

Value Drivers, Value Links and Key Performance Indicators of Internal Communication

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1. Internal Communication in the Corporate Strategy Map

The drivers of corporate success in the learning and growth perspective of the generic Strategy Map are three intangible assets: human capital, information capital, and organization capital. Human capital is essentially defined by the skills, knowledge and motivation of company employees. Information capital is presented according to Kaplan/Norton's method by IT systems, databases, libraries, networks, and the matching user skills to make these tools usable for the company. Organization capital describes the company's ability to mobilize and maintain the processes of change required to implement corporate strategy. In the Strategy Map, organization capital comprises the dimensions of company culture, leadership, alignment and teamwork.

The Balanced Scorecard method generally contains target systems with a limited time horizon. These individual and changing target systems are explicitly left out of the generic Corporate Strategy Map. Here, the objectives of the learning and growth perspective pay into the targets of the internal (business process) perspective. These are divided into production and logistics processes, customer management processes, innovation processes, and meeting specified legal/social processes. Kaplan/Norton describe the metrics of the learning and growth perspective as important "leading indicators" for implementation of strategy. They represent the company's strategy-relevant intangible assets which "create value with their alignment to strategy".

A large percentage of the targets of the learning and growth perspective outlined by Kaplan/Norton refers explicitly to internal communication as a value driver. Organization and human capital are paramount here. The value drivers of internal communication are hence defined by their

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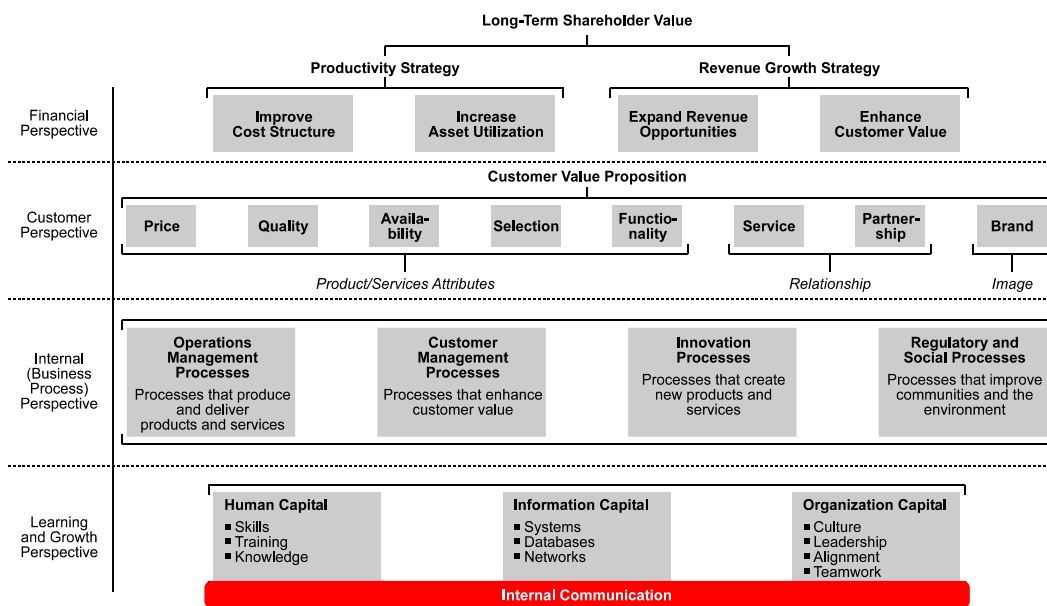
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difference from or affinity with the typical learning and growth perspective targets identified by Kaplan/Norton as being typical and widespread in everyday business life.

Corporate Strategy Map



(Kaplan/Norton 2004)

2. Value Drivers and Value Links

The objective of internal communication is to influence the attitudes and behaviors of employees in terms of the company's vision, mission and strategy, and give access to the knowledge required to achieve that purpose.

Specific tasks of internal communication are to communicate what the company expects from employees in terms of performance and behavior, and ongoing communication of the knowledge of cultural values (e.g. open communication), attitudes (e.g. interaction with internal/external customers), processes and interfaces needed to meet those expectations.

With these objectives, internal communication in conjunction with leadership communication helps to create the "strategic readiness" of intangible assets with respect to implementation of overall strategy. In

relation to the Strategy Map, internal communication supports the learning and growth perspective and the higher-level internal business process perspective.

3. KPIs of Internal Communication

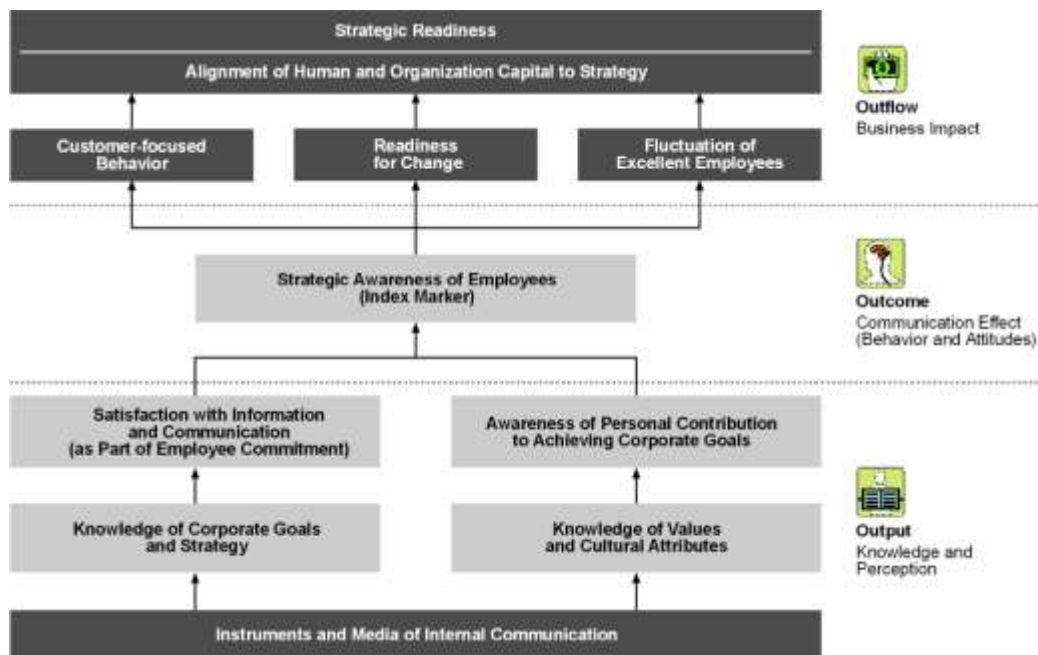
Kaplan/Norton inspected hundreds of Balanced Scorecards used in everyday business life as a basis for developing their generic Strategy Map. The KPIs and candidate markers for communication given in the following are based on those learning and growth targets which Kaplan/Norton most commonly observed in the target systems of business organizations, and which also require communication in order to be achieved. The following KPIs for communication derive from these communications-relevant, widespread learning and growth targets and the matching value drivers.

A basic premise of all the value drivers in the right column of the table is that they are mainly or significantly determined by internal communication. They are also linked to individual aspects of corporate goals. Examples: "Building up leadership personalities" concerns, among other things, the (HR) measures to build up practical expertise and stepwise extension of their scope of responsibility, "Creating readiness for change" concerns, among other things, the management of knowledge systems and the systematic linkage of targets with incentives in the organization. The instruments and media of internal communication affect the value drivers with their success factors and metrics.

Value Drivers and KPIs of Internal Communication

Typical communication-relevant corporate targets in the learning and growth perspective (according to Kaplan/Norton)	Proposed KPIs for internal communication (measured via index variables)
<ul style="list-style-type: none"> • "Build up leadership personalities" • "Establish communication as a basic leadership task" • "Share knowledge" 	(1) Information and communication behavior of leaders
<ul style="list-style-type: none"> • "Align human resources to strategy" • "Internalize vision, mission and key values" 	(2) Strategic awareness of employees
<ul style="list-style-type: none"> • "Create readiness for change" • "Foster a culture of change and facilitation" • "Enhance creativity and innovation" • "Develop strategic employee abilities" 	(3) Employees' readiness for change
<ul style="list-style-type: none"> • "Focus employees on the customer" • "Nurture customer-focused behavior" 	(4) Employees' customer focus
<ul style="list-style-type: none"> • "Communicate openly" • "Enhance employee motivation" • "Improve employee communication" 	(5) Satisfaction with information and communication (as an assignable portion of employee commitment)
<ul style="list-style-type: none"> • "Attract and retain excellent employees" 	(6) Fluctuation rate among qualified employees

Value Drivers, Value Links and KPIs of Internal Communication



(Lautenbach/Sass 2006)

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