

# State of the Sector

## Internal Communication & Employee Engagement

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2016



# Introduction

State of the Sector is an annual industry-wide census that investigates the challenges internal communicators are facing – and where their focus will be over the next 12 months. It investigates core processes and practices, including channel use, and explores the impact of new and emerging technologies like the adoption of enterprise social networks and the rise of employee apps.

Gatehouse has run the State of the Sector research programme for eight years and during that time, has spoken to thousands of practitioners across hundreds of organisations in the UK, Europe and globally. Combining our experience as the go-to internal communication agency and the market leader in internal communication audits, gives us a unique perspective on the current state of the internal communication profession.

**“State of the Sector gives us a unique perspective on the current state of the IC profession.”**

The fieldwork for the latest survey was conducted in November 2015. With responses from 372 communicators operating in organisations ranging in size from a few hundred people to more than 50,000 employees, this report provides a comprehensive benchmark on internal communication and employee engagement activity across numerous leading organisations throughout the UK and the rest of the world.

This document provides a summary of our key findings. It is required

reading for any communicator who wants to better understand what other organisations are doing to engage their people, to explore how their own organisation stacks up and to plan for the future.

We hope you enjoy!



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Director, Gatehouse



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# Who responded?

## Size of the organisation

The survey attracted respondents from organisations of varying size. Around a third (38%) of respondents represented organisations with over 10,000 people and 46% between 1,000 and 10,000. Nearly a fifth worked in organisations with less than 1,000 people.

## Location

Whilst over half (52%) of respondents came from UK headquartered companies, 14% were based in North America and 16% came from mainland Europe.

## Sector

Thirty different industries were represented, with five sectors dominating, accounting for around half of all responses: Financial Services (15%), Government and Public Administration (11%), Engineering and Manufacturing (9%), IT and Information Services (9%) and Energy and Utilities (6%).

## Role and focus

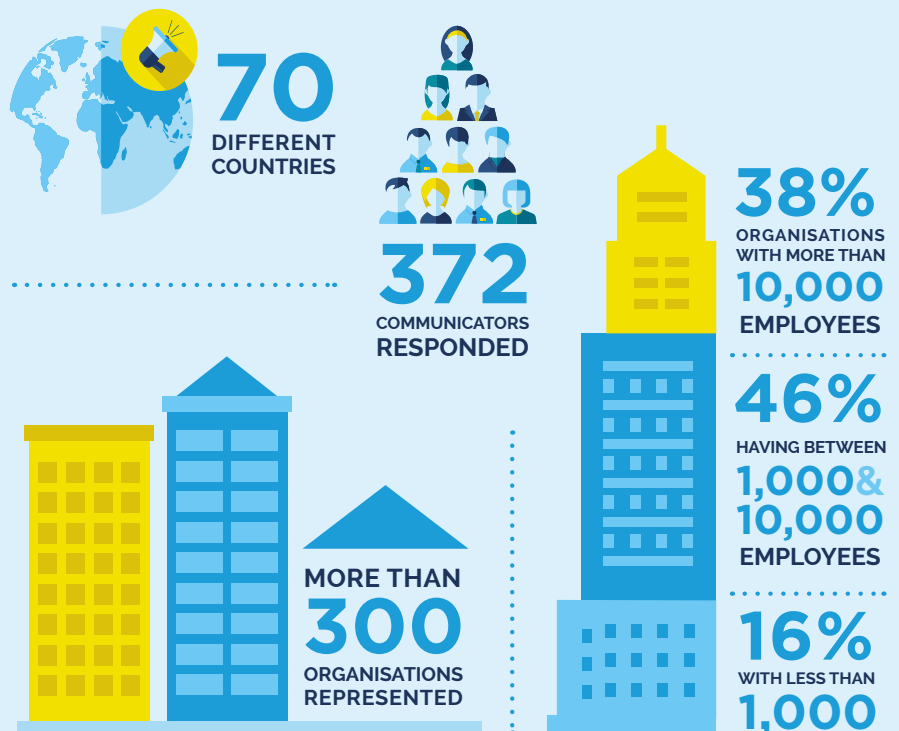
Interestingly, while 94% of respondents considered internal communication as one of their main responsibilities, less than half (47%) said they were involved in supporting employee engagement.

Some respondents indicated they had other responsibilities such as external communication (21%), marketing (10%) and HR (4%), underlining the often multidisciplinary nature of our profession.

## Positioning of the IC team

In terms of where IC sits inside organisations, just over a third (36%) say the IC function forms part of a broader Corporate Communications / PR / Corporate Affairs team (compared to 30% last year). Just under 1 in 5 (18%) say IC sits in HR (the same as last year). 14% say it sits in a dedicated Internal Communication / Employee Engagement team – compared to 18% last year – a slight downward trend.

**“Less than half of respondents (47%) said they were involved in supporting employee engagement.”**



# Purpose, priorities and challenges

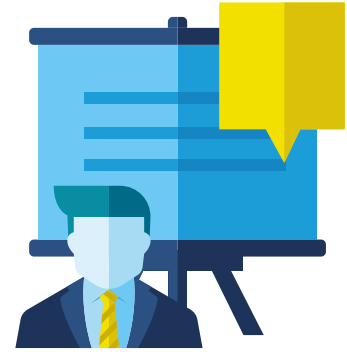
## The IC function

When asked about the role and purpose of the IC function, the three top answers were no surprise: **corporate announcements (89% very involved or involved); helping employees understand the strategy (87%); and employee engagement (85%)**. Three quarters were also involved in helping leaders become more visible and accessible to employees; encouraging two-way dialogue; supporting organisational change; and supporting specific initiatives and teams (Health & Safety, Quality, IT, etc.). Interestingly, only two thirds (69%) of respondents said they were involved in developing and launching new communication technologies, highlighting a potential weakness for the remaining third, who are arguably at the mercy of their IT team here! Providing communication training was identified as an IC responsibility by just 26% of respondents – signalling another significant gap.

We then went on to ask general questions about the positioning of the IC function. Pleasingly, **79% of respondents agreed that internal communication had a clear purpose within their organisation**. However, somewhat worryingly, less than half (49%) agreed that there was a long-term strategy / vision for internal communication.

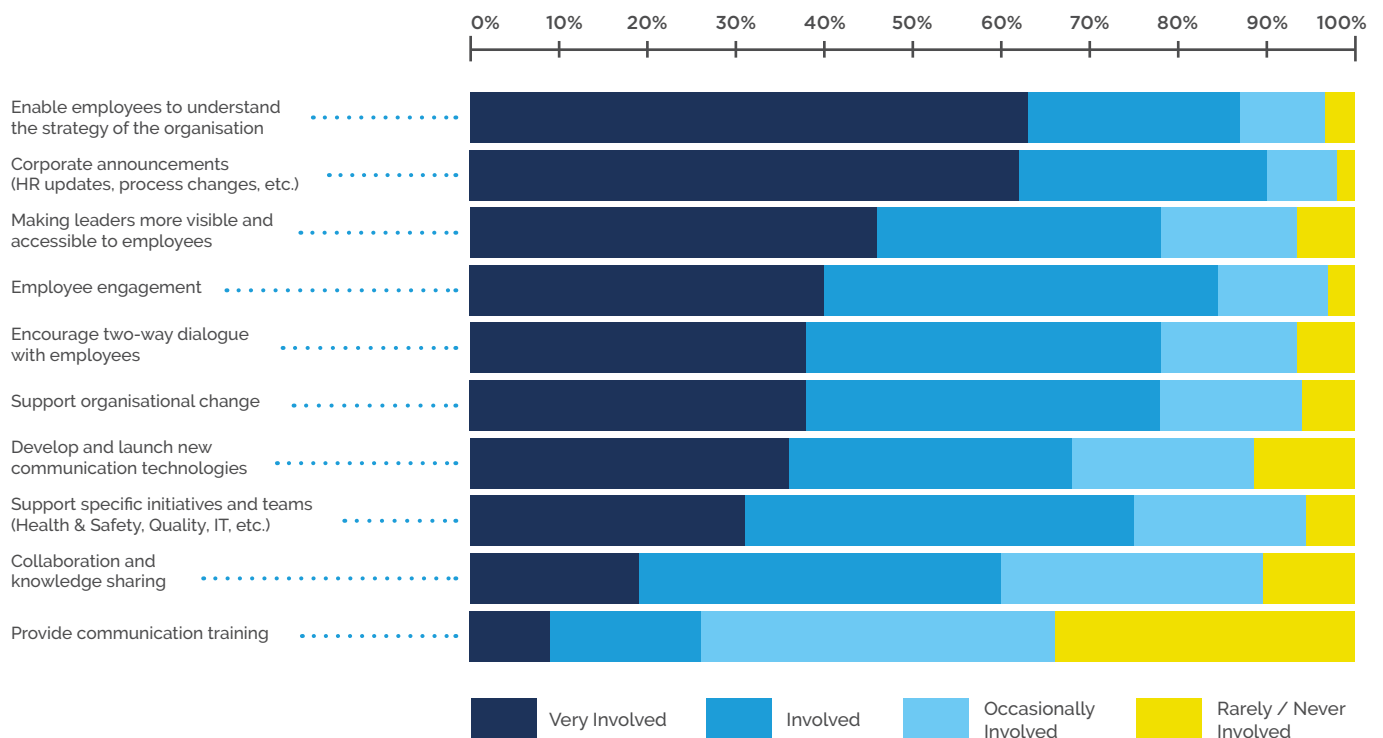
Two thirds thought that their senior leaders shared their views on the role and purpose of internal communication and a similar number (70%) said those at the top understood the value that IC adds to the organisation – meaning one third don't! **An impressive 76% believe that the IC team are viewed by senior leaders as trusted advisors**.

These results are promising and illustrate that the positioning of the IC function in most organisations is well thought through and IC teams are appreciated and are focusing their attention on important issues.

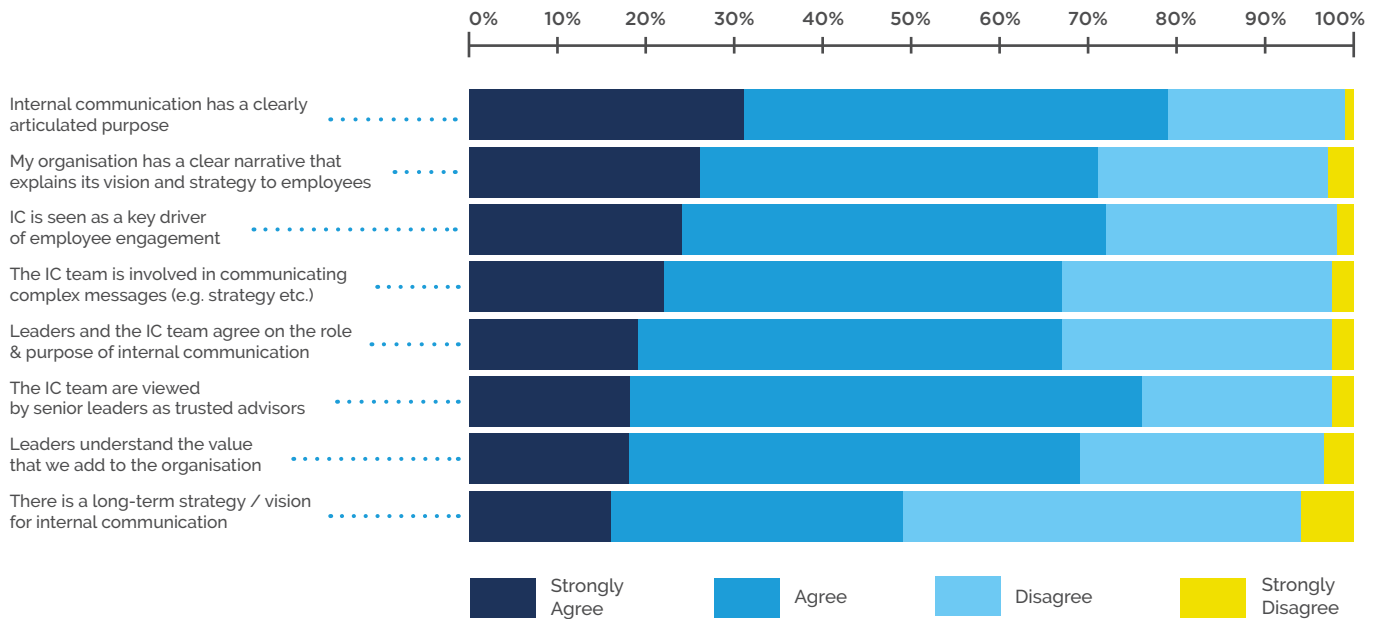


**“Providing communication training was identified as an IC responsibility by 26% of respondents.”**

## How involved is the IC team in supporting the following activities in your organisation?



## Thinking of the internal communication function, to what extent do you agree with the following statements?



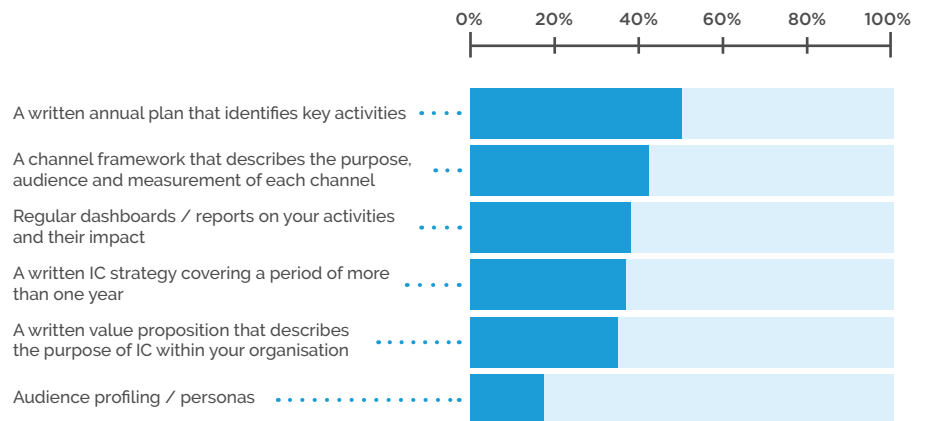
### IC planning

We asked respondents how they planned and documented their approach to internal communication. Disappointingly, **only half (49%) had a written annual communication plan.**

Around 42% had a channel framework or regular activity reports. Around a third (37%) had a written strategy covering over a year or a written value proposition for IC. Less than 20% had audience personas or a profiling tool.

**A fifth of respondents admitted they didn't have any of this.**

### Which of the following do you currently have in place?



### Providing line of sight

We asked communicators how well they thought employees understood business objectives and the responses were interesting...

Two thirds of respondents (64%) thought that employees had a good understanding of their organisation's values or vision. However, responses were less favourable when it came to the strategy with only half of respondents (40%) considering the level of understanding across the organisation as good or very good – which is low, albeit a slight improvement from last year (44%).

Most importantly, only 38% of respondents felt employees understood well or very well the contribution they were making towards the strategy – suggesting the goal of creating line of sight for employees is proving elusive.

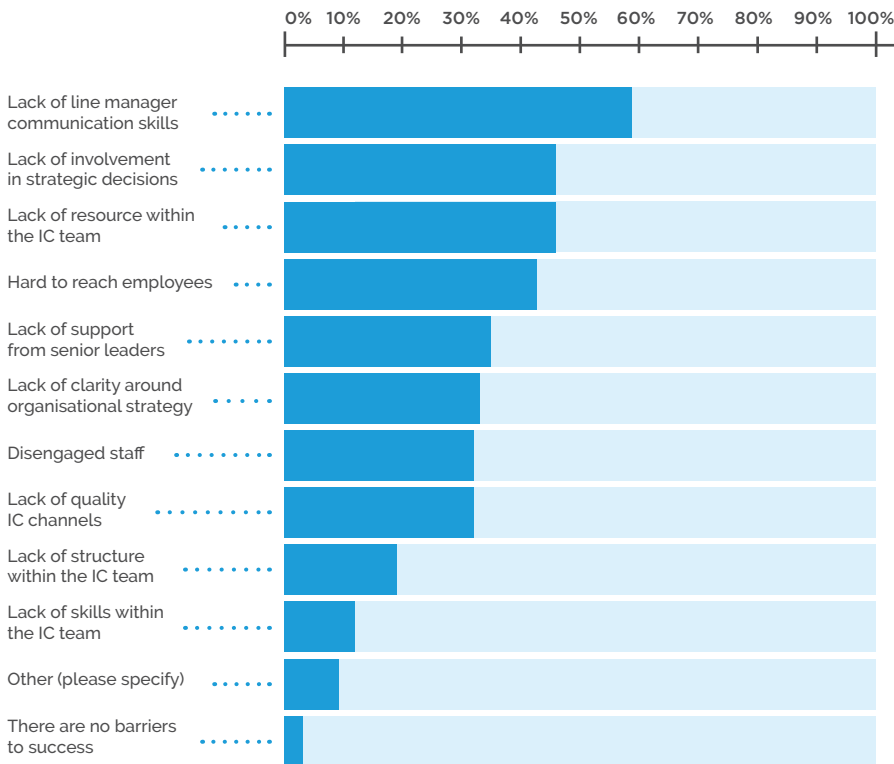
**Finally, only 27% thought that employees had a good understanding of why leaders made the decisions they do, underlying the need for communicators to focus on communicating the context for change.**

Linked to a previous question, communicating the organisation strategy



is the top priority and responsibility of the IC team in most organisations. However, the impact of these efforts is mixed – while internal communicators say they achieve their target of communicating the 'big picture', many recognise that they fail to bring it to life for employees and explaining what it means to their daily lives.

## What are the main barriers to internal communication being a success?

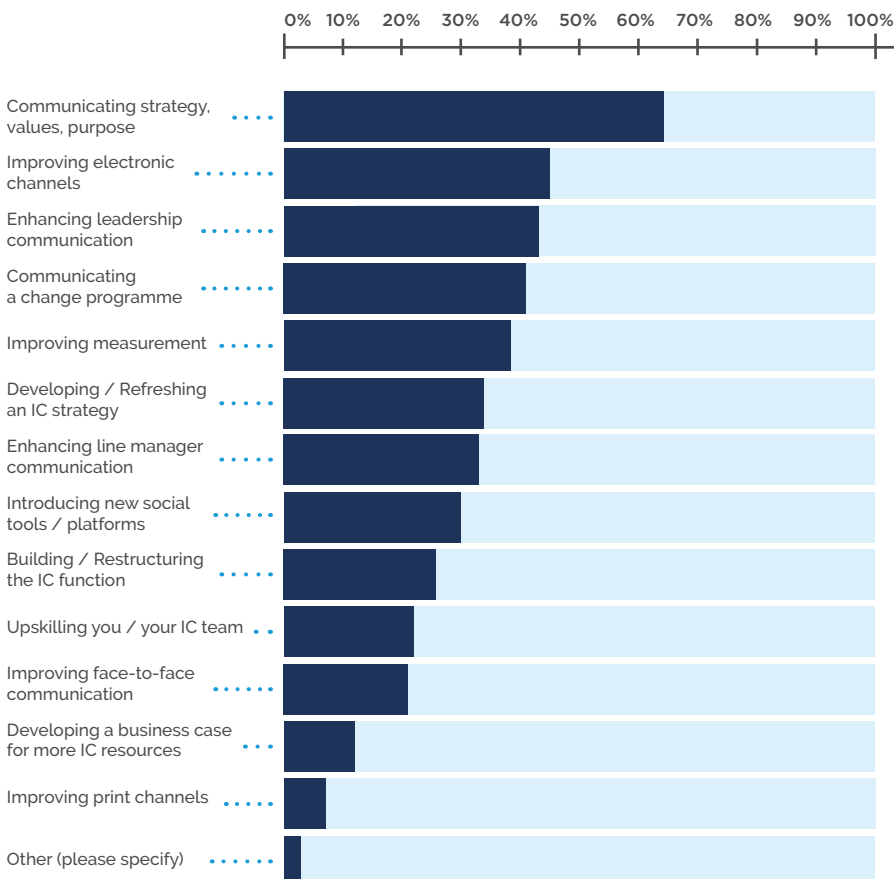


### Barriers to success

Thinking about the barriers to success, the single most frequent answer was the lack of line manager communication skills (59%) – **although, interestingly, enhancing line manager communication wasn't a named priority for two thirds of respondents in the previous question!** This is in line with our experience as an agency, this critical part of the IC mix is often left to others to address. This should undoubtedly be a top priority for IC professionals.

This was followed by two challenges relating to the stature and influence of the function: lack of involvement in strategic decision making (46%) and a lack of resource within the IC team (46%) – a surprising result considering that developing a business case for more IC resources was a priority for just 12% of respondents in the previous question. More than a third (43%) also named hard to reach employees and a lack of clarity around organisational strategy (33%) as blockers.

## Where will you be focusing your attention and investing your resources over the next 12 months?



### Looking forward – the outlook for 2016

Looking ahead to next year, two thirds of respondents (64%) said they would be focusing their attention and resources on communicating strategy, values and purpose.

This was followed closely by three other priorities: Improving electronic channels (45%), enhancing leadership communication (43%) and communicating a change programme (41%). Activities such as building or restructuring the IC function, developing a business case to win more resources or upskilling the IC team were considered a priority by only a small minority of respondents.

**“Less than a third will be prioritising improving line manager communication skills in 2016, even though it's the single biggest barrier to success for most.”**

# Leader and line manager communication

Senior leaders and line managers both play a critical role in connecting employees to organisational purpose, communicating the strategic narrative and translating big picture goals into action.

When it comes to **visibility**, line managers scored relatively highly this year – with 93% of communicators rating them as very or reasonably visible to their teams. Predictably, senior leaders and members of the executive team scored less favourably, with less than a fifth (16%) rating this group as very visible.

However, our respondents were more critical of the communication abilities of both groups. Whilst executive and senior leaders were fairly well rated as communicators, **line managers were seen as poor by one in five**, despite their critical importance from an employee engagement perspective, many do not believe that the line managers in their organisation are good communicators.

Combined with one of our previous findings – that line managers are rated the number one barrier to successful communication by 59% of communicators – this paints a worrying picture of the state of line manager communication, and the ability of many IC professionals to improve it.

More positively, the vast majority of communicators say they have developed dedicated channels and tactics targeting leaders and managers – though that leaves one in ten who haven't! Ad hoc email announcements are the most frequently used channel for both audiences, but face-to-face and virtual tactics are heavily used for senior level audiences: leadership forums or conferences (58%),

conference calls or webinars (47%), face-to-face briefings (37%).

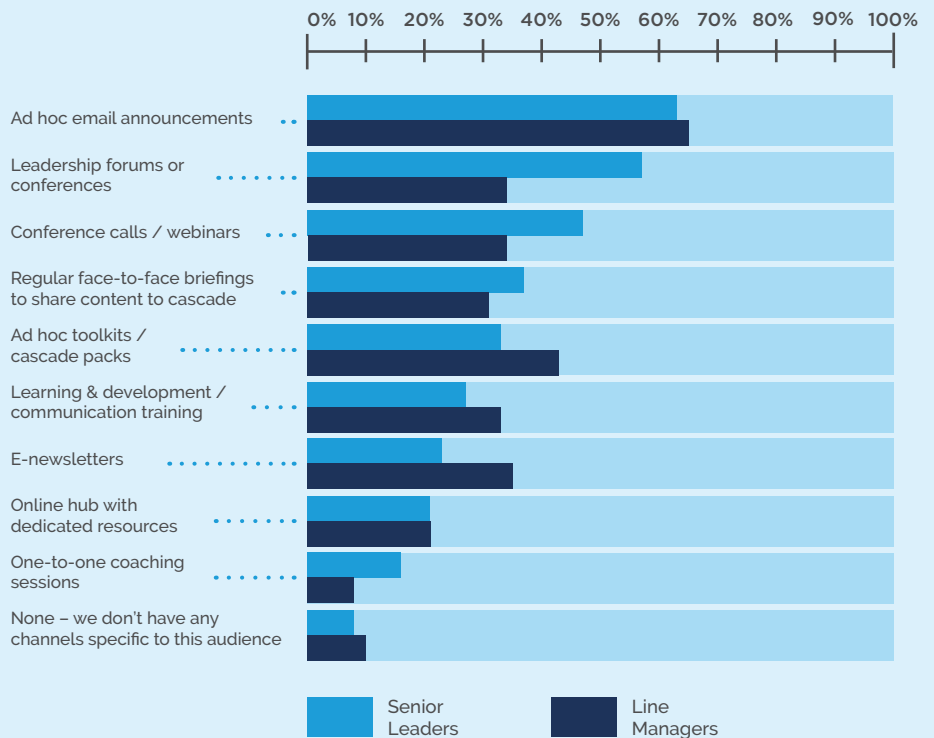
Line managers tend to be communicated with electronically and the top three channels dedicated to this audience are email announcements (65%), toolkits / cascade packs (43%) and e-newsletters (36%).

When asked about the frequency of team meetings, communicators suggested that they are typically held at least twice a month (52%) or on a monthly basis (38%). Just one in ten believed that managers run meetings less than once a month.



**“Many do not believe the line managers in their organisations are good communicators.”**

## What specific channels are targeted at senior leaders or line managers?



# Channels

**“Overall, face-to-face remains the most effective channel compared to print or digital.”**



## Face-to-face channels

Pleasingly, face-to-face channels remain core despite advances in technology. The best performing channels either target leaders – management conferences and seminars are used by 91% and line manager meetings by 85% – or support leadership visibility – site visits are used by over 80%.

Fewer companies had invested in dedicated listening sessions or an employee forum (around 66%), ambassador or communication champion network (64%), round table

or lunch with senior leaders (57%) or all-employee webcalls (55%).

Overall, face-to-face channels remain the most effective channels compared to print or digital.

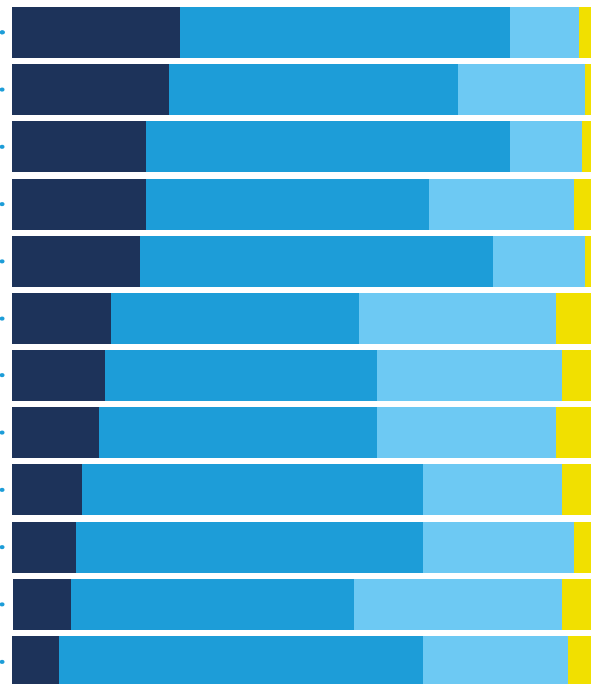
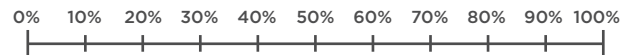
The survey found the most effective face-to-face channels to be road shows with senior leaders (86%) and conferences & seminars with managers or senior leaders (85%). Employee forums were the least performing face-to-face channel, although still with 56% of positive votes.

## What face-to-face channels do you use?



## How effective are they?

*(Results are based on respondents using these channels)*



Very effective    Quite effective    Not particularly effective    Not effective at all



### Electronic channels

Unsurprisingly, electronic channels are not as effective as face-to-face, but are now the most frequently used channels in organisations. Some, such as central emails and the intranet, were used by well over 90% of respondents.

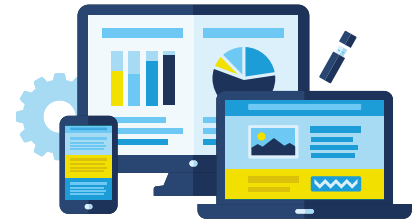
Electronic newsletters and video are used by around 85% and instant messaging, digital signage, blogs and social channels were all used by over two thirds. Online employee forums and extranet / external employee websites were used by just under half (50% and 49% respectively) and the least used channels were internal TV or video channels (35%), internal apps (35%) and podcasts (24%).

Instant messaging and internal apps came out as the most effective electronic channels this year (from those who use them) with positive responses from 75% and 73% respectively. Video came third with 70% and the intranet and blogs were next with 68%. Electronic newsletters and social channels had positive responses

from around two thirds (63% and 61% respectively). Internal TV / Video channels, podcasts, external employee websites and digital signage were all found to be effective by around half of respondents using them. Online employee forums came bottom with 38%.

When asked how employees were able to access electronic channels, respondents gave similar responses to previous years. As expected office desktops or laptops remain the norm, followed by business-owned mobile devices and home desktops or laptops (around 70%). Surprisingly, the use of personal mobiles has stayed the same this year at 43%, suggesting that **little progress has been made with Bring Your Own Device initiatives.**

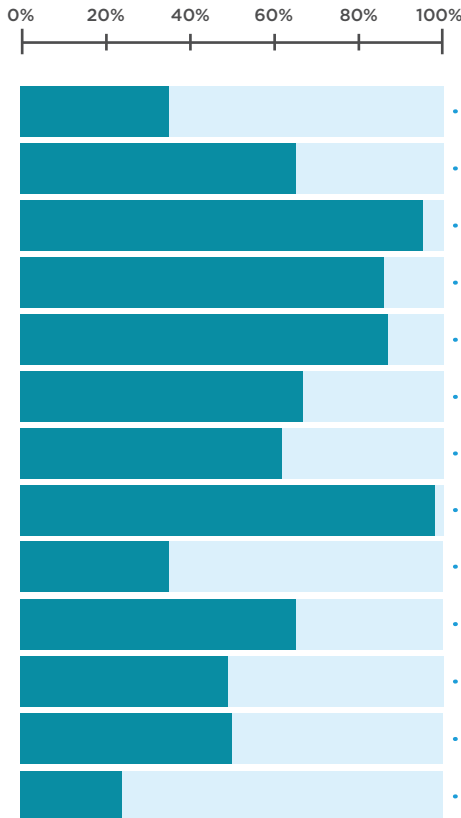
Looking ahead, the use of blogs and online employee forums appear most likely to increase, with 68% and 66% respectively saying they're looking to expand this. Around two thirds look likely to increase the use of video (63%), internal apps (59%), external employee



**“Some channels, such as central email and the intranet, were used by over 90% of respondents.”**

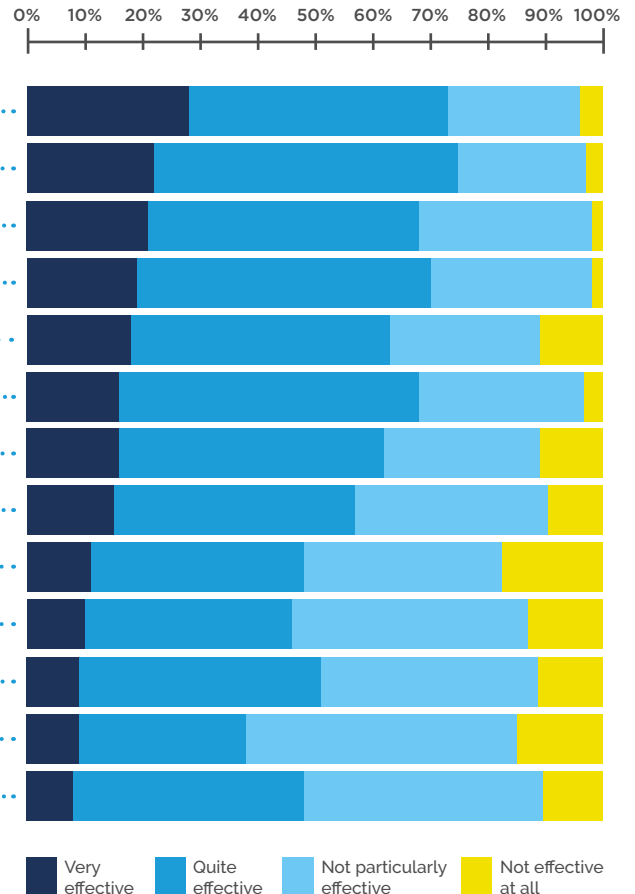
websites (57%) or podcasts (57%). Just over half are considering increasing the use of digital signage (56%) or social channels (55%). An optimistic 30% of respondents said they expected the use of central emails to decrease. 15% said the same about instant messaging.

### What electronic channels do you use?



### How effective are they?

*(Results are based on respondents using these channels)*



## Enterprise social networks

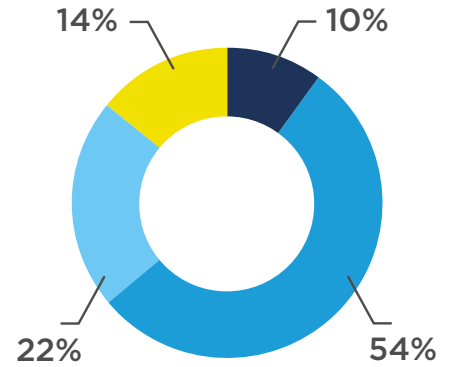
Enterprise social networks do not seem to have gained much ground over the past year. Whilst 10% of respondents describe their use of social channels as 'advanced,' 54% say use is 'limited'. This result is similar to last year. 22% still say they haven't implemented any enterprise social networks yet, but plan to within the next 12 months and 14% said social channels are non-existent and they have no plans to introduce them.

Half of those who have social channels use Microsoft-owned Yammer, with the others using internally built social platforms (33%), Chatter (12%) or Jive (10%).

Respondents gave a number of reasons as to why social channels were introduced. Connecting employees throughout the organisation came out as the primary reason with 75% of the votes. This was followed closely by three additional reasons: improving collaboration (65%), improving knowledge sharing (60%) or giving employees a voice (58%). Fewer respondents said it was to drive innovation (40%), to provide real-time updates (30%) or to replace an intranet (13%). **Worryingly, around a fifth said that the purpose of social media wasn't clear inside their organisation.**

## Which of the following best describes your current use of social channels within your organisation?

- Advanced** – a number of social channels are already in place and they are being used by a large proportion of employees
- Limited** – one or two social channels exist, but they are used by less than half of employees
- Embryonic** – we haven't implemented any social channels yet, but we plan to within the next 12 months
- Non-existent** – we do not have any social channels internally and have no immediate plans to

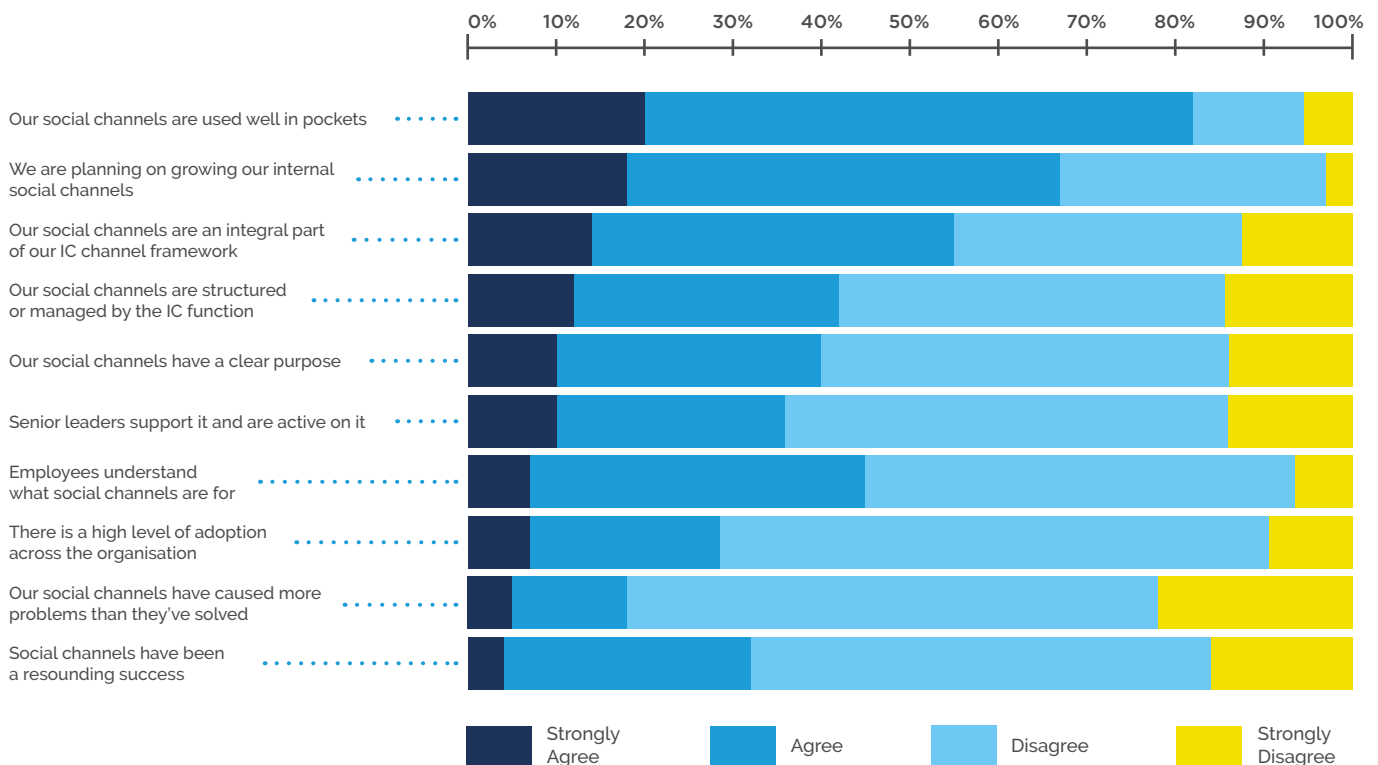


We then asked respondents to give their opinions on a series of statements about social channels. Around 72% thought the level of adoption was quite low across the organisation. On a related note, nearly 83% felt that social channels were used well in pockets in their organisation. Just under 40% of respondents said their leaders supported their introduction and were active on internal social channels. Just over half of respondents (55%) said they

used social channels as an integral part of their channel framework. Only 42% said social channels were structured or managed by the IC function. This could explain why less than half felt that employees understood what these channels should be used for.

**In conclusion, only a third felt that social channels have been a resounding success in their organisation.**

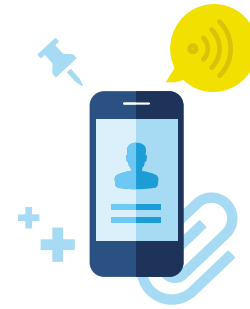
## To what extent do you agree with the following statements regarding your social channels?



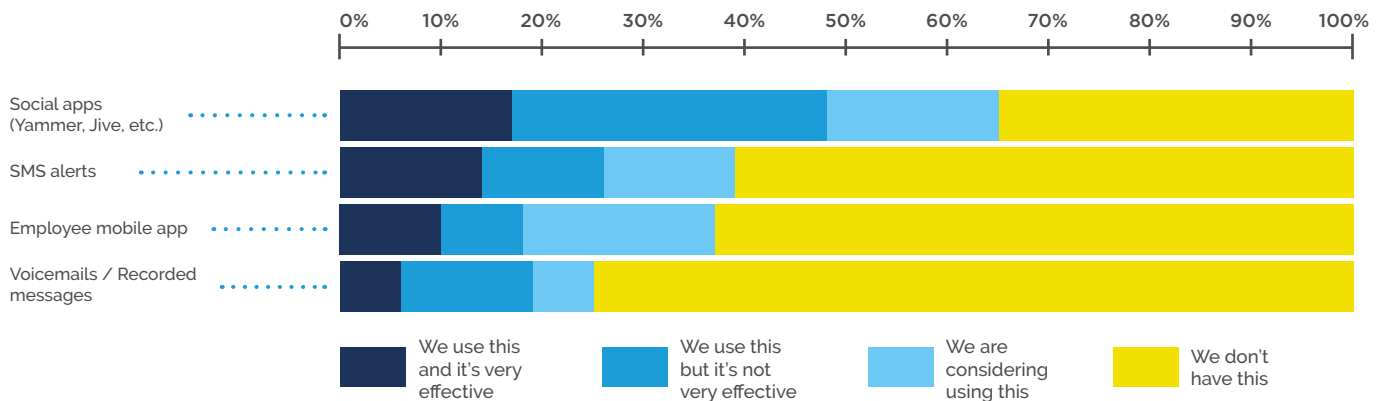
### Mobile communication

Overall, a relatively limited proportion of respondents had experimented with mobile channels. Social apps (Yammer, Jive, etc.) were the most frequently used mobile channel, with nearly half of respondents (48%) saying they use them. However, 31% thought they weren't very effective.

SMS alerts came next with a quarter of respondents using them and 13% saying they are considering this tool. **Less than a fifth of respondents used their own employee mobile app – a very low number – although another fifth said they were considering doing this.**



### Thinking of mobile communication, which of the following channels do you currently use? (Either on business-owned or personal devices)



### Print channels

A range of print channels are still in use by most organisations. Posters / banners were the most popular, with 93% of respondents using them. Flyers and leaflets came next, used by 59% of respondents. Employee magazines and printed newsletters – once the staples of internal communication – were used

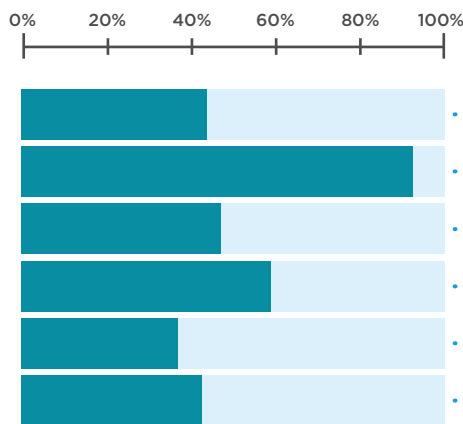
by less than half of respondents (43% / 39%) and postcards was the least used channel with only 37%. This suggests the ongoing decline of print as a core channel.

**In terms of effectiveness, print channels were found to be the least effective channel overall with relatively**

**few respondents rating any of the print channels as very effective.**

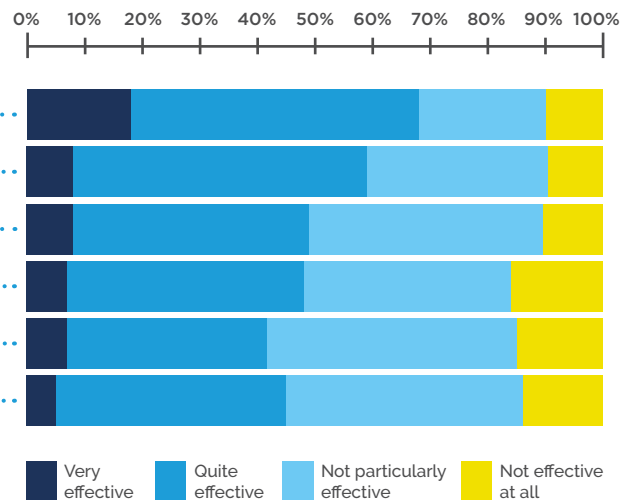
However, the most effective print channel was highlighted as employee magazines, with 68% of respondents, who have them, finding them effective. Posters and banners were next overall with 59% positive responses.

### What print channels do you use?



### How effective are they?

(Results are based on respondents using these channels)



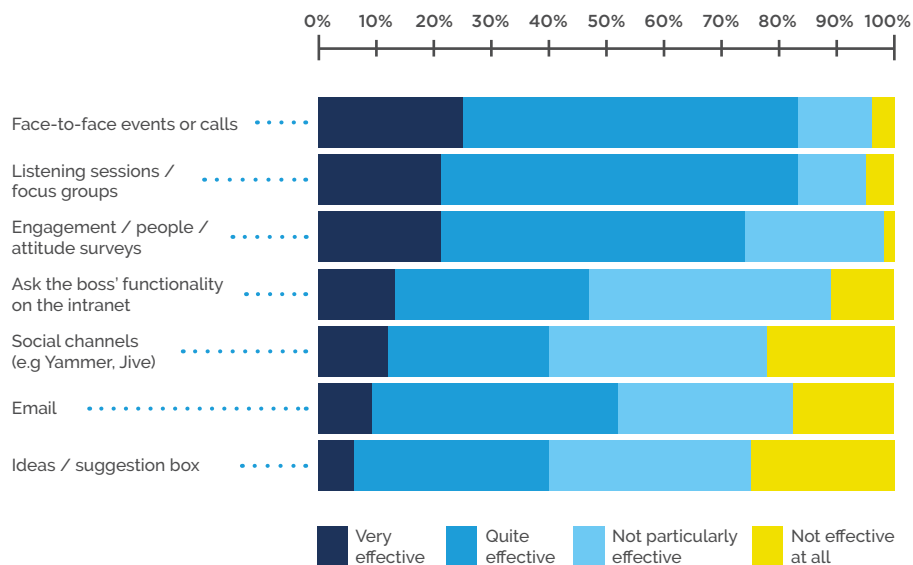
# Listening and impact measurement

## Feedback channels

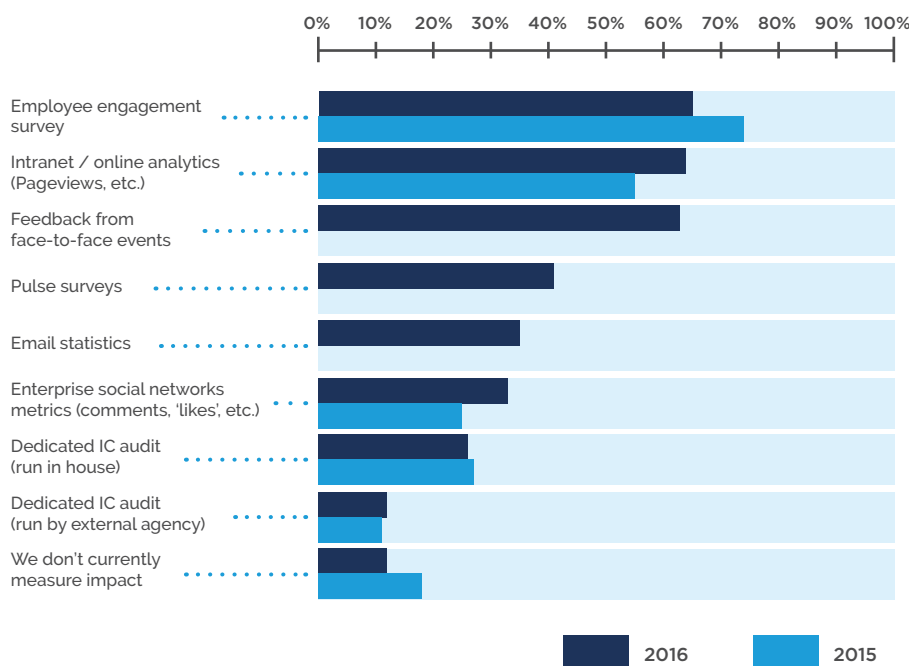
Overall, responses about feedback channels were promising. Some channels such as face-to-face events or calls; engagement / people / attitude surveys and email are used by over 90% of respondents, with the most effective being face-to-face events or calls and listening sessions / focus groups. 83% of respondents using these channels reported them to be effective. The least used channel was 'ask the boss' functionality on the intranet with only a third of respondents having this.



## How effective are the following feedback channels in your organisation? (Results are based on respondents using these channels)



## How do you currently measure the impact of your internal communication?



## Impact measurement

The good news is the number of practitioners not measuring the impact of their internal communication has dropped, from a worrying 18% the previous year to 12% now – but this still leaves one in ten who undertake no form of measurement! Employee engagement surveys are still the most frequently used method to measure impact with 65% of responses.

This may suggest that the IC function is slowly moving away from measurement techniques they don't own (employee engagement surveys) and starting to take more ownership of their impact measurement.

# Budget and resources

Around two thirds (61%) of respondents have less than five dedicated internal communicators in their organisation. A fifth have between six and 20, while 13% told us their IC function comprised of more than 20 people. This is roughly in line with last year's data.

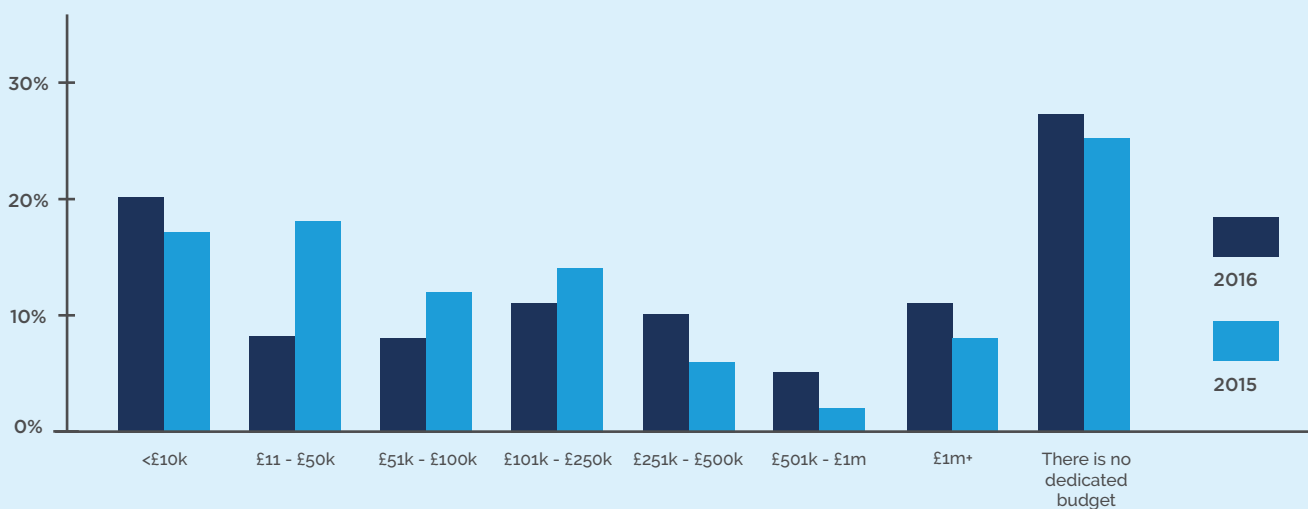
Around a quarter of respondents say they had no dedicated budget – in line with previous years. This suggests that these respondents have to establish a business case to secure budget for

specific campaigns or activities. Those who do manage an annual budget seem to have access to slightly bigger budgets this year. Around a fifth have budgets under £10k, which is roughly in line with previous years. Small budgets (between £10k and £100k) have dropped from 30% last year to 16% this year. Medium budgets (£100k to £500k) remain stable at 20% and large budgets (in excess of £500k) have increased slightly from 10% last year to 16% this year. This may reflect the larger organisations participating in the survey this year.



**“Perhaps scarily, 38% said they didn’t know what their budget was!”**

## What budget is currently allocated to internal communications?

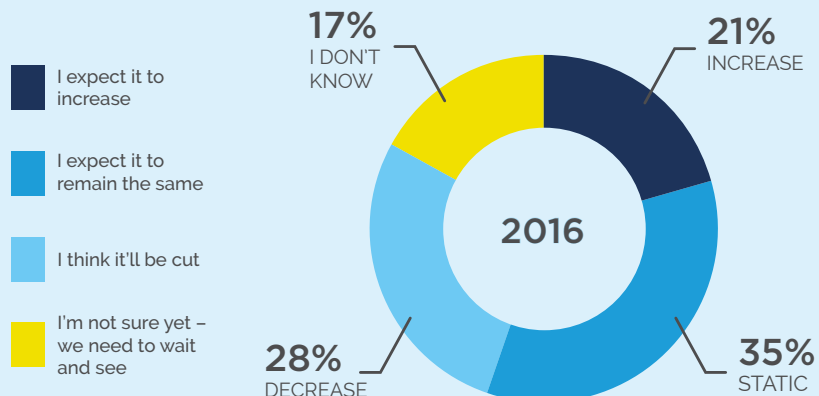


In terms of next year's budget, over a third (35%) expect it to stay the same in 2016. 21% expect it will increase and 28% believe it will be cut.

## What do you think will happen to your internal communication budget over the next 12 - 18 months?

**28% of respondents believe their budget will be cut in 2016**

Sadly, this is an increase from last year where only 15% thought their budget would be cut.



# Conclusions & key themes

Once again the State of the Sector study presents us with an interesting and valuable snapshot of internal communication. With a record number of responses from hundreds of practitioners and a diverse range of organisations around the world, it provides a unique perspective on the state of our profession at the start of 2016. In this final section, we have captured our main observations on the data and tried to distil our conclusions into a series of overarching themes.

## Structure & remit

According to our research, the most common home for IC within an organisation today is as part of an integrated corporate communication or corporate affairs function, a response chosen by a third of respondents. A much smaller number – just one in five – now sit within HR and this has remained static year-on-year. This may explain in part why less than half of respondents said they are involved in supporting employee engagement. Of course, employee engagement is about much more than communication – but aspects of communication like strategic narrative, strong visible leadership and engaging managers are undeniably key drivers of engagement, so IC professionals have considerable influence in this area, whether we acknowledge it or not...

## IC planning

Once again, this research has shown that internal communication isn't always planned in a rigorous or strategic

way. Disappointingly, less than half of those surveyed have a written annual communication plan and even fewer have key building blocks like a clearly documented channel framework (42%), longer term strategy (37%) or defined value proposition. Even more worrying, just one in five said they had created audience personas or made use of an audience profiling tool. This gives some weight to the criticism that IC is often fluffy and tactical, reactive rather than well planned and proactive.

## Strategic narrative, context & line of sight

Although helping employees understand the strategy is considered a top priority for most IC teams, many respondents admitted that they struggled to convey more than the 'big picture'. Understanding of vision and values was rated highest (64% positive) but just under half (49%) agreed that understanding of the overall strategy was good or very good. Furthermore, only 38% felt employees had a good understanding of the contribution they were making to the organisation's strategy – suggesting that there is much more work required to connect frontline employees to the strategy and show where they fit. Similarly, just over a quarter (27%) thought employees had a good understanding of why senior leaders made the decisions they do, a real issue when it comes to driving through change.

## Building line manager capability

We've all heard talk of the 'frozen middle' or 'cement layer' and so it was no surprise that a lack of line manager communication skills was highlighted as the number one barrier to success by IC people (selected by 59%). What was concerning, however, is that only a quarter of practitioners identify communication training for line managers as part of their responsibility. This represents a significant gap in our professional repertoire – line managers are a vital part of the internal communication and employee engagement mix and, as IC professionals, we have to play a part in tackling this by providing the knowledge, skills, tools, support

and content this vital group needs to be effective. Interestingly, although the research showed that most organisations have dedicated channels for this audience, they are mainly one-way – focused on cascading information, rather than stimulating a conversation.

## Enterprise social networks

Our channel-focused research suggests that, while ESNs like Yammer, Chatter and Jive are now far more widely available than in previous years, so far their impact on organisational communication has been fairly muted. Nearly three quarters confessed that adoption levels are quite low – and 83% said that usage was concentrated in pockets around the organisation. This echoes what we have found in audit after audit over the past 12-18 months – these tools may now be available to large numbers of employees, but it seems that few are actively using them.

Furthermore, one in five admitted that the purpose of social media wasn't clear – again underlining what we have seen in many large organisations, where these tools are implemented by IT with little or no input from IC. To underline this, 58% admit that these channels are not managed by the IC team and just under half (45%) say that they form part of an integrated channel framework.

## The mobile revolution

Mobile access to ESNs in the form of an app is a reality for a growing number of organisations – just under 50% of our sample now have these as part of the mix – but nearly a third (31%) of the IC practitioners we polled rate them as ineffective. There seem to be a lot of them around, but the reality is that the impact of employee-focused apps has been limited to date, with under 20% using these tools at present. Given the enormous shift to mobile we have witnessed externally, in the world of the consumer, it can't be long before this begins to significantly impact how we communicate with those inside the organisation. Internal communicators who understand and embrace this will no doubt be at the forefront of the profession over the coming years.



## Print in decline, video on the rise

The wider channel landscape is changing too. From an internal communication perspective, print appears to be in terminal decline. Employee magazines – for so many years the backbone of an organisation's internal communication – are now used by just 40% of communicators, but interestingly they are seen as an effective channel by nearly 70% of those who have one. Meanwhile, video is on the rise. It is now the second most used content delivery method, next to the intranet. Indeed, reflecting what we experience as media consumers outside of work, we expect many of the best intranets to be largely built around video in the coming years. Video is also seen as one of the most effective internal channels.

## Measurement & evaluation

Although it was good to see that only a very small proportion of respondents (12%) now say they don't measure their communication activities in any way – a much healthier result than in previous years – it was surprising to discover that just 38% provide their stakeholder with regular activity reports. In the absence of a formal way of demonstrating the value of internal communication, most respondents recognise that their measurement is neither structured nor systematic. It also appears as largely metric-based – focused more on output than outcomes. Perhaps most depressing here is the fact that employee engagement surveys remain the most frequently cited method used to measure impact (used by 65% of respondents). Not only are these

big set-piece surveys rarely owned by the IC team, but typically the number of questions directly relating to communication can be counted on one hand! Once again, it is clear that as professionals we need to raise the bar when it comes to measurement and evaluation.

## Final words

So, what does all this tell us about the state of internal communication in 2016? On the plus side, we have seen some real improvements. Professional confidence is clearly improving – an impressive 76% now believe that the IC team is viewed by senior leaders as trusted advisors, and 70% said those at the top value what they do. Even more (79%) felt internal communication had a clear purpose within their organisation. These are all very positive signs and suggest that the professional inferiority complex we have suffered from in the past may at last be consigned to history.

However, there are once again some worrying and ominous signs, which suggest that our industry remains a relatively immature discipline despite its recent progress.

**As well as answering many questions, this research study has posed a number of its own:**

- ▶ How can those at the top truly value what we do if we are so poor at demonstrating our value through research and measurement?
- ▶ If line managers are so vitally important to communication and

engagement, then why aren't more of us fighting to build their capability?

- ▶ If we are true professionals, then why do such a large number of practitioners operate in the absence of a written strategy or plan?
- ▶ If IC is the voice of the employee then why do so few practitioners use segmentation techniques to ensure they have an intelligent and rounded view of key audience groups?
- ▶ If enterprise social networks are such a game-changer from a communication and engagement perspective, then why have so many organisations allowed them to be introduced without a clear purpose? And if they are so powerful, why are they so poorly deployed inside most organisations?
- ▶ If employee magazines remain one of the most effective channels, why are so many communicators turning their backs on print?
- ▶ If a lack of IC resource is a barrier to success, why are so few communicators fighting for more people?

These questions point to some of the big contradictions and concerns many of us are grappling with as we push to elevate the status of internal communication. Exploring the answers will undoubtedly help our profession progress further along the maturity curve and earn the recognition and support it so clearly deserves as a key strategic enabler.

# Have you audited your internal comms recently?

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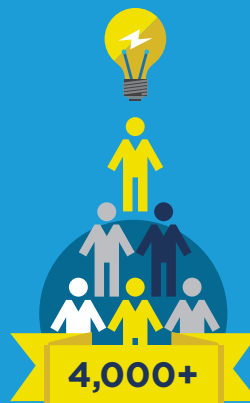
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