

UDK: 659.2+ 347.163+65.012.3:368.021:659.43

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## **ROLE OF INTERNAL CORPORATE COMMUNICATIONS**

Effective internal communications build foundations for successful external communications since they have a direct impact on employee efficiency, satisfaction and motivation and add value to the company, its services, products and its brand name. Being directly connected with the company objectives and development, investment into human resources and internal communications is a basis of any good strategic thinking. Internal communication actually speaks about leadership. To understand internal communications of a company, it is necessary to consider its organizational culture. Some theorists define organizational culture as a set of common understandings and shared assumptions of members of different groups. The others focus on culture as shared company values and norms. Organizational culture is important for the analysis since it has a considerable influence on the public relations model used by a company and internal communications which follow.

**Key words:** *internal PR, information, motivation, communications, management, internal branding, organizational culture*

*In order to have a winner, the team must have a feeling of unity; every player must put the team first – ahead of personal glory.*

*Paul – Bear Bryant*

The studies published in the last decade (Asif, Sargeant, 2000; Dolphin, 2005; Kalla, 2005. etc.) undeniably support the fact that a happy employee builds a good team which produces excellent results, deals with satisfied customers and becomes the best ambassador of the brand i.e. company name. This should be the goal of any business organization. Therefore, why companies pay so little attention to their employees?

Despite the fact that internal communications are certainly an important component of company image and brand management, the researches have shown that only 3.9 percent of the Serbian companies have a clear strategy regarding employee relationship management. In particular countries in the region, this percent is somewhat higher, albeit still insufficient. Thus, what surprises is the priority given to external over internal communications. Internal communications are often the subject of ad-hoc interest of companies or such interest is shown only after the identification of a problem which need not have occurred if it had been for planned and timely internal communications. Thus, sometimes it seems that companies have very little appreciation for their most important resources.

Effective internal communications build foundations for successful external communications since they have a direct impact on employee efficiency, satisfaction and motivation and add value to the company, its services or products and its brand name. Being directly connected with the company goals and development, investment into human resources and internal communications are a basis of any good strategic thinking. Internal communications actually speak about leadership. The role of a manager in the attainment of company business goals is highly responsible and involves building sound relationships between employees: team spirit, understanding and trust within the company, brand name, commitment to the professional development and capacity building of employees, understanding and spurring motivation, satisfaction, decision powers, dialogues and encouraging initiatives and innovations. There are numerous examples of internal campaigns which have achieved excellent results by good planning, intersectoral collaboration and joint efforts. This is something to aspire to, whether the goal is to build a full system of internal communications – from its very foundations – or adequately position the company in the market and attract good job candidates who will successfully fit into its values and mission.

A good cooperation requires understanding and openness to change. There are no quick fixes and every company faces its own challenges and has its own specific characteristics. It can be said that the most important thing to work on is managers' recognition of internal communications importance. If the management team successfully maintains the established communications

system, then it just takes a creative spur or proposed tools and channels to additionally improve it or make it ready for a particular situation. Therefore, employees can become genuine company ambassadors. The selection between satisfied employees who are inspired to talk about their company and those unsatisfied, who adversely affect the company or brand reputation, is obviously unambiguous and not difficult to make. Thus, any effort made to that extent is worthwhile and, naturally, the best one is the one planned, continuous, preceded by research and followed by evaluation.

In the Serbian market, very few companies realize that communication represents a key to success. In addition, majority of companies base their public relations (PR activities) on external communications (notably with the media) whereas building internal communications is neglected or completely left out. Nevertheless, this is the very foundation which can and must serve for building long-term company reputation since employees are called brand ambassadors for a good reason. Despite the fact that business practice and technology have made considerable advances, the practice of internal communications (probably with the exception of intranet) has not managed to keep pace with such progress in the last 20 years. Certain companies, such as Nokia, Microsoft, and Coca-Cola are aware of the importance of public relations for corporate reputation and profit and thus allocate considerable funds for its development. In addition, in the rest of the world, there is a regulation binding companies to do so.

The Directive of the European Union, which is effective as of March 2005, requires from corporations with more than 150 employees to apply some form of internal communications strategy. Unfortunately, it is not until the crisis occurs that many companies realize the importance of internal communications. It is in such situation that some of them draw numerous benefits from investing in their employees and owing to such investments they manage to preserve their reputation in the time of crisis. Generally speaking, all activities of external communications should start within the company. The company success in the long run directly depends on the proper in-house communications.

By definition, internal communication is a process of creating and exchanging messages within a network of interdependent relationships with an objective of finding solutions for uncertainties and dilemmas, as well as for attaining of the immediate goals in working environment. Simply put, internal communication refers to the way people communicate within an organizational context i.e. how employees communicate within their company. A successful shaping of internal corporate communications requires an integrated approach to its objectives and instruments as well as different instrument integration. Internal communications in the company strategy must be equated with the external communications both by validity and importance. The biggest

mistake that could be made to that extent is to neglect the research results of employee attitudes to internal communications. The purpose of the research of employee attitudes to internal communications in the company is to identify the extent of employee satisfaction in relation to the communication level and tools and the very methodology used in such research.

Today, communication is planned in a more complex and challenging environment than ever before: the boom of communication channels, ever-increasing variety of employee database and massive quantity of sent and received information on a daily basis, hit communicators like a storm. The need for their attention and for engaging their minds and hearts in the company has never been so great before. However, while the communicators and processes need to be more agile, the very core of communication planning has not changed much. It all boils down to a structured approach which serves to connect desired business results with relevant activities and tactics. One cannot expect that a successful team will be created overnight. This, like everything else, requires a lot of work and commitment.

Motivational importance of communications is particularly pronounced nowadays, when the recession hits many industries, whereas the restructuring and layoffs create in employees the feelings of anxiety and uncertainty. This is one for the most common reasons for the declined morale of employees. In addition, in such situations, managers tend to use directive style by simply informing the employees about their decisions instead of including them in the decision-making process, at least to some extent. Companies rarely allocate sufficient funds for boosting employees' spirit. However, there are cost-effective steps that company could take to make its employees feel better and help them restore a particular degree of control over their status.

## **Internal Communications, Framework and Models**

Public relations deal with the relationships between the company and all types of different publics on whom success or failure depends. Most commonly, public relations are seen as communication with the external public. However, the internal public, namely, the employees, are any company's most important public.

Communications within the company are undoubtedly far more important than what are given credit for. According to the experts, their importance exceeds that of external communication, because a company has to function effectively in attaining its goals in order to survive in the market.

Internal relations mean building and maintaining public relations within the company, which includes the lowest positioned employees, salesforce, but also managers and supervisors, administrative and auxiliary staff – to name but a few. The CEO of an auto giant, General Motors, David Bonderman, explained internal communications as „top three priority“ because they are so vital to the company success.

US management consultants argue that some 10 percent of American companies go bankrupt every year, notably due to poor communication between managers. It is equally important to achieve proper two-way communication between employees of the same or different hierarchical level and pay attention to the speed of information exchange across the company. Special focus should be placed on two-way communication.

Internal communications are particularly important at the time of crisis, reorganization, layoffs, before and during public offers and tenders, on initiation of big commercial and communication campaigns and when new services and products are launched. One of the most common challenges faced by companies is the silence of their internal interest groups. Internal communication strategy should encourage employees to make remarks, comments and notifications of important things that could harm the company reputation. Since the reputation is developed from the „top“ (first man) down, it is clear that the behaviour of managers, both in business and private life, largely influences the public perception of the company they represent.

It is scientifically proven that, on average, the company lifespan is shorter than that of people. A smaller number of companies manage to develop their tradition for generations. Without exceptions, these are the companies which base their strength on human factor and pay considerable attention to fostering interpersonal relations and thus enjoy a high level of loyalty from their employees. People feel good when working for a reputable company and will not leave such company lightly if they feel as the part of it. However, nothing happens by itself. This is something that requires serious and ongoing efforts. We have witnessed that Serbian market records a high degree of staff turnover in large and well-known companies. This is partly due to the wrong assumption that money is the main factor that motivates job change.

A true motivation, that represent the driving force of employees, is not always simple and easy to recognize as it highly differs from person to person. Since modern way of doing business notably involves teamwork, it is necessary to analyse group motivation. The experiences of developed countries have shown that the best form of group motivation is the one which, in addition to financial stimulation, provides the opportunities for personal advancement and training as well as education of children. Thus, the most successful companies

today are those which function as large families. In such companies employees feel that they truly belong and are proud to be part of the team.

In the study of internal PR and establishment of corporate culture, it is desirable to engage an expert outside the company since such person is fully independent and impartial. In addition, in communication with employees, at all levels, such person will find it easier to gain their trust. Candour and truth are desirable in all segments of good PR but in internal PR they are a must. This is why in this area there are no „same“ cases or applicable ready-made models. To properly maintain internal PR in a company, it is not just necessary to have professional knowledge, psychological and other communication skills but also a considerable professional and life experience and indispensable creativity.

With the support and assistance of PR department and other professional services and individuals within the company, it is necessary to conduct a detailed analysis of the present situation. Subsequently, in accordance with the company vision and mission, the internal PR plan is made and contains the concept of communications strategy and corporate culture. If all the facts relevant for internal communications are properly analysed, the majority of employees will start to implement the plan with a new enthusiasm. Companies with the management who has PR managers as their main advisors and consultants will base their decision on correct information and adequate assessment of the best timing for its disclosure to the public.

New technologies are certainly the carriers which disseminate information but nevertheless, company employees are the carriers of positive and optimistic communications which characterize those who are successful. If the employees and management team members are stimulated to aspire to winning and accept the challenges brought about by changes instead of settling for the comfort of the existing condition – and additionally to be loyal to company culture – it is quite certain that the reputation will be the most important of the company assets.

## **Importance of Internal Relations in the Company**

The most important relations in the company are those between managers and employees at all levels. The terms *internal public* and *employee public* refer to all employees of a company or institution. These publics represent the company's most important resource – its people. According to Alvie Smith, former director of corporate communications at General Motors, two factors are changing internal communication with employees and enhancing management's respect for this part of the public relations function:

1. the value of understanding team work and commitment by employees in achieving bottom-line results; these positive aspects of worker behaviour are strongly influenced by effective, way-of-life interactive communications throughout the company;

2. the need to build a strong manager communication network, one that makes every supervisor at every level accountable for communicating effectively with his or her employees; this needs to be more than just job-related information and should include key business and public issues affecting the entire company.

Smith argues that organizations miss out on a sizable share of their human resource potential because they do not put a high priority on effective, two-way communication as the foundation for management-employee relations and overall job performance. This consequence he calls „slothing on the job“ and adds that „employee disloyalty and lack of commitment to organisational goals may be costing American business more than \$50 billion a year. The cost of absenteeism labour grievances, production interruptions, poor quality, repair and warranty expenses is very high. Perhaps most costly of all is inaction by employees who withhold their best efforts and ideas, who cruise along with just passable performance.“

The coordination and mediation necessary for dealing with employees today put the public relations staff, with its communication knowledge and skills, in the middle of managing internal relationships. Ronald Allen, former Coca-Cola and Delta Air Lines chairman and CEO, who ran human resources and training department of these corporations, saw his primary job as cultivating a motivated and loyal workforce.

Working relationships involve a great deal of contact on a daily basis, but efficient employee communication develops depending on a climate of trust and honesty. Ideally, working relationships are characterized by at least seven conditions:

1. confidence and trust between employer and employees
2. honest, candid information flowing freely up, down, and sideways
3. satisfying status and participation in business
4. continuity of work without strife
5. healthy surroundings
6. success of an organization
7. optimism about the future.

The general manager must establish such atmosphere and endorse it as formal policy. Nevertheless, even with such support from the top, many barriers stand in the way of free-flowing, two-way communications in organization.

Opinion Research Corporation in the United States of America has tracked employee opinions of their company internal communication since 1950. The majority has consistently given their organizations favourable scores on credibility, but less than a half felt that their organization does a good job of not „letting them know what is going on“, which means that downward communication (management to employees) is poor. Less than a half highly praises their organization’s willingness to „listen to their views“, which is an upward communication (employees to management).

Similar research was conducted by a consulting firm Towers Perring. This research has shown that informal sources of information, by their importance and spread use, are right behind the information source seen in direct superiors. Nine out of ten interviewees saw their direct superior as „priority source“ of information, often giving advantage to face-to-face communication whereas informal sources were marked as least desirable.

Watson Wyatt company surveyed the readers of its newsletter and established „helping employees to understand business direction and company mission“ as the first objective of its programme for communication with employees. Publications for employees, notice boards, team meetings, staff manuals and letters – were the media most commonly used by management for communication with employees.

Face-to-face communication with so-called open-door policy is the primary medium for encouraging upward, two-way communication and for building good relationships with employees.

Balancing the needs for employee satisfaction with the success of the enterprise is but one aspect of the continuous adjustment and reconciliation in employer-employee relationships, especially in multicultural settings. However, as a part of the larger public relations function, the goal of communication with employees is to establish and maintain mutually beneficial relationships between an organization and the employees on whom its success or failure depends.

## **Internal Communication as Part of Company Organizational Culture**

Understanding internal communication of a company requires the analysis of the culture of such organization. Some theorists define organizational culture as the set of shared meanings and assumptions of group members. Others focus on culture as the system of common values or



behavioural norms in an organization or institution. Organizational culture is an important consideration because it has a significant impact on the model of public relations and organization practices and on the internal communications that follow such model.

Organizational culture is most commonly defined as the sum total of shared values, symbols, meanings, beliefs, assumptions and expectations that organize and integrate groups of people who work together.

The culture of an organization is often what defines it as different from other organizations and, if managed properly – can be a valuable asset in building cohesion and teamwork inside the organization, resulting in organizational effectiveness in reaching its goals. Organizational culture defines the values and norms used by decision makers in an organization. World views and organizational culture define the range of responses in a situation of crisis. Although it often appears as a set of unwritten and unspoken rules, organizational culture is a powerful factor influencing behaviour in an enterprise or institution, and also involves those who have power and ways to use it.

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