

# FACTSHEET



The graphic features a pie chart on the left with two segments labeled 2.5 and .7. To the right is a bar chart with four bars of varying heights, with a vertical axis 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.**

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## The Bottom Line

### The Communication function plays a critical role in employee engagement

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

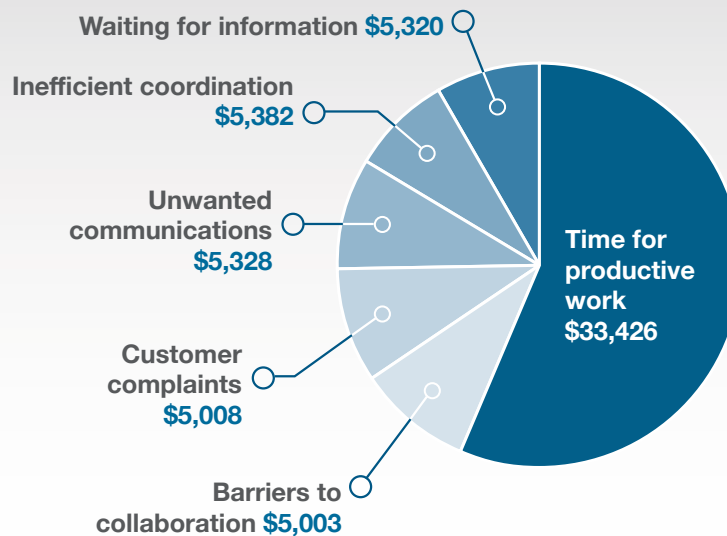
Companies with highly effective communication practices **had 47% higher total returns to shareholders** over five years (2004-2009) compared to those with less effective communication.<sup>1</sup>

### 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>

### To retain top talent, it's important to note what's among key retention drivers, according to employees

- Base pay/salary
- Career advancement opportunities
- Trust/confidence in senior leadership
- Job security
- Relationship with supervisor/manager<sup>6</sup>

## Technology and Work-life Balance

In the past several years, as portable technology—smart phones, tablets, laptops—has become more prevalent, the lines between work and personal time have blurred. People are connected 24/7 and desperate to strike a balance.

### **Overall, work-life balance is an issue in the workplace and shouldn't be ignored**

- 89% of workers from every generation believe that work-life balance is key to happiness on the job.<sup>7</sup>
- Yet only 45% of people say that their organization makes it possible to balance work and personal life.<sup>8</sup>

### **Technology...and email play a key role**

- 43% of survey respondents said that technology had fueled the dismantling of barriers between work and personal time.<sup>9</sup>
- Only 3% of executives said that they never send work-related emails while on vacation.<sup>10</sup>
- Only 17% executive-level employees say they almost never step away from family gatherings for work issues.<sup>11</sup>
- 79% of middle managers say they access work-related email outside normal business hours.<sup>12</sup>
- 30% of middle managers experience work-life balance issues due to work-related email outside normal business hours, while 21% experience stress from checking email.<sup>13</sup>

When employees—at all levels—are unable to separate work and home-life, burnout and disengagement is often a result. But when managed appropriately, employees find themselves engaged, more productive and companies profit.



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-PGi, "When it comes to business, does father still know best?" 2013 infographic

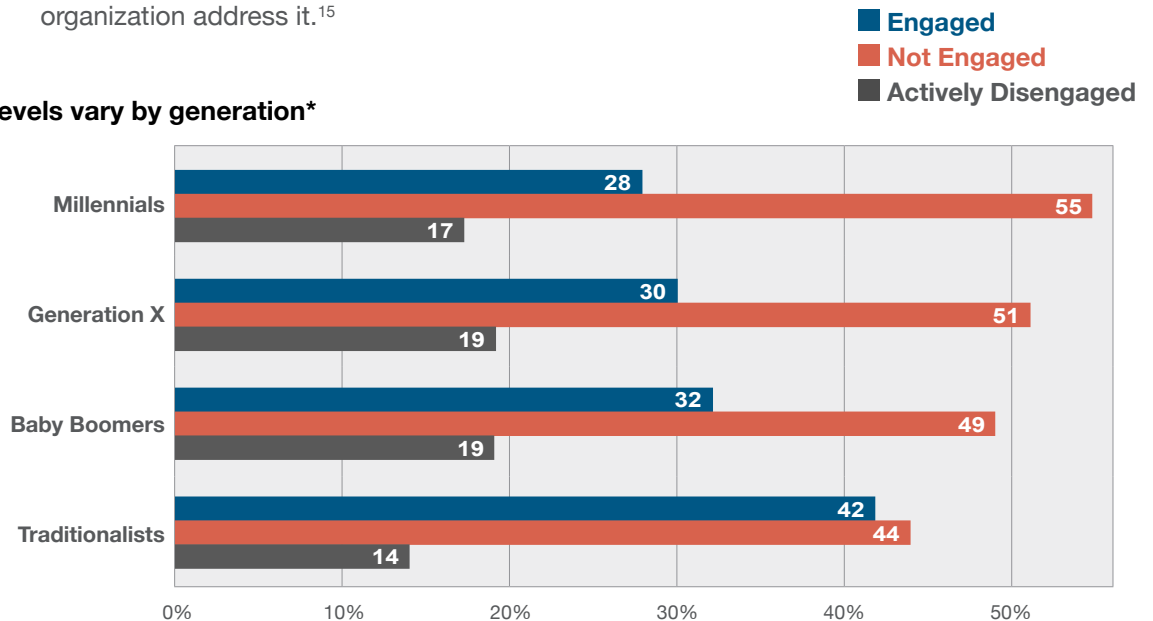
## Employee Engagement and Productivity

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.

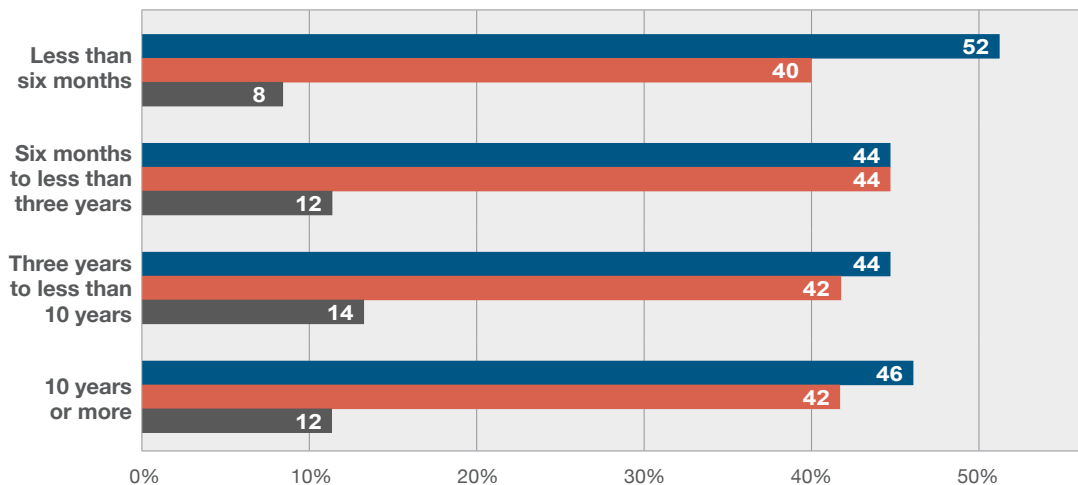
### The state of engagement is grim

- Only 13% of global employees are “engaged,” meaning 87% of employees are “not engaged” or “actively disengaged.”
- In the United States, 30% of employees are engaged and 70% are “not engaged” or “actively disengaged.”
- In Canada, only 16% of employees are engaged and 84% are “not engaged” or “actively disengaged.”<sup>14</sup>
  - Likewise, 69% of employees report engagement is a problem in their organization and 82% said it’s very important that their organization address it.<sup>15</sup>

### Levels vary by generation\*

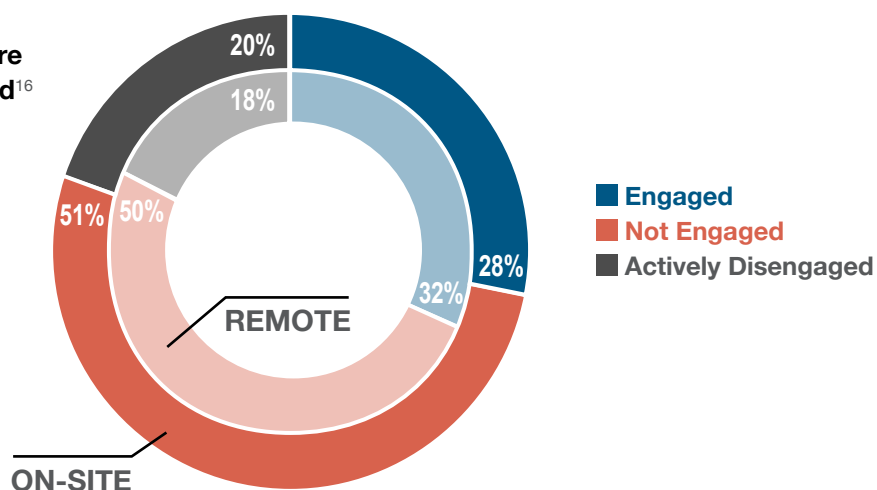


### And tenure\*

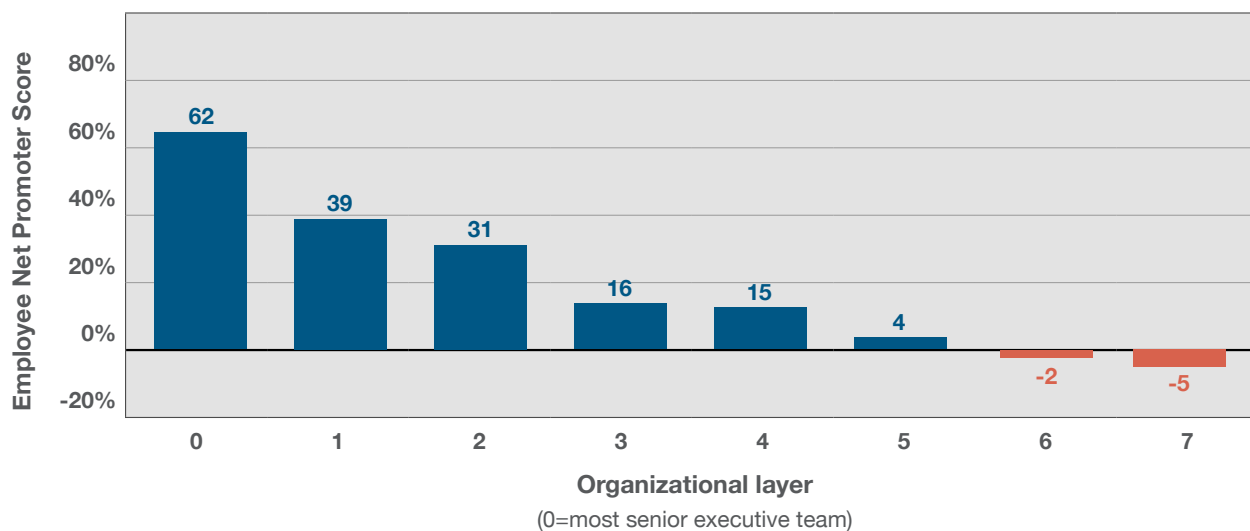


\*16 Gallup, Inc., “State of the America Workplace,” 2013

Remote workers are even more engaged<sup>16</sup>



Engagement drops with each layer away from the CEO<sup>17</sup>



Notes: Calculated from question "On a scale of 0 to 10, how likely are you to recommend your company as a place to work?"; applies standard Net Promoter Score methodology that takes the percentage of respondents indicating 9 or 10 and subtracts the percentage responding with a 0-6

### A leader's impact

- Effective communication is consistently cited as the number one attribute of effective leaders, according to employees.<sup>18</sup>
- 79% of highly engaged employees have trust and confidence in their leaders.<sup>19</sup>
- Employees who report feeling valued by their employer are 60% more likely to report they are motivated to do their very best for their employer.<sup>20</sup>
- Key drivers of a leader's effectiveness include their ability to:
  - Truly understand the factors that drive business success (62%)
  - Communicate a clear and compelling vision (61%)
  - Inspire employees to give their best (55%)<sup>21</sup>

### **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>22</sup>
- Highly engaged employees miss fewer days of work and are 3 times as likely as their less-engaged peers to exceed performance expectations.<sup>23</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>24</sup>
- In Canada, the trends are similar. The benefits of engaged employees are found in a number of organizational measures, most commonly:
  - Willingness to do more than expected (39%)
  - Higher productivity (27%)
  - Better working relationships (13%)
  - More satisfied customers (10%)<sup>25</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>26</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>27</sup>
- Organizations that are highly effective communicators are 3 times more likely than the least effective communicators to train managers to deal openly with resistance to change.<sup>28</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>29</sup>
- When Canadian employees were asked what leaders could do more of to improve engagement, respondents reported:
  - Communicate clear expectations (71%)
  - Listen to employees' opinions (62%)
  - Give recognition (52%)<sup>30</sup>



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*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, "Global Workforce Study," of nearly 90,000 employees of large to midsize organizations, (2007/2008)

## 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>31</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>32</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>33</sup>
- 44% cited understanding leaders as the key variable to reducing fear and initiating positive action.<sup>34</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>35</sup>
- In a separate study, only 20% of senior leadership viewed leadership teams as key advocates for internal communications.<sup>36</sup>

### What happens when employees become disengaged?

**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.

**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.<sup>37</sup>

- US businesses lose \$11 billion annually as a result of employee turnover.<sup>38</sup>
- 69% of disengaged employees would move to a new employer for as little as a 5% pay increase, whereas it would take a 20% increase in salary to attract an engaged employee.<sup>39</sup>

**More theft**—Work groups with high numbers of disengaged employees lose **51%** more of their inventory.<sup>40</sup>

Much like we saw in the benefits of having engaged employees, the downside to disengagement in Canadian organizations remains similar:

- Dysfunctional working relationships (29%)
- Lower productivity (25%)
- Unwillingness to go beyond the job description (17%)<sup>41</sup>

### Direct supervisors play a significant role in engagement and dis-engagement

- Employees were asked to rate satisfaction with their immediate supervisor.
  - Forty-nine percent of those employees who were very satisfied with their direct manager were engaged, and an astonishing 80% of those who were very dissatisfied with their immediate supervisor were disengaged.<sup>42</sup>



## 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:
  - 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.<sup>43</sup>
- In another study, more than 40% of respondents were neutral or negative regarding their trust of supervisors.<sup>44</sup>

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

- Research shows that treating employees well (61%) and communicating frequently (54%) are two of the ten factors most important to corporate reputation.<sup>45</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>46</sup>
- A separate study reports 60% of people cited they stop buying or buy less from a company that has poor leadership behavior.<sup>47</sup>

### IBM: a reputation built on trust

#### 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.

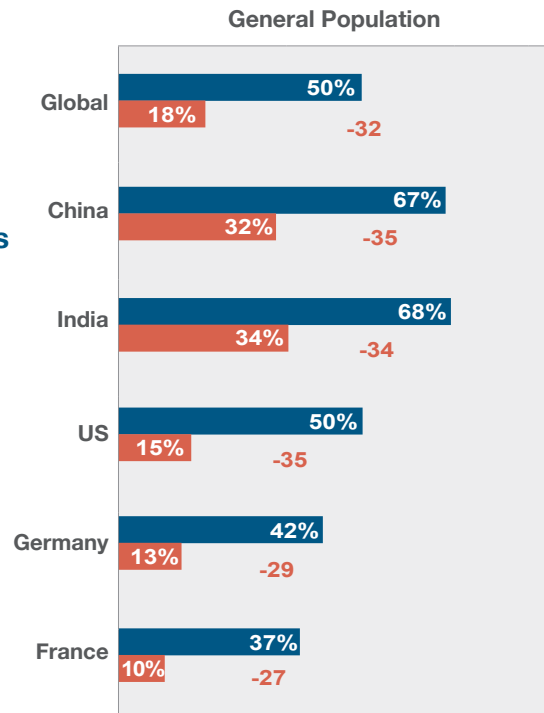
What were deemed most and least influential was consistent across the seven countries. Least influential were news stories, direct marketing and advertising. Most influential—**#1 in five of the seven countries and #2 in the other two**—was “personal experiences with employees of that company.”

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.

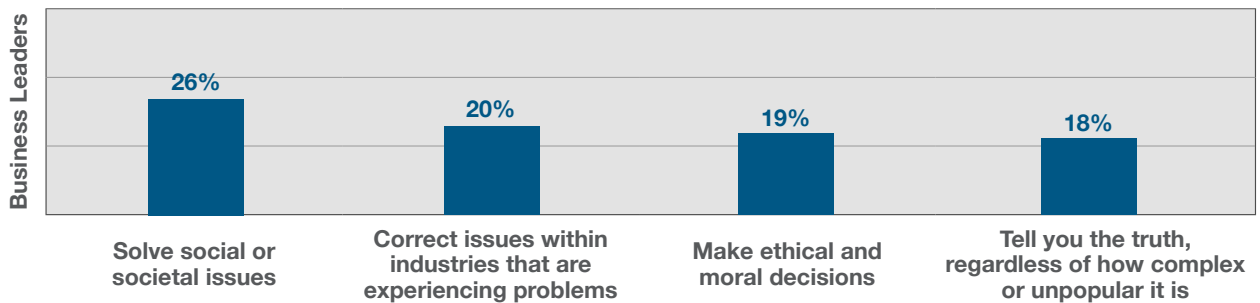
*\*Brazil, Germany, Spain, Italy, India, Singapore, and Japan*

Globally, there's a gap in trust among leaders and businesses to tell the truth\*

■ Trust business leaders to tell the truth  
■ Trust in business



Low percentages of business leaders do the following\*



According to the public, CEOs and Employees vary in terms of who's most trusted to report on the following information\*

		CEO	Employee
Engagement	A company's employee program, benefits and working conditions	21%	63%
	How a company serves its customers and prioritizes customer needs ahead of company profits	19%	30%
Integrity	A company's situation in a time of crisis	30%	35%
Products	A company's innovation efforts and new product development	31%	31%
Purpose	How a company uses its resources and influence to support the environment	21%	26%
	How a company supports programs that positively impact the local community	22%	27%
	Partnerships with NGO's and effort to address societal issues	25%	20%
Operations	A company's financial earnings and operational performance	34%	27%
	A company's business practices, both positive and negative	23%	36%
	Accomplishments about a company's senior leadership	35%	34%
General Population			

## Change Management

### Many companies fail at effective change management

- **Only 48%** of companies undergoing change develop a clear vision of their desired outcomes.<sup>49</sup>
- **Less than one third** of companies create strong employee motivation for making organizational change.<sup>50</sup>
- And **only 39%** of companies sustain the positive impacts of change for at least 5 years.<sup>51</sup>

### But when managed well, change sets companies apart in the marketplace

- Companies with high change effectiveness are **7 times as likely** as companies with low effectiveness to create strong employee motivation for organizational change. This includes generating buy-in and support from the executive level, and having an integrated communication and change management strategy.<sup>52</sup>
- Organizations with effective change AND communication are **3.5 times as likely** to significantly outperform their peers.<sup>53</sup>
- **84% of companies** that are highly effective at change management have a clear vision of the future and what their organizational change is intended to achieve.<sup>54</sup>
- Companies that are most effective at change management are **4.5 times as likely** to involve change and internal communication professionals at the earliest stage of planning – when they're identifying the problem or opportunity.<sup>55</sup>
- And companies highly effective at both communication and change management are **2.5 times as likely** to outperform their peers as companies that are not highly effective in either area.<sup>56</sup>



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-Towers Watson, "The Truths About Change,  
What It Takes to Get It Right," 2011-12



## David Grossman, ABC, APR, Fellow PRSA

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, Eastman Chemical Company, 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 in NYC.

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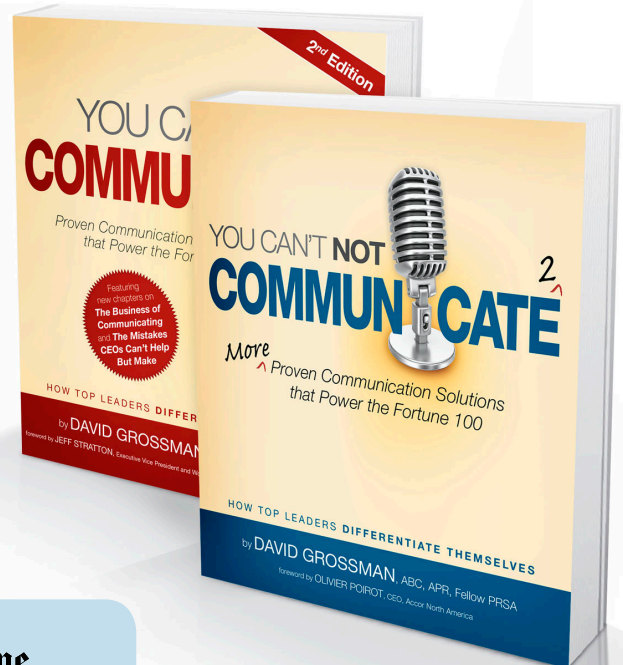
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