Organisational Communication Effectiveness of
Australian fast growing SMEs

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ABSTRACT

Although Small Medium Enterprises (SMEs) in Australia continue to grow at a rapid rate and face real challenges in recruiting and retaining skilled employees, research in the area is limited. This pilot study aimed to examine employee satisfaction with organisational communication practices and the consequent impact on ambiguity in the workplace and job satisfaction in SMEs. Results suggest that the quantity and quality of communication practices significantly affect the quality of organisational processes and job satisfaction. Poor organisational communication processes inhibit employee ability to service customers adequately and lower job satisfaction, which can result in lower productivity and ultimately turnover for SMEs, the implications of which are also discussed.

Keywords: SMEs, communication effectiveness, job satisfaction

INTRODUCTION

Organisational efficiency and effectiveness is important for the long term strategic survival of all firms. Communication is seen as a vital process in all aspects of organisational functioning (Rodwell, Kienze & Shadur, 1998) and culture (Hofstede, 1993). Despite this importance, there has been limited research into organisational processes in Small Medium Enterprises (SMEs). This paper aims to investigate satisfaction with organisational communication practices and the consequent impact on organizational processes and job satisfaction within manufacturing Small Medium Enterprises (SMEs). Implications for communication processes and economic sustainability within SMEs will be discussed. Effective communication is critical for developing and maintaining positive working relationships, harmony and trust in organisations (Hunt, Tourish & Margie, 2000). Moreover, communication processes are the main vehicle for assisting new employees to interpret the organisational work culture (rules, values) via the various dimensions that make up the organisational constructs of a workplace (Mills, 2000). Hence, Rothwell and Scedl (1992:376) argue that when organisational communication processes are effective, employees develop a successful culture for solving problems, making decisions, and effective collaborative activities. In addition, the way that organizational goals are communicated to employees and their role in achieving them, strongly affects job commitment (Haskins, 1996; Anderson & Martin, 1995), which is linked to productivity (Clampitt
& Downs, 1993). Therefore, by examining the quality of organisational communication processes, it is possible to gain some insight into the overall organisational effectiveness of a firm, and the potential to retain valuable employees, particularly at a time of critical skills shortage.

However, research examining satisfaction with communication practices and the consequent impact on employees within SMEs is limited (Brunetto & Farr-Wharton, 2004). This is important for Australian employees because in 1999, 94% of Australian firms had less than 20 employees and only 6% had 20 or more employees (DISR, 2000). The Australian Bureau of Statistics (2001:1) defines a small business as one that is independently owned, operated and managed and employs less than 20 employees. A medium-sized business is one that employs between 20 and 200 people. The number of SMEs in Australia has at least trebled and their contribution to economic output has doubled since the 1980s. These statistics suggest that SMEs dominate the Australian economy (Barnes & Kennard, 2002). However, most SMEs do not pursue growth strategies, leaving only about 5-10% of them (about 100,000) that actively engage in growth strategies and export development (Gome, 2003). Whilst these Australian firms may initially grow rapidly, their strategic advantage may be short lived unless they can ensure that effective management and organisational processes become embedded so as to assure quality processes and outcomes and in turn, sustain longer term productivity and growth (Brunetto & Farr-Wharton, 2005). This study aims to investigate the effect of communication practices on work processes and job satisfaction within fast growing SMEs, as issues that affect both productivity and retention.

COMMUNICATION PROCESSES

Communication is defined by Smidts, Pruyn & van Riel (2001) as the process whereby individuals and/or groups transact in a variety of ways and within different areas with the aim of carrying out organisational goals. According to Gray and Laidlaw (2002), any deterioration in communication processes is likely to affect employee satisfaction and customer service quality provision. On the other hand, if employees are satisfied with communication processes they are likely to develop positive
working relationships and experience higher levels of work satisfaction (Rubin, 1993), increase their performance (Clampitt & Downs, 1993), and be more loyal and committed to the organisation (Varona, 1996). As organisational communication is considered to be a multidimensional construct, various communication characteristics have been used by researchers to assess employees’ satisfaction with communication within organisations (Downs & Hazen, 1977; Johlke & Duhan, 2000). Johlke and Duhan (2000) provide a set of four communication dimensions including communication frequency, communication mode, communication content and communication direction. All are centrally important to understanding and ultimately improving SME effectiveness, including levels of ambiguity regarding customers, supervisors, promotion and ethical situations, as well as employee job satisfaction.

**Communication frequency** refers to the amount of information exchange between individuals in organisations (Patrashkova-Volzdoska, McComb, Green & Compton, 2003). It is suggested that high communication frequency between employees and supervisors is likely to improve employee job satisfaction and job performance (Ancona & Caldwell, 1992; Johlke & Duhan, 2000). However, it is also argued that high frequency information provision (too much communication) has the potential to disturb and distract employees (Johlke & Duhan, 2000), which may negatively affect their performance (Goodman, Ravlin & Argote, 1986). On the other hand, low frequency for communication may be associated with limited information/feedback and perceived lack of attention from supervisors, which may create uncertainty, which can again impact on employee performance (Kacmar, Witt, Zivnuska & Gully, 2003). These research findings and suggestions indicate that establishing an appropriate frequency for communication/information sharing may provide important insights into communication effectiveness.

**Communication mode** is another communication dimension that is likely to influence the effectiveness of communication and, consequently, the relationship between employees’ commitment and perceptions about organisational practices and policies. Although informal communication is seen as more effective in a number of ways (see Lashley & Lee-Ross, 2003) in relation to team
performance, job satisfaction (Johlke & Duhan, 2000) and employee role ambiguity (Johlke & Duhan, 2001), Daft and Lengel (1984) argue that the communication media used (e.g. face-to-face) and the amount of information processing should be appropriate to the uncertainty and ambiguity associated with employee tasks. Thus, communication mode is a complex and important variable within communication processes.

Communication content is yet another communication characteristic that can be used to assess the effectiveness of communication practices within organisations. While ‘direct information’ is a form of communication that does not provide opportunity for input by those affected (e.g. one-way performance feedback involving compliance mechanisms such as requests and threats), ‘indirect communication’ provides employees with a greater amount of information and the opportunity to be involved in decision-making (Frazier & Summers, 1984), which is likely to reduce role ambiguity (Singh, 1993). As employees’ perceptions about role ambiguity are dependent on the quality of communication processes (Johlke & Duhan, 2000), close supervision and participation in decision-making may reduce employees’ perceptions of role ambiguity (Teas, 1980). Findings from Johlke and colleagues suggest that indirect communication content is negatively associated with employee ambiguity regarding promotion, other managers and ethical situations (Johlke, Duhan, Howell & Wilkes, 2000).

A fourth communication factor that may influence the effectiveness of communication processes within organisations is communication flow. Communication flow, or direction, refers to the two lines of communication, horizontal (or lateral) and vertical (downward and upward); (Mullins, 1992; Timm & Stead, 1996). It is argued that two-way communication is essential for good workplace relationships (Jablin, 1979) as it is likely to improve the communication exchange (Fisher, Maltz & Jaworski, 1997). Findings from Johlke and Duhan’s (2000) study suggest that bi-directional communication is positively associated with employee job performance and negatively associated with employee ambiguity regarding customers, the supervisor, promotion and ethics, all of central importance to SMEs. The research questions arising from the literature review are:
RQ1 What is the impact of employee’s level of satisfaction with communication variables: (communication frequency, information communication mode, indirect communication, indirect communication flows) on their level of ambiguity regarding customers, supervisors, promotion and ethical situations?

RQ2 What is the impact of employee’s level of satisfaction with communication variables: (communication frequency, information communication mode, indirect communication, indirect communication flows, level of ambiguity experienced by employees regarding customers, supervisors, promotion and ethical situations) on job satisfaction?

**METHODOLOGY**

**Measures**

Johlke and Duhan’s (2000) validated instrument is used to measure the employees’ satisfaction with communication processes between supervisors and service employees and is based on job satisfaction being a function of communication variables. The instrument includes the following independent variables: “Communication frequency”, “Informal communication mode”, “Indirect communication content”, “Bi-directional communication flows”, “Ambiguity regarding customers”, “Ambiguity regarding supervisors”, “Ambiguity regarding promotion”, “Ambiguity regarding ethical situations”, each rated on a seven-point scale ranging from “Very strongly disagree” to “Very strongly agree”. The relationship between these variables and job satisfaction was examined.

**Samples**

The choice of firms was based on the type of activity undertaken. A study of SMEs within the marine industry within the Gold Coast Marine Precinct identified four out of fifteen firms averaging at least 20% growth. In each case, the limits to growth related to labour resource constraints caused by the severe shortage of skilled employees. Each firm gave examples of having to turn down orders for boats because of the labour shortage (Brunetto & Farr-Wharton, 2005). The four firms were approached and three of them agreed to their employees being surveyed. An examination of the demographics of the firms indicates that all three firms are examples of medium-sized SMEs. In
addition, the majority of the employees have been with the firm for less than one year. See table 1 for further details.

**TABLE 1: Demographics**

<table>
<thead>
<tr>
<th>SME firms</th>
<th>No of 'ees</th>
<th>No of useable surveys</th>
<th>Males</th>
<th>Females</th>
<th>Been with firm &lt;1 year</th>
<th>Been with firm 1&gt;x&lt;5</th>
<th>Been with firm 5&gt;x&lt;10</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>55</td>
<td>31</td>
<td>31</td>
<td>0</td>
<td>23</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>B</td>
<td>110</td>
<td>47</td>
<td>43</td>
<td>4</td>
<td>24</td>
<td>19</td>
<td>4</td>
</tr>
<tr>
<td>C</td>
<td>51</td>
<td>43</td>
<td>40</td>
<td>3</td>
<td>25</td>
<td>16</td>
<td>2</td>
</tr>
</tbody>
</table>

**RESULTS**

Regression analysis was used to analyse the data; means and beta scores are displayed in tables 2 and 3. Four linear regressions were undertaken in relation to the first research question (Table 2).

**TABLE 2: Regression analysis detailing relationship between Communication processes and Ambiguity relating Customers, Supervisors, Promotion and Ethics**

<table>
<thead>
<tr>
<th>Communication variables</th>
<th>Customer Ambiguity</th>
<th>Supervisor Ambiguity</th>
<th>Promotion Ambiguity</th>
<th>Ethics Ambiguity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistically significant beta scores</td>
<td>Statistically significant beta scores</td>
<td>Statistically significant beta scores</td>
<td>Statistically significant beta scores</td>
</tr>
<tr>
<td></td>
<td>F=6.229 p&lt;.000 R²=17.9%</td>
<td>F=7.262 p&lt;.000 R²=20.3%</td>
<td>F=3.992 p&lt;.001 R²=12.3%</td>
<td>F=6.385 p&lt;.000 R²=18.3%</td>
</tr>
<tr>
<td>Communication Frequency</td>
<td>.112</td>
<td>.167</td>
<td>.017</td>
<td>.104</td>
</tr>
<tr>
<td>Informal communication mode</td>
<td>.353 p&lt;.000</td>
<td>.401 P&lt;.000</td>
<td>.300 P&lt;.000</td>
<td>.351 P&lt;.000</td>
</tr>
<tr>
<td>Indirect communication mode</td>
<td>.362 p&lt;.000</td>
<td>.328 P&lt;.000</td>
<td>.298 P&lt;.000</td>
<td>.377 P&lt;.000</td>
</tr>
<tr>
<td>Bidirectional communication</td>
<td>-.078</td>
<td>-.214 P&lt;.05</td>
<td>-.044</td>
<td>-.204 P&lt;.05</td>
</tr>
</tbody>
</table>

**TABLE 3: Regression analysis detailing relationship between Communication processes and Job Satisfaction**

<table>
<thead>
<tr>
<th>Communication variables</th>
<th>Job Satisfaction</th>
<th>Means (Standard Deviation)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistically significant beta scores</td>
<td>F=5.496 p&lt;.000 R²=28.6%</td>
</tr>
<tr>
<td>Communication Frequency</td>
<td>-.024</td>
<td>4.0000 (1.223)</td>
</tr>
<tr>
<td>Informal communication mode</td>
<td>-.032</td>
<td>4.55 (1.278)</td>
</tr>
<tr>
<td>Indirect communication mode</td>
<td>-.181</td>
<td>4.68 (1.26)</td>
</tr>
<tr>
<td>Bidirectional communication</td>
<td><strong>.423 P&lt;.000</strong></td>
<td>5.27 (1.28)</td>
</tr>
<tr>
<td>Customer ambiguity</td>
<td>.097</td>
<td>3.56 (1.82)</td>
</tr>
<tr>
<td>Supervisor ambiguity</td>
<td>.207</td>
<td>3.62 (1.59)</td>
</tr>
<tr>
<td>Promotion Ambiguity</td>
<td>-.116</td>
<td>3.35 (1.63)</td>
</tr>
<tr>
<td>Ethics Ambiguity</td>
<td>-.448 P&lt;.000</td>
<td>3.465 (1.866)</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td></td>
<td>5.54 (.89)</td>
</tr>
</tbody>
</table>
The findings for the first regression, (where the independent variables were the communication variables and the dependent variable was the level of ambiguity regarding customers) suggest that there is a significant relationship (F=6.229 p<.000, R²=17.9%). This means that 17.9% of employee’s level of ambiguity in relation to customers can be explained by communication frequency, information communication mode, indirect communication, bidirectional communication flows and two of them: - information communication mode (b=.353 p<.000) and indirect communication (b=362, p<.000) were significant. The findings for the second regression (where the independent variables were the communication variables and the dependent variable was the level of ambiguity regarding supervisors) suggest that there is a significant relationship (F=7.262 p<.000, R²=20.3%). This means that 20.3% of employee’s level of ambiguity in relation to supervisors can be explained by communication frequency, information communication mode, indirect communication, bidirectional communication flows and three of them: - information communication mode (b=.401, p<.000), indirect communication (b=328, p<.000) and bidirectional communication flow (b=.214, p<.05) were significant. The findings for the third regression (where the independent variables were the communication variables and the dependent variable was the level of ambiguity regarding promotion) suggest that there is a significant relationship (F=3.992 p<.000, R²=12.3%). This means that 12.3% of employee’s level of ambiguity in relation to promotion can be explained by communication frequency, information communication mode, indirect communication, bidirectional communication flows and two of them: - information communication mode (b=.300 p<.000), indirect communication (b=298, p<.000) were significant. The findings for the fourth regression (where the independent variables were the communication variables and the dependent variable was the level of ambiguity regarding ethical issues) suggest that there is a significant relationship (F=6.385 p<.000, R²=18.3%). This means that 18.3% of employee’s level of ambiguity in relation to ethical issues can be explained by communication frequency, information communication mode, indirect communication, bidirectional communication flows and three of them: - information communication mode (b=.351 p<.000), indirect communication (b=377, p<.000) and bidirectional communication flow (b=.204) were significant.
To collect data so as to address the second research question another regression analysis was undertaken (Table 3). **The findings from the fifth regression** (where the independent variables were the communication variables and the dependent variable was job satisfaction) suggest that there is a significant relationship \( (F=5.496\ p<.000, \ R^2=28.6\%) \). This means that 28.6% of employee’s level of job satisfaction can be explained by communication frequency, information communication mode, indirect communication, bidirectional communication flows and ambiguity in relation to customers, supervisors, promotion and ethical issues and two of them: bidirectional communication flow \( (b=.423\ p<.000) \) and ambiguity in relation to ethical issues \( (b=-.448, \ p<.000) \) were significant.

**DISCUSSION**

This paper examines whether employees’ level of satisfaction with organisational communication practices affect level of ambiguity regarding customers, supervisors, promotion and ethical situations and their job satisfaction. The findings suggest that the quantity and quality of communication processes significantly affect the quality of organisational processes as well as job satisfaction, which are just as important to SMEs as large organisations. In terms of organisational processes, the results suggest that the quality and quantity of communication processes affects the ability of employees to know clearly how to effectively deal with the demands of customers and their supervisors. These findings support previous research by Johlke & Duhan (2001), which highlight the importance of communication processes in assuring that employees know how to meet the needs of customers and supervisors. This study provides preliminary evidence of the need for effective organisational communication processes to be embedded in SMEs to ensure that employees do meet the customer needs effectively. More research is required to improve the generalisability of these results to other SMEs. The findings also suggest that the quantity and quality of communication processes also affects employees’ level of job satisfaction. Past research suggests that there is a positive relationship between job satisfaction and productivity (Petty, McGee & Cavender, 1984; Matthieu & Zajac, 1990) and low absenteeism and turnover (Eby, Deena, Freeman, Rush & Lance, 1999). Hence, while the level of employee job satisfaction in the present study (mean=5.54) suggests that employees are at least slightly satisfied with their job, the means for other communication variables suggest that they are not
even slightly satisfied with communication frequency, informal communication and indirect communication mode. The findings suggest that the quantity and quality of communication processes presently accounts for approximately a quarter of employees’ level of job satisfaction and the impact is not particularly positive. The lack of effective communication processes revealed in the present study suggests that these firms will continue to have difficulty retaining employees; high turnover of employees will remain an issue for SMEs and their employees. The issue of limited labour resources has previously been identified as a major factor limiting the potential growth of these firms (Brunetto & Farr-Wharton 2005). The present study indicates that employees perceive that the quality and quantity of communication processes may be one factor that needs to be addressed in order to improve the effectiveness of organisational processes and, in turn, improve the clarity of employees in relation to the task of meeting the needs of customers.

IMPLICATIONS AND CONCLUSION

The implications of this research for Australia to sustain economic growth is that the 10% of those SMEs that are interested in pursuing growth strategies do face real challenges in recruiting and retaining skilled employees. The findings suggest that one challenge relates to improving the quality and quantity of organisational processes in place to support employees to undertake tasks in the workplace. Poor organisational communication processes inhibit employee ability to service customers adequately, which can disillusion the same employees who are not provided with the right ingredients to encourage them to stay. The basic building block of a sustainable firm is effective organisational processes, without which firms cannot pursue growth strategies with confidence. In conclusion, this paper has examined employee level of satisfaction with organisational communication practices in relation to work ambiguity and job satisfaction. Moreover, because previous research has already established that anything that affects job satisfaction also affects productivity, the longer term growth potential of these firms depends in part on their ability to improve organisational communication processes. Although these preliminary findings from this pilot study require further testing within different types of SMEs (manufacturing, retailing etc) in order to validate the generalisability of these findings, the present study makes an important contribution to the under-researched area of SMEs.
REFERENCES


