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Meshing customer and employee research for improved organisational performance

An Insync Surveys white paper

This white paper provides insights to help human resources and marketing work together to improve employees' experience in ways that also impacts the customer experience; these activities are aimed at driving growth and profit.

Meshing customer and employee research for improved organisational performance

Executive summary

This white paper explores the benefit to organisations of integrating employee and customer research. This approach can:

- reveal gaps in customer satisfaction and employee satisfaction to highlight areas of improvement for growth and profit

- measure the alignment of employee behaviours with customer needs

- help organisations understand how their initiatives can increase both employee and customer satisfaction

To measure success of improvement initiatives, information on the Net Promoter Score (NPS[1]) is shared as a simple metric that organisations can use to understand if employees and customers are promoting or damaging your company's reputation through word of mouth. This is worth knowing because NPS has been correlated with future business growth. Net Promoter Scores are also discussed in terms of goal setting so all employees are striving towards success and focused on boosting customer loyalty.

Introduction

In 1994, the Harvard Business Review released an extensively quoted article titled "The Service Profit Chain", which is still relevant in today's organisations. While we've since embraced online self-service from our banks and we now have children demanding our credit cards for eBay, the fundamentals of customer loyalty remain the same. The article's authors, Heskett, Jones, Loveman, Sasser and Schlesinger, tell us that profitability is stimulated by customer loyalty and that our employees are the ones who hold the greatest power of influence over customer loyalty. They explain that loyalty comes when satisfied customers see value in what your organisation provides them. Since your employees are the ones who create and deliver value, customers are only going to be satisfied when employees are feeling satisfied with the organisation too.

Operating nearly 15 years on from when this article was first published, it's disappointing to see so many HR, marketing, sales, customer service and operations departments that continue to operate in isolation from each other when measuring employee and customer journeys, satisfaction and perceptions.

It's time to enable employees to translate what your company aims to stand for – in terms of its brand, values and goals – into reality. While mission statements, organisational values and customer service

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[1] Net Promoter is a registered trademark of Satmetrix Systems, inc., Bain & Company and Fred Reichheld

charters are tick-the-box nice-to-haves, research has shown that when these kinds of statements are perceived as hypocritical employees will actively work against them, making the situation worse than if the statements didn't exist.

On the other hand, if you invest in systems and practices that deliver your promises to all staff regardless of their status or role, and employees are rewarded for behaviour that is culturally as well as strategically aligned, you're on the right track. Creating customer value is about practical initiatives and it involves helping employees deliver on the external promises you've made through your brand essence and marketing.

If you run a mobile phone company and want to be known for your reliability, you need the systems and employee rewards in place to encourage this. If you're working for a financial services firm and you want your customers to have a premium service experience you need to invest in employee training and the right tools to deliver this.

Heskett, Sasser, and Schlesinger took the argument a step further in 2003 by revealing evidence that paying close attention to the employee-customer relationship will enable *any* organisation to be a low-cost provider *and* achieve superior results. The key to this bold assertion is the authors' conclusion supported by thirty-one years of groundbreaking research: *today's employee satisfaction, loyalty, and commitment strongly influence tomorrow's customer satisfaction, loyalty, and commitment and ultimately the organisation's profit and growth*. A quantifiable set of associations the authors call the value profit chain.

Through their work, Heskett, Sasser, and Schlesinger offer important new insights into the life-long value of both employees and customers and the increasingly important concept of employee-relationship management. US organisations such as aluminium maker Alcoa, travel agency Rosenbluth International, and the Willow Creek Community Church treat employees like customers (in the case of Willow Creek, volunteers as well). Conversely, the authors show how advertising agency Merkley Newman Harty and financial services provider ING Direct treat customers like employees, pursuing the ones they want most. At the Vanguard Group, Cisco Systems, and Southwest Airlines, both practices are common. The point here is about focusing on the needs of each of these groups and ensuring that value for them is being realised.

These authors talk about employee loyalty driving productivity. While employee attrition inflicts recruitment and training costs, the real cost of losing a key person, like a corporate mobile account manager or financial planner, revolves around the loss of productivity. It may take two years for a new mobile account manager to earn the same revenue from clients as the departing employee. And with a lost financial advisor, it may take even longer for a new person to rebuild once profitable relationships.

The messages are pretty clear; you need to ensure your key people stick with you, whether employees or customers. If you can satisfy your employees they're more likely to stay and keep customers loyal too. In other words, they are both stakeholders to your business, and if you accept that, then viewing each group in isolation starts to seem pretty old fashioned.

Stop and take stock of what employees are saying

Employee surveys can help organisations understand where they are and give employees a chance to shape an organisation's future. For example, the Insync Surveys Organisation Alignment Survey helps organisations understand how well **engaged, energised** and **empowered** employees are. Engaged employees support the organisation and feel supported in return. Energised employees are clear about how their role fits in and have meaning in their work. Finally, empowered employees have the resources and authority they need to do their jobs and reach goals. A measurement tool like this can help executives understand whether their organisation is ready to meet customer expectations.

Such measures are similar to what The Service Profit Chain authors talk about as "internal quality". Heskett and friends talk about this in relation to internal service, which is treating each other with dignity and respect no matter where you are in the organisation.

Hallowell, Schlesinger and Zornitsky (1996) researched this area comprehensively and concluded that organisations seeking to differentiate themselves on the basis of customer satisfaction may benefit from providing their workforce with the resources to make good on promises. They identified six internal quality components to make this happen: tools (information and information delivery systems), appropriate policies and procedures, teamwork, management support, goal alignment, and training. By improving service capability, they suggested that customer satisfaction can also be improved.

Leadership is also key, according to The Service Profit Chain authors, who say: "Leaders who understand the service profit chain develop and maintain a corporate culture based on service to customers and fellow employees. They display a willingness and ability to listen." To make this a reality in your organisation, they say leaders need to invest a lot of effort in selecting the right employees and then monitoring and recognising them. Leaders should also spend some time at the coalface interacting with customers.

Identifying touch points in your own service profit chain

In a more recent Harvard Business Review article, Meyer and Schwager (2007) tell readers it's important to look beyond customer satisfaction measures to find out how to achieve it. They point out that customer satisfaction is essentially a series of customer experiences. Organisations can deconstruct their customers' experience to understand what influences customers and to discover where there's room for improvement. The authors say this can be done by looking at customer "touch points".

Customer experience isn't just the brand messages an organisation's marketing team wishes to project. In fact, the advertising message is only the tip of the iceberg, and the aspect that is seen as the least realistic. Instead, customer experience is everything from direct to indirect contact your customers have with your organisation. Direct contact involves the customers' purchase experience and support from your employees. Indirect involves customers having encounters with your organisation's products, brand or service representatives, it can also be positive or negative word-of-mouth among friends and colleagues.

Meyer and Schwager encourage business leaders to map the customers' path of touch points and watch for hiccups. At each touch point the gap between customer expectations and experience can help organisations understand what they need to do to delight customers. Do you know your organisation's touch points? And do you measure customer expectations, or only your performance?

Using customer experience data to shape change

Meyer and Schwager discourage organisations from giving the responsibility for designing and delivering a customer survey to customer facing staff because the findings may be superficial or glossed over. It's a bit like putting Dracula in charge of the blood bank. Home-grown research might seem cheap, but lost and ignored opportunities worth millions of dollars should also be taken into account. Also, if research is used to gather information at the end of a transaction, customers can be influenced solely by their most recent encounter. By comparison, an annual and independently managed customer survey can capture perceptions of both recent and less recent customers and can be segmented by share of wallet, total spend, profitability or change in spend.

Organisations may ask customers about their awareness of other suppliers, about new features they might be interested in and what they see as challenging your organisation's competitiveness. Insync Surveys also suggests questions that reveal what the organisation is best known for, what's valuable about what the organisation offers customers and a question that asks what the organisation is good at.

To create your own links in the service profit chain, organisations need to start by running their employee and customer surveys hand-in-hand. The above questions should also be integrated into your employee research project. Asking the same questions to both these important stakeholders can reveal differences of opinion that are driving employees to do things that customers don't want. When management asks for change, employees often base their resistance on the notion that they have a better idea of what the customers want. However, when employees are faced with the gap between their own assessment of customer priorities and the priorities that the customers have directly expressed, employees can be motivated by the wrong priorities. Researching perspectives of both your employees and customers also helps to reveal the strengths that you can play on.
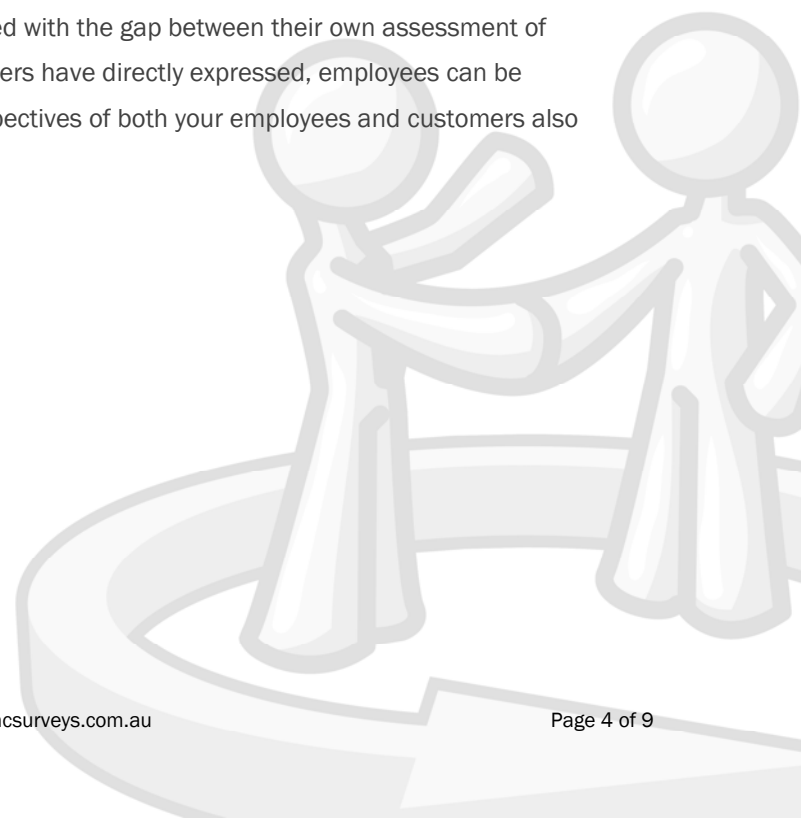
The employee behaviours that drive customer satisfaction can be analysed
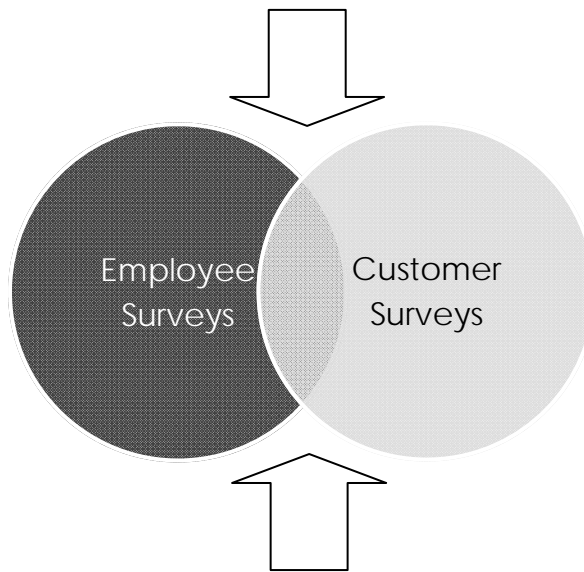
Areas of overlapping interest can be measured and explored

Predicting growth with Net Promoter

Once you understand the disconnect between employee and customer perspectives, you're going to know what's holding your organisation back. You may then start to implement improvement initiatives and align the organisation towards solid, simple and relevant performance targets.

A measurement that can be used to gauge the loyalty of an organisation's customer and employee relationships is Net Promoter. The brainchild of Satmetrix, Bain & Company and Frederick Reichheld, the Net Promoter Score (NPS) is commonly known as "the one number you need to grow".

Net Promoter revolves around one ultimate question: "How likely is it that you would recommend this company to a friend or colleague?" It is rated on a scale of 0 to 10, with 0 meaning extremely unlikely and 10 meaning extremely likely. Customers or employees rating 9-10 are classified as promoters, customers or employees rating 7-8 are classified as passives and those rating 0-6 are classified as detractors.

The difference between the organisation's percentage of promoters and detractors is the NPS. Scores from passives are ignored. For example, if 40% of an organisation's customers respond with a 9 or 10, and 30% respond 0-6, the organisation's NPS would be 10. In this example, the final score means that 10% more of your customers are promoting your organisation, than there are detractors bad mouthing it. For this organisation, its customers are more likely to refer others to it which can translate to growth. Satisfied clients are also more likely to come back to the organisation for repeat business, which means greater long term revenue. Reichheld has correlated positive NPS results with future business growth. The NPS is expected to signify a company's growth potential based on the strength of its customer relationships.

NPS methodology is credited with the ability to both identify and create fast growth companies and help build market share by moving managerial focus away from short-term profits and toward long-term value in positive customer relationships.

Associate Professor Mark Ritson of the Melbourne Business School was the first person in Australia to undertake and publicise extensive Net Promoter customer research following 2000 face-to-face interviews. Based on his results, several companies including Bendigo Bank, BMW, Apple, Australian Financial Review, Singapore Airlines and Google, were predicted to grow faster than their respective competitors due to positive NPS results. Ritson also points out organisations with very low scores that are likely to grow at a much slower rate than their competitors. These organisations include Commonwealth Bank, NAB, Westpac, Ford, Holden, Saab, Coles, Woolworths, NRMA, ninemsn and Telstra.

From an internal viewpoint, satisfied employees are more likely to refer people (customers or future employees) to your organisation in social situations and while they're at work, they're going to be a lot more positive about your product or service. Net Promoter can also be used to ask employees how likely they are to recommend a particular organisation as an employer, which signifies employee satisfaction levels.

Overlapping areas and issues from your meshed customer and employee research show what's positively or negatively impacting the customer experience and employee satisfaction.

Net Promoter is both simple and powerful but as a single number, if measured in isolation it won't help you to understand how to make changes that will impact engagement and performance. It's therefore important at some stage to tie the NPS research into a more comprehensive customer and employee research project so the reasons behind different scores are shown. However, in the majority of cases NPS data can be collected in a minute or two, which maximises response rates and avoids survey fatigue. For example, some organisations pop the question up on their website or in their IVR telephone system.

The NPS score is also easy to communicate to all staff, and demonstrate once and for all that customer service is at the heart of an organisation's strategy. For example, The General Electric Company (GE) has embedded NPS into the scorecards and bonus schemes of all its executives worldwide, and Jeffrey Immelt, GE's Chief Executive Officer, is a passionate believer in its power.

Communicating results

Rucci, Kirn and Quinn say organisations need to engage employees in creating and implementing the future. This is not just about a marketing strategy; it's about shaping an organisation around its customers.

With your deeper, meshed employee and customer research project, your sales team can become actively involved in sharing the results with customers and in doing so, they're likely to improve relationships and
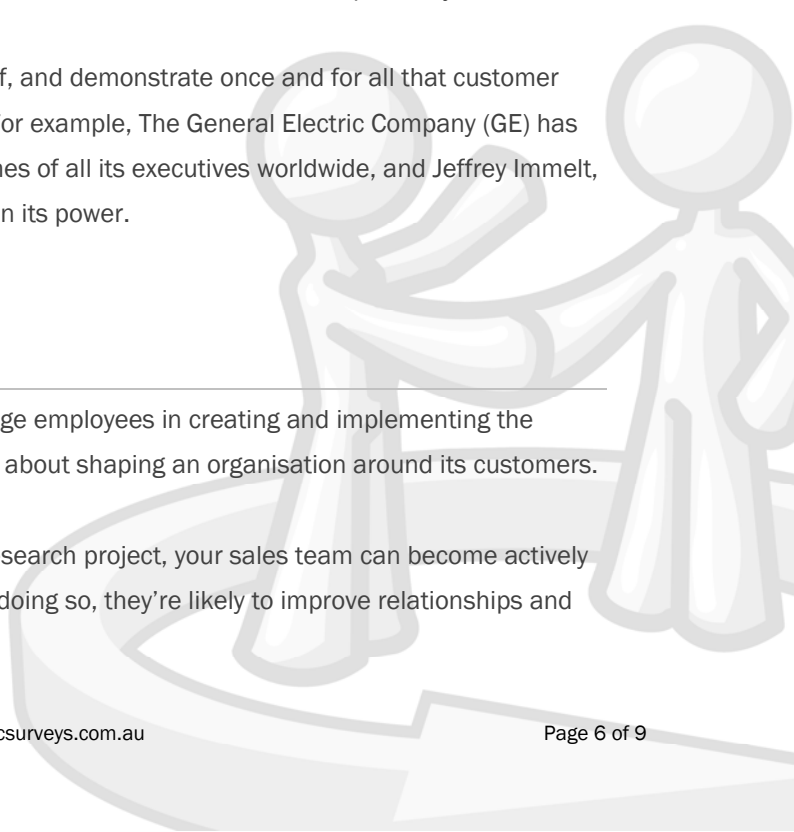
are more likely to uncover even more opportunities. The sales team can also introduce customers to operational employees within your organisation who may be able to resolve any issues raised.

Sensitivity is required to communicate results internally so egos don't get in the way. Rather than allowing teams to become defensive about the findings, Meyer and Schwager say it's important for every department to understand survey results. By doing this the right way, Meyer and Schwager say that ill informed opinions can be replaced by current experience data. As much as the truth may hurt, it's the only thing that can drive an organisation forward.
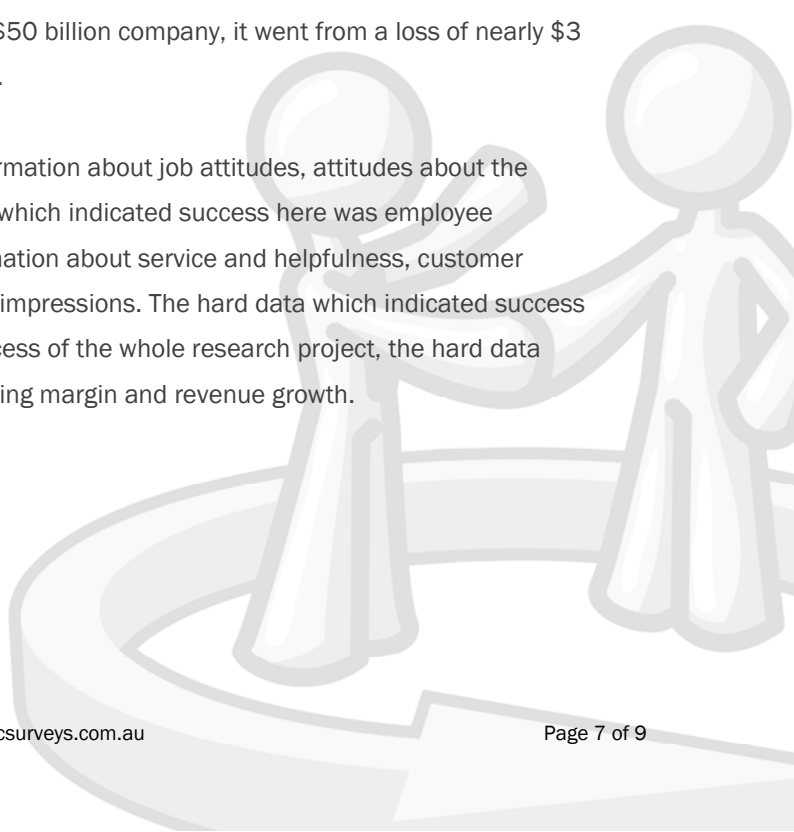
Meyer and Schwager offer the following insight for each department and its role in the improvement process: marketing can better understand segments, share knowledge within the company and tailor communications suitably; customer facing teams and operations must ensure their skills and practices are attuned to every touch point; product development teams can embrace new feature ideas revealed in the research and should also focus on designing more positive customer experiences; sales and account management can take the issues revealed to plan and cater for future customer experiences, they can even involve their customers in strategic planning.
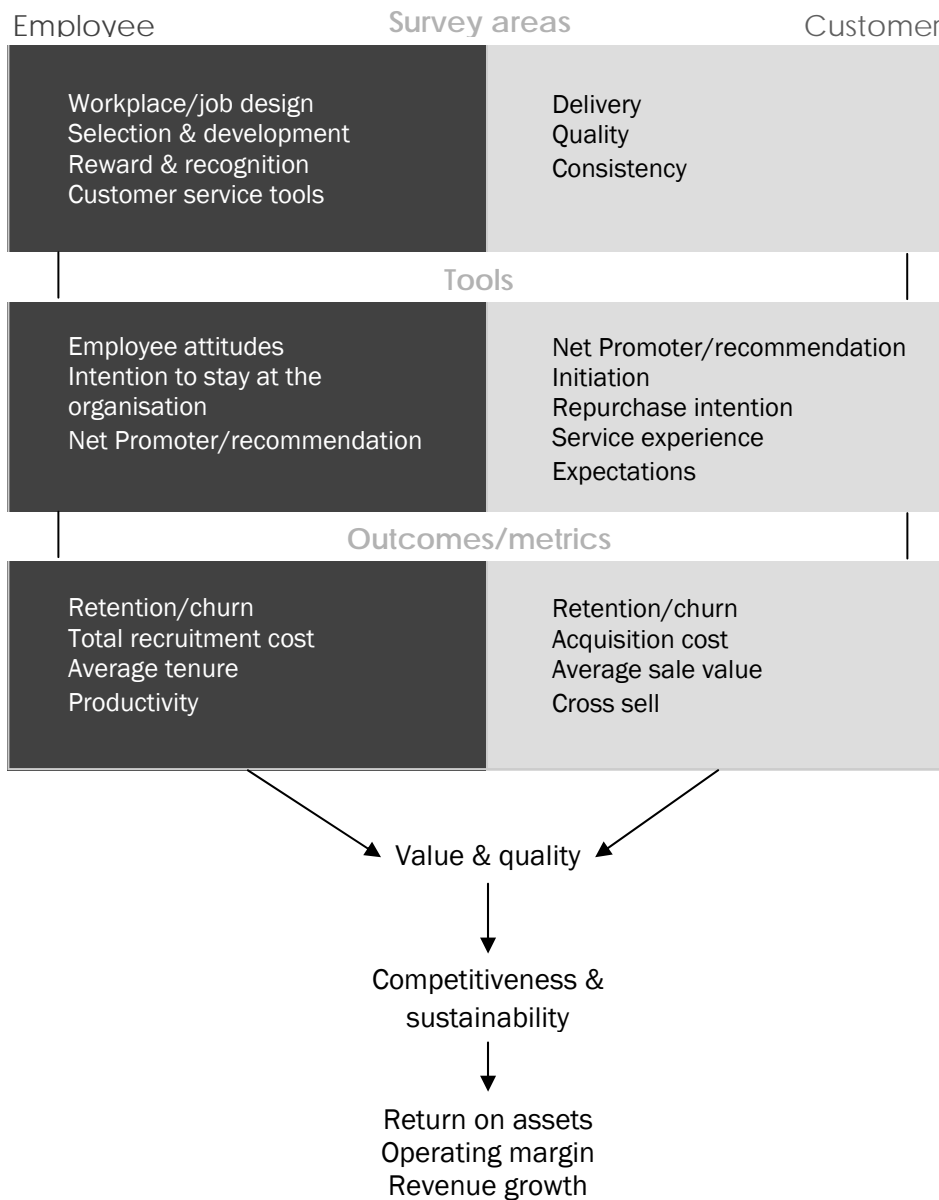
The Sears case study

Sears, one of the leading retailers in North America, adopted the employee customer profit chain; similar to the service profit chain. Rucci, Kirn and Quinn, in the The Harvard Business Review, say they did this "because their research found that employees' attitude toward the job and toward the company had a greater effect on their behaviour toward customers than all other dimensions put together". The authors tell how Sears "discovered the golden thread of linking employee attitudes to customer satisfaction – and ultimately to shareholder value". The authors go on to explain that by Sears making their organisation a compelling place to work, they achieved a five unit increase in employee attitudes which made the stores a compelling place to shop; this achieved a 1.3 unit increase in customer impression which made it a compelling place to visit; this resulted in a 0.5% increase in revenue growth. For a $50 billion company, it went from a loss of nearly $3 billion in 1992 to a net profit of $752 million in 1993.

Sears collected comprehensive employee survey information about job attitudes, attitudes about the company and on employee behaviour. The hard data which indicated success here was employee retention. On the customer side, they collected information about service and helpfulness, customer recommendations, merchandise value and customer impressions. The hard data which indicated success was customer retention. Collectively, to measure success of the whole research project, the hard data which indicated success was return on assets, operating margin and revenue growth.

Employee	Customer
Workplace/job design Selection & development Reward & recognition Customer service tools	Delivery Quality Consistency

Tools

Employee attitudes Intention to stay at the organisation Net Promoter/recommendation	Net Promoter/recommendation Initiation Repurchase intention Service experience Expectations

Outcomes/metrics

Retention/churn Total recruitment cost Average tenure Productivity	Retention/churn Acquisition cost Average sale value Cross sell

Value & quality

↓

Competitiveness & sustainability

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Return on assets
Operating margin
Revenue growth

Based on: Heskett, Jones *et al* 1994
Rucci, Kirn *et al* 1998

Summary

Profit can be improved by measuring and understanding employee and customer satisfaction together.

Net Promoter is a simple way to predict business success, to motivate employees and to put customers at the heart of the organisation.

By keeping employees satisfied and empowered to do their jobs well, higher customer satisfaction and loyalty can follow.

With employee and customer satisfaction research, Marketing and HR departments can come together to

show that investment in employee satisfaction initiatives can drive the organisation forward in terms of customer loyalty, reputation and profit.

If you can get internal operations right, your organisation's success and reputation will soar.

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About us

With offices in Melbourne and Sydney, we specialise in employee, customer, board and other stakeholder surveys backed by consulting. Our registered psychologists and research experts help organisations become more effective.

We co-founded the Dream Employers Survey and have worked with some of the largest organisations in Asia Pacific, including: Cathay Pacific, Toll, Medibank Private, WorleyParsons, Fairfax Digital, Mission Australia, the Australian Curriculum, Assessment and Reporting Authority, state government departments, many local councils and most university libraries. This broad experience allows us to benchmark your results.

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