aspects of public relation but, undoubtedly, there will be a number of other activities which might be added.

A) Opinion Forming

An increase thrust of contemporary society is the development of opinions concerning the activity of companies and organization beyond the nature of the products and service which those companies and organization beyond the nature of the products and services which those companies produce. To the extent that companies operate within the bounds of public attitudes, it is likely that the products they manufacture will be well received (or at least favorably considered). The reverse, however, is equally true. Organizations must, increasingly recognize that they cannot sit idly by ignoring the underlying attitudinal changes which are taking place within the society. In fact, it is increasingly important that they take a proactive approach to shape and form those opinions.

B) Counseling Senior Management

More and more companies are recognizing that all aspects of their internal and external actions are likely to have an impact on the public's perceptions of their organizations. Senior management must be continuously aware that they frame their activities in a way which make them, as far as possible, both socially and politically acceptable. Public relations counseling can make an important contribution not only to the way in which companies behave, but also to the way in which they communicate their activities.

C) Product or Service Publicity

The external perception of public relation is its involvement with the creation of publicity for the products and services which the company provides. Whilst this is undeniably an important aspect of public relations, it is only one dimension of public relations activity.

D) Media Relations

The appearance of positive publicity for a company or organization does not happen by chance. Invariably, it is the result of carefully nurtured relationships between the various media and the company over a long period of time. Media people, like others, are people with opinions. How they interpret, for example, a press release will be affected by the underlying views of the organization responsible for creating the release.

E) Business Sponsorship

a similar important area of activity is that of creating business sponsorship which serves to associate the company with some specific activity designed to enhance the image association of the organization. Inevitably there is some degree of overlap between this and the above mentioned area, although they may well be separate and distinct.

Furthermore, Kotler (2000: 605) suggests that public relation department monitors the attitude of the organization's publics and distributes information to build good will. To implement this effectively the public relation department will perform the following three major functions:-

- a) **Press Relations:** presenting news and information about the organization in the most possible positive way.
- b) **Corporate Communication:** promotion understanding of the organization through internal and external regulation.
- c) **Lobbying:** dealing with legislators and government officials to promote or defeat legislation and regulation.

2.1.7. Role and Benefit of Public Relation

2.1.7.1. Role of Public Relation

Public relation can play a central role in the achievement of specific objectives at all levels in an organization's work by focusing, reinforcing, and communicating an effective message. Used properly, public relation is an excellent and cost effective method of improving the image of an individual, organization or a product (Banik, 2004: 159).

As the sense of monopoly and government legacy slowly vanishes, public relation communicators should take care of this changing trend both internally as well as externally. The confidence which people repose in a government owned organization is quite different from what they feel for a private organization. To engineer confidence, a company's affair has to be people oriented. The professional communicators have to deal with this changed situation not just with the outside world but also within the organization. There will be resistance to this expected change, the public relation and communicators have to help their managers to overcome such resistance to change (Banik, 2004: 161-162). Banik further listed the changes in the process, these are:

Employees: With government control being reduced from 100%, the company will no longer be treated as an extended arm. Its employees loose the avenue of unit petition in a high court. They will have to resort to just the labor courts. Communicators will have to create a favorable opinion to this change.

Shareholders: When the companies are quoted on the stock exchange, one more parameter to assess their performance is available shareholders who are large in number will question any action of the management affecting the performance of the company on the stock exchange.

Communicators will have to be very careful about press statements and will also have to be well prepared to deal with general public opinion.

People at Large: Creating a favorable image all the time under the changed situation is the new job of public relation practitioners and communicators as the company may have to raise new capital from the market. The image of the company is vital for the people at large and creating this image, thus becomes the communicator's job.

2.1.7.2. Benefits of Public Relation

According to Banik, (2004: 158) public relation is an indispensable tool in today's management of both public and private sector organizations. With the tremendous growth of business and commerce, the need for public relation has assumed a new meaning. In every field, be it a public, a private sector organization, an educational institution or a government department there is a need for public relations. Indeed it is an essential service to every body that has ideas, products, services or a cause to promote.

Further Banik described, the modern management of any business has to enlist the participation and support of its workers to realize its objectives, winning confidence and trust of its shareholders, clients and the public at large, thereby fulfilling its social obligations. Therefore, in the modern management public relation is the total communication activity of the organization to achieve its planned objectives. It is today accepted as a management function in the formulation of policy and decision making. It is the way in which an organization makes and keeps contact with those who affect its life and growth. The skilful management of public relation reinforces the growth and developmental process of an organization. It is in this context that more and more attention is being given to effective use and application of public relation for the growth of an organization.

2.1.8. Major tools of Public Relation

According to Black, (2004: 148) for the sake of communicating with customers or the general public there are different tools a company's public relation department can make use of among others the following are some of the major tools:

- **Publications:** companies rely extensively on published materials to reach and influence their target markets these include annual report, brochures, articles, company newsletters and magazines and audio visual material.
- **Events:** companies can draw attention to new products or other company activities by arranging special events and competitions and cultural sponsorships that will reach the target public.
- **News:** one of the major tasks of public relation professionals is to find or create favorable news generation requires skill in developing story concept, researching and writing it and writing a press release but the public relation person skill must go beyond from preparing news stories to getting medial to accept press releases and attend press conferences, which call for marketing and interpersonal skill.
- **Speeches:** are also tools that can create product and company publicity. Company executives must give speeches from time to time or give tasks at the trade associations or sales meeting but these events can either build or hurt the company's image.
- **Corporate Identity:** immediately recognizable logos, stationary, brochures, signs, business forms, business card, buildings, uniforms and company vehicles can help create a corporate identity.
- **Customer service and education:** helping and teaching the customers are public relation tools which lubricate sales people will buy things they understand appreciate and can associate with. The public relation department must work effectively in customer service and educating them continuously because customers have different options in the market place and they usually relay on the product or service that have understand.
- **Sponsorship:** the public relations aspects of sponsorship are so wide. There are different ways of sponsorship. The public relations department evaluates the sponsor ship costs with its result. The result must focus on building favorable relation with customers and to build

customer base for the products or services of organization.

- **Press release:** one of the most important public is press to be used by the press, information must be factual, true and of interest to the medium as well as to its audience. The source of the press release can do certain things to improve the likely hood that the news will be disseminated.

2.1.9. Advantages of Public Relation

According to Belch, (2006: 589) some of the advantage of public relation are.

- **Credibility:** because of public relations communication are not perceived in the same light as advertising. That is, the public does not realize the organization either directly or indirectly paid for them-they tend to have more credibility .the fact that the media are not being compensated for providing the information may read receivers to consider the news more truthful and credible.
- **Cost:** in both absolute and relative terms, the cost of public relations is very low. Especially when the possible effects are considered.
- **Avoidance of Culture:** because of being perceived as news items. Public relation messages are not subject to the culture of advertisement. A story regarding a new product introduction or break through is treated as a news item and is likely to receive attention.
- **Lead Generation:** information about technological innovations, medical break through and the like results almost immediately in a multitude of inquiries. These inquiries may give the firm some quality sales leads.
- **Ability to Reach Specific Groups:** because some products appeal to only small market segments, it is not feasible to engage in advertizing and /or promotions to reach them. if the firm does not have the financial capabilities to engage in promotional expenditures, the best way to communicate to these groups is through public relation
- **Image Building:** effective public relation helps to develop a positive image for the organization. A strong image in on insurance against later misfortunes.

2.2. Public Relation for External Public

According to Banik, (2004: 39) the need for public relation was felt for winning goodwill of the various constituents of the public due to of the growing complexity of the modern industry. Modern business too, with this social perspective, started thinking in terms of its social obligations and social sanctions - a sense of duty to society in which it operates. Public relation, therefore, is an effort to identify and interpret policies and programs of an organization with the objective to establish a bridge of understanding and goodwill between the organization and its publics.

As the name indicates external public relation is concerned with people outside the organization. Since it is necessary to communicate with different groups of people in public relation, the target population has to be defined by analyzing the situation related to the program or problem it is necessary to identify those groups of people to communicate with them. It is very important to carefully identify the people to reach them effectively otherwise it may be difficult to achieve the desired objectives and results in undesirable consequences. For any target group be it government, business, industry, institution or even a religious group there is no such thing as a single population group (Banik, 2004: 41).

2.2.1. External Publics

According to Banik, (2004: 41) there are some examples of external publics below

- **Customers**

Every public and private sector organization has its own set of publics to whom it sells its product or service it is the endeavor of any organization to draw the attention of its public towards its ideas, products and services. In today's competitive market customers option for products or services that are known and have an image and are backed by quality and good after sales service. Public opinion on such aspects cannot be ignored. In the long run unfavorable opinions certainly affect sales. PR can help in controlling and setting right some of these opinions and help to solve problems generally protecting the company's reputation concerning the company's products or services among consumers or users. No one can afford to be unmindful of the opinion and attitudes of the people concerning the organization. Public relation therefore is used to build an image.

- **Share Holders**

The shareholders are very important public of the private sector companies. They are the real owners of the company. Therefore a private sector organization cannot afford to be unmindful of the interest of its shareholders.

- **Opinion Leaders**

This is altogether a new type of public in PR. The traditional role of the opinion leaders is to be the inspirer of the masses and also their teacher. The opinion leaders for example, not merely inform and educate but also influence the public opinion. They play the role of the inspector of public affairs and try to feed the man the information he need to formulate his ideas. They are the influence of the democratic right to freedom of expression and try to disclose as well as comment on the matter of public interest. Ideally the function of the opinion leaders is to create public opinion on matters of public interest and build up public confidence. They try to provide information and create the climate and thereby influence attitude. They help community decision-making by providing the facts that help the public to arrive at their own decisions. In this way opinion leaders mould public opinion. They try to do objective conclusion for the public and thereby succeed in influencing public opinion. PR must be very careful of the opinion and attitudes of the opinion leaders concerning their organization.

- **Media Relations**

The media as we know it today is a modern institution. A number of factors led to the emergence of the media as a predominant feather of modern life. Technical invention facilitating mechanical reproduction, the spread of literary the increasing use of regional language affecting a transformation in outlook grew in time to communicate and create public opinion. No matter what the character of the government or the organization is, it cannot ignore the people. Every government or organization is accountable to the public.

- **Public at Large**

The term PR for public at large has three major ramifications:-information given to the public, attempts to modify attitudes and actions of an organization to response to the public and ascertain and convey the relation of the public to the management. Creating favorable image all the time under the changed situation is the new job of PR practitioners as the company may have to rise new capital from the market. The image of the company is vital for the people at large and creating this image, thus become the communicator's job.

2.3. Measuring Effectiveness of Public Relation

According to Belch, (2004: 592) it is important to evaluate the effectiveness of the public relation efforts. In addition to determining the contribution of this program element to attaining communication objective the evaluation offers other advantages:

1. It tells management what has been achieved through public relation activities
2. It provides management with a way to measure public relation achievements quantitatively
3. It gives management a way to Judge the quality of public relation achievements and activities.

Simon in (Belch; 2004:592) further suggests the following additional means for accomplishing this evaluation process.

- **Personal Observation and Reaction:** personal observation and evaluation by one's superiors should occur at all levels of the organization.
- **Public Opinion and Survey:** Research in the form of public opinions surveys may be used to gather data to evaluate program goal attainment.
- **Audits:** Both internal and external audits may be used. Internal audits involve evaluation by superiors or peers within the firm to determine the performance of the employee (or his or her programs). External audits are conducted by consultants, the client (in the case of a public relation agency). Or other parties outside the organization.
- **Management by Objective:** executives and their managers act to together to identify goals to be attained and the responsibility of the managers. These goals are then used as a

standard to measure accomplishments.

- **Matching Objectives and Results:** specific objectives designed to attain the overall communication objectives should be related to actions, activities, or media coverage.

2.3.1. Factors Affecting Effectiveness of Public Relation

There might be many factors which have an influence on the practical public relations activities of any organization. Hiebing and Couper (2003:383) recommended the following factors should be considered prior to any public relations activities implemented. These activities are setting public relation objectives, identifying the company target group identifying the appropriate public relation tools and activities shall be specified; i.e. setting standard, selection of personnel of public relation department and availability of technology.

2.4. Social Responsibility and Public Relation

The emergence of public relation as a discipline of management gathered momentum every since there was awareness in business about its social responsibility. The importance of communication in establishing rapport with various sections of the people with in and outside the organization has been long acknowledged before the business organizations came into existence. Today business cannot be viewed as an activity in isolation. It is part and parcel of our life irrespective of what the profession, vocation, and avocation may be. it is the sub -system of the state, nation and the global activity. Therefore, it has to interact constantly with various organs of our society in order to fulfill its business objectives. It is equally important for business to be concerned about what is happening around it in social, political, and technological fronts.

In rapidly changing business markets, the most competitive business are increasingly proving to be those which are responsive to the rising expectation of the stake holders in the communities in which they do business. In this environment it is useless for a company to claim being a "good corporate citizen" unless it is prepared to accept the needs of the total corporate social responsibility. Social responsibility must be built in to the management structure and operation of the company. to adopt an approach towards corporate social responsibility requires a major effort especially on the part of top managers who not only have to take in inculcating social

responsibility into daily work routines, but also to make sure they are seen doing so. A business reputation as a good corporate citizen has to be the responsibility of every employee. (Banik, 2004: 2).

A. Social Responsibility towards Customers

- To provide quality goods in adequate quantity to the right place at the right time and reasonable price.
- Develop and design new products, product line and product range keeping in mind customers need, preference taste, color, choice etc.
- To promptly attend to customer's suggestions and grievances and explaining company's point of view giving due respect to customers suggestions and grievances.
- Customer should be educated through various media like advertising, publicity, personal selling, demonstration in exhibition etc about the product qualities, quantity, its usage, after sales service, warranty, price, distribution channels etc.
- The customer interest has to be always paramount and given preference over the interest of other publics while formulating companies policy and procedures.

B. Social Responsibility towards Community

- The local community in the close vicinity of plant, office, factory etc. of company should be treated as business associates.
- The company should carry on its business and commercial activities in such a way so as to cause least inconvenience to the community.
- The company should make its humble contribution in improving the quality of life of the community by providing medical, educational, civic, social, and cultural facilities.
- Community should be provided with opportunities to share the fruits of the business of the company by getting employment, making supplies of raw materials, distribution of its finished products, and doing various contractual and allied jobs for the company.
- The company should make optimum and discreet use of the natural resource so that the

valuable resources could be conserved for longer time and ecology of the area is also not distributed.

C. Social Responsibility towards Media

- The relationship should be built up on professional interaction goodwill and understanding, not by corrupting the media
- Media has an inherent and moral right to information. they should be provided information with the at most willingness, in detail on the subject as and when they approach
- The company should regularly scan what is reported about it in the media and interact with them by giving its version.
- The relationship with media is to be nurtured over a period of time forever and not for a short while for any specific purpose.

D. Social Responsibility towards the General Group

- Whatever is applicable to each of the above mentioned publics is also collectively applicable to the general public as a whole. however, the following responsibilities can be broadly mentioned:
- The company should maintain regular channels of communication with the public so as to inform them about the latest position of the company's functioning, its performance, its growth and development plants etc.
- The company should participate in various social, cultural, and sporting activities of the public to be part of them and to develop better understanding and interaction with them.
- The company should educate the public about their rights, duties and the kind of co-operation the company expect from them to serve there mutuality of purpose.

2.5. Public Relation in Service Sector

Economic theory traditionally looks at a society as consisting of three main sectors i.e. agricultural sector, industrial sector and service sector. The service sector comprises of the activities and occupation like banking, insurance, transportation, education, and communication. Those in the telecommunication sector have to deal constantly with people. Human competencies are very

critical for those working in service sector telecom industry. They need to influence the people's thinking and bring attitude change. Because of this, competency development is very critical for the telecom sector. PR interventions are the desired course of action planned by the organization to achieve PR goals. The needs for PR interventions required for service sector to achieve the desired goals are:

- To support the structure and strategic changes made by the organization to have growth and expansion.
- Recognition by top management of the importance of PR and their responsibilities to promote it for the good of the organization.
- To prepare to respond to the increasing problems faced by the organization both internally and externally.
- To help build a desirable image of the company by suitable PR strategies and action.

The service sector has a crucial economic role to play in society. Service create value by providing a bridge between the production of goods and the beneficiaries or between the production and consumption segments of society. This is why the growth of the service sector in modern society is linked with the increased productivity of the manufacturing sector.

The value which the service sector provides to consumers or users may be public benefits which are free and subsidized. A major characteristic of modern socio-economic development has been the increasingly dominant role of the service sector. As the economy develops, the relative contribution of the service sector increases (Banik, 2004: 35).

The ranges of services in India have increased in both breadth and depth. The service sector is the important link between the production and beneficiary segment of society. Its growth indicates a change in social sector. The service industry being more directly in touch with the users/consumers, PR in service organization is essential to their proper functioning.

The government and public segment in India have a prime role to play in plotting socio-economic development. This is because our socio-economic, political and historical context necessitates a proactive a positive role of the state in order that India catch up with the progress which the

developed countries have attained. Public systems have been especially affected by the high degree of social changes which have swept during the last decade (Banik, 2004: 36).

The service sector has to deal with people. For those working in the service sector, human competency becomes very critical. PR assumes great significance in such labor intensive industry. Here, the PR interventions stress the importance of motivations, Performance and Satisfaction.

In service industry mostly, the job and work are not clearly defined. For example a telephone operator in a service unit does not know how many telephone calls he/she will have to attend in a day. In a production unit, an employee can be questioned and punished if he/she fails to achieve target or otherwise praised and rewarded for excelling the target. But in a service unit an employee attending the complains may take two minutes to dispose a case or can spend 10 minutes to meet the same complaint by talking or explaining different situations. Here the performance recognition and motivation can give more satisfaction.

In a service industry the customer occupies a central place. The rude or unkindly behavior of a telephone operator or receptionist of a company can spoil the image of the company. Similarly the business can be promoted by good behavior. So, here the need is to promote employees satisfaction, performance recognition, and motivation.

In a service unit the capacity planning is to meet the peak need and if the capacity is not properly utilized, it cannot be stored and hence will be unutilized or wasted. Here, the public relation intervention should be motivate the employees and train and equip them for better performance.

Similarly, in the service sector after maximum utilization, the capacity cannot be increased instantly even after giving more and more incentives and motivations. For example, capacity of the telephone exchange cannot be increased instantly even if the demand is more. But in a production unit, the output can be increased by engaging workers on overtime or employing extra resources. Here again, public relation intervention is different for service sector and production sector.

A service is intangible and perishable in the sense that a service cannot be stored. This implies that the service organizations are responsible not only for producing but also for immediately transmitting these to the customer/user. In other words, in the service sector, the production and

delivery of the goods and services are carried out simultaneously. The services offered by a communication unit or a hospital or a doctor or a teacher involve the customer, consumer, or users. This characteristic of the service sector has important implications for the kind of human resources and human competencies required for the service sector (Milner, 1995: 69).

CHAPTER THREE

DATA PRESTATION ANALYSIS AND INTERPRETATION

This section of the study deals with presentation, analysis, and interpretation of data gathered using questionnaire and interview. 150 questionnaires were distributed to customer at the corporation out of the 150 questionnaires 138(92%) were filled and returned by responders. The rest 12(8%) questionnaires were not returned due to unknown inconveniences.

3.1. Analysis of Respondents Characteristics

Table 1 General Characteristic of Respondents

No.	Item	No. of respondents	Percentage (%)
1.	Gender		
	Male	76	55
	Female	62	45
	Total	138	100
2.	Age		
	18-30	29	21
	31-43	68	49
	Above 43	41	30
	Total	138	100
3.	Educational background		
	Certificate	-	-
	Diploma	28	20
	First degree	87	63
	Above first degree	23	17
Total	138	100	
4.	For how many years have you been customer?		
	Less than 5 years	21	15
	6-11	74	54
	Greater than 11 years	43	31
	Total	138	100

As it is indicated in item 1 of table 1, 76(56%) of respondents are male, 62(45%) of respondents are female. The majority of respondents are male.

Item 2 of the same table shows the age range of respondents. From the total respondents 29 (21%) are in the range of 18-30, 68(49%) are in the range of 31-43, 41(30%) are above 43. The majority of respondents, 68(49%) are in the age range of 31-43; this shows the majority of EIC customers are adult.

Based on classification of educational background indicated in item 3 of table 1, the majority of respondents 87(63%) are first degree holders, 28(20%) are diploma holders, 23(17%) are above first degree holders. This shows that most of the corporation's customers are educated.

Regarding years spent with the corporation as a customer indicated in item 4, 74(54%) of respondents have been a customer of the corporation for 6-11 years, 21(15%) have been a customer for less than 5 years, the rest 43(31%) have been a loyal customer of the corporation for more than 11 years. This shows the corporation has a strong side in keeping its customers from shifting to other competitors.

3.2. Analysis of Findings Related with the Study

Table 2. Corporations Effort in Availing Information.

No	Item	No. of respondents	Percentage (%)
1.	How do you rate the corporation effort in giving information about its achievement?		
	Very high	-	-
	High	36	26
	Medium	59	43
	Low	43	31
	Very low	-	-
	Total	138	100
2.	How do you rate the effort of the corporation information centers in providing timely information to the external publics?		
	Very high	-	-
	High	23	17
	Medium	55	40
	Low	46	33
	Very low	14	10
	Total	138	100

As it is shown in item 1 of the above table, 32(26%) rated the corporations effort in giving information about its achievement as high, 60(43%) rated it as medium, the rest 43(31%) rated it as low. None of the respondents rated the effort as very high or very low. Even though, the majority of respondents rated the effort as medium those respondents 43(31%) indicates the corporation has a problem in availing information about its achievements.

As it is shown in item 2 of the same table respondents rated the effort of the corporation's information centers in providing timely information to the external publics 23(17%) high, 55(40%) medium, 46(33%) and 14(10%) rated it as low and very low respectively. Although the majority respondents 55(40%) rated the effort as medium and high there are 46(33%), 14(10) respondents who rated the effort as low and very low. Merging the two findings (item 1 and 2) it is safe to say the corporation is either facing an obstacle or not aware of the problem.

Similarly the public relation department manager has also explained EIC has indeed been experiencing a difficulty in communicating with the external public due to shortage of information centers.

Table 3 Corporation Engagement in Social Activity.

No.	Item	No. of respondents	Percentage (%)
1.	What is the extent of participation of the corporation on charitable donation?		
	Very high	22	16
	High	32	23
	Medium	66	48
	Low	18	13
	Very low	-	-
	Total	138	100
2.	How do you rate the corporation participation in community service?		
	Very high	15	11
	High	41	30
	Medium	61	44
	Low	21	15
	Very low	-	-
	Total	138	100
3.	The corporation engages in sponsorship?		
	Strongly agree	20	14
	Agree	49	36
	Neutral	64	46
	Disagree	5	4
	Strongly disagree	-	-
	Total	138	100

As it is indicated in item 1 of the above table 66(48%) of respondents rated the extent of the corporation's participation on charitable donation as medium, 32(23%) as high, 22(16%) very high, 18(13%) as low. The majority of the respondents 66(48%) rated the extent of the effort as medium; none of the respondents rated it as very low. This indicates the corporation's extent of participation in charitable donations is above average which is good for its overall image in the mind of the external public.

In item 2 of the same table respondents were asked to rate the corporation's participation in community services. Out of the total 138 respondents, 21(15%) rated it as low, 15(11%) rated it as very high, 41(30%) rated it as high, 61(44%) rated it as medium. The evaluation made by the majority of respondents 61(44%) as medium implies, the corporation is not participating in community service as expected by customers.

As it is shown in item 3 of the same table, 49(36%) agrees, 20(14%) strongly agrees, 64(46%) chose to be neutral and the rest 5(4%) of respondents disagrees to the statement "the corporation engages in sponsorship." The majority of the respondents chose to be neutral. This implies the corporation is not sponsoring social activities is not rememberable.

In addition to this the public relation department manager indicated that the corporation does engage in social activities like community service, public seminar, press release, charitable donations, cultural events, sponsorship, and the likes but the level of participation is not up to the desired level because of lack of segregation of duty.

To sum it up, all the above findings shows the corporation's level of participation in social activity is at an average level and not as fruitful as it should be.

Table 4. Customer Perception of the Corporation.

No.	Item	No. of respondents	Percentage (%)
1.	How do you rate the corporation's effort in creating and maintaining a favorable image in the mind of customers?		
	Very high	15	11
	High	55	40
	Medium	61	44
	Low	7	5
	Very low	-	-
	Total	138	100
2.	How do you rate the value that you have obtained from the corporation's overall public relation practice?		
	Very high	10	7
	High	69	50
	Medium	59	43
	Low	-	-
	Very low	-	-
	Total	138	100
3.	What is your opinion as a customer about the public relation practice method compared to competitors?		
	Very high	24	17
	High	66	48
	Medium	48	35
	Low	-	-
	Very low	-	-
	Total	138	100

As it is shown in item 1 of table 4, respondents were asked to rate the image of the corporation using three questions and gave their response accordingly. Their response is presented as follow.

In item 1 only 7(5%) rated the corporations effort in creating and maintaining a favorable image as low, the rest of the total respondents rated it as medium and above; i.e. 61(44%) rated the effort as medium, 55(40%) high, 15(11%) of the total respondents choose very high. Although, the majority of respondents rated the effort medium and above, the respondents that rated the effort as medium have the lion share. From this result it seems that the corporation is not working as expected by customers to ensure the continuity of the favorable image already created.

The corporation's public relation manager during the interview replied the corporation has a favorable image in the minds of most of its customers however, he also underlined that a lot is expected to be done in the future from the corporation's side.

In item 2, respondents were asked how they evaluate the value that they obtain from the corporations overall public relation practices. The majority of respondents (69 in number, 50 in percent) rated it as high, 59(43%) choose medium and the rest 10(7%) chose very high none of the respondents choose low or very low. This implies that the corporation's public relation department is effective in providing value for customers.

Item 3 of the same table show customers opinion about the corporation's public relation practice compared to compotators 24(17%) chose very good, 48(35%) chose moderate, 66(48%) chose good. Out of 138 respondents 90(65%) chose good and very good indicating most of the corporations' customers are probably loyal customers. This shows that the corporation strives to keep its customers from shifting to competitors.

Table 5. Corporation's Effort to Satisfy Customer.

No.	Item	No. of respondents	Percentage (%)
1.	How do you see the corporation's effort in providing important thing?		
	Very good	36	26
	Good	40	29
	Moderate	62	45
	Bad	-	-
	Very bad	-	-
	Total	138	100
2.	How do you rate the corporation's system in recognizing and awarding customers?		
	Very good	40	29
	Good	46	33
	Moderate	52	38
	Bad	-	-
	Very bad	-	-
	Total	138	100

In item 1 of the above table respondents rated the corporation's effort in providing important thing for customers as: 62(45%) moderate, 40 (29%) and 36(26%) rated the effort as good and very good respectively none of the respondents rated the effort low or very low. This implies that the corporation has a proper strategy to provide important thing for customers.

As it is shown in item 2 of the same table 52(38%) rated the corporation system in recognition and awarding customers as moderate, 46(33%) rated as good, and the rest 40 (29%) rated as very good. All of the respondents rated the corporations system in recognizing and awarding customers moderate and above. This indicates that the corporation has a system that centers the needs and expectation of its customers.

Similarly the public relation manager was asked if a system of rewarding customers exists within the department. He explained that the department does in fact have a way of rewarding customers. This finding strengthens the above implication, i.e. the corporation has a system that centers the needs and expectation of its customers which is an indication of a good public relation practice.

Table 6. Corporation’s Relationship with Public Media

No.	Item	No. of respondents	Percentage (%)
1.	How do you rate the corporation’s relationship with public media such as TV, radio, magazines, newspaper, and the likes?		
	Very high	-	-
	High	19	14
	Medium	62	45
	Low	40	29
	Very low	17	12
	Total	138	100

As it is shown in the above table corporations relationships with public media was rated by respondents as: 19(14%) high, 62(45%) medium, 40 (29%) low and 17(12%) very low. None of the respondents rated it is very high. 57(41%) of the respondents rated the relationship below average. This shows that there is lack of adequate communication tools and the public relation department is limited in giving information for public media.

Similarly during the interview the public relation department manager explained that there is problem in giving information to the public media due to decision power in discharging responsibilities effectively.

Table 7 Comment and Compliant Handling

No.	Item	No. of respondents	Percentage (%)
1	Have you ever had any problem regarding the public relation practice of the corporation?		
	Yes	63	46
	No	75	54
	Total	138	100
2	If your answer for the above question is “yes” did you inform the corporation?		
	Yes	38	60
	No	25	40
	Total	63	100
3	How do you evaluate the corporation’s ability in promptly attending to customers comment and compliant and give solution?		
	Very good	-	-
	Good	34	25
	Moderate	58	42
	Bad	8	8
	Very bad	38	6
	Total	138	100

As it is shown in item 1 of the above table: 63(46%) have had a complaint about the public relation practice of the corporation 75(54%) replied that they never had a complaint. Further the respondents that have had a complaint about the public relation practice were asked whether they have informed the corporation or not in item 2 of the same table, out of 63 respondents 38(60%) replied “yes”, 25 (40%) replied “no”. those 25(40%) respondents were asked to give reason as to why they didn’t inform the corporation; most of the respondents implied they didn’t inform the

corporation because the problem wasn't that much of a big deal while some indicated that there exists; some problems from the corporations side in handling comment.

On the other hand, unlike the response of customers, the public relation manager mentioned in the interview that the corporation has a good mechanism of gathering feedback from external publics. This indicates that a gap exist in customers expectation and corporations actual performance.

As it is indicated in item 3 of the above table; respondents rated the corporations ability in promptly attending to customer suggestions and compliant and give solution as 8 (6%) bad, 34(25%) good, 38(27%) very bad, 58(42%) moderate. The majority of respondents 58(42%) chose moderate. This implies even though the corporation does have a way of handling customer's comment and give solution for their compliant there is steel a room for improvement, hence the rating of 38(27%) and 8(6%) of respondents as very bad and bad respectively.

As opposed to the respondents the public relation manager highlighted that it is very common for EIC to incorporate its customers comment and suggestion in its short and long term plans in order to bridge the gap in the perception of customers and know their expectation by arranging regular meeting with major clients, conduct survey study and other brainstorming sessions.

CHAPTER FOUR

SUMMARY, CONCLUSION, AND RECOMMENDATION

This chapter of the research incorporates summary of major the findings stated in the previous chapter, conclusion and possible recommendation suggested based on the findings obtained from the research.

4.1. Summary

In this section of the chapter the major points raised and discussed are summarized and presented. The purpose and focus of this research paper is to analyze and evaluate the public relation practice of Ethiopian Insurance Corporation with the aim of identifying the public relation related problems and their causes.

Following is the summary of major points and findings obtained from analysis of data gathered through questionnaires and interview.

- In terms of characteristics, majority of the respondents were male covering 55% and in terms of age the majority 49% were in the range of 31-43. As for educational background 63% of them are first degree holders. About 54% of them have been a customer of EIC for 6-11 years. Interview was held with the public relation department head of the corporation.
- The corporation's effort in making information available about its achievement is at medium level in the minds of its customers. Similarly the effort of the communication centers in providing timely information is also at medium level as rated by 40% of respondent.
- The student researcher has tried to assess customers' perception of the corporation and its engagement in social activities in terms of creating and maintain a favorable image, engagement in charitable donation, participation in community services, involvement in sponsoring social support and the likes. Accordingly most of the respondents have shown similar views and rated the corporations experience to be medium.
- Similarly the public relation manager implied that even though the corporation has a good image in the minds of its customers a lot is expected to be done in the future from the

corporations side.

- Respondents were also asked about the value they have obtained from the corporations public relation practice. Half of the respondents rated is as high implying the corporation is effective in providing value for customers.
- Respondents were asked to rate the corporations ability in attending to customers complaint and suggestion. In this regard, the majority of respondents rated the corporation's ability as moderate. Similarly the public relation manager highlighted that it is common for EIC to incorporate its customers comment and suggestion in its short and long term plans in order to bridge the gap in the perception of customers; by arranging regular meeting with major clients, conduct survey study, and other brainstorming session. From this it can be summarized the corporation incorporates customers compliant and suggestion in its evaluation method.

4.2. Conclusion

In this section of the chapter conclusion is driven and presented based on the findings of the previous chapter.

- ✓ Generally in light of the majority of respondents, it can be concluded that medium effort is being exerted by EICs public relation department to maintain the corporations image already established. Unless the public relations effort is enhanced towards creating a better image, it is very likely that customers will shift to other competitors.
- ✓ Positive publicity for a business entity is the result of a carefully nurtured relationship between the various media and the business entity over a long period of time. In the case of EIC, the corporation's relationship with the public media is at medium level leading to a conclusion that the public relation department is not working effectively with media to reinforce publicity of the corporation's service which in turn affects the positive effects the corporation's PR practice should have in the external public.
- ✓ Another conclusion that can be drawn from this study is that the corporation is not using sufficient communication tools to make information available and to establish continuous relationship with the external public. The student researcher came in to this conclusion based on the medium rating by half of the respondents under table 2.

- ✓ On the basis of the findings of this research, it can be inferred that the lack of communication centers created information gaps between the corporation and its external public and consequently has resulted in lack of information and updates. This in turn highlights that the role of the public relation department in linking the corporation with the public is insignificant. Based on the explanations given by the public relation manager during the interview, the student researcher concludes that the problem is mainly associated with lack of due attention to the public relation department by the higher management.
- ✓ The corporation's public relation department engagement in social activities was judged by the majority of the respondents from medium to very low level. The result obtained from respondents on public relation activities that could help the corporation to build and maintain a favorable image among the society like sponsorship, community service, and charitable donations generally show low contribution of the corporation's public relation department.
- ✓ In line with data obtained in table 8 even though the public relation manager during the interview explained the corporation has a good mechanism in gathering and encouraging customers to give their comments, the customers' response disproof's it. This leads to a conclusion that EIC is not addressing its customers' needs and expectation up to the desired level.

4.3. Recommendation

Last but not least this section of the chapter incorporates possible recommendations given by the student researcher based on the major findings of the research.

- ❖ In order to narrow the communication gap between the corporation and the external public, the corporation should provide up to date information to the public, i.e. update the public continuously on current issues that might affect the public through leaflets, brochures etc and maintain consistency on information it provides through different sources.
- ❖ Although the corporation is making effort to create a favorable image with its customers, it could not take the image up to the desired level in the minds of the majority of its

customers. Hence, being responsible for ensuring sustainability of the corporation's image the public relation department should work aggressively with the media by making use of different tools especially press release and conference, in order to enhance the corporation's current image, which has been judged as medium by the majority of respondents, to a higher level. To achieve this, the public relation department must be reinforced in terms of budget, facilities, manpower, and the likes.

- ❖ The corporation's public relation practice is somehow acceptable for customers however for some external publics' specifically for the public media, the corporations is not availing information to the expectation. The public relation department should work hand in hand with different public media in order to get better access in communicating with the external public and affect them in a favorable way. One way of improving the current media relationship status is increasing the frequency and coverage. To do this more authority should be vested up on the department.
- ❖ The corporation's public relation department should engage more in social activities like sponsorship, community service, charitable donations etc. hence, the rating of the respondents as medium, this in turn will help the corporation to build and maintain a favorable image among the society.

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APPENDICES

A. very high B. high C. medium D. low E. very low

7. What is the extent of participation of the corporation on charitable donations?

A. very high B. high C. medium D. low E. very low

8. How do you evaluate the corporations' ability in promptly attending to customer suggestions, grievance, and give solution?

A. Very good B. Good C. Moderate D. low E. Very low

9. How do you see the corporations' efforts in providing important thing for customers?

A. Very good B. Good C. Moderate D. Low E. Very low

10. How frequently does the corporation participate in community services?

A. very high B. high C. medium D. low E. very low

11. The corporation works to develop the welfare of the society.

A. strongly agree B. agree C. neutral D. disagree E. strongly disagree

12. How do you rate the corporations' system in recognizing and awarding customers in order to reinforce their loyalty?

A. very good B. good C. medium D. low E. very low

13. How do you rate the effort of the corporations' information centers in providing timely information to external publics?

A. very high B. high C. medium D. low E. very low

14. The corporation engages in sponsorship.

A. strongly agree B. agree C. neutral D. disagree E. strongly disagree

15. How do you rate the corporations' relationship with public media such as TV, radio, Magazines, Newspaper, and the likes?

A. very high B. high C. medium D. low E. very low

16. How do you evaluate the value that you have obtained from the corporations' overall public relation practices?

A. very high B. high C. medium D. low E. very low

17. What is your opinion as a customer about the public relation practice method compared to competitors?

A. very high B. high C. medium D. low E. very low

18. Have you ever had any complaint regarding to the public relation practice of the corporation?

A. yes B. no

19. If your answer is “yes” for the above question, have you tried to inform the corporation?

A. yes B. no

20. If your response to the above question is “no” please reason out your answer?

THANK YOU FOR YOUR COOPERATION!

Appendix III

St. Mary University College

Faculty of Business

Department of Marketing Management

Interview Check List

This interview is prepared by a student researcher; Prospective graduate of year 2013 G.C in the field of marketing management for the partial fulfillment of a senior essay. The main objective of this interview is to make an assessment on the public relation practice of Ethiopian Insurance Corporation.

There for you are kindly requested to respond honestly and with due care because the truthfulness of the answer will have paramount importance for the image of the corporation.

Thank you in advance for your sincere cooperation

1. How do you see the corporation's image in the perception of its customers?
2. Are there any communication gaps between the corporation and the external public?
3. Does the public relation department have a system of rewarding and recognizing customers?
4. How does the corporation operate in creating common understanding with its customers?
5. How does the corporation evaluate the effectiveness of its public relation practice?
6. Does the corporation participate in social activities?
7. If so please specify the activities?
8. How do you see the relationship between your department and the public media?
9. From your experience to what extent does the corporation incorporate customers comment and suggestion in its short term and long term plans?
10. What mechanism does the department use in gathering feedback from external publics?