



Understanding the links between employee engagement, customer engagement and shareholder value

A Paper for CCA Industry Council

CCA INDUSTRY COUNCIL

CCA Industry Council drives the industry's research agenda by interacting to ensure research approach, debate and output provides the pathway for the future in terms of new thinking and strategies from across all sectors.

An initial meeting was held where 30 leading players from industry debated 'Changing the Rules'. From this debate it is clear a need has been established to create 'Beyond Operational Efficiency' - a new vision for how customer contact centres should be repositioned within organisations, placing the customer at the heart of the business.

Industry Council consists of an exclusive group of representatives from leading organisations who are committed to providing this input whilst themselves benefiting from a unique package of leading edge research, networking, government influencing opportunities and profile within industry as 'Leaders of the Future'.

Industry Council will have global impact and members of the group have been invited to join the CCA Standard Council who will oversee the launch of the new revised CCA Standard[®] to the international market during 2006-2007.

Expert academic and private sector facilitators will draw on leading debate and invite participation from other recognised research houses and agencies to engage with Industry Council to ensure the group deliver leading edge analysis.

As the independent professional body, CCA partner with leading organisations and groups to access relevant research and information for the development of the Industry Council. CCA's vision is for contact centres to be repositioned within organisations to reflect the increasing complexity and competitor challenges arising from the dominance of this channel.

CCA are indebted to the efforts of the Foundation Partner Group who have formed the backbone of activity in taking forward the development of the CCA Standard[®] and creating the vision for CCA Industry Council. These organisations are across all sectors, both public and private, each have a significant impact on the contact centre market-place.

FOUNDATION PARTNERS



Foreword from Anne Marie Forsyth, CEO - CCA



CCA is committed to improving professionalism and this is at the heart of our agenda. This research paper has been created from the need to truly understand the impact of employee/customer engagement and its impact on shareholder value – one of the most critical challenges facing organisations today.

We are indebted to the work of CCA's Foundation Partners* who have been the catalyst of CCA's evolution to Customer Contact Association in 2006. Their dedication has helped create CCA's Industry Council, a unique think-tank which is challenged with finding solutions to ensure that the customer is placed at the heart of an organisation's operations.

We would like to extend our grateful thanks to CCA's Research Council for providing very insightful findings into this critical issue – this is the second of a series of quarterly publications aimed at stimulating discussion, debate and most importantly, change in our sector.

Anne Marie Forsyth is Chief Executive of the Customer Contact Association (CCA), the professional body for customer contact.

Anne Marie has developed the CCA to represent over 800 member organisations and is committed to driving up professionalism in contact centre operations.

Anne Marie is passionate about customer service and is convinced of the need for organisations to leverage the potential within their contact centres, to achieve competitor advantage and customer service excellence.

A graduate of Strathclyde University, Anne Marie has a wealth of experience in blue chip organisations from Coopers and Lybrand, Philips Telecom and Johnson & Johnson healthcare, where her career started in accountancy, developing through marketing and customer management.

She is a regular speaker at customer management events in the UK and abroad.

Understanding the links between Employee Engagement, Customer Engagement and Shareholder Value

Managing HumanSigma in the Call Centre

Gallup White Paper

By Christian Hasenoehrl, Partner

Gallup has distilled a single measure of effectiveness for the employee-customer encounter; this measure has a high correlation with financial performance.

Gallup research indicates that fully engaged customers deliver a 23% premium in terms of share of wallet, profitability, revenue and relationship growth. However providing great customer service in a contact centre is challenging and often organisational barriers are in place to prevent full engagement. Contact Centres have a highly dynamic environment which is at once demanding but regulated. Managers are inundated with data, measures and control mechanisms. Contact centre employees and teams are measured and monitored consistently leaving little room for advanced customer interaction or engagement. Standard measures such as call quality, handle time, schedule adherence, and unit cost feed into reports that are continuously distributed and monopolise

Many barriers exist to full customer engagement in the contact centre. Quality assurance monitors often listen for specific “value added phrases” that Customer Service Representatives (CSR’s) must apply in every call, regardless of the context. But making those phrases mandatory can frustrate or even incite stronger emotions in customers. For example, even a friendly phrase such as “Is there anything else I can help you with?” can irritate a customer if the CSR was unable to solve the original problem. Along the same lines, cross-selling, while often mandatory, is not appropriate in every customer interaction and can also serve to alienate customers causing a decrease in engagement.

Productivity measures such as “service levels”, a percentage of calls answered within 30 or 60 seconds, also have a detrimental effect on customer engagement. Contact centres often place so much emphasis on meeting service level targets that customer service suffers. CSR’s may be tempted to rush customers to get off the phone so they can meet their service level targets. Gallup has even observed some centres that inflate service levels by scheduling employee meetings during peak call times, which reroutes a huge call volume to other centres creating an overload in the system.

In retail store locations, productivity isn’t measured by how fast a customer can be hustled out of the store. In fact in most retail stores the conversion rate of a customer and the average transaction value for a customer increases with the length or purchase time a customer spends in the store. Productivity is measured by sales. And sales are the only thing that should count in contact centres, too. The problem is that the right measures have not been applied to gauge the financial value of the customers/CSR conversation. Instead most contact centres have focused on easy measures such as maximising call load (volume and handle time), increasing volume expectations per analyst, demanding hourly production objectives and implementing production maximisation assessments. In reality, call duration and amount are almost entirely meaningless metrics and tend to alienate rather than create engaged customers.

The most important part of a customer service representative’s job therefore should be providing good customer service. But few centres enable customers to rate their experience; fewer still track the customer experience at the individual CSR level. More often, a CSR’s customer service performance is subjectively determined by someone other than his customers, using a checklist of phrases and behaviours that may not have anything to do with providing good customer service. Ultimately, “what you grade” determines “what you get.” If a CSR meets all his quality requirements but does not help the customer, the CSR and the company have failed. Success in a contact centre comes down to how well each CSR engages each customer. Despite continuous reporting, feedback, and monitoring, and regardless of the reams of data, many contact centres — and CSR’s — struggle to improve their levels of performance, and few are truly engaged.

In one of the largest studies of its kind including 5,000 CSR representatives, we found that the customer experience still depends almost entirely on the representative that takes the call. The best 10% of CSR's produce six positive interactions for every negative one, based on post contact interviews with customers. The worst 10% yield only three positive for every four negative encounters. Critical information of this type was hidden behind the overall summary score of 88% customer satisfaction. Without the deeper metrics, a contact centre manager would have been unable to identify or manage the sources of both poor and exceptional performance. Performance variation exists between seemingly similar work groups within the call centre environment. Managing that variability can raise overall performance and creates shareholder value. Therefore to reduce variability in the customer experience, businesses must focus on reducing variability in local "people" processes.

Focusing on optimizing the people processes or employee engagement can reduce the variability in performance at the local business unit. The impact and growth we see amongst organisations making employee engagement a priority is a net gain of 6% in productivity and 8% in profitability. Local business units with even moderately high levels of both customer and employee engagement are on average more effective financially than units with very high levels of only one form of engagement.

HumanSigma, our measure, is an holistic approach to measuring – and managing – the quality of the employee-customer encounter. Like Six Sigma, HumanSigma focuses on reducing variability and improving organisational performance. Unlike Six Sigma however, HumanSigma focuses on the human aspects of organisational performance to drive profitability and organic growth. Our measure is based on five core principles that our research and experience have found facilitate the effective management of the employee-customer encounter:

(1) The employee-customer encounter must be conceptualised and managed holistically.

Both sides of the employee-customer encounter must be viewed as interrelated and mutually-dependent systems that should be measured and managed as a coherent whole, not as independent activities housed within separate organisational entities.

(2) The employee-customer encounter is fundamentally emotional.

The measurement and management of the employee-customer encounter must acknowledge and incorporate the critical emotional infrastructure of human behaviour and decision-making, yielding a concept that extends well beyond traditional considerations of employee and customer "satisfaction" – a concept we refer to as engagement.

(3) The employee-customer encounter must be measured and managed locally.

While many other kinds of organisational activities may be managed effectively from the top down, the employee-customer encounter is an intensely local phenomenon whose effectiveness varies considerably from location to location within the same company. Because of this variability in local effectiveness, its measurement and management must be focused locally.

(4) The effectiveness of the employee-customer encounter can be quantified and summarised in a single performance metric – the HumanSigma metric – that is powerfully related to financial performance.

Our research has revealed that the two sides of the employee-customer encounter potentate one another and can be quantified into a single HumanSigma metric. The interactive effects of employee and customer engagement at the local unit level exponentially drive operational and financial performance and growth.

(5) Improvement in local HumanSigma performance requires attention to a combination of "transactional" and "transformational" intervention activities.

Transactional Activities

- Cyclical interventions – such as action planning and training - that tend to be more topical and short-term in focus, but recur regularly.

Transformational Activities

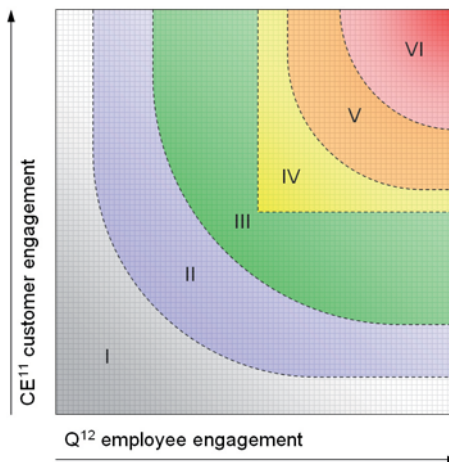
- Structural interventions that focus on how companies select employees, select and promote managers, pay and appraise employees, do succession planning, and recognise and develop employees.
- Focused on creating an organisational infrastructure that supports HumanSigma.

Combining customer and employee engagement scores at the local level yields a single score that is reliably related to overall financial vitality and can be used to classify performance into six broad levels with further implications for business performance and shareholder value.

Merely satisfying your customers is not enough to drive financial performance. Engaged customer relationships have an essential emotional component that must be managed and nurtured - rationally satisfied customer relationships do not.

Business units that had high levels of Employee and Customer Engagement exponentially out-performed units in which one, or both, of these critical vital signs were at sub-optimal levels.

These top performers are “optimised.”



Human Sigma grew out of a multiyear, research-based initiative designed to map the terrain of the employee-customer encounter. We identified ways to measure the effectiveness of the encounter, explored how those metrics could best be used, and assessed the benefits that could result from their application. This work was based on direct experience with hundreds of companies and millions of customers and employees. We then tested and cross-validated our findings in 1,979 business units—involving financial services, professional services, retail, and sales—within ten companies. The results thus far have been extraordinary. The ten companies, all of which have applied the best-practice principles for managing the employee-customer encounter, together outperformed their largest peers during the twelve month period of observation by 26% in gross margins and by 85% in sales growth. We can't guarantee comparable results for every organisation, but we believe that closely monitoring the health of the employee-customer relationships and taking simple steps to manage that relationship you will drastically improve financial performance.

While managing engagement requires a detailed communication plan, structured training initiatives, commitment and involvement of all parties, and post-implementation action planning and follow-through, here are some specific examples of actions that can help increase employee and consequently customer engagement in the short term:

- replace routine quality monitoring with customer-driven feedback
- eliminate nonessential reports to free up coaching time
- add a “senior CSR” position to handle escalated calls
- develop and implement a process for communicating changes that is integrated with scheduling requirements
- restructure “decision rights” so that there is clear ownership of and accountability for key functions
- develop a set of underlying principles to prioritise conflicting initiatives and align goals
- put the focus back on the success of the individual customer interaction, rather than on the efficiency of the CSR

Ask any contact centre manager to list his or her most pressing business challenges, and you will no doubt hear concerns about customer and employee retention, authentic and sustainable growth, eroding margins, and cost efficiencies. Clearly, there is no single solution to those challenges. But we are confident that simple first steps leading to consistent measurement and management of —employee and customer engagement— can lead to breakthrough improvements in all aspects of your business.

Contributed by Christian Hasenoehrl, Partner for Gallup in London (christian_hasenoehrl@gallup.co.uk).

Christian Hasenoehrl advises multi-national European organisations on performance management and strategy at the European Headquarters of Gallup in London. Christian was part of the finance & performance management practice at Accenture where he developed an M&A and post merger integration offering for retailers. He is the founder of StradeVenture Development LLC and was previously responsible for international M&A and development at Wal-Mart Stores Inc., and METRO AG, Germany.

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