A study of how companies manage change uncovers eight benchmarks for effective communication.

Managing to Communicate, Communicating to Manage: How Leading Companies Communicate with Employees

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Faced with recession, increased global competition, and restructurings, U.S. businesses are making major organizational changes to shore up productivity in every aspect of their enterprises. These practices may be beneficial for the companies, but they also can be wrenching for the companies' people. For instance, reorganizations, "rightsizings," and layoffs, common to these times, virtually ensure drops in morale and productivity. That's because they threaten jobs, business relationships, and the employees' sense of security.

How do America's best companies reconcile a compelling need for organizational change with an equally compelling need, on the part of employees, for security? Our quest to answer this question led to an in-depth study of 10 leading U.S. companies. These firms, the study showed, go further than raise their employees' sense of security. They also preserve or improve productivity. And they do it with a familiar concept: communication.

These companies illustrate that organizations can convert employees' concerns into support for the major changes if they effectively address employees' fears about restructuring and reorganization. On the other hand, if communication is inadequate, employees will be more resistant to change.

The overall lesson is clear: Effective managers strategically use communication to manage tough organizational changes. Before we present the results of our study, consider one striking example of this principle in action.

FEDERAL EXPRESS AND FLYING TIGER: A CASE STUDY

In December 1988, Federal Express acquired Flying Tiger Line, Inc., its rival in the international air freight business. FedEx senior managers realized that the organizations' "strategic fit" would mean little if the people in the organizations could not be convinced that the merger made sense. The FedEx credo of "People-Service-Profit" was about to be put to a highly visible test.

As Jim Perkins, senior vice president for personnel at FedEx said: "We wanted a merger our people would be proud of, to reflect who we are as a company, our people philosophy. We wanted a merger that would bring the merged company on to the FedEx team." Employees throughout the organizations were concerned, however. Careers, loyalty, and years of trust were at stake.

FedEx management didn't waste much

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time addressing these concerns. In fact, some believe their communication measures were extraordinary. Less than two hours after the Dow Jones wire service announced the merger, FedEx Chairman Fred Smith and Chief Operating Officer Jim Barksdale gave an unscripted, unrehearsed address over the company's satellite television network—FXTV—to 35,000 employees in 800 locations. From the start, Smith and Barksdale described the move as a "merger," not an "acquisition." The phrasing had symbolic importance to people in both organizations. The choice of terminology "didn't require a lot of debate or discussion," said Carol Presley, senior vice president for marketing and corporate communications. "We wanted Flying Tiger people to feel we really did want them."

Still, FedEx employees had serious concerns. Most Flying Tiger employees, for instance, were unionized. Moreover, some had been employed by their company longer than FedEx had been in existence. To FedEx employees, therefore, joining forces with these outsiders could threaten their seniority.

Altogether, the lives—and concerns—of 70,000 people were involved. And the FedEx management team would spend what some might view as an extravagant amount of time and money to communicate—talk *and* listen—with employees. For months following the merger announcement, questions and answers traveled back and forth, up and down the organization. The means of communication included face-to-face meetings, company publications, videos, and television programs, including the daily company news broadcast, "FX Overnight."

FedEx managers considered the effort well worth the expense. In fact, assuaging the concerns proved vital to the achievement of all of the objectives that inspired the merger. Barksdale described the payoff: "Placing such an emphasis on internal communication has made us the company we are. We couldn't be anywhere near the size we are, and have the profitability or the relationship with our employees we have, if we weren't deeply into the business of communicating with people."

The Importance of Communication: An Emerging Consensus

FedEx's efforts may seem extreme, but their approach was not unique among well-managed companies. A study by The Conference Board refers to employee communication as a "new top management priority." Faye Rice, writing in *Fortune*, concludes that "internal communication—talk back and forth within the organization, up and down the hierarchy—may well be more important to a company's success than external communications."

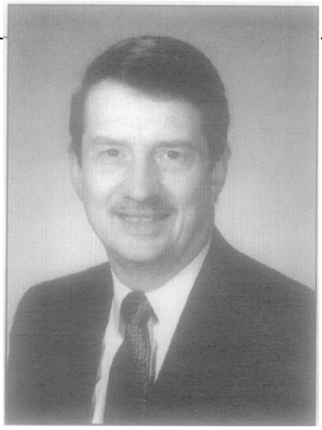
A Columbia University study found that 59 percent of chief executive officers (CEOs) consider frequent communication with employees important to their jobs. And 89 percent expect communication to be more important to the CEO's job in the year 2000.

The experiences of companies like FedEx, and the emerging consensus among senior executives on the importance of effective communication, underscore the need to identify and understand the strategic role of employee communication during major organizational change.

This article discusses the results of a two-year study of firms that dealt with communication needs during restructurings and reorganizations.

ABOUT THIS STUDY

Based on our reading of published accounts of many restructurings, we believed, at the start of this project, that communication processes are an important ingredient of successful change. To investigate this hypothesis, we first identified several U.S. corporations that underwent major restructuring in recent years. Then we surveyed several dozen senior human resources and employee communications managers to get the names of companies with excellent internal communications programs. The responses enabled us to identify companies with the "best practices" in diverse industries. From this list we selected 10 firms that met the dual criteria of recent organizational change and exemplary communication



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His public and non-profit professional associations have included the World Health Organization, Population Council, National Wildlife Federation, and the Corporate Conservation Council, and more than 50 corporations.

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EXHIBIT 1

EIGHT FACTORS THAT DETERMINE THE EFFECTIVENESS OF EMPLOYEE COMMUNICATIONS

1. The Chief Executive as Communications Champion
2. The Match Between Words and Actions
3. Commitment to Two-Way Communication
4. Emphasis on Face-to-Face Communication
5. Shared Responsibility for Employee Communications
6. The Bad News/Good News Ratio
7. Knowing Customers, Clients, and Audiences
8. The Employee Communication Strategy

practices. Subsequently, we investigated the 10 companies by holding interviews, site visits, and discussions with a range of senior executives involved in the restructuring efforts.

Our purpose for the first phase of the project was to identify and compare communications practices at these organizations. To supplement the comparative analysis, we conducted a second phase: more detailed inspections of two companies undergoing major organizational restructuring. One company was involved in a reorganization and a geographic move—changes that affected 100,000 people. The other company was involved in an acquisition and in an integration of two companies.

The criteria used to identify successful management included the degree to which the changes were smooth, in the eyes of management; the amount of staff turnover; and the general tone or morale of managerial and non-managerial staff members (as reflected in employee surveys). In each of the 10 organizations, managers were able to identify quantifiable business measures (sales, profitability, revenue per employee, or other financial measures) used to track organizational performance. The comparison revealed several patterns in the way the "best practices" firms manage organizational changes.

The second-phase studies focused on two of the large "best practices" companies. The studies confirmed that certain communications practices significantly improve the ability of any senior management to make large-scale organizational changes.

EIGHT PRINCIPLES OF EFFECTIVE CORPORATE COMMUNICATIONS

During organizational changes, certain factors play roles in the effectiveness of employee communication (see Exhibit 1). Each factor alone carries weight, and also interacts with the changes in important ways.

Most important for managers: Each factor applies to a variety of industries and organizational settings. This suggests that the lessons learned from the 10 firms can be applied to many types of organizations.

1. The Chief Executive as Communications Champion

The most significant factor is the CEO's leadership, including philosophical and behavioral commitments.

The CEO must be philosophically committed to the notion that communicating with employees is essential to the achievement of corporate goals. It follows that a CEO with a strong commitment, such as Smith at Federal Express, sets a different tone for the rest of the company than one who considers communication "nice, but not necessary." Executives at one firm we investigated, for instance, told us they consider employee communication "the most important managerial activity in this company." They regard it as a crucial tool for managing routine activities—from new product introductions to changes in the benefits policy—and for responding to extraordinary matters, such as an effort to unionize or an investigative report conducted by "60 Minutes" or "20/20."

Referring to his company's major reorganization, a senior executive commented: "We could not have done it without a very strong communication effort." At this firm, he told us, "Strategic issues are understood as communications issues." When asked about the return on the investment, the same executive said it this way:

> Enormous! We can move faster, jump higher, dive deeper, and come up drier than anybody in the business. When we hang a left, everybody goes left. It gives us an enormous ability to work as a team. Other companies in our industry have yet to find that out.

Top management's attitude influences the behavior of other managers in an organization. For instance, a CEO regularly told other managers that combat experience convinced him that good communication is crucial to survival and success. Middle managers throughout his company repeated that story, describing the CEO as a "champion" for communications-oriented problem solving. That view is reinforced in the company's training manual, which emphasizes the manager's role as communicator—and which was written by the CEO. In this company, more than any other we studied, the message of employee communications as a strategic weapon had been sent, received, and understood.

In addition to espousing a philosophical commitment to employee communications, the CEO must be a skilled and visible communications role model. (The CEO must walk the talk if the organization is supposed to walk the talk.) We were struck by the extent to which a number of CEOs turn their commitment into action. One, for example, spends an average of four to six hours per week talking to groups of employees—fielding their questions and actively exchanging ideas. Interestingly, this CEO is not a natural media personality. In fact, many people say he's still a bit wooden in front of television cameras, although he has improved over the years. What he does do well, however, is communicate often (frequently in person), display a willingness to address challenging questions, listen carefully, and respond quickly to sensitive topics. These actions appear to be much more important to his audience than flawless skills or a slick performance. As another top executive said: "People say he's a stiff son-of-a-bitch, but at least he's trying."

Besides having a philosophical commitment and serving as a role model, top management must have another attribute vital to effective communications: They must be willing to deliver key messages themselves. This task cannot be delegated, as one professional staff member explained:

> If they have a vision and they can't share it, can't make people see it, then they're not going to be effective in their job ... Yes, others can help, but if [leaders] can't articulate it directly themselves, nobody else can do it for them.

Or, as a veteran communications professional at another company said: "People need the icon—somebody who personifies the strategy, the change you're trying to make."

Virtually all of the employee communications managers emphasized the CEO's role in the successes and limitations of their programs. Even the most senior staff people can't run the communications program by themselves. Thus the program must be championed by the top executive through words and frequent, visible action.

What happens when the CEO doesn't play a large enough role? We observed several such cases, and the result is the communications plans have limited impact. Executives who don't understand their role or don't take action are the biggest frustration of senior communications managers. As with other areas of staff support, even a first-rate staff cannot compensate for a chief executive who is unwilling to provide visible leadership for the employee communications effort.

The chemistry between the CEO and the

senior communications officer will determine the role the senior communications executive plays. At best, the officer serves as confidant, trusted adviser, "chief ear-to-the-ground," and traveling companion for the CEO. At worst, the officer's effectiveness is thwarted by indifference or disregard from the CEO. When employee communications managers recounted triumphs and failures, good years and bad, they often were referring to departures and arrivals in executive offices.

2. Matching Actions and Words

Another critical factor for effective employee communication, and one closely related to CEO support and involvement, is managerial action. Our study confirms that actions definitely speak louder than words. Too often, people told us, the *implicit messages* that managers send contradict the *official messages* as conveyed in formal communications. Consider the possible fallout if FedEx had referred to the Flying Tiger deal as a "takeover" or "acquisition" rather than as a "merger." The formal message—one of welcome, partnership, and common enterprise—could have been twisted into an "us and them" message. As one senior staff officer characterized it: "Formal communications, of and by themselves, are not how employees know their company. They know it through their supervisors and through their management."

One senior vice president described the close relationship between words and action as the critical success factor in his company's effort to restructure:

> How to manage a [restructuring]? First establish a philosophy at the outset so when you run into various situations you'll at least have some frame of reference, you'll know where you are ... And once you establish a philosophy, it is necessary to be consistent and not waiver, and to really just hold the line.

Without a match of values in formal channels with values in practice, employee communications may be a waste of time. "Whether or not our bulletins and newspapers are credible anymore," noted an employee communications director who was in the middle of a massive reorganization, "is much more the result of management actions than of anything we (employee communications staff) have done."

3. Commitment to Two-Way Communication

Dialogue and two-way communication have gained popularity as important elements in implementing total quality and employee involvement programs. Nevertheless, the degree to which the companies we studied were committed to this idea varied. The firm that displayed the highest commitment to two-way communication did so enthusiastically. Using interactive television broadcasts, managers at this company stage call-in meetings so employees at all locations can ask questions. Managers are trained in feedback techniques, and company publications further solicit employee comments through Q&A columns and reader-comment cards. Other techniques include reward and recognition programs for upward communications, as well as clear, swift grievance procedures.

In other firms, we found less enthusiasm behind the stated commitments. In some cases, top managers could enumerate the types of upward communication available, but lower level employees could not. In other cases, the commitment varied among managers within the same company. For example, one company used an extensive employee opinion survey to stimulate upward communication and then left employee feedback to the discretion of each manager.

An employee communications staffer remarked that if a company is serious about two-way communication, it should allocate as many resources (money, communications vehicles, and staff expertise) toward helping employees with upward communication as it does to foster downward communication. Although this comment may have been partly facetious, the point is well made.

Managers of the 10 companies agreed that they need to improve in the area of two-way communications. Even top and mid-level managers at the company with the most extensive two-way communication said they "didn't listen enough" during a recent restructuring.

Opinion or attitude surveys are one common device for listing to employees. By itself, a survey seems inadequate as a two-way communication device. But in concert with other means, it can provide valuable information. When a company has too few, or infrequently used, feedback mechanisms, it risks being blind-sided by unanticipated survey results. The company may also find it has insufficient data—to interpret the results or choose among alternative "readings" of the data. It can be tempting to dismiss damning data as a blip on the screen, if the evidence is not corroborated elsewhere. And employee surveys may also serve as lightning rods for ambient ill will—even about issues the survey doesn't cover. This is most likely to happen when the employees have no other vehicles for upward communication. In such cases, survey results may be difficult to read and potentially misleading.

4. Emphasis on Face-to-Face Communication

Face-to-face communication between top management and employees is a particularly useful form of two-way communication. Managers strongly endorsed it, especially for handling sensitive issues or managing large-scale changes, such as a restructuring of the organization. Many companies arrange gatherings at which employees—an entire group or a representative sample—can ask the CEO questions. The CEO may travel regularly to dispersed sites for this purpose. As a secondary benefit, the company may broadcast a Q&A meeting at one site to employees at other sites. In other companies, senior executives meet with management trainee classes at the corporate training center.

An effective ongoing practice, the face-to-face meeting plays a crucial role during times of uncertainty and change. Based on feedback from employees, one firm learned that face-to-face encounters had made a critical difference in how it managed a major acquisition. The company had sent senior management to every major installation of the acquired firm. In all, 75 percent of the acquired firm's employees had an opportunity to meet the CEO and other top officials. "We stood there for hours, until every question was answered," one participant recalled. What that gave employees, recalled another, "was the chance to take a measure of you, look you in the eye, ask some questions and see how you responded." The benefit of such give-and-take meetings, said an executive, is that they "expose you to a large group of people [many of whom] feel like 'I didn't ask him a question but he was there if I wanted to'... You get to be seen as a person who understands what's happening, who is cognizant of feelings, who doesn't have all the answers but is willing to listen and learn, and who has a vision so that others will say, 'I'll work for that guy for a few months and see how it goes.'"

Talking face-to-face is one thing; exchanging straight talk is another, however. In the case of the acquisition, the straight talk didn't end after the first meeting with employees of the acquired firm. Afterward, the company trained 150 of its nonmanagement employees to handle nitty-gritty concerns that remained among nonmanagement employees at the acquired firm. Three- and four-person "ambassador teams" traveled to 16 cities. Although the atmosphere of the meetings was described as frosty at the outset, it usually improved as the ambassadors answered a host of questions about such issues as seniority, pay, and working conditions.

Two caveats emerge from the experiences of the 10 firms. (1) Such approaches as sending teams of managers to distant sites can be an expensive and time-consuming activity. Nevertheless, the companies we studied believed the results justified the expense. As one executive noted: "Some things you do because you believe they're right, and doing them right gives you a (long term) financial return." (2) Face-to-face communications do not obviate the need for other communications efforts. The company that dispatched the ambassador teams also had an extensive set of communications channels, including television, videos, electronic mail, and publications. Yet other media could not substitute for in-person communication, particularly when the communication dealt with the human side of restructuring. In retrospect, people from both the acquired and acquiring organizations believed this was a critical strategy for the successful merger.

During times of crises or major organizational changes, the best response involves multiple communications devices—pulling out all the stops—to ensure that employees understand the action. The vice president of human resources in one large company put it this way:

> Communicate in a timely manner, as promptly as possible. Be up front and perfectly candid, even when the news is not what people might expect. Communicate in as many forms as possible—writing, pictures, and other news organs, and especially people-to-people, where you provide an opportunity for people to interact and exchange ideas.

A decade ago, author/futurist John Naisbitt described the possible complementary relationship between "high-tech" and "high-touch." His point was that the more technology invades our lives, the more we seek to balance it with some humanizing counterforce. Our research findings are consistent with the essence of that "megatrend." The best practices emphasize technology, as well as "touch." The most effective employee communication programs couple a liberal and imaginative use of high technology (television and E-mail, for instance) with a high-touch strategy that involves face-to-face and personalized communications. Together these "high-tech/high-touch" approaches can reach employees on even the most sensitive matters; too little "high-touch" weakens the employee communication effort and, ultimately, the organization's capacity for change.

5. Shared Responsibility for Employee Communications

Clearly, responsibility for effective employee communications is shared, rather than centralized, in companies that have adjusted to major change. Managers and employees repeatedly stressed that every manager serves as a communication manager. "People want to hear news from their boss, not from their peers or from the grapevine," said one communications manager. This view was confirmed by employee surveys taken by several companies. When asked to rank their preferred source of company news, employees invariably cited "my supervisor" as their top choice. Yet, the more frequent sources of company news are, for many employees, "the grapevine" or "the media."

Another common communications "disconnect" occurs when messages from chief executives and communications staff get derailed by lower level managers—through neglect, antipathy, or lukewarm support for the message. Said one employee communications veteran: There is "little one can achieve from a central group when you don't have some sort of agreement or buy-in at the local level."

In the end, companies need to have a clear plan that holds appropriate levels of management accountable for specific portions of the communications mission. An employee communications executive stated:

> Corporate communications should address the broad issues and the local manager should address the local issues. I don't expect the individual manager to be an expert on every subject. The 401(k) benefit programs, the company's international strategy—they shouldn't have to communicate corporate-level things and [they] aren't the best source. Your responsibility as a manager is to make sure your people get the latest information from corporate ... and also stand up at the employee meeting and explain why they've been assigned Route 232, why Mary got promoted and they didn't.

Another company's senior employee communications director—who sees the supervisor's role as particularly important to managing change—said that top management must be responsible for conveying the "big picture," but only the supervisor can link the big picture to the work group and to the individual employee.

Some communications policies spell out the responsibilities of everyone in the organization. In one firm, managers are responsible for top-down and bottom-up communication, while non-management employees have their own responsibilities, including directives to review corporate communications and to inform supervisors of problems.

Policies also need to be bolstered with communications training, coaching, goal-setting, evaluation, and reward, if they are to take root in the organization's day-to-day life. The best practice generally involves a programmatic approach that addresses needs and also improves listening, feedback (giving and receiving), and problem-solving skills and techniques. The best practice includes regular assessments by management of the effectiveness of the company's communication policies. Recall the CEO who considers communication the "single most important" management activity. On that company's employee survey, 6 out of 10 questions about employees' direct managers relate to communication. Supervisors also get evaluated at the mandatory face-to-face employee feedback sessions that follow the surveys.

Also at this company, each supervisor must identify and address communication problems as part of his or her annual performance plan. Even with this emphasis, however, the feeling is widespread that the organization is falling short. Said a communications manager: "We should be doing more to help others communicate, rather than communicating for them."

In many of the firms, including the leading firm just mentioned, people believed that managers received inadequate training, or were not held sufficiently accountable. This is despite what many see as the growing importance of communication in an era of flatter, more flexible, and quality-centered organizations. The problem in some instances is structural: The employee communications function rarely oversees the managers' related training or performance evaluation. Several communications managers suggested that companies closely link the communications function with the training and development function, perhaps by having them accountable to the same senior executive.

6. Dealing With Bad News

A more subtle factor that affects employee communications relates to the way bad news is received by top managers, and then shared with others in the organization. "Bad news" may include service or quality failures, delays, customer complaints, or criticism from outsiders. In short, it is the antithesis of "happy news"—the cheery reporting of United Way fundraising results, retirement parties, and bowling scores—that once served as the mainstay of employee communications.

Although we did not launch a formal study of "bad-news to good-news ratios" among our ten companies, an informal content analysis suggests it varies widely. Interestingly, the company with the highest bad-news to good-news ratio appeared to be performing very well, in terms of employee satisfaction and economic performance. It was not communicating more bad news than other companies simply because it had more problems. In fact, this was the same company whose formal communication policy holds employees responsible for telling management about problems. Thus, communicating "bad news" is culturally valued and institutionally supported. Much has been written on topics of quality management, continuous improvement, and organizational learning to suggest that the free flow of information, including bad news, provides important strategic advantages. Moreover, it seems likely that when bad news is candidly reported, an environment is created in which good news is more believable.

7. Customers, Clients, and Audiences

In each of the companies we studied, the communications staff had developed a clear sense of the people they served—a "customer focus," in the words of quality management. Yet there was considerable diversity in their identification of the customers. For example, a communications director sees that "top management is our customer, but employees are our audience." In contrast, the employee communications function at another firm defines its customers more broadly. Here, customers include top management, middle management, and employees. The senior executive to whom communications reports explained:

> There are messages that top management must send, but also questions employees have [that are] separate from that. The proper role of [employee communications] is to provide [for] both of those ... We recognize that mechanics, for example, have their own set of questions [on topics] like tool box insurance. The CEO will never want to send out a message regarding tool box insurance. But focusing on your audience, you listen to those things that are important to them.

One way to identify the internal customers is to look at the person driving the employee communications—the message-senders ("we want you to know this") or the message receivers ("this is what we need to know"). In one company we studied, the organizational structure changed and the employee communications staff began reporting to a senior marketing executive. The orientation quickly shifted. "Before, a staff member would be responsible for these communications [products]—newsletters, video," a manager noted. "Now, she's responsible for these three groups of people. [It was] traumatic for the people involved, but today they would [say] it was a great move. The feedback has been so different because now they're targeting needs to an audience."

Tom Peters' concept of "keeping close to the customer" was invoked in a surprisingly large number of these companies. What does the customer want to know? When do they prefer to receive information? In what form (at home, electronic mail, graphic display) do they want to receive it? We noticed that in these companies there was a clear trend toward insisting that employee communications staff monitor their customers and audiences, and understand the organizational issues, job demands, and other communications efforts that affect the customers. At times, answering audience needs involves cut-and-dried meetings about tool box insurance issues; at other times, it means candid discussions about company performance and restructuring moves. The former is easier, the latter much more sensitive and critical to managing organizational change. But both are important to the audience. In the best companies, communications programs serve the audience's needs and, as a result, improve the organization's capacity for dealing with change.

8. The Employee Communications Strategy

Each of the previously mentioned factors involves communications and managerial processes, not products. This was surprising at first, in part because communications products—slide shows, videos, and newsletters—are frequently the focus of discussion in the communications literature. Our conclusion is that, among leading companies, employee communications is viewed as a critical management *process*. That is a new focus.

When viewed this way, the strategy for effective employee communications becomes much clearer and easier to understand. Five consensus ideas stand out from the data collected in our sample of leading companies:

Communicate not only what is happening, but why and how it is happening. As change occurs more frequently in organizations, and their future is less certain, employees have a need to know the rationale underlying management decisions. This need is critical to an organization's capacity for implementing change programs and derives from what was called the "changing psychological contract" between employers and employees.

As one employee communications manager stated:

> The work force has changed. They're not looking for (news about) births and deaths. They're looking for what the company's business direction is, how it's performing financially—they have a stake in that—because of the changing psychological contract. (This company) used to be very stable. We don't have that anymore... The work force is looking for something from management to make up the difference between what they used to have guaranteed and what they have now. One of those things is information. They consider it a right. It's not just something they feel that's nice to do. They feel that management owes them that information.

The feeling that employees are "entitled to information" is most likely to occur among the baby-boomer segments of a company's workforce, even though it is also gaining strength among older workers.

Timeliness is vital. Communicate what you know, when you know it. Do not wait until every detail is resolved. Recalling mistakes made during his company's reorganization, one manager told us:

> It was quite obvious that top management was holding on to information until all the i's had been dotted and t's crossed before they would tell anybody. By the time information came out about what actually was happening, everybody had already formed an opinion about what was going on, and how it impacted everyone ... Their attitude was, "We resent being treated like children. We're big people. We know things change. Tell us what the current situation is and if, down the road, you have to make an adjustment to that, just tell us why you had to make the adjustment. We can work with that."

The cost of not communicating in a timely manner is disaffection, anger, and loss of trust. In a world where organizations need increasingly high levels of mutual trust among all personnel, the failure to share what you know when you know it is a prescription for trouble.

Communicate continuously. Communication should be continuous, particularly during periods of change or crisis. Our respondents stressed the importance of continuously sharing news, even if the news is simply that "discussions are continuing." As one veteran commented: "You have to have a steady hum, 'white noise.' A steady hum of information at least gives employees (the idea) that something's happening. Dead silence is deafening... You need to keep the hum going." Moreover, in an information-rich climate, employees are more forgiving of the occasional error.

Link the "big picture" with the "little picture." There is a consensus that truly effective communication does not occur until the employees understand how the "big picture" affects them and their jobs. Changes in the economy, among competitors in the industry, or in the company as a whole must be translated into implications for each plant, job, and employee. Often the direct supervisor or first-line manager must clarify and convince employees. As one manager explained, "Employees want that linkage between the global picture ... and what it means to me in my job. That's the only way you can get support. You tell people what it means to them and they can buy into it." Don't tell them, and the chance of not getting a buy-in grows.

Don't dictate the way people should feel about the news. It is insulting to tell people how they should feel about change ("This is exciting!"). Veterans of the communication wars say such efforts usually fail and often provoke antagonistic responses. It is more effective to communicate "who, what, when, where, why, and how" and then let employees draw their own conclusions.

The managers involved in this study stressed the importance of consistently applying this approach, whether times are good or bad, or normal or crisis/change-ridden. These are not emergency measures. They are elements of an ongoing, effective communications strategy.

TWO SURPRISES

Surprisingly, neither the size of the employee communications budget nor the reporting relationship emerged as a major influence on the effectiveness of employee communications.

Finances improve or constrain the ability of a communications staff to produce videos, newsletters, and other products. They do not determine the ability of the staff to serve customers, clients, and audiences. While a CEO's support might mean greater financial resources for communications, almost all respondents agreed that the hidden budget—the amount of time a CEO devotes to employee communication and the amount of training new managers receive—has far more significance than the formal budget.

One way to allocate the budget is to compare allocations to internal communication with those to external communication (public/external affairs). The firms we examined distributed much larger amounts to external communications. The closest they came to parity was a large company with multiple plant sites, where external communications had a head count of 103 people and employee communications had 60 people. At the other extreme was an energy company, which had 95 people in public relations and which had recently assigned two staff members to employee communications.

We believe that the composition of the sample companies in this study may have led to some atypical results. We sought companies with exemplary employee communication practices, and we found several outstanding examples. For these companies, financial resources may no longer be the burning issue that determines effectiveness. For companies that are not as far along the "learning curve" of effective communication practice, budget and staff size may be greater barriers to effectiveness.

One of the most frequent questions that surfaced during the interviews concerned functional reporting relationships. Should employee communications report to the CEO, human resources, public affairs, marketing, or corporate communications? Employee communications professionals spend a lot of time considering which configuration gives the communications effort the greatest impact in the organization. Our findings, however, suggest that reporting lines have less impact on the effectiveness of employee communications than political and interpersonal relationships. Reporting to the CEO is of little advantage if the CEO is indifferent to the strategic role of communication.

CONCLUSION

Effective communication, especially when it concerns employees, is vital to any organization undergoing significant change. Affected constituencies and stakeholders need information so they can continually help the organization achieve its goal.

This study of companies considered by their peers to be leaders in effective employee communication practice has emphasized a number of key themes:

• **Employee communications is a critical management process, not a set of products.** Every company studied has broadened its definition of employee communications from the use of newsletters and videos to a vital process for promoting organizational learning, improvement, and change.

• **Effective employee communications practices should be consistent under all organizational conditions.** What works in bad times also works in good times. One of the hallmarks of these best practices companies is their commitment to ongoing employee communication—not an emergency measure only.

• **Every manager is a communicator.** When this principle is activated, the staff's role changes from "doer" to "facilitator," and the emphasis is placed on the needs and requirements of the customers, clients, and audiences. That is the way employee communication adds real and lasting value to the modern business enterprise.

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The final report of the research study discussed in this paper is available from The Human Resources Policy Institute, Boston University, 621 Commonwealth Avenue, Boston, MA 02215.

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