

# FACT SHEET



The graphic features a pie chart on the left with a blue segment and a light blue segment. A line connects the top of the blue segment to the number '0.25' and the bottom to the number '.70'. To the right is a bar chart with four bars of varying heights. The y-axis is labeled from 0.0 to 100.

YOUR BUSINESS CASE FOR INTERNAL COMMUNICATIONS

THE  
GROSSMAN  
GROUP

## COMMUNICATION MEANS BUSINESS

Communication is more than a “*feel good*” part of any organization. Great internal communication helps employees connect the dots between what they do and the overarching business strategy. When it’s good, it informs. When it’s great, it engages employees and moves them to action.

**Done right, communication helps people and organizations be even better.**



## The Bottom Line

Effective employee communication distinguishes great companies, propels outstanding leaders and generates excitement among employees. Research confirms it also drives bottom-line results.

### Good communication positively impacts financial performance

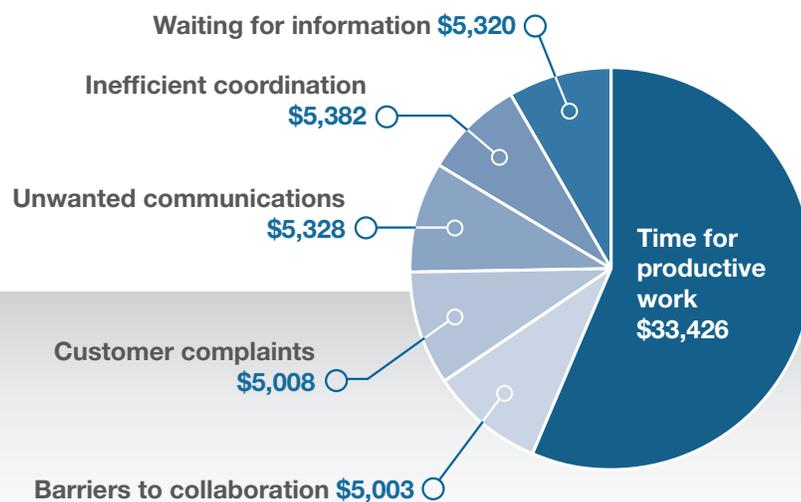
Companies with highly effective communication practices **had 47% higher total returns to shareholders** over five years (2004-2009) compared to those with less effective communication.<sup>1</sup>

### It helps avoid the cost of misunderstanding.\*

- An estimated \$37 billion is lost annually in United Kingdom and United States enterprises due to employee misunderstanding\*.<sup>2</sup>
- On average, employee misunderstanding costs a 100,000-employee company \$62.4 million each year.<sup>3</sup>
- Misaligned communication costs small-and-medium-sized businesses an average of \$26,041 for every knowledge worker dealing with ineffective communication, and could cost a 100-employee company more than \$500,000 a year.<sup>4</sup>

\*“Employee misunderstanding” refers to actions or errors of omission by employees who misunderstood, misinterpreted or were misinformed about company policies, business processes, job function or a combination of the three.

### 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

### And it supports retention of talent.

- Employees who rate their companies’ HR and talent programs as “world class” or “very good” are **twice** as committed to remaining at their jobs than employees who characterize those efforts as “fair” or “poor” (42% compared to 23%)<sup>5</sup>

## Employee Engagement and Productivity

Multiple studies link employee engagement to retention, productivity, profitability and customer engagement—all drivers of business results. How leaders and the organization communicate is critical to engaging employees.

### Engaged employees are more productive and present than their disengaged colleagues.

- Keeping employees engaged during times of change correlates to an average of 26% higher productivity rate.<sup>6</sup>
- Highly engaged employees miss fewer days of work and are three times as likely as their less-engaged peers to exceed performance expectations.<sup>7</sup>
- Employee engagement is linked to sales growth and customer engagement. In one research study, sales groups of highly engaged employees increased their overall percent of industry net sales by 24%, while less-engaged employee groups increased it by just 8%. The highly engaged group also had 8% higher customer engagement scores than the less-engaged group.<sup>8</sup>

### Leader and manager communication is directly linked to employee engagement.

- Employee engagement rises when people experience a combination of effective and caring leadership, appealing development opportunities, interesting work, and fulfilling tangible and intangible rewards.<sup>9</sup>
- Employees are more engaged when they feel their immediate manager recognizes and appreciates good work. This factor alone was found to increase engagement by 60% in low-engagement workplaces and 20% in high-engagement workplaces.<sup>10</sup>
- Organizations that are highly effective communicators are three times more likely than the least effective communicators to train managers to deal openly with resistance to change.<sup>11</sup>
- A survey of 1,000 communications professionals found 44% said their supervisor strongly increased employee engagement and 50% reported disengagement due to poor employee morale and inadequate management and leadership.<sup>12</sup>

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

-The Conference Board, 2006

## The Downside of Disengagement

### There is a measurable downside to disengagement.

- In one study, nearly **half of 472 worldwide organizations (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.”<sup>13</sup>
- Not surprisingly, **only one-third (37%) of these organizations reported their employees were “effectively aligned to the missions and visions of their businesses.”**<sup>14</sup>
- Nearly half of respondents (45%) in another survey of internal communicators said gaining leader and staff support is the scariest challenge they face.<sup>15</sup>
- 44% cited understanding leaders as the key variable to reducing fear and initiating positive action.<sup>16</sup>
- 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).<sup>17</sup>

### What happens when employees become disengaged?<sup>18</sup>

**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.

## Employee Trust and Influence

Trust and reputation go hand in hand, and research confirms that a company's relationship with its employees on the inside has everything to do with its reputation on the outside. Communication bridges the gaps.

### Trust of corporations is eroding and adding to management challenges.

- An online poll of more than 1,800 adult employees in the U.S. found significant skepticism when it comes to trusting leaders and managers:<sup>19</sup>
  - Approximately one quarter (25%) of employees report having less trust in management than they did last year.
  - Only 10% of employees trust management to make the right decisions in times of uncertainty.
  - Just 14% of employees believe their company's leaders are ethical and honest.
  - Only 7% believe senior management's actions are completely consistent with their words.
- In another study, more than 40% of respondents were neutral or negative regarding their trust of supervisors.<sup>20</sup>

### Organizations that treat employees well—and keep them informed—build stronger internal morale and external reputations.

- Research shows that treating employees well (63%) and communicating frequently (55%) are two of the five factors most important to corporate reputation after high quality products and services (69%), transparent and honest business practices (65%) and a company I can trust (65%).<sup>21</sup>
- When a company is trusted, more than half of people will believe positive information about it after one or two times hearing it, while 57% will believe negative information after hearing it 1-2 times when a company is distrusted.<sup>22</sup>

### IBM: a reputation built on trust

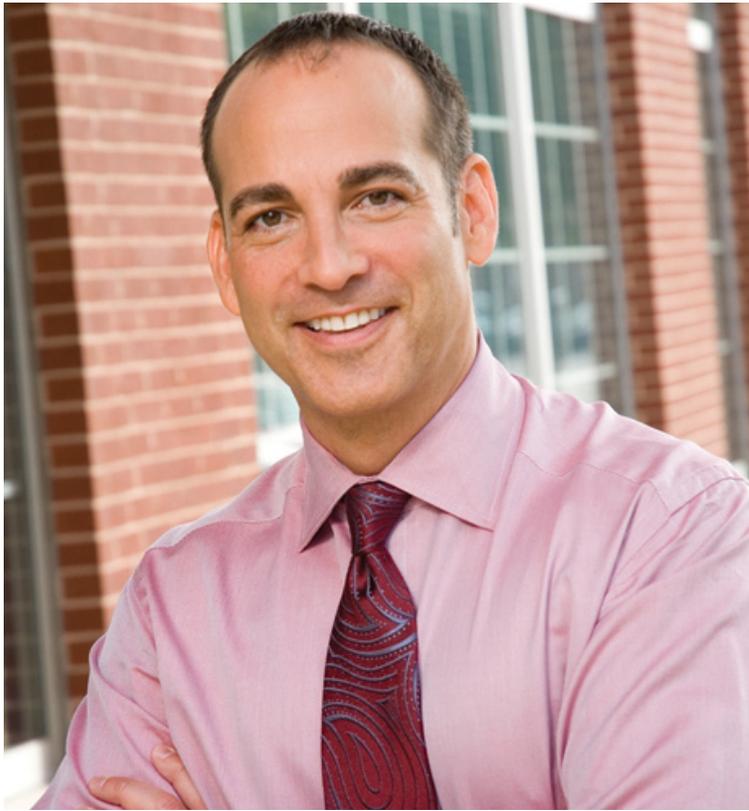
**Recently, IBM commissioned a compelling study that demonstrates the value of the employee advocate to a company's external profile.**

The study 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 of the companies they were asked about in the survey.

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*

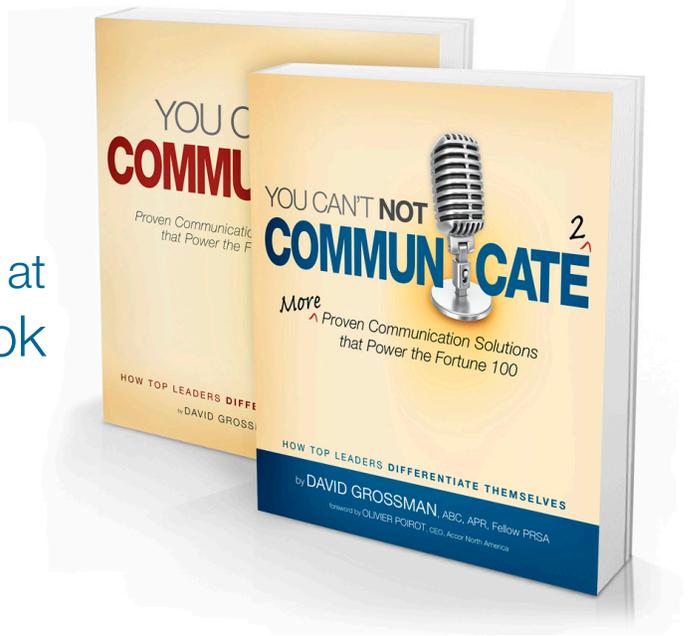


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David is both a teacher and student of effective communication and counsels some of the world's leading organizations on internal and leadership communication. He's author of the highly acclaimed, *You Can't **Not** Communicate: Proven Communication 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](mailto:dgrossman@yourthoughtpartner.com).

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- <sup>1</sup> Towers Watson, "Capitalizing on Effective Communication," 2009/2010 Communication ROI Study Report
- <sup>2</sup> IDC Research, "\$37 Billion: Counting the Cost of Employee Misunderstanding," survey of 400 British and American corporations (2008)
- <sup>3</sup> IDC Research, *ibid*
- <sup>4</sup> SIS International Research for Siemens Communications, "Communications Pain Study: Uncovering the hidden cost of communications barriers and latency," (2009)
- <sup>5</sup> Forbes Insights, "Talent Edge 2020: Building the recovery together," survey of global employees conducted for Deloitte Consulting (2011)
- <sup>6</sup> Towers Watson, WorkUSA Survey (2008/2009)
- <sup>7</sup> Towers Watson, *ibid*
- <sup>8</sup> Gallup, Inc., Gallup Management Journal (October 2006)
- <sup>9</sup> Towers Watson, Global Workforce Study of nearly 90,000 employees of large to midsize organizations, (2007/2008)
- <sup>10</sup> Towers Watson, "O.C. Tanner 2008 Global Recognition Study" of 10,000 individual workers in 13 countries
- <sup>11</sup> Towers Watson, "Capitalizing on Effective Communication," 2009/2010 Communication ROI Study Report
- <sup>12</sup> International Association of Business Communicators and Best Consulting, "Employee Engagement Survey 2011," of nearly 1,000 communications professionals
- <sup>13</sup> International Association of Business Communicators (IABC), "Best Practices in Employee Communication: A Study of Global Challenges and Approaches," (2005)
- <sup>14</sup> IABC, *ibid*
- <sup>15</sup> Institute of Internal Communication (IoIC), United Kingdom, online survey of internal communicators (2011) reported at <http://www.hrmmagazine.co.uk/hro/news/1019379/senior-management-dwindling-budgets-stifle-internal-comms> (accessed Aug. 29, 2011)
- <sup>16</sup> IoIC, *ibid*
- <sup>17</sup> IoIC, *ibid*
- <sup>18</sup> "12: The Elements of Great Managing," James Harter and Rodd Wagner, 2006
- <sup>19</sup> Maritz Research Employee Engagement Poll, annual attitude survey of 1,857 American adult employees who work at least 30 hours per week, March 2011
- <sup>20</sup> Towers Watson, "O.C. Tanner 2008 Global Recognition Study" of 10,000 individual workers in 13 countries
- <sup>21</sup> Edelman, "Trustbarometer," 2010 global opinion leaders study
- <sup>22</sup> Edelman, "Trustbarometer," 2011 global opinion leaders study