

EMPLOYEE ENGAGEMENT: PAVING THE WAY TO HAPPY CUSTOMERS

September, 2015

→ **Omer Minkara**, Research Director,
Contact Center & Customer Experience Management



→ **Michael M. Moon**, Research Director,
Human Capital Management



Report Highlights

p2

Companies with an employee engagement program enjoy 233% greater customer loyalty.

p4

Employee engagement programs help companies enjoy 26% greater annual increase in revenue.

p6

Employee engagement program users are 7-times more likely to link employee performance with customer experiences.

p7

Best-in-Class are 5-times more likely to identify the competency skills that influence strong employee performance.

There is a lot of buzz around the importance of employee engagement, and not enough research on the quantifiable benefits to businesses. This report highlights the performance results experienced by companies with a formal employee engagement program, and unpacks the importance of using employee engagement as a strategic lever to deliver better customer experience. We will provide a detailed overview of the key activities companies use to establish an employee engagement program that increases revenue, reduces costs, and creates happy customers.

2

Employee engagement is a key differentiator, however, it requires careful planning and execution to achieve success. For maximum results, make sure your efforts will lead to a 'win-win' for your team members as well as the business.

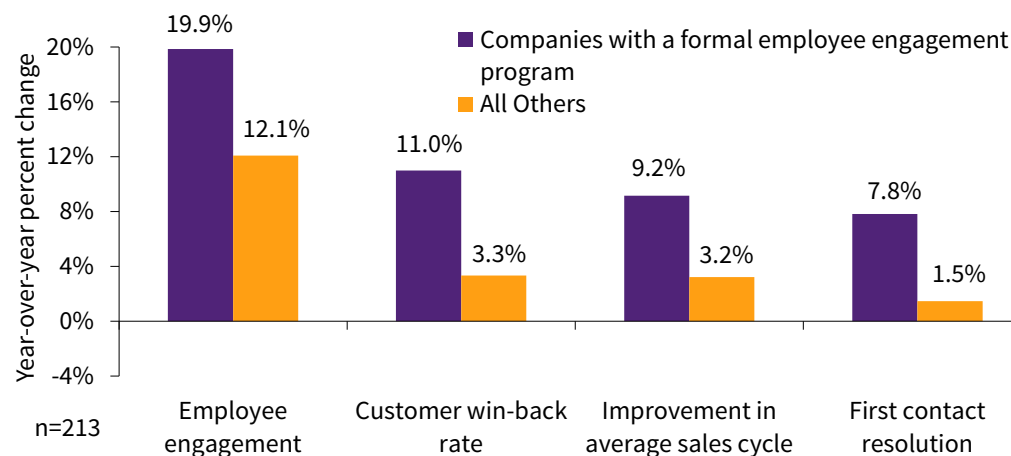
Definition: Employee Engagement

Aberdeen defines employee engagement as a state of positive work-related attitude, characterized by high-levels of energy, emotional commitment, and satisfaction derived from the work itself. When employees are engaged they feel a vested interest in the company's success and are both willing and motivated to perform to levels that exceed the stated requirements of their job. Engaged employees positively influence the buying behaviors of customers, leading to higher customer loyalty and profitable growth.

Employee Engagement is More than Buzz; It's Real

Businesses work to accomplish multiple objectives simultaneously. Among those are creating happy customers and ensuring employee performance and productivity. Many organizations still consider these two as separate objectives, but they are deeply connected by nature. The ability to deliver great customer experiences is what helps companies survive and thrive, however, who delivers these experiences? It is the employees, and, as such, it is vital that companies provide them with the right knowledge and technology tools to do their jobs. They must also provide relevant financial and non-financial incentives based on accomplishing company goals, as well as establish a clear path for career advancement. Figure 1 shows that businesses that adopt these capabilities through a formal employee engagement program reap the rewards of this balanced approach.

Figure 1: Engaged Employees Drive Customer Loyalty



Source: Aberdeen Group, August 2015

Before analyzing the performance findings depicted above, it's important to note that having a formal employee engagement program means that activities aimed at driving employee satisfaction and productivity are not done in an ad-hoc fashion,

3

but rather are executed as part of a well-crafted organizational program. Companies with such a programmatic approach report 64% greater annual increase in employee engagement rates (see sidebar), compared to All Others – businesses that lack a formal employee engagement program or who administer one on an ad-hoc basis (19.9% vs. 12.1%).

Employee engagement rate is a vital metric pointing to the success of organizational efforts to maximize employee experiences and, subsequently, customer experiences. In addition to this important measure, companies also use other operational metrics to assess their performance. Among those are metrics such as average sales cycle, or the length of time elapsed between identifying a sales-qualified opportunity to closing a sale. Companies with a formal employee engagement program achieve far greater results in improving (shrinking) their sales cycle year-over-year, compared to All Others. This validates the important role employee engagement plays in motivating sales reps to be more active (and creative) in finding ways to move customer conversations into purchase decisions.

Companies with employee engagement programs also excel in servicing clients. Metrics such as first contact resolution and client win-back rates are used widely by customer care executives to gauge their success in attending buyer needs, as well as reengaging former clientele with targeted messaging to win their business back. Considering that businesses with a keen eye on employee engagement outperform All Others across these metrics, it's accurate to state that identifying and addressing the needs of employees pays dividends when delivering service to create and maintain customer satisfaction.

Happy customers are more likely to spend more with the business, and Figure 2 shows that companies with employee engagement programs are indeed enjoying the fruits of their

Employee engagement levels are captured in a number of ways.

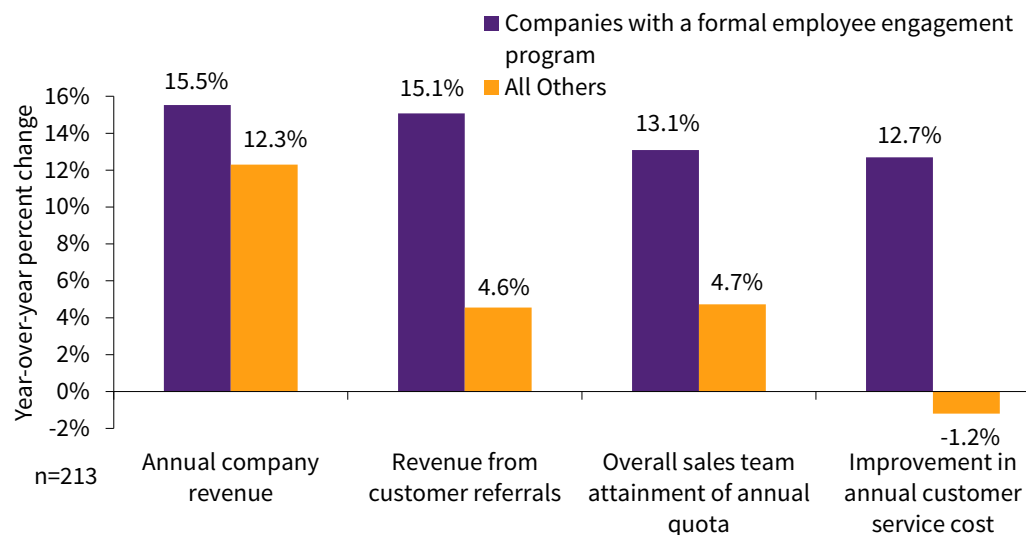
One of the most common approaches is through voice of the employee (VoE) programs. Systems used for VOE capture and analyze employee feedback data.

The insights gleaned through analysis of this data are used to gauge such things as how fulfilled an employee feels with the current work they are doing, as well as how well the employee understands and feels connected to the company values and strategic objectives.

4

labor in fostering an environment where employees are motivated to satisfy clients. These businesses achieve 26% greater year-over-year increase in annual company revenue, compared to All Others (15.5% vs. 12.3%).

Figure 2: Make Employee Engagement a Top Priority to Drive Financial Results



Source: Aberdeen Group, August 2015

“Companies with formal employee engagement programs are indeed enjoying the fruits of their labor in fostering an environment where employees are motivated to satisfy clients”.

Additional benefits observed by savvy organizations that understand the importance of employee engagement, and make it a strategic priority, include earning referral business through word-of-mouth of happy clients. Referral business means that the organization didn't incur additional spend to acquire a net-new customer, but rather enjoyed a currently satisfied buyer recommending the firm to their own network. As such, if delivering better service or ensuring employee satisfaction are not enough for companies to adopt a formal employee engagement program, the financial benefits should create an even more compelling case on the importance of doing so by creating shareholder value through continuously improving the financial health of the organization.

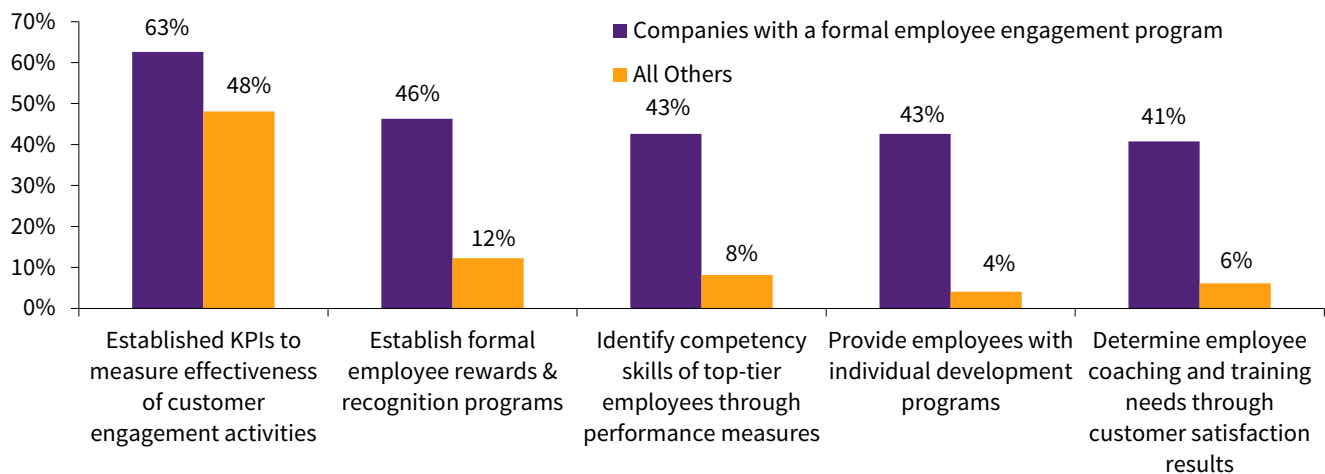
5

Now that we have highlighted the business benefits of establishing and nurturing a formal employee engagement program, let's outline the activities companies use to delight customers through happy and productive employees.

Steps to Lead Employee Engagement into Customer Satisfaction

One of the mistakes made by firms establishing an employee engagement program is an assumption that creating an environment where employees are fully satisfied with their job and have a well-defined career path will automatically lead to the business accomplishing its goals. While in theory this sounds logical, real-life is different. In practice, companies must embed their own goals (e.g. delivering superior customer service) within the job expectations and performance management process of every employee. Once those are clearly aligned and communicated, businesses must also regularly measure how each team member contributes to these results. Data shows that measuring the effectiveness of customer engagement activities is the most widely adopted capability of companies with a formal employee engagement program, compared to All Others – Figure 3.

Figure 3: Reward & Recognize Based on Right KPIs



Percent of respondents, n=213

Source: Aberdeen Group, August 2015

6

Four people practices to help drive engagement and customer satisfaction:

- Identify competencies that lead to happy customers
- Use feedback from customers to coach, develop, and reward
- Create individual development programs
- Establish formal reward and recognition programs with clearly articulated guidelines and equitable applications

Employee contribution to an organization's customer experience results are measured in numerous ways. Among those are using results obtained from [voice of the customer \(VoC\)](#) programs that identify which clients provided positive or negative feedback and connecting that feedback to the individual to uncover which employees create happy customers vs. those that frustrate buyers. Connecting customer feedback to individual employees allows managers and executives to provide tailored coaching and training sessions and address possible skills gaps. Indeed, savvy firms with well-crafted employee engagement programs use this activity far more widely for training and coaching purposes, compared to their less astute counterparts (43% vs. 8%).

The findings from analyzing employee performance in line with customer feedback also influences how employees will be rewarded financially and non-financially (e.g. badges and honors or promotions) – an activity adopted far more widely by companies with formal employee engagement programs vs. those without it (41% vs. 6%). *-

Best-in-Class organizations are 201% more likely than All Others to use customer feedback in decisions related to the development and retention of their human capital (71% vs. 23%).

The ability to identify which employees have the greatest positive impact on customer satisfaction also allows organizations to map the unique skills that closely correlate with achieving certain outcomes. In the report, [Human Capital Trends \(2015\): The Age of Transparency](#), Aberdeen found that Best-in-Class organizations are 201% more likely than All Others to use customer feedback in decisions related to the development and retention of their human capital (71% vs. 23%). For example, if a firm is aiming to identify the skills of its most successful employees (those that regularly receive positive customer feedback or help the firm achieve its objectives), they can do so by building competency profiles of each employee and then using analytical tools (e.g. business intelligence) to identify

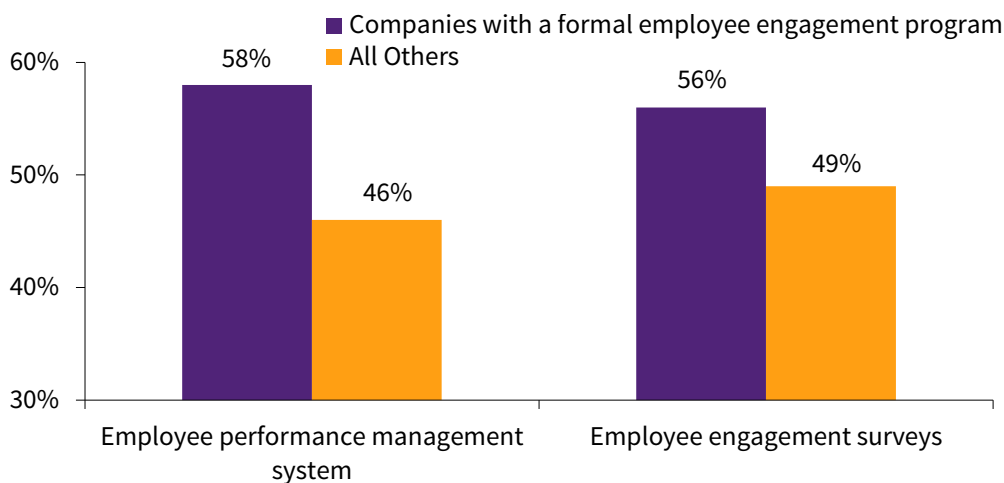
7

commonalities between profiles of high-performing employees. These insights help companies train other employees to gain similar skills as top performing team members, as well as use those as part of hiring criteria when acquiring talent. Companies with a formal employee engagement program are far more likely to identify the competency skills that positively influence employee performance, compared to All Others (43% vs. 8%).

Use Technology to Link Employee Engagement with Performance

Managing the aforementioned activities manually is no easy endeavor. As such, savvy organizations that attain top-notch results in maximizing employee engagement and customer satisfaction do so through the help of technology. Figure 4 highlights the technology enablers used by these successful organizations.

Figure 4: Automate Performance Management to Achieve Better Results



Percent of respondents, n=213

Source: Aberdeen Group, August 2015

Organizations that have a formal employee engagement program in place are more likely to utilize engagement surveys and performance management software in their organizations

8

Use technology to:

- Capture and analyze employee feedback through engagement surveys conducted on a frequent basis
- Automate performance management and deliver continuous feedback to employees
- Dynamically recognize and broadcast extraordinary customer service
- Integrate and analyze data from your CRM, HCM, and financial systems to measure the impact of customer and employee engagement programs on the bottom line.

(see Figure 4). In order to approach engagement holistically, organizations must not only measure engagement through surveys and continuous feedback, they must also help manage the performance of individuals to ensure meeting client needs. Performance management systems enable managers to work with employees on designing performance goals, providing informal feedback, and evaluating productivity. However, without the use of technologies that automate these processes, the full benefit of measuring engagement and managing performance cannot be achieved. Organizations that have a formal engagement program in place recognize the importance of the role technology plays in helping employees understand what is expected of them in their interactions with customers.

Recommendations

Simply deploying a formal engagement program does not automatically lead to happier customers. In order for organizations to gain a competitive advantage, employee engagement needs to be linked to performance (including positive customer outcomes), measured consistently throughout the organization and enabled by technology tools that allow automation. We recommend deploying the below activities to start off with on your journey to establishing a formal employee engagement program, or enhance an existing one to achieve the performance results illustrated in this document.

- ➔ **Create engagement champions.** Employee engagement champions are usually volunteers that are drawn from different areas of the business. They help identify and share examples of employee engagement in action and play a key role in leading, organizing, and communicating employee engagement initiatives across their respective team/department, and even from other parts of an organization. Engagement champions also help connect

9

employees to the strategic objectives and/or organizational values aligned to customer experience initiatives, helping employees understand how their actions can make a difference to their customers and the overall success of the organization. When employees see how the work they do matters (i.e., impacts the customer), they are likely to feel more engaged.

- ➔ **Let everyone see the evidence of quality customer interactions.** Organizations should not only share feedback on positive customer interactions with an employee and the employee's direct manager, but with the entire organization. Doing so both benefits the employee being recognized but also the other employees in the organization. Most people learn what is expected of them by observing those around them. Being able to see all the different ways in which their peers achieve quality interactions with their customers is an invaluable tool to those looking to improve their interactions.
- ➔ **Balance the approach to rewards.** This will help you ensure that employees aren't rewarded only for having a high volume of positive feedback but are also rewarded for the way in which they satisfied the customer, and whether their effort was considered something above and beyond what would normally be expected of them.
- ➔ **Utilize internal social networks.** Enterprise social collaboration tools provide companies with new ways to communicate, interact, and work with partners, customers/potential customers, and other individuals outside the organization, as well as facilitate collaboration and knowledge sharing within the organization. Aberdeen's [related research](#) shows that organizations that make full use of the collective

10

expertise and knowledge of their employees are more innovative, efficient, and effective when interacting with customers.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[*Contact Center WFO: How to Balance Customer*](#)

[*Needs with Agent Productivity*](#); May 2015

[*CEM Executive's Agenda 2015: Leading the*](#)

[*Customer Journey to Success*](#); March 2015

[*Streamlining the Agent Experience Reduces*](#)

[*Unnecessary Costs*](#); October 2014

[*Human Capital Trends \(2015\): The Age of*](#)

[*Transparency*](#); February, 2015

[*The Age of Social: Toward a System of*](#)

[*Engagement*](#); July 2015

Authors: Omer Minkara, Research Director, Contact Center & Customer Experience Management (omer.minkara@aberdeen.com), [LinkedIn](#), [Twitter](#);

Ms. Michael M. Moon, Research Director, Human Capital Management (michael.moon@aberdeen.com), [LinkedIn](#), [Twitter](#)

About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide improve their performance. Our analysts derive fact-based, vendor-agnostic insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategy. Aberdeen Group is headquartered in Boston, MA.

This document is the result of primary research performed by Aberdeen Group and represents the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group.