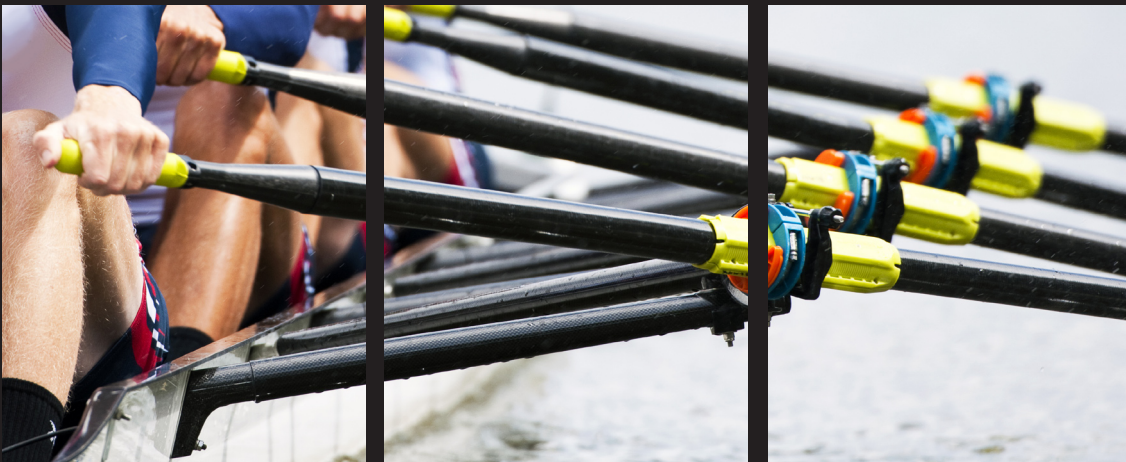


# Strategic Internal Communications: Boosting Corporate Culture, Productivity and Profitability

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# Chapter 1: Effective organisational communications

*“Internal communication is vital to success and when done well can provide strategic advantage through aligning employee efforts, sharing knowledge and engaging their passion.”<sup>1</sup>*

INTERNAL OR organisational, communication is intrinsically linked to every facet of an organisation’s existence. Some call it the lifeblood of an organisation and it can be a critical component of financial success. According to HR consultancy firm Towers Watson, effective communication and financial performance are strongly related: companies that are highly effective at communication are 1.7 times as likely to outperform their peers.<sup>2</sup> Effective organisational communication helps keep everyone in an organisation moving in the same direction. It shares leadership messaging, fosters good people management skills and ensures information flow. It can break down silos, aid employee engagement, inspire collaboration and improve business process.

The risks and financial impact of ineffective organisational communication are incalculable. Financial statements don’t record the number of missed business opportunities through poor cross-functional understanding. Few leaders record how productivity and morale is affected by a large number of poorly run meetings that get in the way of people delivering their strategic priorities. Misinformed employees make

errors of judgement, which lead to wrong decisions; divisional silos create mistrust and reduce organisational cohesion; ambiguity breeds opportunity for conflict; dissatisfaction among employees leads to higher attrition; and, in the longer term, all of these can create reputational harm where the internal brand has the potential to damage the external brand.

## How communication can deliver the sweet spot

Successful organisational communication strategy is like a complex eco system: it has to be balanced, carefully managed and sustainable. Effective organisational communication fosters alignment of three vital constituents: people, process and technology. When these elements interact efficiently they create a sweet spot.

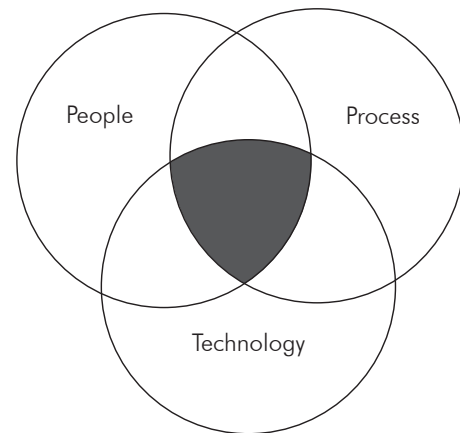


Figure 1: Effective communication helps create the 'sweet spot'

### People

- Use consistent, concise and targeted communication to clarify how employees can 'self-lead' and take responsibility for their own fate in the success story of the organisation. This will help people feel valued;
- Consistently share the corporate purpose and values, which gives a tangible reason to adopt the philosophy and buy-in to the culture of the organisation. This will empower people;
- Communicate clear guidelines and principles to give people operational structure. People will become more efficient and productive;
- Create opportunities to 'personalise' messages through face-to-face communications that are transparent and open. This builds trust; and
- Influence and inspire line managers to develop the appropriate behaviours and skills and give them the tools to assimilate and communicate responsively with their people. This builds capability.

### Process

- Effective internal communication needs to be executed through a process; this sets a solid framework through which information can flow to accomplish those outcomes listed above;
- People follow business processes that are clearly articulated. As a result people can be more productive;
- Clear communication around process makes people more aware of where they fit in to the wider business process. When people understand that they are responsible, and will be held accountable, for their contribution to a process, they are more inclined to follow it;
- When people realise how their actions can impact the organisation's value

chain, they recognise how their role is linked to the overall performance and success of the organisation; and

- Transparent communication between teams and divisions of an organisation can help people identify where processes could be improved. If they work in a culture where two-way communication is encouraged, people will collectively enhance process improvement.

### Technology

- Technology should serve people and provide the opportunity for them to collaborate as they perform their tasks. Technology is also an enabler for process – the thin guiding rails that can keep people, communications process and business process on track.

When an organisation has a healthy culture of openness, transparency and engagement in the way it manages internal communications, it is likely to recognise some of the outcomes listed above. It does take time to establish corporate cultural change, but there are enormous benefits by taking action to harness the power of people, improve processes and upgrade technology.<sup>3</sup>

### Communication has become a key organisational success factor

According to Ed Gubman, Ph.D. and author of *The Talent Solution*, two books published in the 1980s (*In Search of Excellence*<sup>4</sup> and *Corporate Cultures*<sup>5</sup>) "ascribed a much higher weight to the value of people in business success than ever before" and "talked about people, organisation, and culture in ways that previous business books hadn't contemplated".<sup>6</sup> In the 1990s, McKinsey's *War for Talent* research "identified the importance of instilling a

deep commitment to talent throughout the organisation, starting at the top and cascading through the ranks". Their work continues to emphasise that a "deep-rooted conviction" is needed among an organisation's leaders and managers, "that people really matter – that leaders must develop the capabilities of employees, nurture their careers, and manage the performance of individuals and teams".<sup>7</sup>

Although employee engagement must be led from the top of an organisation, it should be a shared responsibility between leaders, managers and human resources specialists. With the development of the employee value proposition (EVP), more organisations are developing EVP teams who assume the responsibility for people practice and employee engagement strategies. Research from Towers Watson in 2011 showed that among companies with high communication effectiveness, roughly two-thirds (62 per cent) have clearly articulated EVPs.

The Federation of Business Communicators Associations in Europe (FEIEA) conducted a survey<sup>8</sup> of nearly 5,000 practising workplace communicators, where 79 per cent reported that internal communication was a key organisational success factor. When Deloitte & Touche Human Capital conducted its own survey among American CEOs<sup>9</sup> they asked which human resources (HR) issues were very important to the success of their organisation. Almost 95 per cent of the CEOs surveyed chose 'effective internal communication', yet only 22 per cent thought it was being delivered effectively in their organisations.

It seems that employee and organisational communication is no longer viewed as merely a 'soft skill' or just a cost of doing business. It is critical to financial success. In *The Developing Role*

of the Communications Function and its Leader, author Diane Gayeski identifies that a new way of thinking is required – by communicators and leaders alike – to reshape the thinking behind organisational communications.

### Old assumptions

- Employees are a big cost that should be minimised whenever possible;
- Employee and customer communication are overhead costs that need to be controlled;
- Tangible assets are the biggest source of value; and
- Effective communication consists mostly of projects that are requested by management and executed by communication staff who do the necessary creative and technical work to create polished messages intended to inform and persuade internal and external audiences.

### New way of thinking

- People – human capital – are an organisation's most important competitive asset;
- Communication, collaboration and learning systems are key competitive advantages that need to be maximised;
- Intangible assets are the biggest source of value; and
- Effective communication consists mostly of infrastructures and ongoing activities that are recommended by high-level strategic communication professionals, and executed by all levels and all constituencies in an organisation – including executives, supervisors, line workers, customers and the public – to create the kind of two-way dialogue that creates lasting relationships, continuous learning, commitment and long-term value.

Gayeski’s report states: “[The new way of thinking] creates a compelling new framework from which to manage the communication function. Most corporate leaders will mouth empty promises about employees being their most important asset, but they fail to use this as the basis of their financial decisions.”<sup>10</sup>

It’s often difficult to get investment for what may be seen as soft issues. The key is getting senior executive management behind it. People are at the heart and soul of FedEx (Aus/NZ). “We believe that our employees and the values they exhibit such as teamwork, determination and commitment are our biggest asset,” says Kim Garner, managing director of Federal Express Australasia. “If we take care of our people, they will take care of our customers, and that will take care of our profit, and our People-Service-Profit (PSP) is based on this premise.”<sup>11</sup>

Indeed, one of its long-standing practices is developing talents from within. More

than half of FedEx’s global management team have risen through the ranks of the company and 100 per cent of the current FedEx New Zealand management team have been promoted from within, safeguarding corporate knowledge and using it to leverage the good of the company.<sup>12</sup>

### Communicating up, down and around the organisation

According to Bill Quirke, author of *Making the Connections – Using Internal Communication to Turn Strategy into Action*: “Effective strategy is when you choose to do the right things; effective execution is when you do those things right and in order for that to happen you need effective internal communication.”

Quirke explains: “Companies know that communication with their people is important. They know that the energies and the enthusiasm of their employees need to point in the same direction. However, in the enthusiastic rush to plug together

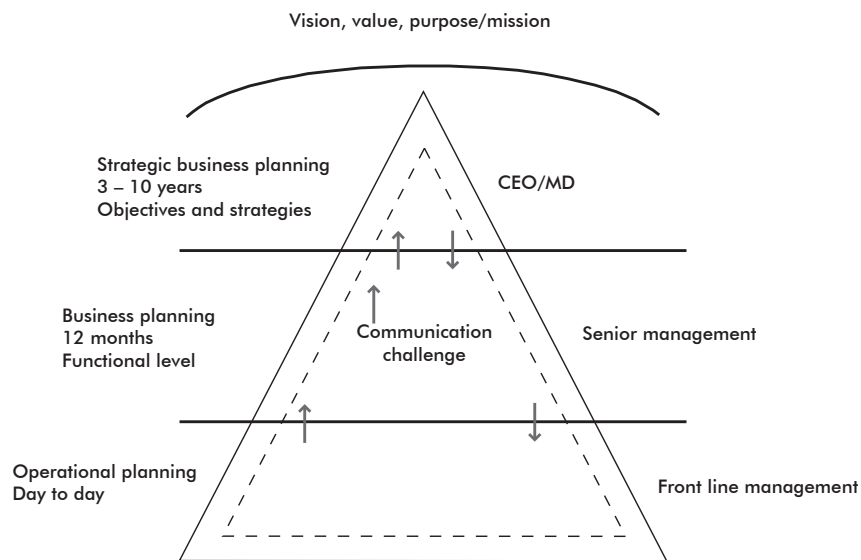


Figure 2: Communicating up, down and around the organisation ensures vision, value and mission are understood and facilitates effective planning. The communication challenges covered in Chapter 2 and throughout this report affect every level of the organisation, from the leadership team to the front line.

different components of communication best practice, many organisations are short-circuiting their own efforts. There is no shortage of good intentions and no shortfall in professionalism and good ideas. However, the road to incoherence is paved with good communications. Often, internal communication is less than the sum of its parts, because those parts do not fit together effectively. Organisations concentrate on getting the right individual parts and then merely cobble them together – their recipe for Frankenstein’s monster.”<sup>13</sup>

**The vision** is where the organisation sees itself, the ideal future. It gives employees direction about expected behaviours and inspires them to give their best. It also shapes customers’ understanding of why they should do business with the organisation. **The purpose or mission** defines the organisation’s purpose and primary objectives. Its prime function is internal and its prime audience is the leadership team and shareholders. **The values** are an organisation’s guiding principles, the things that its people believe in and how things should be done.

“Vision without action is merely a dream. Action without vision merely passes the time. Vision with action can change the world.” Joel Barker.

The vision, mission and values of an organisation are their source of truth. Typically, an organisation creates a vision statement of its ideal future. A strategy is developed to achieve the vision and key objectives are defined to achieve the strategy.

Communication is vital to help people in the organisation understand how they can turn the strategy into action. Communicating clearly across divisions, through the front

line and back office is just as important as communicating from the CEO down.

The responsibility for highly efficient communication is not that of the CEO alone. As every employee is an important asset, every employee should share the responsibility for communicating the organisations’ source of truth. Robust and effective communication is critical for middle management where constructive feedback should be a daily occurrence, not just something shared at annual performance review meetings. It’s every manager’s role to communicate effectively up, down and around the business to ensure employees get the message, understand what they personally should do with the information, behave in the desired way and share key information with other individuals and relevant groups when necessary.

In most organisations today, leaders, middle management and front line staff all believe they communicate effectively. In reality a significant level of distortion occurs in all organisational communication; the more layers the greater the potential for distortion. To highlight this, the survey that was conducted to support this report asked the following question: "In your opinion, is the communication process that is in place in your organisation effective?" The results were as follows:

- Yes – 56.5 per cent; and
- No – 43.5 per cent.

The detail behind these responses was captured through comments that the respondents shared as they progressed through the survey. The following comments highlight the nature of the obstacles faced by the respondents, which are likely to be experienced in many, if not most, large organisations today:

- “Methods of communication are not consistent”;
- “Consistency and frequency of message; quality of delivery; lack of communication; actually communicating really important changes and likely changes to happen. We seem to know after the event”;
- “Time and intent”;
- “Too many e-mails distributed to too many people”;
- “Too many e-mails that are negative”;
- “Relying on people reading company-wide e-mails or logging onto intranet”;
- “Too much one-way, unilateral traffic”;
- “Overuse of e-mail, information overload”;
- “Needs to be more clearly defined and integrated throughout whole organisation”;
- “E-mails are difficult to challenge or question, discussions with team managers get passed on to senior management but outcomes are never/rarely fed back without persistent enquiry”;
- “Most issues are found out through staff gossip, management keep staff on a need-to-know basis”;
- “No clear process and little respect between levels”;
- “Busy people, unclear channels, lack of established and accepted process”;
- “Lack of consistency, silo mentality between and within sites, entrenched old culture, lack of leadership, poor/inconsistent quality of the communicators”;
- “There is little communication because there is little certainty and things are too processed driven”;
- “Communication timing, the informal communication network is the main way information is shared”;
- “Top-down autocratic e-mails get people’s backs up”;
- “Lack of resources, silo mentality therefore process is ignored”;

- “Not enough awareness of the process and importance of it”;
- “The process assumes one size fits all”;
- “Labour intensive, cumbersome process”;
- “It doesn’t take into account that each group company has its own identity”;
- “Red tape and laziness”;
- “E-mail snowstorm”;
- “No guidance, expectations, etc”;
- “No procedures to follow. More importantly there is never any feedback, or timelines given – so deadlines are constantly missed”;
- “No policies or procedures developed for it”;
- “Time, money and effort”
- “Forums are not used well. No sharing of e-mail calendars”; and
- “People like to have the chance to speak to the boss themselves”.

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