IN FAVOUR OF LONG ENGAGEMENTS?

Neil Barber argues that an engaged workforce delivers business objectives more effectively and consistently. He offers some practical tips for increasing that engagement.

The challenge that product differentiation presents to even the best financial services organizations was expressed succinctly by Christian Dörffer and Jeff Smith a couple of issues ago:[1]

> In times of high customer and employee churn, how can banking be turned into a differentiated, personalized and trustworthy experience when dealing with something as impersonal as money?

They certainly have a point. The customer experience is a potential opportunity for creating differentiation. A business can do this by positioning itself as unique through some quirk of service delivery or, potentially, through the promise of flawless execution. Whichever route is chosen, differentiation through the customer experience requires that employees understand the company's positioning and be fully engaged in the business to deliver against the promises. What increasingly sets organizations apart is the commitment and performance of their employees.

This may be seen as particularly true with a new brand, a merged company or a business that has recently undergone an identity review[2], but the simple fact of the matter is that engaging the workforce is critical to the successful delivery of *any* business, whatever life stage the organization is at. The best strategy, the best products, the best executive board, the most trusted brands and the best people will still not deliver optimum business performance unless the human face of the organization is engaged and passionate about doing the job really well.

Fad or fact?

In the absence of a widely accepted definition of "employee engagement", let's be clear about our terms. Employee engagement is a concept used to describe the degree of attachment employees have to their organization. Their attachment is underpinned by four interconnected engagement components – how employees perceive:

- **Leadership** – How capable are the line and senior leaders?
- **Customer focus** – Are the employees passionate about customer delivery? Are they aware of how their day-to-day job impacts the customer experience? Does the organization have products and services that are leading edge? And working processes that smooth customer delivery?
- **Performance and development** – How effective are the organization's learning and development policies? Are people fairly paid (and do they perceive it as fair)? How useful is the feedback they receive about their performance? Do the reward and benefits packages motivate or inhibit optimal performance?
- **The job** – Do employees enjoy being at work, doing the job they do? Are they supported by an effective team?

Getting these four components right and in concert for the business will achieve more to engage employees than many other investment programmes.

For example, millions have been invested in the technology supporting a refined and more sophisticated customer experience in call-centres. But despite all the money, often little if any consultation has taken place with those delivering at the front-line. And if consultation has taken place, employees are often the last to know if, and how, their feedback has impacted positively on system design and implementation.

Call-centres are often staffed by relatively inexperienced and junior employees, but they play a crucial role in how the customer experience of the organization shapes up. Consultation on issues such as technology implementation can increase customer focus, motivate optimal performance, improve the sense of teamwork and elevate the profile of, and respect for, the leadership team. But the main point here is that full consultation with employees will engage them in the new initiative, on which the success of the programme ultimately depends.

Real understanding

I hope it is clear from my example that engaging employees isn't just about a successful internal communication campaign, a decent benefits programme or extensive training budgets. It is about truly understanding employees and responding to their needs and wants. Ironically, this is not an additional expense for the business, but a cost-effective investment approach that delivers returns in many and unexpected places. It may, for example, be feasible to reduce spend on some "employee friendly" initiatives by targeting them to meet employee needs more accurately. More importantly, customer experience can be significantly improved, as can productivity levels, employee churn rates, profit levels and overall business performance. So employee engagement – when properly addressed – should appeal to even the most hard-nosed finance director.

The lynchpin of a successful employee engagement strategy is to understand the workforce. By gaining a deeper understanding of what employees think and what will engage them, companies can encourage them to stay longer, work harder and sell more. But it is not necessarily a straightforward issue. It can often be the case that recent employee satisfaction surveys indicate that everything is looking great, but tell-tale signs such as high customer and employee churn figures may belie the survey findings.[3] The survey may be measuring the wrong things, but it is also (and disappointingly) becoming evident that employee satisfaction is no longer always sufficient to retain employees, but merely a "hygiene factor" that they take for granted. People can be satisfied, but not necessarily engaged.

The good news is that getting the survey right goes a very long way towards engaging the workforce. Generating employee feedback from the people that matter – those being asked to deliver a superlative service to precious customers – is key. If companies do only do one thing right, they should ensure that an easy-to-complete feedback programme is delivered, aimed directly at the front-line.

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But the information collected is only of value if the results are used. Asking for useable feedback in areas that are relevant to business development may seem like an obvious requirement, but many organizations ask their employees about their bosses, or working conditions, or other factors that either will not be changed regardless of survey results, or will not impact positively on the performance of the business. So companies should either save their money or take the time to do it properly – or not waste valuable organizational time in doing it all!

The most important aspects of employee engagement to be measured are highly dependent on the organization. Some considerations are sector-specific – for example, in the financial services arena, engaging front-line staff should be a primary consideration. It is because of this that, when looking at the issue of improving the customer experience through employee engagement, a common theme is the importance of the role of management.

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The unit/branch/store/call-centre manager is the lynchpin in the employer–employee relationship. Their job is to translate the myriad of organizational instructions and ask his/her people to perform, everyday. Our research across over 300,000 employees consistently points to the importance of the line manager in supporting optimal business performance.[4] It might be the people that ultimately deliver, but it is the quality of the line manager that motivates his people to perform, often under intense pressure. There is no question but that the act of engaging employees happens at the local level – line managers have the greatest influence.

The main consequences of poor line management are high employee churn; low employee engagement; and poor business performance (as measured by customer experience, profit or the like). For example, a major high-street bank found that the best-performing branches tended to produce low people satisfaction results. Deeper analysis showed that the safest pairs of hands, the most experienced staff members, were being overworked. Inequalities in workload were exacerbated by poor line management, leading to dissatisfaction despite the good business results.

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Critical elements

Our studies routinely show that the quality of manager/team leader impacts financial business performance directly. Yes, there are other factors – Nationwide, for example, finds that increasing length of service is important to average branch profitability. But it is the manager who is the critical causal link, retaining the best performers, performance-managing those who want to improve, and removing the non-desirable elements every organization inevitably has.

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Another critical element when refining an employee engagement programme in the financial services sector is the communication to and education of front-line staff. Even with high quality line managers, customer-facing teams live and die by the efficiency of the communications infrastructure. In a market in which so many organizations have similar offers that change frequently, and in which consumer understanding is limited, speed to market is critical. Often when developing new products and services, the focus can be on *customer* communication. But it is equally important to ensure that the people delivering the company's products, services and promises actually understand them and are fully aware of what differentiates them from competitive offerings.

External factors

Putting these challenges into the context of the heightened regulatory environment only makes the issue more complex. Frequent regulatory changes (including Basel II, International Financial Reporting Standards, the Sarbanes-Oxley Act and anti-money laundering legislation) mean organizational resources are constantly stretched trying to keep up. And in the current environment, in which the confidence of key stakeholders has been shaken, banks will need to identify and adhere to best practices, regardless of minimum regulatory requirements.

And in an environment in which 15% of head count is being migrated offshore, engaging employees has never been more of a challenge. Increasingly, off-shoring extends beyond back office administrative functions to customer-facing staff in call-centres. These people need to be able to not only deliver the brand effectively, but also have empathy for the customer in terms of competitive context and cultural influences that may influence their decisions.

With any off-shore or outsourced situation, the issues are the same, though. Getting employees that are distanced from the mother ship to live and breathe the values of the brand and deliver corporate objectives in a consistent, focused and effective way depends on employee engagement.

Not just asking the right questions in a survey. Not just focusing communication, training and incentive efforts behind the business critical issues. Engaging employees depends on bringing all these elements together. Understand departmental issues (whether in

Bangalore or Bangor), look at line management especially closely, and empower the workforce to make the business reach its full potential. It is about listening and responding not only to the needs of the board, but also to customers, call-centre operators, branch managers under stress, and every individual in between.

Of course, it is not enough just to engage employees to offer a differentiated experience to the customer base; that engagement needs to deliver an experience that reflects your customer's wishes and preferences. When tying together customer research with an employee engagement programme it is important to follow a few rules.

Effective answers

Often customer feedback does not provide enough detail to enable an organization to determine what specific action to take. As a result, managers and employees charged with responding to feedback are frustrated by an incomplete understanding of what to do. This leads to one of two outcomes: attempts to be responsive are misguided and therefore ineffective; or the lack of clarity means that no action is taken at all.

Managers should start by examining results of customer feedback and drill-down research to clarify what the customer wants or needs,[5] focusing on importance and performance attributes. The customer feedback programme should be a central guide to performance improvement. This way, a measure of operational effectiveness can be developed to create a new customer-driven performance target.

Attention should then be focused on identifying opportunities to eliminate, reduce, or make more efficient selected operational features and/or employee actions associated with the process in question. Emphasis should be placed on changes or refinements of the existing process that would make it possible to achieve the new target.

Costs and resources required to make the changes can then be estimated, and this – along with projected financial benefit – provides the information needed to assess the return on improvement.

By following these few simple steps, a number of benefits arise:

- Managers have a detailed understanding of the specific elements of the customer experience that should be addressed.
- People within the organization that impact this element of the customer experience can take ownership of it.
- Employees know which specific processes, activities and other business enablers can address the customer's need.

Staff remain engaged with the customer experience improvements through the same simple principles – being clear that the right questions are being asked, and responding to the information received to improve business performance in line with corporate objectives.

Over time, these steps should gradually become part of the standard local operating environment, rather than a chore each time customer and employee survey results come around.

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Financial services companies are beginning to use advanced performance analytics that link human capital to business outcomes at the enterprise level. But the key is to link knowledge assets to business strategy, and then measure the results meticulously. Leading banks and insurers can improve their use of human capital through change management, training, sales incentives, and empowerment. The framework can address some of the key issues that chief executives face. It helps to attract and retain skilled workers, create a responsive and flexible organization, improve productivity, attract and retain loyal customers – and increase market share. □

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1. *Banking on delivery, Argent 3.6*, pp24–27, November 2004.
2. Which therefore seems to include almost every financial services company in Britain! Ed
3. Thomas Jones and Earl Sasser tackled the analogous situation with customers in their seminal article *Why satisfied customer defect* in *Harvard Business Review*, November–December 1995. Ed
4. Research across Maritz employee engagement clients 1999–2005. This data supports client benchmarking needs and on-going R&D. See www.maritz.com
5. Wants and needs are of course different, and whilst customers are unlikely to buy a product they do not want, financial services companies in particular must pay very close attention to delivering on real needs, in order to ensure long-term satisfaction for both regulators and customers. Explaining this potential wants–needs gap could be addressed through better employee engagement. Ed