



Impact of Employee Engagement on Internal Customer Satisfaction

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How We Got Here

- **Client in the Real Estate Management sector since 2005**
- **Process improvement strategy missing two components**
 - Perceived importance and impact of internal customer-supplier relationship
 - Ability to systematically assess and improve these cross-functional relationships
- **Developed a data-based process to help client measure and improve these relationships (not dissimilar to Partnership Building)**
- **Coincidentally approached by this panel, asked to share this case study and the potential implications it may have for further research in this area**

Organizational Context

- **Surveyed in 2007**
- **No Survey in 2008:**
 - 25% RIF
 - Reduced Budgets
 - Increased Workload
 - Cancelled most discretionary HR activities
 - In many ways, both a Paternal and Transactional environment
 - Performance challenges
- **2009 Challenge**
 - Improve performance (with what they have)
 - Create a culture employees will choose to stay with once recession is over

<u>% Favorable</u>	<u>'09</u>	<u>'07</u>	<u>Diff</u>
Q5 Having a clear corporate culture	60	65	-5
Q59 The departments cooperate with one another	51	56	-5
Q20 My manager helps me balance my work life & personal life	72	78	-6
Q81 The # of hours you are expected to work	68	74	-6
Q11 Operational efficiency	43	50	-7
Q39 I feel a great deal of stress and tension	24	31	-7
Q14 XYZ is customer-focused	65	77	-12
Q50 Job security	49	76	-27

Basics

When: May 4-17, 2009

How: Web-based, custom survey

Who: All US Full-time Employees

Confidentiality: Guaranteed

Response Rate: 2009: 91% (n=1,334)
2007: 89%
2006: 84%

<u>Unit</u>	<u>N</u>
Department A	63
Department B	53
Department C	604
Department D	65
Department E	55
Department F	32
Department G	161
Department H	37
Department I	131
Department J	46
Department K	79

Top-Line Summary

■ Employee engagement index

- I am motivated to go beyond
- I feel proud to work for XYZ
- Overall satisfaction with XYZ
- I would recommend XYZ as a place to work
- I would choose to stay with XYZ even if offered a similar job with the same pay and benefits elsewhere

■ Measured on a 5-point Likert scale

■ Internal Customer Satisfaction

- A single question assessing the working relationship with each of their key internal suppliers was used as the measure of internal customer satisfaction
- Individuals rated more than one department (from their viewpoint as a customer)

■ Measured on a 5-point Likert scale

A positive correlation ($r_{xy}=.47$; $n=11$) was found between internal supplier engagement (aggregated to the department level) and internal customer satisfaction (also aggregated to department level)

Multi-Level Modeling was considered in preparation of this case study, but ultimately not pursued

Statistical Considerations

<u>Dependent=Engagement</u>	<u>Mean</u>	<u>Std. Dev</u>	<u>N</u>
Department A	2	0.6886	79
Department B	2.2391	0.77588	46
Department C	2.2766	0.87994	128
Department D	2.8667	1.13942	36
Department E	2.3	0.89328	159
Department F	2.271	0.89524	31
Department G	2.0873	0.79234	55
Department H	2.2164	0.85143	64
Department I	2.058	0.7569	600
Department J	2.2849	1.07478	53
Department K	2.0563	0.70496	63
Total	2.1566	0.83037	1314

This analysis may have benefited from Multi-Level Modeling, however the relative between- vs. within-group variance supports a single-level model.

Plus, there was concern regarding the lack of rating independence in the outcome

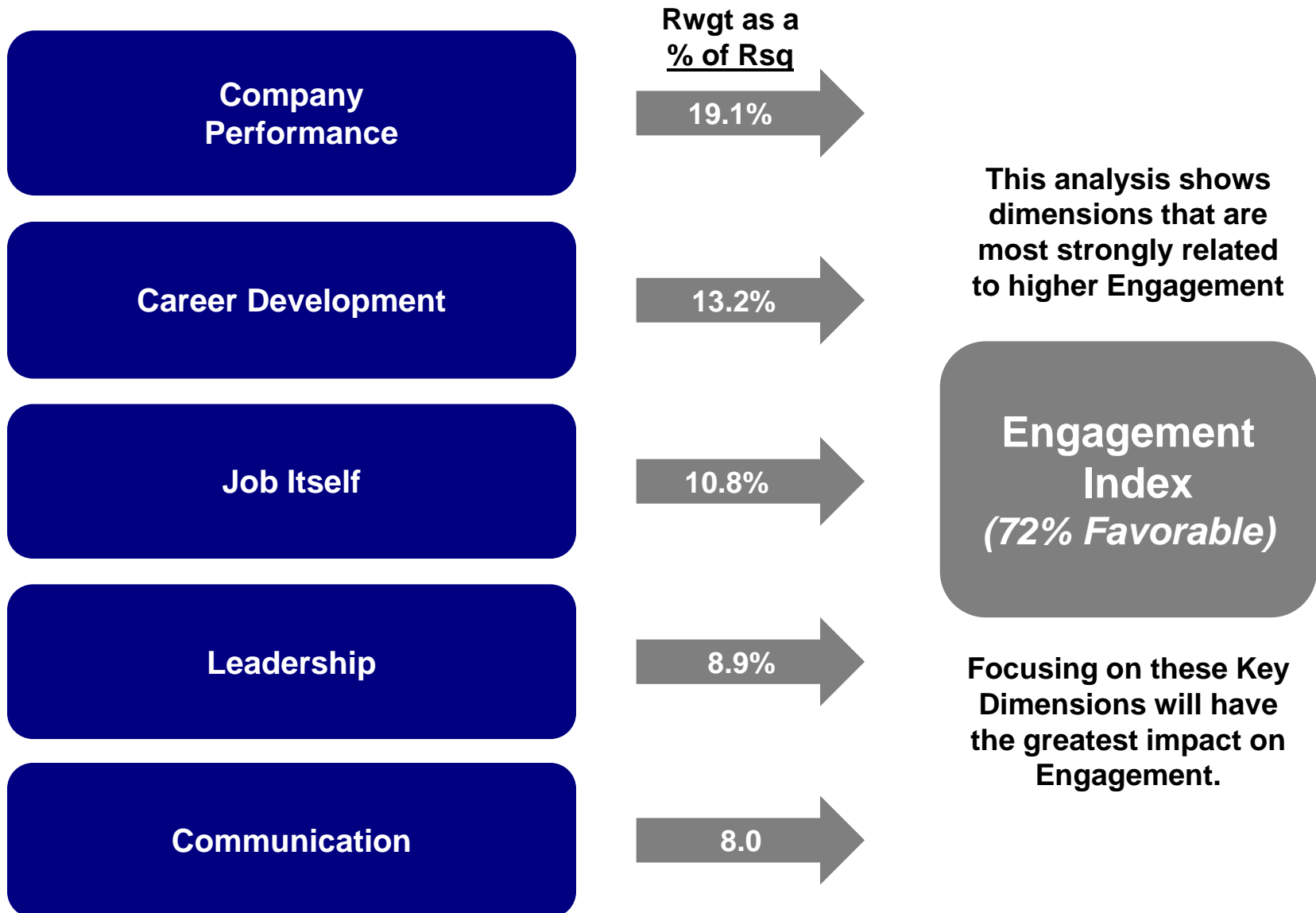
<u>Dependent=Engagement</u>	<u>Type III</u>	<u>DF</u>	<u>Mean Sqr</u>	<u>F</u>	<u>Sig</u>	<u>Partial ETA Sqr</u>
Department	33.751	10	3.375	5.046	0	0.037
Error	871.586	1303	0.669			
Intercept	3401.025	1	3401.025	5084.447	0	0.796
Total	7016.77	1314				
Corrected Total	905.337	1313				

<u>Customer Ratings of:</u>	<u>Type III</u>	<u>DF</u>	<u>Mean Sqr</u>	<u>F</u>	<u>Error Term</u>	<u>Type III</u>	<u>DF</u>	<u>Mean Sqr</u>	<u>MS Ratio</u>
Department A	929.894	11	84.536	30.394	Department A	3476.693	1250	2.781	30.3977
Department B	153.672	11	13.97	6.427	Department B	2717.007	1250	2.174	6.425943
Department C	283.718	11	25.793	7.321	Department C	4403.801	1250	3.523	7.321317
Department D	388.253	11	35.296	9.897	Department D	4457.856	1250	3.566	9.897925
Department E	217.059	11	19.733	5.937	Department E	4154.923	1250	3.324	5.936522
Department F	126.367	11	11.488	4.661	Department F	3081.142	1250	2.465	4.660446
Department G	30.495	11	2.772	1.095	Department G	3163.451	1250	2.531	1.095219
Department H	95.729	11	8.703	3.895	Department H	2793.146	1250	2.235	3.89396
Department I	157.865	11	14.351	5.077	Department I	3533.756	1250	2.827	5.076406
Department J	531.639	11	48.331	17.19	Department J	3514.514	1250	2.812	17.18741
Department K	371.896	11	33.809	13.055	Department K	3237.191	1250	2.59	13.05367

Service Perceptions Related to Supplier Engagement

Internal Customer Dept.	How would you rate your working relationship with...? (% Favorable Reported)										
	Internal Supplier Departments (The Ratees)										
	A	B	C	D	E	F	G	H	I	J	K
Department A		84	88	88	74	80	76	76	80	65	83
Department B	70		71	76	85	75	70	79	78	86	83
Department C	82	52		71	68	76	72	77	76	84	78
Department D	80	69	67		65	62	58	61	44	47	46
Department E	82	57	65	64		79	71	69	72	76	61
Department F	56	56	85	66	76		74	53	71	73	63
Department G	77	77	72	68	65	65		59	71	71	64
Department H	77	65	70	65	75	73	63		71	68	73
Department I	76	56	74	49	72	74	71	56		62	64
Department J	73	65	89	71	75	76	73	73	62		67
Department K	82	52	86	75	77	82	64	78	71	82	
Average rating of internal supplier by customers	76	63	77	69	73	74	69	68	70	71	68
Engagement Level of supplier (source not shown)	79	63	75	69	77	63	65	48	67	66	78
Correlation	0.47										

Key Drivers of Engagement (based on RWA, $p < .05$)



Key Drivers of Engagement (RWA – Highest Weights)

Dimension	Items Chosen				RWgt as a % of Rsq
		Fav	Neu	Unf	
Co. Performance	Q16. I have confidence in the future of XYZ	84	11	4	15.5
Co. Performance	Q6. Taking a genuine interest in the well-being of its ee's	56	28	16	12.7
Career Development	Q33. I feel I can grow and develop professionally at XYZ	69	19	12	38.5
Career Development	Q13. XYZ does a good job supporting my development	55	27	18	39.5
Job Itself	Q51. Your satisfaction with the job itself	79	17	5	17.3
Job Itself	Q75. The job done by XYZ at on-boarding new employees	47	34	20	15.8
Leadership	Q86. XYZ has an environment where employees of diverse backgrounds can succeed	82	12	5	33.3
Leadership	Q87. XYZ takes a genuine interest in the welfare of the communities in which it does business	74	19	6	35.8
Leadership	Q68. I can report concerns about unethical conduct/practices without fear of reprisal	62	22	16	30.9
Communication	Q28. Executive management encourages reporting important information up-the-line, even if it is bad news	63	23	14	16.9
Communication	Q27. Management solicits the ideas and opinions of employees like me	61	20	18	23.6
Communication	Q72. When changes in processes, policies, procedures and personnel are made, communications are usually handled well	46	21	32	17.4

Relationship Established Btw Attitudes & Performance

	Moving Bottom 20% to Mean	Impact of 5% Increase on Item
<u>Sales Turnover (after controlling for size, region, format)</u>		
The number of hours you are expected to work	\$22M	\$7.5M
I would choose to stay even if offered same pay/benefits	\$19M	\$9.9M
The better my performance, the greater my pay increases	\$12M	\$7.0M
I am motivated to go beyond what is normally expected	\$12M	\$7.3M
I feel I can grow and develop professionally here	\$9M	\$6.2M
<u>Net Income (after controlling for size, region, format)</u>		
My manager protects against unreasonable demands	\$4.3M	\$2.1M
The departments I work with cooperate with one another	\$4.1M	\$2.0M
I feel a great deal of stress and tension in my job	\$2.5M	\$1.6M
Feel free to speak my mind w/o fear of consequences	\$2.5M	\$1.5M

Underlying correlative relationships were significant at the $p < .05$ level based on $n=55$ field locations and 1,100 employees

Changes in Culture by Internal Supplier

	Dept. A	Dept. B	Dept. C	Dept. D	Dept. E	Dept. F	Dept. G	Dept. H	Dept. I	Dept. J	Dept. K
My Leader	1	18	0	2	6	-2	12	2	2	-15	11
Ethical Leadership	4	2	-2	-2	10	0	11	2	4	-8	3
Engagement	8	-3	2	-1	13	-5	20	15	1	-9	11
Camaraderie	-2	-18	-1	-7	9	-4	18	-12	-2	-12	8
Job Itself	-1	7	1	3	18	-2	15	-2	-2	-6	6
Economic Treatment	-4	2	-6	-10	-10	0	0	15	-8	-13	-3
Career Development	3	5	-2	-7	15	-2	6	13	-8	-23	9
Company Performance	6	5	-3	1	15	6	11	11	2	1	10
Performance Management	-1	3	1	4	13	0	4	-6	2	-5	5
Physiological treatment	10	11	-4	-2	4	-5	12	-3	-9	-8	7
Communication	6	1	-2	1	13	-4	13	2	-2	10	9
Survey Use	2	3	3	-12	17	-4	15	-3	-8	-10	18
Psychological Treatment	-1	4	0	-4	9	-11	11	3	-6	-3	10
Efficiency	-2	2	-2	-2	5	7	5	1	-8	5	9
Decision Making	-4	-9	1	-5	12	8	13	7	-5	6	7

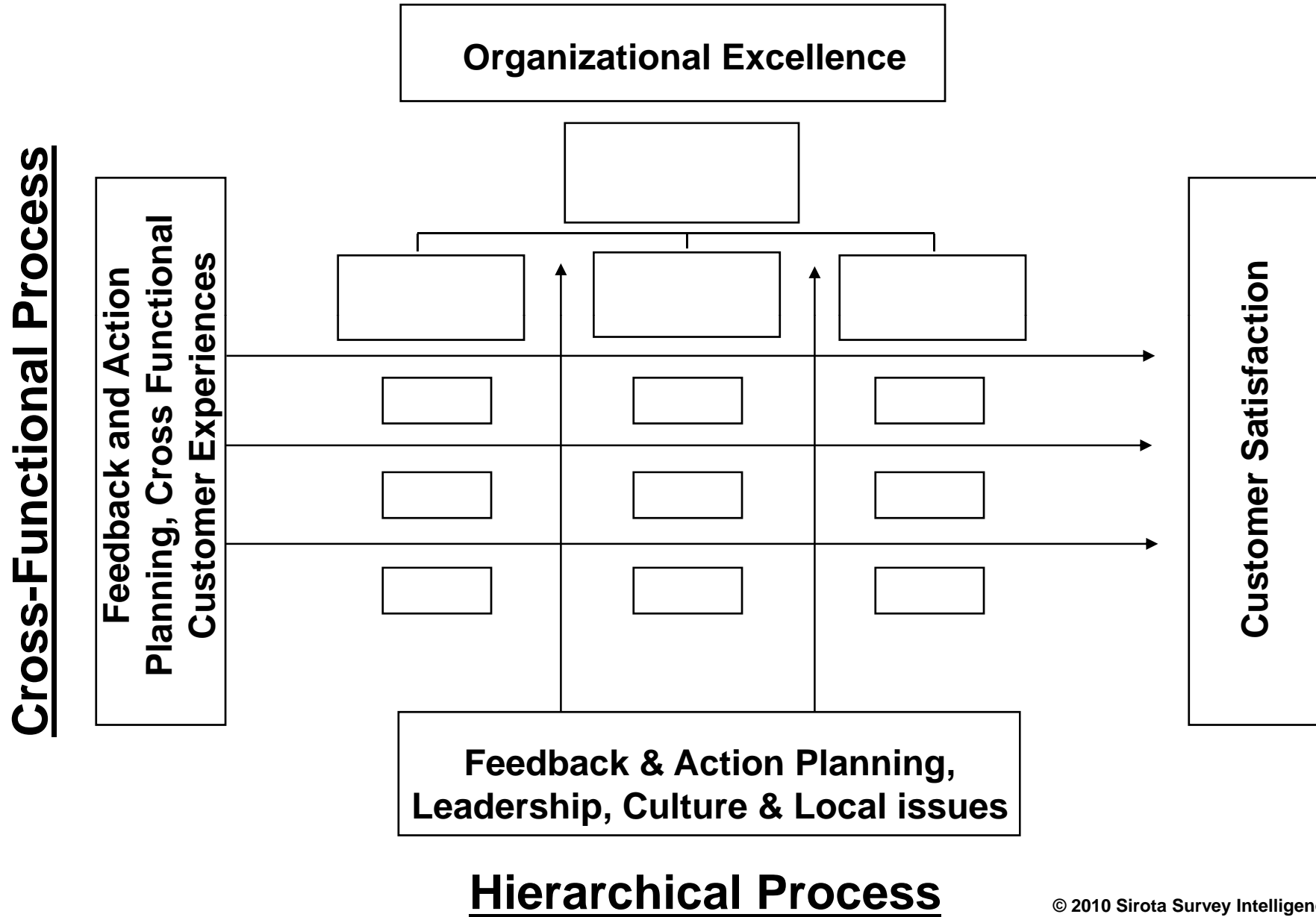
Departments experienced the past 2 years in different ways

Supply-Chain Relationships: Change Since 2007

Internal Customer Dept.	How would you rate your working relationship with...? (Change in % Favorable)										
	Internal Supplier Departments (Rate)										
	A	B	C	D	E	F	G	H	I	J	K
Department A		-4	25	0	23	-4	1	-6	-5	-16	-2
Department B	-22		-10	-1	21	-16	10	-10	23	16	6
Department C	12	-31		-6	5	9	-3	7	1	16	10
Department D	21	-8	3		10	19	3	-23	-23	-25	-14
Department E	40	-1	11	-7		44	1	13	29	27	4
Department F	-14	-39	-15	8	36		19	-44	8	8	-10
Department G	16	9	15	1	13	5		6	14	11	18
Department H	-7	-20	15	-6	-19	-5	-23		5	-2	-5
Department I	-12	-22	8	-16	37	-9	10	-13		9	-14
Department J	-13	-25	9	-11	10	13	9	15	12		4
Department K	32	-35	30	2	23	18	20	8	10	21	

Nearly as many relationships had declined as had improved

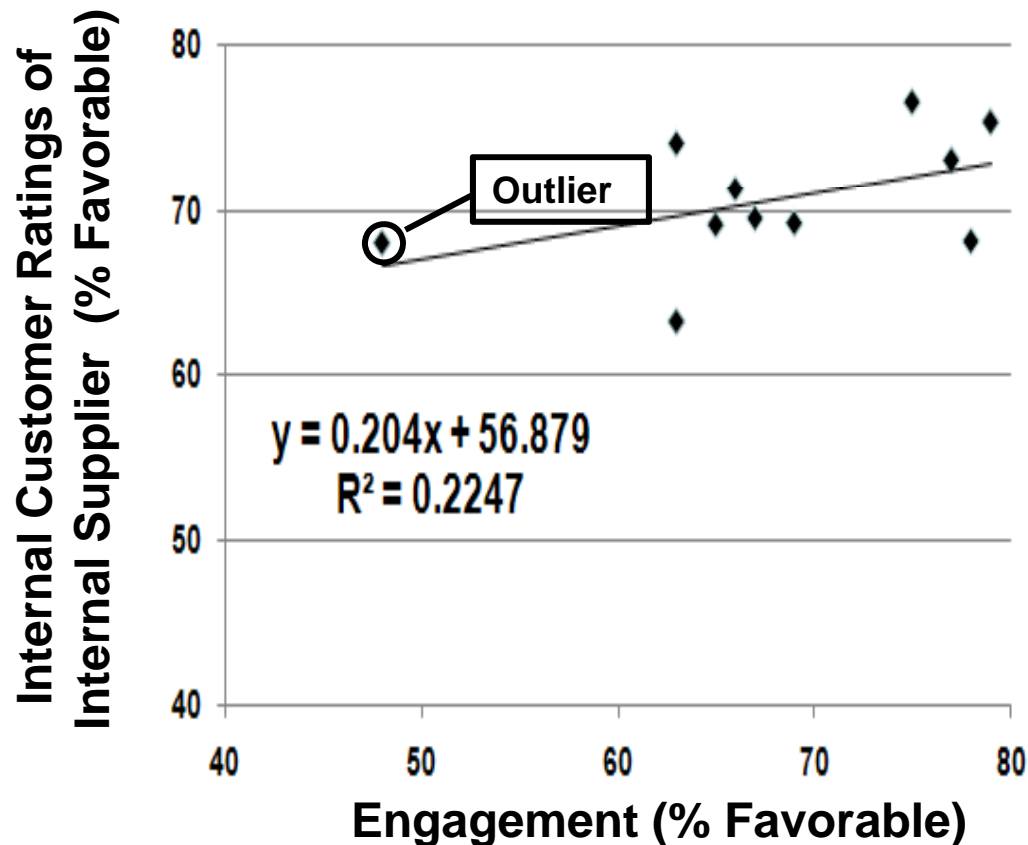
A Focus on Hierarchical- and Process-Oriented Action



Discussion

- **The antecedents of engagement, customer satisfaction and business results could be expanded to include internal c-s metrics**
 - **Quality professionals actively consider process metrics**
- **This kind of research can create a willingness to address internal customer-supplier relationships**
 - **Data such as this can be helpful by making visible key aspects of relationships that often go unmeasured**
 - **Data is much less threatening as a starting point than anecdotal accounts of cross-departmental difficulties**
 - **This intervention has been very helpful to this client**
- **One major methodological limitation (small number of departments) of this pilot effort can be overcome in the future by: replicating this research in larger institutions, and considering the use of Multi-Level Modeling to increase analysis efficiency**
 - **However the effect of non-independent ratings in the outcome measure (another potential problem) needs to be addressed in methodology (if possible) and statistical technique**

Note: Dealing with the “Outlier”



Removal of the outlier reduced Rsqr by less than 4%, while improving the slope by ~40% (to .29x)

However, data was based on a census of departments (not a sampling); plus, from the client’s perspective, the relationship was established regardless, so outlier wasn’t removed