

Business people cannot *not* communicate

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Introduction and background

Inevitably, most businesses (perhaps all) suffer from failures in communication. Because “communication” is mistaken for merely talking we often forget the importance of good communication. Without doubt good communication has contributed to the unprecedented quality of life many of us now enjoy. By contrast poor communication contributes to deprivation, social exclusion and much of the misery of modern life. It is that important.

Whether it's a face-to-face meeting or an overseas transmission, communication is a complex process that requires constant attention so that the intended messages are sent and received. Inadequate communication is the source of conflict and misunderstanding. It interferes with productivity and profitability. Virtually everyone in business has experienced times when they were frustrated because they just couldn't "get through" to someone. They felt as if they were speaking an unknown language or were on a different "wave length." Communicating effectively is much more than just saying or writing the correct words. How we communicate is affected by frame of reference, emotional states, the situation, and preferred styles of communication.

We all remember September 11, 2001, in New York and Washington DC, and how those events changed us all. One of the lessons from those events has been the importance of communication, as a discipline, in informing and uniting the citizens of a country and like-minded citizens of other countries, and by so doing, reducing the likelihood of mass panic and irrational and unsustainable expectations. September 11, 2001 provided a challenging series of events for the crisis communication efforts of American Airlines and United Airlines. But it is not only during a crisis that the importance of good communication becomes apparent. According to researchers most management failures result from, or are accentuated by, a failure to communicate.

In many companies there are practices that should trigger alarm bells. Communications are top down and one-way. The communicators simply pass on whatever messages their bosses wish them to. They don't question a brief, nor do they challenge assumptions or ask whether information is accurate or fair. Communications from struggling companies give little insight into their challenges. The focus is upon form, style and desired impact rather than relevance and truth. Bad news is concealed in spin and language that deliberately obscures.

The recent spates of corporate accounting scandals have shattered much of the basic trust that enables business and investment to function optimally. Thanks to Enron, Worldcom, and Arthur Andersen, many people now find it hard to believe anything that companies have to say. It doesn't matter whether a company is communicating through its balance sheet, a prospectus, or its website; all corporate communication has become suspect. But clear, precise communication is imperative for true success, which is why business people cannot *not* communicate.

All companies have a statutory *duty*, to communicate with members of the public, not the least of whom are the media, shareholders and/or clients. The Companies Act lays out minimum reporting requirements, and the South African Institute of Chartered Accountants has General Accepted Accounting Practice that further regulate how to present that information. In addition there is a basic common sense commercial imperative to manage expectations of one's company so that what is expected is what is delivered. There is no rational alternative choice in this matter.

Recently the Auditing Standards Board (ASB) (international) released a document that emphasized the need for better communication between the auditor, management, and the audit committee. Standards in other countries, such as the United Kingdom, offer examples of critical communication requirements not present in the American standards, especially communications that go directly to users of financial reports, such as investors and creditors. While these additional communication standards might not have prevented failures such as Enron, they could have limited investor and creditor losses by alerting financial statement users to the risks of off-balance sheet debt and certain compensation arrangements.

Since 1998, many ASB (international) releases have focused on communications. Four of the 11 most recent Statements on Auditing Standards (SAS) describe, amend, or clarify communications protocols between the auditor, management, and the audit committee. While these changes improve audit quality, limitations may still exist in the disclosures and communications that filter information down to those who supply corporations with capital.

Recent financial demises in entities like Enron exemplify situations that could benefit from refinements in current communication standards. While improved communications would not have prevented these bankruptcies, additional information might have allowed capital suppliers to make more timely and informed decisions, thereby limiting their losses. Suppliers of capital through debt and equity agreements are the true clients of the audit engagement. Debt and equity investors rely not only on the disclosures within the financial statements, but also on the actions of the audit committee and board of directors, which represent their interests.

In recent South African commercial experience poor communication policy has been given as one of the reasons for the "rise and fall" of Saambou Bank. Other reasons include over-enthusiastic expansion, pressure from stakeholders and, perversely, a sudden loss of shareholder confidence.

One issue not yet fully discussed in media and public forums is the degree to which Saambou's apparent lack of internal and external communication and its poor media relations contributed to its demise (De Beer, 2002). And while some critics say that the US financial media did not cover the Enron event as professionally and vigorously as it could have, others have focused on the "relentless, careful, intelligent work of two *Wall Street Journal* reporters in uncovering the story behind the Enron story" (Steiger, 2002). These two *Wall Street Journal* reporters provided instructive communication by giving facts, stating how their readers should take action, and generally providing information regarding how the problem was being corrected.

Perhaps the best way to understand how communication can go wrong is to review what *good* communication should be like:

- It should use appropriate language (i.e. no obscure jargon; written in a tone and register appropriate to the needs and abilities of the intended audience);
- It should be appropriately targeted not broadcast too widely;
- It should use the right medium to communicate the information;
- The information should get to the recipient in good time for it to be used effectively.

From the above list it should be obvious how communications can go wrong.

Basic communication skills

To communicate effectively we need to understand the processes and skills that make up human communication. The key skills required include:

- Questioning
- Listening
- Explaining
- Reflecting

Barriers to communication

It is ironic that most of us have an instinctive understanding of basic communication skills, but so often we fail to put them into practice. Perhaps it is because skills in the above list are essentially those used in one-on-one situations we have been trained in since birth. In one-on-one communication we can vary pace, repeat questions, change vocabulary, to suit the way the message is being received. Even when addressing a group of like-minded people (e.g. a trade union or special interest group) the common understanding and purpose helps speed up communication. But when the audience is amorphous, or a large portion of the general population, the diversity of skills and backgrounds present in the audience, and the inability of one communicator to receive and process multiple messages from that audience, adds significantly to the challenge to be clear and simple in one's presentation.

Human communication is, of course, complex and therefore it is often difficult to identify our personal deficiencies in this area. Our five senses are constantly bombarded by information, this “noise” being physical and psychological. If we consciously attempted to process it all, the sheer volume of information we receive daily would make it impossible to derive any sense from our environment. So, not surprisingly, we have developed filters. These filters reduce the “noise” by allowing only “important” information through. Although they are useful, filters develop gradually and almost imperceptively, until they block out relevant information, becoming barriers to good communication.

Barriers to good communication can be split into two main groups: physical/physiological and emotional/psychological. Physical and physiological barriers, such as a speech impediment, deafness and poor sight can be easily identified and we make allowances when dealing with people with these impediments. Emotional and psychological barriers might be less obvious, but failure to take time to understand them will lead to a distorted perception of the issues and their reception, and could even cause us to censure someone wrongly.

The process of effective communication should be as follows:

- Message conceived (identify the situation; decide if it merits a comment. If “yes”...); Communications medium selected (communication method selected – verbal, visual, and written).
- Message encoded (written for print (including memorandums) and web based media, or for live, oral presentation on radio, television or as a speech) – decide what sort of layout is going to be used in the case of written communication (type face, paragraphing, inclusion of photos and diagrams etc). For radio and television – does one use background sounds, visuals etc.
- Message sent. Message received and decoded (language and knowledge used to send out the right message).
- Message interpreted (meaning of written communication: recipients’ view; feedback supplied in the form of opinions, alternative perspectives, general reactions etc.)

Insufficient internal communication

Unfortunately, Worldcom, Saambou, Enron, Arthur Anderson and American Airlines apparently lacked the ability to adequately communicate internally. Images of Saambou employees standing in front of locked bank doors showed the world that staff was totally unaware of the bank’s problems. They only realised what the real situation was after failing to get in to their places of work and reading media reports.

The systems approach as a framework for public relations focuses on the interaction between organizations and their social environments (Cutlip *et al.*, 2000 and Grunig & Hunt, 1984). As such, organizations are open systems and the result of interaction between their members and with their environment (Angelopulo, 2002). It is imperative for an organization to constantly and openly communicate with its publics in order to prevent them from constructing their own messages/images (irrespective of how distorted or untrue they might be) (Bernstein, 1991).

Both internal and external communications programs should be directed at specific target audiences. Although these audiences may be diverse, they are interconnected and interdependent. Communication plans should focus on all sectors of the public most likely to be affected by an organisation’s decisions and actions. These include staff, local communities, influence groups, the government, financial role-players, customers, and the general public, as well as the media (Bernstein, 1991 and Van Heerden, 2002).

Enron’s staff also seemed to have been largely ignorant about the company’s problems: apparently communication within the company did not include junior staff in its audience. Early in 2001 senior management sold stock in the bull market and collected hundreds of millions of dollars. Then, towards the end of 2001 as stock prices began to drop, and as information on risky deals emerged, the company announced that it had changed its employee pension plan administrators. Subsequently employees’ investments were locked in for a period of 30 days, and staff could not sell their Enron stock (Thomas, 2002). Although the overall public sentiment was that employees lost millions of dollars in the process, some commentators argue that these complaints were specious and that

employees had to be aware (to some extent at least) of the "improper financial transactions as well as management efforts to disguise the situation" (King, 2002). From the point of view of management, the communication methods were effective and appropriate for their purposes – preserving their own financial best interests. From the point of view of the general public and those shareholders who lost everything, communication was at best "confusing".

Perception and prejudice

Perception and prejudice can be significant barriers to good communication. Most of us would not wish to admit to it, but we all have prejudices. The more obvious prejudices, such as race, religion and gender, are seldom now overt issues in our more open, better-educated and tolerant society. Business people demonstrating these prejudices are, in addition to acting illegally, acting unethically. Listening is the main skill to resolve such situations. Active listening seeks not only to hear what the other person is saying, but also to understand what they are feeling.

Non-verbal communication

In addition to the verbal aspect of communication, non-verbal communication is vitally important. Get that wrong and whatever you say may still be misunderstood. It is an often quoted statistic that the non-verbal message makes up 93 percent of face-to-face communication. Facial expression, posture, orientation towards people and voice (tone, level and pitch) all add richness to the message. It is important to realise that where there is a mismatch between non-verbal and verbal messages, the recipient believes the non-verbal message.

Another aspect of the non-verbal component of communication is paralanguage. Paralanguage refers to the emphasis placed on a certain word or phrase that has the ability to alter the meaning of a sentence. The way in which words are spoken conveys more of the message than the actual meaning of the words themselves. Accent can also affect the perceived validity of the message. Care must also be taken so that the paralanguage we use does not become a barrier to communication. For example a sentence, in which you are conveying facts, may even be received as a criticism of the person you are communicating with if your tone or emphasis is inappropriate. To quote the familiar maxim: "It's not what you say, it's the way that you say it".

Conclusion

Responding to this communication imperative should be an integral part of disaster-response management preparation, especially for that component of management likely to have to face an ignorant and stressed public. Getting one's message across intact first time off is usually only achieved if there has been a culture of truth and integrity in the business, and a relationship of mutual trust and understanding between audience and spokesperson.

The following cannot be over-emphasised:

- The importance of pro-active, open and honest communication, conveying a positive company image in good as well as bad times;
- The fact that companies operate within an environment where they have an important responsibility to their shareholders, staff, clients, financial institutions and (most importantly) the media;
- There is a need for openness and honesty when presenting current and future situations to internal and external audiences. This is required by the principles of good corporate governance, namely accountability, openness and transparency.

For too long, companies have not been held accountable for "snowing" people with accounting jinx, sappy platitudes, buzzwords, slick emotional manipulation, slippery commitments, convoluted legalese and finance speak, and stonewalling. All of these are abuses of genuine communication, but are intended to appropriate credibility or divert scrutiny, rather than earn trust.

Unfortunately, these situations affect not only those companies whose questionable financial reporting have recently been exposed. Today, all businesses face the need to demonstrate their credibility to customers, investors, partners, regulators, and the public. Despite the financial havoc, media frenzy,

and political fallout arising from the collapse of once reputable companies, the current scepticism and scrutiny of company communications is ultimately a good thing and long overdue.