Effective communication within a business is the ability for that business to communicate clearly and efficiently with any one of its associated stakeholders. Inefficient communication can be a result of the use of a wrong communication channel for the purpose, noise interfering with the message, or weaknesses or mistakes of the company personnel making the communication. Effective communication can motivate, improve relations and ultimately return greater dividends in the long run.

Customers are very important stakeholders to communicate with. In a market led system, direct customers, and the customers who make up a market need to be communicated with effectively in order for market trends to be discovered. Knowing what’s popular, or what might soon be within a market could give a company a vital lead over its competitors. Market research in the form of surveys may be used to achieve this. After sales communication with existing customers is also very important. In a market where people are loyal to brands, or infrequently change companies, (this is the case with bank accounts, for example) keeping customers happy will help ensure that a company keeps that customer. The price of communicating effectively is likely to be far less than that incurred the loss of customers.

Employees are a company’s greatest asset and keeping these assets means making sure that they are motivated and satisfied in their job. Monitoring and making sure of the effectiveness of HRD policy depends upon effective communication between employees and their managers. Employees need to feel that they can speak freely and frankly to their managers, and so a correct channel of communication needs to be selected and implemented for this purpose. Face to face communication would often be the best method. Removing any hygiene factors from an employee’s job through effective communication will help ensure that they are motivated. This will lead to greater job commitment, and greater productivity. The grapevine effect between employees who are motivated is also likely to be a much more positive one than with de-motivated employees conveying negative messages about their job with colleagues.
More and more companies are taking a “stakeholder” approach to business now, instead of a “shareholder” approach. This means trying to keep not only shareholders happy, but everyone who is effected by, or effects the business. The local community around a business is a very important stakeholder group to keep happy. Not only do they often supply labour for a company, they may also absorb a lot of their sales, and if unhappy, could create a lot of trouble for the company. Many different channels of communication may be required for this, from meetings with local councils, to press coverage in newspapers. Continually monitoring what the local community thinks of a business will allow management to try and adjust to community perceptions. Informing community leaders of any big changes or developments the company may be making will also help reduce any shock or angst a community may be experiencing about the implementation of these changes. Good relations with the local community will help improve the chance of people wanting to work with the company and reducing recruitment expenses. Sales to the local community are likely to increase through effective community communication. All of these will inevitably lead to increased profits for the company.