

FACT SHEET

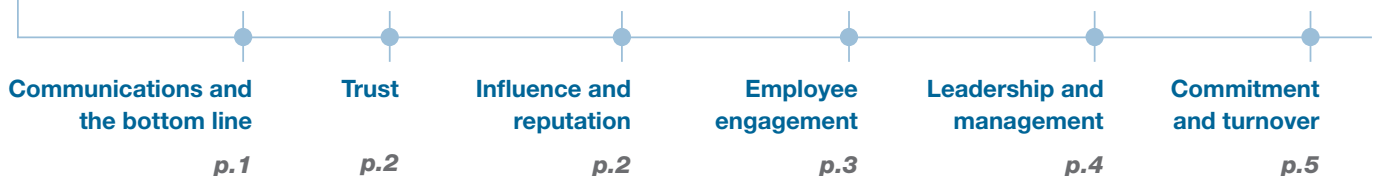


YOUR BUSINESS CASE FOR INTERNAL COMMUNICATIONS

THE
GROSSMAN
GROUP

COMMUNICATION MEANS BUSINESS

Great internal communication helps employees connect the dots between the overarching business strategy and their role. In other words, when it's good, it informs. When it's great, it engages employees and moves them to action. Quite simply, it helps people and organizations be even better.



CONSIDER THE RESEARCH:

Communications and the bottom line

Worldwide research organization, Towers Watson, found in their 2009/2010 “Communication ROI Study,” that:

- Effective employee communication is a leading indicator of financial performance and a driver of employee engagement.
- Companies that are highly effective communicators had **47%** higher total returns to shareholders over 5 years (2004 – 2009) compared to companies with less effective communication.
- Only **14%** of survey participants are explaining the terms of the Employee Value Proposition (EVP)—what employees can expect from the company—to their employees.
- While only **three in 10** organizations are training managers to deal openly with resistance to change, highly effective communicators are **more than three times** as likely to help leaders and managers communicate better as the least effective communicators.
- Companies that are less-effective communicators are **three times** as likely as highly effective communicators to report having no formal communication measurement.

Communication is more than a “feel good” part of any organization. It separates mediocre companies from great ones, lousy leaders from those who are truly outstanding, and discontented employees from those who are engaged and excited about work.

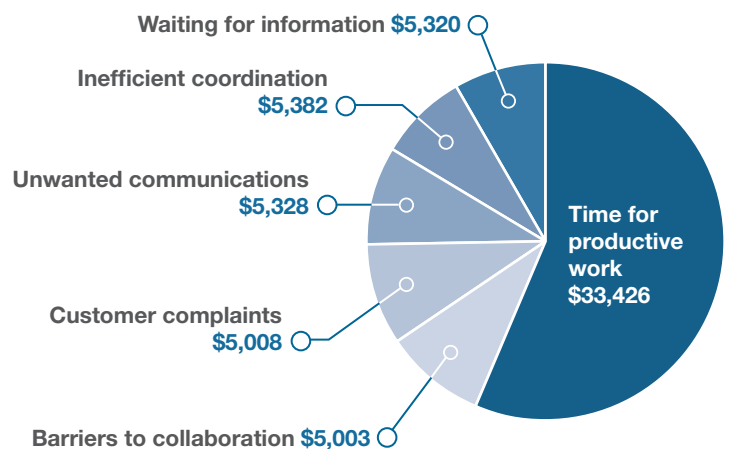
In a survey conducted by IDC in 2008 of 400 British and American corporations, “\$37 Billion: Counting the Cost of Employee Misunderstanding,” IDC estimates the monetary consequences of employee misunderstanding:

- On average, employee misunderstanding costs a 100,000-employee company \$62.4 million (£31 million) each year.
- The total yearly loss due to employee misunderstanding is estimated at \$37 billion (£18.7 billion).

In their 2009 report, “Communications Pain Study: Uncovering the hidden cost of communications barriers and latency,” SIS International Research reported for Siemens Communications on the costs of misaligned communications on small and medium sized businesses (SMBs):

- If not addressed, communications pain could cost an SMB with 100 employees **\$524,569** annually.
- For every SMB knowledge worker, the time spent dealing with each communications pain point costs the company an average of **\$26,041**, if not addressed:

Cost of Status Quo:
\$26,041 per knowledge worker per year



Average compensation for a knowledge worker in an SMB is \$59,467 per year

Trust

The 2010 Maritz Research poll, “Managing in an Era of Mistrust” found that trust between employees and their employers is at an all-time low, while skepticism and concern is high:

- Only **11%** of employees strongly agree that their managers show consistency between their words and their actions.
- Only **7%** strongly agree that they trust senior leaders to look out for their best interest.
- Approximately **20%** of respondents disagree that their company’s leader is completely honest and ethical.
- When asked, **one quarter** of respondents disagree that they trust management to make the right decisions in times of uncertainty.

Edelman Public Relations Worldwide’s “Trust Index,” (2009) showed that:

- More than half (**62%**) of men and women ages 25 to 64 in 20 countries said they trust corporations less today than they did one year ago.
- Among 25 to 64 year olds globally, how a company treats its employees is one of the most important factors in determining a company’s reputation...and is seen as more important than job creation, giving back to the community, and innovation in products and services.

“*How a company treats its employees is one of the most important factors in determining a company’s reputation.*”

Influence and reputation

In 2010, IBM commissioned a compelling internal branding study which exhibits the value of the employee advocate:

The study taking place in seven countries* asked respondents to share opinions of several major brands. One of the questions asked respondents to rank what has the biggest influence on their opinion.

What were deemed most and least influential was consistent across the seven countries. Least influential were news stories, direct marketing, and advertising. Most influential—#1 in five of the seven countries and #2 in the other two— was “personal experiences with employees of that company.”

A subsequent study probed deeper on what was meant by “employee.” Respondents did not just mean a company’s sales person or customer-facing employee, but anyone who works—or worked—for that company. And for “personal experience,” respondents didn’t just mean face-to-face. They included online interactions, such as reading an individual’s blog or being part of their social network.

**Brazil, Germany, Spain, Italy, India, Singapore, and Japan*

Professor Dr. Elliot S. Schreiber of Drexel University drew a line between corporate reputation and employee engagement in his 2008 research study, “Reputation,” as follows:

- While communication is an important part of reputation management, the most important way an organization builds reputation is through its actions. In this regard, everyone in the organization must understand the reputation objectives and have the willingness and the ability to act in support of these objectives.

Employee engagement

In the Towers Watson white paper, “Turbocharging Employee Engagement: The Power of Recognition from Managers,” research from the Towers Watson 2007/2008 Global Workforce Study (a survey of nearly 90,000 employees of large to midsize organizations) shows:

- Employee engagement rises when people experience a combination of effective and caring leadership, appealing development opportunities, interesting work, and fulfilling tangible and intangible rewards.

Towers Watson’s 2008/2009 WorkUSA survey results further support the value of helping managers keep employees engaged during times of change concluding that:

- Keeping employees engaged correlates to an average of **26%** higher productivity rate, and that highly engaged employees miss fewer days of work and are **three times** as likely as their less-engaged peers to exceed performance expectations.

“*Highly engaged employees outperform their disengaged colleagues by 20 to 28%.*”

The “Employee Engagement Survey 2011,” commissioned by the International Association of Business Communicators (IABC) and Best Consulting, a Xerox Company, nearly 1,000 communications professionals shared valuable perspective on influencers of employee engagement:

- **44%** of survey respondents said their supervisor strongly increased employee engagement.
- **39%** said the amount of employee communication was a strong contributor to employee engagement.
- Change in leadership was said to increase employee engagement **31%** of the time, while rewards and recognition programs work almost **20%** of the time.
- **50%** of respondents reported disengagement due to poor employee morale and inadequate management and leadership.

Research conducted by Gallup, Inc. in the Gallup Management Journal (October 2006)—found that:

- Employee engagement has direct relationships to retention, productivity, profitability, safety, absenteeism, and customer engagement.
 - Gallup’s researchers examined the connections between employee engagement and sales growth and customer engagement. When sales groups were divided into two halves by engagement levels and compared, groups in the top half increased their overall percent of industry net sales (PINS) by **24%**, while groups in the bottom half increased their PINS by just **8%**. Similarly, groups in the top half had overall customer engagement scores that were **8%** higher than groups in the bottom half.

The study “Employee Engagement: A Review of Current Research” (2006), commissioned by The Conference Board, also found an upside to engagement:

- Highly engaged employees outperform their disengaged colleagues by **20 to 28%**.

Leadership and management

According to a survey done by the Institute of Internal Communication (IoIC), results found internal communications as a major driver to lasting business success. Specifically it found that:

- Among those surveyed, **45%** said senior managers are a major block to progress in key areas of their development (far ahead of budgets and time pressures, at **19%** each).
- **45%** of respondents said gaining leader and staff support is the scariest challenge they face.
- When it comes to reducing fear and initiating positive action, **44%** of those surveyed cited understanding leaders as the key variable.
- Attributes of “fearless communication” include the ability to influence, inspire, listen, to be honest and consistent, persistent, confident and clarity of management and focus.

“ Among those surveyed, 45% said senior managers are a major block to progress in key areas of their development. ”

On the other hand, James Harter and Rodd Wagner demonstrate the downside of disengagement in their 2006 report, “12: The Elements of Great Managing”:

- **More absenteeism**—In a 10,000-person company, absenteeism due to disengagement results in about 5,000 lost days per year, which is valued at \$600,000 in salary paid in which there was no work performed.
- **More turnover**—Business units comprised of mostly disengaged employees have **31%** more turnover than those made up of mostly engaged employees.
- **More theft**—Work groups with high numbers of disengaged employees lose **51%** more of their inventory.
- **More injuries**—Work groups with engagement scores on the bottom quartile average **62%** more accidents in the workplace.
- **Lower customer scores**—Work groups with higher levels of engagement lead to **12%** higher customer scores than those on the lower end.
- **Lower productivity and profitability**—Work groups in the top quartile of engagement are three times more likely to succeed, average **18%** higher productivity, and **12%** higher profitability.

Research done by the International Association of Business Communicators (IABC), “Best Practices in Employee Communication: A Study of Global Challenges and Approaches,” (2005) found that:

- Nearly **half** of the 472 worldwide organizations surveyed (**48%**) reported their management had not effectively communicated business strategies to employees in a way in which they could “live it in their daily jobs.” And, only one-third (**37%**) of these organizations reported their employees were “effectively aligned to the missions and visions of their businesses”.

Commitment and turnover

A survey of employees at global companies conducted for Deloitte Consulting by Forbes Insights, “Talent Edge 2020: Building the recovery together – What talent expects and how leaders are responding” (2011), examines employee attitudes towards their organizations and talent strategies:

- A mere **6%** of employees surveyed said their companies’ HR and talent efforts are “world-class,” with **43%** citing HR and talent efforts as “fair” or “poor.”
- Employees who rate their companies’ HR and talent programs as “world class” or “very good” are **twice** as committed to remaining at their jobs compared to employees who see their companies’ HR and talent efforts as “fair” or “poor” (**42%** to **23%**).
- Of the almost **two-thirds** of employees surveyed (**65%**) who are passively or actively “testing the job market,” **53%** said they would be persuaded to stay at their company for a potential opportunity for job advancement or promotion.

“If engagement merely facilitated a more efficient working environment or a friendlier atmosphere, the business imperative to make it a priority wouldn’t be as compelling. But when the payoff is employees’ extra effort, the willingness to act as a champion and to advocate for your organization, the desire to provide value every minute of the day, engaging employees is a critical success factor for any organization.”

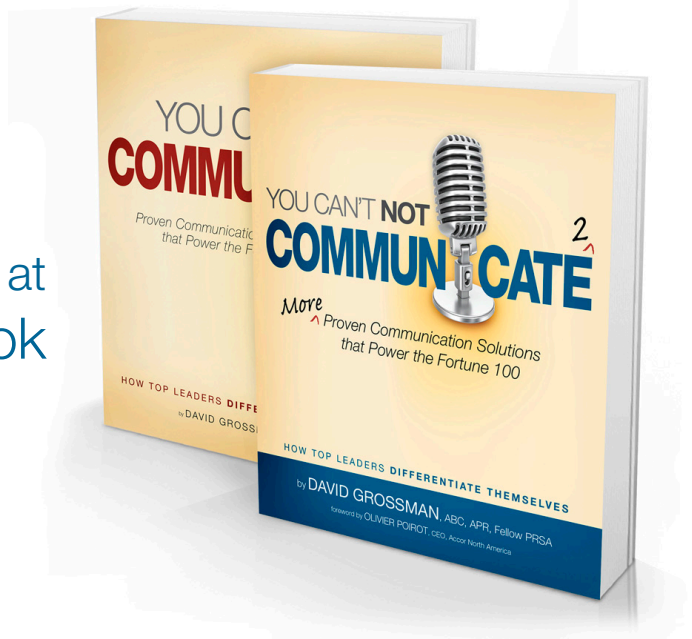


David Grossman

ABC, APR, Fellow PRSA
is the founder and CEO of
The Grossman Group
(YourThoughtPartner.com).

David is both a teacher and student of effective communication and counsels some of the world's leading organizations on internal and leadership communication. He's author of the highly acclaimed, *You Can't **Not** Communicate: Proven Communication Solutions That Power the Fortune 100* and its follow up, *You Can't **Not** Communicate 2*. Share your internal communication challenges or tips with David at dgrossman@yourthoughtpartner.com.

Available at
YourThoughtPartner.com/Book



© 2011 The Grossman Group

THE
GROSSMAN
GROUP

YourThoughtPartner.com

312 N. May St. Suite 101 — Chicago, IL 60607 — p. 312.829.3252