Engaged Employees Provide Better Customer Service

Appreciating employees can make a difference to your bottom line

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A WHITE PAPER PUBLISHED BY THE PERFORMANCE IMPROVEMENT COUNCIL

A culture of excellent customer care does not just happen. To create one, you must first foster a culture of engagement and recognition. Smart leaders know it's their people who are the lifeblood of an organization, and asking them to commit to the company vision requires letting them know you value them.

Kevin Kruse, best-selling author and speaker on employee engagement, defines employee engagement as the "emotional commitment" the employee has to the organization and its goals People who are committed go the extra mile and ensure the customer has the best possible experience.

A study by the Hay Group indicated businesses that have high levels of engagement show customer satisfaction scores 22% higher than companies with low levels of engagement, but companies that both engage and enable employees demonstrate a total increase in customer satisfaction of 54%[1].

In John Goodman's book, "Strategic Customer Service," he discovered customers who are delighted by proactive education or superior service are "10% to 30% more loyal than customers who have not been delighted."[2]

Front-line employees also provide a company with unique insight and information about its customers. Tapping that knowledge not only shows employees their feedback is valued, but also helps them feel engaged and empowered, making them more likely to continue offering their input.

The Impact of Neglecting the Back Office

James Oakley, assistant professor of management at Purdue University and a researcher for Northwestern University's The Forum: Business Results Through People (The Forum), studied nearly 100 U.S. companies and found a clear connection between employee satisfaction and financial performance; specifically, a relationship between attitude and profitability—bridged by satisfied customers.[3]

Front-line employees depend on the back office across all departments-to support customers. The product management team, for example, needs to make sure customer service employees are trained

> *"When it comes to customer satisfaction and loyalty, the back office is just as important as the front line"*

on new products and services before they are launched, and the sales team should be in sync with customer service on products and services sold to ensure any other pertinent account information and customer service meets the expectations the sales team has promised to the customer.

> *"Great companies understand employee engagement itself is not a destination—it is a platform to even higher performance, greater productivity and increased revenue."*
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> -Gallup

Because front-line employees have direct interaction with customers, managers hear more about their achievements and assume they are responsible for keeping customers satisfied. These managers fail to realize "customer service" spans the entire organization, and if every employee is not included in engagement efforts, the impact on customer satisfaction can be huge:

- Knowledgeable and attentive employees account for 80% of the reasons consumers feel satisfied.[4]
- 70% of unhappy customers abandon vendors because of poor service, according to the Forum Corp.
- A 5% increase in customer retention can increase lifetime profits from a customer by 75%.[5]

Back office employees' contributions are every bit as important to a company's success, but studies have shown a gap in the level of engagement between them and upper management. A study[6] by Bain & Company shows employment engagement levels continue to fall between upper levels of management and

[1]Hay Group. Hay Group Insight
[2]Business2Community
[3]*Why Sales Success Depends on Alignment with Non-Customer Contact Employees*. The Forum: Business Results Through People
[4]PNC Bank Corp.
[5]The *Loyalty Effect* by Frederick Reichheld
[6]Bain & Co. "Rethinking HR's Role in Employee Engagement"

lower levels of organizations. Rob Markey, global head of Bain's customer marketing and strategy practice, notes the strong link between engagement and customer loyalty and says he would have expected more companies to have "cracked the code" by now.

A company's brand perception and reputation depends on its people. As such, employees must understand how their individual contribution relates to the success of the business. Front-line employees serve as brand ambassadors because they have direct interaction with existing and potential customers, but it's critical for employees behind the scenes to see themselves as brand ambassadors too.

"Organizations with recognition programs outperform other companies 3-to-1 in terms of revenue growth."

-Incentive Research Foundation

Getting Recognition Right

Rackspace is a $1.3 billion IT hosting company and top specialist in the hosting and cloud computing industry. They serve 60% of the Fortune 100 and have been in the Top 100 Best Places to Work for the last four years. They are self-proclaimed "fanatics" about customer experience— and their recognition program has a lot to do with it. The highest recognition a Rackspace employee can receive is a Straightjacket, given monthly as an award to the person who "can't be restrained in pursuit of great customer service." The entire team is rewarded together, based on the success of the customer account. If a customer has a billing issue, the whole account team works to resolve it.

It's working. The company's customer loyalty is among the best in the industry— contributing to the company's 25% compound annual revenue growth and 48% profit growth since 2008.

By building a culture of recognition, companies such as Rackspace create a greater level of loyalty and trust in their employees and instill a sense of pride in the service they provide. The model Rackspace uses may not work for every organization, but part of getting recognition right is finding out what drives your employees' behavior and how they want to be recognized.

How to Ensure the Optimal Customer Service through Recognition

Recognizing and rewarding employees for a specific business function such as customer service should be part of every company's corporate culture as well as its performance management program. Using incentives and rewards promotes first-class service and fosters a culture of recognition which leads to employee loyalty. A study by Harvard Business School found that every one percent increase in staff loyalty resulted in a half percent increase in customer loyalty.

When designing a program, it's key to use strategic benchmarks for behavioral change. Programs that focus on rewarding desired customer service behavior rather than improvements in lagging service indicators (fewer complaints, lower customer turnover) are more effective.

Calculate, Compute, Compare

Your program's strategic plan should include measureable objectives. Gauging these metrics and analyzing them enables you to make improvements continuously.

Tools such as employee surveys or focus groups provide valuable metrics. They should be aligned with your overall company objectives and linked with cus¬tomer satisfaction feedback so you can more accurately assess the impact of your engagement program.

And finally, don't just sit on this information. It's critical to keep employees in the loop by providing feedback so they know how they're progressing and that you're invested in their success. This is a critical part of employee engagement. The more engaged they are, the better care they'll take of your customers. ∎

"75% of highly engaged employees think they can reduce costs and improve customer service and quality."

-Towers Watson

The Performance Improvement Council (PIC), a professional organization of performance marketing executives is a special industry group of the Incentive Marketing Association (www.incentivemarketing.org), is collectively focused on helping companies optimize their investment in human capital through proven and innovative reward and recognition solutions. To learn more about the Performance Improvement Council, please visit http://www.thepicnow.org