

THE
GROSSMAN
GROUP

THE
"SECRET WEAPON"
EVERY CEO NEEDS

11 PIECES OF SOLID EVIDENCE **THAT PROVE** THE VALUE OF EFFECTIVE INTERNAL COMMUNICATIONS



There's no question that CEOs are under more communications pressure than ever before.

The stakes are high when information travels at breakneck speed. There's less time to make an impact with what leaders say and more opportunities for people inside and outside the organization to put their own spin on it. Everyone wants to hear from the CEO—customers, employees, investors, analysts, policy makers—but there's only so much time in the day. At the same time, the right messages are critical to achieving better results.

Here's an evidence-based case for the “secret weapon” that the most effective CEOs focus on first:



INTERNAL COMMUNICATIONS

The best CEOs know that this underutilized resource can have a major, measurable impact on their company's financial performance, the related business results and their own reputations. They've seen the numbers, and they know that more and better communications internally leads to greater employee confidence, trust and engagement. The ultimate impact from quality internal communications is that it creates greater market value and a competitive edge *externally*.



CEOs: USE THIS eBOOK

to uncover the evidence—and then do some internal cross-examination to build a winning case for your own approach to internal CEO communications.



EXHIBIT #1

Highly effective organizations make the kind of investment in organizational communications that will produce a real financial return—and their CEOs are fully on board.

Multiple studies show that an investment in communications helps companies outperform their competitors, produce higher returns and enjoy a higher market premium.

THE EVIDENCE :



- Towers Watson reports a strong correlation between superior financial performance and effective communication (e.g., organizations that are highly effective at communications are nearly two times as likely to financially outperform their competitors).¹
- Towers Watson has also found that companies with highly effective communications had 47% higher total returns to shareholders during the previous five years compared to the least effective communicators.²
- Companies that communicate effectively also have a 19.4% higher market premium than companies that do not.³
- There's also a reputation dividend for companies that invest in corporate communications, as Burson-Marsteller reports. Organizations with better reputations spend a larger percentage of their revenue on corporate communications. The 100 firms with the very best reputations spend .21% of revenue on corporate communications compared to those in the bottom 100 of reputation who spend only .06% of revenues.⁴

Highly effective organizations make the kind of investment in organizational communications that will produce a real financial return—and their CEOs are fully on board.

THE CROSS- EXAMINATION :



- Do you have the right resources devoted to internal and corporate communications—and is it seen as an expense or an investment?
- Is the communications function buried deep in your organization or do communicators have direct access to top leaders?
- Is communications part of the job description for the CEO and other executive leaders—and is that role taken seriously?

EXHIBIT #2

Internal communications helps drive employee engagement, and engagement is highly correlated with significant business results.



Study after study shows that only 25%-30% of the employees in most organizations are highly or fully engaged. Just as many are actively disengaged. Does it matter? Only if you like profitability, productivity and performance.

Employee engagement is most often defined as the willingness and ability to go the extra mile for an employer, communicate about the enterprise in positive terms to others, and stay committed to working there. Strong engagement levels have been proven to be leading indicators of financial performance and other positive business results by such diverse organizations as Gallup, the Hay Group, AON Hewitt, Dale Carnegie, Modern Survey and others.

THE EVIDENCE :



- The Gallup organization's meta-analysis work pools 263 employee engagement studies across 192 organizations, including nearly 1.4 million employees. It shows that work units with high levels of employee engagement outperform those in low-engagement organizations by 22% in profitability and 21% in productivity. They also experienced 147% higher earnings per share than their competitors in 2011-2012 (a relationship that has strengthened as the economy has rebounded over the past several years).
- Gallup has also repeatedly confirmed the high correlation between employee engagement and more favorable customer ratings, lower turnover, fewer safety incidents, less shrinkage, less absenteeism, and fewer product quality issues.
- High employee engagement has been correlated with 26% higher revenue per employee, 13% higher total returns to shareholders over 5 years, and a 50% higher market premium by Watson Wyatt.⁵

CEOs who want better business results focus on employee engagement.

THE CROSS- EXAMINATION :



- Has the C-suite made it a priority business goal to increase employee engagement levels?
- Do you know the exact state of employee engagement in the organization? Are you looking at it in quantitative terms that show where the company has been historically and where it's trending now?
- Does the strategic plan for your business specifically address employee engagement? What about the communications plan?





EXHIBIT #3

CEOs who are adept at explaining business conditions and clearly laying out financial objectives drive superior financial performance and employee engagement.

This fact is especially true of CEOs who can connect the dots between organizational goals and the steps being taken to achieve them.

THE EVIDENCE:



- Towers Watson reports that the best financial performers were also the best communicators in these two CEO-centric arenas: helping employees understand the business, and providing information on organizational performance and financial objectives.⁶
- Towers Watson also reports a significant gap in understanding of organizational goals between the highly engaged and the disengaged: 86% of the highly engaged say they understand their organization's business goals vs. 36% of the disengaged; 82% of the highly engaged say they understand the steps their organizations are taking to reach their goals vs. just 25% of the disengaged.⁷

Effective CEOs and other executive leaders can articulate the most important parts of the business strategy in a few compelling talking points.

THE CROSS- EXAMINATION:



- Is the top leadership team connecting the dots between the current organizational state and the desired future?
- Are employees hearing directly from the CEO about the state of the business and the organization's business goals?
- Is internal communication helping people understand how their own work contributes to achieving the strategy?



EXHIBIT #4

Employees want to hear about organizational strategy from senior leadership – not just their immediate supervisors or managers.

It's not that supervisors don't matter. But many organizations overestimate the importance of supervisors in driving engagement. The quality and frequency of senior leadership communications is a more significant driver.

THE EVIDENCE:



- In a study of 60,000 employee engagement surveys conducted by Dr. Charles Galunic and reported on in the Harvard Business Review, the researchers found that supervisors play virtually no direct role in ensuring company strategy is understood and accepted by employees. Instead, direct communication from top management had by far the most significant impact. This is because CEOs were considered the best prepared to give such communications the appropriate weight, credibility and even symbolic communication power inside an organization.⁸
- Watson Wyatt has also reported that highly engaged employees are much more likely to report receiving “line of sight” information from senior leadership than low-engagement employees. They found that senior leadership needs to communicate at least monthly, via multiple channels, to drive engagement. Furthermore, the most effective communications focus on vision, strategy, goals and “team” successes.⁹

Organizations with highly engaged workforces make sure their CEOs talk strategy early and often with their people.

THE CROSS- EXAMINATION:



- As the CEO, are you a highly visible champion of the business strategy?
- Are there specific plans for using multiple media channels for CEO internal communication at your organization?
- Do senior leaders tie successes back to the organization's vision, strategy and goals?



EXHIBIT #5

Multiple studies prove that belief in senior leadership is one of the strongest drivers of employee engagement. Employees who are confident in their leaders are very likely to see them as good communicators.



Employees need to believe in senior leadership to be fully engaged, and effective communications contribute heavily to their confidence.

THE EVIDENCE:

- Modern Survey's most recent Employee Engagement Study found that belief in senior leadership is the strongest driver of employee engagement and that engagement levels are heavily tied to effective senior leadership communications. Only 42% of employees in their study reported having confidence in senior leadership. However, those confidence levels jumped to 72% for CEOs whom employees consider to be strong communicators.¹⁰
- The most recent MSW/Dale Carnegie Study found that 60% of employees who have confidence in the abilities of senior leaders—and who think that senior leaders are moving the organization in the right direction—are fully engaged. Belief in senior leadership was found to be one of the three key drivers of employee engagement in this study.¹¹

CEOs who want to be more effective have a clear understanding of their own strengths and limitations as communicators.

THE CROSS- EXAMINATION:

- Do senior leaders realize how important communication is to perceptions about their effectiveness?
- Is there a baseline measurement of employee confidence in senior leadership? Is that data regularly compared against data on the senior leader's effectiveness as a communicator?
- Is your organization working to fill in executive communication gaps and improve the overall effectiveness of leadership's communication skills?

EXHIBIT #6

While trust in senior leadership is a significant variable in employee engagement, there's much ground to be regained by CEOs on this front.



Unfortunately, CEOs are not seen as the most trustworthy information source on almost any of the topics most important to employees (even though they're considered the most preferred source for this kind of information).

THE EVIDENCE:



- Edelman's 2013 Trust Barometer, which included 31,000 respondents in 26 countries, revealed a crisis of trust in organizational CEOs. Across the board, employees were reported to be much more trustworthy sources of information than CEOs, even when it comes to a company's situation in a time of crises and for information on its business practices. CEOs outpaced employee trust only when it came to reporting on its financial earnings and operational performance—and for reporting on the accomplishments of the senior leadership team.¹²
- Towers Watson's latest Global Workforce Study identifies trust in senior leadership as a significant variable in employee engagement. However, **fewer than half** of surveyed employees trust that senior leaders have a sincere interest in their well-being. In addition, accessibility, authenticity and transparency were found to be increasingly important to improved employee perceptions in today's environment.¹³

The most trusted CEOs and senior leaders demonstrate a sincere interest in employee well-being and focus on authentic, transparent communications.

THE CROSS- EXAMINATION:



- Are you getting a reality check from someone about employee perceptions and the areas where transparency lags expectations?
- Do you give credit where credit is due to employees—or spend too much time talking about senior leadership accomplishments instead?
- Have communication channels been developed that increase employee access to the CEO and other senior leaders within your organization?



EXHIBIT #7

While organizational reputation is a strong driver of both market value and employee engagement, nearly half of a company's reputation is driven by the CEO—and internal CEO favorability is at fairly low levels.

These findings and the trust crisis reported in the last exhibit are seriously impacting CEOs' reliability and transparency as communicators.

THE EVIDENCE :



- A Burson-Marsteller Study of 500 opinion leaders found that more than 50% of company reputation is based on how its CEO is perceived. Employees aren't helping much on that front, since most don't perceive their senior leaders very favorably. In fact, only 54% of respondents in a recent AON Hewitt Study view senior leaders in a positive light.¹⁴
- Weber Shandwick research similarly found that 49% of a company's reputation can be attributed to its CEO, and 60% of its market value is in turn driven by corporate reputation.¹⁵

NOTE: The figure on CEO contribution has risen steadily since 1997, when Burson-Marsteller first reported that CEO average estimated contribution to company reputation was 40%.

- At the same time, perceptions about organizational reputation increase dramatically with employee engagement. More than 8 in 10 highly engaged employees say their organizations conduct business activities with honesty and integrity and are highly regarded by the general public, compared to just over a quarter of the disengaged employees who feel that way.¹⁶

CEOs with engaged workforces focus on their reputations both inside and outside their organizations.

THE CROSS- EXAMINATION :



- Does your organization measure corporate and leadership reputation among employees on a regular basis?
- Are senior leaders specifically defining the kind of personal and organizational reputations they want to shape?
- Do you and other senior leaders model the behaviors you want the organization to be known for?

A man in a dark suit is seen from behind, standing in a dark, textured environment. He is holding a white cloth and appears to be painting or revealing a bright, colorful landscape of a green field and a blue sky with white clouds. The scene is split vertically, with the dark, textured wall on the right and the bright, clear landscape on the left.

EXHIBIT #8

Of the five most critical drivers of CEO reputation, two are specifically related to internal communications—communicating a clear vision inside the company, and motivating and inspiring employees.



Interestingly, vision and inspiration outpace financial barometers when it comes to shaping CEO reputation.

THE EVIDENCE:

- A Burson-Marsteller Building CEO Capital Study found both of these drivers to be even more important than financial drivers, such as increasing shareholder worth, or external drivers, such as communicating a clear vision outside the company.
- Other top five drivers of CEO reputation include establishing and maintaining credibility (defined as being consistently truthful and delivering on promises); modeling and setting expectations around a code of ethics; and having the ability to attract and retain a quality senior management team.¹⁷

The most well-regarded CEOs know that the ability to inspire and motivate their people is critical to shaping a positive reputation.

THE CROSS- EXAMINATION:

- Are senior leaders articulating an inspiring vision for your business?
- Do you devote as much time to sharing that vision **inside** the organization as **outside**?
- Have you been consistently clear about the critical organizational promises that must be kept and the ethical standards that must be met? Are you modeling those behaviors just as consistently?

EXHIBIT #9

There's a big gap [REDACTED] between what CEOs think they're [REDACTED] communicating and how [REDACTED] employees feel about those communications.

In fact, employees don't think CEOs are communicating as frequently or as honestly as the CEOs themselves think they are. Employees are also disappointed with the lack of communication on the topics that are most important to them. There's an especially large communications gap related to organizational values and purpose.

THE EVIDENCE:



- Edelman reports large gaps between expectations and performance when it comes to the frequency of CEO communications and honest communications about the state of the business (only 23% say their companies perform well on that front vs. 54% who say it's important that they do so). There's also a 15-point gap in importance vs. performance when it comes to having highly regarded and admired top leadership.¹⁸
- Deloitte reports a potentially large communications gap when it comes to another driver of employee engagement: organizational values and purpose. While 84% of executives believe senior leadership regularly communicates the company's core values and beliefs, only 67% of employees say that's the case.¹⁹
- A study of 36,000 employees in 18 countries conducted by The Boston Research Group finds that 27% of top executives think employees are inspired by their firm, while only 4% of employees agree. Further, 41% of executives believe their organizations reward people based on its stated values, but only 14% of employees say that's the case. C-suite executives are also three times more likely than employees to believe their cultures are characterized by trust, values and mission overall.²⁰
- Gallup's latest State of the American Workplace Study reports that only 41% of U.S. employees feel they know what their company stands for and what makes it different from competitors.²¹

CEOs who want to engage employees (impacting business results as they go) understand the cultural and communications climates inside their organizations—and how they're personally performing as well.

THE CROSS-EXAMINATION:



- Inside your organization, have you and senior leaders gauged the effectiveness of internal communications and identified the gaps between delivery and employee expectations?
- Are there attempts to measure the specific perceptions about CEO internal communications performance?
- Are you holding all your leaders accountable for how they communicate?

EXHIBIT #10

Significant CEO attention to internal communication is a best practice recommended by the vast majority of chief executives—and the capacity to inspire is seen as a critical leadership trait by those CEOs as well.



In significant numbers, CEOs believe it's their responsibility to: offer clear internal guidance for shaping decisions that affect customers and company reputation; ensure that employees know how they can contribute to organizational success; and convey ethical expectations and standards that apply to everyone.

CEOs also say that inspirational leadership of employees—designed to engage, motivate and guide them with values and shared purpose—is the second most important CEO leadership trait needed today, just behind customer obsession.

THE EVIDENCE :



- Executives surveyed by Burson-Marsteller recommend that CEOs allocate no less than 53% of their time communicating internally.²²
- In a study conducted with 1,700 CEOs sponsored by IBM, 60% of CEOs cited inspirational leadership as a trait most critical to their success, just behind customer obsession at 61%.
- CEOs in this study also noted that as organizations are inevitably becoming more collaborative and where formal controls are loosening, it's increasingly important to engage employees around the shared values, purpose and mission that become the new employee-employer contract.²³

Truly effective CEOs learn how to inspire their workforces with shared purpose, values and mission—and enjoy greater engagement and business performance as a result.

THE CROSS- EXAMINATION :



- Can you move past the numbers and also articulate an organizational purpose—something really meaningful that drives the organization in the present and for the long term?
- Do you tell stories about values in action inside your organization that inspire employees to behave in similar ways?
- Do you spend enough time on internal communications that offer clear, transparent guidance and help everyone understand what the organization truly stands for?



EXHIBIT #11

To ensure high levels of employee engagement, CEOs need to think about their own reputations, their corporate reputations and their employer reputation as well.

Among two critical employee audiences—the Millennials and the Baby Boomers—a negative hit on employer reputation is the most frequent cause of declines in employee engagement.

THE EVIDENCE:



- In a large-scale study of 3,500 Millennial and Baby Boomer respondents reported on in The Ivey Business Journal, researchers found that employer reputation is the most frequent threat to engagement among both cohorts.²⁴

CEOs who connect the dots between employee engagement and business performance pay significant attention to their employer reputations.

THE CROSS- EXAMINATION:



- Does your organization have an employee value proposition that you endorse and talk about?
- Is establishing and maintaining an employer reputation one of the organization's stated goals?
- Is your organization measuring its reputation, benchmarking it annually, and acting on findings to enhance it?



SECRET WEAPON FOR CEOs.

People believe in leaders who communicate well internally. CEOs who spend time informing and engaging employees have better reputations and better business results than those who don't. CEOs themselves know this is true, which is why significant CEO attention to internal communications is a best practice recommended by the vast majority of them. It may be the best kept secret in communications—and the most powerful secret weapon you have.

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Sources:

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David helps leaders drive productivity and get the results they want through authentic and courageous leadership and communication. He's a sought-after speaker and advisor to Fortune 500 leaders, and author of the highly-acclaimed books, *You Can't NOT Communicate: Proven Communication Solutions That Power the Fortune 100*, and its follow-up, *You Can't NOT Communicate 2*.

David counsels leaders at top organizations to unleash the power of strategic internal communication and drive performance. Clients include AOL, DuPont Pioneer, GlaxoSmithKline, HTC, Johnson & Johnson, Lockheed Martin, McDonald's, Microsoft, Motel 6, Nielsen, Symantec, and Tyco to name a few. He's Founder and CEO of The Grossman Group, an award-winning Chicago-based strategic leadership development and internal communications consultancy, and teaches at Columbia University, NYC. David has been featured in:

THE WALL STREET JOURNAL.

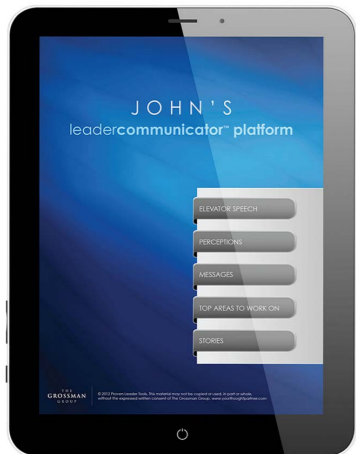
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