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White Paper Series

Why conduct an employee survey?

The path to success starts with a great place to work..



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Executive Summary

This paper outlines why businesses should pay closer attention to their own employees to better understand what makes them more satisfied and more engaged at work. Companies need to understand what makes their employees satisfied, because their satisfaction is central to an important organizational feed-back loop that lowers employee turn-over, leads to higher customer satisfaction, increases loyalty and improves profitability.

Profitability increases when employees are more satisfied and more engaged at work

Employee surveys are critical because employees have a huge impact on the bottom line. Satisfied, engaged employees will produce better customer service, and customer satisfaction and advocacy will increase based on customers' interactions with employees. The combined effect of these trends results in greater profitability. Employers need to understand what drives engagement among their employees in order to ensure business success.

The service-profit chain concept showcases the links between employees, customers and profitability (Heskett, Jones, Loveman, Sasser & Schlesinger, 1994). An important aspect of the service-profit chain is the role of employees. Employee attitudes and behaviour are affected by the quality of their work environment. Their positive interactions with customers lead to increased satisfaction, advocacy, retention and ultimately, profitability. Conversely, a negative work environment places a drag on these reinforcing processes. The service-profit chain has been validated and expanded by various third party sources as an essential tool for analyzing the relationship between work environment quality, employees, customers and profits (Kamakur, Mittal, de Rosa & Mazzon, 2002; Gelade & Young, 2005). Many large corporations, such as American Express, Sears and Southwest Airlines have utilized these ideas to make strategic changes and improve their financial performance.

An article in the Harvard Business Review showcases how Sears was able to reverse its poor financial performance by focusing on its employees (Rucci, Kirn & Quinn, 1998). Using the employee-customer-profit model, Sears tracked company success across its value chain, from internal operations through employee attitudes and engagement, customer satisfaction and financial performance. The model enabled Sears to understand how employee attitudes drove customer service, employee retention and the likelihood that employees would recommend Sears to friends, family members and customers. Sears also began to see exactly how employees affect company profits. Sears created a new vision, "A compelling place to work, to shop and to invest," showcasing the link between employees, customers and profits.

A company's work environment—and the way it treats its employees—drives employee satisfaction and engagement. Employee engagement is indicated by the extent to which workers feel emotionally committed and connected to their jobs and are motivated to perform at their highest levels. Specifically, employees who are empowered in the decision-making process and are treated as an integral part of the company's success tend to be much more satisfied and engaged. Management and senior executives play an important role in employee engagement. They must “walk the talk” and exemplify

engagement within the company (Seijts & Crim, 2006). Employers should provide a supportive and trusting environment in which employees can work autonomously (Kahn, 1990; May, Gilson & Harter, 2004). Communication with employees is also a key part of a positive work environment (Heskett, Sasser & Hart, 1990). Creating an open system, in which employees are kept informed about the company's performance and are allowed to provide input, can effectively increase employee satisfaction and engagement (Johnson & Gustafsson, 2000).

A high quality work environment includes providing employees with a distinct vision for the company and specific goals to work toward. Employees are more engaged when employers provide them with clear expectations regarding an end goal and let them know where they stand through performance reviews and other measures (Latham & Locke, 1979; Heskett, Sasser & Hart, 1990; Czaplewski, Ferguson & Milliman, 2001). Employees perform better when they envision themselves as working for a cause and when their work is challenging. In addition, providing opportunities for growth and development both personally and within the company could result in increased engagement (Seijts & Crim, 2006).

Satisfied and engaged employees result in greater loyalty to the company, lower employee turnover and more positive word-of-mouth about the company inside and outside company walls. A positive work environment also makes it easier for companies to recruit and retain the most qualified workers, further contributing to the financial success of the company.

Employees manage the experiences customers have with a company and its products and services. Spill-over effects of satisfied and engaged employees include positive interactions with customers and positive word-of-mouth. These effects translate into increased customer satisfaction. Heskett, Sasser and Schlesinger (1997) describe this as a "satisfaction mirror," a continuous process in which employee attitudes and behaviour are reflected in customers. In turn, customer satisfaction elicits a "mirror" effect in employees, increasing their satisfaction and engagement and improving service quality.

Customer satisfaction and advocacy lead to higher retention, greater loyalty and increased profitability. It is well known that the companies that focus on the lifetime value of each customer are much better positioned than companies that focus on short-term transactional value. It is estimated, for example, that a 5 percent increase in customer loyalty can increase profits as much as 25 to 85 percent (Reichheld & Sasser, 1990). Together, these findings strongly suggest that there is as much need to understand employees as there is to understand customers. Satisfied and engaged employees are advocates for their employers and are much more likely to spread positive word-of-mouth about their employers' products or services. Higher employee

engagement, in turn, generates higher customer satisfaction and greater customer advocacy, the latter of which is a strong predictor of growth and profitability (see **RKM AdvocateTM**). Consumer advocates also spread positive word-of-mouth, helping to boost brands and attract new customers at no incremental marketing expense.

How can RKM help?

When companies understand what they need to do in order to cultivate a more positive work environment, they have a blue-print to increase profitability.

RKM Research and Communications has developed a proprietary product that provides companies with a precise understanding of how best to increase employee satisfaction and generate higher levels of organizational engagement (see **EngageTM**). **EngageTM** is an advancement on other employee survey systems because it is centered around the key metrics that influence employee attitudes and behaviour. Specifically, it delivers a precise understanding of the relative importance of different strategies and tactics, assigning greater priority to areas with the greatest opportunity for improvement and the strategies and tactics that have the greatest impact on engagement. **EngageTM** uses structural equation modeling to identify and prioritize a detailed action plan to increase employee engagement, improve on-the-job performance and increase profitability.



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