COMMUNICATION AS ENTERPRISE VALUE PROTECTION

THE MEASURABLE COST OF POOR COMMUNICATION DURING CORPORATE RESTRUCTURING AND BANKRUPTCY

Jaymi Helen Cook, CMP®
Strategic Communications Consultant
Leadout Communications

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Communication failures during corporate restructuring are often treated as secondary concerns. They are typically addressed only after legal strategy, operational planning, and financial modeling are already underway. A growing body of research suggests this approach may create measurable financial risk.

Broad workplace studies estimate poor communication costs U.S. businesses approximately $10,000 to $12,500 per employee annually. These costs come from lost productivity, inefficiency, and operational disruption (Grammarly & Harris Poll, 2022; Axios HQ, 2025). During restructuring, however, these losses extend beyond ordinary workplace inefficiencies. Communication breakdowns can affect workforce stability, operational continuity, stakeholder confidence, and, ultimately, enterprise value.

These figures represent baseline operational challenges in stable conditions. During restructuring, the same communication inefficiencies persist amid an atmosphere of heightened uncertainty. Research shows this increases vigilance, rumor activity, and interpretation behavior. As a result, ordinary communication friction is amplified, accelerating the potential for operational disruption.

For organizations pursuing a sale process under Chapter 11 or other restructuring scenarios, this distinction becomes critical. Buyers aren't simply evaluating assets. They are evaluating whether the business can continue to function as a productive, revenue-generating going concern through the transition.

When employees disengage, customers hesitate, vendors tighten terms, and managers lose clarity, the business becomes less stable and less valuable. In a restructuring environment, poor communication is not just a morale issue. It becomes a transaction and enterprise value risk.

This paper examines the measurable business impact of poor communication and explores why communication strategy should be viewed as a core component of restructuring execution and value preservation.

THE EXISTING COST OF POOR COMMUNICATION

Even in stable business environments, poor workplace communication can carry substantial financial consequences.

A 2022 Grammarly and Harris Poll study estimated that ineffective communication costs U.S. businesses up to $1.2 trillion each year. This equals about $12,506 per employee (Grammarly & Harris Poll, 2022). The study also found knowledge workers lose an average of 7.47 hours weekly due to unclear messaging, duplicated work, unnecessary meetings, and confusing priorities.

More recent findings suggest these challenges are now embedded in modern organizational life, not just temporary disruptions. Grammarly's 2024 State of Business Communication report found that every surveyed knowledge worker had weekly miscommunication. One in four experienced it multiple times per day. These patterns were linked to increased stress, reduced productivity, and lower job satisfaction (Grammarly, 2024).

$1.2T

Estimated annual cost of poor workplace communication in U.S. businesses

Grammarly & The Harris Poll, 2022

Axios HQ's 2025 workplace communication research reached similar conclusions. Employees earning between $50,000 and $100,000 annually lose more than 35 working days per year due to ineffective communication. This results in an estimated loss of approximately $10,140 per employee annually (Axios HQ, 2025). The financial impact rose sharply among senior leadership, reaching approximately $54,860 annually for employees earning more than $200,000.

The issue goes beyond communication volume. Alignment and clarity remain constant challenges. Axios found that only 9% of employees felt fully aligned with company goals, despite 80% of leaders believing organizational communication was clear and engaging. In fact, only half of employees agreed with that view (Axios HQ, 2025).

Additional workplace communication research reinforces the operational burden created by communication friction. The IC Index 2025 found that employees spend substantial time obtaining clarification, navigating inconsistent messaging, and interpreting organizational ambiguity, particularly during periods of change. The study also highlighted that communication quality directly affects trust, engagement, alignment, and execution consistency (IC Index, 2025).

Collaboration inefficiency also creates a measurable strain on management capacity. Zoom's Global Collaboration in the Workplace Report (2024) found that more than one-third of business leaders spend at least an hour each day resolving communication and collaboration-related issues. This leads to estimated annual productivity losses of up to $16,491 per manager (Zoom, 2024).

THE ALIGNMENT GAP

80%

Leaders believed organizational communication was clear and engaging

9%

Employees felt fully aligned with company goals

Axios HQ, 2025

WHY RESTRUCTURING MAGNIFIES COMMUNICATION RISK

Restructuring environments significantly change how stakeholders interpret information. Research in organizational psychology and change management consistently shows that uncertainty heightens vigilance, rumor-mongering, and sensemaking during periods of organizational instability (Bordia et al., 2004; DiFonzo & Bordia, 1998).

These studies examine general workplace environments, not restructuring specifically. However, the same underlying mechanisms—uncertainty, misalignment, and interpretation behavior—exist and become more pronounced in restructuring environments. In these situations, stakeholders interpret formal announcements, leadership visibility, responsiveness, meeting cadence, and day-to-day operations as indicators of stability or distress (Mishra et al., 1998).

In periods of instability, ambiguous or inconsistent communication is rarely dismissed as background noise. Instead, stakeholders view it as a meaningful signal. This shift is well-documented in organizational psychology and explains why even minor communication lapses can trigger outsized behavioral responses during restructuring.

When formal communication is limited or delayed, stakeholders often fill information gaps through informal interpretation and rumor networks. This pattern is especially common during layoffs, mergers, restructurings, and bankruptcy proceedings (DiFonzo & Bordia, 1998; Bordia et al., 2004).

Employees watch for changes in tone, responsiveness, and executive visibility. Vendors monitor payment timing and purchasing behavior. Customers assess continuity and reliability. In competitive markets, uncertainty may let competitors court customers or talent during transition periods.

Unlike traditional workplace communication failures, restructuring communication problems rarely remain isolated to productivity. They begin influencing behavior across the organization and marketplace, affecting retention, operational execution, stakeholder confidence, and ultimately enterprise value.

THE GOING CONCERN PROBLEM

This issue becomes particularly important in Chapter 11 and distressed sale environments. Organizations pursuing a Section 363 sale are often attempting to market themselves as viable going concerns. Buyers, in turn, are evaluating whether the business can continue operating successfully after acquisition with limited disruption to revenue, operations, workforce, and customer relationships.

Communication failures may undermine perceptions of viability by contributing to operational instability, stakeholder uncertainty, and reduced confidence in transition continuity. For example, a company may continue operations during Chapter 11 while maintaining lender negotiations, court processes, and core functions. However, if managers, employees, customers, or vendors see inconsistent communication as instability, their behavior may shift before any formal disruption occurs. Employees may disengage, customers may reduce commitments, and vendors may become more cautious. All of these reactions weaken the organization's perceived stability during the sale process.

Going-concern value depends heavily on stakeholder confidence in ongoing operations. Buyers of distressed businesses assess both financial performance and the likelihood that customers, employees, suppliers, and operational partners will remain stable through the transition. Research on organizational trust shows that uncertainty and inconsistent communication increase stakeholder skepticism and reduce confidence in institutional reliability (Edelman, 2025; Bordia et al., 2004).

When communication deteriorates, each of these areas weakens simultaneously. Employees disengage or seek alternative employment. Customers reduce purchasing commitments. Vendors shorten terms or increase caution. Managers hesitate to make decisions, and institutional knowledge leaves the organization.

Because going-concern valuation depends on expectations of future operational continuity, any communication failure that weakens employee engagement, customer confidence, or vendor reliability can directly influence buyer perception of future cash-flow stability. This is not theoretical; it is a function of how distressed buyers evaluate transition risk.

These reactions may contribute to operational disruption, reduced stakeholder confidence, and weaker future cash flow expectations during the exact period when the organization is attempting to preserve value. In this context, communication becomes closely tied to enterprise valuation and value preservation.

COMMUNICATION AND TRANSFORMATION SUCCESS

Research repeatedly shows that organizational change efforts succeed or fail based largely on how people inside the organization experience the transition. McKinsey's analysis of transformation initiatives found organizations that implemented comprehensive transformation disciplines and reinforced them through employee engagement and leadership alignment achieved success rates approaching 79% (McKinsey & Company, 2015). Effective communication, frontline engagement, active leadership involvement, and organizational alignment were identified among the strongest differentiators.

Employees rarely experience restructuring through court filings or press releases.

By contrast, transformation efforts that failed to engage frontline employees and middle management saw success rates fall to as low as 3% (McKinsey & Company, 2010). These findings are particularly relevant to restructuring, where middle managers often serve as the organization's operational interpreters.

Employees rarely experience restructuring through court filings, financial advisor updates, or press releases. Instead, they experience it through immediate supervisors and daily operational communication.

Although these studies examine transformation rather than bankruptcy, the underlying mechanism is the same: employees and managers execute strategy based on their understanding of priorities, expectations, and decision-making authority. In restructuring, where execution windows are compressed and uncertainty is elevated, the consequences of unclear communication become even more pronounced.

When managers lack clarity, consistency, or confidence, organizational instability can accelerate rapidly.

THE HUMAN CAPITAL RISK

One of the least-discussed restructuring risks is the loss of institutional knowledge and operational continuity caused by communication breakdowns. Research from Staffbase and YouGov found that poor internal communication remains strongly associated with employee retention risk during periods of organizational change and uncertainty (Staffbase & YouGov, 2025). Similarly, the 2024 Employee Communication Impact Study conducted by Staffbase and the USC Annenberg Center for Public Relations found that 61% of employees who are unlikely to remain with their organizations identified poor communication as a significant contributing factor (Staffbase & USC Annenberg, 2024).

The study also found that only 18% of employees felt well informed about the reasons behind recent organizational changes, highlighting the extent to which uncertainty and communication gaps can shape employee perception during transition periods (Staffbase & YouGov, 2025).

Retention instability doesn’t merely affect morale. It can disrupt operational continuity, weaken institutional knowledge retention, and undermine buyer confidence in long-term organizational viability. The employees most capable of leaving are often the first to do so. High performers and institutional knowledge holders typically have stronger external opportunities, deeper industry relationships, and greater confidence in their employability, which makes them disproportionately sensitive to uncertainty. Research consistently shows that communication quality is a critical determinant of whether these employees remain engaged during periods of change. Their departure represents not only a talent loss but a direct threat to business continuity at the very moment stability is most critical.

Gallup’s 2025 workplace research found that declining employee engagement continues to create substantial productivity consequences globally, with low engagement estimated to cost the world economy approximately $438 billion annually in lost productivity (Gallup, 2025). Gallup’s broader engagement research has also consistently linked employee clarity, understanding of expectations, and alignment with organizational direction with engagement outcomes.

In restructuring environments, uncertainty around expectations intensifies. Employees who don’t understand what is changing, what remains stable, how decisions are being made, or what leadership expects often default toward self-protective behavior rather than organizational commitment.

COMMUNICATION AS OPERATIONAL INFRASTRUCTURE

A common misconception is that restructuring communication exists primarily to protect reputation. In reality, communication functions as operational infrastructure, shaping everything from decision velocity and stakeholder confidence to operational consistency and employee retention, customer stability, and execution capability.

Infrastructure is defined by its ability to support consistent, reliable operations. Communication meets this definition because it enables alignment, decision-making, and coordinated execution. When communication fails, the resulting operational friction mirrors the effects of infrastructure failure: delays, inefficiencies, and instability.

Communication breakdowns create operational friction and inefficiencies across every layer of the organization. Managers spend time clarifying rumors instead of executing priorities. Employees duplicate work or delay decisions while waiting for certainty. Vendors require additional reassurances. Customers seek confirmation about continuity. Leadership teams become reactive instead of strategic.

COMMUNICATION FUNCTIONS AS OPERATIONAL INFRASTRUCTURE DURING RESTRUCTURING.

Internal communication research increasingly frames communication as a driver of organizational performance rather than simply a means of information distribution. The IC Index 2025 reinforced the connection between communication clarity, trust, and employee alignment during periods of organizational change and uncertainty (IC Index, 2025).

In restructuring environments, communication inefficiency functions as operational friction. It slows execution, consumes leadership bandwidth, and destabilizes organizational focus at precisely the moment consistency and speed matter most. Unclear or inconsistent communication can also increase decision latency across management layers, as managers hesitate to act when they lack confidence in organizational priorities, operational assumptions, or stakeholder expectations.

The result isn’t merely frustration. It’s a more extensive erosion of organizational effectiveness that slows responsiveness during periods when organizations require speed, coordination, and stability.

A FRAMEWORK FOR QUANTIFYING COMMUNICATION RISK IN RESTRUCTURING

This paper introduces a practical framework for evaluating restructuring-related communication risk across four overlapping operational and financial categories. Although communication breakdowns are often discussed qualitatively, these categories offer a more concrete basis for assessing how communication instability may influence organizational performance, stakeholder behavior, and enterprise value during restructuring.

1 Productivity Loss

This includes duplicated work, delayed decisions, ambiguity interpretation, unnecessary escalation, and rumor management. Using Grammarly and Axios research as a baseline, organizations may estimate that they incur approximately $10,000-$12,500 in communication-related productivity losses per employee annually (Grammarly & Harris Poll, 2022; Axios HQ, 2025). For a 500-person organization, that equates to approximately $5 million to $6.25 million annually before considering restructuring-specific impacts.

In distressed environments, these same communication failures occur under greater sensitivity, increasing the likelihood that employees, customers, and vendors will alter their behavior in response to perceived instability.

2 Human Capital Erosion

This category includes regrettable attrition, disengagement, reduced discretionary effort, erosion of leadership trust, and loss of institutional knowledge. The operational cost of replacing experienced employees during restructuring can be substantial, particularly when onboarding and transition capacity are already strained.

3 Commercial Confidence Loss

External stakeholders respond rapidly to uncertainty, often adjusting behavior in ways that influence operational continuity and commercial stability. Customers may reduce purchasing commitments, vendors may tighten terms, lenders may increase caution, and partners may limit exposure as they reassess organizational reliability.

Different stakeholder groups interpret restructuring risk through distinct lenses. Employees seek clarity and stability; managers require confidence in priorities and decision-making authority; customers focus on continuity and responsiveness; vendors monitor payment behavior and process consistency; and buyers and lenders evaluate business continuity and execution discipline. As uncertainty increases, communication gaps can affect each group differently, creating compounding operational and commercial pressure across the organization.

In industries with thin margins or concentrated customer relationships, even small shifts in stakeholder confidence may influence purchasing behavior, operational continuity, and short-term financial performance during a sale process. In distressed-sale environments, these shifts can meaningfully influence buyer assumptions about future cash-flow reliability, transition stability, workforce continuity, and long-term operational performance.

Trust research further indicates that stakeholders evaluate organizations through the lens of stability, transparency, and reliability during periods of uncertainty. Edelman's findings show that institutional trust is closely tied to perceptions of ethical behavior, dependability, and organizational credibility. In restructuring environments, inconsistent communication or prolonged information gaps may contribute not only to internal uncertainty but also to reduced customer confidence, vendor caution, shortened commercial terms, and heightened stakeholder risk sensitivity.

Because customers, vendors, lenders, and other external stakeholders evaluate risk based on perceived stability, communication quality becomes a meaningful determinant of commercial behavior during restructuring.

4 Enterprise Value Compression

This represents the compounded effect of communication-related instability. Potential outcomes may include increased buyer caution, heightened transition concerns, more conservative deal structures, delayed transactions, and broader perceptions of elevated operational risk.

At this stage, communication failures are no longer isolated public relations or operational issues. They influence buyer assumptions about transition risk, cash-flow reliability, and organizational resilience—all of which are central to distressed valuation.

STRATEGIC IMPLICATIONS FOR RESTRUCTURING LEADERSHIP

Organizations frequently devote significant resources to legal strategy, financial modeling, operational restructuring, and transaction management while underinvesting in communication strategy. Research suggests this separation may be flawed.

Communication influences whether employees remain engaged, managers execute effectively, vendors maintain confidence, customers continue buying, and buyers perceive the business as stable enough to acquire. Restructuring communication should therefore not be treated as downstream messaging after decisions are made. It should be integrated into the restructuring process itself.

At the same time, restructuring communication can't operate independently from legal, financial, HR, and transaction strategy. Messaging in distressed environments must remain coordinated with counsel and advisory teams to ensure disclosure discipline, consistency with court-supervised processes, and alignment with transaction objectives. Effective restructuring communication functions as part of the broader operational and strategic coordination effort.

Historically, communication has been treated as a support function adjacent to operations, finance, and legal strategy. Emerging workplace research increasingly suggests that communication quality directly influences organizational execution capacity itself—making communication effectiveness inseparable from restructuring effectiveness.

Because leadership attention is already constrained during restructuring, every instance of confusion, rumor escalation, or inconsistent messaging diverts scarce executive focus away from operational execution and transaction management. This creates a compounding effect: communication failures increase operational friction, which in turn increases execution risk, which further increases the demands placed on leadership.

The organizations that navigate restructuring most successfully are often not those with the least disruption. They are the organizations that create enough clarity, consistency, and confidence to maintain operational continuity during disruption.

CONCLUSION

In restructuring, communication isn't just what people hear—it shapes how they respond as the transition unfolds. Stakeholder behavior is guided not only by what organizations do but by how clearly, consistently, and credibly they communicate what comes next.

Poor communication already creates measurable financial losses in ordinary business environments. During restructuring, existing communication inefficiencies may compound into operational instability, stakeholder uncertainty, and broader risks to organizational continuity and value preservation.

For organizations attempting to preserve confidence and market themselves as viable going concerns, communication becomes more than a support function. It becomes part of the infrastructure sustaining continuity through transition.

The research is increasingly clear: communication quality directly influences alignment, execution, retention, trust, and organizational responsiveness. In restructuring environments, where uncertainty already heightens stakeholder sensitivity, communication failures can accelerate operational disruption at precisely the moment stability matters most.

This reframes the function of communication from a reputational consideration to an operational and financial one. The objective is not to make restructuring appear painless or risk-free. Rather, it is to reduce avoidable instability caused by confusion, inconsistency, hesitation, rumor, and stakeholder uncertainty during periods of significant operational change.

Communication strategy during restructuring should therefore not be viewed solely as employee messaging, public relations, or stakeholder management. It should be understood as part of operational stabilization, workforce retention, preservation of commercial confidence, and protection of enterprise value.

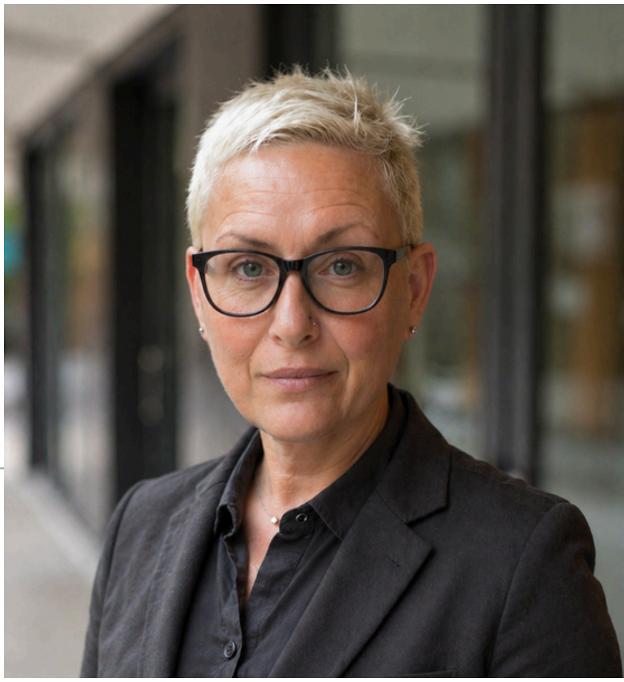
Because in high-stakes transitions, stakeholder behavior is shaped not only by what organizations do, but by how clearly, consistently, and credibly they communicate what comes next.

ABOUT THE AUTHOR

Jaymi Helen Cook, CMP®, is a strategic communications consultant and founder of Leadout Communications, where she advises organizations navigating complexity, organizational change, and high-stakes stakeholder environments.

Her work focuses on the intersection of communication, operational alignment, and human behavior, with particular emphasis on restructuring, transition communications, and organizational continuity during periods of uncertainty.

Before founding Leadout Communications, Jaymi spent nearly two decades working in and around the restructuring industry, including roles supporting complex bankruptcy and financial restructuring matters. She holds a Master of Arts in Communication from Johns Hopkins University and is a Certified Communications Management Professional (CMP®).



Contact Jaymi at
jaymi@leadoutcomms.com or
302.521.0210

REFERENCES

Axios HQ. (2025). State of workplace communication report. https://www.axioshq.com/insights/internal-communications-statistics

Bordia, P., Hobman, E., Jones, E., Gallois, C., & Callan, V. J. (2004). Uncertainty during organizational change: Types, consequences, and management strategies. Journal of Business and Psychology, 18(4), 507-532. https://doi.org/10.1023/B:JOBU.0000028449.99127.f7

DiFonzo, N., & Bordia, P. (1998). A tale of two corporations: Managing uncertainty during organizational change. Human Resource Management, 37(3-4), 295-303. https://onlinelibrary.wiley.com/doi/abs/10.1002/%28SICI%291099-050X%28199823/24%2937%3A3/4%3C295%3A%3AAID-HRM10%3E3.0.CO%3B2-3

Edelman. (2025). 2025 Edelman trust barometer. https://www.edelman.com/trust/2025/trust-barometer

Gallup. (2025). Global engagement falls for the second time since 2009. https://www.gallup.com/workplace/659279/global-engagement-falls-second-time-2009.aspx

Grammarly. (2024). State of business communication report. https://www.grammarly.com/business/learn/introducing-2024-state-of-business-communication/

Grammarly & The Harris Poll. (2022). State of business communication: The backbone of business is broken. https://www.grammarly.com/business/Grammarly_The_State_Of_Business_Communication.pdf

IC Index. (2025). IC Index 2025 report. https://www.ioic.org.uk/resource-report/ic-index-2025.html

McKinsey & Company. (2010). The people power of transformations. https://www.mckinsey.com/~/media/mckinsey/business%20functions/people%20and%20organizational%20performance/our%20insights/the%20people%20power%20of%20transformations/the-people-power-of-transformations.pdf

McKinsey & Company. (2015). How to beat the transformation odds. https://www.mckinsey.com/~/media/mckinsey/business%20functions/people%20and%20organizational%20performance/our%20insights/how%20to%20beat%20the%20transformation%20odds/how_to_beat_the_transformation_odds.pdf

Mishra, A. K., Spreitzer, G. M., & Mishra, K. E. (1998). Preserving employee morale during downsizing. Sloan Management Review, 39(2), 83-95. https://sloanreview.mit.edu/article/preserving-employee-morale-during-downsizing/

Staffbase & USC Annenberg Center for Public Relations. (2024). Employee communication impact study. https://insights.staffbase.com/tf/study/cco-study

Staffbase & YouGov. (2025). Employee communication impact study. https://staffbase.com/resources/tf/employee-communication-impact-study-2025

Zoom. (2024). Global collaboration in the workplace report. https://click.zoom.com/global-collaboration-in-the-workplace-report