INTERNAL COMMUNICATION STRATEGY AND PERFORMANCE: EVIDENCE FROM NIGERIAN SERVICE AND MANUFACTURING INDUSTRY

OKUNYE M.Y
Crescent University, Abeokuta, Department of Business and Finance

LASISI J.O
Crescent University, Abeokuta, Department of Business and Finance

OMONIYI C.O
Olabisi Onabanjo University, Department of Sociology

SHODIYA O.A
Olabisi Onabanjo University, Department of Business Administration

Abstract:
This study focuses on the internal communication strategies adopted by organization which increase performance of the organization. Most organization, be they public or private, understand the importance of strategic communication with customers and/or stakeholders. Hence there are marketing and communication specialists to produce communication plans for external use. Data were collected from managers from different companies, thus this study confirmed a strong positive relation between internal communication strategy and organizational performance using multivariate correlation analysis. This research topic showed an encouraging evidence of reliability and validity. The study found out that effective business communication is emphasized to a reasonable extent in the surveyed Nigerian companies, it was also found that the extent of practices of effective business communication were related to the category of business (service and manufacturing) and its size.

KEYWORDS: Internal communication, Formal and informal communication, Vertical communication, Horizontal communication, Diagonal communication

1. INTRODUCTION
Many organizations understand the importance of developing strategic plans to guide long term decision-making. The thinking is that without knowing where the organization wants to be and how it is going to get there, the organization cannot coordinate organizational resources so that it gets to where it wants to go. Frequently, communication methodologies for communicating with customers and the public are included in strategic planning. However, few organizations address internal communication in the same way.
Communication can be observed and interpreted as a profession, process, and passed to the general public and practice (Baskin et al., 2002). Determining what should be communicated to staff, when it should be communicated, and how it should be communicated is often left up to the decisions of individuals made when there seems to be a need. In other words internal communication strategies are developed, reactively, when there is a crisis or major event that clearly requires addressing communication issues. Where communication is planned out, it is often around upheavals like major corporate or organization change, layoffs and downsizing, and technological change. However, once the initiating focus has been eliminated communication tends to go back to an unorganized incoherent process. It’s a bit of a mystery why this occurs, but there is no question that strategic internal communication planning can be a proactive approach to building a better, more directed and efficient workforce.

By establishing an efficient public relation, an organization is able to pay due attention to building up positive interpersonal relationships within the company itself. According to Baskin et al. 2000, public relation can be observed and interpreted as a professional, process communication with the general public and practice. Internal communication is not just the duty of the public relation officer or the communication and marketing team, all employees are expected to play active part in information dissemination.

Employees of organization today are different people in terms of values and needs than their counterparts in earlier decades because of their level of education and also for the fact that they have a better information and communication strategy with the company they work for. Today’s workplace produce a tighter staffing longer hours, greater workplace, and more emphasis are placed on performance which makes the increasing complex and highly competitive nature of today’s environment puts greater pressure on employees and also calls for more concerned effort in the area of internal communication (Argenti, 2007; 138).

With the increasing need of organization to relate with the outside world in order to increase productivity thus the need for improvement in the internal communication within the organization which is not restricted alone to the office of the public relation officer but from the top level manager to the last employee on the organization hierarchy of power chart. Thus, the problem with internal communication in and organization emanates from the lack effective communication which affects the performance of organizations. Furthermore, there is the problem of the type of communication strategy that managers should adopt to increase performance, more so, is the problem of the hindrances and disadvantages of the adopted communication strategy which might likely affect the firm performance in a negative way.

Finally, there are the communication barriers which affect effective communication in passing across the much needed information to making an increasing performance in the organization

2. LITERATURE REVIEW

The effect of internal communication strategy on performance of business organization is present in many references. According to (Anderson 2001), the improvement of internal communication leads to raising the level of various strategic aspects, such as strategic decision making and better communication of efforts. Improving internal communication leads to better financial performance in organization (Anderson & Segars 2001). Efficient internal communication strategy is a leading indicator of financial performance in organizations. According to (Bevan and Bailey, 1991) internal communication is such a process, in which an organization shares its information, builds commitments and manages the change. (Scott Cutlip’s 1985) also identified mutually beneficial connection between the organization and its staff whom its success and
failure depends on. In the reference (Yates, 2006), it points out the importance of internal communication and its impact on financial results and organizational stability. Also in the reference of (Opitz & Hinner, 2003), it was proved that internal communication had a direct impact and relationship with company productivity. According to another definition (Bevan and Bailey, 1991) internal communication is such a process, in which an organization shares its information, builds commitments and manages the changes. As the main factor in the motivation and performance of staff, communication plays an important part in the competitiveness of the organization. In the practice of organizations internal communication is understood as part of the leadership function. Many authors classify micro, mezzo and macro levels. The micro level corresponds to the interpersonal level, the mezzo corresponds to the levels between groups or organizations, and the macro corresponds to mass communication. Communication on the interpersonal and group level are on lower level than the one on the level of organization, yet they are the most important forms of communication within an organization, which is confirmed by the rich bibliography of organizational communication. Communication on the level of the organization focuses on the mezzo level. This view obviously suggests the opposition between the mezzo and micro. Proceeding from the micro to the mezzo we can introduce another level of differentiation, the formal-informal or vertical-horizontal level. 

2.1 FORMAL VERSUS INFORMAL COMMUNICATION

In recent years the most important aspect of examining organizational communication for managers of big organizations has been the formal upward and downward communication. Informal communication has a connection to interpersonal, horizontal communication, mainly as a potential obstacle to efficient organizational production. It still cannot be identified clearly. The continuous, dynamic and not formal but informal communication is getting more and more important providing efficient management work in the modern organization. Papers written on informal communication emphasize that the management culture and atmosphere inhibits the confrontation of formal and informal communication.

According to the latest studies the growing number of dynamically improving communication technology makes communication easier which is neither formal nor informal regarding communication within a group or a community. It can be formal/informal which is difficult to distinguish such as many new communication channels, which already exist in an organization and are neither formal nor informal but both at the same time.

2.2 VERTICAL, HORIZONTAL AND DIAGONAL COMMUNICATION

Communication can be characterized as vertical, horizontal, or diagonal. Initially greater emphasis was directed at vertical organizational communication as compared to lateral communication. Diagonal communication is an even more recent emphasis in the organizational communication literature. 

2.2.1 VERTICAL COMMUNICATION

Vertical communication occurs between hierarchically positioned persons and can involve both downward and upward communication flows. Downward communication is more prevalent than upward communication. Larkin and Larkin (1994) suggest that downward communication is most effective if top managers communicate directly with immediate supervisors and immediate supervisors communicate with their staff.

A wealth of evidence shows that increasing the power of immediate supervisors increases both satisfaction and performance among employees. This was first discovered by Donald Pelz (1952)
and is commonly referred to as the Pelz effect. Pelz was attempting to find out what types of leadership styles led to employee satisfaction (informal/formal, autocratic/participative, management oriented/front line-oriented). He found that what matters most is not the supervisor’s leadership style but whether the supervisor has power. One way to give supervisors power is to communicate directly with them and to have them provide input to decisions. Ensuring that supervisors are informed about organizational issues/changes before staff in general, and then allowing them to communicate these issues/changes to their staff, helps reinforce their position of power. When the supervisor is perceived as having power, employees have greater trust in the supervisor, greater desire for communication with the supervisor, and are more likely to believe that the information coming from the supervisor is accurate. Jablin (1980), after reviewing almost 30 years of research, pronounced the Pelz effect to be “one of the most widely accepted propositions about organizational communication.”

2.2.2 DOWNWARD COMMUNICATION
According to Morgan and Shieman’s (1983) research in which 30,000 employee were asked, the majority of the employees felt that productivity was not better because of downward communication. The level of satisfaction got lower as we went down the organizational hierarchy. Foehrenbach and Rosenberg (1982) with the survey of 32,000 employees found quite a high level of satisfaction with downward communication. 71% stated that his/her organization informs its staff well, 65% agreed that the gets enough information for his/her work and 51% agreed that downward communication was accurate and honest. They also proved that employees want to hear more organizational news directly from the top management – this discovery was in conflict with the Pelz effect. In the end they found that employees require information from the top management in two major topics of interest – future plans of the organization and research and development.

2.2.3 UPWARD COMMUNICATION
Even less is known about upward communication. One consistent finding is that employee satisfaction with upward communication tends to be lower than their satisfaction with downward communication. Researchers found low levels of satisfaction with all the strategies commonly used to enhance upward communication, including employee surveys, employee grievance programs, and employee participation programs such as quality circles and team meetings. Gibson and Hodgetts (1991) note several management-based reasons for this lack of satisfaction particularly that these strategies often do not involve two-way communication, are not packaged well, are poorly timed, and are apt to trigger defensiveness on the part of managers. In addition, McCelland (1988) found a number of employee-based reasons why upward communication tends to be poor, including:
(1) Fear of reprisal – people is afraid to speak their minds
(2) Filters – employees feel their ideas/concerns are modified as they get transmitted upward
(3) Time – managers give the impression that they don’t have the time to listen to employees

2.2.4 LATERAL COMMUNICATION
Lateral communication involves communication among persons who do not stand in hierarchical relation to one another. While recent trends to flatten organizations have enhanced the importance of lateral communications, studies on lateral communication still lag behind those on vertical communication. One fairly limited study found rather high levels of satisfaction (85%)
with lateral communication among human resource managers, but lateral communication across managers of dissimilar functional divisions was often cited as a major source of organization dysfunction. It has been assumed that lateral communication at the worker level is less problematic, at least within a functional area. However, with the greater importance of teams, more attention is now being directed at communication between team members. Lateral communications between workers in different functional areas is also becoming a bigger concern as greater attention is being directed at increasing the speed of production through simultaneous, as opposed to sequential, work processes. And there is greater emphasis on communication across distributed workers and geographically separated work groups doing similar kinds of work in an attempt to promote learning and the sharing of expertise, best practices, and lessons learned.

2.2.5 DIAGONAL COMMUNICATION

Diagonal communication refers to communication between managers and workers located in different functional divisions. Similarly to vertical and horizontal communication, diagonal communication has also become important. The concept of diagonal communication was introduced to capture the new communication challenges associated with new organizational forms, such as matrix and project-based organizations. Thus with the growth of new organizational forms the research of communication processes has been expanded with diagonal direction too.

There is a growing awareness within companies of the need to do a better job of coordinating external and internal communications as of late. While this may seem like an obvious thing to some, there have been many cases where companies do a poor job at this. Here are some things to keep in mind if one is trying to make the case for better coordination:

External media coverage should never be used as a substitute to effective internal communications. Companies cannot rely on employees reading things in newspapers or seeing them on TV, as it diminishes trust between management and employees and catches employees off guard. Organizations must do their best to ensure that employees hear about it from the company first. In cases of privately held companies not subject to fair disclosure regulations, it is often appropriate to communicate with employees’ hours or even a day before a major external announcement. Especially when news is big, companies are advised to prepare managers and supervisors with talking points and give them the chance to ask questions and ensure they understand what’s happening so they can adequately answer employee questions.

External and internal communications strategies must be developed and executed in tandem. It is best for organizations to regularly coordinate and plan internal and external communications strategies to ensure maximum benefit of each. Especially in larger organizations, this is often easier said than done. One strategy that often helps are weekly discussions of upcoming announcements or issues that may surface to ensure the appropriate employee communications can be ready to go and when needed. It is usually not sufficient to simply email or post an external press release to employees; rather the information contained in the release should be rewritten in language appropriate to the internal culture and should be supplemented with additional information that might not be relevant detail to outside audiences. Strategic sending of letters to the editor, op-eds or feature stories can reinforce internal strategy. There is a growing awareness within companies of the need to do a better job of coordinating external and internal communications as of late.
Companies should share significant media coverage with employees, whether it's positive or negative. Whether it's postings on bulletin boards, electronic distribution of scanned clips or summaries of major media coverage, companies should share what the outside world is saying about them on a regular basis. Especially in cases of negative coverage, companies have the opportunity to provide a different viewpoint and help employees respond to informal inquiries from family and friends who may ask about negative coverage. Organizations reluctant to share negative coverage often forget that employees will see it anyway and that they can use that opportunity to build increased credibility with employees by showing they are committed to talking about both the good and the bad.

Effective internal communications strategies can have positive impact on external media coverage, especially during times of bad news. Although companies typically try to prohibit employees from talking to the media, it often happens. Especially during times of layoffs, restructurings or scandals, the news media is likely to ambush employees and ask their opinion about what's happening. Experience has shown time and time again that when companies do a good job explaining current events to employees and give them ample opportunity to engage in conversation about it, media coverage of ambushed employees is more balanced and positive and is characterized by comments such as "Although I didn't like the news I heard, the company was respectful and honest in how they communicated it to us and helped us understand what the person impact would be on me."

2.3 CHANGING NATURE OF EMPLOYEE COMMUNICATIONS

Employees of organizations large and small are constantly inundated with information and opinions about the company for which they work. When forming their own opinions about their employer, employees are increasingly acting more like traditional consumers – they turn to multiple sources to validate or refute a certain point of view.

In the old employee communications paradigm, corporate communications departments relied on top-down approaches to reach their employees. In the new, relationship-based paradigm, employees “ping” sources both inside and outside their organization for information. These sources include messages from a CEO, a direct supervisor, a company advertisement in the newspaper, a neighbor’s comment about the company, a union steward’s opinion, a stock analyst’s report, or publicity around a corporate sponsorship.

In order for a company to successfully influence the attitudes and behavior of its employees, internally focused communications programmes must treat employees as consumers and rely on a multitude of sources that employees deem credible. They must also be highly integrated with externally focused efforts so employees whose perspectives about the company from outside sources are greeted with consistent information.

Considering the theoretical framework and works done by previous writers, the following hypotheses were set:

- $H_0$: internal communication has no significant relationship with organization performance on companies in Nigeria.
- $H_1$: internal communication has significant relationship with organization performance on companies in Nigeria.
3. METHODOLOGY
The research used in this study was a survey research in which companies in Nigeria were used as a case study. The population size includes 100 companies in Nigeria while the sample size for the study includes 100 managers from the companies.

The type of data used in this study is a primary data which was collected directly from the managers of the various companies in Nigeria. The research instrument used in this research is a five point likert scale questionnaire which was sent to managers of different companies in Nigeria.

A correlation analysis was used to test and make a decision about the effect of internal communication on organizational performance. A 5 point likert scale was also used to generate the questionnaire which ranges from strongly agree, agree, indifferent, disagree and strongly disagree.

Table 1
Dependences $S_1$ – Position and perspectives of employees from internal communication
Univariate tests of significance for $S_1$
The corrected determination index: $R^2 = 0.51$; Std. Error of Estimate: 0.8304684

<table>
<thead>
<tr>
<th>Effect</th>
<th>SS</th>
<th>Degree of Freedom</th>
<th>MS</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>0.43112</td>
<td>1</td>
<td>0.43112</td>
<td>0.62510</td>
<td>0.431106</td>
</tr>
<tr>
<td>$IC_1$</td>
<td>26.92879</td>
<td>1</td>
<td>26.92879</td>
<td>39.04546</td>
<td>0.000000</td>
</tr>
<tr>
<td>$IC_2$</td>
<td>8.53730</td>
<td>1</td>
<td>8.53730</td>
<td>2.37867</td>
<td>0.000665</td>
</tr>
<tr>
<td>$IC_3$</td>
<td>0.99122</td>
<td>1</td>
<td>0.99122</td>
<td>1.43722</td>
<td>0.233541</td>
</tr>
<tr>
<td>Error</td>
<td>66.2090</td>
<td>7</td>
<td>96</td>
<td>0.68968</td>
<td></td>
</tr>
</tbody>
</table>
4. CONCLUSION AND IMPLICATION FOR MANAGEMENT

Based on the table above, result confirmed that internal communication strategy has a strong correlation with organization performance. Following the works of (Nikolic, Savic, Cockalo, Spasojevic-Brkic & Ivin, 2011), result confirmed the existence of a significant direct relation between internal communication and performance; one can equally say that internal communication affects organization profitability. Therefore H₁ should be accepted.

The research confirmed a strong relationship between internal communication and performance in Nigerian organizations. By increasing the level of internal communication and strategies such will greatly improve productivity and then performance in this way the H₁ of this study is confirmed.

To sum it up the consciousness of the resource features of internal communication system is not at the level that would definitely require the introduction of organizational communicational system. The function of the communicational system is mainly and systematically to provide information in an adequate and integrated way within an organization. Its implementation naturally means cost to the organization, but is needless to say that information is also a commodity and as such the informational and communicational resources require taking them into account similarly to traditional resources.

4.1 LIMITATIONS AND FUTURE RESEARCH DIRECTION

Though this research study takes an in-depths look at the internal communication and performance in Nigeria, it however faced some constraint which is prove for future researcher to make further research.
First among the limitation is the constraint of time which delineates the comprehensive analysis of the research work. Furthermore, there is the non-availability of adequate data and information; lastly, the study was constraint with the non-availability of financial resources to make a very comprehensive on the topic.

References
Bogner, Franz: Das neuPRdenken 1990.
Opitz&Hinner, 2003. Good internal communication increases productivity. Technical University Bergakademie Freiberg, Faculty of Economirs and Business Adminstration, Freiberg working paper, No 7.