

# Internal Communications

For years, managers have focused on “customer care.” More recently, they have begun to dedicate the same kind of attention to their own employees, recognizing that employees have more to do with the success of a business than virtually any other constituency. A study by consulting firm Watson Wyatt found that companies with the most effective employee communication programs provided a 91 percent total return to shareholders (TRS) from 2002 to 2006, compared with 62 percent for firms that communicated least effectively. Moreover, a significant improvement in communication effectiveness is associated with a 15.7 percent increase in market value. The same study concluded: “Effective employee communication is a leading indicator of financial performance.”<sup>1</sup> Internal communications in the twenty-first century is more than the memos, publications, and broadcasts that comprise it; it’s about building a corporate culture based on values and having the potential to drive organizational change.

In this chapter, we examine how organizations can strengthen relationships with employees through internal communications. We start by looking at how the changing environment for business has created the need for a stronger internal communication function. Then we explore ways to organize internal communications through planning and staffing and how to implement a strong program using various communication channels. Finally, we discuss management’s role in internal communications.

## Internal Communications and the Changing Environment

As discussed in Chapter 1, the environment for business has changed dramatically over the last 50 years. Today’s employee is a different person in terms of values and needs than his or her counterpart in earlier decades. Most of today’s employees are well educated, have higher expectations of what they will get out of their careers than their parents did, and want to understand more about the companies they work for.

The workplace of today is also different—tighter staffing, longer hours, greater workloads, and more emphasis on performance are the norm. In recent years, the

<sup>1</sup>Watson Wyatt & Company, “Connecting Organizational Communication to Financial Performance—2007/2008 Communication ROI Study,” <http://www.watsonwyatt.com> (accessed April 30, 2008).

increased outsourcing of jobs to foreign countries has filled many employees with feelings of fear, paranoia, and anger. And in the post-Enron era, many employees are functioning with a greater degree of cynicism or distrust of corporations and their senior managements. All of these factors are causing employees to look more critically at how senior management is communicating with them, what is being communicated, and whether or not they feel engaged in and aligned with the company's direction.

The increasingly complex and highly competitive nature of today's business environment puts greater pressure on employees and also calls for a more concerted effort in the area of internal communications. David Stum of the Loyalty Institute comments, "The American worker knows quite well that change is never-ending. How it's handled is what can lead the worker to be secure or insecure."<sup>2</sup>

For example, in 1996, just days after the old AT&T eliminated 40,000 jobs, the media reported on then-CEO Bob Allen receiving nearly \$10 million in stock options. Juxtapose this with new AT&T CEO C. Michael Armstrong announcing another 18,000 job cuts in 1998—along with the freezing of executive salaries and the elimination of chauffeured limousines for senior executives. As Dick Martin, a now-retired public relations executive with AT&T for 32 years, explains: "[What Armstrong did] had little impact on the bottom line, but it demonstrated a spirit of shared sacrifice."<sup>3</sup>

Today's employees increasingly are demanding participation in the conversations that are driving organizational change. This participation is vital to keeping employees at all levels of the organization—regardless of job role or responsibility—tapped in, fostering a more genuine sense of community in companies large or small. In light of this development, communication must be a two-way process. Employees today expect that when their opinions are solicited and they take the time to share feedback, senior management will listen—and act upon it.

At many companies, senior managers simply do not involve lower-level employees in most decisions. This failure tends to make these employees feel alienated and unwilling to accept changes within the company. According to a survey by the market information company TNS, 40 percent of workers feel disconnected from their employers; two out of every three workers do not identify with or feel motivated to drive their employer's business goals and objectives; and 25 percent of employees are just "showing up to collect a paycheck."<sup>4</sup>

Managers need to recognize that if they provide information to employees and also listen to them, those employees will be excited about their work, connected to the company's vision, and in a position to further the goals of the organization. A study by Right Management Consultants revealed that the top area that managers and executives need to improve is their ability to engage employees in vision and strategy.<sup>5</sup>

<sup>2</sup>Sue Shellenbarger, "Workplace Upheavals Seem to Be Eroding Employees' Trust," *The Wall Street Journal*, June 21, 2000, p. B1.

<sup>3</sup>The Conference Board, "Your Good Name: Before You Lose It," *Across the Board*, November/December 2004.

<sup>4</sup>The Conference Board, "U.S. Job Satisfaction Keeps Falling, The Conference Board Reports Today," February 28, 2005, [http://www.conference-board.org/utilities/pressDetail.cfm?press\\_ID=2582](http://www.conference-board.org/utilities/pressDetail.cfm?press_ID=2582).

<sup>5</sup>Right Management Consultants, "30% of Managers & Executives Lack Necessary Management Skills," September 21, 2004, <http://www.right.com>.

# 10 Truths About Skeptical Employees\*

1. They're smarter than senior managers think they are.
2. They think senior managers are smarter than they actually are.
3. They hate it when you make them feel stupid.
4. They have short attention spans.
5. They have long memories.
6. They're desperate for direction.
7. They want to be able to think on their own.
8. They want the company to succeed.
9. They don't want to leave.
10. They want to believe in the company.

\*Adapted from a speech given at the Tuck School of Business, Dartmouth University, by Rod Odham of Bell South's Small Business Services Division, October 1994.

As companies continue to focus on and strengthen their communication efforts, a further challenge will be ensuring employees believe in the sincerity of communications they are receiving. A 2004 study by management consultant Towers Perrin revealed only half (51 percent) of employees say their company is open and honest.<sup>6</sup>

The stakes could become even higher for companies that are not keeping their employees informed and genuinely engaged. The U.S. Bureau of Labor Statistics forecasts an expected labor shortage of more than 10 million workers by 2010.<sup>7</sup> In this environment, employees will have the luxury of becoming more discerning consumers in their job searches as the war for talent intensifies. Strong internal communications—fostering increased workforce loyalty and productivity—will thus continue to play a pivotal role in a company's employee retention and overall success.

## Organizing the Internal Communication Effort

The best way to assess the effectiveness of a company's internal communication efforts is by determining what employees' attitudes are about the firm. This assessment can be done through an internal *communication audit*. Based on the audit results, communications professionals can design the right program for the organization.

For example, both Starbucks Coffee Co. and Kinko's Inc. hired outside consultants to conduct internal communication audits to identify strengths and weaknesses in those companies' existing communication practices. Detailed questionnaires uncovered precisely how employees viewed internal communications and helped management develop possible solutions to communication problems. In addition, Kinko's used in-person interviews and videoconferencing facilities to conduct nationwide employee focus groups and uncover the sentiments of

<sup>6</sup>Towers Perrin, "Study Offers Insights on Effective Communication from the Perspective of Employees," January 2005, <http://www.towersperrin.com>.

<sup>7</sup>Michael Kinsman, "Most Workers Seem Ready to Change Jobs, Survey Finds," *San Diego Union-Tribune*, December 5, 2004.

# How To Succeed With Employees

A Towers Perrin survey of 25,000 employees across multiple industries worldwide defines effective communication from an employee's perspective as including the following elements:

1. Open and honest exchanges of information.
2. Clear, easy-to-understand materials.
3. Timely distributions.
4. Trusted sources.
5. Two-way feedback systems.
6. Clear demonstrations of senior leadership's interest in employees.
7. Continual improvements in communication.
8. Consistent messaging across sources.\*

\*Towers Perrin, "Study Offers Insights on Effective Communication from the Perspective of Employees," January 2005, <http://www.towersperrin.com>.

employees from region to region.<sup>8</sup> In addition to conducting an overarching communication audit, regular "temperature checks" of employee opinions can be valuable in ensuring that communication channels and approaches continue to meet employees' evolving needs.

Once management knows how employees feel about the communications they are receiving internally and whether they understand its messages, it can implement an internal communication infrastructure to meet those needs. If an infrastructure is already in place, it can be adjusted or enhanced as necessary based on the audit results.

## Goals for Effective Internal Communications

Now that we have seen how the changing environment affects the internal communication effort and the importance of collecting employee feedback through a communication audit, we need to explore how companies can organize the function so that it supports the overall mission of the firm. Let's begin by first defining some goals for effective internal communications.

Ultimately, effective internal communications should reinforce employees' beliefs that they are important assets to the firm. This reinforcement can happen only if management believes that is true and if the communication effort is handled by professionals.

## Where Should Internal Communications Report?

In the past, internal communications reported to the human resources area, since traditionally this function dealt with all matters related to employees' welfare, but recent surveys show that more than 80 percent of corporations in the United States place the responsibility for internal communications in the corporate communication area.<sup>9</sup> Often, both areas have some involvement with internal

<sup>8</sup>Boyd A. Vander Houwen, "Less Talking, More Listening," *HR Magazine*, August 1997, pp. 53-59.

<sup>9</sup>Michael Morley, "Corporate Communications: A Benchmark Study of the Current State of the Art and Practice," *Corporate Reputation Review*, Winter 1998, pp. 78-86.

communications. For instance, at Continental Airlines, responsibility for communicating messages from senior management is shared between human resources and corporate communication.<sup>10</sup>

Ideally, both the corporate communication and the human resources departments in large companies have someone in charge of internal communications. If the head of the corporate communication department reports to the vice president in charge of that area and the head of the human resources department to his or her respective vice president, each should have a dotted-line relationship with the vice president in the other area. Other companies situate communicators focused on human resources issues—including benefits and the new hire experience—in the corporate communication area to create continuity between both general and HR-related communication strategy and execution. These approaches also will help ensure that the goals of each department are fully met and that the lines of communication are kept open between these two critical functional areas.

Large, multidivisional companies often have internal communications representatives within each division who report jointly to the chief of staff for divisional management and to a firmwide corporate communication department. Ideally, each division shares best practices for delivering high-level messages to the employees in their respective areas—understanding the particular needs and nuances of their employee base, which, in turn, affects both the content and tone of communications. However, the channels may be different across divisions; for instance, some divisions may have a voice mail culture, while others may pay more attention to e-mail. In larger corporations, there might be vast differences in the online connectivity of employees; those working in production plants or call centers might have no e-mail access whatsoever, whereas other office employees are wholly reliant on e-mail access—whether in-office or remote—to get the job done.

In some cases, companies look outside their own organizations for help with internal communications. In January 2001, for example, General Motors announced that its employee communication professionals would report to a New York-based consultant specializing in management-employee relations.<sup>11</sup> The new reporting structure was implemented after surveys revealed that employees did not adequately understand management's key messages. The practice of relying on outside experts is becoming less restricted to times of crisis—in fact, by the mid 1990s, the Public Relations Society of America added an internal communications section to its organization.<sup>12</sup> As the importance of internal communication gains recognition, it is not surprising that PR and consulting firms are developing capabilities in the area of internal communications or that companies are increasingly turning to them for assistance.

Regardless of where the internal communications is positioned and whether or not an outside consultant is used, it must work closely in conjunction with external communicators to integrate the messages disseminated to both internal and external audiences. Applebee's International, the largest chain of casual-dining

<sup>10</sup> Lin Gensing-Pophal, "Follow Me," *HR Magazine*, February 2000, pp. 36–41.

<sup>11</sup> Thom Weidlich, "Getting the Corporate Point across to Employees," *The New York Times*, July 25, 2001, p. C8.

<sup>12</sup> *Ibid.*

restaurants in the world, integrated its public relations and internal communication functions in 2000 to keep messaging consistent across all audiences. Four of Applebee's five communicators handle both press and employee relations.<sup>13</sup> This approach can help ensure that, when significant company news breaks, employees will not be the last to hear about it.

When news about a company hits the press or appears on the Internet, employees should already be equipped with the company's own version of the story so they feel they are being kept in the loop by their own team. This strategy also enables companies to maintain better control of their messages, without being at the whim of how the media position them.<sup>14</sup>

The lines between external and internal communications continue to blur as employees increasingly become members of various constituency groups. As David Verbraska, corporate communications general manager at Pfizer, explains: "Employees wear many hats—they're stockholders, recruiters, customers, and members of the community. . . . Management must understand that the internal audience could be even more important to a company than external for all the right business reasons, and there are consequences in not aligning the areas."<sup>15</sup> This point has caused some companies to view the label "internal communications" as archaic. The likelihood of memos or other communications leaking to the outside world with a click of the mouse means that internal communicators should always consider the ramifications of their messages being shared with external audiences, including reporters and investors.

## Implementing an Effective Internal Communication Program

Once goals for an internal communication program are established and decisions made about where the function should report, the program is ready for implementation. In smaller organizations, internal communications may be a part of everyone's job, because the ideal method of communicating with employees is one-on-one or in meetings with small groups of employees.

Even in larger organizations, however, this intimacy in the internal communication effort is a good start for building a more formal program. In this section, we will explore some of the key steps in implementing an effective internal communication program, from personal, one-on-one mechanisms to programs that use technology to distribute messages broadly and instantaneously.

### Communicate Up and Down

Many large companies are perceived as being faceless, unfeeling organizations, an impression that is only reinforced when no upward communication exists from employees to management. When high-level managers isolate themselves physically and psychologically from other employees, effective communication cannot

<sup>13</sup> Richard Mitchell, "Closing the Gap: From the Inside out," *PR Week* (U.S.), November 22, 2004, p. 17.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

happen. Mass electronic communication can sometimes compound the “facelessness” of management.

A nationwide survey of over 5,000 employees in U.S. firms conducted by a major consulting firm showed that the greatest criticism employees have of companies is that they do not encourage upward as well as downward communication. Recent statistics also indicate that less than half (45 percent) of employees think senior leadership both talks and listens, creating an environment of two-way communication. In addition, less than half (49 percent) say there are existing systems to raise questions and issues with senior leadership or inform employees in a timely way about major decisions and developments.<sup>16</sup> Effective internal communications can generate a dialogue throughout the company, fostering a sense of participation that can make even the largest companies feel smaller in the hearts and minds of employees.

The best approach to communicating with employees is through informal discussions between employees and supervisors. Employees need to feel secure enough in their positions to ask questions and offer advice without fear of reprisals from top management. Formal Continental Airlines CEO Gordon Bethune has been recognized for his high visibility among front-line employees and openness to communicating with them regularly. Each month, Bethune holds an “open house” in his office at which employees are invited to show up to speak with him about anything—issues, suggestions, or complaints. Several times a year, he travels to the airline’s major hubs to meet with employees.<sup>17</sup> With this kind of open communication and care for employees as a hallmark of his leadership style, Bethune has been credited for a significant improvement in employee morale and overall corporate culture at Continental.

At another airline, JetBlue, it is not uncommon for employees to be on a first-name basis with senior executives. Each employee spends his or her first day at an orientation, including an hour with president and COO Dave Barger, CEO Dave Neeleman, and vice president of people Vincent Stabile to talk about the JetBlue brand, airline economics, how to interact with customers, as well as the fundamentals of the company’s culture and values.<sup>18</sup> Many credit this highly personal training and management style for JetBlue’s low annualized employee turnover rate of between 10 and 12 percent versus the industry average of approximately 20 to 24 percent.<sup>19</sup>

Conversations with management promote feelings that employees themselves are serving as catalysts for organizational change. As Peter Senge highlights with a quote from the ancient Chinese visionary Lao Tsu:

The wicked leader is he who the people despise, the good leader is he who the people revere, the great leader is he who the people say, “We did it ourselves.”<sup>20</sup>

<sup>16</sup> Towers Perrin, “Study Offers Insights on Effective Communication.”

<sup>17</sup> Brian O’Reilly, “The Mechanic Who Fixed Continental,” *Fortune*, December 20, 1999, pp. 176–86.

<sup>18</sup> Eve Tahmincioglu, “True Blue,” *Workforce Management*, February 1, 2005, p. 47.

<sup>19</sup> *Ibid.*

<sup>20</sup> Peter Senge, “The Leader’s New Work: Building Learning Organizations,” *Sloan Management Review* 32 (Fall 1990), pp. 7–23.

Respecting employees as well as listening and interacting with them form the basis for an effective internal communication program. John Horne was able to achieve this at Navistar by talking to small groups of employees and simply asking them what was on their minds. This approach created an atmosphere of trust and paved the way for a remarkable turnaround at Navistar.

### **Make Time for Face-to-Face Meetings**

One means of ensuring that employees have access to senior management is to hold regular, in-person meetings with fairly large groups of employees. Such meetings should take place frequently (at least quarterly) and should be used as opportunities for management to share company results and progress on key initiatives and to demonstrate responsiveness to prior employee feedback. Most important, such meetings should provide employees with an opportunity to ask questions of management in an open forum. If size and geography prevent employees from participating in person, video or telephone conferencing should be used to facilitate their inclusion.

Topics for these types of gatherings should be limited; rather than trying to tackle everything that is going on at the company, managers should survey employees beforehand to find out what is most important to them. Then a presentation can be built around one or two critical issues from the employee perspective, plus one or more messages that management wants to share. Too often, management only sets up such meetings when the company has an important pronouncement, reducing the likelihood of relevant dialogue.

Starbucks supplements an online idea program that encourages employees to e-mail ideas to their managers with a program known as "Open Forum." Open Forum sessions are held quarterly at 14 different venues nationwide, comprising three hours of senior management presentations, updates on critical issues, an informative videotape, and extensive Q&A. While the sessions are not mandatory, attendance rates are high as employees take advantage of opportunities to interact with senior management and hear firsthand about company strategy and goals.<sup>21</sup> In some cases, offering employees an online dialogue appeals to those not comfortable standing up in front of colleagues and speaking in a public forum.

More recently, after its stock price continued its downward spiral and former CEO Howard Schultz returned to the leadership post, Starbucks shut the doors of its more than 7,000 U.S. outlets for three hours to conduct nationwide employee training. The move, which happened on February 25, 2008, and in the wake of 600 layoffs, was meant to renew enthusiasm among the company's 135,000 employees.

Certainly, large-scale events are an effective means to reach out to the greatest number of employees at one time, but managers should not overlook the importance of meeting with employees in smaller groups. If they are seeking feedback or opinions about key initiatives, managers may find that employees are more forthcoming when not in a large group setting. Smaller groups are also more conducive to resolving specific problems.

When Rob Frazier was hired by Colgate-Palmolive to take over operations of its Mennen deodorant plant in Morristown, New Jersey, and turn the plant

<sup>21</sup> Vander Houwen, "Less Talking, More Listening."

profitable within a year, he faced a number of challenges. "There was no communication going on in the plant, and what was being sent across the transom was inaccurate," said Frazier. "We were losing over \$10 million a day, and morale was at an all-time low."<sup>22</sup>

One of the first things Frazier did after arriving on the scene was to meet with plant employees in groups of 10 to understand their challenges. Shortly thereafter, he began a tradition of daily morning "check-ins." In these brief meetings, employees lined up against the wall all the way around the room, making a circle. They talked about what had happened on the line the previous day and what was likely to happen that day. Issues were raised, questions answered, and problems solved. Aware that their voices had been heard and their concerns recognized, the Mennen employees filed out of the room ready to get to work and to contribute to the plant's success. They realized their contributions counted, and all it took was 15 minutes of Rob Frazier's day.

### Communicate Online

While meetings are an important way to communicate with employees, the advent of company intranets in the late 1990s provided a new channel through which companies could reach their employees quickly and broadly with important news on events and key management initiatives. Many company intranets also serve as interactive platforms where employees can rally together and share their views on company programs, activities that contribute to building trust.

IBM has received much attention and praise for using its corporate intranet, dubbed "W3," as a means to host a global internal conversation and tap into the collective knowledge of its almost one-third of a million employees who serve clients in 170 countries. IBM's "Jam" technology enables employees to log in and type real-time comments in a discussion forum that tracks thousands of discrete conversational threads during a companywide "Jam" event.<sup>23</sup> With the discussion topics predetermined, employees can contribute a one-off idea in a matter of seconds or can commit hours to the Jam, reacting to comments submitted by colleagues or vocalizing detailed opinions or suggestions.

While IBM held its first employee Jam in 2001 to help promote intranet use, the 72-hour "ValuesJam" hosted in July 2003 effected especially significant organizational change. Under the leadership of CEO Sam Palmisano and following a six-month review of IBM's management organization, the topic of this Jam was the values underpinning IBM's culture and how those values would drive innovation and industry leadership going forward. Throughout the three days of the ValuesJam, more than 50,000 employees joined in to contribute close to 10,000 comments to the discussion. Following the ValuesJam, Palmisano announced to his executive committee: "You guys ought to read every one of these comments, because if you think we've got this place plumbed correctly, think again."<sup>24</sup>

<sup>22</sup> Interview with Rob Frazier, October 15, 1999. All direct quotes from Rob Frazier came from this interview.

<sup>23</sup> Paul Hemp and Thomas A. Stewart, "Leading Change When Business Is Good: The HBR Interview—Samuel J. Palmisano," *Harvard Business Review*, December 1, 2004, pp. 1–10.

<sup>24</sup> *Ibid.*

Following the detailed analysis of all the Jam postings, IBM distilled the major themes defining what employees think IBM is and should be. In November 2003, Palmisano announced IBM's new set of corporate values, essentially written by the employees themselves through the ideas expressed via the Jam. Employees were hungry for the new values that they authored: In the 10 days following the announcement of the new values, more than 200,000 people downloaded the document on the intranet.<sup>25</sup> Since the ValuesJam, IBM continues to host global and more targeted Jams, and Palmisano considers the technology to be a crucial part of his management approach. Jon Iwata, VP of marketing and corporate communications for IBM, reiterates the value of these internal communications platforms while exposing their inherent risks and challenges:

These new media models give us additional ways of reaching audiences with messages. Most challenging is that you have to be willing to allow others in the company—I'd say everyone in the company, eventually—to engage with each other and the external world without continuous monitoring and oversight by "authorized spokespeople." But it starts with a recognition that we are no longer in control of our company's messages and channels. Once we liberate ourselves from that illusion, we can begin to adopt news ways, tools and approaches.<sup>26</sup>

Internet technology, though extremely powerful, must be used thoughtfully if it is to enhance communication rather than detract from the impact of management's messages. Employees are bombarded by information, especially given the near ubiquity of e-mail and voice mail. In fact, information overload was one of the primary complaints cited in every corporate employee survey conducted in 1997 by Vander Houwen Public Relations.<sup>27</sup> The trend continues today: A 2005 survey by Forrester Research revealed that while 69 percent of company intranet users classified their company intranet as "very important," only 44 percent feel that it's easy to find what they're looking for, with improved search capabilities ranking as the area requiring the most improvement.<sup>28</sup>

Consequently, companies need to invest a considerable amount of thought into ensuring their messages are getting through to employees and that information is easy to find. Portal technology is being used more frequently to help employees more readily locate and manage online information. Portals combine links to key intranet pages, headlines, and applications on a single screen, similar to a Google or Yahoo! home page. Bank of America began using a portal technology to whittle its nearly 2,000 internal sites down to 200, a much more reasonable number for employees to navigate.<sup>29</sup>

A company intranet should be dynamic and engaging, with the home page regularly refreshed, so it becomes an employee's go-to resource for the latest company information. Ideally, it should be integrated into an employee's workday, so that he or

<sup>25</sup> Ibid.

<sup>26</sup> "Gone To (Google) Hell: Resurrecting a Reputation When the Devil's in the Digital," *PR News*, June 11, 2007.

<sup>27</sup> Vander Houwen, "Less Talking, More Listening."

<sup>28</sup> Forrester Research, "Employees Tell Forrester Research What They Really Think of IT," May 27, 2005, <http://www.forrester.com>.

<sup>29</sup> John Goff, "Cutting through the Clutter," *CFO Magazine*, November 2, 2004.

she checks it continuously throughout the day. As a senior vice president at Ketchum public relations explains: "We treat our intranet as if it were a journalistic vehicle. We change the home page every day." The end result: Employees check the intranet each morning "just like they would check the front page of their daily newspaper."<sup>30</sup>

Managers should resist the impulse to move *all* communication online unless sure that all employees will use this medium. Surveys can reveal how employees would like to receive different types of information, which helps determine what types of information a company's intranet will be the best channel for. An effective internal communication strategy should focus on both content and channel, recognizing that the use of multiple channels (some traditional and some more innovative) offers the best potential for success.

And while video and online communication channels are often expedient and engaging, they should not be used as a substitute for personal, face-to-face communication between all levels of management and employees.

### **Create Employee-Oriented Publications**

In addition to online communications, another common form of information sharing in many companies is through the print medium. (Print communications are particularly important to prevent employees without e-mail access from feeling marginalized.) Unfortunately, most internal company publications are unexciting. How can companies make monthly newsletters or magazines more interesting to employees?

Companies need to realize that their publications are competing with the national and local media for their employees' attention. Today's employee is a sophisticated consumer of information more interested in seeing something akin to *USA Today* than a list of bowling scores or a photo of the "employee of the month." Ideally, the publication should connect employees with goings-on beyond their local surroundings; it should discuss important happenings and accomplishments across the company and give employees a clear sense of the company's overarching direction and strategy.

Creating an employee publication is an ideal job for a former journalist. The most senior communication official and the CEO also should take an interest in company publications to ensure that employees are getting the real story about what is happening to the company and the industry in the most interesting presentation.

Rob Frazier personally took over the Mennen plant's internal newsletter to communicate directly with his employees. His front-page articles soon became one of the most valuable sources of information for employees. A few months after his arrival in Morristown, Frazier decided to write about the 12 characteristics of an excellent manufacturing operation. Number 4 on his list (after "zero accidents," "neat and orderly at all times," and "people are important") was excellent communication. Here is an excerpt:

Excellent communication is very difficult and will not be achieved unless we work very hard to make it happen. I am referring to communication between functions

<sup>30</sup>Scott Kirsner, "Building an Intranet Is One Thing, Getting People to Use It Is Another," *CIO*, December 21, 1999.

(planning, manufacturing, finishing, warehouse, engineering, etc.), communication on our results, communication on jobs well done, communication on how we can improve our performance, and communication on how the business is doing.

Please make a note to yourself to do something to improve communication this week. I will be installing a white board near the entrance and writing a piece of information on that board each day in an effort to improve communication. What will each of you do?

Another way to reach employees through company publications is to send the magazines to their homes rather than distributing them at the workplace. Although this distribution is more expensive, it helps make the company a part of the family, something that will be a source of pride for the employee and his or her spouse.

Above all, every publication—just as with any other online or print communication—must be honest about anything that might affect employees. The goal is to make employees feel like a part of the team and on the cutting edge of what is happening within the firm and its industry. The tone of publications also should be realistic, as many employees will see through and distrust anything that seems more like propaganda than a genuine communication.

The messages that go into these periodicals will vary by industry and company, but managers must strike the right balance between what employees are interested in and what they really need to hear from top management. Employees should look forward to the next issue of the company publication in the same way they do their university's alumni magazine. In fact, alumni magazines are excellent models in terms of style and tone for company publications.

Other print materials also are produced from time to time in response to important events that directly affect employees. For example, the health or retirement benefits areas need a special set of publications. If a company is gearing up for a reduction in health benefits, it may start communicating with employees months before the actual changes take place to put these changes in context for employees. In this situation, the corporate communication staff would likely work with human resources to craft a communication strategy for what could be a year-long communication process. Special welcome publications and materials also must be produced for new employees to create a positive and seamless new hire experience.

Management also can use memos and letters to communicate to employees about internal changes, such as management succession, new group structures, or important deals or contracts. These written communications should come out frequently enough so that employees do not feel that it is unusual, but not so often that they stop hearing management's messages. Certainly in the case of major events such as a takeover or merger, employees need to be informed ahead of external constituencies.

The timing gap between internal and external communications about such events must be narrow, however, as it can be damaging to the company if employees communicate sensitive information haphazardly to external constituencies before the company can make an official statement to the media or its client base. Similarly, as discussed earlier in the chapter, if employees hear critical company news from external sources prior to receiving an internal communication, the impact on morale and trust can be damaging.

## Communicate Visually

We know that Americans are increasingly turning to television as opposed to newspapers to get their news. Similarly, employees are becoming more visually oriented in their consumption of information, particularly given increased use of company intranets. As a result, many companies have developed ways to communicate with employees through this powerful medium, now including everything from basic Webcasts to multimedia presentations allowing for employee interaction.

Most large corporations have elaborate television studios with satellite capabilities staffed by professionals. Such sophisticated systems are the best mechanisms for communicating with employees through visual channels. Even if your company does not have its own studio, outside vendors can provide these services as needed.

These studios are often used to create "video magazines" that can be made available to employees in outlying areas, helping them feel like part of the organization even when company headquarters is 1,000 miles away. Companies are now broadcasting programs on the Internet for employees to view over the company intranet with increased frequency. Employees without e-mail access can convene in spaces such as cafeterias to view Webcasts in large groups, creating a communal experience and encouraging inter-employee discussions.

JetBlue holds meetings on the last Friday of each month, when the president spends two hours discussing industry happenings and hosting a live Q&A session. While 200 employees typically attend in person, the video is also posted and broadcast on the intranet, generating thousands of hits from those not able to attend.<sup>31</sup> General Motors broadcasts five-minute news segments daily on an internal television station that reaches its employees nationwide.<sup>32</sup> Citigroup hosts the longest-standing quarterly employee broadcast, held the morning the company's quarterly earnings are released. The broadcast—reviewing financial performance, other key company initiatives and accomplishments, and, more recently, a historical feature about one of Citigroup's legacy businesses—began in the late 1970s under the leadership of Walter Wriston as chairman and CEO of Citicorp and has not missed a quarter since. Thousands of employees watch the broadcast live or on video rebroadcast, and all have the opportunity to order DVD copies to view at home.

Managers should not see expenditures on such communication as frivolous or wasteful but rather as an investment in the firm, a way to make each employee feel more connected, while also "humanizing" senior management. In contrast to the sometimes impersonal nature of e-mail communication, these communications can offer employees a personal touch—literally bringing a company's leaders and vision to life without the time and expense of traveling.<sup>33</sup> If such a production is well done, it can be a tremendous morale booster as well as a visual history of the company that can be used for years to come.

<sup>31</sup> Tahmincioglu, "True Blue."

<sup>32</sup> "Managing Risk, Maximizing Results Part 2: Video Rocks Traditional PR," *PR News*, March 12, 2007.

<sup>33</sup> Julie Flower, "Seeing You Loud and Clear: Will Visual Technology Ever Make a Real Impact on Business Communication?" *Communication World*, December 1, 2002, p. 18.

And visual communication does not always have to be high-tech. At Colgate-Palmolive's Mennen plant, for example, ubiquitous white boards revealed details about breakdowns, production goals, sick leaves, birthdays, vacation schedules, and numbers of units coming off each line. A special racecar billboard depicted the productivity of each line relative to the others—a visual measure of success and a source of motivation and pride. And recall plant manager Rob Frazier's request that employees write each day on a white board what they were doing to improve communication: What better way to share ideas? Such visual communication is inexpensive, easy to implement, and virtually impossible for any employee on the plant floor to miss.

### Focus on Internal Branding

In this chapter, we have discussed the importance of clear, two-way communication about strategy and direction. Internal branding is also important to building morale and creating a workplace where employees are "engaged" with their jobs. While communicators do inform employees about new advertising campaigns, they seldom recognize the need to "sell" employees on the same ideas they are trying to sell to the public.<sup>34</sup>

Internal branding is especially critical when an organization is undergoing changes such as a merger or a change in leadership. When British Petroleum merged with Amoco and then ARCO, it rebranded itself as BP and launched an internal branding campaign simultaneously with an external program. Proclaiming that the merged entity was going "beyond petroleum," the campaign reinforced the rebirth of an oil company into an energy company with an open, collaborative, "new-economy" culture. Employees of the three companies that merged to become BP now have a solid identity to relate to.

The launch of a new advertising or rebranding campaign is also an appropriate time to think of internal branding. Nike links internal and external marketing by granting numerous senior executives the second title of "Corporate Storyteller"—tasking them to share stories with Nike employees that echo the company's ad campaigns, instead of focusing solely on financial results.<sup>35</sup> Volkswagen took a similar approach when it introduced its "Drivers wanted" advertising campaign. In lieu of electronic communications and PowerPoint presentations, staff and dealers watched a creative film that brought the campaign's slogans and essence to life, instilling in them the spirit of the relaunched brand they would be selling to customers around the world.<sup>36</sup>

Internal branding campaigns also can be launched when results of internal audits reveal that employees are not connecting with a company's vision or when morale is low. When internal and external marketing messages are misaligned, the customer experience will suffer, with adverse effects on the company. For example, one health care company marketed itself as putting the welfare of its customers as

<sup>34</sup> Colin Mitchell, "Selling the Brand Inside," *Harvard Business Review*, January 2002, pp. 5–11.

<sup>35</sup> *Ibid.*

<sup>36</sup> *Ibid.*

its number-one priority, while telling employees that the number-one priority was cutting costs.<sup>37</sup> And amid numerous labor lawsuits, retailing giant Wal-Mart based an entire advertising campaign on its employees to boost morale. A national ad campaign profiling individual Wal-Mart workers and highlighting benefits and opportunities for professional development and advancement at the company has been credited for helping instill a sense of belonging and pride among many employees.<sup>38</sup>

Even when employees *understand* the company's brand promise or key customer deliverable, it is not until they *believe* it that they can really help the company carry it out. Just as external branding campaigns aim to create emotional ties among consumers to your company, internal branding's goal is to do the same with employees. Focusing attention on this important area will generate improved employee morale and, ultimately, better results for the company.

### Consider the Company Grapevine

In considering the formal channels of internal communications discussed in this chapter so far, we cannot neglect the importance of their informal counterparts. The company grapevine—an informal communications network including everything from private conversations between two employees to the latest anecdotes shared in the cafeteria—should be considered as much of a communication vehicle as a company's house organ or employee meetings. In fact, given that nearly half of all employees credit the grapevine with bringing them word of major corporate changes,<sup>39</sup> distributing messages faster and in more credible forms than formal channels, it is even more crucial that managers tap into it. But recent surveys show conflicting perceptions of the reliability of this information: 76 percent of one survey's respondents report that news they hear from co-workers is accurate always, usually, or some of the time.<sup>40</sup> However, another survey reveals that many employers downplay the grapevine's importance, with only 17 percent thinking workers rely on it for information.<sup>41</sup> In fact, statistics reveal that over 90 percent of companies do not have a policy for dealing with the grapevine or for managing any other informal communications network.<sup>42</sup> Ultimately, if employees do not receive complete or timely information from their employers, they will have no choice but to rely on one another—as well as external sources—to fill in the gaps.

Managers can find out what employees think by simply asking questions. Union Carbide, for example, uses overnight polling to gauge employee reactions

<sup>37</sup> Ibid.

<sup>38</sup> Eve Tahmincioglu, "Employing Workers in Ads to Polish Image, Boost Internal Morale," *Workforce Management*, April 1, 2005, p. 61.

<sup>39</sup> Jared Sandberg, "Ruthless Rumors and the Managers Who Enable Them," *The Wall Street Journal*, October 29, 2003, p. B1.

<sup>40</sup> Schweitzer, Tamara, "Did He Really Say That?!?!," *Inc.com*, August 20, 2007.

<sup>41</sup> Ibid.

<sup>42</sup> Sheri Rosen, "Carry on the Conversation: Helping Employees Make Sense of What Happens at Work," *Communication World*, March 1, 2005, p. 24.

to its programs. In one study, 89 percent of managers conceded that the grapevine transmits negative information indicative of a lack of trust concerning other employees, supervisors, or organizational policies.<sup>43</sup> Broader surveys can help pinpoint what employees are hearing from management and how they are perceiving things. GM conducts a “Global Employee Census” every two years or so, asking employees to complete a 100+-item survey to gauge their understanding of corporate goals, priorities, and other defining elements of the organization.<sup>44</sup> Other companies conduct such all-employee surveys annually, such as Citigroup’s “Voice of the Employee” survey. The stronger the sense of trust, commitment, and engagement between employees and management, the less often employees will resort to the grapevine as the chief means of expressing their voice and hearing those of fellow employees.

## Management’s Role in Internal Communications

A common thread in the company examples discussed in this chapter is the involvement in internal communications of CEOs and other senior leaders within organizations. This involvement is critical because these individuals are the “culture carriers” and visionaries within a company, and all communications relating to organizational strategy start with them. Increasingly, CEOs and senior managers—in the tradition of J.P. Morgan’s desk on the trading floor—are even positioning themselves in the midst of their employees physically, working at standard desks and in cubes, to boost camaraderie, engage employees more directly, and create a sense of shared culture and responsibility among employees from the bottom to the top of the ladder.<sup>45</sup>

Robert Dilenschneider, founder of corporate strategic counseling and public relations firm The Dilenschneider Group, describes the type of leader the twenty-first century corporate landscape demands:

What’s needed now is a different kind of CEO: Men and women who shed the trappings of imperial power, work with their boards of directors in new, dynamic relationships and find fresh ways to unleash the creative potential of their people, from middle managers to front-line workers. This will require a big shift in attitude from change-averse managers. They’ll need to get off their private jets and fly with everyone else, shed the large personal staffs that coddle and isolate them and spend real time with the workers who are on the factory floors, behind the sales counters or in the office cubicles.<sup>46</sup>

Physical presence and interaction are an important start. Senior managers, however, also need to work closely with internal communications professionals to

<sup>43</sup> Suzanne M. Crampton, John W. Hodge, and Jitendra Mishra, “The Informal Communication Network: Factors Influencing Grapevine Activity,” *Public Personnel Management* 1 (December 22, 1998), p. 569.

<sup>44</sup> Bruce Jeffries-Fox, “Engaging Employees Leads to Self-Enlightened Interest,” *PR News* 61 (April 6, 2005).

<sup>45</sup> Jared Sandberg, “The CEO in the Next Cube—Bosses Who Abandon Offices Win Kudos for Collegiality, but Make Neighbors Nervous,” *The Wall Street Journal*, June 22, 2005, p. B1.

<sup>46</sup> Robert L. Dilenschneider, “When CEOs Roamed the Earth,” *The Wall Street Journal*, March 15, 2005, p. B2.

ensure their messages are received and, most important, understood by all employees. The “understanding” component is crucial but sometimes overlooked. Donald Sheppard, CEO of Sheppard Associates, an independent consulting agency specializing in internal communication strategy, says, “You can have a vision of ‘we want to be this’—that’s nice, but the person out there in the plant in Michigan or in India needs to understand how that applies to him or her and what he or she needs to do differently. That can’t be done at any macro level.”<sup>47</sup>

To achieve this “micro”-level understanding of what strategic goals or initiatives mean to individuals, internal communications professionals should work with front-line managers to help make messages relevant to the employees who report directly to them. KPMG LLP in Montvale, New Jersey, introduced a program called “The Power of One”—an annual event during which key messages and information about firm strategy are shared first with the firm’s partners, and then subsequently “cascaded” down through the other layers of the firm. FedEx also focuses development efforts on front-line managers, including work in the area of communication.<sup>48</sup> These individuals, after all, have the greatest potential to help relate management’s “vision” to employees’ individual business units, and, importantly, to their day-to-day activities.

## Conclusion

Over the last several years, “management by walking around” and other management philosophies basically have come to the same conclusion: Managers need to get out from behind their desks, put down their cell phones, get away from their Blackberries, and go out and get to know the people who are working for them. No other method works as well, and no “quick fix” will satisfy the basic need for interaction with other employees.

With all the sophisticated technology available to communicate with employees today, such as e-mail, intranets, blogs, and satellite meetings connecting distant offices, the most important factor in internal communications begins with the manager who has a basic responsibility to his or her employees. That responsibility is to listen to what they have to say and to get to know who they really are as individuals. We have come a long way from Upton Sinclair’s *The Jungle* to the modern American corporation. Today’s employees do want high-tech and sophisticated communications, but they also want personal contact with their managers. Understanding this fact is the cornerstone of an effective internal communication program.

<sup>47</sup> Gensing-Pophal, “Follow Me.”

<sup>48</sup> Ibid.

## Case 7-1

# Westwood Publishing

Dan Cassidy, a 2005 graduate of the Tuck School of Business at Dartmouth College, was driving home from work listening to more depressing news on the radio about layoffs at another large media company. He had just left a meeting with his boss, Catherine Callahan (see Exhibit 7.1), the vice president of human resources at Westwood Publishing. “Dan, we are going to have to let some of the old-timers go,” she said. “I’m hoping that the CEO will buy my plan for a voluntary severance and early retirement package. We should be able to move out some of the deadwood in this company as well.”

Westwood Publishing had never laid off anyone in the 13 years of its existence. As the director of employee relations, Dan would be responsible for telling employees about the new policy within the next couple of days.

As he looked at the beautiful southern California hills surrounding the freeway, many thoughts were going through his head. How should he identify the issues involved for all employees? Should he get the people in corporate communication involved? Who would be the best person to release the information? What about communication with other Westwood constituencies? And what would be the long-term effects of what

would be reported in the media as a “major downsizing?”

## WESTWOOD PUBLISHING BACKGROUND

Westwood was started by Linda Bosworth, a brilliant UCLA graduate, following her graduation from college in 1995. With only \$10,000 in capital borrowed from her father, Bosworth had built the firm up to a multimillion-dollar trade magazine publisher with hundreds of titles and a broad subscriber base. Beginning in the mid-1990s, Westwood began to focus strategically on high-tech trade publications.

As the business grew, Bosworth gradually turned the day-to-day operation of Westwood over to professional managers, preferring young MBAs from top business schools. But the original group of employees, mostly men in their mid-50s, still represented the bulk of senior management at Westwood.

By the turn of the century, analysts had predicted that the publishing industry in general, and Westwood in particular, were ready for consolidation. Many of Westwood’s competitors had trimmed their workforces repeatedly after the dot-com bubble burst in early 2000. By this point, half of Westwood’s titles were for high-tech and Internet companies. But Bosworth felt that keeping all of her employees happy through good times and bad was more important than anything else.

As other business-to-business publishing companies underwent M&A deals—and trade magazine publishers with solid online media divisions continued to sell themselves to media conglomerates at a tidy profit—Westwood resisted making any deals, instead standing its ground, avoiding the messy consolidation of

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### EXHIBIT 7.1 The People in the Case

Linda Bosworth	CEO of Westwood Publishing
Catherine Callahan	Vice president of human resources
Eric Ridgway	Vice president of corporate communication
Dan Cassidy	Director of employee relations
Craig Stevens	Outside public relations consultant

print titles, and having to deal with potential redundancies in departments such as circulation and office support personnel.

Even though one-quarter of the American newspaper jobs that existed when Bosworth launched her company in 1995 had already disappeared by 2008, in a speech that Bosworth delivered to all of Westwood's employees that same year, she outlined the company's philosophy toward employee turnover: "You, the employees of Westwood, are the most important asset that we have. Despite the difficult times this company now faces, you have my assurance that I will never ask any of you to leave for economic reasons. This is not General Motors!"

## **CORPORATE COMMUNICATION AT WESTWOOD**

The company relied on a small staff of communication professionals to handle its communication efforts. All of the various activities that could be decentralized (e.g., internal communications, investor relations) were housed in the appropriate functional areas. This organization developed naturally as the company grew to become one of the largest independent trade magazine publishers in the United States.

The main outreaches to employees were annual town hall meetings in the major cities where Westwood had offices, where slide-heavy presentations from Bosworth and other top company executives would draw upwards of 300 employees. Ironically, for a publishing company, Westwood's Intranet was updated infrequently, and the company's communications team relied mostly on desk drops of formal memos and newsletters to get messages out to its workers.

Bosworth, as a young owner and CEO, enjoyed much attention from the press as a result of her meteoric rise in the business world. She relied on an outside consultant, Craig Stevens, to handle her own public relations. Stevens also had a tremendous amount of influence over the communications department at the company itself.

The vice president of corporate communication, Eric Ridgway, was actually one of the several employees who would be affected by the current plan to trim the workforce. He had been hired early on as a favor to Bosworth's father. Ridgway had spent 25 years at the *Los Angeles Times* before signing on at Westwood, and while he had a media background, he did not know much about the trade magazine business or the industries that made up Westwood's primary subscriber base. The problems associated with Ridgway made the communications effort more difficult for both Dan Cassidy and the outside counsel advising him through the process.

## **THE VOLUNTARY SEVERANCE AND EARLY RETIREMENT PROGRAM**

Although the CEO was very much against the two programs that were about to be implemented, she had been convinced by both Callahan, the head of human resources, and her board of directors that something had to be done immediately, or the company itself would be at risk.

The way the programs would work, several senior managers would be told about the generous voluntary severance or early retirement packages and asked to avail themselves of the appropriate plan. Thus, a director who had received less than excellent performance appraisals for two consecutive years would be a prime candidate for voluntary severance, while a vice president approaching 60 would be offered the retirement package. Although both of these programs were "voluntary," the supervisors responsible for identifying candidates were urged to get the weaker people to agree as soon as possible.

## **COMMUNICATING ABOUT THE PLANS**

Cassidy reported to work the following day and was asked to attend a meeting with his

supervisor, Catherine Callahan; Bosworth; and Craig Stevens. "Well, Dan, how are you going to pull this one off?" joked Bosworth. Cassidy responded, "Quite honestly, Linda, given your position on this issue, my feeling is that you need to get involved with the announcement tomorrow."

As the discussion progressed, however, it was obvious to Dan Cassidy that he was the one that his boss and the head of the company wanted to take the heat. After two hours, Bosworth looked Dan squarely in the eye and said: "This was not my idea in the first place, but I know we have no choice but to adopt the voluntary severance packages and early retirement plans for Westwood Publishing. Unfortunately, I need to leave for a conference in New York the day after tomorrow. You and Catherine are going to have to take responsibility this time."

Dan looked over at Catherine. She was gazing at a drawing on Bosworth's wall. It was a picture of someone about to lose his head by guillotine during the French revolution. Somehow the picture seemed very appropriate to their situation.

## CASE QUESTIONS

1. Create a strategy for communicating change at Westwood Publishing that you could give to Bosworth.
2. How do changes in the workforce affect how Cassidy ought to think about communicating the new policy?
3. What advice would you give Cassidy about how communications to employees are structured at Westwood?