

WHAT'S YOUR VALUE PROPOSITION?

How to maximize the business pay off for internal communication

BY BILL QUIRKE

Why does communication continue to produce such disappointing and frustrating results for businesses? It may be a bitter pill for communicators to swallow, but outdated communication practices may have much to answer for. We would argue that expectations for what communication can achieve in the business have been too low, and the approach toward realizing them has been insufficient to meet even those low expectations.

While conducting a year long investigation into what represents best practice in communication, we've identified one of the defining characteristics of successful organizations as having a clear link between the ends of a business payoff and the means of communication. As communicators strive to convince their internal customers of the value of internal communication, other areas of businesses are harnessing communication to change cultures, reengineer processes, restructure their organizations and align behaviors with the promise of their brand. Regrettably, the internal communication department are often busy elsewhere, either missing the action or being kept out of it.

The purpose of this article is to examine the value proposition for internal communication—the business pay off—and suggest those actions communicators should

be taking to deliver this proposition to the business. We shall also attempt to suggest what this means for communication management, and how the internal communication department should be positioned and staffed to deliver the identified value to the business.

Valuing Internal Communication

Business today is faced with a welter of changes that rewrite the rules of what's required of employees. Our research over the last two years has shown that senior managers are most concerned about three things:

1. creating competitive differentiation;
2. developing new markets and products; and
3. reducing cost and streamlining processes.

Taking each of these three strategic objectives, let's look at some examples of organizations which are discovering success through the clear targeting and management of internal communication.

1. Creating Competitive Differentiation

Tesco, one of the U.K.'s largest food retailers, is aiming to create greater loyalty among its customers. Through

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The rapidly changing business environment of the 1990s has forced many functional departments to redefine themselves in order to prove their value. Internal communications' failure to achieve this has been due in large part to its neglect of those value-focused principles that other departments have had to adopt. Now it's time, says Bill Quirke, for communicators to join the party.

loyalty will come increased purchases and a lifetime stream of profit. One enjoyable personal contact with a Tesco employee per trip, their research shows, can earn lifetime loyalty from a customer.

Tesco has 150,000 people across 560 stores who need to deliver on a promise being made to their external customers. To do this, employees need to understand the brand promise that is being communicated. Otherwise, there's a danger that instead of having 150,000 brand ambassadors, the business will have the same number of loose cannons and liabilities.

The job of internal communication is to create a deeper understanding of the brand among employees, and to help them translate it into specific actions for customers—opening up checkouts when queues get long, packing bags, helping shoppers to take their bags out to the car park, providing jump leads when their batteries go flat. Internal communication's value is in helping to deliver greater differentiation and higher customer loyalty for higher sustained profitability (see sidebar over).

In the past the big five accountancy and consulting firms comprised federations which shared a name and a culture. Now they intend to ensure those assets are built into distinctive brands. Ernst & Young, KPMG and Andersen Consulting all intend to spend significantly in 1999 on building a global brand. Their investment is a response to consolidation in the sector and to globalizing clients, who feel branding is increasingly important in helping them to choose where to get a service.

The problem for the firms is that they sell a diverse set of sophisticated services, and that diversity means attention has to be paid to ensuring consistent delivery throughout their international networks. Leaders think they have to develop core standard processes differentiated by strong brand values, and the ability to create value propositions for clients. These ambitions demand greater management of the knowledge and learning within the firm, as well as a reorientation of employees.

Creating value demands that people have an external

focus, since it's knowledge of the industry issues, as seen by the clients, which demonstrates a real familiarity with the business, and helps win customers. The challenge is how to combine knowledge and understanding of client issues and needs with knowledge of the firm's capabilities and processes to create value for the client.

Ernst & Young sees the role of internal communication as creating an organization which is increasingly comfortable with continuous change helping to deliver higher levels of retention, increased project efficiency and knowledge management, and greater client value.

Hewlett Packard sees internal communication as getting every employee to understand what the brand value promise is, how they individually might impact it, which moment of truth it is that they own, and how they are expected to deliver on the promise to the customer (see Moments of Truth Management: Delivering Brand Values through People, SCM 8 February/March 1998).

2. Developing New Products and New Markets

SmithKline Beecham is a successful company in a very successful sector. In April 1997, SB reached UK£one billion worth of sales within a twelve month period. Within Consumer Healthcare internal communication is clearly linked both to creating shareholder value and to a customer proposition. The organizational strategy is focused on greater operational efficiency and the most effective exploitation of its portfolio of brands.

The best marketers of consumer goods are rationalizing their product portfolio and focusing on core brands, elimination of non-value added costs, increased investment in product quality, and increased advertising behind core brands. SB Consumer Healthcare sees its role as concentrating on those key brands that can be built up in every market. To do that, it's applying global processes with a local face in individual markets. The aim is to drive greater innovation and creativity across the business, to reduce costs, and to reduce duplication by sharing services.

The company has a clear focus on standardizing

WHAT'S YOUR VALUE PROPOSITION?

processes because it makes it easier to continually improve them, and it focuses time and attention on innovation in new value-adding areas, rather than in reinventing wheels that exist elsewhere in the business.

In an organization which is evolving from working in separate national markets to applying common approaches across all European markets, a number of issues arise:

- There's a shift from organizing by country to organizing by process across Europe as a whole;

Communicating the Customer Plan at Tesco

Traditionally, employee communication at Tesco has been focused on operational information. Recently, there's been a shift from purely operational information to the broader view. Tesco's first attempt at letting employees see "the bigger picture" was to communicate their business plan to all 150,000 employees. Initially, they did this in a number of different ways:

- Personal letters sent direct to employees;
- Two-way sessions in which a head of a function or a director would lead a cross-functional group through the plan;
- A range of desktop presenter material for use by managers in their regular meetings.

The aim was that people should know the plan, understand the local implications for them, and be able to commit to taking specific local actions themselves.

From its first experience Tesco learnt the important lesson that communicating down to the shopfloor meant talking in simple terms, with a focus on customers.

For the following year's communication, a different approach was taken. Presentation of a business plan was dropped in favor of running "For our customers" sessions. These were run in-store by managers using clear, graphic desktop presenters, which mirrored the advertising and sales promotion material, in ad hoc sessions to suit the pressures of their day. They calculated that the rate of functional illiteracy among employees could be between 30 percent and 40 percent. So with 150,000 employees, it was more effective to communicate simply, in plain language, face-to-face via the manager.

They deliberately chose a low-tech medium, to reflect some of the brand values they were communicating, especially of ease and simplicity. They were keen that the language used should be simple, straightforward and stripped of any management speak. This was both for clarity and to reflect the brand values and perceptions by the customers that Tesco people are "simple, down to earth, honest folk."

- Issues affecting individuals are going to arise from global changes not just country changes;
- People will have career aspirations for opportunities elsewhere in the network;
- Inter-country teams on specific issues will be more common.

SB sees internal communication as addressing those issues, and developing a pan-European business in which managers from each country understand and support a European approach, and have stronger local ownership of global processes.

3. Reducing Cost and Streamlining Processes

Unipart manufactures and distributes auto parts to auto manufacturers and to a large supply chain for the replacement market. It is now one of the leading companies in quality and productivity in the world. It has three key strategic objectives:

- Remove cost/waste;
- Improve productivity;
- Deliver outstanding customer service.

Unipart's aim is to have its 4,000 employees achieving those objectives, and its core crusade of achieving 50 percent more for 50 percent less cost.

Key to achieving this is the focus on the supply chain. Under Unipart's approach it is recognized that there is a close interdependence between the chain of suppliers. If there are inefficiencies, duplication and waste in the supplier at the bottom of the chain, these are passed back up the chain and multiplied at each successive link, landing the ultimate customer with disproportionately high costs. To compete therefore requires a much tighter management of the supply chain.

Unipart has developed its own approach to supply chain management which involves working in project teams with suppliers to identify the hidden cost of transactions which benefit nobody, and to eliminate them, reducing costs and inconvenience to both parties.

However, to make this partnership approach work, attitudes and behaviors needed to shift among the people within the workforce, otherwise unreconstructed employees would have used such an approach as a stick to beat suppliers. That means that Unipart's own people's mindset had to change so that they understood and bought into the ethos of partnership.

The role of internal communication is to provide employees with the knowledge to do the job, the will

to identify and make change, and the license and permission to get on and do it. The level of knowledge of detail needed to identify transactional costs means that change has to happen at the front line rather than at board level. Providing channels for upward feedback is needed to connect those with familiarity of what needs to change, with those who have got the power to make change happen. Unipart's internal communication works to effect cultural change in order to deliver outstanding customer service, to remove cost/waste, and to improve productivity.

These are all examples of organizations which have taken three necessary steps:

1. Clearly identified their strategy;
2. Considered the attitudes and behaviors they need from their people;
3. Focused their communication on helping to achieve those attitudes and behaviors.

Positioning the Department

Organizations have evolved to accommodate customer focus, supply chain management, key processes, and definitions of adding value. Functional departments and corporate centers are reinventing themselves to redefine how they can be valuable to the business. Traditional business functions have been transformed during the 1990s as they've sought to demonstrate the relevance of their role. In progressive organizations manufacturing has been reborn as logistics, order fulfilment and supply chain management; purchasing has become a more strategic procurement and supplier partnership and global sourcing. Born again finance departments have transformed themselves from accounts and spreadsheet producers to providing management with information, interpretation and strategic options. Human Resources is restructuring and redefining itself to achieve alignment with the business and to prove its value. The reinvention of all these functions has been driven by the need to create greater customer and shareholder value.

What these shifts have in common is that they focus on creating value, reducing complexity, reducing diversionary activity and duplication, and managing end-to-end processes, not just individual events. Internal communication needs to join the party, and apply the same principles. It should adopt and reflect the value-focused disciplines found elsewhere in the business, redefine the value it can bring, and reinvent its processes and process management.

Internal communicators need to do internally what their own organizations do externally—define a clear value proposition which their internal customers will value as advancing the business strategy. They have to

communicate that proposition clearly to manage expectations. Then they have to organize themselves and acquire the skills to deliver.

For internal communication to bring value to the business it has to stay close to the heart of the business, where value is created for customers, and where the money is made—sales in a sales organization, quality in a product organization, knowledge-sharing in a professional services business.

What stops internal communication departments adding value is the lack of access to decision makers, being trapped in their internal customers' perception of them as messengers, their own narrow focus on internal communication objectives not business objectives, and measurement that concentrates on the efficiency of distribution of messages, rather than the effectiveness of the process in producing the desired outcome.

What's the Value of Internal Communication?

Using communication to get value out of your business depends upon your understanding of what you want it to do for the business, and how you should be managing it to produce the value you require. It also depends on having an internal client who knows where the business is going. However, internal communication can help the business by:

- Enabling the delivery of the organization's proposition by improving the flows of information, relationships and interaction, and different levels of identification;
- Helping close a performance gap through the removal of barriers, be they ignorance, lack of information, unclear processes, lack of co-operation, lack of prioritization etc;
- Reducing the complexity of information overload by the better management and coordination of communication.

What are the lessons?

Value is in the Eye of The Client

Internal communication can help solve business problems, but it has to find problems which the internal client is concerned about. Whether, for example, internal communication can valuably increase staff retention depends on whether staff turnover is a barrier for the business. High employee turnover and the need for higher retention may be a key concern for IT departments and management consultancies because of the shortage of skills, but be a matter of some indifference to a retailer who accepts

the seasonal migration of young shop assistants.

Develop a Problem Seeking Mentality

If the business has aspirations, there will be barriers to achieving them. If it is happy with its current position there will be opportunities for improving what it currently does. Some element of communication will be involved. The internal client may be unaware of the problem, or unaware of the link between their perception of the problem and the communication connection. Or they may be aware of both but not see the internal communication department as the place to go for help.

Find the Points of Pain

Communication is a means to an end, so it's better to start at the end—what is the business trying to achieve and what obstacles are causing it pain? Finding the points of pain for senior management in your organization and using communication to reduce the pain is central to creating value. Getting the opportunity and permission to explore those points of pain is the first step. Rather than trying to push communication up the management agenda, it's more valuable to start with what's already at the top of the agenda—removing the obstacles.

Reduce Media and Message Overload

The real business value of internal communication is to help deliver business ends by enabling employees to turn strategy into action. However, standing between businesses and that value is a swamp of communication confusion and complexity which first has to be drained, to create a path of coherence and consistency.

Organizations are viewing communication as the distribution of messages, and as the announcing of management's conclusions to the workforce. Because communication is seen as part of implementation, not as part of strategy, the focus is on messages and media, not on changing understanding and behavior.

It is currently treated as the means of disseminating information, which it does poorly. It is not enough to tell people you have a strategy, it's not enough for them to be able to repeat the corporate priorities; they have to transform understanding into action.

View Communication as a Process

The purpose of communication is to allow individuals to turn information into value. This is a process that begins with the receipt of information and continues with:

- awareness of information;
- realization of its implications;

- understanding of its relevance;
- prioritization of issues;
- making a decision; and
- taking appropriate action.

Value can be added at each step in the process—better information, improved communication skills—but the whole process is usually needed to deliver value to the business. Measurement therefore has to be done for each step of the process:

- Has information been received?
- Did the information make sense?
- Has it been understood correctly?
- How has it been interpreted?
- How has it been translated into action?

Turning Information into Meaning

Information needs to be specific, easy-to-understand, consistent, and clear which means selecting the language carefully and editing management speak until it means something to the recipients.

Communication Air Traffic Control

Communication will continue to be viewed as a soft area until leaders are harder on themselves. Unless leaders of business insist that early planning, co-ordinated communication, and clear and consistent messages with identified actions are agreed at the top of the organization, communication will continue to fail to deliver changed attitudes and behaviour.

In a world where information is proliferating, and where time and patience are at a premium, companies face the choice between self-regulation or confusing clutter. Reducing information overload will require organizations to adopt a more sophisticated approach to managing information and interaction via greater communication "air traffic control."

Communication Supply Partnership

Internal communication requires a clear process that provides relevant information, with the clearest possible meaning, to create collaboration and innovation that produces value by integrating the chain of communicators from strategic thinker to front line decision-taker. To become valuable it has to be treated as an end-to-end process, with reduced complexity, and greater co-operation among those communicators who feed into the supply chain of information, with clear roles and accountabilities.

Internal communication departments need to man-

age, not control, the end to end process, ensuring it is transparent and tracking where breakdowns occur. Traditionally they manage some of the steps, but others are outside their control so the end result is not what's required or is simply invisible.



Conclusion

Businesses that want maximum value out of their investment in internal communication should be using it to help facilitate strategic change. Chief executives need to understand how communication can help them achieve strategic objectives, and how changes in their organization will affect communication. Internal communicators should be working to ensure that management of communication delivers on the strategy, and the translation of information into value.

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The next steps to defining your value proposition

Translate your Business Strategy into Necessary Behaviors: Understand your business strategy, and what specific attitudes and behaviors are needed from people to make it a reality.

Position Yourself as a Business Problem-Solver: In order to be convincing, internal communicators need to understand the business issues that the organization faces, and to be expert in using communication to remove barriers to success.

Educate Your Senior Managers: Few senior managers have thought through the implications of changing communication internally. The problem isn't that they don't know—it's that they don't know they don't know. Managers are more likely to enter the debate if it starts with a business problem, than if someone launches on the "poor communication" complaint.

Pretend they're not Interested in Communication: Directors are interested in their business problems, not communication problems. While they may agree that communication is important, and genuinely feel it ranks among their priorities, they are more likely to be interested in solving their own operational problems—getting market share up, reducing unit costs and increasing customer retention.

Start at the End: Focus senior managers on clear business outcomes—increased co-operation between departments, identification of cost improvements, the removal of irritants and mistakes—all of which represent cost savings and quality improvements.

Extend Process Improvement to Communication: Since process improvement is based on a continual cycle of planning, doing, checking via feedback and then revising, adopt the same disciplines for internal communication, using regular tracking research.