

Profitably Linking Employee Behavior to Customer Loyalty and Advocacy

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Along with powerful, actionable customer experience insights and a customer-centric culture, it's almost impossible to have customer commitment and advocacy behavior without employees both understanding their role as customer experience stakeholders and living that role as value delivery agents and supplier advocates. We call them employee ambassadors.

The service-profit chain postulated that employee satisfaction drives customer satisfaction. Today's demanding and continuously changing customer environment requires tools for better understanding of both customer behavioral drivers and drivers of employee attitude and action that extend well beyond conventional-wisdom communication and satisfaction feedback approaches. Traditional best practices in these areas need to be significantly redefined. This was actively addressed in Market Probe's recent series of brand and advocacy behavior webinars.

Just as with Customers, Employee Satisfaction is Almost Irrelevant—But Dissatisfaction Isn't

Employees 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. Is employee satisfaction the best vehicle for creating customer loyalty? 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 major study concluded: "Researchers have been unable to confirm a relationship between employee satisfaction and business performance." This is almost identical to the oft-proven determination that a high level of customer satisfaction has relatively little bearing on loyalty behavior. Conversely, transactional dissatisfaction can—and often does—undermine customer loyalty and advocacy.

It has been found that employee commitment and advocacy behavior have a direct and profound relationship to the loyalty 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 can't be separated from the effective delivery of customer value. Emblematic of this linkage is a statement David Cole, CEO of Honeywell International, made several years ago to the company's 120,000 employees: "Every Honeywell employee is a brand ambassador. With each customer contact, and whenever we represent Honeywell, we have the

opportunity to either strengthen the brand or cause it to lose some of its luster and prestige. Generations of Honeywell employees have built our powerful brands with their hard work, spirit of innovation, passion for quality, and commitment to customers."

Employees are at least as important as other elements and contributors to effective customer management in optimizing benefits for customers.

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



UK retailer:
1% increase in employee commitment =
9% increase in monthly sales

Enterprise IG

Study findings such as this have demonstrated that employees contribute to customer behaviors representing both disappointment and delight, and all intermediate behaviors as well. Beyond just understanding employee satisfaction and what employees value and desire in their jobs, it is essential that companies have a research and analysis protocol which definitively connects staff performance and engagement directly to customer marketplace behavior so that they can hire, train, recognize and reward employees for how, strategically and tactically, they contribute to customer value.

Linkages Between Employee Attitudes and Actions and Customer Behavior

As shown above, there is an amply proven, powerful relationship between employee commitment to the company, the brand value proposition, and the customer and their employers' actual business outcomes.

- Northwestern University 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 1990s, Sears conducted a widely-reported study in 800 stores which showed that a 5% 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 revenue.

- Research by the Royal Bank of Canada has determined that the level of employee commitment accounts for 60% to 80% of bank perception by customers; and 40% of the difference in how customers view RBC's services can be linked directly to their relationship with bank staff.

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Yet, when considering, and measuring, the pivotal elements of staff performance and productivity, most companies are focused principally 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; but historically they only superficially and incidentally correlate what employees think and do to customer behavior.

Employee advocacy, in the form of 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 committed to the overarching goal of optimizing customer loyalty and advocacy behavior. Most employee research has traditionally been conducted as a means of identifying levels of staff satisfaction and performance, perceived values, and engagement with company missions and culture. But there is also growing recognition of the need to relate and link employee perceptions, beliefs and behaviors to company business outcome-based missions and strategies.

Employee Advocacy: Measuring the Impact on Customer Relationships

Just as customers who actively express their commitment to a supplier can range from strongly positive (advocates) to strongly negative (saboteurs), employees can significantly impact customer commitment behavior toward their employer through attitudes and actions on behalf of the company and customer. As with customers, these attitudes and actions range from highly positive to highly negative.

It is important to define the most active level of employee commitment to the company's value promise, to the company itself, and to optimizing the customer experience. While linked to—but distinctive from—the productivity and empowerment elements of employee satisfaction, engagement, and alignment research, here, the 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 stakeholder commitment—in other words, advocacy. However, it is at least equally important to identify where employee indifference and negativism—potentially leading to alienation and sabotage attitudes and actions—exist, why they exist, and how they can be mitigated or eliminated. 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.

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At the high end of commitment are employee advocates, or ambassadors. Advocates represent

employees who are strongly committed to the company's brand promise, the organization itself, and its customers. 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 detractors and saboteurs. These individuals are negative advocates, the 'bad apples,' who collect a paycheck but don't hesitate to communicate their low opinions and unfavorable perspectives both to peers and to customers and others outside the company.

Polar employee positivism is the essence of advocacy—and it is absolutely critical for companies striving to be optimally customer-centric. Customer experience management processes can be tightly managed, but executing and sustaining them is virtually impossible without the genuine and enthusiastic 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 tell an average of five other people about the good treatment they received. If they receive poor treatment, they tell at least 20 people.

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 even stronger in today's connected 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 rises 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.

The Multiple Benefits of Employee "Mirroring" Research

Years ago, quality guru W. Edwards Deming said that each person in a company has one of two major functions: They either serve the customer or serve someone who does. So, it's clear that understanding where perceptual gaps between employees and customers exist should be of prime importance, in efforts to optimize the effectiveness of employees in terms of productivity and delivering value to customers.

As a stakeholder research organization, we've frequently found that customers consider the emotional, relationship-based 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 table stakes and non-differentiating among suppliers. For key interaction and touchpoints between customers and suppliers, the level of true focus and centricity can be identified quite easily. We have long supported the concept of "mirroring," that is including at least one cell of supplier staff—from Field Sales, Marketing, and especially Customer Service—in every customer loyalty study done for our clients. The results are frequently eye-opening. We simply ask employees to answer the same questions asked of customers, in the way they believe customers will rate and evaluate them as a supplier.

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 % 5/7 performance ratings on a 7-point scale

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 and interactions. 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 internal 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 on customer commitment and advocacy behavior, 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). 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.

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