



THE COST OF MISCOMMUNICATION

HIDDEN COSTS

Communication is most effective when it's free of needless miscommunication or short circuits in the communication loop. When individual or team communication is fragmented, ambiguous, contradictory, or in some way short-circuited, businesses lose money. The loss can be in the form of:

- Inefficiencies and time consumed in needless repetitions of a task (re-work).
- Time and energy needed to repair ineffective communication.
- Missed opportunities and deadlines that slip.
- Lost or damaged customer relationships due to unclear or unmet expectations.
- Loss of productivity and employee retention due to emotional distress and ineffective reactions, such as gossip, complaining and backbiting.
- Loss of repeat business and long or short term strategic alliances due to impaired relationships.
- Waste of resources due to treating a technical problem as though it were a communication misunderstanding and vice versa.

EXAMPLE

Imagine a minor but significant misunderstanding. Assume for example, that a vague team deliverable led to a misunderstanding about what was required for successful completion. Assume further, that the average pay is \$80,000 for 50 weeks/year and 40 hours/week. This values an individual's time at about \$40/hour.

If the misunderstanding is small and is caught and resolved quickly, we might assume the following:

- 8 people meet for an hour to discuss and resolve the issue. $8 \times \$40/\text{hour} = \320
- Follow-up with other key individuals takes 30 minutes each for 4 people. $2 \text{ hours} \times \$40 = \80
- Re-work to correct the mistake takes 2 hours for 2 people. $4 \text{ hours} \times \$40 = \160

The hidden bill is \$560 if all goes well. But imagine the issue isn't resolved, and another round of meetings, follow up discussions and re-work is needed. The bill doubles, going from \$560 to \$1120.

If the issue is still not resolved, let's assume that it impacts a larger team of 20, creating further technical and interpersonal challenges and leading to further

loss of productivity. If the productivity of the team of 20, drops by 10% for just one week:

$$\$80,000/50 \text{ weeks} = \$1600/\text{week}.$$

$$10\% \text{ of } \$1600 = \$160/\text{person}.$$

$$20 \times \$160/\text{person} = \$3200.$$

The hidden bill for lost productivity is has now jumped from \$1120 to \$4320.

So for one minor misunderstanding that is mishandled for only one week in a team of 8 and a larger group of 20, the cost for extra meetings and lost productivity alone is easily over \$4,000. Now multiply this by number of small groups in your organization and the number of miscommunications that take place on a daily basis.

Remember this doesn't factor in all the other costs that may be associated with the mistake, such as customer dissatisfaction, lower team morale, lack of discretionary effort and inhibition of innovation.

IT CAN COST TOO MUCH

The previous example assumed simple costs, a clear resolution and a low price tag. But often the miscommunication is not simply resolved and can be astronomically expensive.

Some forms of miscommunication are by nature, more expensive than others. For instance miscommunication from and between executives costs much more than for someone in a more junior position. Their time is more valuable and the impact of what they say carries more weight and moves with greater velocity. The time to repair can also be much slower.

Keep in mind also, the time frame for completing a task. The greater the time frame, the greater the cost of a communication short-circuit. If the task takes years to complete, you will pay for a communication mistake for years. This is especially relevant with project planning and execution.

Complex work environments and businesses that rely more and more on cross-functional, cross-generational and cross-culture teams and business ventures cannot afford needless miscommunication.

For information on bringing [Courageous Communication](#) or [Say It! Find the Words for Difficult Conversations](#) training to your organization, contact Barbara at BB@contactpointassoc.com