

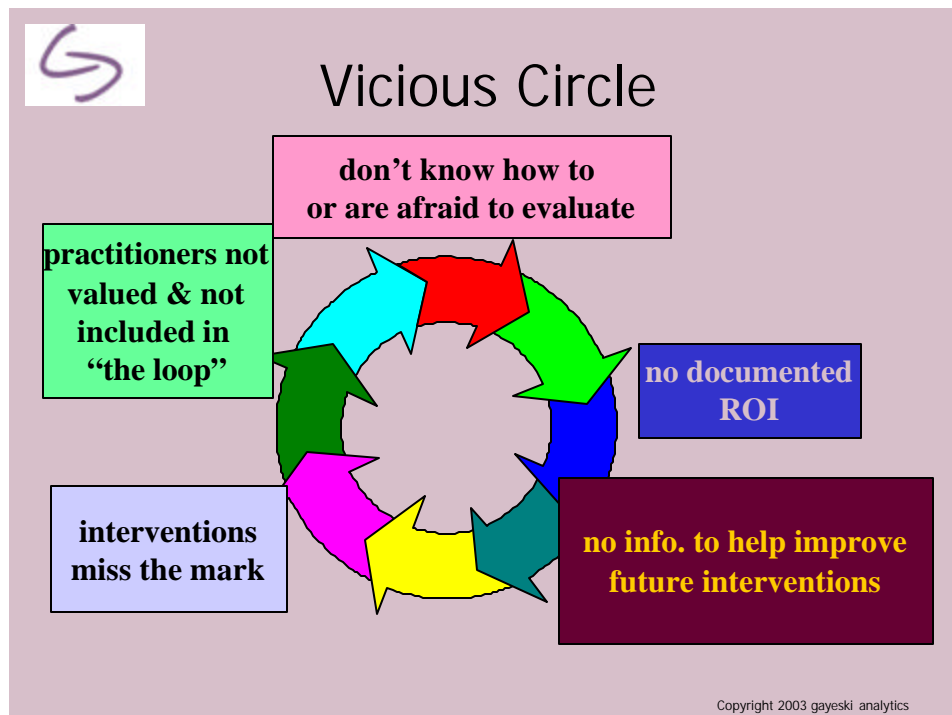


## Demonstrating the Business Value of Communications

Diane Gayeski, Ph.D. IABC teleseminar

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Never before have communicators been more challenged to demonstrate the value of communication. But even ROI calculations, often considered the “Holy Grail” of communication measurement, often fail to deliver numbers that are attention getting or credible. This teleseminar will present new methods for pitching and assessing communications as a long-term strategic business asset – rather than as just a series of one-off projects. Re-frame your job from being a message producer to being the engineer of your company's communication and performance infrastructure.



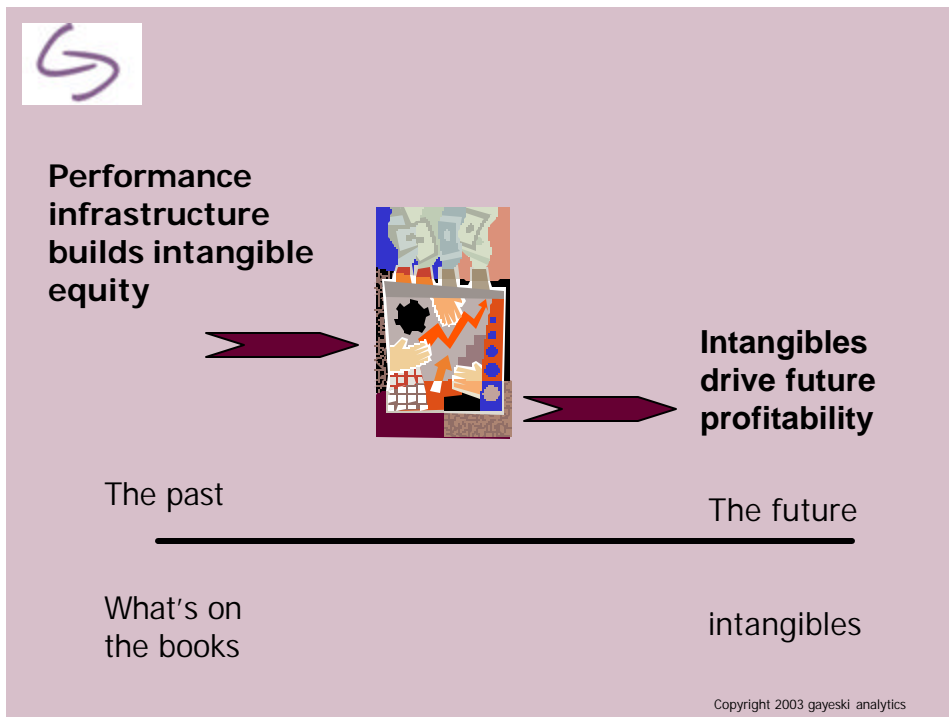
### Typical measures:

- ? Communication audits – satisfaction
- ? Readership / user stats (e.g. intranet page hits, attendance at meetings)
- ? Focus groups / communication councils
- ? Cost / benefits or ROI       $ROI\% = (\text{net program benefits} / \text{fully loaded costs}) \times 100$

### Limitations of ROI

- ? Difficult or impossible to isolate effects
- ? Correlation does not equal causation
- ? When to measure? Effects may take place over a long term
- ? How to measure? Costs and logistics of measurement may be prohibitive
- ? It's a one-shot measure—does not measure the effects of the entire system
- ? Often the results aren't that impressive. \$100,000. may look like "lunch money"

### Another approach: Managing Communication as an infrastructure or "intangible" asset



Intangible assets are the “premium” on the value of a company’s tangible assets. They are often inexpensive to build, but difficult for the competition to replicate. They include:

- brand name / reputation / recognition
- customer loyalty, word of mouth
- employee loyalty, word of mouth
- corporate culture / lore / history
- ability to innovate and change quickly
- knowledge assets (best practices, templates, formulae, proceses)
- ability to manage, survive, profit from a crisis
- communication and feedback systems
- recruiting, retention, and performance management systems
- training and performance improvement systems



## Market Value of a company

(based on Sveiby, 1997)

<b>Visible equity</b> (book value) Tangible assets minus visible debt	<b>Intangible assets (Stock price premium)</b>		
	<b>External structure</b> (brands, customer and supplier relationships)	<b>Internal structure</b> (management, communication & learning systems, R&D, software)	<b>Individual competence</b> (education, experience of employees)

## How to talk to management: uncover a “hot item”

- ✓ Place a check mark next to each item that is a problem in your organization
- ☐ We don't do a good job in capturing knowledge from customers and employees
- ☐ We are having trouble recruiting and/or retaining the kind of employees we need
- ☐ Our brand and image are not well established nor consistently communicated
- ☐ Employees seem to lack confidence or motivation to do what they're trained to do
- ☐ Employees are narrowly focused on their own jobs and don't see the 'big picture'
- ☐ People waste a lot of time trying to find the information they need at work
- ☐ We are losing our competitive edge with regard to customer service
- ☐ We have trouble finding and managing business partners and contractors
- ☐ Our employees are unaware of market trends that affect our business
- ☐ We lack the ability to change organizational structures and processes quickly

### HICCUP Model (copyright 2000, Diane Gayeski)

#### Five Step (HICCUP) System Diagnostic Model

**Hot Item** (i.e., We don't do a good job of documenting the experiences and advice of employees and customers)

**Consequences:** What do you think are some of the results of this? How does it affect the performance of the organization? **How does this impact the long-term valuation of the organization from a prospective buyer's or stockholder's perspective?**

**Causes:** Why do you think this situation exists? Are some people actually benefiting from the current state? Do the benefits to those people outweigh the opportunities for change? Are people aware of the current situation and its consequences? Are people aware of alternative ways to manage the situation?

**Uncover Opportunity:** If this situation were different, how would it improve our position? What resources would it make available for other opportunities?

**Possibilities:** What would it take to change the situation? Who could do it? What kind of project might we propose?

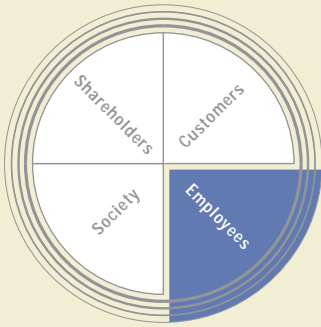


**Pitch the value of your human capital assets and communication infrastructure in your annual reports, press releases, and go after industry awards.**

What do analysts look for?

- Strategy execution
  - Level of trust and credibility – propensity to change
  - Ability to understand and focus on goals
- Strong branding / culture
  - Customer and employee loyalty
  - Value and strength of brands (consistency, uniqueness)
- Human resource value
  - Cost of employees, turnover, recruiting
  - Knowledge added, retained, shared, and leveraged
  - Performance management – efficiency and focus
- Information assets
  - Explicit knowledge – codified in manuals, templates, processes, training (can be sold or will increase efficiency)
  - Tacit knowledge – coaching, mentoring
- Ability to grow / change / be resilient
  - Flexibility of employees
  - Ability to ramp up quickly / share knowledge
  - Innovation, leveraging of core competencies
  - Crisis management plans

# Employees

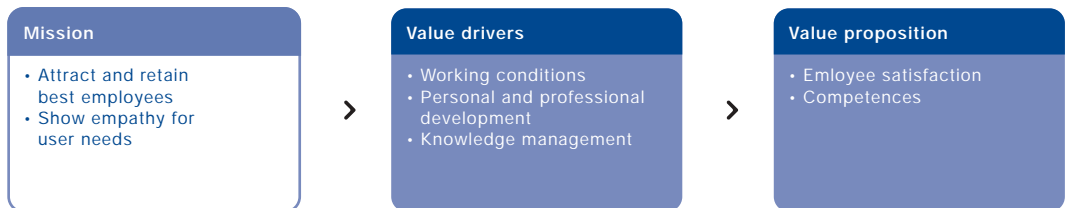


## Employee value

Employee loyalty and motivation are vital to corporate growth. We wish to attract and retain the best employees, people who take responsibility, are quality conscious and deliver value to our customers. Our management believes in mutual respect and trust, and values the personal and professional development of the individual employee. Communication of relevant information has a high priority in the organisation.

One of the objectives stated in Coloplast's HR policy is that the majority of managers should be recruited internally. We believe that a challenging job is the best training you can get. We encourage job rotation to enable the individual employee to add qualifications in various job functions and professional competences. Finally, we believe that decisions are best made where they are to be implemented. This management approach generates value and creates employee satisfaction and commitment.

## Value chain for employees



### Mission

- Attract and retain best employees
- Show empathy for user needs

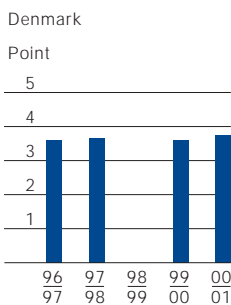
### Value drivers

- Working conditions
- Personal and professional development
- Knowledge management

### Value proposition

- Employee satisfaction
- Competences

## Employee satisfaction measurement



## Working conditions

The job becomes a learning process when the individual employee is offered development opportunities and challenges. The majority of production workers in Denmark work in self-managing teams, representing 65% in 2000/01, up from 60% the year before. This move towards self-management is a process which aims to increase job satisfaction and make production more efficient.

Health and safety-at-work is handled decentrally in groups supported by trained safety managers. Work at reducing the various risks continues in close cooperation with the public authorities. During its visit in May 2001, the Danish Working Environment Service assessed Coloplast as a level 1 manufacturer, the best rating.

In Coloplast, we regularly measure job satisfaction. Employee satisfaction measurements have been made since 1994, including working conditions, health and safety at work and other factors.

Since Coloplast became listed on the Copenhagen Stock Exchange in 1983, employees have been offered employee shares at a favourable price six times. These shares create motivation and increase commitment in daily work.

## Employee development

At yearly development talks, the quality of working results is discussed by a manager and each of his team members. They also discuss job norms and plans for the coming year. Depending on the job and plans for the future, a training programme is prepared.

Our HR department organised 65 courses and seminars in Denmark in 2000/01. In the international context, Coloplast Academy has developed a programme consisting of 27 courses within four competence areas with constant training needs. Included in this programme are eight courses dedicated to managerial training. In 2000/01, 11 such courses were held within the Academy framework. In Denmark, 72% of vacant managerial positions were filled by internal candi-



*A staff party with a theme is a challenge. There was a multitude of creative costumes at the Aladdin party in 2000.*



*When the US breast care division developed its latest website in 2001, their IT people went to Denmark for sparring and training by Corporate IT and the Danish e-business specialists.*

dates, the figure for subsidiaries being 53%. Our objective of filling the majority of managerial positions by internal candidates was met. The average amount of time spent by Coloplast employees on training and development in 2000/01 was 4.4 days, slightly below the level of last year. The cost of training came to DKK 6,855 per employee. Job rotations remained at last year's level.

Coloplast is present at recurring job fairs for students in Denmark. Last year we had a stand at the VIP fair addressing engineers, organised by Denmark's Technical University. We were also present at the SICEF fair addressing students of economics and finance. The total number of visitors to the two fairs was 13,000.

### Knowledge management

Knowledge management is an important competition parameter, and we aim to give Coloplast employees the best level of information, allowing them to do their job optimally. All employees are responsible for developing, documenting and communicating their knowledge about issues and relations which may affect Coloplast's competitiveness. Nearly all employees have IT access and Coloplast's intranet, InSite, which was introduced in year 2000, is increasingly used for knowledge sharing. At the time of writing, some 20,000 visits per week are reported for InSite.

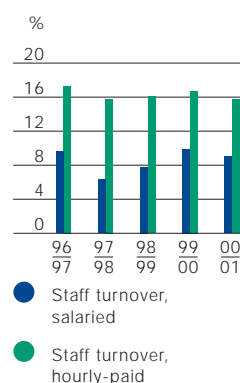
### Employee satisfaction

During the year, employee satisfaction was measured in 13 companies including more than 2,800 people. The response rate was 86% and the surveys showed that general satisfaction has increased to an all-time high of 3.75 compared to 3.60 last year. This increase is due to a dedicated effort to make improvements in those areas where results were low in previous surveys. The figure reflects a rating on a scale from 1 to 5, 5 being the maximum.

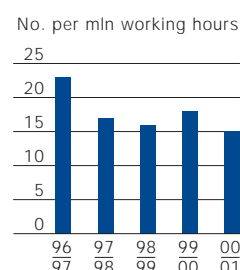
Staff turnover dropped from 9.9 to 9.0% for salaried employees and from 16.7 to 15.5% for production workers. Absence was low both for salaried employees and production workers, reported as 2.1% and 6.3%, respectively, during 2000/01.

In 2000/01 the number of accidents in our Danish factories, where most manufacturing activities are located, decreased from 51 to 46. This caused a drop in the rate of accidents recorded from 18 to 15 accidents per million working hours. Accidents causing more than one day's absence are included in the figure.

### Stability



### Accident rate



### Employee satisfaction, Denmark 2000/01

On a scale from 1 to 5	Salaried	Hourly-paid
Persolal development	3.82	3.29
Development talk	3.97	3.65
Job commitment	4.50	4.43
Pay and working conditions	3.25	3.02

**Contreet - H** for difficult-to-heal wound (left). **Compeed** corn remover with salicylic acid.



### New corporate competence

Coloplast has obtained the approval of the Danish Medical Agency to manufacture **Compeed** dressings with salicylic acid for the treatment of corns. Salicylic acid is a drug, ie an active substance whose effect and side effects are well known in local treatment.

Many elderly people are hampered by sore feet owing to corns. This problem can be overcome by Coloplast's new dressing.

### Quality of life and cost savings

Coloplast intends to continue developing this type of active medical disposable and active OTC products like special dressings and creams. We add valuable properties to the products and thereby improve the quality of life of the users whilst also decreasing the cost-in-use of the products.

During 2000/01 Coloplast launched two products within the drug-device category, **Contreet - H** antibacterial wound dressing with silver and **Compeed** dressing with salicylic acid.

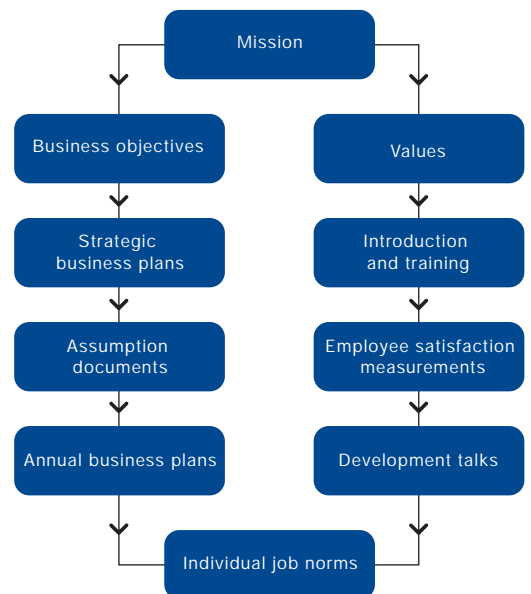
In connection with the development and approval of these products Coloplast has built considerable competences and knowledge which will be used in the future for developing new products within more business areas.

The employee satisfaction measurement showed that safety and working environment score high on satisfaction, 4.14 for salaried employees, 3.64 for production workers.

Employee satisfaction affects Coloplast's ability to attract new employees. The number of unsolicited applications was more than 3,000 in Denmark, the same level as the year before. This is considered very satisfactory considering the high employment rate.

### Competences

Coloplast's competences are based on specific knowledge about own products, manufacturing processes and business processes. It is therefore difficult for our competitors to copy our products. A number of new competences are being developed to meet our strategic objectives. Special systems have been developed for managing knowledge and developing competences in the most important areas, such as understanding customer needs, technology, innovation, marketing and providing services.



*This figure shows how our Mission, Values and business objectives are integrated in employee development.*

## How to turn \$100,000 to \$1.5 million



### **Simplified** Method of Determining Increase in Shareholder Value Based On Permanent Expense Reduction

Pre-tax income <small>Assumes permanent savings after all applicable adjustments for overhead and other fixed expenses.</small>	\$100,000
Tax rate	36%
After tax income	\$64,000
Applicable PE Ratio	24.1
Increase in Shareholder Value	<u>\$1,542,400</u>

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#### Some new ways to frame your job:

- ? **Manager of the organization's intangible assets**
- ? **Builder of the performance system**
- ? **Human capital assets manager**
- ? **Performance engineer**

Diane Gayeski, Ph.D. is internationally recognized as a leader in the development of innovative and practical models for organizational communication. Through her firm, Gayeski Analytics, she's led more than 300 client projects, helping them to assess and restructure communication roles and infrastructures, and to apply new techniques and technologies. Her client list includes the US Centers for Medicare and Medicaid, Johnson Controls, Walgreens, Ernst & Young, Cornell University, and Fiat. She also maintains a full-time position as Professor of Strategic Communication at Ithaca College. Diane is the author of 13 books, including IABC's *Managing the Communication Function* and *Managing Learning and Communication Systems as Business Assets*, published by Prentice-Hall in 2005.

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