7.1. Introduction

Any organisation, regardless of its size, legal formula or profile of operation, is inherently dependent on internal communication. This aspect is of vital importance for the company’s existence. Communication is akin to the vascular system [Potocki, Winkler, Żbikowska 2011, p. 13], in that it serves to ensure the proper cooperation of multiple units in the organisational structure.

Through communication processes, and within its framework, all the functions of organisational management are propagated and implemented. This is why proper communication – principally related to the effective circulation of information and documents, and the forms and methods of processing and disseminating their content – is of crucial importance not only for everyday managerial tasks but also for the effective operation and the very existence of any organisation, corporate groups included.
7.2. Internal communication in corporate group management

The specificity of corporate group management stems directly from the need to coordinate managerial activities made with respect to multiple independent economic entities. For this purpose, it is necessary to formulate a set of principles and operating methods to enable and ensure the proper coordination of activities for the realisation of common economic objectives [Trocki 2004, p. 36]. This, in turn, requires the use of coordination instruments that serve to facilitate cooperation on shared projects and tasks. Basic coordination instruments include the following [Trocki 2004, pp. 157-158]:

- structural, i.e. based on the adopted distribution of tasks and their assignment to individual companies and their organisational units,
- technocratic, in the form of plans or general regulations, such as contracts,
- personal, i.e. based on personal ties and the integration between individual members of the corporate group.

Communication is an inseparable aspect of all three of the above categories of instruments, one that greatly influences the effectiveness of cooperation between companies within the group structure. Internal communication, in this sense, should be interpreted not only in terms of information flow, but also in the sense of preserving the social dimension as the binding force behind the group's structure.

Internal communication provides channels of interaction between individual entities within the group's organisational structure and, most of all, the exchange of information required for management processes, both at the level of the entity and of the group as a whole. Management processes and decision-making procedures at various levels of the organisational hierarchy generate specific informational requirements. Information used in management processes is produced within the group, and generated by various organisational units, by individual managers and by management teams affiliated with the parent company or any of its subsidiaries.

Two aspects of everyday communication within individual companies and within the entire organisational structure of a corporate group seem of
7.2. Internal communication in corporate group management

particular significance in terms of their impact on the group's operation [Nogalski, Ronkowski 2000, p. 359]:

- The top-down flow of information and documents via the so-called management channel; this typically involves circulation of various directives and task assignments from the parent company to the subsidiaries, and the similar flow within each of the companies. Information transmitted via this channel typically requires some sort of transformation along the way, usually in the form of detailing and supplementing, to make it useful for the target recipients, i.e. the persons and units responsible for their execution.

- The bottom-up flow of information and documents via the so-called executive channel; this relates to basic-type information passed from subsidiaries to higher levels of the organisational structure and to the parent (or controlling) company. This type of information is also transformed in the process, typically in the form of selection and segregation, in accordance with the recipient’s requirements.

The above observations suggest that communication, or – more specifically – communications systems in corporate group setting play the role of an intermediary agent between the management systems and production systems of each individual unit of the group’s structure. Without proper communications systems, there would be no effective management, and no effective production or service would be possible [Nogalski, Ronkowski 2000, p. 361]. A rational system of communication in corporate groups should provide managers and decision-makers with the potential to enable the effective realisation of basic managerial functions and everyday tasks by offering the following [Nogalski, Ronkowski 2000, p. 359]:

- selection of the relevant content from the full set of available information, as required for managerial purposes,

- proper evaluation of the supplied information, in accordance with managerial requirements,

- proper synthesis of the relevant information.
7.3. Internal communication systems in corporate groups – results of empirical studies

Each organisation should strive to provide their members with an effective system of communication with the proper specification of the principles and instruments for communication, with the purpose of producing a suitable communications infrastructure. One of the most basic principles behind effective systems of communication is the determination of access rights to particular segments of information. This requires careful analyses of specific information requirements at every level of the management structure. Communications systems should define specific groups of information recipients and adjust the forms and methods of communication to suit their particular needs and demands.

The sum of the intentional and deliberate acts of communication transmitted via specific channels and based on specific procedures and regulations is typically referred to as a communication technique. An organisation may utilise a number of communication techniques in parallel, including but not limited to: brochures, bulletins, conversations (formal, social, informal, online), employee handbooks, folders, instructions, internal PA broadcasts, interviews, intranet, letters of application, letters of complaint, mail (traditional and electronic), MBWA (Management by Walking Around), meetings (briefing, conferences – both tele- and video-), memos, negotiations, newsletters, notice boards, posters, public addresses (program statements, lectures, reports, presentations), regulations, reports (accounts, protocols, opinions, reviews), surveys, training, video clips and recordings [Potocki, Winkler, Żbikowska 2011, p. 15].

Modern organisations, particularly those with complex hierarchical structures, show a preference for communication in electronic form, as the dominant approach in everyday communication tasks [Robbins, Judge 2012, p. 243]. IT support for individual areas of company operation is no longer perceived as a rare asset, but as a necessity, particularly in the context of globalisation and international cooperation [Karwiński 2006, p. 75]. This type of support is effected through a variety of IT instruments and systems, which can also serve as tools for internal communication. IT solutions offer the immediate and real-time transmission of pertinent information to
multiple recipients, as well as complete control over the flow of information within the company. The rapid dissemination of information has the effect of improving the coordination of activities undertaken in various, often geographically distant locations – this aspect is of particular significance for large and complex corporate groups.

In the first phase of our empirical study, the respondents were asked to report the most frequent communication techniques used for the purpose of exchanging information between individual elements of the structural hierarchy in their respective corporate groups. The companies under study were found to utilise both indirect forms of communication (electronic) and direct techniques (face-to-face exchanges, both in groups and individually). The survey results suggest that the most fundamental instruments of indirect communication in corporate groups under study include: e-mail, intranet, telephone conversations, instant messengers, videoconferencing, and the Internet. With respect to direct communication, the most frequently reported instruments included various types of meetings and working sessions, individual contacts and formal events (conferences, conventions, training sessions). The circulation of internal documents within the organisation was another important communication tool reported by most of the respondents; this involved such documents as formal sets of regulations, registers, handbooks and company newsletters.

In the context of corporate groups, two main groups of internal systems of communication can be discerned: in-house and group-wide [Nogalski, Ronkowski 2000, p. 368].

In-house communications systems cover the information requirements of a single entity within the corporate group structure; these can be further divided into:

- the parent company system – as a source of the most important decisions made with respect to the group as a whole, responsible for the circulation of information to individual organisational units and positions within the structure of the corporate group,
- subsidiary systems – responsible for the dissemination of information between individual units and positions within each subsidiary.
The above systems of internal communication are designed to provide channels of communication for employees, as required for the realisation of team assignments within each individual company. They should also serve as channels for information exchange between individual employees.

Group-wide communications systems, on the other hand, refer to systems designed to satisfy the information requirements of multiple companies within the group, i.e. to provide channels for information exchange between the parent entity and its subsidiaries, as well as between individual subsidiaries.

The second phase of our study involved detailed analyses of the internal communication systems within corporate group structures. The case studies presented below represent two of the corporate groups under study. The first group is an international economic structure with organisational units located in various remote parts of the globe. The second group is a Polish corporate group with subsidiaries located mainly on Polish territory (plus two branch entities located in neighbouring countries).

With respect to the former group, the study was conducted from the local perspective of their Polish subsidiary, classified in the group’s hierarchy under the European regional division. Internal communication in corporate group B (referred to as the communications plan) is formally defined in the group’s internal regulations, together with a detailed specification of any other processes observed within the group. There is no separate communications department within the group – the task of managing internal communication processes is assigned to a single employee of the HR department (a part-time assignment). This person is responsible for the realisation of the tasks defined in the communications plan, as well as for any other tasks that may arise in response to the specific requirements of other recipients. The person maintains contacts with other structural units of the corporate group (via the internal communication system), both at the level of individual product lines and at regional level. This person is directly involved in the dissemination of most of the communication and information addressed to product line representatives or regional branches. In addition, the group appoints a dedicated team of Group Communication officers at corporate level – their role is to attend to the communication needs of the whole group and to ensure the proper coordination of activities between various locations.
Out of the basic instruments of internal communication, the group regularly employs the following: e-mail, intranet, managerial meetings, teleconferencing, and board members’ meetings with the employees. In addition, following the introduction of the part-time post of communications officer, a number of new communication instruments have been deployed by the company under study, such as:

- regular editions of the company newsletter: “Pulsy zakładu”,
- quarterly meetings attended by all employees,
- regular ‘open days’, informal picnic meetings,
- ‘ask the chairman’ mailboxes.

The organisation utilises a system of communications audits performed by internal auditors. The results show that, for instance, the subsequent editions of the company newsletter are read by most of the staff. The audit results are perceived as the basis for decisions to introduce various activities designed to improve communication flow, e.g. improving the quality of quarterly meetings. In the near future the company plans to perform another audit to verify whether the above activities will have resulted in measurable improvements, since the management has reasons to believe that information is not cascaded properly, i.e. it tends to get stuck at middle management level without effective propagation among the production staff. If this assumption is correct, then daily meeting proceedings, as organised by middle managers for their teams, should be improved to ensure that the flow of information is complete and not reduced to purely operating aspects. The audits also found that the notice boards were not studied regularly by employees.

With respect to the communication activities on regional level, the group under study employs a system of quarterly reports required from regional and division officers (directors). This type of information does not apply directly to the Wrocław subsidiary under study, but can be regarded as a good source of information on the operating specificity of the group. Apart from regional news, these reports contain information pertinent to the whole of corporate group B, to be used by individual managers, disseminated down the hierarchical ladder and discussed with employees. Not all the messages are produced in the Polish language, which seems to be a barrier for some employees.
From the respondent’s viewpoint, the whole process of internal communication lacks one important aspect, namely regular meetings with direct superiors (i.e. product line managers). The most important barriers reported with respect to internal communication system included difficulties in the process of passing information to lower management, and inadequate budget assignments (‘not enough resources to provide a quality service’).

In the other corporate group, the research was carried out from the perspective of the subsidiary which is the leading entity within the Corporate Entity 1, part of Corporate Group I. The research proves the occurrence of formal internal communication systems at the level of particular subsidiaries, corporate entities and the entire corporate group. From the perspective of Corporate Entity 1, the communication system involves chiefly information transferred electronically. In the entity, three so-called ‘strategic mailboxes’ are in use:

- mailbox I includes messages from the Corporate Entity I Board. The messages are for all employees and refer to promotions, assignments and results;
- mailbox II includes messages from the Personnel Director. They are sent to all employees and selected managers and they refer to internal competitions, promotions, assignments and staff matters;
- mailbox III is for messages from the Training and Development Department. These relate to staff development as well as promotion of management training tools or writing articles for the Intranet.

Beside electronic communications, direct forms are also in operation, i.e. regular meetings of the Board with key managers. At the moment, cascading the information to the lower levels of the hierarchy needs improvement. In the subsidiaries, Board members organize meetings with their directors. Within the group, communication occurs also in the following forms:

- Majority Shareholders’ Gala – owners meet the whole Corporate Group,
- Sales Gala – all sales staff meet the Chairman and Vice-Chairman for Sales,
- Management Gala – award event for managers, attended by the Chairman,
- meeting of internal auditors with the Chairman,
- management review, the so-called "leaders’ confession",
- cascade briefings for large regions.
The information presented above shows that the communications system in the analyzed group make use of electronic communications (the Internet and the Intranet, internal mail system, teleconferences, in-house bulletins), management meetings, meetings of the Board with the staff, and the Chairman's participation as the patron of the personnel activities.

In the respondent's opinion, the communication system in the organisation requires some improvements. It is necessary to revise, among others, the issues connected with the lack of strategy the communication system, as not all companies manage to develop a formal strategy, or the lack of ambassadors – this function could be fulfilled by company managers. At the moment a project to create workshops for the Board on change in communication is being developed, as well as management training in leadership with elements of communications.

The main barriers in the process of communication are:

- mental barriers, i.e. the employee gets the feeling that he/she is only a tool and does not have to know the context of the task,
- considerable power distance,
- too much information for operative staff – employees cannot remember all of it.

As part of the communications system improvement in the group, the Training and Development Department is working on the form, content and symbolism of the information transferred in e-mail form.

Communications systems in the two presented above corporate groups are examples of organizing internal communication in spatially dispersed companies. The system is based primarily on information technology, making the flow of information easier. However, it is not the only way of communicating. Different communication tools to foster direct contacts are also used, which is of the utmost importance for building and maintaining social integration within the group. It is worth emphasizing that the examples presented show both the best communication practices and the potential barriers to communication within the framework of the corporate group's structure.

Regardless of the type of corporate group, every structure of a group should create a communication system adapted to its environment and needs. The
system should stem from the needs of its organisation and its policy, as well as from the range and technology of the production or service provision, or the extent of management centralisation in the corporate group [Nogalski, Ronkowski 2000, p. 359].

7. The personnel function as a communication and social integration tool in a corporate group in the light of empirical research

Cooperation between units forming a corporate group cannot exist without creating interpersonal links and relations. This means that a condition for cooperation is “connectedness” which is realized through established communication channels [Kreft 2004, p. 90]. The communication should be viewed holistically as a process that embraces different functional areas, particularly the personnel function. The communication process is an inseparable element of HR activities, from recruitment and selection, through implementation, motivating, assessment and training, up to redundancies. The units responsible for the realisation of the personnel function should participate in the creation and realisation of the rules and instruments of internal communication. It is worth pointing out that the cooperation between the HR departments and the field of internal communication is a frequent practice in the process of implementing change in the organisation [Quirke 2011, p. 329-331].

It must be pointed out that contemporary organisations are departing from perceiving the field of human resources management only in terms of administrative activities. Activities within the field of the personnel function should translate into creating value that would satisfy the needs of the main stakeholders, which implies cooperation on the level of current activities and also in the strategic dimension [Pocztowski 2006, pp. 501-502].

In the examples of the corporate groups analyzed above, the contribution of HR to internal communication was also analyzed.

In Corporate Group B the headquarters of each region of the group have to ensure that all information, documents and new processes were accessible
at the same time to all divisions and to all HR departments. The information is transferred through different channels such as teleconferencing, regular meetings with the Vice-President, quarterly meetings with the regional manager, or in different other forms of messages.

In the case of the company under study, the Personnel Manager communicates with the company Board on a regular basis, she sees the Chairman at least several times a week. Her meetings with the Group Board occur once every quarter. Her contacts with the local Board normally relate to issues like establishing the strategic areas for training for the given year, decisions about awards or bonuses, or the order of tasks. The Company Board has meetings with HR to receive reports on different areas of HR activities and key HR operations currently under way.

The personnel unit contacts line managers on a regular basis. These contacts are chiefly about cascading global information through the staff assessment monitoring process up to recruitment.

In the second of the groups, i.e. Corporate Group I, the flow of information and HR documents to and from the parent company to subsidiaries is a process. However, in the realisation of a process mistakes may occur. In the company under study there are frequent contacts between the personnel unit and line managers. These contacts relate to:

- staff issues (formal and legal),
- consultation on the theme of the competences necessary to perform tasks,
- communication relating to understanding aims and the realisation of milestones for which the line managers are responsible.

In the company under study, line managers have supervisors who transfer information from the line level to HR (needs concerning knowledge, training, improvement of processes). HR welcomes initiative in other supporting functions, like process improvement, besides initiatives in the field of development.

On the level of the company, the manager of the personnel unit contacts the Board very frequently for formal and legal issues (particularly conflict areas). However, on matters relating to development, HR contacts the Board every time
it needs acceptance for its initiatives (directly with the Board – on the matter of development there is regular contact with the Vice-President for Sales and the person responsible for management development). On the Group level the contacts between HR and the Board are not so frequent.

The flow of information within a corporate group is based on a network of personal connections that link individual companies and functional positions on various levels of the group's management structure. This network of personal ties is translated into social integration within the group. The personnel function serves to regulate and integrate all the social processes that occur in the group's organisational and hierarchical structure, offering the potential for maintaining the required level of social integration within the group [Zając 2012, p. 43].

Personal ties are an important element of corporate group integration. Professional literature defines personal ties as the practice of appointing selected persons to serve multiple roles and functions in the managerial structures of individual companies within the group (executive boards, supervisory boards, audit committees), or the practice of formally employing the same persons to work in several companies within the group [Trocki 2004, p. 62]. Depending on their positioning within the structure of the grouped entities, personal links may be distinguished into vertical and horizontal. Vertical links – referring to hierarchical structures – are characterised by the simultaneous positioning of individuals to serve functions in both the parent entity and on the level of subsidiaries. Horizontal links – referring to equal status structures – describe the practice of unions made with respect to different functions in various companies representing the same level of structural positioning.

Personal union, in the context of corporate groups, may take on three distinct forms, namely: ownership union, managerial union and employment union [Gołąb 2012, p. 23]. Ownership-type unions are observed in the so-called personal holding structures, when a single owner or group of owners are represented in the boards of multiple subsidiaries under their control. Managerial union describes the practice of combining many functions in the managerial structures of grouped companies (executive, supervisory). This type of union is also referred to as personal management union. When personal
union applies to all the members of the controlling board, the resulting formula is referred to as a complete union; in this approach, all members of the controlling board fulfil all the functions in another board. When personal union applies only to selected members of the controlling board, the resulting formula is referred to as a partial personal union. Employment union (personal) represents the practice of employing the same person in multiple companies to carry out the equivalent or similar functions. This type of personal union applies typically to middle-level managerial staff or specialists.

The above types of personal union describe the so-called personal integration within corporate groups.

The use of personal union in corporate groups offers a number of benefits. This solution not only improves and facilitates the flow of information within the group, but also serves to [Romanowska, Trocki, Wawrzyniak (eds.) 2000, pp. 151-152; Trocki 2004, p. 63]:

- reinforce the group’s integration in the realisation of shared strategic objectives,
- enable the realisation of joint policies,
- improve the effectiveness of ownership supervision,
- facilitate the acquisition of qualified managerial staff and reduce their maintenance cost,
- offer good potential for personnel development within the group, based on the confrontation of various competences and experiences.

Personal union as an organisational solution (or, more specifically, managerial union) helps solidify the balance of power within corporate groups and reinforces the integration of their structures. Personal union is a manifestation of the adopted approach to the configuration of the managerial responsibilities of the controlling entity (the executive and/or the supervisory board of the parent company) with respect to its subsidiaries. H. Jagoda and B. Haus define personal union as an organisational model based on a dual mandate approach [Jagoda, Haus 1995, pp. 121-123]. In this model, the chairmen of subsidiary boards are, at the same time, acting members of the parent board. This is effected through the delegation of parent board members to the boards of individual subsidiaries or, alternatively, through appointing members
(chairmen) of individual subsidiaries’ boards as members of the board at the parent company. This solution offers a good representation of subsidiaries’ interests at central management level and guarantees that those interests will be taken into account in the decisions made with respect to the group as a whole. This has the additional effect of reinforcing the identification of subsidiaries with decisions made with their help. From the viewpoint of the internal integration of corporate groups, the dual mandate model (personal union) may be regarded as a positive organisational solution, since it offers not only the fast identification of current issues and problems at subsidiary level, but also warrants a fast response to the problem at hand. At the same time, this approach helps reduce the load for central management, since it no longer needs to keep stock of all the minutiae of the running of subsidiary operations. On the other hand, however, the application of this model may give rise to an imbalance or the improper execution of dual mandates on either level of management, to the effect of putting excessive focus on operating problems at the cost of formulating broad strategic decisions for the group as a whole.

If a corporate group decides to forfeit the use of the dual mandate strategy, it must find other organisational methods to ensure the proper representation of subsidiary interests at central management level and to reinforce the group’s integration [Jagoda, Haus 1995, p. 123]. In this context, the recognition of subsidiary interests may be ensured through the use of the following models of managerial configuration: separation, collegiate, portfolio, or departmental (cf. Table 7.1). The models presented in Table 7.1 are arranged in ascending order representing the degree of institutionalisation of subsidiary interests. In other words, the list follows the order of increased decision-making entitlements offered to representatives of individual subsidiaries within the group.

The above characteristics of the models used for the purpose of representing subsidiary interests is designed with reference to the boards of parent companies or controlling entities, but the models may also, to some extent, be adopted as strategies for the composition of boards on the level of individual subsidiaries. Thus, it is possible to adopt the approach based on clubs of board members (the collegiate model) or to delegate representatives of the group’s management or other officers from the parent company as members of subsidiary boards (a solution integrating certain elements of the portfolio model and the departmental model) [Jagoda, Haus 1995, p. 132].
7.4. The personnel function as a communication and social integration tool...

Table 7.1. Central management configuration models employed by corporate groups

<table>
<thead>
<tr>
<th>Model of managerial configuration</th>
<th>Representation of subsidiary interests</th>
<th>Decision-making entitlements granted to subsidiaries</th>
<th>Impact on integration within the corporate group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separation model</td>
<td>No organisational connections between subsidiaries and the board of the parent entity. Coordination of activities between subsidiaries is observed only on a per-instance basis, and involves passing of information up and down the channel and receiving decisions from central management.</td>
<td>No representation of subsidiary companies. Decisions with respect to subsidiaries are made by central management, without subsidiary involvement, and passed in a top-down approach, in the form of executive directives.</td>
<td>This model is a recommended approach in cases requiring the endorsement of formal independence and the authority of individual subsidiaries. It results in weak integration between the parent entity and its subsidiaries.</td>
</tr>
<tr>
<td>Collegiate model</td>
<td>Setting up a dedicated collegiate unit (a committee) at group level, with selected representatives of company boards (parent and subsidiaries).</td>
<td>Representatives are appointed to a collegiate body; the new structure is not a supplementary decision-making authority, but is involved in decision-making processes in an advisory capacity.</td>
<td>The collegiate body, as a forum for regular representation of the group's interests, facilitates close integration between members of the corporate group.</td>
</tr>
<tr>
<td>Portfolio model</td>
<td>Assigning members of the parent board to specific subsidiaries, but not in the capacity of formal members of the respective subsidiary board.</td>
<td>Representatives of subsidiary companies act as spokespersons representing the interests of their companies; they are not equipped with any formal decision-making powers.</td>
<td>Spokespersons are the primary source of information on represented companies and serve as information carriers in formal exchange processes.</td>
</tr>
<tr>
<td>Departmental model</td>
<td>Assigning members of the parent board to specific subsidiaries, and equipping them with formal decision-making powers. In effect, a new level of management structure is formed, to serve as an intermediary between the parent board and individual subsidiary boards.</td>
<td>Representatives of subsidiary companies are equipped with formal decision-making powers with respect to their respective companies.</td>
<td>Interests of individual subsidiaries are represented on the level of central management; at the same time, representatives of subsidiaries – in their decision-making entitlements – are required to represent the interests of the group as a whole.</td>
</tr>
</tbody>
</table>

Source: own research, based on [Jagoda, Haus 1995, pp. 124-130].
On the one hand, the use of personal ties in corporate groups helps to ensure the proper realisation of the centrally defined objectives of the whole group. On the other hand, it offers the potential for the effective representation of subsidiaries’ interests at top management level, which directly translates to the level of integration within the group. The postulate of integration should apply to the corporate group as a whole. In this context, it should be noted that some corporate groups are organised in multi-level structures, i.e. companies controlled by the parent entity can themselves be dominant (superior) to other companies down the hierarchical ladder [Nogalski, Ronkowski 2000, p. 289]. This particular setting also requires the provision of the proper representation of subsidiary interests (within the existing structure of subordination) on the higher level of the group’s management.

At the first stage of the empirical study, our respondents were asked to describe the use of personal union in their respective groups (specifically, the dual mandate model). The results confirmed the use of personal union as the prevailing instrument in the selection of candidates for the executive and supervisory boards of individual subsidiaries – this solution was confirmed by nearly 40% of the groups under study. With respect to operating corporate groups, personal union was reported in nearly 40% of the entities under study, while the strategic-type corporate groups adopted this form in 50% of the cases under study. However, the study was not designed to analyse the specific character of such personal union (full vs. partial). Also, the use of other forms for the representation of subsidiary interests was not subject to analyses. The results may suggest that the remaining groups did use some other forms of subsidiary representation. It must also be noted here that the most widely represented approach in Polish corporate groups was one based on the separation model [Jagoda, Haus 1995, p. 124], as the clearly dominant solution observed in the early stage of corporate group formation in Poland.

References
References


