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EMPLOYEE ENGAGEMENT: HAPPY EMPLOYEES MAKE HAPPY CUSTOMERS

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Omer Minkara

VP & Principal Analyst, Contact Center & Customer Experience Management

ABERDEEN



Customer experience isn't just about managing customer interactions. It starts with employees. This report highlights the business value of employee engagement in driving top-notch customer experience results.

Managing Employee Engagement is Managing Customer Experiences

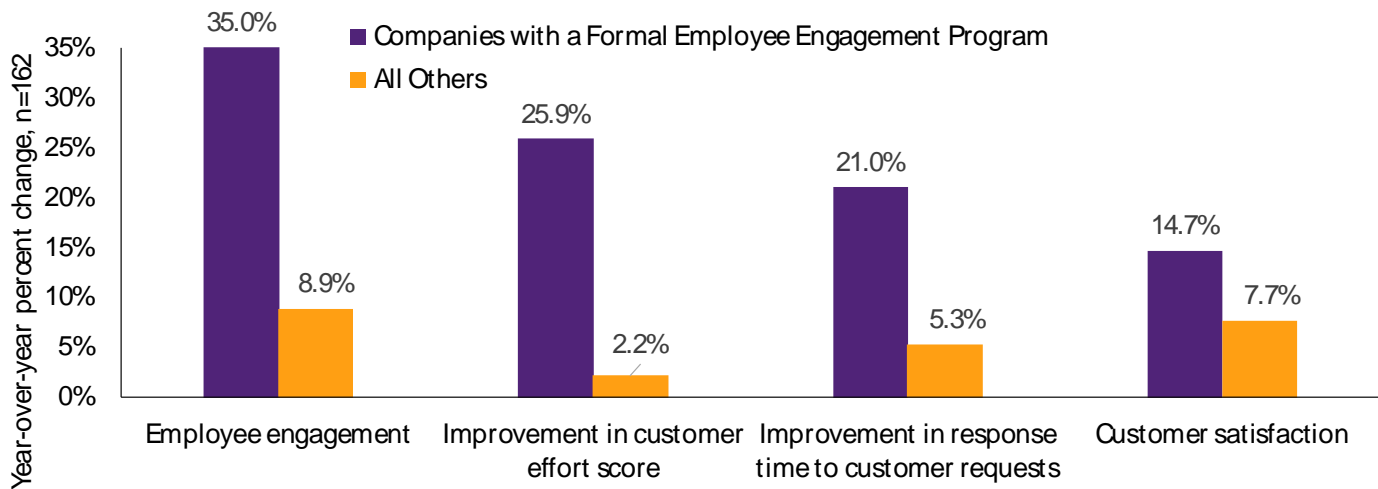
Improving customer experiences is a top priority for many businesses. Companies understand that surviving and thriving in the modern marketplace requires more than simply adding product features — or lowering prices. Today's buyers are empowered; they prefer to work with businesses that deliver a truly personalized and consistent experience across all channels. They also prefer firms that meet and exceed their particular needs. One of the key factors many leaders neglect when managing customer experiences is the role of employees.

Customer experiences don't happen in a vacuum. They are the result of employee activities. These activities might include using a new system that allows customers to do self-service or delivering targeted email campaigns to a specific audience. Businesses that understand the importance of employee engagement and manage it through a formal program to tightly align it with their customer experience goals, achieve far superior results, as shown in Figure 1.

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.

Figure 1: Companies with an Employee Engagement Program Have Happier Customers



Source: Aberdeen Group, September 2017

As depicted in Figure 1, companies that build and manage a formal employee engagement program enjoy 91% greater year-over-year improvement in customer satisfaction rates, compared to All Others (14.7% vs. 7.7%). This validates the linkage between managing employee activities and experiences, and in turn these employees exceed customer expectations.

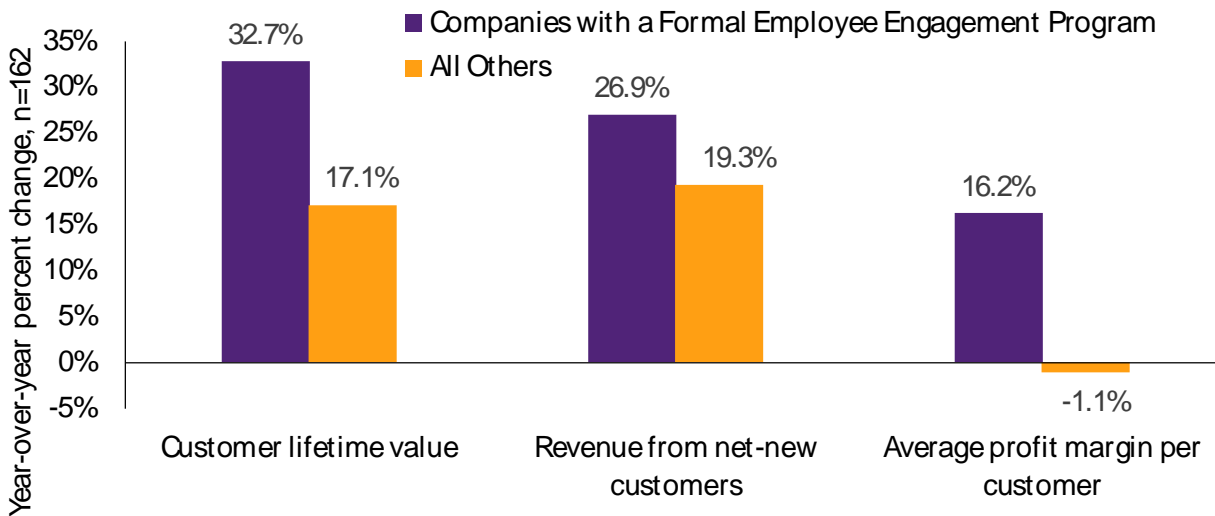
There are many factors influencing customer satisfaction rates. Among the top factors is companies addressing buyer needs with minimal to no customer effort. For example, if a prospective buyer needs price information on different products, companies must rapidly supply this information. To this point, Figure 1 shows that firms with an employee engagement program achieve far superior annual improvement (decrease) in customer effort and response time to customer requests, compared to those without an employee engagement program.

While they help benefit customers, employee engagement programs directly impact employee experiences and productivity. Indeed, Figure 1 shows that companies building a formal employee engagement program as part of their customer experience efforts also enjoy 3.9 times greater year-over-year increase in employee engagement rates (35.0% vs. 8.9%).


The collective benefits of aforementioned performance improvements are reflected on company financial results. Specifically, companies with a

formal employee engagement program achieve 91% greater annual increase in customer lifetime value, compared to All Others (32.7% vs. 17.1%) — Figure 2. This measure reflects the total spend a customer makes through the course of all interactions with a business. As such, improvements in this metric reveal that companies with an employee engagement program are not seeing one-time improvements in customer spend. Rather, they carry these improvements through the course of their relationships with buyers.

Figure 2: Employee Engagement Drives Financial Benefits



Source: Aberdeen Group, September 2017



A key element of successful customer experience programs is that they tie value creation for the customer with value creation for company shareholders. Specifically, while customers seek out businesses to address their specific needs, the shareholders expect the company to increase company value by growing revenue, controlling costs, and maximizing bottom-line profits. Employees are right at the intersection of these objectives — it's their activities that lead to desired results across these areas.

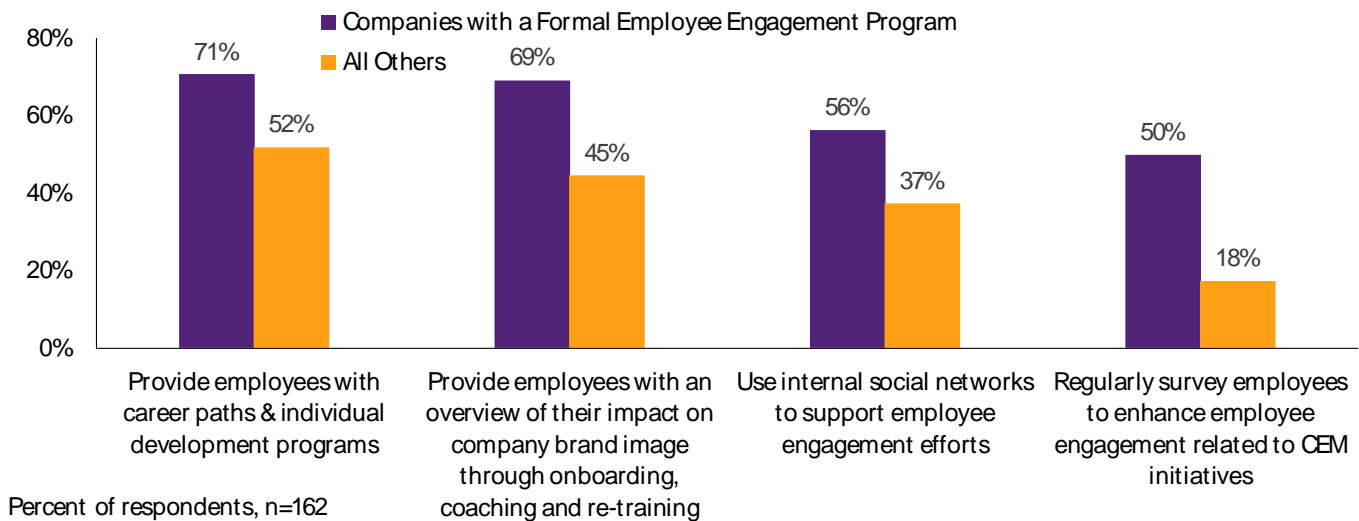
And sure enough, companies with a formal employee engagement program achieve 39% greater annual growth in revenue from net-new customers, compared to All Others (26.9% vs. 19.3%). They also increase customer profit margins by 16.2% year-over-year, compared to others reporting a 1.1% *decrease*. These results are driven by companies enabling employees with the right tools, information, and work atmosphere to exceed buyer needs and convert potential buyers to new clients.

Employee engagement is impactful. However, that impact isn't created by simply aiming to foster a productive work environment. It's established and maintained through a series of activities covered in detail in the next section.

Key Activities to Succeed in Employee Engagement

The very first step companies must take to improve customer experiences through employee engagement is understanding and addressing employee expectations. That's important, since employees whose needs are met are far more likely to be engaged in helping the company achieve its customer experience goals. Data shows that firms with a formal employee engagement program are 37% more likely than All Others to provide employees throughout the business with career paths, including tailored development programs to help employees achieve their career goals (71% vs. 52%).

Figure 3: Provide Employees with the Right Foundation to Be Engaged




Source: Aberdeen Group, September 2017

For example, if an IT specialist’s goal was to use her skills in marketing, that would mean the company would seek ways to use that specialist’s skills to help the marketing team. This process would help the IT specialist learn marketing activities and provide an opportunity to achieve career goals. In turn, the company would benefit from the IT specialist being more dedicated to help the firm improve its marketing results.

Only 28% of companies have a formal employee engagement program. If you informally manage employee engagement, then you’re not really managing it. You should build a formal program to define goals and set tactics to achieve them.

Firms that excel in employee engagement also provide their employees with communications tools to learn from one another. Specifically, they provide employees with internal social collaboration tools allowing employees to find and connect with colleagues to learn from their experiences and seek peer guidance. This expands the support and coaching mechanism from management only to almost everyone in the business. Thus, it creates a more collaborative work environment — enabling knowledge transfer and helping the company expand the use of best practices.



However, it's important to note that when using such communities, companies must also monitor the content of these conversations. Doing so will help the company identify and address common issues with employees, and ensure the content shared through such communities is compliant with company values and objectives. When managed properly, internal communities not only help employees become more engaged by communicating and collaborating with one another, but also help firms identify areas of improvement they must address to improve employee engagement.

Another way companies remain aware of employee attitudes and how they impact company performance is through employee surveys. These are typically conducted online and might ask for employees' information in an anonymous fashion — allowing employees to share their feedback and without concern about negatively affecting their career and/or relationship with the employer. Figure 3 shows that companies with a formal employee engagement program are 2.8 times more likely to regularly survey employees, compared to All Others (50% vs.18%).

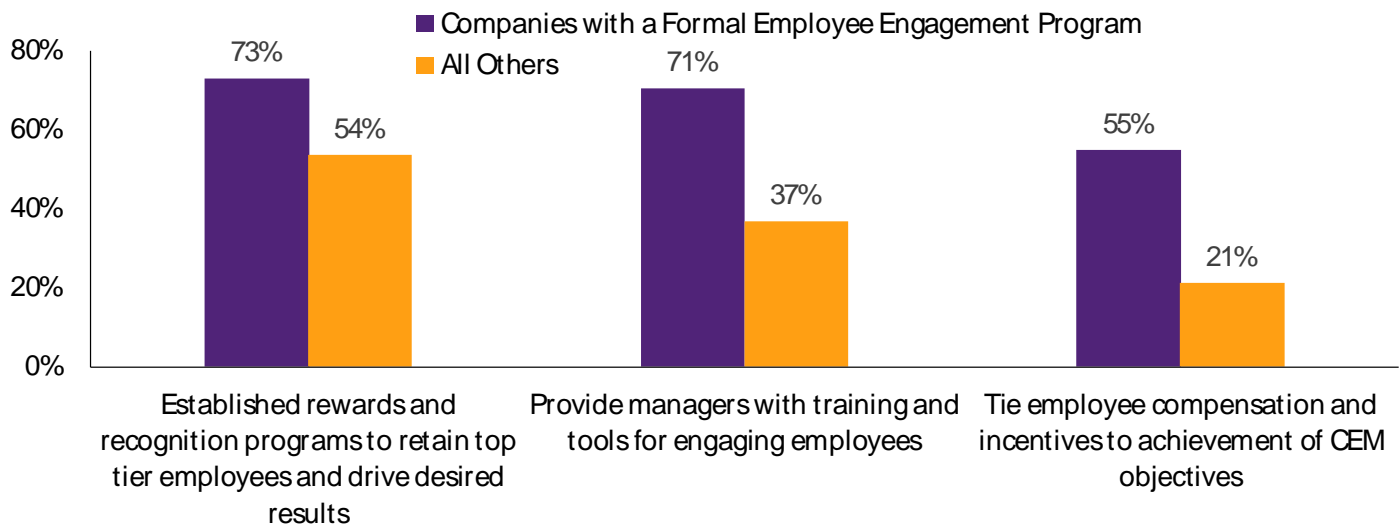
An important reminder about these surveys is that the company must act on the insights they uncover. Otherwise, when employees feel that their feedback in these surveys is not addressed, they are unlikely to share more feedback in the future. To minimize this risk, we recommend analyzing the key trends and findings from employee engagement surveys, and creating tasks to address relevant issues by related stakeholders.

Thus far, we highlighted activities to make employee engagement address employee needs. **Savvy firms connect employee needs with customer needs** through dedicated activities implemented earlier in the talent management lifecycle. They provide employees with an overview of how their role and activities influence customer experience results during the onboarding process. This helps employees better understand company expectations as to how their role impacts business objectives — such as increasing customer satisfaction and growing cross-sell and up-sell revenue. As a result, employees can better manage their activities to help the company achieve its goals. Data shows that firms with a formal employee engagement program are 53% more likely than All Others to have such employee training and coaching programs across various stages of the talent management lifecycle (69% vs. 45%).

While it helps to highlight how employees impact customer experience outcomes, communication and training alone isn't enough to improve these results. Companies must also establish financial and non-financial

rewards and incentives that closely align with employee performance in achieving customer experience goals. To this point, Figure 4 shows that firms with a formal employee engagement program are 35% more likely than All Others to have established rewards and recognition programs designed to regularly measure and monitor employee performance against relevant customer experience objectives — and reward employees that meet and exceed these objectives (73% vs. 54%).

Figure 4: Incorporate Performance Management Tightly within Employee Engagement Activities



Percent of respondents, n=162

Source: Aberdeen Group, September 2017

Rewards and recognition are non-financial ways companies can foster employee engagement. Examples of rewards include additional time off, assigned parking spaces, and employer-paid vacations. Examples for employee recognition are programs such as employee of the month, “hardcore worker,” and company-wide emails recognizing superior performance. But because every business is unique, leaders in the business should select appropriate rewards and recognition based on the company culture. Leaders should learn which incentives are more likely to motivate employees to adjust their activities to attain customer experience goals.

Besides non-financial ways to motivate and reward employees, companies can also incorporate financial benefits within employee engagement programs. These include giving high-performing employees bonuses, annual raises, and company stock ownership. Once again, every business is unique; for some businesses, it might make more sense to offer stock ownership than an annual raise. For others, it could be the opposite. Leaders in the business must work closely with finance leadership to determine the financial impact of these incentives, and weigh alternatives to determine the optimal choice to improve employee engagement in the pursuit of enhancing customer experiences. Figure 4 shows that companies with a formal employee engagement program are 2.6 times more likely to have such financial benefits in place, compared to All Others (55% vs. 21%).


One of the overlooked elements of employee engagement programs is the role of managers / supervisors. It's ultimately the managers who make hiring decisions, train employees, and manage their performance to ensure employee activities contribute to desired business outcomes. However, it's possible that not every manager has the knowledge or tools to implement the aforementioned activities to build and nurture employee engagement. Savvy firms recognize this, and as such, they are 92% more likely than All Others to provide managers with the training and tools they need to implement the activities noted thus far (71% vs. 37%). These include annual and quarterly manager training programs on how to build and manage teams, providing managers with tailored dashboards that provide insights into employee performance through reporting tools.

Recommendations

Customer experiences start with employee experiences. To create happy customers, companies must first have happy employees. The definition of happiness in business is that employees have a positive work attitude, support the company values, and understand how their role influences company outcomes. This in turn sets the foundation for employees to strive to accomplish their goals to advance their career and help the company achieve its goals — such as increasing customer satisfaction and growing annual revenue.

Every company has employees, and, if asked, almost all would say they consider the needs of their employees important. However, according to Aberdeen's February 2017 [CEM Executive's Agenda 2017: Data-Driven Approach to Delight Customers](#) study, only 28% of companies have a formal employee engagement program. These businesses reap the

Employees across businesses with a formal employee engagement program are 48% more likely to be satisfied with their job — increasing their drive to contribute towards company success in customer experience activities.



benefits of their efforts in providing their team members with the right knowledge, training, and work atmosphere. Employees across these businesses are 46% more likely to indicate that they are very satisfied with their role, compared to firms without a formal employee engagement program. These firms also translate employee satisfaction into customer satisfaction, where they enjoy far superior results across measures such as customer lifetime value and annual revenue growth.

If your company struggles in attaining your customer experience goals — and if you don't currently have a formal employee engagement program in place, then we highly recommend you adopt the activities highlighted in this report. This will help establish the building blocks needed to hire, train, and manage employees — those key partners in ensuring your company creates happy customers.

Related Research

[Deliver Seamless Customer Experiences: The Role of Content](#); June 2017

[Customer Engagement Analytics: Take the Right Step, Every Time](#); June 2017

[Voice of the Customer: Stop Just Collecting Data, Act On It!](#); March 2017

[CEM Executive's Agenda 2017: Data-Driven Approach to Delight Customers](#); February 2017

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