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Profitably Linking Employee Behavior to Customer Loyalty: Driving Customer Commitment Through Employee Attitudes and Actions

EXECUTIVE BRIEF

Abstract

Everyone knows the classic questions: Which came first, cowboys or saloons? Chickens or eggs? While these may be ongoing questions in cultural anthropology or biology, the role of employees in leveraging customer loyalty behavior is far simpler to understand. In addition to powerful, detailed data and a customer-centric culture, in order to truly have customer commitment and advocacy behavior a company's employees must understand their role as customer experience stakeholders and live that role as value delivery agents and supplier ambassadors.

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Just as with Customers, Employee Satisfaction is Almost Irrelevant

Employees are at least as important as other aspects of customer management in optimizing benefits for customers. They are key stakeholders in value delivery and brand/supplier success, and they frequently represent the difference between positive experiences or negative experiences and whether customers stay or go.

The extent of their role and impact needs to be better understood, but employee satisfaction research isn't the best way to do it. Why not? Industrial psychologists and organizational behaviorists have been studying employee satisfaction for over 30 years, assuming that the level of staff satisfaction correlates with impact on performance. However, as one study concluded: "Researchers have been unable to confirm a relationship between employee satisfaction and business performance." This is almost identical to the finding that the level of positive customer satisfaction has relatively little bearing on loyalty behavior (although, conversely, transactional dissatisfaction can, and often does, undermine customer loyalty and advocacy).

It has been found that employee commitment and advocacy behavior - on behalf of the company's product and service value proposition, the organization itself, and its customers - has a direct and profound relationship, or link, to the behavior of customers, and also to corporate sales and profitability. As extensive academic and professional research into this effect concludes with regularity, employee attitudes and actions, especially around customer commitment and customer transactional experiences, and championing a company's products or services, can't be separated from the effective delivery of customer value.

The role of people... why they can be so critically important.

68%
...of customers **leave** because of poor employee attitude.

41%
...of customers are **loyal** because of good employee attitude.

70%
...of customer brand perception is determined by experiences with **people**.

Source: Parkington and Buxton, Study of the US Banking Sector, Journal of Applied Psychology

Source: MCA Brand Ambassador Benchmark

Source: Ken Irons, Market Leader

UK retailer: 1% increase in employee commitment = 9% increase in monthly sales. *Enterprise IG*

Study findings such as this demonstrate that employees are capable of directly contributing to both customer disappointment and customer

Loyalty

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delight. Beyond simply understanding employee satisfaction and what employees value and desire in their jobs, it is essential that companies have a research and analysis method which definitively connects staff performance and engagement directly to customer marketplace behavior so that they can hire, train, recognize and reward employees appropriately based on their contributions to customer value.

Linkages Between Employee Attitudes & Actions and Customer Behavior

As shown above, there is an oft-proven, powerful relationship between employee commitment to the company, the brand value proposition, and the customer and their employers' actual business performance metrics. Northwestern University, for instance, conducted a hotel chain study which showed that, for 'The extent to which employees try to satisfy customers', a 10% increase in this factor resulted in a 22% increase in customer spending per hotel visit. In the '90's, Sears conducted a study in 800 stores which showed that a 5 percent documented improvement in employee attitudes toward their jobs and commitment to the company directly resulted in a 1.3% increase in customer perceptions toward the retailer and, in turn, a .5% increase year-over-year in revenue. Research by the Royal Bank of Canada has determined that the level of employee commitment accounts for 60% to 80% of bank customer satisfaction, and that 40% of the difference in how customers view RBC's services can be linked directly to their relationship with bank staff.

Yet when considering and measuring the pivotal elements of staff performance and productivity, most companies are primarily focused on employee attitudes around satisfaction, company loyalty, alignment with goals and objectives (such as corporate citizenship), and levels of engagement. These are important, to be sure (and, in fact, Harris Interactive conducts a great deal of this type of employee research); but, historically, they only superficially and incidentally correlate what employees think and do to customer behavior.

Employee Ambassadorship: Measuring the Effect of Employee Beliefs and Behavior on Customer Experience and Commitment

Harris Interactive Loyalty has developed a highly effective suite of research techniques for understanding stakeholder behavior and decision-making dynamics. For example, customers who actively (through frequent informal communication, level of favorability, companies in consideration set, etc.) express their commitment to a supplier can, depending on their individual experiences and perceptions, range from strongly positive (advocates) to strongly negative

(saboteurs). Employees can significantly impact customer commitment behavior toward their employer through a range of attitudes and actions on behalf of the brand, company and customer. These attitudes and actions, like customers, range from highly positive to highly negative.

Our research framework for identifying this is Employee Ambassadorship. Its intent is to define the most active level of employee commitment to the company's product and service value promise, to the company itself, and to optimizing the customer experience. It is linked to, but distinctive from, the productivity and empowerment elements of employee satisfaction, engagement, and alignment research because, with ambassadorship, emphasis is on strengthening bonds with customers, and creating positive transactional and long-term customer experience through employee interaction.
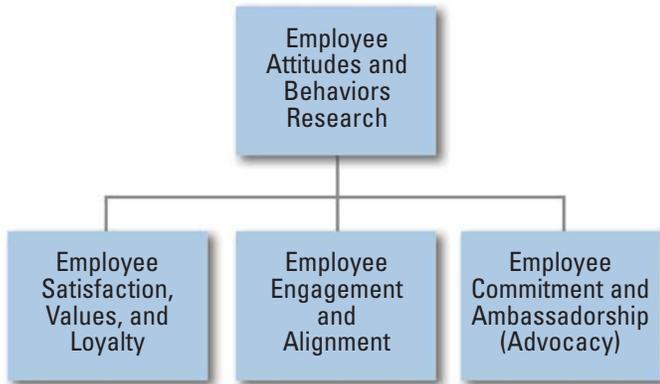
We most typically concentrate on what drives active, positive, vocal commitment – in other words, ambassadorship. However, it is at least equally important to identify where employee indifference and negativism – potentially leading to sabotage attitudes and actions – exist, why they exist, and how they can be mitigated or eliminated.

The Employee Ambassadorship solution goes beyond conventional, largely Human Resources-based employee satisfaction and engagement research techniques to connect employee perceptions and actions to customer behavior. It also incorporates the most actionable elements of traditional employee satisfaction and engagement research.

Employee commitment and advocacy, (i.e. ambassadorship), has become a major focus of many organizations, as they have come to realize the financial and cultural consequences of a workforce that is cohesive, focused, committed and productive around the overarching goal of optimizing customer loyalty and advocacy behavior. As stated, traditionally, most employee research is conducted as a means of identifying levels of staff satisfaction and performance, perceived values (work/life balance, diversity, training, career pathing, trust in management, etc.), and engagement with company missions and culture. However, there is growing recognition of the need to relate and link employee perceptions, beliefs and behaviors to company business and financial missions and strategies, particularly regarding customer actions on behalf of the employer; and very little employee research (qualitative or quantitative) has been conducted, and no proven technique had been created, in these areas.

"Branches" of employee research, now including Employee Ambassadorship, can be illustrated as follows:

Employee Research Techniques

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          │      Employee        │
          │   Attitudes and      │
          │    Behaviors         │
          │    Research          │
          └─────────────────────┘
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      ┌─────────────┼─────────────┐
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│ Employee  │ │ Employee  │ │ Employee  │
│Satisfaction,│ │Engagement │ │Commitment and│
│Values, and│ │   and     │ │Ambassadorship│
│ Loyalty   │ │Alignment  │ │ (Advocacy) │
└───────────┘ └───────────┘ └───────────┘
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Like commitment for customers, advocacy is a fairly new term in understanding employee behavior, and there's not a great deal of academic literature on it (and none from professional employee research sources), but it's quickly becoming more actively used. The Employee Ambassadorship solution has been built to be consistent with the Harris Interactive Commitment Model, a revolutionary research technique that allows us to accurately predict customer behavior. The solution also introduces categories of employee commitment, similar to those used in the Commitment Model to describe customer bonding to a supplier.

At the high end of commitment are employee ambassadors. Ambassadors represent employees who are strongly committed to the company's brand promise, the organization itself, and its customers. Also, and importantly, they actively behave and communicate in a consistently positive manner about the company, both internally (to co-workers and customers) and externally (to family, friends, and others).

At the low end of commitment are employee saboteurs. Saboteurs are active and frequently vocal detractors about the organization itself, its culture and policies, and its products and services. These individuals are "bad apples," negative advocates who are communicating their low opinions and unfavorable perspectives both to peers inside the company and to customers, and others, outside the company.

With the introduction of Harris Interactive Loyalty's Employee Ambassadorship solution, we felt that it was important to conduct 'research on research' to gain insight into the levels of, and contributors to, employee positivism and negativism. Accordingly, we completed a special study on these subjects.

The Roots of Employee Negativism
A short series of questions for full-time employees, 18 and over, was included in the September 11-18, 2007 national *Harris Poll®*.

These questions were answered, through an online questionnaire, by a total of 1,165 individuals.

One of our first objectives with these questions was to identify employees' overall commitment level, loyalty, and impression about the company and its perceived ability to earn customers' trust and loyalty. This was accomplished through a series of four simple agree-disagree statements. On two of the questions – 'commitment to the organization's success' and 'ability to earn customer trust and loyalty' – there was fairly high positivism. The two statements which addressed overall impression and loyalty, however, showed significantly greater negativity:

	Yes	No	Not Sure
I am very committed to the success of my employer organization.	78%	12%	9%
We consistently earn our customers' trust and loyalty.	76%	12%	12%
I feel very loyal to the organization I currently work for.	70%	20%	10%
I have a very positive impression about the organization I work for.	68%	22%	10%

Leveraging Employee Positivism
Polar employee positivism, the essence of ambassadorship, is absolutely critical for companies striving to be optimally customer-centric. Even though customer experience management processes may be tightly managed, executing and sustaining them is virtually impossible without the enthusiastic, and real, support of employees. These experiences, and resulting levels of customer loyalty behavior, are greatly influenced by employee interactions. For example, many studies have determined that customers who complain to an organization and have their complaints satisfactorily resolved will tell an average of 5 other people about the good treatment they received, and they tell at least 20 people if they receive poor treatment. Many of these studies were conducted pre-Internet era, so the potential for negative informal communication (blogs, forums, chat rooms, online communities, rating sites, etc.) is much stronger in today's world.

Service studies have also shown that, of the customers who register a complaint, between 54% and 70% will do business with the organization again if their complaints are resolved. This figure goes up to 95% if the customers feel the complaints are resolved professionally, quickly and proactively, depending upon positive employee attitudes and actions as well as the systems in place to manage complaints.

So, it is both culturally desirable and financially rewarding for organizations to foster employee positivism. Compared to negative

word-of-mouth about their employer as a place to work, our respondents tended to express positives more frequently, which is a very good outcome (for employers and customers) to this research. Overall, 34% of the respondents said they frequently tell others how good their company is, and 48% sometimes communicated positive messages. Within this positivism however, it should be noted that the lowest frequent personal positive communication was by 18-24 year olds (24%), and it was highest among those 65+ (43%), which is consistent, but in reverse, with age-related expressions of negativism.

Finally, we asked respondents if they tell others how good the products or services of the company they work for are. Encouragingly, a total of 88% said they do (38% frequently and 50% sometimes). Employers should be gratified by the marked proclivity of employees to be positive *and* vocal about their employer's products and/or services, compared to the likelihood of being negative *and* vocal. Principally through HR, they will want to identify those opinions, traits, and actions of employees which are most positive and train employees to emulate the positive drivers. Nevertheless, the impact on customer behavior of both needs to be understood and consistently monitored so that areas of negativism, particularly as they affect customers, can be proactively addressed and eliminated.

Employee Mirroring: Reflections of Perceptual Reality and Unreality Relative to Customers

For key interaction and touchpoints between customers and suppliers, the level of true focus and centricity can be identified quite easily. We have long advocated including at least one cell of supplier staff – most often from Field Sales, Marketing, and especially

Customer Service – in every customer loyalty behavior study done for our clients. The results are frequently eye-opening. What we do with staff in these studies is, simply, ask them to respond to the same questions asked of customers, in the way they believe customers will rate and evaluate them as a supplier.

Years ago, quality guru W. Edwards Deming said that what everyone in a company does can be reduced to one of two functions: to serve the customer or serve someone who does. So, arguably, understanding where perceptual gaps between employees and customers exist anywhere in the company should be of prime importance to key groups such as Human Resources, especially in their capacity of helping optimize the effectiveness of employees in terms of productivity and delivering value to customers.

As a customer research organization we've frequently found that customers consider the emotional, relationship-driven and other intangible aspects of value delivery – trust, communication, interactive/collaborative components of service, anticipation of needs, brand equity, etc.– much more important, and more leveraging of behavior, than the functional aspects. Customers tend to see the functional aspects of delivery as more basic and expected, in other words one-dimensional and non-differentiating.

In the example below, retail service staff had significantly different perceptions of performance than customers of this specialty store chain, especially in need anticipation and making the customer feel special, both key components of relationship and bond creation. Employees felt they were doing an excellent job. The reality, based on the customers' perspective, was far different in nature.

### Measuring Specialty Retail Customer and Staff Alignment
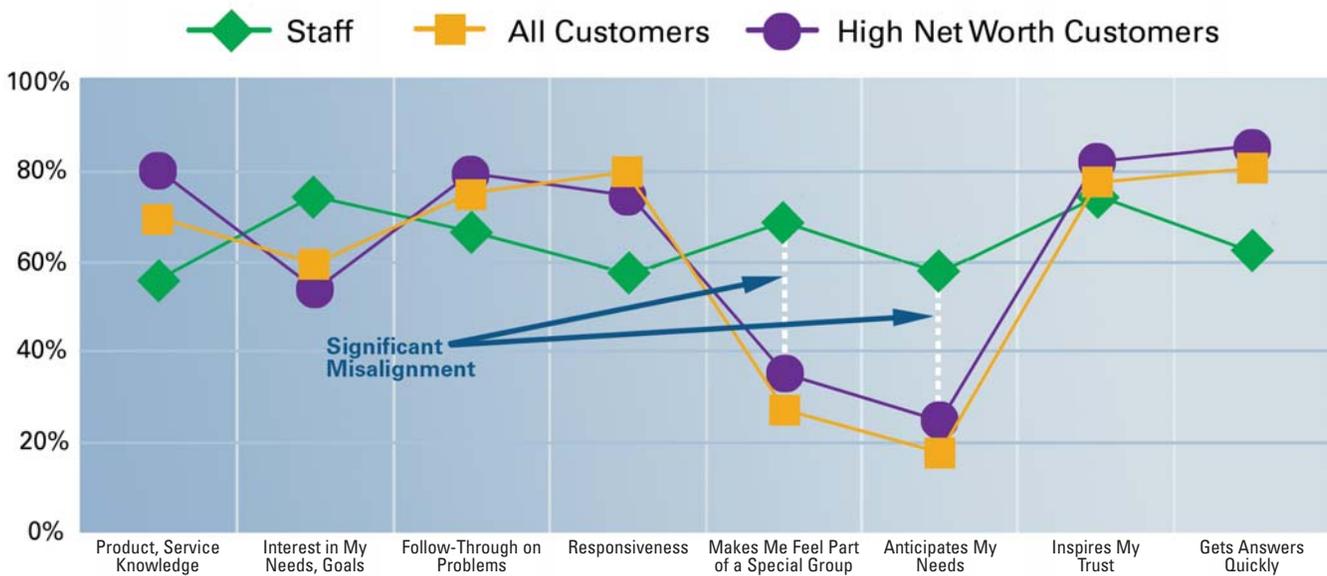
Based on % 6/7 performance ratings on a 7-point scale

Note: Mirroring studies can be conducted as part of Employee Ambassadorship, where they add an important dimension to the understanding of ambassadorship and sabotage behavior, or independently, concurrent with research into customer perceptions of value.

In another example, mirroring questions were included in both the guest satisfaction (a study conducted on behalf of a major Las Vegas Hotel/Casino in June, 2006) and employee satisfaction questionnaires. Overall results - namely those showing employees consistently giving higher ratings (top two box on seven point scale) to performance attributes than guests - was concentrated among employee ambassadors and minimized among employee saboteurs.

The range of high scoring concentration was 71% to 84% of employee ambassadors giving these scores, with only 5% to 15% of employee saboteurs giving these scores. These results were consistent across all attributes evaluated by both employees and guests.

Mirroring and Employee Ambassador Technique Beta Results – Example Commitment Diagnostics
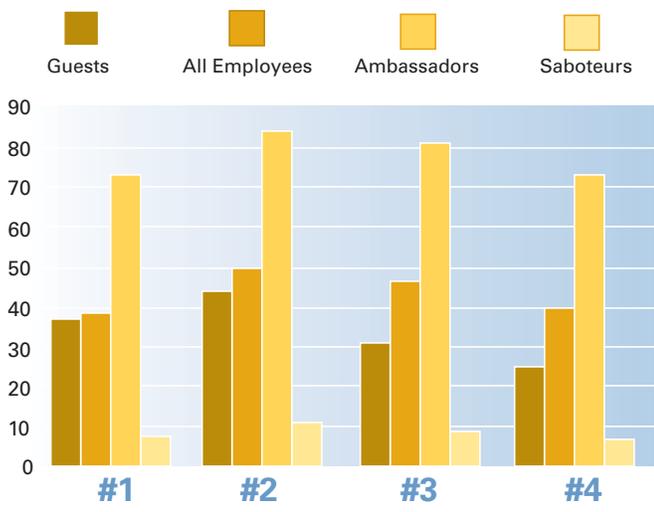
#1 Guests are committed to continuing their relationship with the hotel.

#2 Guests would continue to stay at the hotel because of the fun and fulfilling experience it provides.

#3 The hotel has the guests' best interest at heart.

#4 Guests feel they have a personal relationship with the hotel as their LasVegas destination.

This suggests not only that employees had significantly different perceptions of performance compared to guests, but also that there was a great deal of perceptual polarity among Las Vegas Hotel/Casino employees.

In case anyone should need more convincing of the benefits reaped from debriefing staff to understand their perceptions of customer-

related performance, here are three key reasons why companies should want to make staff a part of every customer survey:

1. Including staff in customer loyalty research enables employees to have a voice. This tells staff their opinions matter, which in turns helps trust to grow between the company and staff.

2. Surveying staff as part of the customer loyalty research process enables management to learn about specific process areas where there are disconnects between what staff perceives and what customers perceive. These revelations can open the door for needed process changes in how customers are served.

3. Surveying staff as part of the loyalty and advocacy research process helps pave the way for staff buy-in and support of new initiatives and changes, on behalf of customers, that may affect staff, directly or indirectly.

Studies have shown that customer support groups consider meeting defined service levels their highest priority, while relatively few identify generating revenue and optimizing customer retention as key goals. This often results in considerable disconnect within the organization, especially when one group, such as Marketing, has a different set of customer-related metrics, goals and objectives compared to Customer Service. It can, as well, create absolute headaches for Human Resources.

When companies are innovative and inclusive with staff, all parties benefit. The company gets more effective employees. Employees like the participation and learning. Customers like the improved processes. Another key advantage of conducting employee 'mirror' research, and one not to be overlooked, is that, in all likelihood, competitors don't have this kind of insight. They're hearing only from the external constituent group, the customers, but not from the equally important representatives and deliverers of value, company employees.

The Net Effect of Employee Attitudes and Actions

Increasingly we are beginning to understand – and even predict – the effect of employees as proactive company ambassadors and positive agents (or also agents of supplier distrust and customer turnover, if the individual or longitudinal experiences have been poor) on customer commitment and advocacy behavior. This is a 'holy grail' for many organizations as they strive to leverage human capital to best effect.

As Fortune Magazine columnist Thomas Stewart has said, "Human beings want to pledge allegiance to something. The desire to belong is a foundation value, underlying all others." When that 'something' is the optimization of customer experiences and loyalty behavior, coupled with the highest levels of employee participation and investment in reaching that goal, everybody wins.