

Five things we learned from talking to **1 million employees**



Business is not just about numbers

It's not just about market analysis or economic indicators. Business is about people. People interacting with other people. Leaders interacting with employees. Employees interacting with customers.

Today, you can't just build a better widget or brew a better cup of coffee. Yes, those things still matter. Customers buy products and services from companies, after all. But they do business with people.

That's why it's crucial to have employees who are engaged with their work. The more engaged your employees are, the more your customers come back for more widgets and more coffee.

We know that because we talk to people. A lot of people. Over the past three years, we've talked to a million employees who work for a multitude of service companies. Companies that serve hundreds of millions of customers every day.

We also talk to customers. More than 1 billion of them, in fact. And they've told us, again and again, that people matter. Customers come back more often and spend more money with companies at locations where employees are engaged.

Using data collected from those 1 million employees over the course of three years, we conducted a meta-analysis. Here are five things we've learned from those 1 million employees. Things that can increase employee engagement, build customer loyalty, and improve the one number that really does matter— the one on the bottom line.

THING #1 Engaged employees drive financial performance

Engaged employees are more loyal, helping create highly satisfied and loyal customers. And highly satisfied, loyal customers lead directly to growth in sales and profits.

That progression is called *The Service Profit Chain*. It's a concept that was developed at Harvard Business School by a group that includes one of our company's founders, Len Schlesinger. But *The Service Profit Chain* isn't just an academic theory. When put into practice, it has a pretty significant impact on financial performance.

For instance, locations with highly engaged employees have lower turnover than less engaged locations in the same company. That means those stores don't have to spend as much time and money hiring and training new staff. It has a big impact—sometimes netting out to millions of dollars in savings.

And it doesn't stop there. Locations with highly engaged employees have more highly satisfied customers, and those customers are more likely to recommend the business to others—5% more likely.

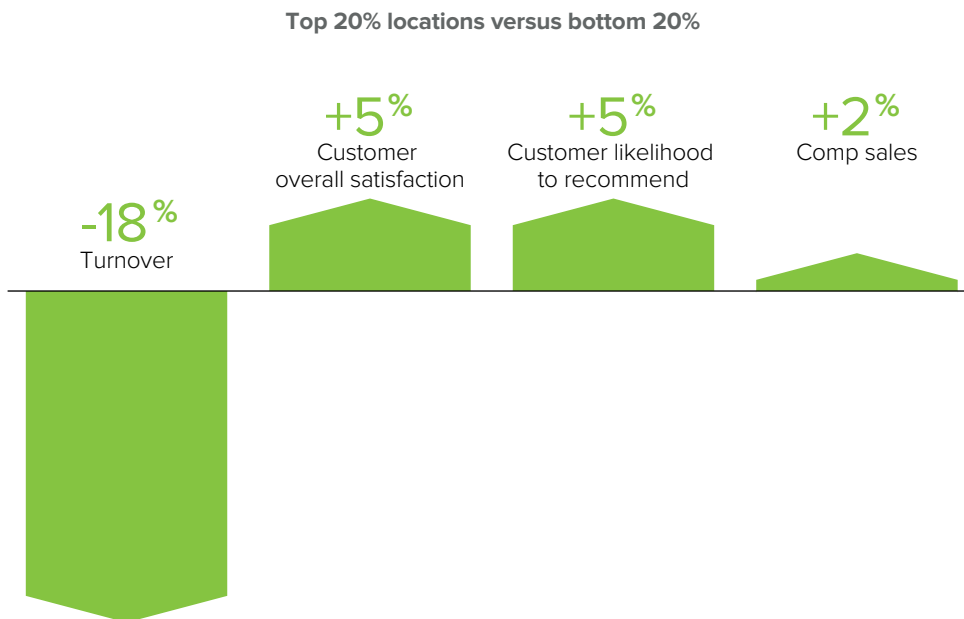
More highly satisfied customers making more recommendations leads to increased sales. Locations with highly engaged employees average comp sales 2% higher than their less engaged counterparts. That's what sound theory looks like in practice.

Our takeaway

Engaged employees help create highly satisfied and loyal customers, and that will drive the bottom line—cutting turnover and boosting sales.

FIGURE 1

Highly engaged employees impact financial performance



THING #2 Jobs need to mean something

Most engagement surveys only focus on job basics. Rarely do they highlight the meaning of work. We talk to employees about teamwork, managerial support, recognition, empowerment, and growth opportunities. It helps us bridge the gap between how they feel about the job and how working makes them feel.

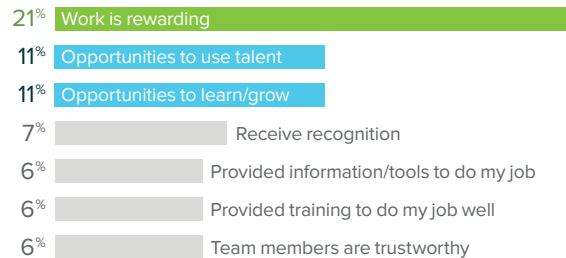
The number one thing that the 1 million employees we've talked to told us they want is "rewarding work." In fact, having the chance to do rewarding work, which service company employees directly connected to interacting with customers, is 2x as important as anything else.

Workers want to connect to their employer's goals. They want to know they have a place in achieving those goals. They also want to brighten the day for the customers they interact with. They want to know the product or service being bought means something to that customer.

Notice how none of these qualities are limited to a certain type of job or level in the organization? That's because engagement can happen anywhere—from the break room to the board room.

FIGURE 2

Aspects of the workplace that matter most



What employees want—really want—is a job that offers personally fulfilling opportunities, leverages skills, and provides a chance to grow. Sounds like a good job, doesn't it?

Our takeaway

Workers want jobs with a purpose. Whether that's making customers happy or moving up in the company, rewarding work matters most.

THING #3 Millennials are different...and the same

Workplaces are changing because the workforce is changing. That's no surprise. "The Rise of the Millennial Workforce" has made headlines for years, usually followed by dire warnings of the changes these new workers will impose on management. We've done our own research on millennials, collaborating with The Boston Consulting Group and Barkley on a 2012 study, *The Millennial Consumer*.

But here's something surprising we found about millennials in the workplace: they really aren't all that different from other generations in their attitudes toward workplace engagement. Our surveys have found that millennials want:

- Work that's rewarding
- Opportunities to use talent
- Opportunities to learn/grow

Sound familiar? It should. Millennial drivers of engagement are in line with drivers for other generations.

Still, millennials do differ in a couple ways. They don't display the same long-term commitment to organizations that other generations do. This means, when compared to older generations, fewer millennials expect to be in their current job for more than a year.

Millennials also expect engagement with their workplace to have a technological spin. The easy way to think of that: when it comes to communication, if it can be digital, it should be. Millennials are more likely to be checking their phones than the bulletin board.

Our takeaway

Don't believe the hype about millennials changing the nature of work. They want what everyone wants. But they'd also like their companies to use the best technology available to help them get the job done.

THING #4 Money doesn't drive engagement

You could look back at THING #2 to see what drives engagement. But we'll save you the time. And maybe some money, too. The top three things on that list didn't say anything about "money." Instead, they said things about "rewarding work," "consistent opportunities to use personal strengths," and "opportunities to learn and grow."

That makes sense. Financial incentives aren't great long-term drivers of engagement. Employees, when happy and engaged, feel like they're part of something bigger than a paycheck. And when they're unhappy and disengaged, it's rarely about money then, either.

So what do disengaged employees say are the biggest factors contributing to their disengagement? Tops on the list was poor management. Second was feeling unappreciated. Third, they said they needed more

support. And fourth was poor communication. You have to go five spots farther down the list before "higher pay" shows up.

When we talked to highly engaged employees, the things they liked about their job paralleled the things disengaged employees disliked. Tops on their list was "positive manager interaction." Then "great coworkers." Then "fun work environment," followed by "getting to know customers." The paycheck didn't even make the top 10.

Our takeaway

Workers want jobs with a purpose. Whether that means making customers happy or growing within the company, rewarding work engages employees more than anything.

FIGURE 3

When asked what could be improved about their work experience, disengaged employees mentioned:



FIGURE 4

When asked what they like best about their work experience, engaged employees mentioned:



THING #5 Don't ask if you don't intend to act

It's crucial to know how engaged your frontline employees are. That's why you should survey them. At least once a year. Maybe more. But if you stop there, you're not going to make things much better. In fact, you'll likely make them worse.

Our data shows that employees recognize and respond to follow-through. When managers act on the results of engagement surveys, employees become more engaged. Substantially more engaged.

Workplaces with the highest level of follow-through after an employee engagement survey show an 18% increase in engagement on the next survey. Want to guess what happens when there is little follow-through? In that case, there's actually a decrease in engagement—a 21% drop.

That's why you need more than a survey—you need a holistic approach to drive engagement. That means several things:

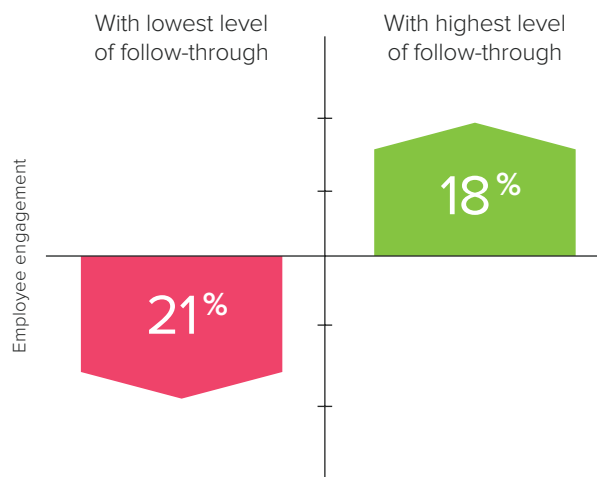
- Identifying the business need and developing a plan for addressing it
- Setting a goal and creating a system to follow through on that goal
- Making that goal an organizational priority

Employees have told us what drives their engagement. So, if increasing employee engagement is a worthy goal, and there's financial proof that it is, then it's important to know how to follow through on achieving it. Really important.

It bears repeating: Don't ask if you don't intend to act.

FIGURE 5

Impact of follow-through on employee engagement



Our takeaway

Collecting feedback isn't everything. Leaders also have to commit to action even before they ask employees about engagement. Then, they have to follow through with some action or response once the surveys are in. Engagement has to be a year-round, organizational priority.

Engaged employees deliver bottom-line impact

Business might not really be just about numbers. But the numbers do matter, especially when they relate to people.

A service company's employees are often its biggest, and most important, investment. Millions are spent hiring, training, and retaining service-oriented team members. Because when companies differentiate on service—with engaged employees providing loyalty-inspiring experiences to customers—they see big rewards. It's the reason the best-performing companies have made employee engagement a top priority. The linkage between a truly engaged workforce and better financial performance is clear and consistent.

And while having a system in place to get feedback from employees is a worthy cause, it's not worthwhile if it stops there. Businesses need a holistic approach that follows through by turning feedback into insights and insights into results.

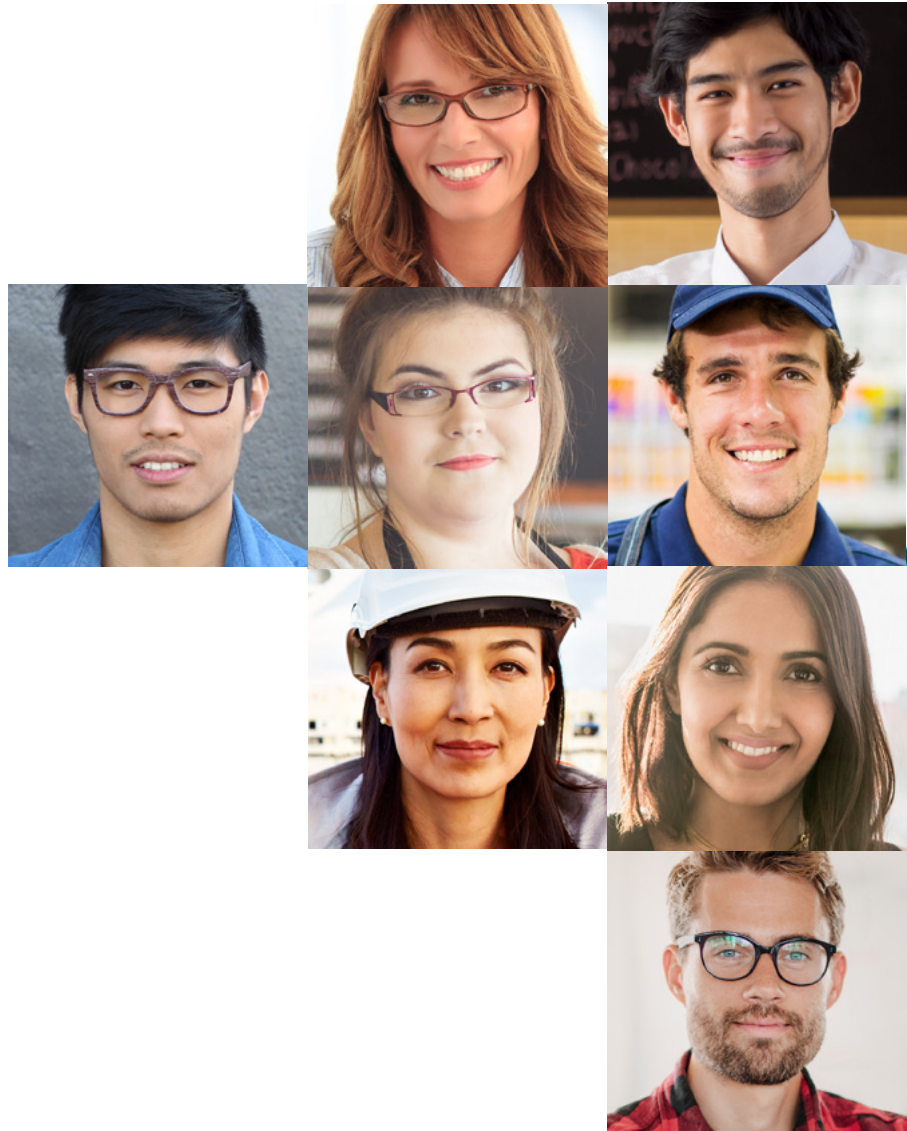
SMG's billions of conversations with customers and employees is more than just talk. It's perspective. A unique one that allows us to see what every transaction looks like—from both sides of the register.

Combining customer experience measurement with employee engagement is just one more way SMG helps clients know more and do better.



To learn how SMG can help you drive engagement at every stage of the employee life cycle, visit smg.com/contactus.





About SMG

SMG (Service Management Group) partners with more than 500 brands around the globe to create better customer and employee experiences, which drive loyalty and performance. SMG uniquely combines technology and insights to help clients listen better, act faster, and outperform the competition. Strategic solutions include omniCX™, Brand Research, and Employee Engagement. SMG evaluates 250 million surveys annually, across 130 countries.

Kansas City: 1.800.764.0439 | London: +44 (0)20 3463 0700 | Tokyo: +8 (1)03 4580 2700 | smg.com | Connect with us [in](#) · [f](#) · [t](#)

© 2018 Service Management Group | All rights reserved | Do not share or duplicate confidential content, in whole or part, without written consent