

**HEADLINES.**

**STRATEGIC  
INTERNAL  
COMMUNICATION.**

**COMMUNICATION, HUMAN CAPITAL  
AND FINANCIAL SUCCESS**

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# INTRODUCTION.

## PART 1 CHALLENGES OF A MODERN MARKET

- Why communicate with employees?
- The IC-performance link
- IC strategy for engagement and financial gain
- IC strategy and organisational change

## PART 2 MEDIA FOR IMPLEMENTING IC STRATEGIES

- Printed publications
- Digital communications: e-mails and e-zines
- Intranets
- Social media
- Corporate video

## PART 3 MEASURING THE IMPACT OF INTERNAL COMMUNICATION

## PART 4 CONCLUSIONS AND RECOMMENDATIONS

### Names and abbreviations

**ASPIC** – The Association for Strategy and Planning in Internal Communications  
**CIPD** – The Chartered Institute of Personnel Development  
**IES** – The Institute for Employment Studies  
**CIB** – The British Association of Communicators in Business

This report is the result of a comprehensive research programme conducted by **Headlines Corporate Communications** based on direct surveys, cross-industry research, and original research by Oxford University psychologist Laura Godwin. We would like to thank the many organisations – including a number of **Headlines'** clients – who took the time to assist us in this study.

For more information about **Headlines Corporate Communications** please: visit our website at [www.headlines.uk.com](http://www.headlines.uk.com) email us at [info@headlines.uk.com](mailto:info@headlines.uk.com) phone us at +44 (0)1908 393303

# THE POWER OF COMMUNICATION.

“

*For millions of years, mankind lived just like the animals. Then something happened which unleashed the power of our imagination. We learned to talk. And we learned to listen. Speech has allowed the communication of ideas, enabling human beings to work together. To build the impossible.*

*Mankind's greatest achievements have come about by talking. And its greatest failures by not talking. It doesn't have to be like this! Our greatest hopes could become reality in the future. With the technology at our disposal, the possibilities are unbounded. All we need to do is make sure we keep talking.*

– Professor Stephen Hawking

”

COMMUNICATION is a catalyst that can make the difference between mediocrity and dynamism. In a world where it is increasingly difficult to achieve and sustain competitive advantage, the way we communicate has never been so critical to the health and success of our organisations.

Internal communications professionals know this. But can they explain why? How do they measure the difference that IC makes? What are the benchmarks for best practice? And what does the future hold?

To justify the role of internal communication, we have had little more to draw upon than an instinctive understanding of good management practice. Measuring its real value as a driver for improved business performance and profitability has always presented a challenge. Often, in times of downturn, internal communication is seen as a fat to be trimmed. This is entirely the wrong approach.

Our latest research offers further solid evidence that communication plays a key role in determining the success of an organisation; that it is the ultimate tool in managing the most potent resource – its people.

This report looks at the true value of an engaged workforce; the psychological contract between an employer and an employee – and how this can become a powerful lever in creating competitive advantage.

It demonstrates how the direct connection between internal communications and improving business performance is stronger than ever. It also reveals how UK businesses could add billions to bottom line profitability by increasing employee engagement and the effectiveness of internal communications strategies

The report draws on our own research, industry studies and direct client experiences to establish guidelines for best practice. And it considers the benefits and pitfalls of new and emerging technologies, such as email, intranets, video and new social networking and podcasting technologies.

The result is a definitive guide to internal communication: essential reading for HR and IC professionals and anyone with an interest in improving the performance of their organisation.

**Peter Doherty**  
Managing Director  
Headlines Corporate  
Communications

# WHY COMMUNICATE WITH EMPLOYEES?

Given the clear association between engagement, job satisfaction, advocacy and performance, there is every incentive for managers to seek to drive up levels of engagement among the workforce.

**(Employee Engagement, CIPD, 2008)**

An internal communication (IC) strategy maximises the potential of a company's employees. A successful IC strategy can unleash vast internal value from human capital within an organisation, helping to drive both growth and profitability on the bottom line.

This is especially true in the current economic climate. Financial uncertainty, increasing business complexity and intense global competition demand new value approaches to driving business performance. Employees are the most critical business asset in achieving this performance improvement – delivering a positive impact on service, efficiency, customer retention, quality, innovation, the value of the brand and much more.

Researchers now agree that employee capability must be fully utilised if an organisation is to be successful. The problem is that while engaged employees are increasingly key to business success, many companies are not succeeding in engaging, motivating and retaining staff effectively, and there are significant costs associated with this failure to engage employees.

An effective internal communication strategy will make a significant difference.

## THE HUMAN ASSET

The unique resource that any company has in today's world is its 'human capital', the combined value of employee skills, knowledge and conscientious behaviours.

The experience, competence and creativity of individuals represent

a 'knowledge advantage' for an organisation. If this information and knowledge can be shared from worker to worker, the advantage is enhanced.

Strategists have also outlined a 'service-profit chain', in which positive employee attitudes lead to better customer reactions, which in turn result in customer loyalty and higher sales. Companies with permanent and committed employees are much more likely to have loyal, long-term customers.

In this framework, a company's 'core business' is not a product or service, but a set of relationships, which the company must build and maintain. These relationships are the key to an organisation's success, and the management of people should be seen as a key factor in a firm's business strategy.

If companies fail to register the importance of motivating employees, staff turnover is likely to increase. When an employee leaves the organisation, not only is their technical know-how lost, but vitally, so are their relationships with colleagues and customers.

That's expensive. According to the latest Chartered Institute of Personnel Development (CIPD) 2008 HR Barometer, the cost of staff turnover now averages £7,750 for every job leaver.

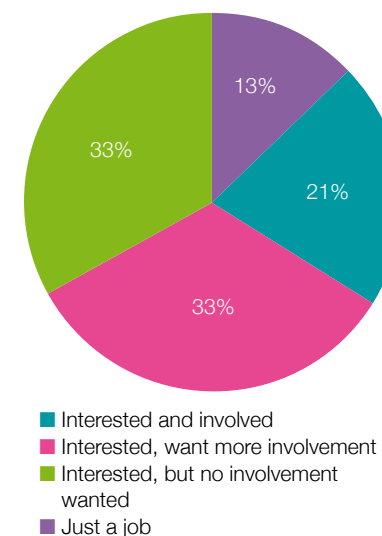
It's also disruptive to business. The CIPD study reports that 84 per cent of UK organisations are now experiencing recruitment difficulties, and 78 per cent of organisations are also experiencing staff retention problems.

## ARE COMPANIES SUCCEEDING IN MOTIVATING STAFF?

While some companies now recognise the potential value of the workforce, it seems that the majority are failing to elicit the employee commitment required for people-driven business progress.

Organisational psychologists use the term 'engaged' to describe this ideal committed state. The engaged employee is motivated to do their best in their work, believes in the organisation's values and goals, and has no desire to leave the company.

**Fig. 1: Employees committed to helping an organisation achieve its aims and objectives. (How Engaged are British Employees? CIPD, 2006)**



**In its latest report on employee engagement (January 2008), the CIPD concludes:**

■ Engagement is not about driving employees to work harder, but about providing the conditions under which they will work more effectively – or in other words, it is about releasing employees' discretionary behaviour.

■ Engaged employees are more likely to act as organisational advocates than disengaged employees and can play a powerful role in promoting their organisation as an employer of choice.

Unfortunately the fully engaged employee is currently in the minority in the British workforce. A recent study commissioned by the CIPD on employee engagement levels across British business showed that only a fifth of employees are both interested and actively involved in helping an organisation meet its business goals (see fig. 1).

Interestingly, a third of employees said they were interested and would like to get more involved if they could, which suggests there is an untapped resource in most organisations, ready for action.

Other studies suggest that attempts to engage employees are failing. Statistics from an Investors in People study suggest that managers believe they are engaging with staff, but that in many cases, employees do not agree.

**For example:**

■ 74 per cent of UK bosses believe management try to make staff feel

The importance of retaining employees  
 ► 84 per cent of UK businesses had difficulty recruiting new staff in 2008  
 ► Today's average cost of replacing one member of staff: £7,750

**(HR Barometer: CIPD)**

"It is not enough for people just to be there and to have the relevant knowledge. They must also be managed in a way which enables them to apply knowledge and understanding in the best interests of the business."

**("The Case for Good Management", CIPD)**

involved in the business. Only 44 per cent of employees believe this actually happens

■ 64 per cent of employers think staff understand business targets, while only 49 per cent of their staff consider this to be the case

■ 63 per cent of employers think that they successfully create an environment in which staff can develop. Just 41 per cent of employees agree.

### THE COSTS OF FAILURE TO ENGAGE EMPLOYEES

This dissatisfaction puts firms at a financial disadvantage. Taking into account factors such as productivity and absence toll, the Government has suggested that disengaged employees cost the UK between £39 billion and £48 billion per year.

The 2008 CIPD Employee Absence Survey found that the average level of work absence was eight working days per year, per employee – that costs companies around £666 for every member of staff each year. More than eight out of ten respondents report that absence is a significant or very significant cost to their organisation.

While a proportion of absence is due to genuine sickness, the CIPD recognises that many days off are taken because people do not enjoy their work and are not committed to their employer. This is supported by businesses which have recorded a

drop in absence following increases in employee satisfaction and commitment. Unauthorised absence of this magnitude can cost a business thousands of pounds.

The costs associated with employee turnover are equally substantial – not only the outlay on recruitment advertising or agency search fees, but also:

- training
- time with customers lost
- a lack of immediate effectiveness of the new employee even after training
- the general impact of turnover on staff morale and therefore productivity
- the loss of valuable personal relationships with staff and customers.

### POTENTIAL FOR IMPROVEMENT

Extensive research suggests that communication is the key solution to maximising the potential of employees.

Organisational psychologists have noted consistent positive effects of communicating with staff, in terms of their satisfaction, motivation and commitment to the organisation's ideology and objectives.

Such research suggests that enhancing employee attitudes in this way is a powerful force in increasing productivity and sales, and encouraging staff to stay with the business.

The term 'The Psychological Contract'

is often used to describe the state of understanding and commitment between employee and employer. The psychological contract consists of the expectations of the employer, and the commitment of the employee to fulfil expectations.

The psychological contract breaks down, however, when the employee does not believe in the goals set by the employer, and does not care if the company is disadvantaged. The solution is to create a culture of 'engagement', so the engaged employee:

- has a genuine belief in the values/ goals of the company
- is willing to go the 'extra mile' for the company
- is loyal to the firm
- has a customer-oriented attitude
- is motivated to improve their own performance and that of the firm
- understands, and keeps up to date with, the wider business context.

But in order to engage, the employee must trust that the employer is honouring their part of the psychological contract. Only then will they be satisfied, committed and productive. Communication is the key.

# THE IC-PERFORMANCE LINK.

## THE LINK BETWEEN IC, PRODUCTIVITY AND PROFITS

There is mounting evidence that engaged employees significantly benefit business performance and profitability.

In the past five years, the companies that today feature in *The Sunday Times* Best 100 Companies To Work For 2008, have performed twice as well as their FTSE 100 rivals and their share prices have consistently out-performed the FTSE 100 Index.

This is backed up by findings from the *Financial Times* ranking of 100 Best Workplaces in Europe in 2007, which

revealed that the 100 Best Workplaces in Europe grew annual revenues by an average of 20 per cent.

Most significantly, when the FT broke down how these 'engaged' companies were performing in key business areas, they found significant further evidence that by motivating staff and harnessing innovation, they were benefiting in both market leadership and business achievement.

Across Europe, the report showed the TOP 100 companies had launched significantly more new products in the last three years than their national average,

**Employee communication can have a positive business impact on:**

- Engagement, motivation and retention
- Operational efficiency
- Product/service innovation
- Customer relationships
- Change initiatives
- Growth
- Profitability

*(Headlines Client Survey, 2008)*

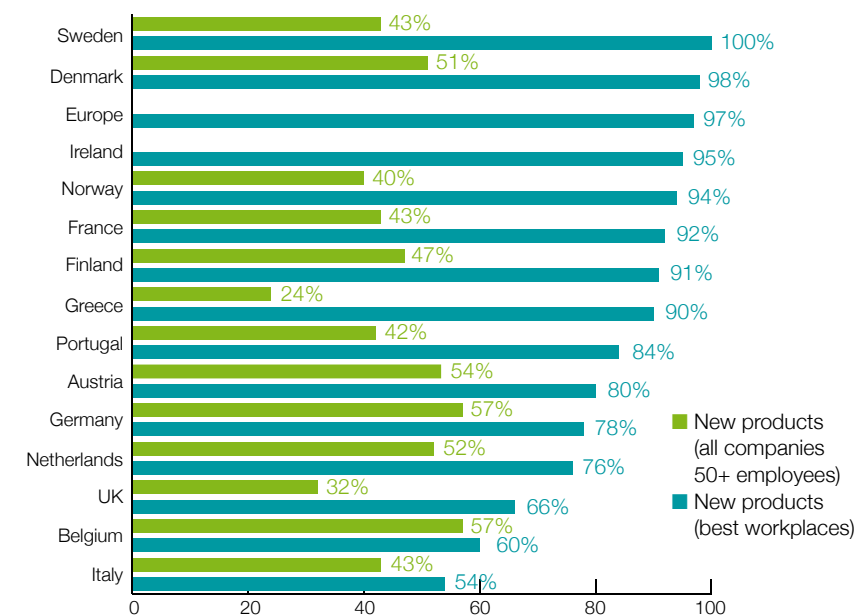
### The importance of IC investment

"Despite challenging financial conditions, most UK companies have increased or maintained their IC spend in the last three years. Communication is a key support to achieving business strategy and goals."

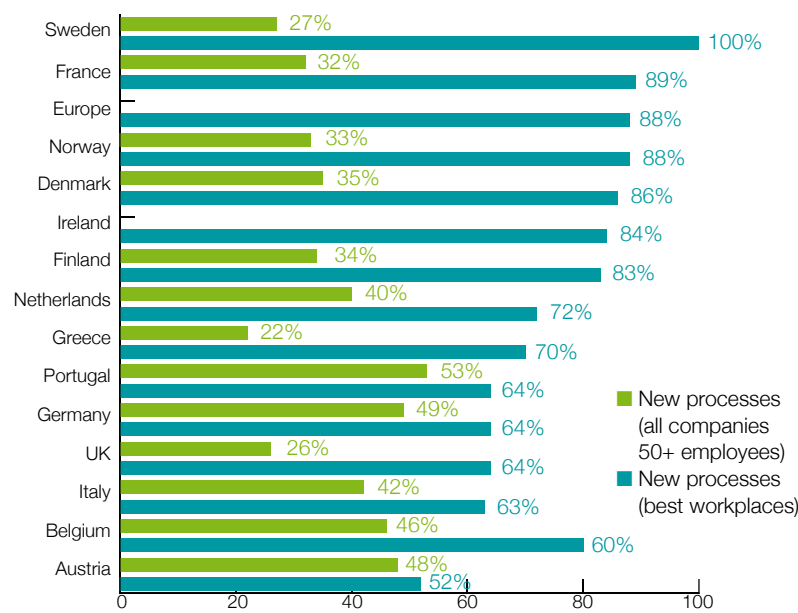
- 50 per cent of surveyed companies increased IC spend
- 34 per cent maintained the same level

*(CIB IC Index, 2008)*

Fig. 2: Introducing new products – percentage of companies that have introduced new products to the market within the past three years ('Great Place to Work® Institute' and the European Commission 'CIS 3', 2004)



**Fig. 3: Introducing new processes – percentage of companies that have introduced new processes to the market within the past three years** ('Great Place to Work® Institute' and the European Commission 'CIS 3', 2004)



and they had introduced significantly more new business processes than their competitors (see figs. 2 and 3).

**The 2007 FT survey also found significant benefits in staff growth, attraction, and absenteeism:**

- During the past 12 months the Top 100 companies achieved growth in staff numbers of 12.6 per cent, or more than 13,000 people

- Throughout Europe, there is significantly lower absenteeism among the Best Workplaces compared with

the labour market in general

- On average, the 100 Best Workplaces in Europe receive six times as many job applications as their total number of employees.

- The 100 Best save costs on hiring and training – the voluntary employee turnover is on average 8.5 per cent.

A recent two-year project from the Institute for Employment Studies (IES), involving over 3,000 UK employers, found further clear evidence that organisations with a comprehensive

approach to people management, supported by clear IC strategies, perform better than those without. This can be measured in higher profits per employee, higher profit margins and higher productivity.

Called 'People and the Bottom Line', the 2008 IES study estimates that, if a business increases its investment across a number of people management practices by around ten per cent, it could secure an increase in gross profits per employee of between £1,083 and £1,500 per annum.

The report reveals a series of other direct benefits:

- an increase in operating profit per employee of between £1,139 and £1,284
- an increase in profit margins per employee of between 1.19 per cent and 3.66 per cent (i.e. the ratio of profit over sales)
- a 0.09 per cent increase in sales growth per employee
- and a 3.1 per cent increase in the probability of achieving sales from new technology.

An earlier Gallup survey also found that workgroups exhibiting the highest levels of employee engagement had enhanced:

- employee retention (44 per cent higher than low engagement group)
- customer loyalty (56 per cent)
- safety records (50 per cent)
- productivity (50 per cent)
- profitability (33 per cent).

Gallup reported that customers whose service interactions were

with engaged employees returned more often, used the company's services more frequently, and paid higher prices for these services.

**THE IC LINK**

It is also possible to trace a clear link between internal communications and engagement, and thereby to tangible financial performance.

The 'classic' study of this sort surveyed attitudes and performance before and after a major internal communications review in the prominent US retail firm, Sears Roebuck and Co. New communication channels were opened, with the aim of motivating employees and emphasising the company's commitment to customer satisfaction.

As a result, there was a dramatic positive change in employee attitudes to working for the company, and their motivation to 'live' its values in everyday interactions with customers. This change was linked to more positive reactions among Sears' customers. The researchers found that these attitudinal changes had a significant impact on Sears' 'bottom line, with revenue growth increasing by 0.5 per cent in the period following the review.

A number of case studies support these findings. Standard Chartered Bank has measured the impact of its internal communications. The bank introduced new communication policies that were aimed at amplifying employee engagement in its branches.

When branch teams achieved

engagement levels above the industry average, numerous 'bottom-line' benefits emerged. These included:

- 74 per cent higher deposits growth
- 100 per cent higher profit margin growth
- 6 per cent greater revenue growth
- 10 per cent greater productivity
- approximately twofold increases in both employee loyalty and customer satisfaction.

Another recent study has also provided strong evidence for the communication-performance link. Watson Wyatt conducted two 'Human Capital Index' surveys which aimed to uncover which HR practices had the greatest correlation with shareholder value.

The study included a range of corporations from the US and Europe, each with at least \$100 million market value. Measures of market value, value creation, and five-year returns to shareholders (TRS), were used as indices of the 'bottom line'.

Companies were allocated an 'HCI score' according to the extent of their use of certain superior HR practices. The significant findings in terms of IC were as follows:

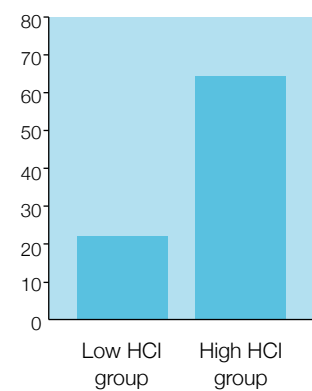
- high HCI score organisations received an average 64 per cent five-year TRS, as compared to a 21 per cent return in the low HCI corporations
- processes enhancing 'rewards and accountability' had a 16.5 per cent impact on market value
- the 'Communications Integrity' score of the organisation accounted for 7.1 per cent of its market value.

"On the shoulders of the IC function rests the heavy burden of ensuring the strategic direction of an organisation is known, understood and, above all, acted on."

*(The Work Foundation, 2007)*



**Fig. 4: Human Capital Index Score and five-year returns**



Furthermore, the HCI studies provided evidence that good communicative practice is a driving force in organisational performance, rather than a consequence of this enhanced success.

As the two studies included many of the same companies, the predicted causal relationship could be confirmed. Good performance followed HR reform, rather than the other way round (see fig. 4 overleaf).

### THE NEED FOR CLARITY

Sadly, many organisations have not successfully achieved this level of engagement. In *The Sunday Times* Best 100 Companies To Work 2008 For study, researchers found that a significant 68 per cent of ‘disengaged’ workers say there is confusion about who does what in their organisation, followed by 43 per cent of ‘floating

voters’, while among ‘engaged’ workers the figure is just 27 per cent.

Four out of 10 people in organisations that did NOT make it to the list report this lack of clarity about who does what. This drops to 23 per cent for companies listed 11–100 and to just 10 per cent for the top 10 organisations.

All this points to a lack of effective internal communications in some companies, says the report, and putting in the effort on communications could improve a company’s standing significantly. The Work Foundation has also supported this call for a more effective approach to internal communications to increase employee engagement and deliver bottom-line impact.

Building on previous research, a Work Foundation 2007 report across UK companies found that internal communications was one of the ‘intangible’ production factors that can contribute to long-term success.

The report studied internal communication practice in 596 large organisations in the public, private and voluntary sectors, the majority of which were multi-site. It found that IC departments were working increasingly closely with chief executives, with the primary role of enhancing employee engagement and that the highest performing organisations are notable for using IC for both downwards and upwards communication.

Communicating effectively inside

organisations is not something to be done for the sake of it, notes the report, it is a central performance and productivity issue.

As we move towards a more knowledge-based, networked economic model, where teams do not necessarily sit together in the same office, internal communication is almost certain to rise in importance and sophistication. Yet it is also the case that with so much information whizzing about – not all of it high quality – getting good, consistent messages across calls for increasingly complex sets of skills.

“Get it right and the result is increased engagement and productivity, with employees performing the role of ambassadors for the brand,” say the report’s authors. “Get it wrong and top teams will soon learn just how contagious apathy and cynicism can be.”

What the emerging evidence now clearly shows is that the link between employee engagement, IC and business performance and profitability is stronger than ever, and will continue to strengthen in the future.

# IC STRATEGY FOR ENGAGEMENT AND FINANCIAL GAIN.

**Headlines’** research across selected clients reveals how UK companies currently rank the business benefits of internal communication. Greater employee engagement is top of the list, closely followed by improving operational performance, fostering innovation, and providing essential support for strategic corporate change and transformation projects.

These are broadly in line with the results of the Work Foundation study on IC, which ranked the top four objectives that organisations are trying to achieve through their internal communication activities as:

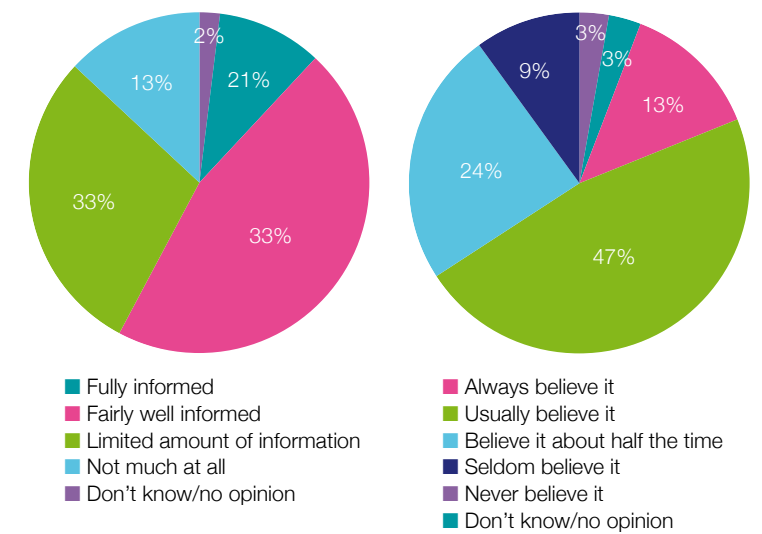
- engaging employees in achieving business objectives – 85 per cent
- understanding organisational goals and strategy – 81 per cent
- supporting culture change – 52 per cent
- creating an environment of open dialogue – 50 per cent.

Naturally, keeping employees informed about what is going on in the organisation is critical to achieving these benefits, but in the 2006 CIPD report on *How Engaged are British Employees*, the evidence suggests there is still a lot of room for improvement.

The CIPD report found two in five people in its UK survey did not feel they were kept well informed about what is going on in their organisation. Worse, over a quarter of employees did not believe the information they were given anyway (see fig. 5).

This lack of information and credibility among a significant section of the

**Fig. 5: Do UK employees feel informed?**



UK workforce creates a lack of engagement and the loss of all the associated business benefits – such as the retention of high-performing employees, increases in job satisfaction and therefore performance, and the willingness of employees to promote the brand and advocate the company as an employer.

The report concludes: “As nearly half of employees feel they are not well informed about what is going on, organisations need to review their internal communications strategies.”

### HIGH ENGAGEMENT COMPANIES PRIORITISE INTERNAL COMMUNICATION

An earlier **Headlines** survey studied the experiences of companies from *The Sunday Times*’ and *Financial Times*’

Best Places to Work lists, plus selected **Headlines** clients, all of which are known to have high levels of employee satisfaction and engagement.

The survey found that a characteristic of high engagement (HE) companies was the comprehensiveness of internal communication, coupled with recognition of the importance of IC by the company’s strategic directors. All of the companies questioned used multiple channels for communicating with staff, combining email and intranet use with regular team meetings and presentations (see fig. 6).

High engagement companies are also characterised by widespread support for the IC function. Over 80 per cent of survey participants said that senior management fully recognise the value of internal communication in maximising staff potential. This is a much greater figure than in the UK business population

as a whole at around 28 per cent.

This highlights the importance of ensuring management support for the concept of internal communication, so that directors commit to their important role within the IC strategy, and also allocate sufficient resources to the function.

It seems that high engagement is fostered most when IC has a respected planning role in the organisation; 89 per cent of the surveyed IC directors considering their role to be strategic. Again this percentage is much higher than the UK-wide figure.

This demonstrates how internal communication, motivated by a desire to increase performance, can have beneficial effects for both employer and employee. While all the high engagement group considered IC as a way of making employees more focused on company objectives, these companies also considered IC as a motivational tool.

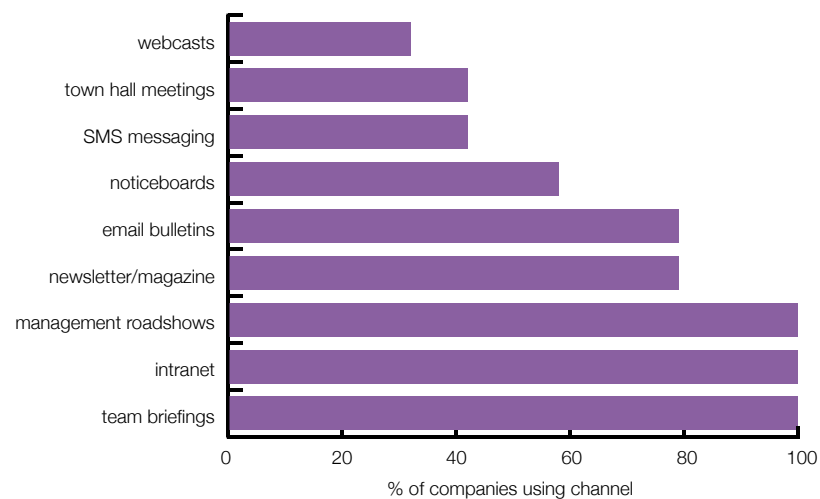
## IC PRACTICES OF HIGH ENGAGEMENT COMPANIES

**Companies with motivated and loyal employees are characterised by certain characteristics and principles. These companies:**

### ■ Encourage autonomy and employee-driven communication

High engagement companies are characterised by a high level of trust in the workforce, that allows them

**Fig. 6: Communication channels in high engagement companies**



to be relatively more autonomous in their work. Companies should allow employees to devise their own ways of working. Giving staff personal responsibility in this way means that they are working for themselves and not for the company, a key to motivation and commitment. It is also clear that companies should decentralise responsibility for sharing information.

Again, employees are being encouraged to make the changes they want to see in the workplace, driving the information transfer that they consider useful. Only when staff are mobilised into sharing knowledge and ideas will staff innovate successfully and come up with new business solutions.

Encouraging collaboration online through intranet forums or instant messenger, or face-to-face in a team-based structure will build employees'

ownership of their work, and increase their motivation relative to being simply supplied with job-relevant information from above.

The vast majority of the HE companies questioned use a team or process-based organisational structure which encourages employee-driven collaboration and innovation. Many were also characterised by a high frequency of team briefings and discussions which place communication and collaboration as a key focus of each working day.

### ■ Reward and communicate personal development

HE companies target the psychological reward systems of their employees. By using IC processes that involve praising staff and communicating these achievements to others, employees are

rewarded for successful work with boosts to self-esteem and respect from their colleagues.

It is these personal rewards that promote future efforts more successfully than material rewards, and give an employee a personal and emotional commitment to their organisation. Communications between employees and their immediate managers should emphasise the personal development of the employee in their work, the work task being portrayed as an opportunity to gain skills and recognition.

In this way, the psychological contract is strengthened, with the employee feeling that she is gaining personally from her association from the company.

This effect is enhanced if employees feel that they are gaining professional rewards for their efforts. IC must emphasise the future prospects available for the individual at the company, promising longer-term rewards of recognition and status for continued high performance.

### ■ Seek employee opinion and feedback

There is a need for IC to include 'internal intelligence', constantly communicating with staff to uncover problems or inefficiencies.

People naturally innovate. Consultation of employees about their individual job design can lead to more efficient working practices that are tailored to the motivational style of the employee. Making reforms based on employee suggestions improves an employee's satisfaction with their working

environment and thereby their motivation.

The very process of consultation will act to build trust between employer and employee, make staff feel that their opinion is valued and that their efforts and interest are appreciated. To get people to commit to certain goals or changes, they must feel that they have made a contribution to decisions.

Companies should trust employees with as much information as is reasonable and therefore 'flatten' the organisational pyramid. There must be a recognition that front-line employees may be the people who are the best informed about issues of importance to the business, and that therefore their opinion is highly valuable.

80 per cent of the high engagement survey group considered gaining employee feedback to be part of the IC function. 89 per cent of these companies seek employee opinions about workplace issues, including the working environment and job design (see fig. 7 overleaf).

### ■ Communicate a clear set of brand values

Companies should make employees aware of the objectives of the company and the impression that the company wants to convey to its clients and customers. The external image of the company brand must match the experience of employees if there is not to be dissatisfaction within the organisation. If there is no genuine buy-in to brand meaning, staff will not be willing or able to support it and customer relationships and product quality will drop.

Internal marketing of brand values doesn't

100 per cent of high engagement companies surveyed believe that effective communication has been "a key factor in maintaining high levels of employee satisfaction".

90 per cent of HE companies say that communicating brand values is an objective of their IC strategy.

have to be explicit; company values can be made clear through the emphasis of news, the comments made during appraisals, meetings and presentations. Most of the HE companies feel that their IC strategy goes beyond giving people job relevant information, and into the realm of internal marketing. Over 90 per cent said that the IC function includes making employees more focused on the objectives and values of the company, with an equally large proportion saying that they had specific brand values that were conveyed via internal communications. Brand values cited by the HE companies focused on both the goals of the company and the way these could be achieved in the

working practices of employees.

There was a general consensus that these values are not just arbitrary propaganda. 78 per cent of IC directors believed that there was genuine commitment to the values, and that they guide everyday business conduct.

**■ Maintain consistency**

If organisations want to maximise the potential of their staff, they must not give them mixed messages about what is expected. Internal communications must be consistent if directors are to get employees to act on their messages.

for their actions and work to a greater degree. It helps to create a community or team atmosphere that improves general morale at work, and increases the likelihood of people feeling ashamed of poor work (see fig. 8).

Personalised communication is especially important in the interaction between management and staff. In order for there to be genuine agreement with senior managers, they must make efforts to convey sincerity and ‘emotional energy’ when communicating objectives to employees. The issue of how to ensure managers are seen as approachable and personable is recognised by many of the HE companies in the survey, 60 per cent citing this as an objective of IC.

HE firms were characterised by frequent opportunities for personalised contact with management, and employees of these companies seem to appreciate these events (see fig. 9).

**■ Ensure management ‘buy-in’ and communication skills**

Line/team managers have a key role in ensuring the success of strategic internal communication. They have the important day-to-day responsibility for motivating staff, through appraising performance, recognising achievement and explaining the objectives of the company. It is therefore essential that they understand and believe in the company’s objectives so that their behaviour and communication reflect these goals.

Line managers are a key link in communicating the importance of these objectives, because they can explain top-down information in a local framework which employees are more likely to engage with. The line manager must take communications and assess their relevance to the team’s individuals and tasks, tailoring IC in briefings, meetings, and even in a newsletter specifically for the team or department.

A majority of HE companies feel that line managers are important for success, over 60 per cent of representatives saying that good communication skills at this level were important in employee engagement. Out of those companies who did not feel that all managers related to staff effectively, most had instigated training in communication skills. Over 80 per cent of the HE group routinely train managers in how to engage staff through communication.

**■ Measure IC effects**

Measurement is important in demonstrating to directors that IC is a worthwhile enterprise. This will help gain resources for the IC function, but also ensure that senior managers recognise the value of their role in the IC strategy i.e. communicating with emotional energy the objectives of the company, and allowing decentralisation and information sharing initiatives to go ahead.

In addition, measuring the impact of HR policies allows assessment of the effectiveness of a particular strategy. If no beneficial effects are obvious, measurements along the chain, from

communication to performance, can allow IC directors to assess where the failure lies.

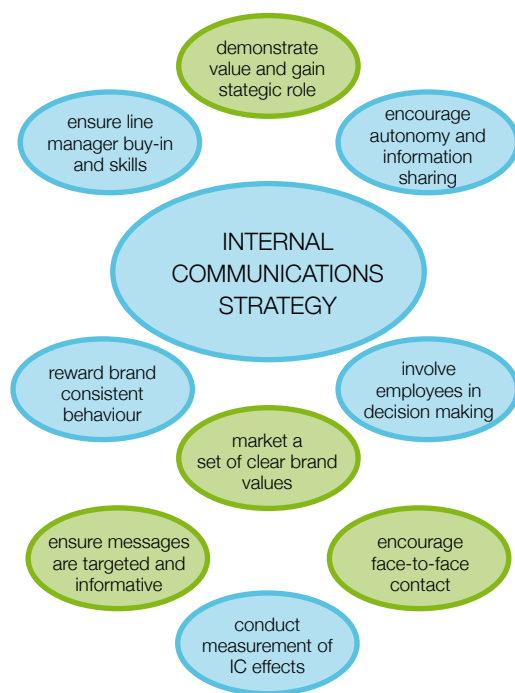
This report recommends that companies measure, at the very minimum, IC’s effects on:  
 ■ staff morale and engagement  
 ■ employee attitudes to the company and its branding

**■ bottom line business results**

Attitudes change, and tracking them is essential to the effectiveness of an IC strategy, so these surveys should be conducted as regularly as possible.

More details on IC measurement approaches feature later in this report.

**Fig. 7: Internal communications strategy**



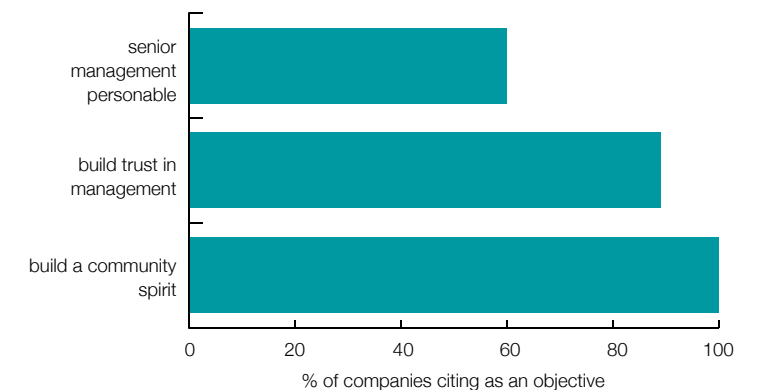
If IC holds a strategic position in the organisation, it can ensure there is no mismatch between the contents of IC and the actual objectives of the company.

**■ Meet the management**

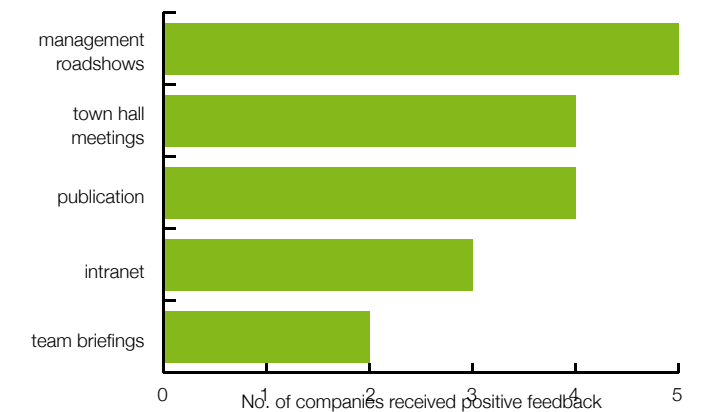
The survey results suggest that communicating face-to-face is the most effective way of getting information across.

Conducting everyday business conversations face-to-face makes employees feel personally accountable

**Fig. 8: Objectives of IC in high engagement companies**



**Fig. 9: IC methods – receiving positive feedback**





# IC STRATEGY AND ORGANISATIONAL CHANGE.

Successful communication with staff is vital for maintaining trust in disruptive circumstances, and ensuring motivation remains strong.

## IMPLEMENTING SUCCESSFUL CHANGE

Internal communication is even more important in times of crisis or upheaval. Organisational change covers relatively benign adjustments such as relocation and re-branding, through internal restructuring, to more troublesome incidents of take-over, redundancy, or negative publicity.

Without good communication, the company can be irrevocably damaged by the attitudinal repercussions of change. Without a motivated workforce, business success will suffer in the short term. Longer-term effects may be evident if the change is managed so badly that there is a permanent loss of trust, if the psychological contract has been broken.

The main potential problem is worker uncertainty and lack of information, a powerful force in disrupting productivity and morale. When there is the threat of job losses, the effects are exacerbated by fear and resentment. Faced with a threat to their security, individuals are likely to be demotivated and block out messages from the perpetrators of that threat. This initial loss of trust makes reconciliation and reassurance even harder in the future.

Sensitivity is needed to deal with people who feel that their earning abilities and standard of living are in jeopardy as a result of the intended change. Research suggests that there are three psychological changes people typically go through when hearing of major organisational change.

Firstly, there is a denial period where

communications will fall on deaf ears. Then there follows a period of anger and uncertainty in which confidence is low and individuals feel increasingly impotent.

Here, effective internal communication can support individuals, make them feel valued by giving them a say in unfolding decisions, and provide them with an alternative source of information to the rumour mill that only exacerbates the sense of uncertainty. Internal communication can therefore facilitate the transfer to the third stage of 'acceptance and exploration'.

### How can a company use internal communication to ease uncertainty and resentment in times of upheaval? Five general principles emerge:

#### ■ Be the most valuable, up-to-date, consistent and objective information source available to employees.

Employees should always know of events before external sources if their commitment to the organisation is to remain strong. If employees feel they have sufficient 'insider knowledge' of the change, they will be less likely to believe damaging rumours or media coverage which is often not so well informed. If organisations fail to present their side of the argument, employees will not feel valued by the organisation, and fuelled by negative reports elsewhere, will feel growing resentment to their employers. The information must be consistent, which highlights the importance of fully briefing managers in the company's message.

#### ■ Encourage face-to-face contact with management. Senior

management should be accessible as quickly as possible after a controversial announcement. The senior figure must come across as objective, rational, sincere and not mask issues with business speak. Group meetings with line managers will facilitate successful change when those managers have been briefed with a clear message, and are able to interpret that in terms of its implications for the local audience.

■ **Listen to the views of employees and answer their questions as honestly as possible.** This reduces uncertainty, and allows IC directors to best assess how to present the change to employees, in terms of which decisions need the most explaining. The approach should be pro-active i.e. employers should canvass employee attitude and opinion, not just wait for questions or complaints to arise.

■ **Create a culture of open and honest communication.** An organisation should inform employees regularly about achievements and problems, encouraging personal involvement in the company, and therefore solidarity in difficult periods. Employees understanding the context of the change will smooth the transition to new working practices.

■ **Plan the IC change management strategy.** IC directors should decide what message they want to get across, and how and when communications should be delivered. Question and answer sessions should be pre-planned, to ensure that the company is perceived as proactive in sharing information and not simply reacting defensively to the situation. Information about the intended

structure/location etc. should be made available in advance of the change, e.g. parking guidelines for a new location, the new brand values, changes in communication pathways etc. Many change management consultancies suggest establishing a special channel of communication dedicated to the change, such as a phone hotline or intranet site, which can provide information and also act as a question and answer service.

### Recommendations for dealing with difficult change

- ▶ Align internal and external communication timing and content
- ▶ Cut out the 'middle man'. Employees should hear the message directly from senior management to prevent distortion of information and confusion. Also more trust in decision making if see senior managers personally justify decisions.
- ▶ Don't 'sugar coat' information. Straight talking is valued, even when the message is that management does not know the answer.
- ▶ Make efforts to understand the attitudes of staff before delivering bad news. That way, management is best placed to make positive statements, and attempt to address the most common concerns.
- ▶ Obtain CEO commitment to regular, objective updates on the changing situation. Becomes an accessible, highly informative source to the extent that sensationalist external media is ignored. These updates must be consistent in their values and outlook.

*(The Association for Strategy and Planning in Internal Communications)*

# PRINTED PUBLICATIONS.

Printed publications are a popular and effective method for implementing an IC strategy. Newsletters and magazines are highly topical and engaging media, which employees are likely to enjoy receiving.

They are useful in the process of decentralisation and internal marketing, featuring news stories that can convey numerous subtle messages beyond a literal reading of content. However, careful consideration of style and content is essential if the publication is to be truly valuable.

## FUNCTIONS OF INTERNAL CORPORATE PUBLICATIONS

Newsletters can be used as an internal marketing tool, aimed at engaging employees and eliciting ‘brand ambassador’ behaviour. They can be used to build trust between employer and employee, and increase awareness of business progress. Internal publications usually have an informal style and a human-interest focus that makes them a unique IC resource.

### Strategic functions of internal publications

- Present the organisation’s views on topical issues
- Build a shared social identity and a sense of community
- Enhance senior management’s ‘personal presence’
- Publicise the company’s brand values and corporate objectives, and emphasise their relevance in everyday

business practice. Recognise and reward achievement and brand-congruent behaviour

- Educate employees in business operations, best practice, and the market context

Providing the company’s viewpoint on topical issues, encouraging feedback A regular publication containing frequent contributions from senior management ensures that the employer is the primary source of information about the progress of the company.

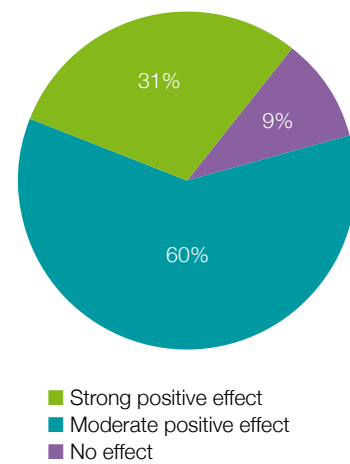
To build trust and commitment, it is important that the company’s decision-makers give their side of the story on issues of relevance to employees.

Newsletters and magazines provide an ideal medium for presenting more in-depth discussion of the company’s current state, its targets and how they plan to achieve them. This can prove essential in managing expectations and thereby reducing resentment in times of organisational change.

Publications can also encourage feedback on these issues through the provision of contact details and ‘tell us what you think’ prompts at the foot of articles. Newsletters can then be used to publicise how feedback has made a difference to the working practices of the organisation.

These measures will increase the employee’s sense that they are trusted and valued, and helps the company formulate ideas for increasing

**Fig. 10: Effects of newsletter use on staff engagement and morale (Headlines Client Survey)**



engagement (see fig.10).

## INCREASING THE SENSE OF COMMUNITY IN THE ORGANISATION

The format of newsletters and magazines makes them especially useful for creating a shared social identity, a social community within the organisation.

Through highlighting the activities and achievements of others, newsletters can promote the organisation as a social community of valued employees with a shared ideology and shared goals. The ability to present a ‘human interest’ perspective is one of the main strengths of an employee-focused newsletter.

Personalising news helps to show that the individuals within the organisation

find it an enjoyable social experience, and thereby foster an atmosphere of fun as well as aspiration.

## INCREASING SENIOR MANAGEMENT CONTACT WITH EMPLOYEES

It is important that the senior individuals in an organisation are seen to be part of this community. Through articles and interviews with senior staff, the ‘them and us’ boundaries can begin to disappear.

An internal publication provides an ideal opportunity for emphasising the personality of directors, and for building trust in their judgement. For example, in a magazine interview, employees might learn that the CEO likes reading romantic novels and long walks, engaging human interest information that would not likely come up in a formal presentation.

Emphasising management’s personal feelings about the company’s progress is also easier in an extended newsletter article. Magazine contributions also give senior managers the opportunity to comment on the achievements of staff, increasing employees’ sense of worth and involvement.

## PUBLICISING BRAND VALUES

Publications can form part of the strategy for internal marketing of company values and principles, such as customer focus or innovation. Magazines are useful for this purpose because brand values can be marketed in an integrated fashion.

One can go beyond having a basic list and explanation of principles, instead presenting the values in the context of company and employee achievements. News stories can show individuals being rewarded for brand-supporting behaviours, or demonstrate how these principles are relevant to everyday work experiences.

## RECOGNISING ACHIEVEMENT AND OPPORTUNITIES FOR DEVELOPMENT

Internal publications help build a culture of recognition and value for employees.

Constructing news stories around the achievements of individual employees or teams will boost their self-esteem and pride in their work and foster motivation. Publicising the achievements ensures that everyone is buoyed by the success, and perhaps inspires others to gain the same kind of recognition.

Newsletters can be used to present personalised accounts of promotion or skills development to emphasise the company’s commitment to the personal and professional development of its employees.

## INCREASING EMPLOYEE UNDERSTANDING OF BUSINESS OPERATIONS

Newsletters can be used to increase awareness of the objectives of the company and how these are being

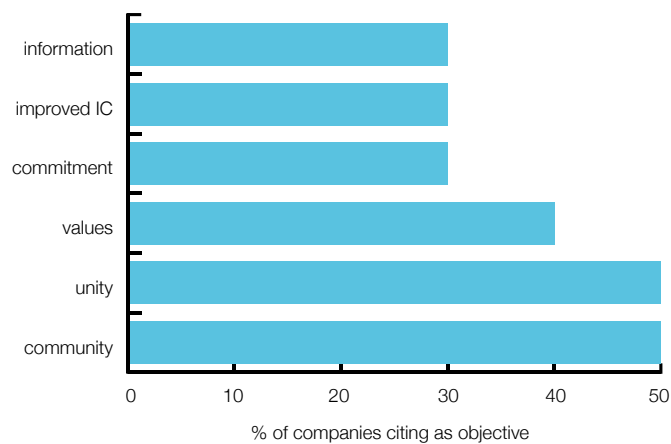
### Objectives of publications among Headlines clients

Do companies have these objectives in mind when introducing an internal publication? Research across **Headlines’** clients identified a range of positive outcomes.

Most of the organisations said they have been successful in implementing their objectives for their publication. IC directors believe that their newsletters have had positive effects in the overarching objectives of increasing understanding of the business, and building a community spirit.

70 per cent had received positive feedback from employees regarding the use of the publications. These employees enjoy reading the newsletter or magazine, and find the articles informative and relevant to their work.

Fig. 11: Objectives of publications (Headlines Client Survey)



achieved in various departments. This increases the sense of involvement and ownership of work. Publicising the hard work of employees around the company may increase feelings of accountability among staff, meaning that they are motivated to continue the standard set by others.

Presenting news about the company's place in the wider business world will make employees more aware of the importance of their work, especially if news stories emphasise the link between changes made by employees and subsequent financial success.

### PARTICIPATING IN MOTIVATIONAL GOAL-SETTING

Newsletters and magazines are an additional way of presenting short-term goals to employees. Setting out achievements alongside the next challenge will foster a continuous focus

excellence and objectives. While team meetings and individual appraisals highlight successes at a local level, successive issues of magazines can allow employees to track progress in terms of the organisation as a whole, and read about the effects on other departments (see fig. 11).

**'Information':** The objective was to provide an information source that would bring the most recent news to people's attention. Companies wanted to increase the information available to employees, and have a regular, trusted platform for putting forward company views on business-relevant issues.

All of the companies questioned agreed that it was important for the newsletter to be focused on employees, answering the question "what does it mean for me?" Mercedes-Benz UK consider that the detailed discussion of company news that occupies the centre-spread of their newsletter is the most important

on component of the publication.

**'Improved IC':** Some of the clients felt that the main objective in introducing the internal publication was to improve on older, less engaging communication channels. One client described how three poorly presented departmental newsletters were unified in a new magazine. In another firm, the internal publication replaced word-of-mouth news and scattered email reports, creating an engaging central source of information.

**'Commitment':** Participants said their publication is aimed at building pride and eliciting a commitment from employees. This has been attempted through publicising the organisation's achievements, positive interactions with staff, and providing exemplars of the firm's ethical policies in the workplace and the community.

**'Values':** A significant percentage of respondents felt that they communicate specific values relating to the company brand (e.g. customer focus, partnership at work) through the newsletter. Most felt that this was done implicitly, the values being reflected in the choice and emphasis of news stories.

**'Unity':** The main objective of many publications is to unite disparate sections of the workforce, increasing involvement and awareness of how the rest of the business works. Examples included formulating a publication which would unify communication in two recently merged companies, and keeping

staff at regional offices informed of company activities nationwide.

**'Community':** Generating a community based on a shared philosophy was a priority for a large percentage of the companies questioned.

### NEWSLETTER AND MAGAZINE DESIGN

Client companies were asked what their employees and management team felt to be the most important or enjoyable feature of the publication. Some clients were able to provide evidence from reader feedback surveys, while others gave more informal opinions based on the comments of management and employees (see fig.12).

#### 1) Use the newsletter to 'personalise' the company

Human-interest stories were by far the most popular feature of internal publications. Employees were more likely to read people stories than other features, and were more likely to find these enjoyable and motivational.

#### 2) Strike a balance between 'people' and 'corporate' features

These findings suggest that publishers of internal publications should base content around employees, celebrating their achievements, and using them as examples of brand ambassador behaviour.

Brand values are better communicated

through people stories than by preaching. People will also be engaged and develop a positive impression of their organisation if they read stories about social activities and community/charity work involving employees. At the same time, this should be balanced with more straightforward corporate news, informing staff about the facts behind recent decisions and the company's recent progress.

Publications should not patronise the reader, publicising as much company information as possible, and presenting this in an objective manner. Perhaps the best way of doing this is through an interview or debate format, rather than allowing corporate messages to be presented in a continuous article

by a single contributor. This will build confidence in the integrity of the communication.

Employee suggestions for publication content should be welcomed and actively sought.

#### 3) Use language to engage the audience

Avoiding patronising the readership involves cutting the management speak and platitudes which often characterise corporate publications. 'Plain talking' is appreciated by employees, and makes them more receptive to the message. In an age where people are constantly bombarded with information, and are more and more educated about the realities of business, significant

Fig. 12: Key elements of internal communication (Headlines Client Survey)

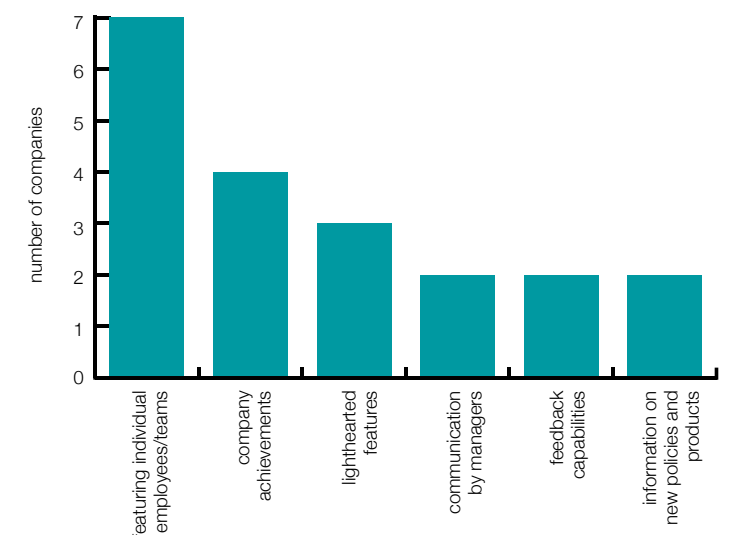
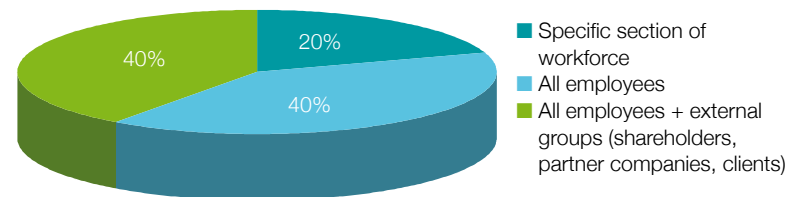


Fig. 13: Targeting publications (Headlines Client Survey)



Newsletters and magazines provide a useful way of increasing engagement through profiling people and achievements. Human interest stories help build a community spirit, and can be used to promote brand values and company ideology. Newsletters should also include objective news reports and insight from senior management. Language and format should be designed to increase involvement, understanding and readership. Targeting different publications to specialist employee groups may be necessary (see fig.13).

cynicism will be levelled at corporate publications.

newsletter holds the readers attention and is 'sticky'.

Employees need to feel that the publication is more than propaganda, that the company cares about the people featured. Employees must be trusted with information, and this information must be presented honestly and accessibly. Discussing failures as well as successes is important in engagement, because people will not be motivated to work for the company if they think that they are being told only one side of the story.

**Increasing stickiness**

- Ensure a standard format across issues
- Restrict the length of stories
- Include various story styles e.g. articles, interviews, 'fact-files'
- Include pictures of featured individuals
- Include competitions, feedback requests and coupons

**5) Target publications for sectors with different needs**

It may be that a single publication is not suitable for the whole workforce. It is useful to be able to tailor a publication to the special needs of a particular group, team or department to ensure widespread engagement.

For example, some of the companies questioned have separate newsletters for management and the rest of staff, which provides more information on strategy for managers, and more focus on people and achievements for employees.

The efficacy of the newsletter can be further enhanced by developing an idiosyncratic vocabulary and style that defines the organisational culture and community. Specific recurring phrases can be used to remind people of the current focus, but must be meaningful and understood by all.

**4) Use devices that increase 'stickiness'**

Several features help to increase the chances that people pick up magazines, read them fully, and anticipate the next issue, i.e. that the

# DIGITAL COMMUNICATIONS.

## THE RISE OF THE E-CHANNEL

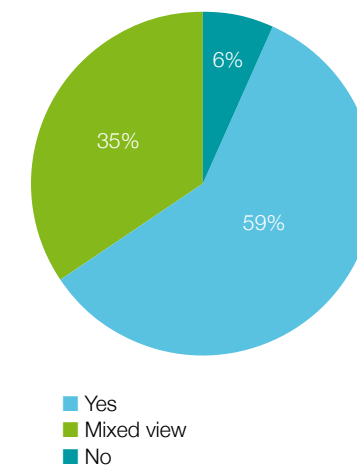
In less than two decades, digital channels have come to dominate business communications at almost every level. The latest industry estimates suggest around 97 billion emails are now sent every day; that's a remarkable 35 trillion emails this year.

A 2008 'Pulse' survey of over 500 companies by the Institute for Corporate Productivity in the US also recently indicated that digital communications are rapidly overtaking many other forms of internal communication channels. Nearly 90 per cent of the respondents said they now use email/electronic newsletters to spread internal communications, outstripping face-to-face communication (75 per cent), company intranets/wikis (66 per cent), the telephone (54 per cent) and printed newsletters (51 per cent).

When asked what communication medium most effectively reaches the employee audience, email and other electronic delivery methods were mentioned by 64 per cent of respondents, with 56 per cent reporting face-to-face meetings as the most effective. Just 18 per cent see the telephone as effective in reaching employees.

Clearly, digital channels have emerged as a powerful way to communicate with staff. They are increasingly well-accepted by employees, although not every kind of employee has easy

Fig. 14: Does email facilitate effective communication?



e-access, and they can offer greater interactive opportunities to encourage feedback and engagement. The critical problem in this fast-expanding electronic environment is overload – and the vital need to ensure all digital IC initiatives are well-targeted, useful and well-read.

## THE USE OF EMAIL

At first glance it would seem that email is a highly efficient way to communicate with colleagues and clients, and forms an indispensable tool in today's business environment.

It is a fast and inexpensive way of delivering messages and documents across long or short distances, information can be shared quickly

and consistently between any number of people, and it removes the need to print and distribute information by conventional means.

Dedicated, regular emails from key managers, especially in organisations where teams are spread widely across different sites or in multiple countries, can be a highly effective communication strategy. They help to keep people informed and build team unity.

In an earlier **Headlines** survey, all companies from both the high engagement and client groups use email as a mainstream internal communication tool, although some still use it only for everyday collaboration between colleagues and not specifically for strategic internal marketing or news distribution (see fig.14).

Around 35 per cent, however, acknowledge there are problems associated with email, including viruses, time wasting and the problems of overload being cited as the main issues. This can reduce work time, result in a loss or failure to notice important communication, and reduce overall employee productivity.

In the survey, 53 per cent of companies have rules in place to control email use. Many of these focus primarily on security and harassment issues, prohibiting people from sending personally offensive emails, or circulating material that would damage



the network. However, a number of organisations have more elaborate restrictions aimed at addressing some of the key problems.

In its latest factsheet, the CIPD states: “The purpose of implementing an acceptable use policy is to ensure that employees understand the way in which these technologies should be used in the workplace.”

A practical policy has multiple benefits for an organisation as it:

- enables both employees and the organisation to gain the maximum value from email and the internet
- alerts them to the dangers that can arise to the organisation if the technology is misused – which may put the organisation at technical or commercial risk
- informs everyone of the consequences of misuse by employees – disciplinary action.

Such policies need to be supported by communications explaining the rationale behind the regulation. At the same time, more efficient alternative conventional and digital communication tools need to be available and easy to use.

### E-ZINES AND ELECTRONIC NEWSLETTERS

A powerful way of overcoming email overload and still effectively engaging employees at their desks is the e-zine or electronic newsletter. The technology behind e-zine creation and distribution has improved enormously

in only the last few years.

Many UK companies are already making extensive use of the electronic newsletter to communicate news to specific teams, keep people informed of what is going on in different areas of the business, and build a sense of collective community among target groups.

Delivered on a regular basis and immediately distinguishable from other email communications, the e-zine offers far greater flexibility in the content and presentation of news and information but without the physical production and distribution costs of printed materials.

#### These advantages include:

- targeted or personalised content for key audience groups
- story summaries to guide people to key content
- well-designed graphic presentation for easy reading and navigation
- inclusion of photos and useful diagrams
- click-thrus to more detailed information
- interactive feedback
- animated options, such as page-turning technologies
- rich embedded content such as videos and audio.

Perhaps most importantly, the supporting technology behind e-zines now allows IC teams to monitor and measure readership, down to specific pages and stories, or time spent viewing. This provides an instant

insight into how effective the communication has been and supports constant improvement and refinement.

# INTRANETS.

A corporate intranet, at its basic level, is simply a reference tool, giving searchable, immediate access to operational information and guidance that employees need to do their job. Transferring such information alone onto an intranet can have huge benefits.

However, many intranets perform much more valuable functions than just referencing official and procedural information. They have become powerful, knowledge-sharing, business tools for their organisations.

Intranets provide engaging designs and communication presentation possibilities, enable multiple media channels to be integrated into their pages, and provide a portal for links to multiple levels of more detailed guidance, advice, information and explanation. Readership is also instantly measurable and effectiveness monitored.

An intranet can be used to give employees access to company documents, distribute software, enable group scheduling, provide an easy front-end to company databases, and let individuals and departments publish information they need to communicate to each other and the rest of the company. Intranet use can also overcome some of the problems of email communication as it prevents people having to send out the same information to different people at different times and no important recipients are mistakenly excluded.

In its 2008 Global Intranet Research Report from UK intranet builder Sorce,

78.6 per cent of respondents said they now view their intranet on a regular basis by setting it as their browser homepage. Over half of these (56.9 per cent) rate their intranet as ‘highly valuable’ or above. Of the organisations that didn’t have a documented intranet strategy, 91.2 per cent said that their organisation would benefit from having one.

Responses also showed that 70 per cent of companies now have specific budgets for intranet development, reflecting its growing status among IC channels (see fig.15).

### HOW CAN INTRANETS BE DESIGNED SO THAT THEY ACHIEVE THEIR FULL IC POTENTIAL?

Evidence from both successful and poor intranet developments in recent

years has produced some consistent ideas on what makes an intranet work effectively for IC.

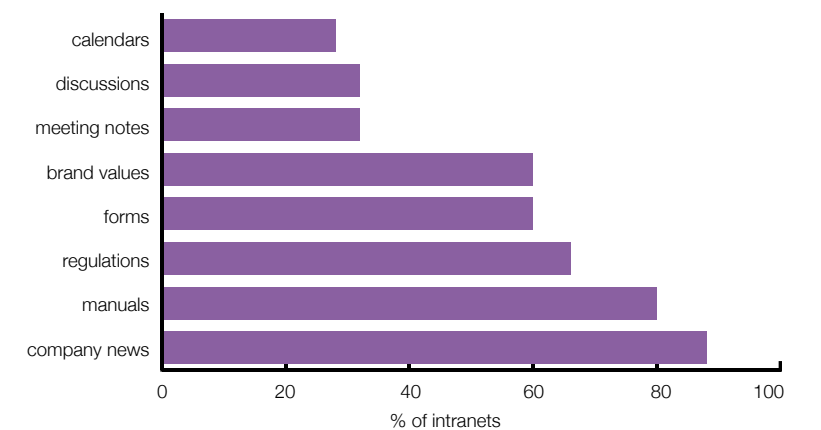
#### 1) Effective intranets are tailored to employee needs

Designers should conduct research into the everyday needs of employees, and design services that help them in a tangible way on a regular basis. Basic employee needs can often be most efficiently served by intranet technology by focusing on a selected number of core services that have demonstrably high value.

#### 2) Intranets need management support

The success of an intranet initiative depends on the energetic support of senior management. In order to generate usage, managers at all levels must recognise the intranet as a strategic asset, contribute to it, and accept that employee time spent

Fig. 15: Intranet content (Headlines Client Survey)





online is productive time.

**3) Intranets need to be marketed**

Too many companies only concentrate on marketing the intranet on its introduction. There should be an ongoing process of emphasising the benefits and range of the services available, and how these could be integrated into the working day. Launching new projects or publicising up-to-date news and essential information online will encourage the use of the intranet as a tool, generating the ‘critical mass’ of use needed for it to take on an interactive knowledge-management function.

**4) Intranets need a user-friendly design**

Page layout should be consistent across the intranet so accessing and navigating new information involves familiar processes. Recently added content and news can be displayed on an organisation-wide home page. Navigation should be simple, with good content management principles applied.

Online feedback mechanisms should be provided, so that staff can comment on whether the sites are easy and enjoyable to use. Intranet teams must also carry out regular usability trials to ensure that the service is accessible and useful for employees.

**5) Intranets should be arranged around tasks and processes**

The most valuable intranet services have structures based around business tasks and projects, rather than around departmental divisions.

Most important business tasks require co-operation between different departments. For example, the development of a new product will involve work by designers, but will also require the insight of the marketing department, and feasibility information from manufacturing and financial services.

A compelling demonstration of the value of bringing project workers together online is provided by Texas Instruments. The company restructured its intranet into a process-based tool, centred around collaborative work groups, which could post information autonomously. As a result, software development time fell from 22 to 8 months.

# SOCIAL MEDIA.

Perhaps one of the fastest growing areas of electronic-based internal communications is in the rapid development of social media technologies.

These include corporate ‘Facebook’ applications which provide a more advanced and interactive form of corporate telephone directory where employees can talk about themselves and to each other. It also covers blogging and podcasting, and even virtual worlds where staff can meet and exchange ideas remotely.

Shell, for example, recently won a top prize for the launch of a virtual meeting space in Second Life – the entirely digital, virtual world. In an effort to foster greater collaboration across its dispersed workforce, Shell has developed two virtual islands in Second Life – one devoted to learning and one to innovation. These open spaces allow engineers to meet (in virtual terms) and discuss technical ideas, business proposals, and innovative projects without having to leave their locations around the world.

A new study by the University of Massachusetts Centre for Market Research recently compared corporate adoption of social media between 2007 and 2008 by the Inc. 500 – the list of the fastest growing private US companies. It suggests that companies that are using social media and new media technologies are growing faster than other companies.

**The research shows that:**

■ four out of five companies in the

Inc. 500 rate social media technology as important or very important  
 ■ 21 per cent of the companies are podcasting and 39 per cent blogging  
 ■ The number of companies blogging and podcasting has doubled in the last year (see fig.16).

**SOCIAL NETWORKING**

Like a corporate copy of the highly successful Facebook public networking site, populated by young and old across the world, an internal company social media site provides a powerful and engaging platform for employee-employee and employee-manager interaction and communication.

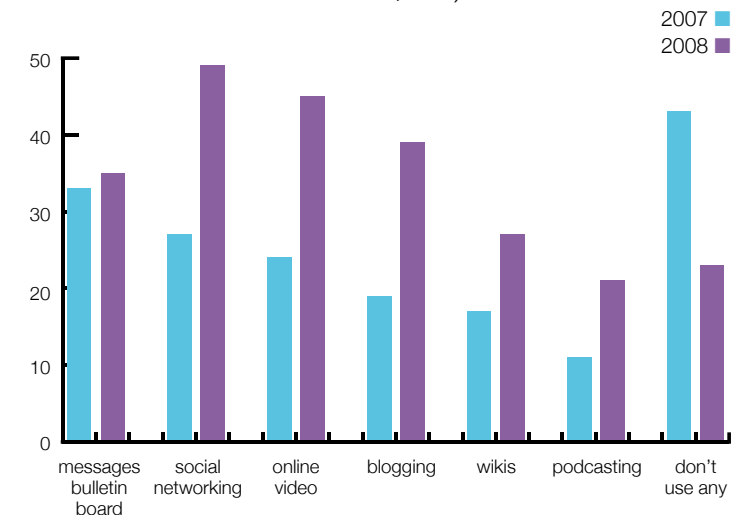
Alongside individual, personal details, it can also provide internal company

information, ranging from promotions and anniversaries, to a list of shared-document modifications pertinent to individual users.

Though still early days in terms of corporate IC development, internal networking sites have already proved to be useful and engaging for some employees, helping to personalise key contacts in the company, serve and build communities, and provide open channels of communication across the organisation.

Inevitably, IC needs to ensure there are adequate controls on both access and usage, and that it doesn’t become an alternative forum for negative messaging. Layout and content also need to be managed to ensure its communication and community potential is maximised.

*Fig. 16: Which Social Media? (University of Massachusetts Centre for Market Research, 2008)*



**Blogging benefits**

- Increased sharing of knowledge and ideas → better business solutions faster.
- Inclusive → anyone can upload content.
- A permanent record of an employee's intellectual/creative value and participation.
- Creates a team identity → increased communication and shared language.
- Encourages ownership of work → blogs hold the information employees want, in the format that they want it.
- Builds trust → employees feel that their opinion and contribution is valued.

**BLOGGING**

Another emerging trend in business communications is the use of 'blogs' as a tool for increasing the value of intranet-based services.

Blogs consist of a topical web interface regularly updated by the site's owner or 'blogger'. In their original incarnation, weblogs were a 'log' of the web, a diary-style site in which the author linked to other web pages they considered interesting, accompanied by personal commentary.

Blogs are increasingly popular in businesses, as a tool for collating and managing information relevant to the company. Business blogs are usually restricted to the company intranet, and prove useful in making the intranet a more popular and more valuable technology. Job relevant insights, points of view, links, documents and emails with annotation can be stored in a blog in an organised structure, which can be searched or browsed. The user-friendly, informal, and regularly updated format of the blog encourages the use of information stored on the intranet.

IC experts suggest that the most useful role for a business blog is for specific projects, with a project team keeping a record of their own progress, ideas and useful outside information they have found. If the team contributes to the blog regularly, an increased flow of ideas can result, and more creative solutions found in a quicker timescale.

Blogs can also be linked to other applications, such as instant messenger and email, through the use of syndication software. This means that every time the

blog is updated, the user is alerted.

**PODCASTS**

Podcasting has been described as 'a vital element of the attention economy'. Audio can capture attention and engage an employee at their convenience, and in a location of their choice. A podcast can also be an effective way of distributing key presentations and an entertaining addition to a company e-zine or intranet site, helping to get messages across in a more personal and human way.

- A UK study by Ipsos Mori in July 2008 identified key trends in podcast usage:
- Podcast listening occurs throughout the day, with an evening peak when 44 per cent of listeners click 'play'
  - 38 per cent of podcast users listen to content more than a week old
  - Since November 2007 there has been a 37 per cent increase in people downloading podcasts in the UK and a 98 per cent increase in the number of people who listen to a podcast each week
  - 79 per cent of people listen to podcasts on their home computer and 66 per cent listen via a portable audio player

In business terms, podcasts are most effective when they have a specific IC role to play, especially to communicate an address from the CEO or senior manager across a company, as training or induction support, or as an instructional refresher for employees about company guidelines and processes. McDonalds uses podcasting to talk about its sustainability initiatives and its green credentials.

# CORPORATE VIDEO.

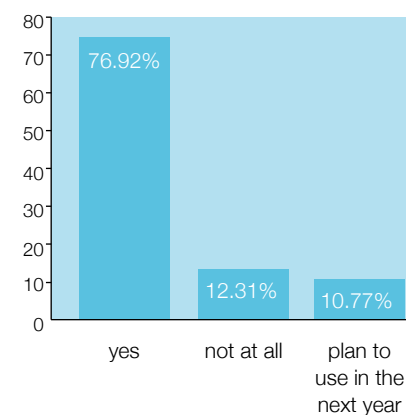
New electronic technologies have also driven rapid expansion in the use of video as part of Internal Communication strategies.

Gone are the days of massive film budgets and teams of technicians. Digital production, editing and distribution techniques have re-defined the cost equation for corporate video and it has become an affordable and more manageable IC option.

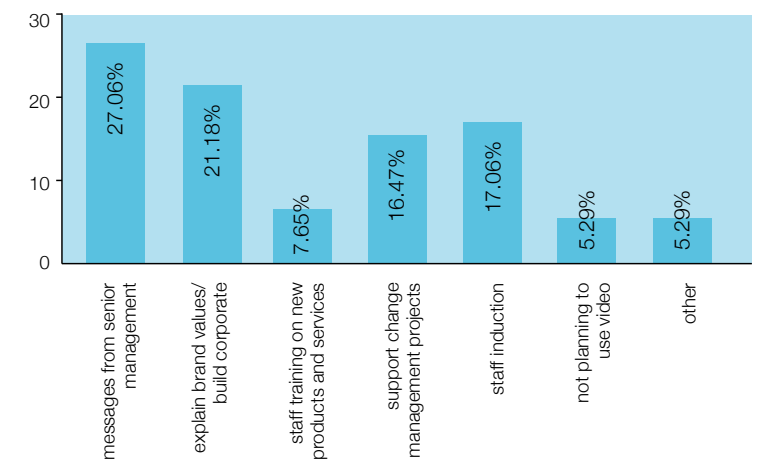
A 2008 **Headlines** survey of 65 UK companies confirmed the current popularity for video in IC. Over three quarters said they already used video as part of their IC portfolio. Most reported current usage levels at 3–4 video programmes a year, or for specific projects. Over 90 per cent said these projects proved 'very' or 'reasonably' successful (see fig.17).

One of the key benefits of the video format is that it brings viewers

**Fig. 17: Use of video for IC (Headlines IC Video Survey)**



**Fig. 18: How is video being used? (Headlines IC Video Survey)**



'face-to-face', with senior managers or experts wherever they are. The format allows messages to be more personal, engaging and highly visual. This provides a richer and more memorable experience for the audience.

The most common content for corporate video programmes is for broadcasting management messages, according to the survey. This is followed by explaining brand values, induction and supporting change management projects.

These are premium messages. Survey respondents stressed the need for a clear, well-defined focus to each project and only to use video at carefully chosen times in order to avoid

'video-fatigue' among employees (see fig.18).

The survey also revealed that there's a sea change underway in the way video is distributed, with an increasing number of companies planning to deliver video via the web rather than on physical formats such as DVD, and double the number of companies intending to deliver via corporate TV screens in the year ahead.

# MEASUREMENT ISSUES IN INTERNAL COMMUNICATIONS.

- 72 per cent of IC executives surveyed believe that there is inadequate recognition of the role of internal communications in improving business outcomes.
- “Lack of perceived value by senior management” and “Inadequate resources” were the main challenges facing those implementing internal communication strategies.
- 44 per cent currently feel increasing pressure to justify spending on IC.

**(Cass Business School – Gubric)**

If you don't measure it, you can't manage it. With the rise in the profile and resources of IC departments, measurement has become more important to proving solid results and returns on investment from IC strategies.

## WHY CONDUCT MEASUREMENT?

### ■ To demonstrate the value of internal communication to others in the organisation

Internal communication strategy can prove a vital tool in improving the performance of a business. Nevertheless, there may still be management perceptions that IC practices are luxuries in business, not integral to a company's success.

The IC department needs to provide hard evidence of both the direct and knock-on effects of practical communication initiatives on engagement levels, employee attitudes and against the company's Key Performance Indicators (KPIs) of business success.

Timely measurement of the effects of IC initiatives can make a major contribution to overcoming any lack of corporate credibility.

### ■ To improve internal communications strategy

Measurement also helps highlight gaps or problems in the implementation of any IC strategy. Changes can then be made to strengthen the communication network. Regular measurement also tracks

employee satisfaction levels, attitudes, and behaviours. This constant feedback is essential in changing times, if the IC strategy is to be matched effectively to the business strategy and to the immediate needs of its people.

## THE CRITERIA MEASURES

Basic methods exist for approximating the return on an investment (ROI) in human capital. In order to calculate the intangible value of a firm's human resources, companies can take total earnings and average assets over the same period. They can then calculate the total return on these assets, and by comparison with the industry average, determine the 'excess' return that results from the added value of the workforce.

However, this does not provide a clear indication of financial progress linked to communication, only that linked to human resources management as a whole. More complex econometric models allow researchers to more accurately match a specific change in financial performance to the communications culture. Using these models, companies can assess the contribution of different aspects of HR to variances in financial performance.

There are many non-financial outcomes that represent a return on investment in internal communication. Identifying 'intermediate' factors in the communication-performance chain is important for pinpointing strategy failure.

This process can also be useful for demonstrating value. Evidence of improved attitude or enhanced business outcomes can be used to support

and justify plans and policy. Business outcomes are dimensions such as sales volume, employee turnover rates, and customer loyalty, which are known to have a particular effect on company performance.

In a Cass Business School study, Gubric suggests highlighting the major effects communication can have on these indices in order to give more credibility to the IC effort. In this way, IC directors can identify a detailed pathway from communications to financial performance, and therefore strengthen the case for a causal link between these factors.

Measurement should take place at all three outcome tiers of the communication-performance chain, matching the communications strategy with:

- changes in financial performance
- changes in business outcomes
- changes in attitudes and behaviours.

IC strategists need to generate more specific measures of employee attitude than the default concept of "satisfaction". Employee satisfaction does not necessarily translate into loyalty to the company or to "brand ambassador" behaviour.

Gallup has developed the 'Q12' survey as a measure of business-relevant engagement. This survey includes twelve employee attitude factors, which Gallup found to be the best predictors of business outcomes such as productivity, employee retention, customer retention, safety, and profitability.

The survey questions employees about whether they feel their efforts are recognised, whether they feel that they are developing in their job, whether they understand their role, and whether the mission and values of the company make them feel that their role is important. The measures chosen to assess IC's value should reflect the scope and objectives of the IC team in each business context. If you want to improve all of the communication networks in the organisation, you must measure informal information sharing, as well as awareness of 'top-down' messages. You may take different measures when communication is aimed at enhancing motivation, than when its specific aim is in promoting a brand value.

Such considerations have led many communications professionals to advocate a 'balanced scorecard' approach to measurement. This idea was first proposed by Kaplan and Norton (1966), who argued that financial measures were not solely sufficient as a measure of communication impact. These researchers proposed using a combination 'scorecard' of financial and non-financial measures of business success, with these 'Key Performance Indicators' weighted in terms of their relevance to the specific goals of the business and the IC strategy.

## SURVEY DESIGN

There are a number of issues to be considered when designing a survey of employee attitudes. Some of the most widely used survey formats are characterised by subtle biases, which

44 per cent of UK FTSE 100 companies use balanced scorecard techniques for assessing strategy efficacy.

**Measuring the impact of internal communication**

- Determine the objectives of the organisation and the internal communication department.
- Choose a balanced scorecard of financial, attitudinal, and business outcomes that meet these objectives. Weight each measure according to the business context.
- Collect data using a reliable questionnaire format.
- Evaluate results against pre-agreed values and standards.

may result in an inaccurate assessment of the true feelings of the workforce.

There are several pitfalls associated with attitude measurement. Firstly, when given a positive-negative satisfaction scale, people have a tendency to rate themselves as mildly happy and contented. Individuals are not very good at reflecting on their true emotions in a work situation. This is a problem because there are differences in behaviour between employees that are based on these 'hidden' attitudes. Therefore basic self-reports of satisfaction or happiness at work may not be particularly elucidatory if one wants to assess whether employees are truly engaged and committed.

When asked to express agreement or disagreement with a given statement, there is a statistical tendency to agree with the statement, independent of its content. This tendency has been termed the 'acquiescence effect' by psychometricians.

In engagement surveys filled with statements such as "My manager is good at giving constructive feedback" and "My ideas and opinions count", this tendency to 'comply' with the questionnaire may override any expression of mild dissatisfaction, and therefore bias the results away from a true representation of the attitudes

*Fig. 19: Likert scale*



that shape employee behaviour.

In questionnaires using so-called Likert scales, an additional moderation tendency may also be apparent. These scales show different degrees of positive and negative attitude attached to a five-point scale (see fig.19).

People tend to use the 2 and 4 scale points almost exclusively, a tendency that often belies their strength of feeling on a particular issue. It has been shown that patterns of results are more likely to reflect the respondent's personality than their real attitudes (e.g. more extraverted and impulsive individuals use the 1 and 5 points, while others use the 2 and 4 points to express the same attitude).

The tendency to use the 2 and 4 points may be due to the social desirability effect, that is, people feel that it is more socially acceptable and safer for their interests if they refrain from expressing a strong criticism of the organisation.

There are ways of overcoming such problems, including the use of multiple survey questions to assess the same attitude, and the avoidance of very basic 'satisfied-not satisfied' scales. If firms want to fully understand their employees, they should refer to experts in psychological assessment, who will be able to suggest ways of increasing the validity of measures of staff engagement.

IC directors must emphasise to employees the opportunities that the survey provides. Emphasising the importance of the survey in

shaping their future working day will hopefully encourage respondents to consider their attitudes and to express these attitudes truthfully. Companies must be prepared to encourage constructive criticism if there is to be any value in the process of attitude assessment. Valuing employee opinion is likely to increase engagement, thus engagement can be enhanced within the process of its assessment, another benefit of conducting regular measurement.

One final consideration is to ensure that a representative sample of the workforce is used in the study. Where possible, the entire workforce should be surveyed. Caution must be exercised when using a 'panel' approach, where the views of a volunteer group of employees are taken to be indicative of the workforce as a whole. Those willing to give up their time to be questioned may be characterised by a general high level of engagement, and thereby create the biased impression of a uniformly committed workforce.

**EVALUATING SURVEY RESULTS**

Once relevant data has been collected, there must be meaningful evaluation of the findings. For IC directors to enhance credibility, these standards must take into account the business aims, and the current context of business performance.

For example, how are we to assess the value of a 15 per cent drop in

staff turnover? This figure must be considered in the light of current turnover rates, the cost of that turnover in the context of overall income, the average rate of turnover among competitors etc. The 15 per cent drop may be crucial in a company suffering financially and with a labour crisis, but not so problematic in a wealthy corporation, with low staff turnover.

An emerging trend is the use of 'traffic light' scoring systems, in which results are colour coded according to their implications for the business e.g. the 15 per cent drop in turnover may be a 'green' result because it brings turnover rates into an acceptable range. Despite the general consensus on the importance of pre-defining 'good value', only 22 per cent of managers questioned in Gubric's study have adopted this structured approach so far.

# LINK IN THE SUCCESS CHAIN.

In today's intense business environment, the importance of internal communication in releasing human potential, building employee engagement, and communicating valuable knowledge and information across an organisation, is greater than ever.

This report has demonstrated how companies can, and should, regard the task of engaging employees as a key strategic factor in boosting business performance and bottom-line profitability.

Employees are only motivated towards company goals when they fully understand the business objectives, and trust the company's motives. Motivation is further enhanced when employees feel they are personally valued by the employer, and when their achievements and ideas are recognised and applauded.

To ensure employees use their skills and creativity for the good of the company, firms cannot simply rely on financial incentives and control measures. If employees don't believe in the company's values and products, neither will the customer.

Internal communication is crucial to the process of engagement. Appraisal processes, internal marketing, and publicising news all represent ways of talking to staff to increase motivation. Listening to employee feedback is also vitally important.

When coupled with initiatives to encourage horizontal information

sharing, these measures can enhance the value of human capital in a firm substantially.

Many companies who have high engagement and are appreciated by staff as 'good places to work', also appear to perform well above the industry average in both profitability and in share value. These high engagement companies are characterised by a culture of open communication and regular consultation.

They encourage autonomous sharing of information, schedule regular contact between management and employees, and ensure employees at all levels understand and buy into the company's clear brand values.

Companies can increase the impact of their IC strategies even further by conducting more regular measurement of particular IC initiatives. They should also be selective in the emerging technologies that they use to communicate with staff, different media being suitable for different IC purposes.

The report found that written publications can be used as incisive internal marketing tools. Newsletters and magazines provide a unique opportunity to convey the personal and social side of an organisation to all employees, both on and off site, factors which are critical in employee engagement.

New digital technologies offer a wealth of additional possibilities. They can

engage many employees instantly, at different locations, and in an increasingly rich, entertaining and interactive way. This helps companies build well-informed, committed, corporate-wide communities, all working to the same business goals.

**In summary: the link between IC strategies and improving business performance is increasingly clear. Employees are eager for information and engaging contact. The communication tools are available in increasingly sophisticated forms. All that is needed now is that companies make greater efforts to maximise the potential of their people – to engage, communicate and gain.**



**HEADLINES.**

**MEDINA HOUSE, 318 SILBURY BOULEVARD,  
MILTON KEYNES MK9 2AE  
TEL: 01908 393303  
EMAIL: [INFO@HEADLINES.UK.COM](mailto:INFO@HEADLINES.UK.COM)  
[WWW.HEADLINES.UK.COM](http://WWW.HEADLINES.UK.COM)**