

On message

Large companies are reporting record budgets for internal communications. But does this new emphasis on staff commitment present an opportunity for HR professionals or allow others to muscle in on their territory?
Rebecca Johnson investigates

It's the staff, stupid!" This is how Ghassan Karian, head of internal communications at Rolls-Royce, sums up his message to business leaders. Playing on Bill Clinton's old election slogan – "It's the economy, stupid!" – Karian's comment places the key strategic focus on employees, not the City, the customers or the media. "Until recently, customer satisfaction was the holy grail for delivering optimum share value," he explains. "With luck, staff satisfaction was a by-product. But there are radicals – Richard Branson among them – who suggest that customer satisfaction can be achieved only through the engagement and motivation of staff. Employee satisfaction then becomes the main objective, and the business case for an improved communications culture becomes unequivocal."

But haven't we heard this message somewhere before? It sounds remarkably similar to the familiar HR mantra: "people are our most valuable asset". Is this a case of another business function – communications – muscling in on HR's bid to be at the heart of organisational strategy? And, if so, is the profession being left behind?

A recent survey of directors in 35 FTSE-250 companies illustrates the growing status of

communications. One-third of respondents reported that their internal communications budgets already topped £1 million, and three-quarters anticipated budget increases of up to 50 per cent over the next three years.

According to research by the Item group, 60 per cent of communications departments in the UK are less than five years old and 76 per cent of them have budgets of their own. And in the US, a Thomas L Harris/Impulse study has shown that *Fortune's* top 200 "most admired" companies spend around three times more on internal communications than the bottom 200. It has also revealed that the leading businesses spend more than half of their overall communications budgets on internal processes.

Another clear indication of the growing stature and commercial value of internal communications came last month when Sir Martin Sorrell, chief executive of advertising giant WPP, announced that internal communications was "one of three main challenges" facing business (the others being overcapacity and new distribution channels). He then demonstrated his belief by buying communications firm MCA.

There is a suspicion, too, that recruitment of communications specialists is on the increase,



'The days are gone when employees were prepared to tolerate corporate propaganda'

ELAINE MCFARLANE, GLAXO SMITHKLINE

Exel's global spread

The merger of Exel (formerly the National Freight Corporation) and the Ocean Group in May 2000 was a major communications challenge for the new company and Exel's group HR director, Chris Stephens. Ocean was a shipping firm with air freight interests and a global spread across 120 countries, while Exel was a rail-based distribution firm that had developed a sophisticated contract logistics business, managing product and inventory supply chains for retailers and manufacturers in six countries.

"We realised from the start that we needed to communicate with three constituencies: investors, customers and employees," Stephens says. The working group for this involved the head of investor relations, the head of marketing and the head of HR. The communications team, which was pulled together the weekend before the merger was announced, was the first integration team set up by the company. It ensured that the messages sent to the three key audiences were identical, although the communications media were different.

Employee communications tools included a corporate publication called *Growing Together*; a monthly cassette or CD for the 800 top managers called *Drive Time*, which included interviews with people around the world on the process and progress of the integration; regular bulletins to senior managers from the chief executive; and an electronic weekly news update.

Communications went out from the date of the merger in a disciplined programme. Staff were informed of decisions at the same time as the market. "We had a rule that if what we were saying would change the external view of the company's value, then we should say it simultaneously or not at all," Stephens says. "It all has to march in step."



The net effect was an increase in new business contracts worth more than £300 million since the merger. "Our customers believe in the value of this merger," Stephens says. "We've surveyed the customers and they are saying they wouldn't have given us business if we hadn't merged."

In a global employee survey conducted by Synopsis, 70 per cent of managers had a clear understanding of the new company's goals and 73 per cent said they thought that the merger was a good move.

Stephens sees internal communications as a core function of the HR department. "There are four legs to HR in our business," he explains. "Reward; management development and succession planning; knowledge management; and internal communications. Internal communications are too important to leave to marketing folk. It's part of the total engagement of management and workforce in the vision and purpose of the business."

particularly to strategic posts. "If you look in *PR Week* and other industry publications, there has been a much higher number of adverts for internal communications over the past year," Karian says.

John Smythe, chairman of communications consultancy Smythe Dorward Lambert, believes that this shift has happened over the past six to nine months and that businesses are experiencing a massive shortage of people who can think strategically about communications. He feels that employers have realised that in times of change they need a "sense-making process" and must "put the people side in at the beginning, not as a Band-Aid for the walking wounded at the end.

"Now they want the people consequences built in from the front end and are looking for someone to manage that," he says, adding that many companies are struggling to find senior people with the right skills.

The shift has been triggered, according to Smythe, by an increase in "turbulence" – that is, mergers, restructuring and, he suspects, the scent of a forthcoming recession. "It is more of an organisational development perspective," he says. "The aim is not only to get a message out, but to create a situation in which people can get to grips with things

and continue to do their jobs. It is about creating behaviour change – managing the rollercoaster."

Smythe also mentions coaching as a key role for strategic communications professionals, along with the ability to "allow people to learn ways into new methods of working" by being "emotional architects". Coaching? Learning? Behaviour change? Surely these are HR tasks?

"It is a challenge for HR," Smythe admits. "These things were once done by HR or organisational development people. The difference is that communications has the edge because it can work much faster. HR tends to be too internally focused. There is still an element in the HR psyche of neatness and policing. Communications doesn't have that baggage."

Bob Morton, head of HR at Ciba Specialty Chemicals, says: "There is a rising interest in, and awareness of, the importance of internal communications, but HR has not fully grasped communications as an integral part of its role. Some outfits are actually abdicating their responsibility and passing it on to corporate communications when HR really ought to be taking a lead – especially on employee matters. The two functions are starting to overlap. We need to use their expertise, but

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when HR and internal communications get into competition it gets quite problematic."

Morton believes that HR should take control of shaping the meaning of communications, particularly when it comes to such issues as mergers and acquisitions, rather than risk losing the message in "spin and technique".

Communications specialists such as Bill Quirke, managing director of communication consultancy Synopsis, see it from a different angle. "HR knew it was a big issue but didn't know how to resource it or what communications should do," he says. "Chief executives don't want to pursue a people agenda. They want to turn strategy into action, make people feel part of the organisation and share its values."

For the past five years, Quirke has observed a "turf war" over internal communications. From once being a part of personnel, involved in keeping factory noticeboards up to date, it has moved into the public affairs, external relations or marketing departments, with a focus on brands, he says. This has been followed, in some cases, by a return towards HR, as companies recognise the development implications of internal branding.

But there seems to be a consensus that the vital factor is not so much where the communications function "lives" as how committed the chief executive and the board are to communicating effectively with the workforce.

Taking it from the top

"The most sophisticated communications departments are fulcrums between HR, finance, marketing and IT," says Jennifer Powell, senior consultant at Towers Perrin. "Employees get their information from different sources. The media is responsible for only 10 per cent of the impact on employees' perceptions, while the company infrastructure accounts for 25 per cent. But 65 per cent comes from leaders, so how they communicate and where they show interest have far more impact than anything else. Communication experts need to say to business leaders: 'Do you realise what this is telling the organisation?'"

The focus on communication results from a shift in awareness within and outside organisations. "Organisations aren't opaque any longer," says Kevin Thomson, chairman of MCA. "You can read about the chief executive in the newspapers and staff are all buying shares now. Throw in environmental awareness and the Naomi Klein factor [her book, *No Logo*, is the handbook of the anti-globalisation movement], and it has an impact on the business."

Elaine McFarlane, vice-president of global internal communications at Glaxo SmithKline, agrees. "The days are gone when employees were prepared to tolerate corporate propaganda," she says. "People in the organisation want to be assured that the company they are putting so much effort into is not letting them down on issues they feel strongly about, such as the use of animals in R&D. They want to be sure that the company has the same values as the individuals who work in it. So that has been a huge influence."

The HR and internal communications departments at Glaxo SmithKline have been developing a "corporate branding" package to define "what the company is about, factually and philosophically". McFarlane says that this has involved several conversations about "what the employer brand is in relation to the corporate brand. The corporate brand is king, but the subsets are part of the jigsaw."





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of direction that all staff needed to know about." Now communications have to be "inside-out", he explains, because customers are looking at the business as a whole and what happens inside it. The implications of this are both internal and external, he says, so communications have to go both ways.

Thomson illustrates this by pointing to a shift in HR's priorities. "It has gone beyond employer branding to a concept I call 'talent branding'."

The label means marketing both the people and the "personality" of a business. "Employees are the brand managers now," he says, so employee and business values must be aligned in order that staff can communicate them to customers. Once this has been achieved, marketing and advertising have only to reflect the same message.

He cites television adverts such as Halifax's "extra, extra" campaign and Hewlett-Packard's "inventor" series as indicators of how branding has come to mean more than product or talent attraction. In fact, he says, corporate personality has now become the key differentiator. Each advert uses employees to project the corporate culture through individual aspirations, beliefs and expressions.

Thomson believes the focus on corporate brand is the crucial change that defines the current state of internal communications. "In the 1980s it was customer service and total quality. In the 1990s it was change management and 'inside-in' processes such as communicating for mergers and acquisitions, knowledge management and so on - changes

Good grounds to invest in

Marsh, an insurance and risk consulting business, has increased its internal communications budget by "a significant amount" over the past two years, according to Bridget Juniper, director of European communications. It has done this to prepare for a major culture change programme "to do with aligning people behind the Marsh brand".

As the first step, she has been working closely with the HR department to conduct an internal communications survey covering around 10,000 employees in eight countries.

"The HR department was very involved in helping to develop the questions," says Juniper, who has held the post since November last year. "It helped from the outset in determining what we wanted to get out of the survey."

Juniper reports to the board through a marketing line herself, so the two functions are separate but, she insists, "very closely linked every step of the way. There's a lot of fluidity and I think that's appropriate.

"We needed the survey to get a fix on what we had, to look in the cupboard before we went shopping," she explains. "We wanted to find out how people felt emotionally and intellectually about working for the organisation.



"We now have a platform on which to build a really effective communication programme, otherwise it would be hard to know how to reach people."

Juniper's remit is internal and external communications, media relations, branding and advertising. "But for me the big priority is internal communications," she says. "Six years ago, internal communications was about pumping out newsletters. Now boards regard it as absolutely strategic, a vital part of how the business works, especially in a service organisation where people are your brand. Until you get that right there's little point selling your wares externally."

Signing off the BBC's word-of-mouth service

Gareth Jones, former director of HR and internal communications at the BBC, was one of Greg Dyke's first appointments when he became director-general. Although Jones was not a communications specialist, his "major obsession" at the BBC was to bring about cultural change, to "make the place feel different". He envisioned a corporation that was "edgy, creative and allows lots of things to happen even if you fail. The audience want a creative hothouse."

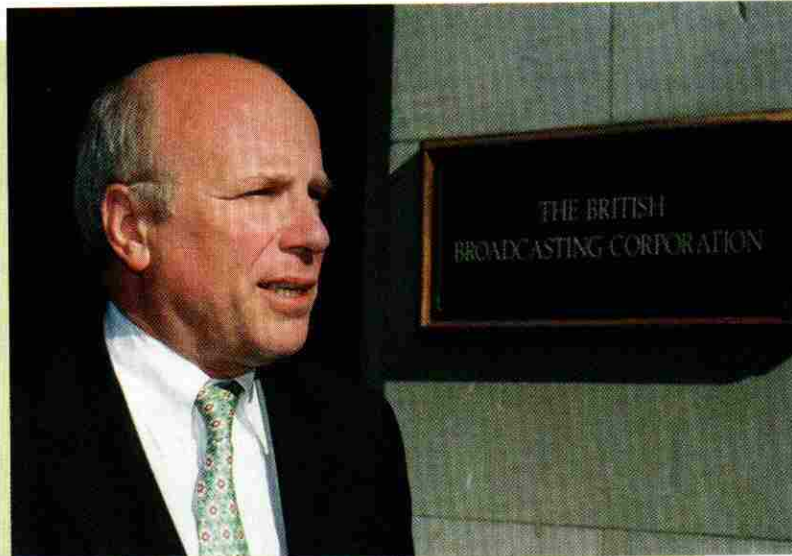
Internal communications was a priority that he had agreed with Dyke before he took the job. To signal this, he brought HR and internal communications together into one department, appointing a strong communications team to demonstrate the new weight being given to the function. It had previously been part of marketing, where the press office had been the most significant activity. "Internal communications had been at the arse end of things," Jones admits. "Everyone relied on rumour and hearing through the grapevine. I'd never seen anything like it in my life."

His aim was to ensure that the employees would be the first to be told what was going on, before the rumour mills started to turn.

The importance of branding was the other crucial reason for combining HR and communications. "Your brand is the outward manifestation of your culture," Jones says. "For an organisation such as the BBC, brand management is the most important thing it does."

"But you can't be something else to your customers than you are to yourselves. If impartiality, reliability and trustworthiness are our brand values, then we have to be the same with our own staff. If they don't trust what we tell them, how can we be that in our brand? It is important to connect the image we have with our customers with how it feels inside."

New intranet sites called "The Biz" and "Extra, Extra", more effective team briefings and a redesigned staff newspaper were some of the outward signs of change, but the most important, according to Jones, was a different approach from the top. "You absolutely have to have a chief executive who takes it seriously," he says. "Greg had a more open



Open-door policy? Greg Dyke, director-general of the BBC

and informal style, and that opened the door a crack. The communications team pushed it wider."

But it was an uphill struggle. Even communications staff felt they were "on the back foot". The attitude was: "This a miserable place, but we've got to do the best we can," according to Jones, so the first step was to get them to believe that the BBC could be an exciting, attractive place to work.

Jones made changes to the staff forum too. "It had become a whinge session," he says. "We made a big effort to change the atmosphere. Now the DG is there for 40 minutes and two or three members of the executive come to speak, take questions and have a discussion."

The BBC has also been rigorously measuring the effectiveness of its internal communications. The latest Mori staff survey shows that they have improved significantly. There was a dramatic drop in reliance on the grapevine, from 70 per cent in 1999 to only 48 per cent in 2000. There was a 10 per cent decrease in the number of people who were hearing about internal matters through external channels. Overall, "it recorded the biggest single improvement Mori had ever seen in one year. I'm very pleased about that," Jones says.

And, if employees are brand managers, it is HR that is responsible for delivering that brand.

So is the communications task an opportunity for HR or a challenge? Thomson believes that the two functions will eventually combine into some kind of "talent marketing department", once HR's transactional responsibilities have been outsourced.

But the CIPD's director-general, Geoff Armstrong, is not concerned about functional boundaries. "Communications is about constructing an effective psychological contract and is part of the central leadership task, which is to create dynamic relationships between people that advance the performance and strategic goals of the organisation," he says. "Development professionals, marketing professionals, financial professionals and communications professionals all need to share substantial chunks of their jobs anyway, and are all interdependent. I don't see a threat; it's much more of a team effort."

Certainly, the alignment between external perceptions and internal ones is a challenge that businesses are increasingly identifying as a key priority. And all would agree that – wherever it lives and whatever it is called – it is fundamentally a people and a relationship process.

"There's a genuine search for a complement to the economically driven system that leaders are no longer so morally at ease with," Smythe says. "They are looking to change the 'emotional operating model' of their businesses. People actually matter and chief executives are starting to get the message. Many are now saying: "We have not got the time *not* to do this."

Not so stupid after all.

FURTHER READING

A second article on internal communications, focusing on the findings of a new CIPD study into "employee voice", will appear in the next (13 September) issue.