

# INTERNAL COMMUNICATION IN THE SMALL AND MEDIUM SIZED ENTERPRISES

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## Starting Concept of the Company Communication

Every company needs sufficient information from its surroundings to survive in a highly competitive market. Information from micro and macro surroundings helps fulfil the company's targets. According to the market information the company analyses the market opportunities and threats and considers all the possibilities to determinate the company's strategy. On the other hand, the information from the company to the market ensures the success of the company's products or services on the market. The external information stream between the company and its broad surroundings where this company offers its own products or services is a basic condition of effective working. The internal information and its implementation are necessary for the company and market success as well. The communication process inside the company is as important as external information and sometimes, in special situations, could be even more important. It is necessary to realise that the main task of internal communication is satisfying the information needs of all people in the company. First they need basic information for managing their job

duties. Information regarding the company's targets and strategies helps to foster the employees' trust and loyalty.

Communication is a base of cooperation in the company and also in personal life of each person. Communication is not easy to define; it is a term of wide understanding. Table 1 considers how each way of thinking about communication might be put into play in the organizational context. There is a great deal of communication issues that show diversity and complexity of communication in an organization [16].

The company's communication is involved in all management activities, and it is the main element which connects and coordinates all activities in the company through managing people. In this context we can understand the communication process as a process of giving, exchanging and receiving information, which must be based on understanding and feedback. Mostly, we can see the meaning of communication in these activities:

- transfer (giving) of news, information and decisions;
- clarifying situations and states of current affairs of the company;
- persuasion and influence.

**Tab 1: Approaches the Concept of Communication source; adapted from Craig R.T. (part 1)**

	<b>Communication Theorized as:</b>	<b>Possible Use in the Organizational Context:</b>
Rhetorical	The practical art of discourse	Considering the communication strategies of organizational leaders during times of crisis
Semiotic	Intersubjective mediation by signs	Studying the ways that organizations create and sustain identity through corporate symbols
Phenomenological	Experience of otherness; dialogue	Using dialogue to mediate conflict between two employees

**Tab 1:** Approaches the Concept of Communication source; adapted from Craig R.T. (part 2)

	<b>Communication Theorized as:</b>	<b>Possible Use in the Organizational Context:</b>
Cybernetic	Information processing	Finding optimal ways to set up communication network system for employees who telecommute
Sociopsychological	Expression, interaction and influence	Using knowledge about personality and intersection style to improve conflict management programs
Sociocultural	(Re)production of social order	Looking at intersection of organizational, national, and ethnic cultures in multinational organizations
Critical	Discursive reflection	Confronting the issues of sexual harassment in the workplace through programs designed to shift beliefs about gender and power

Source: [12]

But the broader understanding of communication can also include work with information summarized in these activities:

- monitoring – searching for and understanding a content, collecting, recording and saving of information;
- interpretation – providing the information with its intended purpose;
- distribution – providing the information effectively according to its value;
- sharing – understanding the meaning of information by all members of the team;
- realisation – practical implementation and use the information for setting of the processes and standards in the company.[2]

The managers are also responsible for prevention of miscommunication spreading. [14] They should prevent the creation of information noise and vacuum, which lowers the effectiveness of control and function of the company in general. The results of miscommunication have far reaching effects on the team and each member’s activities and behaviour, for example:

- decrease of motivation;
- indecision – decrease of decision ability;
- passivity;
- frustration.

These deficiencies could result in:

- high rate of employee turnover (fluctuation);
- ineffective coordination of all activities of the company;
- failing to reach the company’s target;
- ineffective target and strategy;
- ineffectiveness in marketing;
- inability to compete.

All these results of miscommunication show the necessity and importance of the correct setting of information channels and the setting of the company’s standard communication processes. The company’s communications channels are based on using information and communication technologies (ICT) utilities and systems and also on the company’s strategy.

For setting the correct function of internal communication, it is very important to understand internal communication as an everyday priority of the manager’s activity. Communication is essential if employees are to work effectively. Such communication is a base for every activity and especially for controlling people by managers. To understand communication means to realize that communication is focused on the recipient who receives some information; therefore the communication process must involve enough space for feedback. It is very important to understand the communication as

an instrument of corporate culture, company processes and information, and communication technologies. The company's communication is designed by synergy of the owners' vision, personal and marketing management, managers' communication competences, and personal communication of each member of the company.

The wide scope in defining communication shows the notion that communication is a process that is continuous and complex and cannot be arbitrarily isolated. Communication unfolds over time. This corresponds to the idea popularized by David Berlo over 40 years ago: "If we concept of process, we view events and relationships as dynamic, on-going, ever-changing, continuous. When we label something as a process we also mean that it does not a beginning, an end, and a fixed sequence of events. It is not static, at rest. It is moving. The ingredients within a process interact; each affects all others" [11]. Lewis defined the process of communication this way: "Communication is a process by which a person reduces the uncertainty about some state of affairs by the detection of cues which seems to him to be relevant to that state of affairs." These ideas are discussed in Miller [11]. A completely different approach is technology concept of communication that focuses on the use technologies and processes associated with data processing and deals with the optimization. Process modeling and data quality improvement describes e.g. Šimonová [15]. Although the technology is very important it is just the tool.

### 1. Internal Communication Content

According to various research papers of managers' views, the 60 % of problems in the organization are caused by incorrect communication. Yates [18] summarizes the results of recent research Watson Wyatt. Watson Wyatt's latest research has found convincing evidence that the companies with highly effective internal communication practices produce superior financial results and enjoy greater organizational stability [18]. The comprehensive content of internal communication is realised within leadership. The main challenge of leadership is to achieve mutual benefit for the company and its employees. The filling of mutual expectation (company's employees' results requirements and on the other side the employees'

requirements) is a very important premise which leads to overall company prosperity [1]. When employees work results or their work behaviour and attitudes are not in accordance with the company's aims, the management can find reasons in three problem areas:

1. they do not know what course of action to take due to the lack of information;
2. they cannot achieve the company's goals because of their lack of skills or because the workplace conditions are inadequate;
3. they do not deliver because they are not motivated enough to achieve the work target.

Only open and effective communication leads to prevention and detection of the sources of these issues, to problem definition and its subsequent solution. The base of prevention and first category issues solution is providing information for daily management. Examples of suitable communication tools are internal workshops, clarifying and setting of tasks, making regular appraisals of work performance and sufficient, up-to-date and relevant information necessary for employees work performance. The personnel management can prevent the second category problems. The job description including work requirements creates a good framework for an effective recruitment process [9].

The most demanding solution is required for problems of the third category – "employees do not want to ...". This issue involves the overall company culture (including internal communication), teambuilding, partnerships between the company and its employees, an employee motivation program, formal and informal relations, managerial styles and communication abilities and skills. Of the above text the main objectives of internal communication can be summarized:

1. information and motivation connection;
2. mutual understanding and cooperation;
3. forming desired working positions (of performance and behaviour);
4. effective feedback for continuous evaluation.

After defining the main objectives the content (tasks) of internal communication can be determined:

- providing information for employees' needs (information necessary for job duties);

- internal marketing, e.g. public relations (communication necessary for employees' work behaviour and attitudes);
- consolidation of employees' stability and loyalty (communication necessary for company activities coordination, processing, standards, building of company culture);
- set up of feedback.

Internal communication penetrates the whole organization. The process of internal communication involves personal management, internal marketing, managerial communication abilities and skills and finally company information and communication infrastructure. Only the synergy of all of the above-mentioned activities can guarantee effective internal communication as the base of company management.

## 2. Selected Results of Internal Company Research in Reference File

In the years 2005–2006, an initial investigative communication research was carried out in approximately 800 Czech small and middle sized enterprises the author's thesis was based on this research. The research was supported by internal project development program activities of the University of Pardubice 2005. During the years 2007–2009, the following part of internal communication research was carried out in 50 enterprises and three case studies were done (analysis and new set up of internal communication) by the author with cooperation of the commercial sector.

Both parts of research were focused on views of the board of managers. The case studies included also view of employees. The agreed upon statements were selected. The questionnaire was designed by methodology of social survey [4]. The second part of the research was based on findings from the first part of the survey. The questionnaires were similar only simplified and focused on selected issues. The difference between the results of the first and second research was not statistically significant and therefore all results were processed together. In summary, 850 companies participated in the survey but complete results were only of 453 companies. 722 employees – responders participated in the survey designed for the employees within the

case studies. Companies that participated were chosen regardless of the size and business field of the company. Their common features were: minimum of 5 employees, company's connection to the Internet and its use and the willingness to cooperate in the survey. Contacting of the companies was conducted by using practices and professional activities of the author.

Case studies were conducted in 3 different types of organizations: a small firm of 23 employees dealing with beverage machines, a firm of 120 employees operating 6 e-shops, and a state-owned hospital with 600 employees. The main objective of the each case study was set to a higher level of efficiency of internal communication. The initial qualitative survey with management was conducted to show a statue of internal communication and main issues in the organization. Quantitative results of all employees' research and statistical testing of hypotheses verified the original assumptions.

### 2.1 Research Methods

The obtained material served as the data of the managers' views and the company's solution of the internal communication process. The questionnaire was based on choosing answers which were set according to personal theoretical knowledge and practical experience [17]. Open source product phpESP (Easy Survey Package, <http://www.butterfat.net/wiki/Projects/phpESP>) was modified for purpose of the research and the questionnaire was accessible via the internet to provide anonymity and to increase the respondents' comfort. The results of the research were handled by common statistical methods of nominal categories [4].

The field research was focused on proving the assumptions of several following areas:

- The meaning of internal company communication is not really sufficiently comprehended in managerial practice.
- The internal communication process is not considered and solved systematically in small companies of up to 25 employees. An active management organization in the internal communication process is connected with an increase in the number of employees.
- In most cases the meaning of internal communication is dispraised by management.

The managers do not comprehend the system complexity of the internal communication process. The companies prefer the external partners and do not appreciate the internal partners – employees. The managers often focus on the technical solution of communication and the information and communication infrastructure.

- Influence of internal communication on work performance and behaviour of employees.

**2.2 Testing Hypothesis**

Table 2 contains some hypothesis, testing results and, if accepted, alternative hypotheses.

**Tab 2: Defining a Research Hypothesis to Tested**

	<b>Null hypothesis H<sub>0</sub> testing at 5% level of significance</b>	<b>Accepted/rejected</b>	<b>Acceptance of the alternative hypothesis H<sub>A</sub></b>
1.	Company size has not an impact on internal communication system solution	rejected	Company size has an impact on internal communication system solution.
2.	Companies use the Internet for external and internal communication as well.	rejected	Companies use the Internet more than external than internal communication.
3.	Company size does not affect the use of the intranet portal.	accepted	
4.	Managers often do not concentrate on technical solutions to internal communications.	rejected	Managers most often concentrate on technical solutions to internal communications.
5.	Companies are investing in internal communications in different ways equally.	rejected	Companies are investing the most internal communication through capital assets of ICT.
6.	Internal communication has no impact on job performance and work behaviour of employees.	rejected	Internal communication has an impact on job performance and work behaviour of employees.
7.	Internal communication does not affect cooperation in business.	rejected	Internal communication affects cooperation in business
8.	Internal communication does not affect mutual trust.	rejected	Internal communication affects cooperation in business.
9.	Managerial communication does not affect relationships in the work team.	rejected	Managerial communication affects relationships in the work team.
10.	Managerial communication does not affect team collaboration.	rejected	Managerial communication affects team collaboration.
11.	Managerial communication does not affect employee's feeling of a job well done.	rejected	Managerial communication affects employee's feeling of a job well done.

Source: own research

To test the hypothesis, a Chi-square test was selected because categorical variables and Chi-square test is used for testing association in contingency table of nominal category. Test verifies that the difference of the observed and expected frequency is random (have the same frequency distribution; independent variables)

or statistically significant (dependent variables) [4]. Test criterion is the formula:

$$G = \sum_{j=1}^k \frac{(n_j - \Gamma_j)^2}{\Gamma_j} \tag{1}$$

Value  $\Gamma = n \cdot \pi_0, j$  gives the theoretical (expected) frequency of j-th class in the sample

size  $n$ , and  $n_j$  is the observed frequency. Value is compared with critical value  $\chi^2_{\alpha}(r-1)$ .  $(s-1)$ . The  $\alpha$  indicates the level of significance and expression  $(r-1) \cdot (s-1)$  degrees of freedom. Level of significance is the traditionally determined value of 0.05. For objective assessment of the results, a statistical analysis was used to test the equality of parameters of alternative distribution. For each group the relative frequency of representation in the group of common characters was calculated, and it was determined whether the relative frequencies were equally represented in all groups.

Null hypothesis (see Table 2) provides a uniform representation of the relative frequency in all groups of alternative distribution, namely that the variables are independent (equal representation means that there is no dependence). For the calculation and testing of hypotheses this formula was used:

$$\chi^2 = \frac{1}{p(1-p)} \left[ \sum_{i=1}^l n_i p_i^2 - \frac{1}{N} \left( \sum_{i=1}^l n_i p_i \right)^2 \right] \quad (2)$$

$p_i$  is the relative frequency (probability) and the average probability calculated by the formula

$$\bar{p} = \frac{1}{N} \sum_{i=1}^l n_i p_i \quad (3)$$

Calculated quantity is compared with the critical value  $\chi^2_{\geq \chi^2_{0,05}(l-1)}$ ,  $l-1$  is degrees of freedom. The level of significance  $\alpha = 0.05$ . Verification of statistical hypothesis that two population relative frequencies are the same, testing whether the difference between 2 selected frequencies can be considered statistically significant, was also carried out testing frequency differences. As a criterion of testing was used the characteristics:

$$\chi^2 = \frac{(n_i - n_j)^2}{n_i + n_j} \quad (4)$$

Value of criterion is compared with critical value, which is a quantile  $\chi^2_{1-0,05} = 3,84$ . For results verification used the testing criterion:

$$\mu = \frac{|n_i - n_j|}{\sqrt{n_i + n_j}} \quad (5)$$

The calculated value is compared with quantiles of normal distribution. Hypothesis of equality between a pair of frequencies is rejected while

the criterion of testing exceeds the critical value  $1-\alpha / 2$ . The level of significance  $\alpha = 0,05$ . [13]

### 2.3 The Most Important Results

On the base of accepted and rejected hypothesis summarized results are:

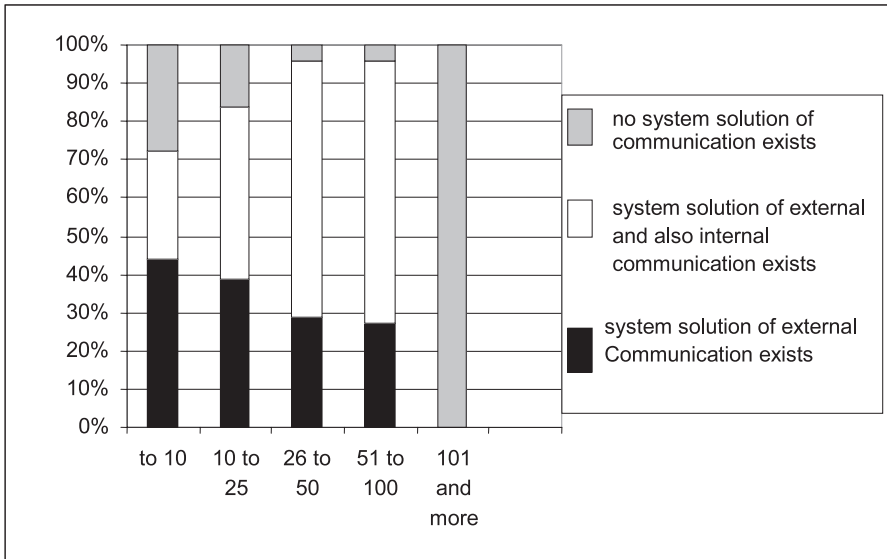
- Management mostly underestimates the meaning of internal communication.
- The managers do not want to accept the responsibility for understanding.
- The process of internal communication develops according to company growth.
- The managers prefer external communication.
- The management prefers technical solutions.

80 % employees agree with the statement that the internal communication significantly affects their job performance and behaviour. The association between the level of internal communication and employee's loyalty is statistically significant. Employees often cited the cause of a failed communication as unwillingness and lack of time. An inadequate explanation and lack of space for discussion are the most frequently reported weaknesses of internal communication. From employee's perspective, managers often make these communication errors.

- Managers do not communicate openly with employees (60 %).
- Managers do not motivated employees, do not assess adequately employees' contribution and do not share company's goals and direction (72 %).
- Managers ignore the critical voices (65 %).
- Managers create atmosphere of fear in which employees are afraid to communicate openly (52 %).

Figure 1 shows the overview of using communication system solution in individual groups according to the number of employees. The figure describes an increasing number of employees' urgent need of a communication system solution. Unfortunately, when the conditions of a small organization make it easier to set a system solution, the management does do that and decides to implement system solution after the communication problems occur.

**Fig. 1: Percentage of Using Communication System Solution in Individual Groups According to Number of Employees**



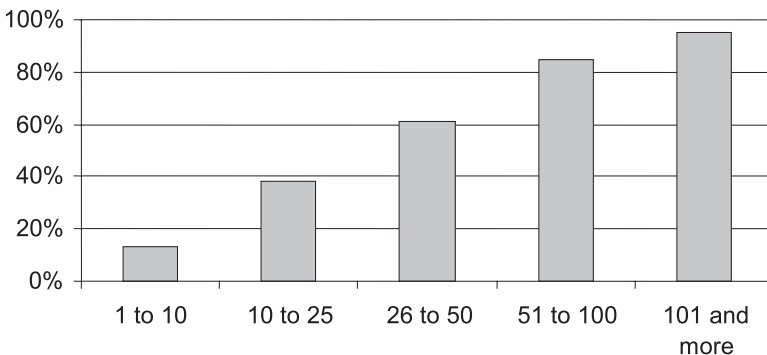
Source: own research

The intranet could be a very suitable tool for company internal communication. The range of intranet usage is wide. The intranet can be only a notice board for information but it can also be a full-value communication portal, which makes the internal communication process more effective. Figure 2 shows how intranet is used in companies that currently use the Internet. This figure confirms the fact that companies are more interested in external communication. It

also confirms the companies' poor attitude towards internal communication.

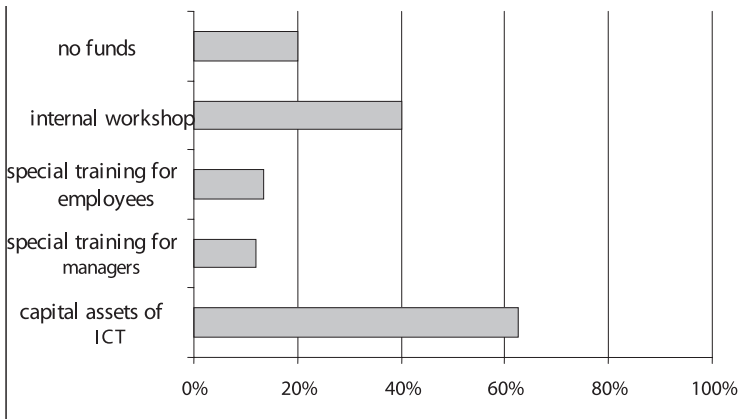
The figure 3 illustrates how the companies invest in internal communication and – what possibilities (investments) they use. All companies use ICT more frequently than any other possibilities. The reason is easier setting of ICT than improving managerial communication or creating “company communication strategy”.

**Fig. 2: Percentage of Using Intranet Solution in Individual Groups According to Number of Employees**



Source: own research

**Fig. 3: Percentage of Improving Internal Communication Possibilities in Companies**



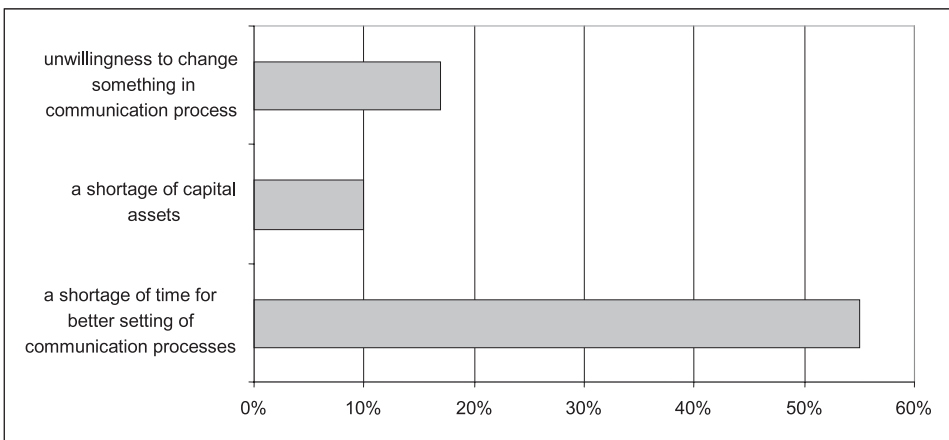
Source: own research

All figures confirm that the management often underestimates the importance of internal communication. Mostly, the management is not familiar with the main content of internal communication and the most important communication tools. The managers acknowledge that company internal communication needs improving and they also consider the internal communication process very important for the company's effectiveness. However, they also indicate a shortage of time as the main barrier of internal communication. The numbers in

Figure 4 show the barriers of internal communication as defined by the managers. A shortage of time means that the internal communication is not a priority area of management. This fact again confirms that the internal communication is mostly underestimated [6].

Research shows that there is a deep misunderstanding between managers and employees but only the management can improve internal communication. Management has to pay attention to employees' concerns and to address them.

**Fig. 4: Percentage of the Most Frequent Internal Communication Barriers According Managers Views**



Source: own research



### 3. Internal Communication Set Up

An effective internal communication is essential for every company's success. Is the base of knowledge management which increases the competitive advantage in the hard market environment. All managers who were included in the investigative survey agreed with the importance of internal communication. They would like to improve their company's internal communication but lack the competency and leadership skills to do that. Leaders who understand their responsibility for effective communication want to set up new internal communication. The experience of the case studies shows that the new set up of internal communication is implementation based on rules and principles.

1. It is necessary to clarify what effective communication means in order to improve it. The measurement of effective communication by management must be identified and communication framework must be developed.
2. This process must begin with the setting of clearly stated and achievable objectives. The objectives can be the above-mentioned.
3. The research of internal communication statue must be carried out and the results must be the base for improvement. The result must be published, including the proposals for improvement. The research should include a qualitative part (the main issues are determined and the main objective is stated) and a quantitative part (statistically significant data for confirmation of issues and for comparison in the future).
4. Settings of necessary premises.
5. Setting of processes and standards ("golden opportunity", daily business management, personal work, internal marketing).
6. Settings of communication channels and tools, ICT infrastructure.
7. Verification via feedback.
8. Evaluation.

#### 3.1 The Necessary Premises of Correct Communication

The effective internal communication proceeds in company's environment that is designed by concrete conditions. These conditions are the premise of effective communication. The corporate culture based on ethics and morale values.

- Full management responsibility. Unified management team must be engaged in a new set up.
- Defined work organization and organizational structure.
- Personnel policy based on mutual respect between company and employee.
- Effective internal marketing, mainly internal Public Relations.
- The communication abilities and skills (competencies) of the managers.
- Open communication, including feedback.

The company management must accept the responsibility for correct internal communication process. The level of internal communication can be improved by setting communication standards, internal marketing and the use of information and communication technologies.

#### 3.2 Golden Opportunity as Standards

"The golden opportunity" is the name for important and significant occasions during which the communications clearly influence the working staff. The golden opportunity is extremely important for internal communication to be the greatest influence in forming the work performance and attitudes of employees. These opportunities arise in each organization. It would be a mistake not to utilize this opportunity as the consequences are detrimental to the company's future. These opportunities are:

- time period for adaptation and orientation in the company;
- performance management, assessment and development of career;
- internal workshops to increase knowledge and skills (not only for competencies, but also for the sharing of know-how and the adoption of changes in organization and business processes).

#### 3.3 Communication Strategy and Internal Public Relations

PR activities are part of marketing communication aimed at major groups of external and internal public, customers, suppliers, other professional or general public, but also at employees or other owners, identifying the whole group as stakeholders [3]. The largest

group of internal public is staff and the internal PR, which is a part of internal marketing and should be targeted preferably. PR is based on a company communication strategy, which includes the entire communications company with all partners.

Communication strategy is based on company strategy and is a mean for its fulfillment. Communication strategies are understood as a summary of the fundamental objectives and means of achieving them [5]. Table 3 summarizes the examples of basic communication strategies.

**Tab. 3: The Examples of Communication Strategy Creation**

Partner	Target	Means (via)	Tools	Measurability
Existing customers	Loyalty, the turnover and profit gross	Customer satisfaction with products and provided services	CRM systems, regular meetings, product training, regular visits	Regular purchase, annual sales, gross profit, customers' feedback
Potential customers	Arouse interest in the products and services	Desired image and reputation of companies, products and services	Means of marketing communication mix	Number of new customers and their turnover
Employees	Positive relation to the company, forming the desired working positions (of performance and behavior), reinforcing loyalty to spread the reputation of the company, to meet the information needs of work, coordination of work, teamwork	Satisfaction, a high degree of self-motivation, belief in the prospect of the company and in his own career in the company	Internal PR, management of work performance (e.g. regular evaluation), the fulfillment of information needs (internal workshops, intranet, meetings), communication standards at the beginning of the new workers, functioning feedback	Performing the tasks, the achievement of the objectives, specific performance, turnover, satisfaction measurable shifts in time series (anonymous surveys and evaluation)
Associated companies	Beneficial cooperation with the serious and necessary partners, building the company's reputation and desirability of permanent trade relations (suppliers, banks, freight forwarding companies, agencies, offices, etc.)	Serious and professional approach to the partnership based on moral principles, trust and respect of partners, mutual satisfaction, in cooperation	Providing information about the company (website, printed company profile) regular contact, extract application and regular meetings, additional PR activities	Cost of services and quality of services (the ratio of price / performance), payments and economic indicators of trade relations
Other public, media, competitors, population	Building a desirable image and reputation, the spread of reputation, offer the potential cooperation partners and employees	Desirable image and reputation of company, products and services	Public Relations, behavior of company (management), spread of reputation by staff	Monitoring of views and attitudes regarding public image and reputation of the company

Source: own research

All activities that are commonly used for external PR communication can and should also be used inwards [7]. Only then they may be consistent in coordination of all activities, such

as the sales campaign (as the event information to customers and other external public must be informed and the staff must know that action is not only held but the commitment should know

the meaning and benefit of the whole event for business) and only re-thought out strategy can create the same, transparent image inside and outside the company [8]. It is very important for

both customers and employees to perceive the company's values. An example of the use of the same activities for external and internal PR is shown in Table 4.

**Tab. 4: The Examples of External and Internal PR Activities**

External PR activities	Internal PR activities
Press Conference Press Release Annual Report Company Profile Website, Extranet Chat, Customer Competition Viral Marketing	Regular reporting on the position of firms in the market, what is happening in the business, strategies, plans and their implementation through regular corporate or team meetings, e-mail or regular news features on the intranet Annual Report, Company Profile Intranet Chat, Competition for Staff, Sales incentives Supported Informal Communication
Regular meetings with partners	Regular meetings with partners with employees, Discussions
Professional, social and sporting events	Internal trainings, Briefings, social and sporting events for employees
Case studies, articles about products or business personalities, successful projects, references	Case studies, articles about products or business personalities, successful projects, references via company journal, boards or intranet
Sponsoring	Sponsoring of employees_ activities, social benefits for employees
Company open days	Managers open day

Source: own research

### Internal Public Relation Clearly Helps Building Confidence

Notwithstanding the application of internal marketing communication, every company must establish and develop its communication with employees [10]. It must start by providing sufficient information and continue by building open mutual communication among partners willing to cooperate. The information must be unambiguous and truthful; otherwise it would spread doubts, rumors and negative information. It is necessary to work mainly with positive information for strengthening positive company image. Awareness creates employees' confidence and positive atmosphere. Providing that the management succeeds to build such atmosphere allows space for feedback, employees feel that the company appreciates them, their internal cooperation is mutually advantageous and the moment for employees' motivation arises. If employees trust the company, they are willing to work more effectively and productively. They

believe that the firm prosperity brings prosperity to their personal life.

The role of internal PR is also to provide enough openness and information to give employees the ability to change their views and actively influence them. Sometimes even the necessity to overcome prejudices and distrust might appear. New employees may have preconceived ideas, including prejudices and negative evaluation of the company. For the internal communication management, in this case internal PR, the prevention and feedback is very important. Feedback provides not only the reflection of internal PR work, shows whether such activities are effective or not, but also shows the starting points and may change the objectives of communication. Feedback can detect hidden problems, may indicate the way of achieving desired relationship, shows what is important for employees and may lead to their work satisfaction. It is important to note that the lack of internal information will not bring

positive results; only working with information can provide the company with the strength it needs to be successful. It is important to unleash possible uncertainties and restlessness that may become a very negative attitude within the company if not addressed in time. It is important to listen to the employees, to discuss with them and to create long-term positive relationship the same way relationships are promoted with customers.

## Conclusion

Basic research in the author's thesis showed the state of internal communication in small and medium sized companies. The research results reveal the power of internal communication that can be utilized by company managers. The results were confirmed by the next research with author's cooperation of commercial sector and three study case studies for analysis and revision of internal communication have provided clear evidence of the influence of internal communication on the work attitudes and performance.

Finally, it should be emphasize that internal communication has a significant impact on company operations, job performance, and work behaviour and attitudes of employees. In reference file, 80 % employees agree with the statement that the internal communication significantly affects their job performance and behaviour. The association between the level of internal communication and employee loyalty exists.

All employees, including managers, need enough information and communication for better identification of the corporate objectives, which have raised a confidence in company business and would convince them of meaningfulness of their specific work in the functioning company. Sophisticated internal communication uses suitable tools that can affect the staff working morale and the relationship between the employees and company. This also builds the company's good reputation.

Good internal communication is based on the principle that there is a need to treat employees as internal partners (i.e. internal customers) who should meet their own needs associated with the global company performance and lead them to the common goals [12].

It is important that the company management is constantly working on creating and maintaining

positive employee relations. People in business are the most important asset for the company. The aim of any management is for the employees to be effective, productive and loyal. It is very difficult to achieve this goal. It is not difficult, however, to teach the employees what to do and how but may be challenging for any management to motivate them.

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## Abstract

**INTERNAL COMMUNICATION IN THE SMALL AND MEDIUM SIZED ENTERPRISES****Jana Holá**

*In today's competitive world, the management of human resources plays an integral role as it influences prosperity of the company. The satisfied and loyal employees – internal stakeholders create the foundation for effective work within the real life of the company which is to improve on the effectiveness of internal communication. The internal communication process directly influences the building of mutual relations between the company (management) and its employees. Unfortunately, the importance of internal communication is not sufficiently understood in managerial practice. Management is not aware of the most important function of effective internal communication, which is essential for knowledge management, reengineering and prosperity of the company. Without effective internal communication, the company does not take full advantage of its resources. Effective internal communication improves the work environment climate while increasing awareness among employees of company activity and plans. Management gets to hear suggestions about the company's plans and policies from its employees through effective feedback mechanisms. Thus the company is able to use fully the accumulated experience of all its employees. Effective internal communication enhances the role of the managers and gives more positive attitude to change within the company. It also allows opportunities to solve problems before they become crises. It creates and sustains employee commitment and concentrates effort on the task on hand while achieving the company's objectives. This chapter brings an overview of internal communication. It clarifies the internal communication within the context of personal, marketing and other areas of the company control process. It describes the synergy that can be created by proper utilization of managers' abilities and skills, and the use of information and communication technology tools. The chapter includes selected results of the field research and the current status and trends of managers' views on the issue of internal communication. The last part focuses on the effective internal communication set up.*

**Key Words:** internal communication, management, communication strategy, internal marketing.

**JEL Classification:** M12, M3, O15.