Why Conduct an Employee Survey?

Research Objective:

To improve organizational cultural and increase employee engagement to retain talent and better serve customers.

Executive summary

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

We have developed a systematic methodological tool and set of analytical techniques to measure employee motivation, engagement and attitudes – customized to the unique needs and objectives of different companies. The research approach provides a prescriptive blueprint for increasing profits and customer loyalty through workforce optimization and addressing the issues that directly affect employees. The research also outlines the best way for on-boarding new employees. This white paper reviews previous research into employee engagement and outlines a strategy for improving return on investment.

Research has shown that engaged employees substantially outperform their peers in terms of productivity, yet many companies remain regrettably aloof of their employees' needs. As a result, many employees remain unengaged in their daily tasks – an untapped well of potential and profits. Employee surveys can provide the critical metrics to arm managers with a plan to cultivate a maximally productive workplace and flourishing staff. Engaged employees are not born, but nurtured through effective leadership and organization policies that inspire employees to do their best.

The body of research on employee engagement has evolved dramatically over the past decade. Research has identified numerous drivers of engagement, and surveys can harnesses these findings by delivering 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. Work engagement is distinct from job satisfaction, and the subtleties in accurately measuring these traits are what set our approach apart.

Our research model presents a path for boosting employee engagement, extending employee tenure, enhancing customer satisfaction, inspiring loyalty and increasing profits.

Self-Determination Theory: Unleashing employee potential

Research in the late 2000's revealed that only one in five workers today is self-reported that they are giving *full discretionary effort* on the job. What accounts for this lack of motivation? Researchers have identified three particular psychological needs that relate to human motivation and job performance, including: 1) the need for competence (Harter, 1978; White, 1963), relatedness (Baumeister & Leary, 1995; Reis, 1994), and autonomy (deCharms, 1968; Deci, 1975). Our approach is unique in that it can capture these values as reported actions through mixed-mode data collection, in particular a potent combination of telephone, online and mobile surveys with an extended reach for effectively measuring employee attitudes and behaviors. This data can be leveraged in the development of specific management techniques to bolster employee engagement and motivation. Motivation is highly valued because it produces more effective workers, increased profits and a happier workplace.

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. Motivated and highly 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 behavior 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.

More recent research provides additional support for the link between employee job engagement and profitability. Re-purchase intent is twice as strong among firms where employees report high satisfaction with their employers, controlling for the direct influence of customer satisfaction (Groenig et al, 2011). This research provides solid evidence that the link between customer satisfaction and purchase intention is fully mediated by front-line employee satisfaction. The results clearly indicate that companies that ignore employee satisfaction risk losing the behavioral loyalty of their customers. Again, employee engagement plays an important direct role in fostering consumer loyalty and purchase habit formation.

The central role of corporate culture

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, Sassar & 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 can 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 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 behaviors 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 brand loyalty, growth and profitability. Consumer advocates also spread positive word-of-mouth, helping to boost brands and attract new customers at no incremental marketing expense.

The Gallup Q12 index as a corporate report card

Over decades of behavioral economic research, Gallup developed 12 questions that they believe best predict worker engagement and performance. These statements established a foundation for comparative research into workplace efficiency. The Gallup Q12 Employee Engagement Survey is based on 12 agree / disagree questions.

Gallup's research classified workers as "engaged," "not engaged" or "actively disengaged," and distinguished between world-class and average organizations based on this breakdown within their workforce. As you might expect, world class organizations employ a significantly smaller ratio of "actively disengaged" and "not engaged" workers, and as a result, earn higher profits, register lower employee turnover and function more efficiently overall. But the Gallup Q12 is essentially a simple score card that companies can use to compare their results with other organizations.

A Towers Perrin study of the global workforce similarly categorized workers, where respondents were categorized as:

1) engaged (21%) – Employees giving full discretionary effort
2) enrolled (41%) – Partly engaged, less connected emotionally
3) disenchanted (30%) – Partly disengaged, lower emotional connection
4) disengaged (8%) – Employees who have disconnected rationally, emotionally and motivationally

According to these results, almost four out of five workers are not living up to their full potential, costing their companies resources and inhibiting organizational performance.

The Towers Perrin study also identified the top drivers of employee engagement globally. The research highlighted the importance of top-down leadership, showing that having senior management who are sincerely interested in employee well-being is most strongly linked to engagement. Notably, only ten percent of respondents in this survey reported that senior leaders actually treat their employees as vital corporate assets.

The authors of the Towers Perrin wrote, "organizations need to put their workforce under the same microscope as they do their customers – to understand employees' needs, issues, values." Our approach is consistent with these ideas.

The standardized approach used by Gallup and others is rooted in the logic that it provides a number that can be used to compare your business with other businesses. This can be useful if the goal is to establish a performance report card that can be used to reward and/or punish managers in different business silos. Our modeling delivers something very different. *It provides an outline of the specific job-related experiences and sources of autonomy that drive engagement*. The results are modeled to show: 1) how a particular business is rated by its employees in a customized range of experiences; and 2) which ones have the most (and least) impact on employee engagement. In other words, the research is not designed to show a company how it compares to its competitors in a pre-set list of areas. Instead, it provides a timely blue-print of what a company can do differently to increase employee engagement given that company's unique business model and business objectives.

Customizable Instrument for Actionable Research

Our approach differs from these comparative measures by focusing on customized behavioral questions unique to your business. Questions specifically designed to measure your workforce will reveal insights a generic standardized survey would miss, and will collect the necessary knowledge to inform exactly what steps need to be taken to convert below-average employees into highly productive ones. Customized questions about workplace behavior are better predictors of workplace engagement, and can more accurately capture and illustrate the attributes of the ideal employee. A stronger link between survey responses and employee behaviors providers better predictive power and more useful data for informing management decisions.

While most studies focus on measuring the cognitive environment in the workplace, recent scholarship has suggested that the emotional states of employees can have as great an impact (Barsade, O'Neill, 2016). Our approach measures both cognitive and emotional markers of engagement in the workplace, with the specific objective of explaining how employees derive meaning from their workplace experiences.

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