



EXECUTIVE SUMMARY

According to the Small Business Administration (2006) Office of Advocacy estimates, in 2005 “small firms with fewer than 500 employees represented 99.9 percent of the 25.8 million [U.S.] businesses.” In 2006, the Business Register of Statistics Canada reported that more than 99 percent of employer businesses were small businesses with less than 500 employees (Industry Canada, 2007b). In 2005 99.9 percent of the estimated 4.3 million businesses in the U.K. were small to medium-sized enterprises (250 or fewer employees), according to the U.K. Department of Trade and Industry Small Business Service.

Whether employees are working together on the manufacturing floor to produce a product, sharing information between departments to complete a project, or teaming to produce business strategy in the board room, it is the ability to build relationships based on trust that propel the collective success of the company.

This study of employee communication practices in small businesses examines research data compiled by Inshtrix Research Services for the IABC Research Foundation. The information contained here is in response to the project titled “Best Communication Practices in Small Firms,” commissioned by the IABC Research Foundation and the Gevity Institute.

While there is a great deal of research on employee communication or internal communication in large companies and organizations, there is little information about how small businesses or small firms apply these theories, practices and measures to create a compelling organizational culture and an engaged workforce.

This study includes a literature review that constructs the concept of employee communication in small enterprises, followed by the results of a survey that captured the perceptions of business professionals responsible for communication practices in small enterprises, case studies, and concluding commentary regarding recommendations for developing and improving employee communication practices in small enterprises.

The recommendations from this study provide valuable insight for small business owners, communication professionals and researchers interested in further study of employee communication in small businesses.

The goal of this project was twofold: to identify current and emerging employee communication practices and to address the impact of effective internal communication on small businesses.

The primary research questions in this study were:

- ▶ What are the common employee communication practices among small businesses?
- ▶ What are emerging employee communication practices among small businesses?
- ▶ What is the cost-effectiveness of communication practices in terms of impact on productivity and profitability for small businesses?
- ▶ What is the organizational impact (on employee retention, business growth, etc.) of employee communication practices in small businesses?

There are many key findings in this research project. Research on the practice of organizational communication and large companies indicates a connection between communication and return on investment (Watson Wyatt, 2003). Research in this study suggests connections between greater profit margins and employee communication within small to medium-sized enterprises (SMEs).

There is mounting evidence that communication plays a role in engaging and retaining employees, both of which contribute to the profitability and productivity of an organization.

From the review of literature related to employee communication practices and small to medium-sized enterprises, the following findings are apparent:

- ▶ Measurable links exist between company productivity and employee communication, at least in studies conducted with large businesses.
- ▶ Communication plays a role in engaging and retaining employees, both of which contribute to the profitability and productivity of an organization.
- ▶ Companies with highly engaged employees are more profitable, accounting for 1 to 10 percent of earnings (Hammonds, 2005).
- ▶ Direct, two-way communication and staff interaction foster employee engagement.
- ▶ Business potential can only be realized if employees are fully aware of the company goals and their role in reaching those goals, and are motivated and committed to achieving those goals.
- ▶ Employee loyalty increases when managers exercise direct communication and consultation.

- ▶ Effective communication improves employee retention and reduces turnover rates.
- ▶ Staff loyalty is a result of setting goals and encouraging open and clear lines of communication across the organization.
- ▶ The person responsible for communication activities for the small to medium-sized businesses is the owner or manager, who is also responsible for other key aspects of the business' success.
- ▶ As businesses grow in size, communication activities are often delegated to human resource personnel or to marketing/sales personnel, for whom employee communication is not the primary concern.

From the survey results, the following findings are apparent:

- ▶ Direct face-to-face employee communication practices are identified by respondents as the most valuable for building employee engagement and increasing productivity.
- ▶ Electronic communication strategies are becoming more valuable to small businesses, but they remain an emerging practice for most.
- ▶ Many small to medium-sized businesses do not have a dedicated budget for communication.
- ▶ Many SMEs do not have a strategic communication plan that includes internal communication.
- ▶ A large proportion of the businesses surveyed did not measure the effects of employee communication tactics on their profitability.
- ▶ Because small to medium-sized businesses do not measure communication effects, there is little direct evidence to connect communication activities to return on investment.

From the in-depth interviews conducted with small businesses, owner/manager commentary supports the following principles:

- ▶ Positive relationships between owners and managers, defined by communication practices, were credited for employee engagement and productivity.
- ▶ Small businesses rely more heavily than larger businesses on face-to-face communication practices due to their small populations and proximity to one another.

- ▶ Electronic and print communication practices supplemented and reinforced the messages and face-to-face communication exchanges.
- ▶ The growing pains of expanding the employee population or the addition of multiple locations increase SMEs' need for more formal and planned internal communication practices. This can be frustrating for organizations that want to maintain the “feel” and spontaneity of the small organization. These growing organizations need to plan internal communication more than ever: to ensure that messages are delivered and received in a common manner across the organization, and to identify and confront any barriers to understanding and reaching company goals before they become problems.

In summary, after analyzing the literature, the survey results and the commentary by SME owners and managers in the case studies, the following recommendations with implementation suggestions are provided for small businesses that wish to capitalize on employee communication as a resource for business success:

- ▶ Improve direct, two-way communication between management and employees.
- ▶ Cultivate a culture that values communication—in all directions within the company.
- ▶ Develop career-long communication opportunities.
- ▶ Create opportunities for informal communications.
- ▶ Connect marketing with internal communications.
- ▶ Improve communication research techniques that connect employee communication to the company bottom line.

In conclusion, the findings and recommendations from this study provide evidence for the development of internal communication strategies that, when practiced consistently and measured, will have an impact on employee behavior and productivity, which ultimately can be measured by profitability and reputation variables. These strategies are compelling for small businesses that wish to retain their size or those small to medium-sized enterprises in the throes of growing pains. Internal communication practices that encourage open two-way communication and recognize the contributions of employees in achieving company goals will provide endless value to small to medium-sized enterprises.