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Organisational effectiveness of Australian fast growing small to medium-sized enterprises (SMEs)

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Abstract
Purpose – Small to medium-sized enterprises (SMEs) continue to make a major contribution to the Australian economy. However, research into organisational processes within SMEs has been limited to date. This study aims to examine the links between communication processes and organisational effectiveness in SMEs.

Design/methodology/approach – This quantitative study uses social capital theory as a framework to investigate whether employees’ level of satisfaction with organisational communication processes affects organisational outcomes within three high growth manufacturing SMEs in one area of Australia.

Findings – Results indicate that organisational communication processes does affect employees’ levels of ambiguity regarding customers, job satisfaction and commitment to their firms.

Research limitations/implications – While generalisability is limited because of the small number of SMEs participating in the study, the research indicates great potential for developing theoretical and practical insights into Australian SMEs that would assist industry and employees overall.

Practical implications – Implications for the growth strategies of SMEs, particularly in relation to the current skilled labour shortage, are discussed.

Originality/value – The paper contributes much needed theoretical development and research into SMEs.

Keywords: Organizational effectiveness, Small to medium-sized enterprises, Communication, Job satisfaction, Social capital, Australia
Communication processes are centrally important to all aspects of organisational functioning (Rodwell et al., 1998), with particular implications for long-term productivity and organisational effectiveness. The quality of communication practices is likely to be associated with role clarity and job outcomes in terms of providing high quality service. This is particularly relevant for service as well as manufacturing organisations, such as Australian manufacturing small medium enterprises (SMEs), where the provision of a high quality service is critical for organisational effectiveness (Adsit et al., 1995). Extensive research has been undertaken examining the impact of organisational communication practices on levels of ambiguity regarding customers (Johlke and Duhan, 2000; Johlke et al., 2000), on job satisfaction (Brunetto and Farr-Wharton, 2004; Johlke and Duhan, 2001) and on employee commitment (Clampitt and Downs, 1993; Clampitt and Girard, 1987; Johlke and Duhan, 2000). While this research has explored the relationship between the quality of communication processes and organisational effectiveness in large organisations, further research is needed to examine the nature of the relationship within other organisational contexts, particularly within fast growing Australian manufacturing SMEs. This context has been largely overlooked in the literature.

Such a perspective is important for countries where SMEs make a significant contribution to the economy. For example, SMEs make up the majority of firms in the Australian economy (Barnes and Kennard, 2002) with 94 per cent of firms having less than 20 employees in 1999 (Department of Industry, Science and Resources, 1999). Similarly, within the UK, most firms are SMEs with 99.3 per cent of all firms being small (0-49 employees) or medium-sized – 0.6 per cent (50-249 employees) (Small Business Service, 2006). The number of SMEs in Australia has at least trebled and their contribution to economic output has doubled since the 1980s presently contributing 35 per cent of gross domestic product and employing nearly 49 per cent of all private sector employees (Barnes and Kennard, 2002; Australian Bureau of Statistics, 2001). Within Australia, a small business is defined as one that is independently owned, operated and managed and employs less than 20 employees and a medium-sized business is one that employs between 20 and 200 people (Australian Bureau of Statistics, 2001, p. 1).

SMEs are different from larger firms because they usually have a centralised structure with the owner/manager making most of the major decisions (Cragg and King, 1993). They also tend
to be more concerned with survival rather than growth (Gray, 2002). This is because they are often “time poor” and as such, they tend to focus mostly on operational activities (Garengo et al., 2005). Thus, while SMEs are the dominant type of firm in a number of countries (such as Australia, New Zealand, Sweden and Norway), they may not be acting in an entrepreneurial manner. Notably, only 5-10 per cent (about 100,000 firms) in Australia actively engage in growth strategies and export development (Grome, 2003). Growth and development within SMEs generates an important change context that provides particular challenges for communicative relationships between managers and employees. Thus, increasing and maintaining the efficiency and effectiveness of organisational processes to ensure their strategic advantage is a challenge for fast growing firms (Fay and Luhrmann, 2004; Jick, 1995) especially when Australia, like many other countries, is facing a shortage of skilled labour (Productivity Commission, 2005). While 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, and thus assure quality processes and outcomes that can sustain longer term productivity, growth and retention of skilled employees (Brunetto and Farr-Wharton, 2004).

Effective communication is also critical for developing and maintaining positive working relationships. The effectiveness of communication processes impacts on the quality of relationships that develop between employees and management, because communication experiences are the mechanisms from which trust develops (Mueller and Lee, 2002). In particular, the quality of relationships between employees and management determines employees’ ability to access relevant information in order to solve day-to-day problems that arise in the workplace (Cohen and Prusak, 2001). It is useful to consider these processes theoretically and noteworthy that social capital theory is based, in part, on the notion that “social capital” develops as effective relationships are formed within organisations. Social capital theory can therefore provide an important perspective to the present research area in providing a framework to better understand how the quality of communication processes affects working relationships and in turn, impacts on organisational outcomes such as customer ambiguity, job satisfaction and employee commitment.

Social capital theory also proposes that there are economic benefits for the organisation that accrue because of the quality of the relationships between employees and management (Lin,
One of the key ingredients determining organisational effectiveness is the quality of social networks. In every organisation there are those who possess the knowledge and skills to solve most workplace problems. However, the ability to access those employees depends on the quality of existing networks. When the quality of these relationships is good, then there is a flow of information, resources, emotional support, trust and goodwill and the reciprocity of that support, trust and information (Cohen and Prusak, 2001; Kessels and Poell, 2004).

Moreover, communication mechanisms for establishing and sustaining organisational relationships affect levels of trust and affective commitment (Mayfield and Mayfield, 2002, p. 90) and, in turn, job satisfaction and ambiguity regarding key performance factors such as customer focus. For example, commitment level is likely to be related to organisational effectiveness (Varona, 1996) because it is linked to the quality of the communicative relationships among management, employees and customers within organisations (Dunn and Thomas, 1994, p. 10). Employees’ levels of job satisfaction are also strongly influenced by the quality of relationships within organisations, which affect levels of ambiguity, particularly regarding customers, and therefore organisational performance. The purpose of the present paper is to detail findings from a pilot study examining the relationship between employees’ level of satisfaction with organisational communication practices and the consequent impact on employees’ level of ambiguity regarding customers, job satisfaction and commitment within three Australian manufacturing SMEs.

The three SMEs studied are examples of fast growing firms that are actively pursuing strategies for growth. The three firms have recently undergone organisational changes typical of high growth firms; hiring of new employees and buying new equipment. For them, retaining their skilled labour is essential if they are to continue their growth strategy. They do not have a developed HRM infrastructure nor do they have well-developed knowledge management processes and vehicles, such as operational manuals, instructions and guides. Therefore, it is important to understand the relationship between employees’ level of satisfaction with organisational communication processes and their levels of ambiguity regarding customers, job satisfaction and commitment. Social Capital theory is used as the theoretical framework for the present research to provide a lens for examining how these organisational processes interact. The primary research question is:
Does the employees’ level of satisfaction with organisational communication practices affect organisational outcomes (customer ambiguity, job satisfaction and affective commitment) within fast growing Australian manufacturing SMEs?

This paper is presented in two parts. The first part further explains the theoretical and conceptual framework that informs which literature is reviewed. Relevant secondary research questions emerge from a review of this literature. The second part examines the results from hierarchical regression analyses of relevant data and the discussion involves pattern-matching with relevant past research. The answer to this question is particularly relevant to Australian fast growing SMEs that find it difficult to retain skilled employees.

**Theoretical background**

**Social capital theory**

Social capital theory can explain how the relationships that develop within organisations can positively impact on both the individual employees and the organisation as a whole (Cohen and Prusak, 2001; Coleman, 1990; Seibert et al., 2001). Lin (2001) argues that productive employees use their social networks to undertake their work tasks effectively and that the quality of the relationships between employees and management impacts on the effectiveness of organisational processes. As a consequence, the quality of relationships affects the economic performance of the firm (Jick, 1995; Fay and Luhrmann, 2004). As successful social networks ultimately return benefits to the organisation as a whole, it is in the firm’s best interest to ensure that organisational resources are directed towards developing and maintaining effective relationships between employees and management (Lin, 2001, p. 25; Kessels and Poell, 2004). Social capital develops from the exchange of intangible by-products (such as reciprocity in trust, information-sharing and respect) that become apparent in the efficiency and effectiveness of organisational processes and may ultimately result in the formation of new innovations (Nahapiet and Ghoshal, 1998).

Despite its importance, there have been limited attempts to understand the concept of social capital to date. Nahapiet and Ghoshal (1998) extended previous conceptualisations of social capital to include three interrelated dimensions; structural, cognitive and relational aspects. The structural aspect refers to the formation of linkages between people within organisations,
whereas the cognitive aspect refers to adoption of common values, beliefs and language amongst the people within a network. On the other hand, the relational aspect is defined as the social capital that develops as people within organisations form effective relationships. Although these three dimensions are inter-related, the focus of the present paper is on the “relational” dimension to explore the affect of communication processes on relationships between employees and supervisors, and their impact on levels of customer ambiguity, job satisfaction and commitment.

Within the “relational” dimension, it is argued that communication processes would be significant in determining the quality of organisational relationships because communication is critical for developing and maintaining positive working relationships, harmony and trust (Hunt et al., 2000). Within the SME context, the relational dimension assumes that employees would use a range of communication processes, particularly, the relationship with the supervisor to gather information and skills in order to undertake their work tasks more effectively. Moreover, communication processes are the main mechanisms for assisting new employees to interpret the organisational work culture through learning about rules and values of importance to the context (Mills, 2000). Rothwell and Scedl (1992, p. 376) argue that when communication processes are effective, the organisation becomes more successful at solving problems, making decisions, and undertaking effective collaborative activities. This construct indicates a strong link between communication processes and the quality of relationships within a particular organisation.

The assumption about effective relationships is that members mutually trust, like and respect each other and in turn, share similar norms, obligations and knowledge (Kessels and Poell, 2004; Nahapiet and Ghoshal, 1998). As a result, they are prepared to assist one another and undertake more tasks and/or are committed to doing the tasks well because of the relationships that have developed. Examples of the impact of these processes include the quality of communication processes between employees and management and the organisational commitment of employees that results when effective relationships between employees and management are nurtured. In summary, social capital theory proposes that the quality of communication processes affects employee-management relationships and thereby affects the effectiveness of organisational processes (Lin, 2001). These same processes are also likely to impact upon the profitability of the firm by affecting employees’ level of ambiguity regarding customers, job satisfaction and commitment to the organisation.
**Communication processes**

Communication is defined by Smidts et al. (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. The effectiveness of organisational communication processes affects the identity and organisational climate within an organisation and, in turn, impacts on the performance of the organisation. It is suggested that communication is most effective when it is timely and appropriate and enables employees to better understand how to perform their jobs well (Lashley and Lee-Ross, 2003). According to Gray and Laidlaw (2002), any deterioration in communication processes is likely to affect employees’ satisfaction and customer service quality provision. If employees are not satisfied with information received they are likely to be uncertain about a range of organisational issues (e.g. organisational change) as well as their own roles and responsibilities, especially regarding customer service. These uncertainties may increase role ambiguity and in turn affect job satisfaction and employee commitment. Importantly, such problems may relate to the quality of communication processes rather than the actual information. As noted by Keller (1994), issues related to uncertainty and ambiguity are usually associated with lack of clarity rather than lack of information.

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 and 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 and Hazen, 1977; Johlke and Duhan, 2000). Johlke and Duhan (2000) provide a set of four communication dimensions including communication frequency, communication mode, communication content and communication flow.

**Communication frequency** refers to the amount of information exchange between individuals in organisations (Patrashkova-Volzdoska et al., 2003). It is suggested that high communication frequency between employees and supervisors is likely to improve employee job satisfaction and job performance (Ancona and Caldwell, 1992; Johlke and Duhan, 2000). However, it is also argued that high frequency information provision (too much communication) has the potential to disturb and distract employees (Johlke and Duhan, 2000), which may
overload employee capabilities and affect their performance (Goodman et al., 1986). According to Robbins (2001), information overload is likely to result in loss of information and less affective commitment. On the other hand, low frequency communication may be associated with limited information/feedback and perceived lack of attention from supervisors, which may create uncertainty and in turn affect employee performance (Kacmar et al., 2003). Johlke and Duhan (2000, p. 162) also argue that insufficient communication contact “could leave the employee without the necessary guidance and attachment to the organisation”. However, previous studies suggest that communication frequency is not associated with either employee job performance (Johlke and Duhan, 2000), job satisfaction (Johlke et al., 2000) or employee role ambiguity (Johlke and Duhan, 2001). These contradictory research findings and suggestions indicate the importance of further investigating appropriate frequency for communication/information sharing within particular organisational contexts. This is particularly important during change episodes, where it might be supposed that appropriate communication frequency may assist in minimising negative or detrimental impacts for any given organisational change.

Communication mode is another communication dimension that is likely to influence the effectiveness of communication with a consequent impact on organisational outcomes such as customer ambiguity, job satisfaction and employee commitment to the organisation. The two basic communication modes are formal (e.g. newsletter, written memos and letters) and informal (e.g. verbal, face-to-face interactions; see Johlke and Duhan, 2000). Daft and Lengel (1984) argue that informal communication is more appropriate when the message to be given to employees is difficult and ambiguous (as in change episodes) and when there is a difference in background and opinion between sender and receiver. Informal communication (e.g. face-to-face) may be more effective than formal communication (e.g. written communication) because the former usually involves a number of rich communication cues such as verbal and visual (Zeithaml et al., 1988), which may allow clarification between sender and receiver and a better opportunity for a shared understanding (Eby et al., 1999; Lashley and Lee-Ross, 2003). Although informal communication is seen as more effective in a number of ways, both informal and formal communication flows exist in all organisations, and are associated with advantages and disadvantages for an effective communication process (see Lashley and Lee-Ross, 2003). Research findings suggest that e-mail and face-to-face communication are both curvilinearly associated with team performance (Patrashkova-Volzdoska et al., 2003). Other findings suggest
that informal communication (e.g. face-to-face) is not associated with either job performance or job satisfaction (Johlke and Duhan, 2000) and employee role ambiguity (Johlke and 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. This is a particularly important variable to be taken into account during episodes of change.

**Communication content** is yet another communication characteristic that can be used to assess the effectiveness of communication practices within organisations. Communication content is conditioned by the type of influence strategy used (Fisher et al., 1997). There are two basic influencing strategies in common use. The direct form of communication is a form of classical control management, typically associated with one-way performance feedback, focusing on compliance mechanisms such as promises, requests and threats (Frazier and Summers, 1984). The second form of communication content is indirect communication where employees are provided with a greater amount of information and the opportunity to be involved in decision-making (Frazier and Summers, 1984). Such a communication mode assists employees in understanding their work conditions better and is therefore more likely to reduce role ambiguity and foster higher levels of job satisfaction and employee commitment. As employees’ perceptions about role ambiguity are dependent on the quality of communication processes (Johlke and Duhan, 2000), close supervision and participation in decision-making may reduce employees’ perceptions of role ambiguity. Findings from Johlke et al. (2000) suggest that indirect communication content is negatively associated with employee ambiguity regarding promotion, other managers and ethical situations. Furthermore, indirect communication may become even more important during change because it may enable employees to vent anxieties and feelings arising from change processes. The use of indirect communication in assisting to alleviate or ameliorate the psychological consequences of change ambiguity and uncertainty is becoming recognised as an important parameter of the change management process.

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 and Stead, 1996). Horizontal or lateral communication takes place among members at similar levels with more or less equal status or power (Adler and Elmhorst,
1999) within the same department/unit or different organisational areas (Lashley and Lee-Ross, 2003). Vertical communication on the other hand consists of messages sent from superiors to subordinates (downward) and from employees to their superior (upward; Timm and Stead, 1996). It is argued that two-way communication is essential for good workplace relationships as it is likely to improve the communication exchange (Fisher et al., 1997). Glover’s (2001) study suggests that the most preferred communication forms for employees are two-way communication (e.g. one-to-one meetings with managers) followed by downward communication forms (communication meetings and team briefs). 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. Thus, organisations need to use appropriate communication flow patterns to influence employees’ perceptions about organisational practices and policies (e.g. organisational changes), and in turn optimise employee commitment and organisational performance outcomes. That being the case, the role and importance of employee commitment must also be examined.

Thus, communication is considered to be a vehicle that influences employees’ behaviour because it affects whether trust between employees and management is established and sustained. This in turn, affects whether employees decide to stay or leave a firm (Mayfield and Mayfield, 2002). It is suggested, for instance, that open, honest and accurate communication may reduce applicants’ anxiety and shape expectations about the job and company goals and policies, thereby influencing ongoing commitment to the firm (Meyer and Allen, 1997). A number of studies support the proposition that there is a positive and significant relationship between employees’ perceptions about communication practices and their commitment to the organisation (Guzzo and Noonan, 1994; Mayfield and Mayfield, 2002; Thornhill et al., 1996; Varona, 1996). The adoption of appropriate communication practices therefore may well be an important strategy in influencing employees’ perceptions about organisational practices and policies and therefore employee commitment.

**Ambiguity regarding customers**

One important aspect of role ambiguity occurs when employees lack sufficient and relevant information to effectively complete their tasks (Singh, 1993; Walker et al., 1975). There are a
number of other aspects of ambiguity that have been researched including ambiguity regarding customers, other managers, ethical situations and supervisor support (Johlke and Duhan, 2000; Rhoads et al., 1994). While all these aspects are important factors, research attention should be directed towards role ambiguity regarding customers (Singh and Rhoads, 1991) because of the vital interactions between employees and customers. Indeed, role ambiguity on the part of employees who do not understand or are inadequately informed about customers needs and expectations, may be one significant source of customer dissatisfaction. The consequences of role ambiguity then may include customer dissatisfaction, employee dissatisfaction and reduced company profitability. A common theme in relevant research is the consistent negative relationship between role ambiguity and job outcomes such as job satisfaction and employee performance (Singh, 1993; Jackson and Schuler, 1985; Hartline and Ferrel, 1996; Johlke and Duhan, 2000). When employees are unclear about their role expectations (lack of sufficient and relevant information) the consequent role ambiguity is likely to result in low quality service. This suggests that clear and effective communication practices may reduce employee role ambiguity and improve employee satisfaction and employee commitment to the organisation. Empirical evidence has suggested that effective communication practices are associated with decreased employee role ambiguity (Brunetto and Farr-Wharton, 2004; Johlke and Duhan, 2000; Johlke et al., 2000).

**Commitment**

The concept of employee commitment has received significant attention within the organisational behaviour literature over the past three decades (Mathieu and Zajac, 1990). Organisational commitment is considered a major determinant of organisational effectiveness and employee well-being (Meyer and Herscovitch, 2001), because high employee commitment has been related to increased motivation and job satisfaction, lower labour turnover and increased job performance (Pitt et al., 1995; Porter et al., 1974; Randall, 1990) which in turn can lead to improved overall organisational performance. It is argued that organisational commitment is best understood as a multidimensional construct (Allen and Grisaffe, 2001; Meyer and Allen, 1991). Allen and Meyer (1990) developed a multidimensional model of commitment including measures of three forms of commitment labelled as affective commitment (emotional attachment to, identification with, and involvement in the organisation), continuance commitment (perceived
cost associated with leaving the organisation) and normative commitment (obligation to remain in the organisation). Of these three forms, affective commitment has received more research attention. The present study focuses on affective commitment to the organisation.

Affective commitment is defined as the relative strength of an individual’s identification with and involvement with a particular organisation (Porter et al., 1974, p. 604). It is expected that employees with strong affective commitment stay in the organisation because they “want to” (Allen and Meyer, 1990), which is based primarily on emotional attachment to the organisation (Meyer and Allen, 1997). Thus, affective commitment is likely to increase the likelihood that employees will remain in the organisation. Affective commitment has been the most widely studied and validated dimension of commitment (Aven et al., 1993; Steers, 1977), and the most strongly related to a number of variables including labour turnover, job performance, job satisfaction and communication (Clampitt and Downs, 1993). It is argued that employees with high affective commitment are likely to be loyal and highly attached to the organisation, thus reducing the likelihood of high labour turnover (Allen and Meyer, 1990; Meyer and Allen, 1997). It is also expected that employees who express greater affective commitment are likely to work hard (Mowday et al., 1982). Characteristics of the work environment are likely to influence the development of affective commitment.

Employee’s experiences within the work environment have been identified in the literature as one of the critical antecedents of affective commitment (Morrow, 1983). For instance, research carried out by Allen and Meyer (1990) suggests that work experiences that promote feelings of comfort and competence showed the strongest evidence concerning antecedents of affective commitment. Similarly, findings from Meyer et al. (1993) revealed that affective commitment is associated with positive experiences related to satisfaction with the job and training experience. Furthermore, a meta-analysis of the commitment literature suggests that superior/subordinate relationships are significant antecedents of employee commitment (Mathieu and Zajac, 1990). These findings indicate that a positive work environment in terms of effective communication between superior/subordinate is likely to lead to high affective commitment to the organisation. The quality of communication processes can also affect other aspects of the firm. For example, the type and quality of organisational communication and management practices can affect employees’ commitment to the job and their decision to stay or leave (Clampitt and Downs, 1993; Clampitt and Girard, 1987; Goris et al., 2000; Johlke and Duhan,
In addition, the way the organisational goals are communicated to employees and their role in achieving them, strongly affects job commitment (Anderson and Martin, 1995; Haskins, 1996).

Thus, the use of appropriate communication may be an important tool in reducing ambiguity regarding customers and enhancing job satisfaction and employee commitment to the organisation, particularly when the work environment is under the challenge of change. The hypotheses that emerge from a review of the literature are:

- **H1.** There is a significant relationship between communication variables (communication frequency, communication mode, communication content and communication flow) and ambiguity regarding customers.
- **H2.** There is a significant relationship between communication variables (communication frequency, communication mode, communication content and communication flow) and job satisfaction.
- **H3.** There is a significant relationship between communication variables (communication frequency, communication mode, communication content and communication flow) and affective commitment.

**Methodology**

This study uses a quasi-experimental design to assess the reciprocity of social capital by examining employees’ experience of organisational communication processes on their commitment levels. The one-shot experimental design is used to gather data to test whether communication processes affect ambiguity regarding customers, job satisfaction and commitment of Australian SME employees. Once all completed questionnaires were collected and analysed, the results were compared to past research (Babbie, 2004).

**Measures**

An instrument validated by Allen and Meyer (1990), “Three component model of commitment” was used to measure affective commitment as a dependent variable. Affective commitment was measured using six items. The instrument was accompanied by a seven-point Likert type scale ranging from “very strongly disagree” to “very strongly agree”. An instrument validated by Johlke and Duhan (2000), “Supervisor communication practices”, was used to measure
communication processes. The instrument was accompanied by a seven-point Likert type scale ranging from “very strongly disagree” to “very strongly agree”. The instrument includes the following independent variables: “communication frequency” (three items), “communication mode” (three items), “communication content” (four items), “communication flows” (four items). The instrument also includes two dependent variables: “ambiguity regarding customers” (five items) and “job satisfaction” (five items).

Samples
The choice of firms was based on the type of activity undertaken. A study of SMEs within the marine industry within one area of Australia (South East Queensland) identified four out of fifteen firms averaging at least 20 per cent 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 and Farr-Wharton, 2005). The four firms were approached and three of them agreed to their employees being surveyed. A total of 200 questionnaires were distributed and 121 were returned providing a response rate of around 60 per cent.

Results
Demographics
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).

Insert Table 1 about here

Results from quantitative analysis
Regression analysis was used to analyse the data. The means, standard deviations, correlations and reliability among this study are reported in Table 2. Coefficient alphas were all acceptable, ranging from 0.74 to 0.82, except communication frequency (0.43) and informal communication (0.40). However, these variables are from a validated instrument and thus they were used in this study. Variance inflation factors (VIF) were computed for each independent variable in this
study to test for potential multicollinearity. The largest VIF was 1.83 (under 4) that is relatively low and should not be cause of concern in the regression analysis (Fox, 1991).

The results suggest that **H1** should be accepted in part. As shown in Table III the results indicate there is a significant relationship between communication variables (communication frequency, mode, content and flow) and ambiguity regarding customers (F = 6.22, R² = 0.179, p = 0.000). This means that 17.9 per cent of employees’ level of ambiguity regarding customers can be explained by the combination of communication processes. Specifically, communication mode (β = 0.35 p<0.000) and communication content (β = 0.36, p<0.000) were significantly related to ambiguity regarding customers.

The results suggest that **H2** should be accepted in part. As shown in Table 3 the results indicate there is a significant relationship between communication variables (communication frequency, mode, content and flow) and job satisfaction (F = 6.62, R² = 0.189, p = 0.000). This means that 18.9 per cent of employees’ level of job satisfaction can be explained by the combination of communication processes. Specifically, communication content (β = -0.28, p<0.05) and communication flow (β = 0.46 p<0.000) were significantly related to job satisfaction.

The results suggest that **H3** should be accepted in part. As shown in Table 4 the results indicate there is a significant relationship between communication variables (communication frequency, mode, content and flow) and affective commitment to the organisation (F = 3.94, R² = 0.122, p = 0.005). This means that 12.2 per cent of employees’ level of affective commitment to the organisation can be explained by the combination of the communication processes. Specifically, communication flow was significantly related to affective commitment to the organisation (β = .32, p<.001).
Discussion
The present research provides important information about fast growing SMEs, which form a significant part of the Australian economy and have been largely overlooked by researchers. Social capital theory offered a very useful framework for conceptualising and examining the impact of communication processes on working relationships and in turn, on organisational outcomes. The present research examined the relationship between employee satisfaction with organisational communication processes and the resulting reciprocity of benefits and costs that accrue to SMEs when employees have high or low levels of commitment to the firm. The findings indicate, as might be anticipated, that the quality of organisational communication processes does affect the development of effective relationships between employees and management. The findings provide confirmation that employees’ levels of satisfaction with various aspects of communication processes does affect their level of ambiguity about customers, their job satisfaction and organisational commitment and therefore could impact on an SME’s ability to grow.

The research specifically examined whether employees level of satisfaction with organisational communication practices affected their commitment to the firm. The findings suggest that the quality of communication processes significantly affects employees’ commitment to the organisation in the case of SMEs. This is particularly important for fast growing Australian SMEs because their future growth depends, in part, on their ability to retain their skilled labour within the context of an increasingly limited supply of skilled labour (Productivity Commission, 2005).

Management determines the quality of organisational processes and relationships in the workplace, and as a result, determines the quality of services presented to the customer. The findings from this paper suggest that employees’ satisfaction with the quality of communication processes affects the level of ambiguity regarding customers and hence, the ability of employees to know clearly how to effectively deal with the demands of customers. These findings support previous research by Johlke and Duhan (2001) about the importance of communication processes
in assuring that employees know how to meet customers’ needs and expectations. This study provides preliminary evidence of the need for effective organisational communication processes to be embedded in Australian SMEs in order to ensure that employees do meet the needs of customers. More research is required to improve the generalisability of this result to other SMEs.

Moreover, the findings suggest that quality of communication processes also affects employees’ level of job satisfaction within SMEs. Past research suggested a positive relationship between communication practices and job satisfaction (Brunetto and Farr-Wharton, 2004; Johlke and Duhan, 2001) and a positive relationship between job satisfaction and productivity (Petty et al., 1984; Mathieu and Zajac, 1990) and low absenteeism and turnover (Eby et al., 1999). The contribution of this paper is that it identifies a similar significant relationship between communication processes and the level of customer ambiguity as well as commitment levels for employees within these fast growing SMEs. Hence, while the level of employee job satisfaction (mean = 5.54) and affective commitment (mean = 5.26) suggests that employees are at least slightly satisfied and committed to their job, the means for other communication variables suggest that they are not even slightly satisfied with communication frequency, communication mode and communication content. The results suggest that only two communication processes (mode and content) are significantly related to customer ambiguity and only bi-directional communication flow is significantly related to affective commitment to the organisation. In addition, only two communication processes (content and bi-directional) are significantly related to job satisfaction. While the frequency or quantity of communication does not appear to be significant, the findings suggest that the quality of communication processes, especially bi-directional communication flow, accounts for a significant amount of employees’ level of job satisfaction and commitment. The deficit in communication processes in Australian SMEs at present suggests that these firms will have difficulty retaining employees and the findings from this study indicate that the high turnover of employees will remain an issue.

The issue of limited labour resources has previously been identified as a major factor limiting the potential growth of these firms (Brunetto and Farr-Wharton, 2005). The present study indicates that employees perceive that the quality of communication processes may be one factor that needs to be addressed in order to improve the effectiveness of organisational processes and to enhance the clarity of employees in relation to the task of meeting the needs of customers. Therefore, for those SMEs wishing to pursue growth and development strategies, it is
particularly important to be mindful of the impact of communication processes on organisational culture and outcomes, especially under rapid change conditions. Future research could more fully investigate suitable organisational interventions that could enhance communication processes and the structural dimensions of relationships, particularly when growth and development are key SME goals.

A limitation of this study is common methods bias in relation to the questionnaire that was used for data collection. However, Spector (1994, p. 386) argues that as long as “there is reasonable evidence that supports our inference about it and our interpretation of what it represents”, self-report methodology is useful in providing trends that, in turn, provide useful insights into employees’ feelings and perceptions. While the use of questionnaire data provided important findings in relation to communication processes, further research into SMEs and related contexts would allow for greater generalisation.

**Conclusion**

This paper used the relational dimension of social capital theory as the lens to examine whether the reciprocity that develops between supervisors and employees affects employees’ commitment levels within Australian SMEs. Hence, the paper explored whether employees’ level of satisfaction with communication practices affected the development of “social capital”, and in turn, organisational outcomes such as employees’ level of role clarity/role ambiguity in relation to the customer, job satisfaction and their commitment to the firm. These preliminary findings suggest that the quality of communication processes is as significant in the development of effective relationship which in turn forms the basis for developing social capital within SMEs as it is for larger organisations. The findings suggest that the quality of communication processes does affect the quality of relationships and therefore affects whether social capital is promoted or thwarted. Hence, if firms want employees to stay with them, then it is necessary for them to invest in developing communication practices, thereby building the relational dimension of effective relationships between employees and management. This will nurture employee commitment, reduce their level of role ambiguity in relation to customers and enhance the job satisfaction of their employees. Moreover, because previous research has already established that the factors that affect job satisfaction also affect productivity, the longer term growth potential of these firms depends in part on their ability to improve organisational communication processes.
within a changing work context. The findings from this pilot study require further testing with different types of SMEs within different countries in order to validate the generalisability of these findings.

The implication of this research, in terms of sustaining economic growth within SMEs in Australia (and potentially elsewhere) is that the 10 per cent of those SMEs that are interested in pursuing growth strategies do face real challenges, especially in recruiting and retaining their skilled employees. The findings suggest that, because the relationship between employees and management affects the capability and commitment of employees to effective performance in the workplace, fast growing SMEs cannot neglect the quality of communication and relationship-building processes that assist in the development of organisationally effective social networks. Poor organisational communication processes inhibit employees’ ability to service customers adequately, reduce job satisfaction, employee commitment and ultimately, employee retention. The basic building block of a sustainable firm is effective organisational processes such as systemic and effective communication, without which firms cannot pursue growth strategies with any confidence of success. It is recommended that future research include more detailed investigation of appropriate interventions to enable SMEs to more effectively manage communication processes and create a positive culture for fostering quality relationships. The use of Social Capital theory in such research may prove valuable in providing more powerful insights when examining organisational processes and their consequences for SMEs in Australia in particular and other countries in general.
References


Table 1. Demographics

<table>
<thead>
<tr>
<th>SME firms</th>
<th>No of employees</th>
<th>No of useable surveys</th>
<th>Males</th>
<th>Females</th>
<th>Years with firm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&lt;1 year</td>
</tr>
<tr>
<td>A</td>
<td>55</td>
<td>31</td>
<td>31</td>
<td>0</td>
<td>23</td>
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<tr>
<td>B</td>
<td>110</td>
<td>47</td>
<td>43</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>C</td>
<td>51</td>
<td>43</td>
<td>40</td>
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Table 2. Means, Standard Deviations and Correlations

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Communication frequency</td>
<td>4.00</td>
<td>1.22</td>
<td>(.43)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Communication mode</td>
<td>4.55</td>
<td>1.27</td>
<td>.27**</td>
<td>(.74)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Communication content</td>
<td>4.68</td>
<td>1.26</td>
<td>.17</td>
<td>-.26**</td>
<td>.40</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Communication flow</td>
<td>5.27</td>
<td>1.28</td>
<td>.01</td>
<td>-.04</td>
<td>.42**</td>
<td>(.87)</td>
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<td></td>
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<tr>
<td>5. Customer ambiguity</td>
<td>3.56</td>
<td>1.82</td>
<td>.08</td>
<td>.27*</td>
<td>.25**</td>
<td>.06</td>
<td>(.86)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Affective commitment</td>
<td>5.26</td>
<td>1.01</td>
<td>-.09</td>
<td>-.01</td>
<td>.14</td>
<td>.33**</td>
<td>-.28*</td>
<td>(.85)</td>
<td></td>
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<tr>
<td>7. Job Satisfaction</td>
<td>5.54</td>
<td>.89</td>
<td>-.03</td>
<td>.04</td>
<td>-.06</td>
<td>.35**</td>
<td>-.21*</td>
<td>.43**</td>
<td>(.82)</td>
</tr>
</tbody>
</table>

** p < .01 (2-tailed)
* p < .05 (2-tailed)

Table 3. Regression Analysis Detailing Relationship between Communication Processes, Ambiguity Regarding Customers and Job Satisfaction

<table>
<thead>
<tr>
<th>Communication variables</th>
<th>Customer ambiguity</th>
<th>Job satisfaction</th>
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<tbody>
<tr>
<td></td>
<td>Statistically</td>
<td>Statistically</td>
</tr>
<tr>
<td></td>
<td>significant</td>
<td>significant</td>
</tr>
<tr>
<td></td>
<td>beta scores (β)</td>
<td>beta scores (β)</td>
</tr>
<tr>
<td>F=6.22 R²=17.9% p&lt;.000</td>
<td></td>
<td>F=6.62 R²=18.9% p&lt;.000</td>
</tr>
</tbody>
</table>

Communication Frequency  | .12                | -.02             |
Communication mode        | .35 p<.000         | -.10             |
Communication content     | .36 p<.000         | -28 p<.05        |
Communication flow         | -.07               | .46 p<.000       |
Table 4. Regression Analysis Detailing Relationship between Communication Processes and Affective Commitment

<table>
<thead>
<tr>
<th>Communication variables</th>
<th>Affective Commitment Statistically significant beta scores (β)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F=3.94 $R^2=12.2%$ $p&lt;.005$</td>
</tr>
<tr>
<td>Communication Frequency</td>
<td>-.10</td>
</tr>
<tr>
<td>Communication mode</td>
<td>.00</td>
</tr>
<tr>
<td>Communication content</td>
<td>.03</td>
</tr>
<tr>
<td>Communication flow</td>
<td>.32 $p&lt;.001$</td>
</tr>
</tbody>
</table>