



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

Dr Stephen Young, ISR



Introduction

Contact centre and similar customer-facing service environments present unique challenges for organisational leadership. Call centres are human capital intensive, with people accounting for approximately 70 percent of their operating costs. In addition to head count, another human cost inherent in contact centres' operation is higher-than-average employee turnover, with many contact centre employees leaving within just two years of joining. The demanding nature of contact centre environments may contribute to the high turnover of employees.

Should executives managing contact centres just accept high turnover as a permanent fixture of the contact centre landscape? To do so would be to take a shortsighted view. Employees working in this field are in direct customer contact for most of their workday, offering numerous opportunities to shape customer satisfaction and loyalty directly. The "service-profit chain," linking employees' workplace perceptions and their overall job satisfaction with customer satisfaction and other business metrics, has been thoroughly documented by ISR and others.

Recent research by ISR in the financial services sector demonstrates clearly that not only do employees have an impact on sales via their influence on customer satisfaction, but they have a direct impact on sales performance (Figure 1). Indeed this 'triangular' model is three times more powerful at predicting future sales when compared to a more traditional linear service profit chain model.

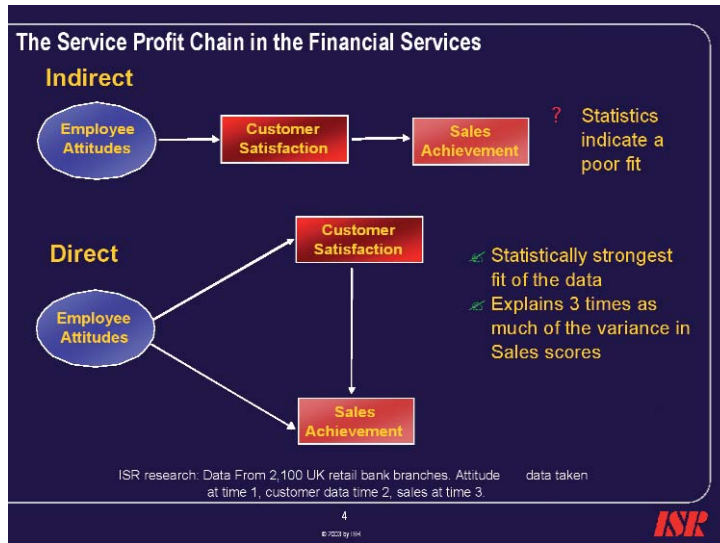


Figure 1

The implication here is powerful. Engaged employees, who express a genuine belief in the products and services of their organisation, not only engage customers, but make a direct contribution to sales. Measures of customer satisfaction alone therefore will not provide the best predictor of sales, you must figure measures of employee engagement to give you the strongest possible predictions.

How large is the impact of employee engagement on sales? In the same study, we found that each 5% increase in employee engagement in UK high street retail branches, predicted on average a 2% increase in sales (Figure 2).

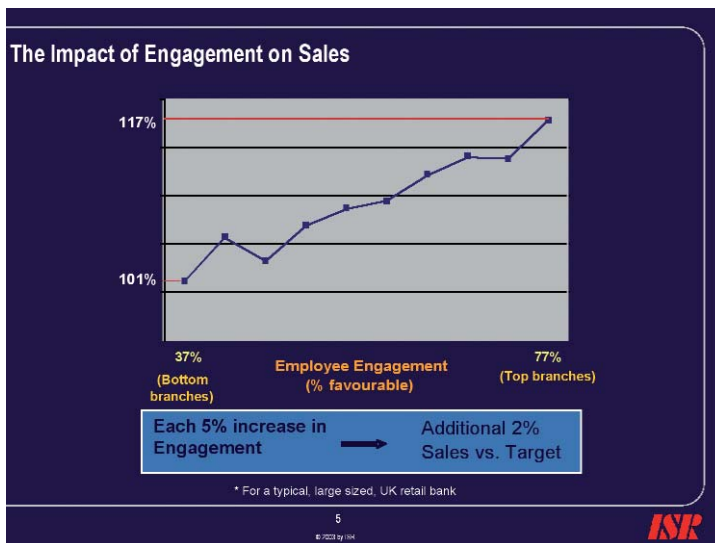


Figure 2

But it's not just employee engagement. Employee opinions of many critical aspects of organisational life link directly to financial performance. In an ISR global study, employee opinions towards communications, development and pride were found to have a direct relationship with increases in stock price (Figure 3).

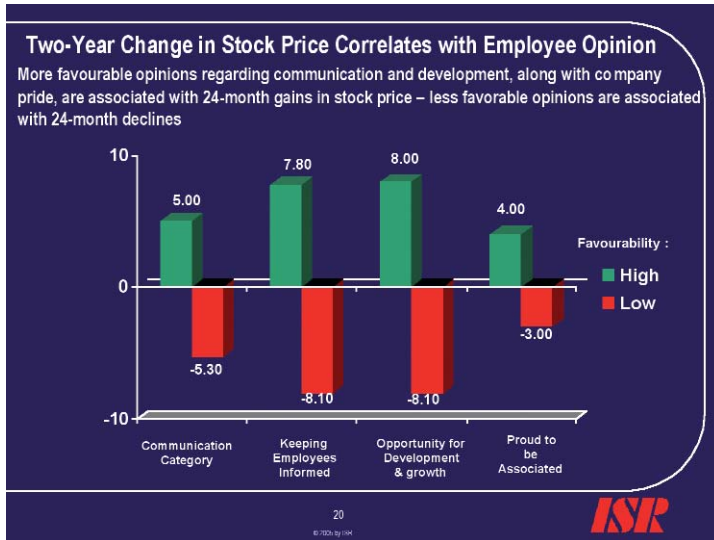


Figure 3

A clear line of sight and a focus on the customer is related was found to relate to whether organisations are able to beat industry specific benchmarks for financial performance.

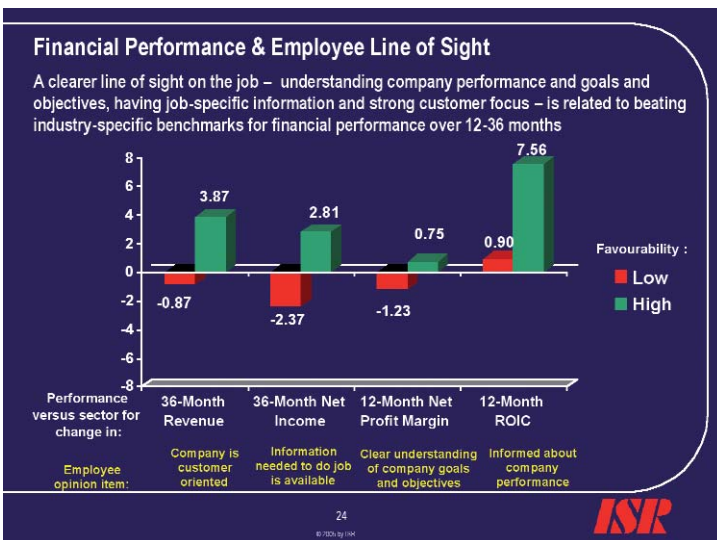


Figure 4

These links suggest that organisations ignoring the motivation and job satisfaction of contact centre workers may be placing themselves at a competitive disadvantage. A manager wishing to meet the workplace needs of contact centre workers would need answers to the following questions:

- How best can managers address their contact centre workers' concerns?
- What issues do these workers feel most strongly about?
- What improvements would be most likely to improve the retention of contact centre employees?

To provide insight into these questions, ISR compared the opinions of employees working in contact centre environments in a variety of industries with employees working in all functions within the financial services sector. By analysing the topics of greatest variation between these groups, ISR uncovered the workplace issues that may be unique to contact centre environments, relative to the industry sector in general. We also examined the areas driving employees to seriously consider leaving their jobs to provide insight on which levers to pull to retain contact centre employees and reduce turnover costs. These drivers of contact centre employee turnover were contrasted against drivers of turnover of employees in the financial services sector to understand the differences in the two environments. To provide a cross-national perspective, ISR studied global data as well as data specifically from the United States and the United Kingdom.

Contact Centre Employees in the United Kingdom More Negative

ISR’s UK Contact Centre Norm holds employee survey responses of over 21,000 employees working in contact centres at 11 companies. ISR compared these results with employee survey scores from over 185,000 employees working in 13 U.K. financial services companies.

Figure 5 shows that the results for the U.K., which are quite similar to those found globally. Call centre employees in the U.K. hold less favourable views than employees in the U.K. financial services sector—especially in the areas of job satisfaction, customer focus, immediate supervision, and communication. At the same time, performance evaluation is regarded more favourably within contact centre environments. In a deviation from the global results, contact centre employees also hold more positive views on company image and training



Figure 5

Figure 5 details the specific survey questions showing the largest negative opinion gaps between contact centre workers’ views and those of financial services employees. Among the issues cited are lack of contact between leaders and employees, lack of empowerment, and leadership inadequacies

regarding value clarity, trust, and understanding workplace problems. Job satisfaction, specifically whether employees perceive their job as worthwhile, suffers as a consequence.

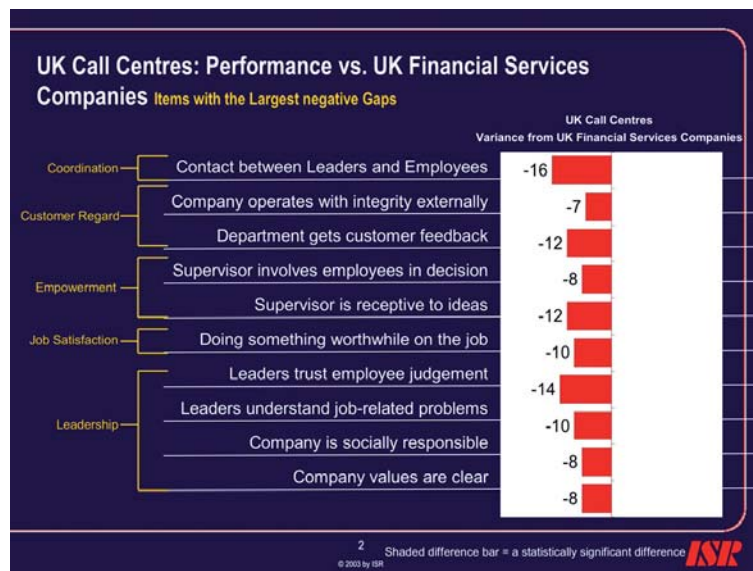


Figure 6

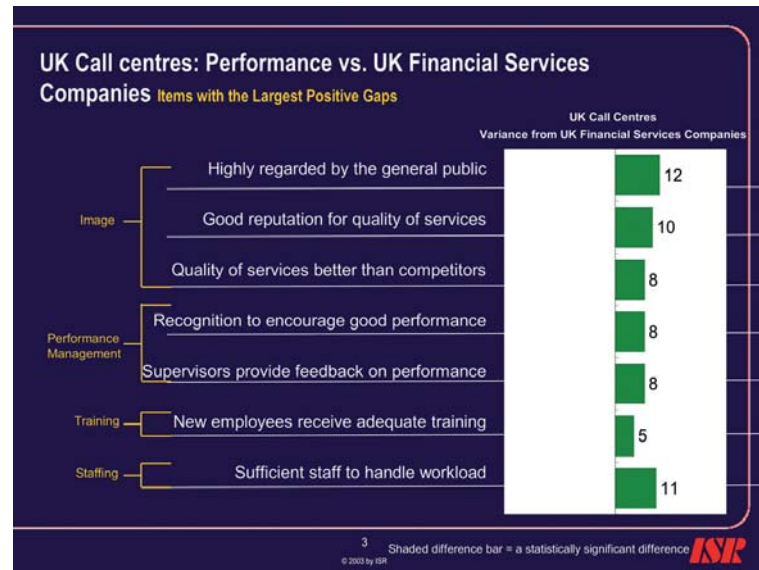
Figure 6 highlights the items with the most favourable results. In the area of performance management, opinions regarding informal recognition and rewards are especially favourable. The high scores for image are driven by positive views of service quality and reputation, along with high regard from

the public. Thus, although contact centre employees question the availability of customer feedback and integrity in external dealings, they perceive a positive company image more generally. As customer-facing employees,

contact centre workers need to have both a positive view of the company and its services and a favourable view of the feedback they receive from customers.

Figure 7

Because contact centre employees typically receive an intensive training program upon hiring, their positive opinion of new hire induction is not surprising. Finally, adequate staffing emerges as an area of strong performance in contact centres versus the financial services sector.



Drivers of Turnover Intentions

ISR's research found that, although contact centre workers' levels of engagement are on a par with those of financial services employees in general, they are more likely than their financial services counterparts to indicate that they are seriously considering leaving their company. ISR determined the drivers of expressed intent to leave the organisation across six global companies, contrasting the drivers within contact centre employees with those within the financial services firms overall. This analysis helps to pinpoint the levers to pull to increase retention within contact centres.

A number of common drivers emerged across both populations:

- Providing opportunities for development and growth
- Allowing employees the freedom/empowerment to get work done on the job
- Recognising employees for good performance
- Having effective company leadership

These drivers are consistent with previous research by ISR across industries, which indicates that advancement, empowerment, and leadership are the most frequent drivers of retention and employee engagement in general. A unique area in this analysis is the importance of providing recognition for performance, which is relatively inexpensive to institute, but can have significant impact on retention.

Despite the similarities in the drivers of retention within contact centres and financial services companies, a number of workplace issues emerged as drivers unique to contact centre employees. These issues reflect many day-to-day operating issues that impact the quality of work experiences at the local level,

including the following:

- Using technology effectively to improve operating efficiency
- Competitiveness in applying technology in the workplace
- Having adequate procedures in place to resolve employee concerns
- Developing people to their full potential
- Managing poor performers effectively
- Training new hires appropriately

Some of these unique drivers reflect areas of strength uncovered in comparisons between the opinions of contact centre employees and the financial services sector in general, such as performance management and training. Other drivers, however, represent areas about which contact centre employees are particularly critical. First, given the amount of time contact centre employees spend interacting with technology, their commitment will increase if the technology in place is efficient and competitive. Second, commitment of contact centre employees can be increased by providing avenues for employees to identify and resolve their unique concerns. Addressing dissatisfaction in any of the areas identified as drivers has the potential to increase retention in contact centre environments.

Conclusion

These analyses highlight a general theme in the data: employees working in contact centres and similar customer-facing environments hold less favourable views about their workplace than employees in the financial services sector in general. Turnover rates approaching 50 percent in some contact centres are consistent with this finding.

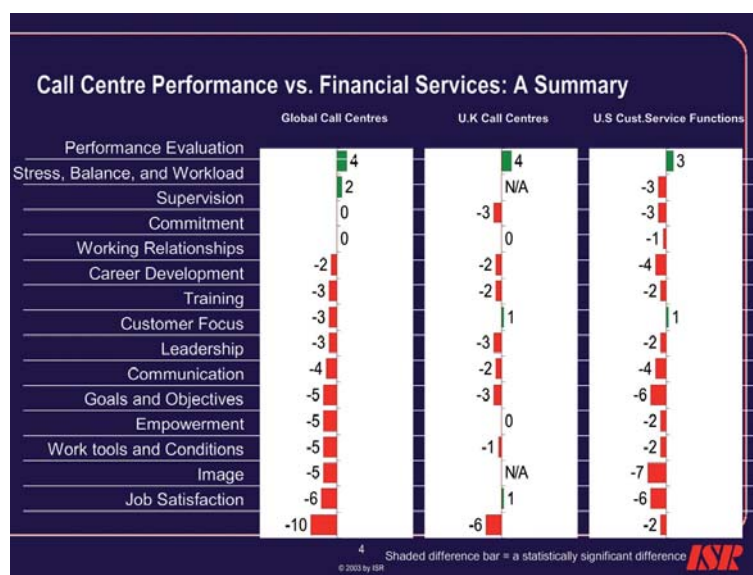


Figure 8

Figure 8 summarises this pattern by comparing scores across the global, U.K., and U.S. environments studied. Scores on performance evaluation are relatively favourable; however, scores in almost all other topic areas, including empowerment, work tools and conditions, image, and job satisfaction are generally unfavourable, relative to the financial services sector. These results imply that efforts to anticipate issues in need of improvement within contact centres in a financial services context should be focused on the following distinct set of issues:

- Respecting employee input and involving them in decisions
- Improving coordination between staff and managers, and across departments
- Making appropriate use of technology and providing adequate computer systems support
- Addressing leadership effectiveness, especially communication, decision making, understanding employee concerns, and providing clear goals, vision, and objectives

The potential payoffs for these improvements include the following benefits:

- Enhanced sense of customer regard among staff
- Employees more satisfied and motivated in their jobs
- Higher quality job performance
- Reduced rates of employee turnover

ISR is an international employee research and consulting firm. Founded in 1974, ISR helps organisations to improve employee engagement, retain key talent, increase productivity, enhance customer satisfaction, and increase shareholder value. ISR has surveyed more than 35 million employees from more than 3,000 companies in 106 countries. For more information, go to ISR's website, www.isrinsight.com.

Stephen Young is Deputy Regional Director, ISR Europe.

ISR is the world's premier employee research and consulting firm. ISR survey several million employees each year globally. Stephen is responsible for global and pan-European research and consultancy projects.

He heads up an ISR thought leadership group developing innovative ways to help organisations better align their leadership and people cultures to their business strategies. He is increasingly advising global high performing organisations on their approaches to Human Capital. He has a focus on employee engagement and service profit chain research (linking employee attitudes, customer satisfaction and business performance). He has managed successful organisation development programmes in major UK industries such as BP.

A selection of current clients includes: British American Tobacco, Canon, Fujitsu, HMV and Royal Bank of Scotland. He has been working in the organisational research and consultancy for 13 years and has published in the area. He has a PhD in organisational psychology and is a Chartered Psychologist. www.isrinsight.com

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