



## The Hard Dollar Value of Effective Communication

By Steve Kirkpatrick, Ph.D.

Most business people would agree that communication is vital. But what are the best communication practices? When is the best timing? Who should communicate? What works?

As the old saw goes, "Only 20% of advertising hits its mark. The problem is you cannot tell in advance which 20% that is."

When it comes to internal communicating from senior managers and boards of directors to front line managers and employees, the payoff has traditionally seemed even harder to quantify – or justify. It's a classic example of "nailing Jell-O<sup>®</sup> to the wall."

### **Recent Insights**

Current investigations into the importance of communication focus on the impact it has on bottom line results accrued from the day-to-day performance of individuals and teams in the workplace.

Three key principles have emerged:

1. Organizations that communicate effectively, from top down and front-line up, improve their bottom lines and better satisfy their customers.<sup>i</sup>
2. Engaged employees – those willing to do whatever it takes to get the job done – make the difference<sup>ii</sup>. Engaged employees have great communication with their immediate supervisors. They also understand how what they do makes a difference in the big-picture effort to execute business strategy.
3. The most effective communications are *face-to-face dialogues with managers in small groups and team meetings*.

Yet, most managers lack the basic group communication skills required to do this with consistent effectiveness. That situation persists because high-impact communication, both one-to-one and in groups or team meetings, requires specific competencies that few managers can or do develop on their own.



## ***The Essential Skills – and the Skeptical Audience***

What employees say in one opinion survey after another is that they want key information about business direction and how they fit into the overall scheme of things to come face-to-face from their management. They want to look managers in the eye and hear the message directly.

However, nowadays managers communicate across a wide chasm of distrust and cynicism. Never has the level of trust in our business leaders and institutions been lower. Public opinion polls among working adults in the U.S. from 2002 through 2005 repeatedly show that *a 90% majority* of working adults believe:<sup>iii</sup>

- Corporate executives cannot be trusted to do the right thing more than occasionally;
- Corporations and large institutions do whatever is expedient to make a profit, including cheating and lying;
- The credibility of corporate leaders is about equal to that of used car salespeople, politicians, TV news, and organized labor – all near the bottom of the list.

To overcome this cynicism, managers must communicate candidly, sincerely, and clearly.

In fact, a twenty-year line of business school research identified eight interpersonal skills as the Cornerstones of Success<sup>®iv</sup>. These skills predict success even better than technical expertise or business acumen. Four of these eight vital competencies focus on communication skills:

- *One-on-one communication style* – listening well and adapting the message to the listener;
- *Group communication* – keeping the team on purpose and focused on real business issues;
- *Valuing others* – showing respect for others regardless of rank, position, or prestige;
- *Clarity* – openness in explaining goals/purposes and patience in ensuring understanding of complex or technical information.

## ***The Importance of Manager- to- Employee Communication***

Research conducted in the workplace and published in leading medical, business and management journals has showed that the quality of manager/supervisor relationship is the #1 predictor of all of the following:



- Likelihood of on-the-job accidents and injuries<sup>v</sup>;
- Turnover, both internal and external, especially losing people you most want to keep<sup>vi</sup>;
- Customer satisfaction with service/support provided<sup>vii</sup>;
- Employee job satisfaction<sup>viii</sup>;
- Employee attitude:
  - Morale<sup>6</sup>
  - Engagement<sup>2</sup>
  - Willingness to perform<sup>2</sup>
  - Performance on the job<sup>2,6</sup>.

### ***How Effective Communication Hits the Bottom Line***

A global study conducted in 2005-06 found these outcomes<sup>1</sup>:

- “Companies that communicate effectively have a 19.4 percent higher market premium than companies that do not.
- “Shareholder returns for organizations with the most effective communication were over 57 percent higher over the last five years (2000-2004) than were returns for firms with less effective communication.
- “The 2005/2006 study found evidence that communication effectiveness is a leading indicator of financial performance.
- “Firms that communicate effectively are 4.5 times more likely to report high levels of employee engagement versus firms that communicate less effectively.
- “Companies that are highly effective communicators are 20 percent more likely to report lower turnover rates than their peers.”

### ***What to Do***

1. Help managers and front-line employees assess their ability to communicate with clarity and respect for others, both one-on-one and in small groups.<sup>3</sup>
2. Support managers’ efforts to identify skills they need to develop, as well as those that need sharpening.
3. Provide them with the training and development resources necessary to support those plans for developing.

Your employees, your managers, your customers and your bottom line will all benefit. And that’s a proven fact.



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<sup>i</sup> The 2005/2006 Watson Wyatt Communication ROI Study™

<sup>ii</sup> Coffman, Kurt and Marcus Buckingham, *First Break All the Rules*.

<sup>iii</sup> Nationwide polls conducted by the CBS-NY Times, LA Times, and Harris.

<sup>iv</sup> The Cornerstones of Success® Assessment is an interpersonal skills feedback tool for managers and individual contributors, which helps employees from executives and middle managers to front-line customer contact workers, identify their strengths, and target their developmental needs. Go to <http://regislearning.com> for more information.

<sup>v</sup> The Journal of Occupational Medicine – based on a study of injuries at a Boeing aircraft assembly plant.

<sup>vi</sup> The Conference Board.

<sup>vii</sup> A Farleigh-Dickinson University study of customer satisfaction and employee attitudes among customer service representatives.

<sup>viii</sup> *First Break All the Rules*.