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GCSE Business Studies

Communication

Communication is the process by which a message or information is exchanged from a sender to a receiver. For example a production manager (sender) may send a message to a sales manager (receiver) asking for sales forecasts for the next 6 months so they can plan production levels. The sales manager would then reply (feedback) to the production manager with the appropriate figures.

This is an example of **internal communication**, i.e. when communications occur between employees of a business. Communication therefore links together all the different activities involved in a business and ensures all employees are working towards the same goal and know exactly what they should be doing and by when. Effective communication is therefore fundamental to the success of a business.

A business will of course need to communicate with people or organisations outside of the business. This is known as **external communication**. For example a marketing manager will need to tell customers of a new special pricing offers or the finance director may need to ask banks for a loan.

Receivers of Messages	
Internal	External
Workers Directors Managers	Customers Local community Suppliers Shareholders Government Banks

Importance of Communication

Good communication has many advantages for a business: strong communication:

- Motivates employees** – helps them feel part of the business (see below)
- Easier to control and coordinate business activity** – prevents different parts of the business going in opposite directions
- Makes successful decision making easier for managers**– decisions are based on more complete and accurate information
- Better communication with customers** will increase sales
- Improve relationships with suppliers** and possibly lead to more reliable delivery
- Improves chances of obtaining finance** – e.g. keeping the bank up-to-date about how the business is doing

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