Research in the area of employee communication or internal communication as part of the organizational communication discipline is rich in regards to theory and practices used by large companies and organizations. Entire interdisciplinary journals and books are dedicated to examining these practices from internal perspectives of human resources management and management theory to applied practices of employee communication, employee relations, employee engagement and organizational behavior.

This review of literature summarizes the nature of small business along with current practices of employee communication in general. An operating assumption of this review is that concepts and strategies used by large organizations also apply to the operations of small enterprises but at a different scale. In the end, this literature review will construct employee communication within the framework of small enterprise (businesses/firms).

WHAT IS SMALL BUSINESS? / The answer to this question should be simple: A small business is a business that is small. But it is not that simple.

The common criteria used to define small business or small enterprise include gross annual revenues, dominance in the industry sector and number of employees.

The U.S. Small Business Administration (SBA) defines a small business as “one that is independently owned and operated and which is not dominant in its field of operation” (NFIB, 2000, p. 7). Under the SBA definition, a small business may be a sole proprietorship, a corporation or any other legal form. To be considered a small business in the U.S., a business must have an operation in the U.S. that contributes to the U.S. economy and does not exceed the numerical size standard for its industry.
The SBA uses the North American Industry Classification System to identify industry and sector for comparison of enterprises across North America (Mexico, Canada and the U.S.) and set size standards. A business is considered small if it is not greater than the size standard for its classification, i.e., 500 or fewer employees for a manufacturing enterprise, 100 or fewer employees for a wholesale trade business, or US$750,000 or less in revenue for agriculture.

The Great Place to Work Institute, a research and management consultancy based in the U.S. with international affiliates, produces an annual index of excellence titled “Best Small and Medium Companies to Work for in America.” The Great Place to Work Institute defines small companies as those with 50 to 250 employees (GPWI, 2006).

Industry Canada defines a small business as one with fewer than 100 employees if the business is a goods-producing business and fewer than 50 employees if the business is a service-based enterprise. Medium-sized enterprises are those with less than 500 employees. Statistics Canada defines small and medium-sized enterprises as established businesses with 0 to 499 employees and less than CAN$50 million in gross revenues.

On 6 May 2003 the European Commission adopted a new recommendation regarding the definition of SMEs. “Small enterprises are defined as enterprises which employ fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed 10 million Euro” (2007, p. 14). Medium-sized enterprises are defined as employing less than 250 people with an annual turnover of less than or equal to €50 million or an annual balance sheet total that does not exceed €43 million.

Holmes and Gibson (2001) developed the following definition of small business that was accepted by the Small Business Coalition, an informal grouping of 27 industry associations in Australia with an interest in small business issues:

A small business is a business which is independently owned and operated, with close control over operations and decisions held by the owners. Business equity is not publicly traded and business financing is personally guaranteed by the owners. The business will have less than twenty employees. (p. 17)

In a study of the influence of internal and external factors on employee relations practices in small businesses in Ireland, MacMahon (1996) reported that 67 percent of the small business owners assumed personal responsibility for personnel management. All of the companies exhibited centralized decision making, a simple organizational structure and a tendency to select employees based on their ability to “fit in.” Communication practices were described as flexible and informal. Twenty-five percent of the sample reported no formal established method of communication. Structured methods were viewed as a threat to the employment relationship and capable of drawing attention to power inequities that are otherwise unchallenged. However, this lack of “personal distance” between management and employees could potentially result in issues being taken much more personally. Similarly,
performance evaluations were viewed as counterproductive. MacMahon (1996) reported that incentive programs that could increase productivity and profitability were hampered by external factors, like competition with larger businesses.

In a study of employee relations in small businesses in the U.K., Matlay (1999) found that owners or managers of micro-businesses are more prone to use informal, highly personalized management styles with informal employee communication practices and strategies. Communication practices are highly influenced by owner/manager preferences.

Matlay concluded that micro-business owners or managers played a critical role in the overall management of their businesses, and they were not willing to delegate the business functions of human resources management and employee relations. According to Evatt, Ruiz and Triplett (2005), “a small business owner is responsible for making decisions, solving problems, preventing them and finding opportunities in 12 areas: production of the product or service; hiring and firing; marketing and advertising; quality control; planning; sales; funding and financial forecasting; administration; research and development; bookkeeping and takes; employee management; and cash flow” (p. 61).

Inherent in these definitions of small business are the following characteristics (Bolton, 1971; Broom, Longenecker & Moore, 1983; Matlay, 1999; Holmes & Gibson, 2001; Evatt, Ruiz & Triplett, 2005):

- Management and ownership are held by the same individuals.
- Business decision making and operations reside with a few key individuals in the organization, with the owners controlling key business strategy.
- The equity in the business is not publicly traded.
- The owners of the business are personally responsible for the finances of the enterprise.
- The number and level of formal contractual relations (including employees) are kept to a minimum level to achieve the business goals.

Since the population for this study represents small businesses on an international level, a working definition for small business gleaned from this review of definitions and used for this study is companies that are independently operated with 200 or fewer employees. This working definition includes micro-businesses, small businesses and some medium-sized businesses.

A leading assumption about small businesses, derived from the definitions reviewed, is that within a small enterprise, the owner, president or chief executive officer directly performs or is directly responsible for the functions that are normally performed by a management team in a larger business, i.e., research and development, human resources, finances, marketing, organizational communication, strategic planning, sales, et. al.
EMPLOYEE COMMUNICATION / Organizational communication is a function of management, and employee communication is that management function that spans an employee’s life with an organization. It begins with recruitment, hiring and orientation; progresses through the life of an employee with the company; and concludes with the exit interview upon retirement or resignation from the enterprise. The Society for Human Resource Management (2004) considers communication among the “Critical 4 Cs” criteria for a successful and positive productive workforce: “Commitment, Culture, Communication and Compensation.”

In legal terms, an employee is a person hired to provide services to a company on a regular basis in exchange for compensation. An employee who does not provide these services is part of an independent business.

In reality, employees are the frontline troops who provide products and services that define corporations, organizations and government entities. They are the lifeblood that allows businesses to grow, and the powerful intellectual capital that gets traded alongside company stock shares in the marketplace. When employees leave the office at the end of the day, they act as their corporations’ and organizations’ ambassadors in the community (Gillis, 2004, p. 8).

Employee communication is defined as a management tool and motivational force (Roxe, 1979). The most important aspect of personnel management, employee communication encompasses the free flow of concepts, instructions and ideas between employer and employee (Siegel, 1978). Effective employee communication consists of the right information and the right message delivered in a clear manner; it is two-way and essential to the health and productivity of a business (Smith & Mazin, 2004; McAleese & Hargie, 2004). It is the process of exchanging information and creating understanding and behaviors within an organization that reinforce the organization’s vision, values and culture among employees, who can then communicate the company’s message to external audiences.

Employee relations as an organizational strategy includes general communication activities as well as the concerns of employee retention, employee engagement, employee loyalty, employee satisfaction and employee performance. According to Grunig’s (1992) study of excellence in organizational communication, the employee communication function is either led by public relations officers or human resources officers—with larger organizations favoring the public relations approach and smaller organizations favoring the human resources approach. The human resources office is traditionally responsible for communicating to employees about benefits and company orientation.

Effective communication entails the reception and comprehension of messages as well as their broadcasting. It involves listening, understanding and empathy. Effective communication relies on message clarity and feedback. Personal communication facilitates message accuracy. Communication awareness programs that address diversity in regard to interpretation, timing and priority avoid information overload (Rimler & Humphreys, 1980).
In a global study, Gay, Mahony and Graves (2005) identified four critical challenges for employee communication, regardless of business size:

1. **“Motivating employees to align with the business strategy”—creating a line of sight between employees and organizational strategy.**

2. **Leadership and management communication**—educating and engaging leaders and managers in their role in employee communication.

3. **Managing information overload**—breaking through the communication ‘clutter.’

4. **Measuring the ROI of internal communication**—linking communication to business results” (p. 15).

These findings confirm the results from the 2003/2004 Watson Wyatt Worldwide Communication ROI Study.

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*Employee loyalty* “is generated when employees, unhappy with the status quo, are constantly reaching to deliver the kind of value and service that develops increasingly loyal customers” (Reichheld, 2001, p. 3). According to the Bain & Company Loyalty Acid Test, “small teams have the highest levels of employee loyalty. … So keep the size of your teams small, and give employees the tools they need to build strong relationships with customers” (p. 4). This is good news for small businesses. According to Carol Kinsey Goman, loyalty has two dimensions, internal and external. “The internal dimension…includes emotional bonding, mutuality, affiliation and caring.… The external dimension has to do with the manifestations of loyalty—the behaviors that people see” (Allen, 1989).

*Employee retention* is the concept of creating a work environment that encourages employees to remain with the company. Among the best employee retention strategies according to SHRM are promoting qualified employees, offering competitive merit increases and salary adjustments, and providing career development opportunities. Low employee retention results in tangible and intangible losses to the company, i.e., customer loyalty; poor morale; and high turnover, recruitment and training costs.

The Institute for Employment Studies defines *employee engagement* as “a positive attitude held by the employee towards the organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee” (Robinson, Perryman & Hayday, 2004).

*Employee satisfaction* or job satisfaction is “a pleasurable or positive emotional state from the appraisal of one’s job or experiences” (Locke, 1976, p. 1297). Empirical evidence links effective employee communication as an element of quality of work life and overall employee satisfaction to the overall financial performance of businesses (May, Lau & Johnson, 1999; Lyon, 2001).
Organizations with high communication effectiveness leverage the employee/manager relationship to enhance formal communication processes. Leadership clearly articulates its vision and ties communication initiatives to business objectives. Managers receive information in advance so they have time to absorb and understand it before presenting it to employees (Vogt, 2004, p. 24). Organizations with high communication effectiveness constantly measure and refine their programs (p. 25).

The greatest benefit from effective employee communication is a knowledgeable workforce that is satisfied and productive, which leads to positive interactions with customers, investors and the community.

EMPLOYEE COMMUNICATION STARTS AT THE TOP One cost-effective means of improving employee satisfaction with organizational communication is to improve the communication of senior executives and managers (Pincus, 1994; Gray and Robertson, 2005; McCown, 2005).

“Senior executives, especially the CEO, provide leadership to align the organization with its vision. They set the direction, and their behavior determines the tone and culture—how vision will be achieved” (Gray and Robertson, 2005, p. 26). It is not surprising then that employees want to hear the company’s direction from their leadership.

According to Gray and Robertson (2005), employees want to hear from their CEO or executive management about the following “big picture” topics:

- The future of the organization.
- Overall corporate strategy.
- Top-line financial results.
- Major changes.
- Feedback from the board of directors (or, in the public sector, government).
- Major stakeholder issues.
- Responses to media attention. (p. 27)

Effective communication makes that connection with employees and engages them in the journey of the business strategy. In small to medium-sized businesses, owners and unit managers are poised to make this connection with their teams and employees. Their success in accomplishing this task depends on their ability and readiness to accomplish it.
MANAGERIAL COMMUNICATION AND EMPLOYEE COMMUNICATION

As new technology continues to improve and increase the opportunities for communication within organizations, studies are reinforcing the role that immediate managers play in keeping employees informed and connected to the company’s business strategy (Williams & Dong, 1999; Larkin & Larkin, 1994; Therkelsen & Fiebich, 2003; Smith & Mazin, 2004; Whitworth & Riccomini, 2005). The results of a study reported by Whitworth and Riccomini (2005) indicate that managerial communication effectiveness correlates to employee job performance. While many other channels can convey information to employees, the manager can provide both information content and context for the employee. Context includes a sense of perspective on how the unit’s work contributes to the organization’s success. Managerial communication includes “taking big picture issues and discussing how they affect the immediate work group and individual employees. It means engaging in a dialogue with employees to make sure that there’s common understanding” (p. 20).

A unique characteristic of small business is the strong interpersonal relationships between employees and owners (Carland & Carland, 1990; Matlay, 1999; Therkelsen & Fiebich, 2003). Managerial communication includes interpersonal communications to exchange information regarding defining tasks, articulating satisfaction with employee performance, sharing praise and criticism to improve productivity, and listening to employees with genuine interest and within an environment that is open and encouraging (Carland & Carland, 1990).

According to Matlay (1999), “The critical role that owner/managers [of micro-businesses] usually played in the day-to-day operation of their firms brought them into direct contact with most, if not all, of their employees” (p. 294) and reflected in the successful operation of the business.

Managers are leaders within companies who have the ability to guide, instruct, motivate and encourage employees. They are encouraged to practice enthusiasm, welcome staff inquiries, be attentive listeners, maintain an open door policy, recognize individualism and support independent decision making (Burstiner, 1998). Managers have the ability to shape organizational culture through their articulation of overall business strategy, sharing the culture through communication with staff and measuring performance (McAleese & Hargie, 2004).

Small business owners need to be well-versed in the principles of personnel management to improve employee retention, employee engagement, productivity, morale and satisfaction (Balderson, 2000; Burstiner, 1998). Effective managerial communication practices help reduce the incidence of misunderstandings and mistrust as well as provide the foundation for conflict resolution.

The manager-employee communication process begins with the first few days: Orientation activities as well as the delegation of a coach to assist the new employee in his or her transition improve employee satisfaction and employee engagement (Siegel, 1978; Burstiner, 1998; Smith & Mazin, 2004). The orientation period should familiarize the employee with company rules and regulations and all aspects of the job and the company. Communication must be reciprocal to ensure comprehension and engagement in the business.
Managerial communication is one of many channels on which to build a broader employee communication or internal communication program. According to Whitworth and Riccomini (2005), after the manager, the three most credible sources of organizational information are the company intranet, the business executive and external mass media.

**PLANNING A SUCCESSFUL EMPLOYEE COMMUNICATION PROGRAM**

The formal communication program of a company includes many communication opportunities. As discussed above, face-to-face communications between managers or owners and employees continue to be a critical component to building trusted employee communications. Meeting employees’ preferences for information delivery is a key to building trust and maintaining employee engagement.

In a study of employee communication preferences conducted from 1997 to 2004, Sinickas (2005) concluded that employees prefer “a combination of electronic and other sources, or just face-to-face sources, depending on the subject matter. Electronic channels that actively ‘push’ information to employees’ attention (e-mails and e-newsletters) are more highly preferred on most subjects than the passive ‘pull’ sources where employees have to choose to go search for information (intranets, web sites). About three-fourths are unwilling to give up printed employee periodicals in favor of exclusively electronic ones” (p. 31).

According to the 2002 Fleishman-Hillard survey of employee communication practices and the 2002 Mercer Human Resource Consulting “People at Work” survey, communication is vital to employee retention. Manager accountability for communication is critical. *Best Practices in Employee Communication* included the use of innovative technologies to engage employees and the use of staff feedback. These findings further support the use of multiple communication channels in the employee communication mix. Print newsletters and intranet sites are the most common communication forms, along with e-mail, voice mail, television, and audio and video streaming. Incentives, training and two-way communications are valued.

As shown above, a successful employee communication plan relies on a number of communication opportunities to meet diverse employee preferences.

An internal public relations plan is a total communication effort designed to inform and influence various internal publics through mutual understanding. This internal communication process lays the groundwork for increased productivity as well as external initiatives and generally consists of six steps:

1. Goal setting
2. Identification of the audience
3. Schedule planning
4. Choosing tactics
5. Budgeting resources
6. Evaluating progress

Adhering to a structured communication plan with identifiable objectives and strategies for implementation provides a foundation for measurable employee communication.

A proactive planned approach to employee communication involves adopting a philosophy of prevention, engaging in two-way communication, embracing change, recognizing interdependence, involving employees in planning and decision making, and displaying supportive power relations (Rimler & Humphreys, 1980).

Employee communication programs typically include:

- Print publications, such as company handbooks and policy manuals, benefits brochures/booklets, newsletters, and bulletin board postings.
- Face-to-face communication between employees and supervisors and other senior staff that spans the gamut from informal conversations to staff meetings and large-group meetings like town hall gatherings.
- Audiovisual channels, such as mass mediated voice mails, company video, closed circuit broadcasts and news telephone hotlines.
- Electronic channels, including the company intranet and external web site, mass e-mails, e-newsletters, blogs, and podcasts.

Company publications are an effective means for the dissemination of information to all employees at the same time (Roxe, 1979). For small businesses, print publications may include letters sent to the employee’s home to convey general information and newsletters that define company culture (Smith & Mazin, 2004). Formal informational documents, including job descriptions, a handbook of personnel policies and a grievance procedure manual, reinforce verbal communication and foster a sense of employee value (Burstiner, 1998; Balderson, 2000; Smith & Mazin, 2004).

Owners/managers need to practice face-to-face communication at the onset of the employee relationship during orientation. They should use written materials containing personnel policies and company information to supplement personal contact (Beckman, Good & Wyckham, 1982).

Bedi (1996) contends that employees’ perceptions of policies and initiatives are vital to establishing healthy dialogue and swift, curative action. Imperative to the communication process is dialogue in both the hierarchical and grassroots directions. Since employees sometimes remain silent during meetings for fear of reprisal or ridicule, methods are needed to increase honest employee feedback as a gauge of employee reaction to company policies and activities.
Beyond the face-to-face communication between managers and employees, employee forums are highly motivational. Feedback from staff and a free flow of information, in turn, benefit management and employees (Roxe, 1979).

By fostering employee engagement through direct, two-way communication and interaction with existing staff, setting goals, and encouraging open and clear lines of communication, managers can develop staff loyalty. Suggestion systems, performance evaluations and reward plans are effective employee relations tools for sustained two-way communication and employee engagement. Suggestion systems ensure upward communication, acknowledge employee concerns and encourage employees to share ideas on improving the enterprise. Follow-up on employee suggestions will show employees that their ideas are valued. Performance reviews must include a reward for achievement as well as constructive criticism (Siegel, 1978; Roxe, 1979; Beckman, et al. 1982; Smith & Mazin, 2004; Krotz, 2005).

Electronic communications cannot substitute for face-to-face communication with a manager or supervisor. E-mails and blogs are similar to conversations and small group discussions, but face-to-face communication is superior because of the immediate feedback and the personal expressions of body language and facial expressions (Gray, 2006).

Employees can share information regarding the operations of the business on the company intranet, an internal private network (Murgolo-Poore & Pitt, 2001). Since sensitive information is on the intranet, security is of the utmost importance. Company intranets are used to empower employees to maximize their potential; to enable employees to learn about the company, the competition and other functions of the business; and to enable employees to access and manage personal benefits information (SCM, 2002).

In a survey of North American businesses in 2004, both large and small, Edelman Change and Employee Engagement Group found that few companies were experimenting with newer tools such as blogs and wikis, but intranet investment remained high and the use of instant messaging in the workplace was on the rise. In just two years, Edelman followed up with the study in 2006, and much had changed. While face-to-face communication was rated as the most effective channel to communicate with employees, nearly all respondents reported knowledge of blogs, podcasts and wikis. E-mail was ranked as the most frequently used communication tool within companies, while intranets were noted to be highly valued for sharing information and promoting best practices. The use of blogs in internal communication is on the rise. Smith and Mazin (2004) prescribe limited use of e-mails and memos due to the impersonal nature of the media.

A comprehensive employee communication program includes a plan to measure how employee communication activities affect the company's business goals. Inherent in creating a culture of communication and knowledge sharing is an environment for feedback. Elements of such a culture include:

- Leaders who listen, respect employee contributions and engage employees in problem solving.
Employees who work well in teams, have strong interpersonal communication as well as technical skills and who are trained in problem solving.

Information flow systems that ensure open communication in all directions, value feedback and have high levels of interaction between employees (Shuler, 1999).

Employee feedback, surveys, grievance procedures and suggestion boxes are a few means for exchanging information, measuring employee satisfaction and developing an environment of trust (Smith & Mazin, 2004).

Employee focus groups and employee advisory committees can be useful forums for testing messages and getting feedback on campaigns during the development phase as well as in the summative measurement phase of an employee communication program (Lawson, 2004).

Surveys and regular monitoring of employee attitudes keep potential grievances in check by ensuring continued dialogue with employees. Surveys also demonstrate management’s concern and interest in the opinions and ideas of staff. Immediate follow-up ensures positive relations, and respondent anonymity promotes trust and honesty.

A CLEAR LINE OF SIGHT

Increasingly, organizations are looking inward to assess how effective communication can be used to improve corporate performance. Internal communication processes influence employee perceptions and behavior and can therefore be used to align employees with business goals and priorities. An organization’s potential can only be realized if employees are fully aware of its goals and are motivated and committed to achieve them. Since employees are a key information source for customers, they need to be effectively engaged in the communication process if they are to represent the organization well to others (Kapel & Thompson, 2005). A communication audit can help a company improve how it manages internal communication, ensuring the employee brand aligns with external branding efforts.

Organizational strength is derived from the depth of knowledge that dedicated employees retain (Insightlink Communications, 2004). Company management must understand and effectively manage employee loyalty as opposed to mere retention by emphasizing responsibility rather than job function; providing opportunities for learning, development and growth; and encouraging holistic company participation as well as conducting both informal and formal performance evaluations. Clarity and openness of communication are essential to the administration of these principles. Legitimizing corporate strategy through consistency between communication and action is essential to promoting and sharing the company’s vision.

There is a disconnect in most companies between strategy formulation and strategy execution. According to Kaplan and Norton (2005), on average, 95 percent of a company’s employees are
unaware of or do not understand the company’s strategy. If employees are unaware of the strategy, they cannot assist the organization in implementing it effectively.

Bado (2002) maintains that to engage employees and incite interest in profitability, performance information must be shared in an exciting and interesting manner. Abstract financial figures should be communicated through a practical, creative and interactive approach. Specifically, 1) connect the “numbers” to real-life experiences; 2) get creative by making it fun, interactive and engaging; 3) build a line-of-sight from daily work to the big numbers; and 4) play mini-games with visual scoreboards.

According to Kaplan and Norton (2005), one approach to developing business alignment is to adopt the Balanced Scorecard and its associated tools to help managers better communicate strategy to their employees and to guide and monitor the execution of that strategy. Some companies, of course, have achieved better, longer lasting improvements than others. The organizations that have managed to sustain their strategic focus have typically established a new corporate-level unit to oversee all activities related to strategy: an office of strategy management (OSM).

The OSM coordinates an array of tasks:

- Communicating corporate strategy, ensuring that enterprise-level plans are translated into the plans of the various units and departments.
- Executing strategic initiatives to deliver on the grand design.
- Aligning employees’ plans for competency development with strategic objectives.
- Testing and adapting the strategy to stay abreast of the competition.

The OSM does not do all the work, but it facilitates the processes so that strategy is executed in an integrated fashion across the enterprise. Although the companies that Kaplan and Norton studied use the BSC as the framework for their strategy management systems, the lessons of the OSM are applicable even to companies that do not use it.

Effective communication affects the bottom line for companies that use communication as a strategic business tool. Aligning the process of employee relations with business strategy fosters employee ownership and ultimately, profitability (McAleese & Hargie, 2004; Hammonds, 2005).

According to the 2002 Fleishman-Hillard survey of employee communication practices and the 2002 Mercer Human Resource Consulting “People at Work” survey, documenting communication’s contribution to bottom-line results was the most sought-after result of communication strategies or imperatives.

In the 2003/2004 Communication ROI Study, Watson Wyatt Worldwide (2003) illustrated that organizational communication can drive business results. The results of the study of predominantly large organizations showed that companies with the most effective employee communication
programs provided a 26 percent total return to shareholders from 1998 to 2002 and were associated with lower turnover rates than other organizations. The study identified nine communication dimensions that can be directly linked to an increase in company value; three are associated with the largest increase in value: “driving managers’ commitment to effective communication, having a formal communication process in place and creating a clear ‘line of sight’ between business objectives and employees’ jobs” (Yates, 2004, p. 8).

Lyman (2003) reports that a strong trust-based relationship between employees and management built on open communication has resulted in “superior financial performance” for the 100 Best Companies to Work for in the U.S.

For every year that the “100 Best” list has been published in the U.S., the Great Place to Work Institute has sought independent analyses of the financial performance of publicly traded 100 best companies compared with other companies contained in various market indices. The 100 best experience significantly higher levels of financial performance, and in general have about half the turnover of other companies in their industries. (p. 27)

Whitworth and Riccomini (2005) state that “The better the managers’ communication, the more satisfied the employees were with all aspects of their work life,” which ultimately translates to higher performance and an impact on the bottom line for the company (p. 18).

According to Hammonds (2005), employee engagement scores are directly linked to profitability and account for 1 to 10 percent of company earnings. Employee performance must be connected to profitability indicators, such as customer loyalty, quality and employee replacement costs.

Effective organizational communication, regardless of organization size, starts with formal communication processes, leveraged by technology and employee preferences for communication media, coupled with a rewards program that uses employee feedback to ensure that employees see how their daily work activities contribute to the overall success of the organization.

**INTERNATIONAL PERSPECTIVES**

Employee communication is a universal concept that translates across cultures.

From a study of small businesses in the U.K., Marlow (1997) contends that best communication practices are informed by larger businesses. However, to understand the extent of any similarities between employee communication practices in large and small businesses, it is vital to study small enterprises. For instance, Marlow reported that owners and managers of small businesses demonstrate limited knowledge of human resource procedures and communication techniques, which would seem to indicate a difference between the practices in large and small organizations.
Communication practices that are common to larger companies pose risks for smaller ones due to the personal and informal nature of the small business. Formal practices are likely to result in employee resentment and alienation (MacMahon, 1996).

In a study of employee practices in small businesses in New Zealand, Massey (2004) reports that small businesses have both positive and negative attributes. Management practices in small businesses were assessed as informal, short-term and nonstrategic in comparison to the practices of large businesses. However, small businesses have an edge over their large business counterparts when it comes to their informal employee communication practices and flexibility. Most important, small businesses need to be considered on their own terms and not as “merely immature large firms” waiting to grow out of their small business stage.

In China, both altruism and a collective persona inform Asian human resource strategies and provide an example for initiatives in the West. Whiteley, Cheung and Zhang (2000) report that businesses in China hold frequent and regular meetings between managers, department heads and supervisors. Employee feedback is highly valued, and agreement documents signify the worker’s commitment. Specialized departments educate employees in company culture and strategy; publish newsletters; and conduct workers’ forums and performance appraisals. Broad career paths, training, employee engagement, job security and explicit job descriptions were highly integrated into human resource strategy.

In 2004, Leininger reported that China was facing a local labor market with double-digit turnover rates and high salary increases. Leininger argues that key drivers for improving employee retention rates are: clear communication, high job satisfaction, inspired leadership and management, effective performance management systems, and a positive work environment (p. 38).

Anton (1980) attributes fewer work stoppages, mutual understanding and higher productivity to employee participation in decision making, understanding of employee contributions to organizational success and two-way communications. Employee participation manifests in different models, country by country, due to differing political, economic and social environments. Positive outcomes of employee participation include improved communication, job enrichment and semi-autonomous work groups that positively impact the organizational goals, including financial goals.

**EMERGING EMPLOYEE COMMUNICATION ISSUES FOR SMES** / From the literature reviewed for this study, the following issues were identified as emerging issues of concern for small to medium-sized businesses:

- Multiculturalism and diversity.
- Communication technology.
- Nontraditional work arrangements.
Literature Review

- Work space design.
- Trust in the workplace.
- The effects of management trends.

MULTICULTURALISM AND DIVERSITY

As small and medium enterprises begin to grow and increase staff diversity, a number of issues emerge: multicultural communication, generational communication and gender communication issues. The U.S. Bureau of Labor Statistics reports that by 2008, 41 percent of the American workforce will be members of minority groups.

Sensitivity to differences in communication styles, cultural concerns, and work styles includes acknowledging gender, generational and multicultural differences. Owners and managers need to understand and appreciate these differences, avoid stereotyping individuals based on differences, and encourage meaningful communication and knowledge sharing among staff (Vanfossen, 1996; Sanders, 1996; Srinivas, 2005). Diversity training sessions are encouraged as a means to educate managers and employees and to create a more culturally sensitive and productive workplace. The need for training and orientation programs is imperative in major corporations and small businesses alike (Ursy & White, 2000; Owens, 2005; Hammonds, 2005). Employee interaction, language training, orientation, mentoring, conflict resolution, sounding boards, cultural awareness and fostering a company culture of tolerance are a few suggestions.

The U.S. Department of Education reports that a high number of Americans who experience difficulty with English are of workforce age. Benico (2005) suggests the following as best practices in easing the confusion in communicating benefits to a multicultural workforce: language translation of relevant materials; benefits discussion groups that are open to family members, including younger persons who are more likely to be fluent in English; and using bilingual employees as a resource to translate and interpret both written documents and discussions of meetings.

Communication among employees in an atmosphere instilled with the values of tolerance and respect builds a positive group dynamic that contributes to the overall functioning of the business (Carland & Carland, 1990).

In 1994, Wainwright Industries was one of only six small businesses ever to be honored with a Malcolm Baldrige National Quality Award. Wainwright Industries provides all its employees with a basic skills training program focused on interpersonal relationships and the values of respect and dignity for all people (Barrier, 1995). Wainwright relies on a suggestion system that in 1994 yielded 54 implemented recommendations per employee. Wainwright’s managers are committed to responding to suggestions within 24 hours if at all possible, and to implementing accepted suggestions within 72 hours. These programs have cultivated a culture of respect and organizational improvement from the grass roots.
COMMUNICATION TECHNOLOGY

The rise of uses for social media—such as blogs, IM, podcasts, and wikis—in employee communication models is an issue for both large and small businesses. Managers/owners and communicators are including these media, considering the implications of controlling these media, and allowing them to grow to meet employee communication needs and business strategies (*The Business Communicator*, 2006).

An intranet to communicate securely and reliably within the company is strongly advised at the point of growth where decision making is no longer a singular or expedient process (Komando, 2005).

NONTRADITIONAL WORK ARRANGEMENTS

The 2004 U.S. Bureau of Labor statistics confirmed that 27.5 percent of U.S. full-time employees had flexible work schedules, i.e., virtual workers, telecommuters, and flex workers. According to Schaefer (2005), flex time affords significant savings to small businesses in terms of absenteeism due to stress, burnout, and family responsibilities. In addition, job satisfaction, morale, productivity, energy, and creativity are increased. Work arrangements may vary from a range of start and end times, compressed work weeks, telecommuting, remote employees, and part-time or job sharing schedules.

Assumptions are often made about staff who take on these nontraditional work arrangements. In a study by Kandath, Oetzel, Rogers, and Mayer-Guell (2003), significant differences between remote and nonremote workers were found concerning organizational identification, behavior, attitudes, and work patterns. These researchers contend that communication is a key factor to employee engagement with remote workers. Remote workers are not merely an extension of the office staff; managers need to consider the implications of mediated communication on interpersonal communication and conflicts, trust building, commitment, efficiency, and cultural difference. Remote workers become a subculture of the normal organizational culture. Training managers to be sensitive to communication issues across the organizational culture and subcultures shows promise for increased productivity and engagement of remote employees.

Flex work arrangements present specific communication challenges. To offset the lack of social interaction and information sharing for flex workers, regular meetings should be scheduled, and contact should not be limited to e-mail. Management is faced with the responsibility of monitoring, assessing, and updating flex arrangements and must adopt a system based on trust and respect. The focus must shift from the work process to the outcome. Lack of employee input in determining work schedules and policies on flex time that are inconsistent or poorly documented can lead to resentment, decreased morale, employee turnover, and legal ramifications. In the latter regard, overtime and occupational health and safety issues must be adequately addressed and communicated (Smith & Mazin, 2004; *Business Communicator*, 2002).
Communication presents a challenge particularly with telecommuters, off-site workers or virtual offices. New technology, like social media and intranets, supports the dissemination of communication materials by breaking spatial barriers to enhance the exchange of information.

**WORK SPACE DESIGN**

Kahler Slater Architects Inc. (2006) defines “a well-designed workspace as one that supports a company’s strategic business initiatives, allows employees to perform their work efficiently and productively, reflects and embodies the values and culture of the company, and is environmentally healthy” (p. 2).

Work space design can enhance employee communication, problem solving and productivity. Work space design that encourages both formal and informal collaboration while respecting employees’ needs for privacy is highly valued (Walleisa & Magnolfi, 2003; Nilsson, 2004; Kahler Slater, 2006). Such work space configurations facilitate creativity, knowledge sharing, common understanding and teamwork, as well as the quality, frequency and nature of communication. Studies (Devereaux, Horan & Ferguson, 1997; Kahler Slater, 2006) have also concluded that some permanent physical structures are necessary for employees to feel pride of place and satisfaction in their work environment. Permanence in work space features is rated as highly by employees as visual privacy, size and location

**TRUST IN THE WORKPLACE**

According to the Great Place to Work Institute, “the foundation of every great workplace is trust between employees and management” (para. 2, 2007). Shockley-Zalabak, Ellis and Cesaria (2000) came to the same conclusion when developing a model for measuring organizational trust and its impact on organizational success.

Trust is defined by the Great Place to Work Institute (Lyman, 2003) as “the critical factor that supports effective communication, an ability to collaborate across departments and hierarchies, the willingness to seek fair resolutions to difficult situations, and the overall ability of employees to have confidence in management’s vision for the future” (p. 24).

Organizational trust exists on multiple levels: individual, group and institutional (Shockley-Zalabak, et al., 2000). Culturally rooted, trust is defined by shared goals, norms, values and behaviors. Trust is communication-based: Internal and external audiences develop perceptions and opinions about an organization based on messages they hear about the company.

Communication behaviors that build trust include sharing with employees the triumphs and disclosing failures before the media reports them, and providing accurate information and timely feedback (Shockley-Zalabak, et al., 2000; Smith & Mazin, 2004).

Organizational trust is social capital measurable against the corporate bottom line through job satisfaction, productivity and team building.
of offices, and the ability to personalize the work space. Employee participation in designing the work space may ensure greater satisfaction.

Cisco’s “Connected Workplace” (2004) is an example of how work space design can enhance efficient use of space, accommodate diverse work styles and reduce perceptions of hierarchy in the workplace. At Cisco, offices designated for management were often vacant (approximately 35 percent of the time), while meeting rooms were in demand. Staff work nontraditional hours, and on-site employees are highly mobile. Their “Connected Workplace” solution includes a wireless environment; a university theme with quads, plazas and common areas; and increased natural lighting. The design offers employees a choice of where to work, and the work environment reflects business needs rather than employee titles. Diverse working styles and requirements are more easily accommodated. Employee satisfaction and collaboration have increased, and real estate and infrastructure costs have been reduced as a result of the design.

MANAGEMENT TRENDS
Owners and managers of small firms have experimented with management practices, such as management by walking around (Smith & Mazin, 2004), and concepts like mapping social networks, open book management and government directives regarding employee communication.

The connectedness between people and the web of knowledge that exists among them describes the manner in which ideas are exchanged and built upon. Social network analysis assumes that work and information flow through a web of informal channels rather than within a hierarchical structure. Essential to social networks is the reciprocity between people, content and the social fabric that connects them. Network analysis, through which collaboration and the exchange of ideas can be optimized, presents a means of improving communication and productivity. The dynamics of employee networks reveal communicative patterns that contribute to efficiency and identify barriers by determining collaborative relationships within an organization as well as weak links. Social network mapping can identify opinion leaders in various knowledge domains and improve the functioning of project teams (Morville, 2002; Cross & Parker, 2004; Krebs, 2005).

Open book management shows some promise for creating a greater connection between communicating business strategy and workforce productivity. According to Case’s (1997) research with small to midsize companies that take a more direct approach to continuous performance improvement, “companies do better when employees care not just about quality, efficiency, or any other single performance variable but about the same thing that senior managers are supposed to care about: the success of the business” (p. 118). Open book management consists of “all employees understanding the financial objectives and progress of the organization and being entrusted to manage the business by ‘the numbers.’ Employees are trusted or empowered to run the business in a way that goes beyond normal employee involvement” (Gray, 2002, p. 3).
Critical to the implementation of open book management systems are the following steps (Case, 1997; Mellor, 1997; Gray, 2002):

1. Develop buy-in throughout the company.
2. Communicate to all parties the importance of understanding the business data.
3. Develop accountability for understanding and ultimately improving performance as evidenced by the business data.
4. Reward employees for successes.
5. Maintain excitement for the process since it is ongoing.

In a review of case studies, Mellor (1997) shows how the open book culture, built on the foundation of open communication with employees, empowers them to identify organizational constraints to business success and increases their loyalty through sharing responsibility.

Zingerman’s Delicatessen in Ann Arbor, Michigan, attributes company growth and success to employee communication and open communication practices (Burlingham, 2003). Zingerman’s Delicatessen grew from 125 employees in 1994 to 334 people in 2003. The partners introduced their vision for the company in 1994 in the form of a document titled “Zingerman’s 2009: A Food Odyssey.” The plan was distributed to the company’s managers, employees, and customers and drew mixed reviews. The owners introduced a deli council where staff vote on product initiatives and instituted ZingTrain, an entity that provides training for managers and staff as well as external parties. ZingTrain adopted a “step maxim” for great service, handling customer complaints, order accuracy, great finance and the productive resolution of differences, among others. The rules act more as guidelines. ZingTrain expanded its rulebook to a business curriculum. The “University of Zingerman’s” is credited with creating a universally understood language through its step maxims, a common culture represented by consistent lettering and cartooning, and an entertaining and informative employee manual.

Dialogue with staff is an imperative, as the implementation of the European Directive on Information and Consultation in early 2005 formally signaled. This directive requires organizations to establish a formal communication consultation with employees. According to the Department of Trade and Industry, the directive gives staff a right to be informed about the business’ economic situation, informed and consulted about employment prospects, and about decisions likely to lead to substantial changes in the work organization or contractual relations (Ferrabee, 2005). The directive affects organizations with 150 or more employees in any country that is part of the European Union. “What consultation should look like in practice has been left open to interpretation, with the directive simply calling for ‘an exchange of views and establishment of dialogue’” (p. 30). According to Ferrabee, five steps that companies should take in developing a formal consultation process include:
1. Auditing current internal communication processes.
2. Aligning the consultation process with organizational objectives and values.
3. Developing a communication process that incorporates all employees.
4. Using preferred communication vehicles to reach employees.
5. Training managers in the new communication processes.

Small businesses should also anticipate and plan for crises just as large businesses do. The development of a crisis communication plan based on honest and accountable communication practices supports organizational trust and ensures that employees understand their role during times of crisis. Using existing organizational communication tools to share both positive and negative information and alerting staff to their roles in managing a crisis are two concepts key to employee satisfaction during business crises (Gerstein & Tannenbaum, 2005; Millar & Smith, 2002; Traverso, 2001).

EMPLOYEE COMMUNICATION IN SMALL BUSINESSES / To this point, the review of literature has focused on employee communication in large businesses. Not surprisingly, since large businesses are easier to study, these organizations collect and study data regarding their success to share with stakeholders like investors and regulatory entities. Large businesses are less ephemeral, providing a greater opportunity for longitudinal study.

All of the concepts discussed thus far also reflect in the daily operations of small businesses. Developing a greater understanding and appreciation for the practice of employee communication will help SMEs prosper and have long lives—maybe even grow in size (although this is not the ultimate goal, since most small business owners are content to remain small). While studying SMEs is not as popular as investigating large businesses, there are studies that provide insight into the current practice of employee communication in SMEs.

In smaller businesses, staff loyalty and responsibility are enhanced by informal relationships, and employee feedback is strongly encouraged. However, to circumvent inconsistencies, policies should assume a written form.

Rainnie (1989) acknowledges that among the challenges of employee communication in small businesses are autocratic management styles, “team spirit” that leads to group think, and common characteristics of entrepreneurship, such as individualism and independence, which are not conducive to healthy, vertical communication.

The management style used by small business owners and managers will influence the success of organizational communication. In a classic work of small business management, researchers (Goss, 1991; Broom, Longenecker, & Moore, 1983) suggest that the more collaborative the work environment, the
less conflict and greater employee satisfaction and retention. Sharing power with employees is a delicate balance, since the ultimate responsibility for the business rests with the manager or owner.

In employee communication, small enterprise has an advantage over larger businesses because of its ability to deliver face-to-face communication (Rimler & Humphreys, 1980; Matlay, 1999). In a study of employee satisfaction, Goldfarb Consultants (1999) found that 44 percent of most satisfied employees were in small businesses. Communication between management and staff ranked among the most influential factors correlated to overall job satisfaction.

In a British study of the relationship between employee involvement and small businesses’ financial performance, the Policy Studies Institute (1998) reported that small businesses perform better when they involve employees in the business through direct communication and consultation. Smaller businesses can adopt communication practices at relatively low cost, whereas larger businesses must resort to more formal and expensive methods of employee involvement to benefit financially.

A study of the influence of internal and external factors on employee relations practices in small businesses in Ireland (MacMahon, 1996) reported that 67 percent of the small business owners assumed personal responsibility for personnel management. All of the companies exhibited centralized decision making, a simple organizational structure and a tendency to select employees based on their ability to “fit in.” Communication practices were described as flexible and informal. Twenty-five percent of the sample reported no formal established method of communication. Structured methods were viewed as a threat to the employment relationship and capable of drawing attention to power inequities that are otherwise unchallenged. However, this lack of “personal distance” between management and employees could potentially result in issues being taken much more personally. Similarly, performance evaluations were viewed as counterproductive. MacMahon (1996) reported that incentive programs that could increase productivity and profitability were hampered by external factors, like competition with larger businesses.

The bottom line: For small to medium-sized businesses, employee communication practices must add value to the business direction for resources to be well spent. Sometimes using a few communication tools well is more effective than using the entire gamut of communication vehicles and overwhelming employees with choices and messages (Holland, 2001).

A number of companies and organizations provide advice on employee communication practices through web sites that cater to small and medium-sized businesses, such as Microsoft’s Small Business Center, Business Know How, Workforce Week Management and Small Business School (to name a few). These web sites serve as resources and provide tools for small businesses that include employee handbook templates, policy and procedural manuals, labor law publications, salary scales, business plans and case studies of business success, to list a few.
CONCLUSIONS OF LITERATURE REVIEW / Human resource specialists, consultants and social scientists alike agree that positive employee relations, including effective communication programs and practices, are central to productivity and to subsequent business success.

Connecting organizational communication to the company bottom line and business goal achievement is a key characteristic of organizational cultures that value information sharing and communication.

If a major concern for small business today is pursuing a strategy that creates a sense of purpose and motivation among employees in order to create company value and growth, then a culture of communication founded on sound communication planning to align employees with the business objectives is necessary.

Using an employee communication and personnel management specialist as soon as profits permit is advised based on the assertion that as the size of the company grows so do problems related to employee communication.

The primary aim of this study, linking communication practices with greater productivity and profitability for small businesses, is significantly informed by existing literature of the discipline and practice. The survey results discussed in the following chapters indicate that small to medium-sized companies need to pay greater attention to making the connection between communications that affect employee behaviors and maximize the business goals and the bottom line.