

Linking Customer Experience with Service Employee Engagement

By Morten Kamp Andersen (proacteur), Simon Svegaard (ISS)
& Peter Ankerstjerne (ISS)

In this White Paper we have performed a series of regression analyses for our data, and subsequent research has revealed important new knowledge regarding the factors that drive service employee engagement and customer experience. By exploring which questions – and thereby drivers – in the surveys predict the highest level of customer experience, we are able to identify focus areas on how to successfully build long-term relationships.

Employee engagement correlates strongly with customer experience. The more engaged the service employees, the more likely it is that customers will be satisfied with the service provided. To deliver a consistently high level of service and to effectively communicate and engage with the employees or guests of the organisation, the Service Provider must be able to engage its own employees to understand how they can deliver on the value proposition originally promised and demonstrate how they are part of bringing the customers' purpose to life.

proacteur

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Executive Summary

Big Data, and especially the ability to turn data into information and knowledge, makes it possible to stop guessing and start knowing what works and why in Facility Management (FM). Service Management is a field that has so far relied primarily on theories and case studies to explain how excellent service is both delivered and perceived. This is now changing.

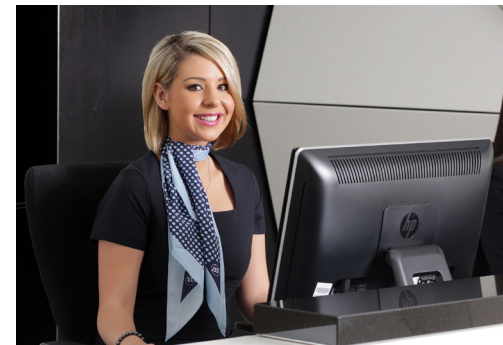
For the purpose of this paper, we have explored a number of large and unique data sets comprising service employee engagement scores, customer experience scores, customer “profit & loss” data, and user experience surveys. Our analysis led us to three conclusions:

1. Employee engagement correlates strongly with customer experience. The more engaged the service employees, the more likely it is that customers will be satisfied with the service provided – even to a level where they will actively recommend the service provider to others.
2. The primary drivers behind customer experience are:
 - Motivation and engagement of service staff
 - Amount of training and quality of service staff
 - Knowledge of, and the ability to act on, customer expectations by service staff.
3. Customer experience (as measured by the Net Promoter Score) is closely linked to contract profitability. The more likely the customer is to recommend a service provider, the more profitable the contract.

This has several implications for an FM customer. By considering the above findings, we have devised three customer recommendations. The customer should:

- Actively request and monitor metrics on service employee engagement; these should, as a minimum, include the eNPS (employee net promoter score), employee churn, absenteeism and training hours
- Resist the temptation to focus solely on cost savings when outsourcing but instead leave financial room for the Service Provider with the clear expectation that some of the realised savings should be reinvested into new and innovative service delivery models and employee engagement initiatives
- Explore the opportunity to enter into a vested outsourcing partnership with the service provider.

Successful outsourcing relationships are not easy to achieve. However, if both parties work together to design a service delivery platform, which focuses on engaged service employees, the probability of the relationship being a success is multiplied.



Emily Stanley, Front of House

Engaged service employees remain the cornerstone of excellent service

The FM business is a people business. It is carried out by people for people occupying/working in facilities. A successful Facility Manager is therefore one who is able to design a service delivery system that focuses on what is creating value to the customer organisation and how to engage service employees in the delivery process.

Early Service Management theories – such as Service Profit Chain – have established that engaged service employees are the bedrock and cornerstone of any successful outsourcing relationship. Theories have come and gone since but the focus on engaged employees has remained.

The evolution in Service Management theories has focused on understanding what drives engagement and therefore what constitutes a well-designed delivery system. This has resulted in what we call “Service Management 3.0” – an operational model that introduces the key elements needed to deliver quality service [see Andersen & Ankerstjerne (2014) for more detail].

Figure 1: Service delivery system in Service Management 3.0



Source: Andersen & Ankerstjerne (2014)

The earlier Service Management models were linear and causal in their understanding of the connections between employees, services and customer experience. Service Management 3.0, takes a more holistic and interactive approach as it recognises that the elements affect each other. Employee engagement is directly affected by leadership and by the quality of the HR processes. Furthermore, the behaviour and attitudes that are displayed by the service staff are also affected by the norms and habits of the employer, the co-creation processes with the customer, and the individual service mentality of the person, to name but a few.

Getting the Service Management 3.0 wheel to spin will result in excellent service and exceptional customer experiences. From the point of view of the service provider, this is exactly what is needed to create value in the relationship with the customer's organisation. Excellent service, in its simplest form, may be expressed as customer perception minus customer expectations. Thereby, excellent service is not only a delivery process but moreover a personal perception of the individual recipient of the service provided.

This makes service quality a challenging task to deliver; it is about the human touch, a deep understanding of the needs and wants of the organisation, and the service-mindedness of the staff. A concern for employee attitudes becomes a necessity to ensure that the implicit service is also appreciated by the customer and by each individual member of the customer's organisation

Engagement is more than a feeling – it drives behaviour

The employees providing the actual services are most often referred to as “front-liners”, as they work at the front interacting with the end user on a day-to-day level. How the front-liners feel, act and behave is therefore critical in Service Management and for the success of an outsourcing relationship. The best measure for understanding their level of motivation and satisfaction with their manager and employer is employee engagement surveys.

Despite the overwhelming evidence and general endorsement by both academics and practitioners, there is no universally agreed definition of engagement. Academics tend to focus on engagement in terms of a psychological state of mind linked to roles and tasks, whereas practitioners often describe engagement as a survey score, focusing on the engagement with the organisation (Brown, 2014).

For most, engagement is often viewed as something “soft” and difficult to comprehend. Feelings and emotions. While this is true, the other perspective is sometimes missing; engagement has tangible effects through its direct impact on behaviour. Unsurprisingly, studies have concluded that employee engagement is a strong predictor of outcomes such as productivity, efficiency, customer focus, service quality and profitability (Gallup, 2010). In other words, engagement affects service behaviour and service behaviour is a prerequisite for excellent customer experiences.

What the evidence reveals

In this chapter, we will explore the evidence that drives engagement in the service delivery process. We have used a unique – and very large - data set in order to answer this.

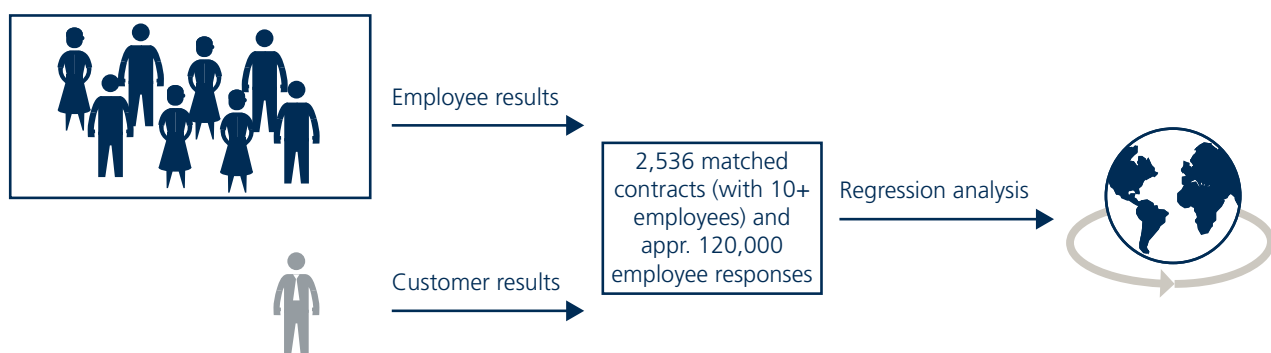
An evidence-based approach to delivering excellent service

An evidence-based approach essentially means going from guessing what works to knowing what works using the best possible evidence from many sources. Especially through the “internet of things” we have an abundance of access to data, which continues on an exponential growth curve. This year, more data about buildings, services and employees in FM will be collected than in the previous 5-6 years combined. With the intelligent use of data mining and statistical analytics, we are – as an industry – now able to test our theories, ideas and beliefs. Big Data has become a mainstream business tool for FM.

In this paper, we have used a large data set to explore what works in FM. We wanted to investigate the link between service employee engagement and customer experience as well as identify the specific drivers behind customer experience. In other words, we wanted to understand which elements of engagement matter most to the perceived service quality and how we can influence these elements.

In this research, we used the input from more than 500,000 responses from the ISS annual Employee Engagement Survey – conducted over a three-year period – and more than 20,000 responses from customers comprising more than 7,500 contracts globally (see the Methodology box below for more detail). We then matched the employee and customer data and performed regression and factor analysis, as shown in Figure 2.

Figure 2: Our data approach



Methodology

The Customer Experience Survey is a non-anonymous e-mail/web based survey, which has been running for more than five years. The objective is to cover the perceived experience among the largest accounts.

Each year around 7,500 customers across 45 markets are invited to participate in the survey. The questionnaire has 25 questions covering both functional and emotional aspects of the relationship. The survey response rate has evolved from 44% in 2011 to 83% in 2015. Responses cover close to 80% of the total ISS revenue. Combined over the five-year period, there are more than 20,000 responses from customers.

The global Employee Engagement Survey is a three-year old initiative. Since 2013 it has involved all countries and operating units of ISS. Each year more than 340,000 employees are invited to participate, covering 45 markets and 52 languages. Responses are collected through a combination of paper, (personal) e-mail and web-based questionnaires. The Employee Engagement Survey is anonymous and the process is managed by a third-party independent partner. In 2014, the survey enjoyed a response rate of 67%. Over the three years, more than 500,000 employees have responded to the survey.

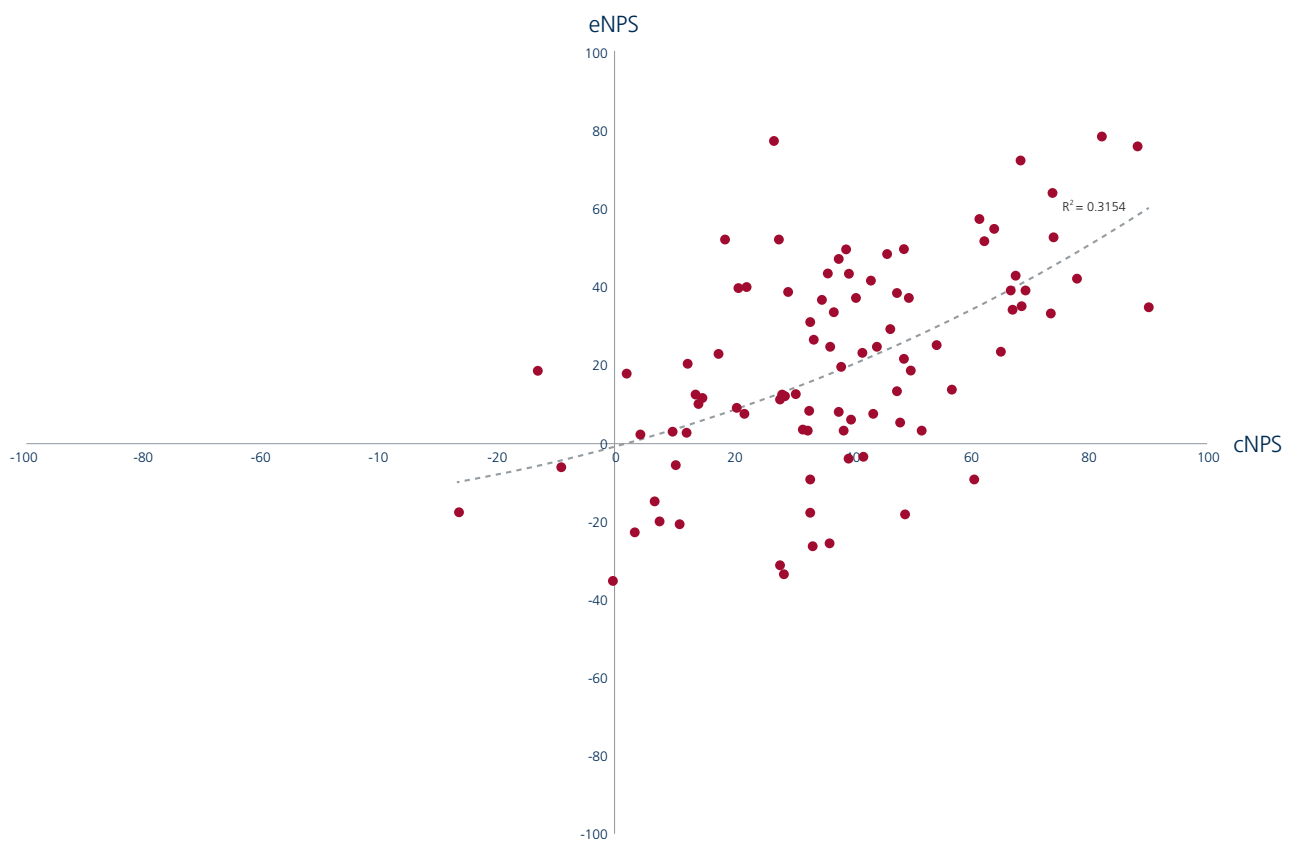
The overall results: engagement matters more than you think in FM

The statistical analysis and subsequent extensive evaluation of the data revealed two important conclusions: 1) front-line service employee engagement correlates highly with customer experience, and 2) there are three main employee engagement drivers behind high customer experience. Both of these conclusions will be explored in more depth below.

A strong connection between service employee and customer experience

The first finding from the survey is that employee engagement correlates highly with customer experience. In other words: happy service employees lead to happy customers. This is not really a surprise considering the vast amount of literature supporting this subject. What is surprising is the strength of this correlation, namely 0.55. This is a strong and significant correlation, which signals a strong relationship between customer experience and service employee engagement.

Figure 3: Correlation between eNPS and cNPS



Source: ISS

This result validates models such as the Service Profit Chain, which was developed by researchers from Harvard Business School. This model states that the cornerstone of a successful outsourcing relationship is based on service employee engagement.

Figure 3 shows scores relating to two dimensions: the customer net promoter score (cNPS) and the employee net promoter score (eNPS). Net promoter score (NPS) is a measuring tool (by Fred Reichheld, trademarked by Bain & Company) that can be used to gauge the loyalty of a firm's customers and employees. The NPS is based on one direct question: "How likely is it that you would recommend a company, product or service to a friend or colleague?" The scoring for this answer is based on a 0-10 scale.

Promoters are those who respond with a score of 9 or 10 and are considered loyal enthusiasts. Detractors are those who respond with a score of 0 to 6 – unhappy customers. Scores of 7 or 8 represent passives. The NPS is calculated by subtracting the percentage of customers who are detractors from the percentage of customers who are promoters. Interestingly, studies have revealed that the NPS is a strong proxy for both employee engagement and customer experience.



Kofi Armah, Kitchen Porter

Service employee engagement is a win-win

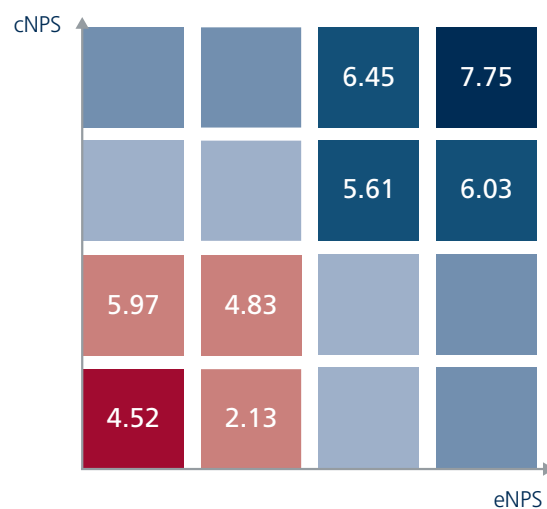
So far, we have concluded that a strong connection exists between how employees feel and customers feel. Now, we will add another component – profit – and ask, “What is the connection between employee engagement, customer experience and profitability?”. We will later demonstrate why this is as relevant to the customer as to the Service Provider.

Service Management theories state that engaged service employees also result in higher profit for the Service Provider. This has been well documented over the last 20 years. The strength of this link varies from study to study. Strong links between higher engagement and higher retention and lower absenteeism have been identified – both drivers of reduced costs. In terms of Service Management, this is also significant for the quality of service delivered. Other studies have shown a direct correlation between profits and shareholder value.

However, most of these studies have not been validated and can therefore be challenged at some level. However, taken together and supported by the case studies of organisations that are using employee engagement to boost performance, we suggest that the overall picture is very compelling. It is hard to ignore the volume of studies, which show, to varying degrees, a positive relationship between service employee engagement and various positive outcomes for the Service Provider [see, for example, Gallup (2006) and Towers Perrin-ISR (2006)].

Unfortunately, only a very few studies have focused specifically on the FM sector. Our data has, however, allowed us to test this link by combining certain questions from the Employee Engagement Survey and the Customer Experience Survey with the profit data – right down to each contract (this was aggregated so that individual responses remained anonymous).

Figure 4: Link between margins and employee & customer net promoter scores at a country level



Source: ISS Prospectus, 2014

In Figure 4, the eNPS and cNPS scores are depicted on the X and Y axis respectively, while the average contract profitability is displayed in the boxes (in principle, on a third axis). The figure shows that if the employees and the customers report a high level of satisfaction (as measured by the NPS), then the organisational unit will have significantly higher margins than if either of the two scores are low. This informs the Service Provider that you cannot earn a profit unless you are able to engage your employees and your customers to a high level at the same time.

Providing focus and additional efforts in engaging both service employees and customers should be financially valuable to the Service Provider. This value should, however, benefit both parties in the outsourcing relationship. The Service Provider should reinvest more in service improvements, employee training, on-boarding processes, and service innovation as well as establishing co-creation processes with the customer. This will lay the foundation for continuously engaged employees, better service delivery, better service products, and thus a better customer experience. An outsourcing contract can then be developed into an outsourcing partnership with mutual benefits.



Winston Hines, Security Guard

The drivers of customer experience

We have performed a series of regression analyses for our data, and subsequent research has revealed important new knowledge regarding the factors that drive employee engagement and customer experience. By exploring which questions – and thereby drivers – in the surveys predict the highest level of customer experience, we are able to identify focus areas on how to successfully build a relationship with a customer.

The figures below show, which questions in the surveys, predict various measures of customer experience the most.

Figure 5: Drivers behind customer advocacy

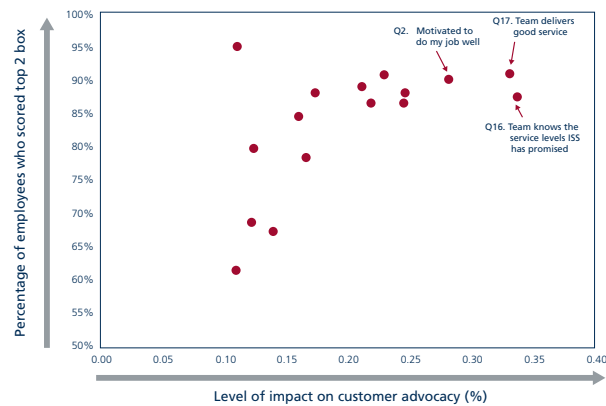


Figure 6: Drivers behind customer loyalty



Figure 7: Drivers behind customer relationships

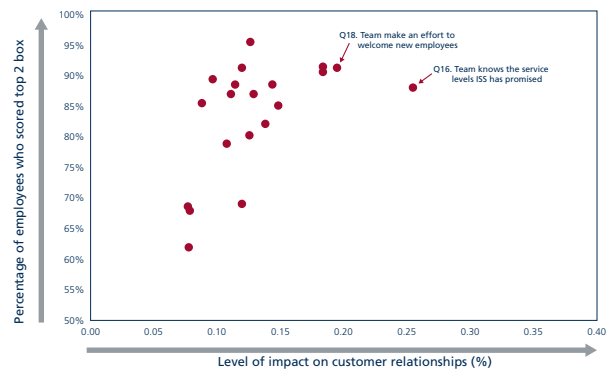


Figure 8: Drivers behind customer renewal



Source figure 5-8: Analysis done by Third Party Independent Consultants; Ipsos Loyalty for ISS in March 2015

Each of the figures illustrates which questions in the Employee Engagement Survey best predict a certain element of customer satisfaction (advocacy, loyalty, relationship and renewal). Interestingly, although not surprising, some questions and themes recur.

The main message that can be drawn from this analysis is that there are three primary drivers of customer experience. The service employee must: 1) be motivated to do a good job, 2) receive good training, and 3) understand what the customer expects in terms of services delivered. If all three areas are managed well, a service provider is more likely to excite and engage the customer.

Using surveys as an early warning system

When implemented correctly, the employee engagement and customer experience questionnaires should be integrated and the questions interrelated. In this way, the Employee Engagement Survey can be used as an early warning system of future customer (decision maker and potentially also end-user) experiences. If the employee engagement scores drop, so will the customer satisfaction scores – maybe not immediately, but they will over time.

By understanding how employee engagement links with customer experience and the amount of lag time between the two, the Service Provider can engage both middle managers, e.g. supervisors, and the service employees in dialogues to address the issues arising from the survey.

The customers' perspective on the service employee engagement

The interface between employee engagement and customer experience may, at face value, seem like an issue that every service provider should deal with internally to ensure that they are delivering on the promises made to the customer in the first place. However, we believe this is a far too simplistic way of viewing the customer/supplier relationship.

Any good relationship is founded on transparency and trust. Based on our research it is clear that these traits are, in fact, key drivers of customer experience and retention. Trust is something you earn over time, but with transparency also come the ability to see and understand important patterns in employee behaviour and engagement. As we, in this white paper, have already proven the correlation between employee engagement and customer experience, the smart customer should be interested in how employees value the relationship with their employer and direct manager.

It is in the customer's best interest to understand the level of engagement between the service provider and its employees. Are employees in fact happy and engaged or are they disengaged and disillusioned about management or other aspects of their employment? This will have a direct effect on the quality provided and thereby their engagement with the end-users on a day-to-day level.

Measures a customer should monitor

We recommend that the customer should request and consistently monitor four service employee metrics. These are listed in the 'Key recommendation' box below.

Key recommendations:

Overall, there are four key employee metrics that consistently have an impact on all customer KPIs – if you improve these, the customer KPIs will also improve. They are:

1. Employee engagement (eNPS or equivalent measures)
 2. Churn rate (employee retention)
 3. Absenteeism (sick days)
 4. Educational/ training days (on-site and off-site).
-

The NPS score, or other such measure, is important for understanding the strength of the employee/employer relationship based on the willingness to recommend. Employee churn rates, which reveal how many employees have resigned, are a clear sign of employee satisfaction – the less satisfied the employees, the higher the churn rate. Absenteeism is also important for understanding the state of the employees – when absenteeism is high, it is usually a clear indication that something is wrong. Finally, educational/training hours or days can be represented as a number, indicating the level of development and investment from the employer into the team. There is no doubt that training is an important part of the professionalization of a team – mind you, not all training needs to be off-site courses but can naturally comprise small on-the-job training programmes of just a few hours.

As a customer, you should – as a minimum – know and continuously monitor these numbers from your service provider. Depending on the relationship, you can also ask your service provider to conduct an annual employee engagement survey and ask to see the full employee engagement results. Ideally, you should be involved, or at least informed, about the corrective plans based on the outcome of the survey – this usually generates interesting discussions and mutual learning perspectives.

Case: employee engagement as a predictor for user experience and customer experience

A large financial services company decided to change their workplace management strategy, including their FM approach. One element of this new approach included a fresh look at the needs of the end-users, and, as a consequence, a measure of end-user satisfaction was introduced as a new KPI in the contract with the Service Provider.

The Service Provider (ISS) decided to use employee engagement as the primary lever for enhanced user experience and as a way to better understand how to improve user experiences. This involved measuring front-line engagement and end-user experience, analyzing the data and entering into dialogues with the customer in order to better understand the data.

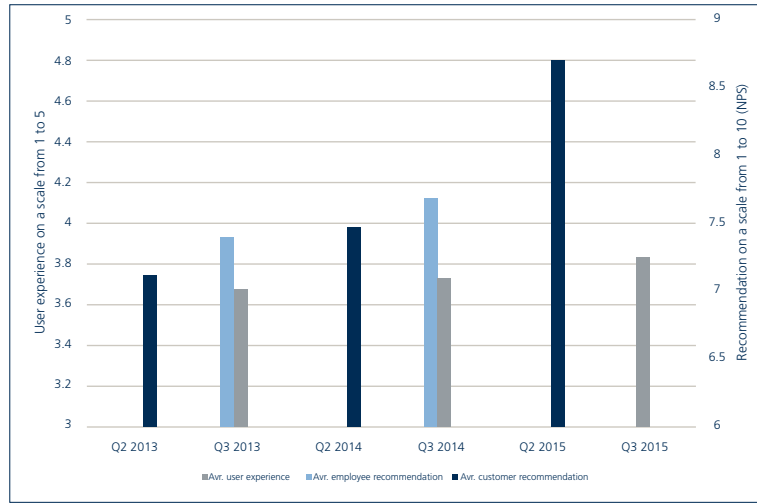
With this, the Service Provider designed – in collaboration with the customer – and implemented a new service delivery concept, which included a new approach to how the emotional and behavioural aspects of the service staff could be defined. An important part of the concept was extensive training for all ISS managers, supervisors and front-liners on how to manage and deliver service based on pre-defined behavioural standards. In addition, the customer entered in a dialogue with all front-liners and clearly communicated what was expected from them in terms of service quality and standards.

This entirely new service delivery model yielded some interesting results. Firstly, the outcome of the process provided a significant increase in employee engagement followed by an increased user experience and a higher level of customer satisfaction. The increase in engagement has been driven mostly by an increased perception of being able to deliver what the customer needs. In particular, the frontline staff scored highly on three questions: 1) “The team knows the service levels promised – I know what emotional service delivery is expected of me”; 2) The team I work in delivers good service – we have been trained and we deliver”; and 3) “I am motivated to do my job well”. As for the customer, the net promotor score was raised from “passive” to “promoter”.



Katie McAvoy, Landscaper

Figure 9: Link between margins and employee & customer net promoter scores at a country level



Source: ISS, 2015

Concluding remarks and recommendations

The link between service employee engagement, customer experience and profits is clear and, as we showed above, strong. In fact, it is hard to see how a Service Provider can run a successful business if it cannot manage to excite both the customer and the employees at the same time. It is also hard to see how a customer can be happy with the outsourcing relationship if the staff is not engaged and if there is little or no room for the Service Provider to earn a profit.

In fact, taking a perspective on the numbers, surveys, theories and our own experience, one thing in particular stands out: successful FM service delivery requires a close collaborative approach between the Service Provider and the customer. The closer the relationship, the more you are able to build trust and the more open the two parties are to sharing information. This is what we call a partnership approach; such an approach is critical if you are to develop the relationship, foster innovation, and invest in new technologies and other initiatives.

Delivering on your organisational purpose

When a customer decides to outsource services, it is important that all the employees who are involved in the service delivery system are able to understand and articulate how they – both collectively and individually – can assist in bringing the customer organisational purpose to life.

In any outsourcing relationship there is always a risk that the employees, who have been transferred to a new employer, become too distant to the organisation they are serving on a day-to-day level. To deliver a consistently high level of service and to effectively communicate and engage with the employees or guests of the organisation, the Service Provider must be able to engage its employees to understand how they can deliver on the value proposition originally promised.

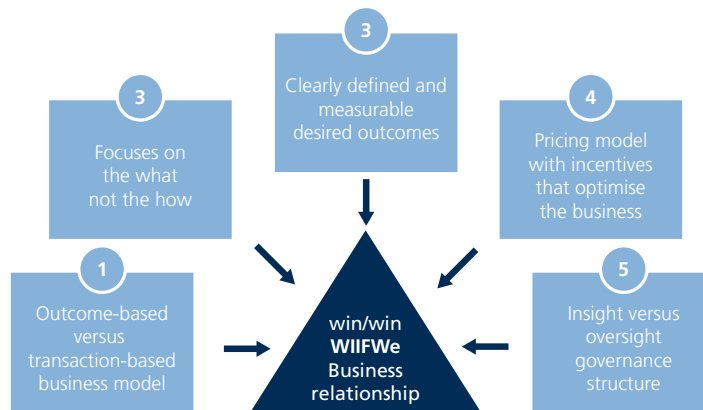
Furthermore, the service employees must understand how they can be part of bringing the customers' purpose to life. The best example of this is the old story from NASA, where President J.F. Kennedy asked a janitor who was cleaning toilets what he was doing, at which point the janitor promptly replied, "I am sending a man to the moon."

A partnership approach using vested outsourcing principles

Vested outsourcing is a business model in which both the Service Provider and the customer focus on shared values and goals to create a contract and a relationship that is mutually beneficial to each other (Vitasek et al., 2013).

The vested model argues that traditional outsourcing is focused on win-lose arrangements – a situation where one party benefits at the other's expense. We believe that, historically, many FM relationships have been based on such an arrangement. In contrast, a vested outsourcing approach creates a win-win relationship, where both parties are equally invested in one another's success and where both win.

Figure 10: Vested outsourcing principles



Source: Vitasek et al., 2013

A vested approach is based upon the following five principles:

1. The approach should be outcome based – not transaction based.
2. Focus on the what – not the how.
3. Agree on clearly defined and measurable desired outcomes.
4. Set a pricing model with incentives to optimize the business.
5. Create a governance structure that provides insight, not merely oversight.

We recommend that you consult the book “Vested Outsourcing”, by Kate Vitasek, for more details on each of the five principles.

The Service Provider and the customer must agree upon a desired outcome of the outsourcing process that can be objectively measured to determine whether the relationship is successful. This desired outcome can include cost reductions, revenue increases, end-user satisfaction, increased market share, and improved levels of customer service.

More than simply focusing on the success of the contractual relationship, vested outsourcing principles commit both the customer and the Service Provider to the success of each other’s overall business. This strengthens the sense of partnership and encourages a more lasting relationship. By sharing their expertise and aligning their goals, both parties are able to drive innovation, adapt to changing needs, and mitigate risk while working towards mutual success. As an example, the engagement of the employees is a mutual desired goal, as both parties will benefit from this.

We suggest that the Facility Manager and the customer enter into a partnership with the intent to create a win–win relationship for both. The vested outsourcing model is an excellent operational way to frame the conversations and dialogues.

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Marhlon Gray, Chef


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