

Retain for Sustained Success



**8 early warning signs of employee disengagement
and its impact on customers**

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Retain for Sustained Success

8 Early Warning Signs of Employee Disengagement and its Impact on Customers

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Executive Summary

In a world of rapid change there is a paradoxical need for greater consistency. This is particularly important when it comes to relationships, and business is all about relationships. This means you need to retain your people to provide your customers with consistency, as well as holding on to your customers to ensure that you can properly reward your people for their loyalty.

There are two major problems when it comes to performance measures that can help you with this.

- a) There are widely disparate measures that do not give you all you need to properly manage the relationship and offer the customer a great experience; and
- b) Most turnover and other measures you use to assess these aspects of your business tend to be lag indicators, and thus do not help you to anticipate potential issues.

And employee engagement figures of only 20% suggest you have a major problem here and really need something more predictive, for employee disengagement does not auger well for the development of strong relationships.

However, the reciprocal nature of any relationship means you can look to the other party to help you identify problems. Thus you can look to your customers for more predictive measures that will not only tell you about the state of the relationship but also indicate the extent of any employee engagement issues. Signals of potential problems include:

- Stopped buying
- Reduced buying
- Increasing volumes of disputes
- Increasing numbers of complaints
- Increase in volume of goods returned
- Increased penalties
- Increased value of rebates or discounts
- Increase in volume and/or value of credit notes

While even these may not be as proactive as you might wish, they will help you identify relationship problems and help you do more to retain both your customers and your people. However they are not all that you need to do to better engage your people, and you need to focus specifically on making the best use of your people if you want to build on this and the other 4 capabilities - sense and respond, customer experience, innovation and productivity - that are all in any case inter-connected and that combine to build the platform you need for your long term, sustained success.

The Zealise Assessment Programme will help you with this. It builds on the corollary that any shortcomings in these capabilities are de facto evidence of existing employee engagement problems and thus provides you with a mechanism to very quickly assess their scale and identify what action you need to take to redress them. It offers you an extremely cost effective way to stop haemorrhaging the costs associated with poor employee engagement, short-term bottom line gains, and a second-to-none means of addressing the problem to reduce the threats against your sustained success.

Contact us now to find out more about how we can help you. Use the contact page on our website at www.zealise.com, email us at info@zealise.com, or phone us on +44 (0) 1254 727652.

Hold on to what you've got!

In a world of rapid change, there is a paradoxical need for great consistency. When things are changing rapidly it is essential to have some anchor to help you keep your bearings. For any business, one of the primary anchors has to be its people. Not only are customers more comfortable always dealing with the same people (when they have had a good relationship in those dealings), but the vision and values that underpin the business are also more durable and consistent, when the 'old hands' continue to 'man the crew.'

At the end of the day, business is ultimately about people. Assuming you have a viable product or service to sell, you need only two assets to build a business, your people and customers. Without either of these running a business is impossible. Hence the relationship between your organisation and the customer that I have just alluded to is the essence - the vital, distilled ingredient - of your business. An inability to build or sustain such relationships means you effectively have no business. That's why the words of the song are so important and you have to "hold on to what you've got!" For you as a business leader, this means you have to have some means of monitoring that relationship.

It takes two

A relationship, by definition, has to involve two parties. To quote the words of another song, "It takes two." While this is pretty obvious, the implication for you, as a business leader, is that you have to look at the relationship from both sides - your customer's and your people's.

Obvious though that is when you see it in print, it is not necessarily so obvious in practice and very few organisations actually do this effectively. Why not? Well, I would posit that there are several reasons for this, all rooted in the fact that you manage the two parties through two, maybe even three, very different parts of your organisation, all with very different outlooks, and all with very different performance measures. Let me explain.

A confused ménage

Sales versus service

First and foremost you look to your sales people to generate business and, more often than not, you pay them commission to do so. You justify this by saying that you wouldn't have any business without them, and that they are 'wired differently' and hence more money motivated and thus will simply move elsewhere if you were to do anything else. For this reason, and because the measures and the rewards both reinforce such behaviour, the sales people pursue volume. No sooner than they have completed one sale than they are looking for the next. This is not actually conducive to building a good relationship.

Furthermore, you compound the problem by focussing on cash flow and/or quarterly targets. Consequently if the results are not looking so good you put pressure on your sales people to generate more sales before the period end. At the back of your mind there is always a sense that, because cash is king, it is better to have the money and worry about any possibility of paying it back later. Sooner or later your customers get wise to this which, even if it doesn't drive them away, makes future sales more difficult.

Three in the marriage

Of course you are aware of this. So, in order to redress that balance, you may have created a customer service department. You have recognised that a trade creates a relationship and you have invested heavily in Customer Relationship Management (CRM) computer software to help you to manage this relationship, and - having invested in this - decided that you need specialist people to manage it. Of course this completely ignores the old adage that three in a relationship is a crowd, and you pay these people to interfere.

What is worse is that they do not actually do anything for the customer. They are given responsibility for the account, even though the customer's dealings are with the salesperson. The customer is thus told that, even though they always deal with Joe Soap in Sales, Jane Doe is their primary point of contact and, because their business is so important to you, they should raise any concerns or problems with her.

Thus poor Jane ends up in the typical mistress role; listening to all the customer's gripes, about how the organisation doesn't understand him, and having to do everything in her power to soothe and placate him. Even though you give her the position of authority that allows her to issue instructions to whichever part of the organisation has caused the offence, hers is actually a non-job, because she has the accountability but not the capability to actually fix anything. Her power is actually a charade, rather like the trinket given to any mistress to keep her happy, for she is little more than a glorified messenger. In this role she either costs the company by doing whatever she feels is necessary to recompense the customer (i.e. to reduce the sale) or upsets the hard pressed 'backroom' staff by realigning all their priorities and expecting them to clean up the mess even though it might not have been their 'fault' to begin with.

The bottom of the pile

Even if you have avoided this trap, the responsibility for everything from the point of sale onwards falls upon the production, service and back office people, who between them in their various different ways, are all responsible for what the customer actually gets and thus their experience of the organisation and their perception of it, even though they rarely ever get to meet the customer. Often these are the lowest paid individuals, struggling to deal with the shifting demands and changing priorities caused by the customer and/or the salesperson's demands. Overseeing this lot and retaining accountability for their well-being and engagement is Human Resources (HR). This can be another largely vicarious role, and the situation can be further compounded by their general lack of standing within the organisation and a widespread perception that they do not understand the business anyway!

And, while HR is busy trying to make the work place more appealing and working conditions more pleasant through broad, sweeping, top-down measures they are kept perpetually in place by the old adage "the customer is always right." Ignoring the fact that this is often more fallacious than true, it certainly does nothing to make them feel like a valued resource and provides a counter-message to all HR's dear-bought and largely despised efforts.

Disparate performance measures

It is hardly surprising given the different sub-cultures and prevailing attitudes within the different functions that the performance measures are markedly different. You measure Sales on the volume of sales, and their financial value and the extent to which they achieved target, which in any case was set at a level considerably higher than the previous year. There is nothing here that looks at the customer. Indeed it would appear that you do not consider the customer at all in there, despite the fact that the salespeople are the ones who have the most direct dealings with them.

Similarly, you measure the other functions by various performance targets. Hopefully these are all derived from attempts to improve the service you give to your customers, but have you ever asked your customers to measure these? All too often you set these measures around what you think the customer wants or expects rather than basing them on any direct input from your customers.

You do look at the extent to which you have retained your staff, but I suspect that this is more often as a result of the need to have some measure to assess HR, and the recognition that replacing people does create an avoidable financial cost, than because of any concerns about its impact on your relationship with your customers.

Recognise your dependence on people

Given that the relationship between your business and your customers is primarily driven by your people, it is imperative that you recognise it and shape a culture where they also understand it and act accordingly. At present it appears that you are a long way from this.

Surveys that indicate employee engagement is running at levels of around only 20% present you with a major problem. Of course surveys like this extrapolate results and the figure is an average. It may or may not be applicable to your business. But whatever the percentage in your organisation the apparent prevalence of the problem means you have to assume that there is likely to be some element of disengagement that you need to confront. They certainly provide a barometer that you cannot rely on your people to look after your best interests.

After all, having disengaged people virtually guarantees that your customers' experience is nothing like as good as it should be, and thus puts your customer relationships at risk. Furthermore, disengaged people are far more likely to move at any time. Thus you need to be aware of and address employee disengagement as a major priority if you want long term business success.

Thus you face two key challenges:

1. Identifying the extent to which employee engagement or the lack thereof is a problem in your business.
2. Understanding and redressing the problem of disengagement.

Identifying the extent of employee disengagement

It is all very well talking about employee engagement, but global surveys do not help you understand how it affects you in your business. So how do you identify the problem and its scale within your business?

At present you have three primary - but flawed - tools in your toolkit for assessing how engaged your employees are:-

- The employee opinion survey;
- Your employee turnover ratio;
- The exit interview.

The former, assuming you are big enough to run an effective survey, relies on people being totally honest, and this is not always a given. On top of that, it may also be coloured by the way your people feel on the particular day the survey is conducted.

Employee turnover as an indicator of employee disengagement

The latter is perhaps the most important HR retention measure you have and thus you need to take it a little less disparagingly than I earlier suggested you might. However, do

not forget that it is very much a lag indicator, and as such highlights a problem that has already occurred rather than being predictive and helping you avoid it altogether.

Turnover of disengaged people is not a good thing.

On the surface you might think that losing disengaged people was a good thing and thus employee turnover figures a positive measure. It is actually not such good news. There are several reasons why you should not regard it as such.

- a) Disengagement is a symptom and not a cause. Thus it is a lag measure and by the time people actually leave the problem is deep-rooted.
- b) People are leaving for a reason and their loss does nothing to help you rectify the root cause of the problem.
- c) Disengaged former employees are not likely to say good things about you and so can damage your 'employer brand' and thus inhibit your chances of recruiting people of the calibre you are actually looking for. To put it another way, their disgruntlement can have a negative effect long after they are gone.
- d) Dissatisfaction is contagious, so people who are disengaged tend to make others dissatisfied to. Consequently, others who remain may be just as disengaged and pass the feeling on to the new recruits. So, unless you fix the problem your new people are just as likely to be disengaged and so you will actually be no better off.

Shortcomings of the exit interview

The exit interview is a useful tool for you to ascertain why people have chosen to leave. So while it is no good as a preventive measure it does provide a possible means for you to establish the root causes of disengagement. The quality and reliability of this information, however, is uncertain. It depends on:

- The honesty of the person leaving. People tend to be very wary of doing or saying anything that might 'burn any bridges' or jeopardise their chances of getting a good reference or their future career prospects and so will be likely to pull their punches.
- Who is conducting the interview.
- The interviewer's ability to establish trust.
- The interviewer's questioning capabilities.

None of these approaches will give you any great confidence that you are getting to the root of the problem or how to fix it, and nor will they give you any advance warning.

Early warning signals for employee disengagement

However you do have alternatives and this is where the relationship with the customer comes into play.

The two faceted nature of the relationship means you can rely on to your customers to indicate when things are not going well. There are a number of passive measures you can use to give you an early warning of a deteriorating relationship. And furthermore the very fact that your people themselves have not picked up on them is de facto evidence of inadequate engagement.

These signs have always been there, but perhaps because you have not previously looked at the relationship in this light you have not considered them. Let's have a look at some of them.

Stopped buying

How many of your customers have simply stopped buying from you. If your product or service is of a repeat nature, or they have been previously been long time customers of yours the fact that they are no longer buying is indicative of a problem.

Reduced buying

Similarly, how many of your customers have reduced the volume of their purchases from you. Again, if they have previously been good customers this could be indicative of a growing dissatisfaction and a precursor to losing their business altogether.

Disputes

Have you had any disputes with any of your customers recently? How have these been resolved? Was the outcome satisfactory to both parties or has it damaged the relationship?

Complaints

Has there been a rise in the number of complaints? This could be indicative of declining quality and or service and is itself an early warning for potential future loss of business.

Goods returned

Has there been an increase in the number of incidences or the volumes of goods being returned recently? Again this could be an indicator of declining quality. It could also be an indicator of sloppy goods handling, over-shipping etc. All these are clear indicators that all is not as it should be within your organisation.

Penalties

Has there been an increase recently in fines and/or penalty charges. Have additional costs been incurred/income lost as a result of late delivery or the failure to meet stipulated deadlines?

Rebates

Has there been a noticeable increase in the number or the volume and amount of rebates or discounts being awarded.

Credit notes

Has there been a marked increase in the number of credit notes or the proportion of credit notes amounts in relation to total sales.

There you have 8 very simple measures that can be very easily monitored on an ongoing basis which will give you the ability to create a dashboard of trend graphs and provide early warnings of potential problems and the need to investigate causes and resolve problems. All fit under the category of Retention because they all relate to the retention of sales and thus to customers. And all are warnings of people not giving their full attention to their work i.e. being disengaged

Understanding and redressing employee disengagement

Probing these signals and their causes will give you a better insight into your operations and problems of employee disengagement than any existing measure you are likely to be using. Because the measures look at your business almost exclusively outside in from the customers perspective, they will give you a more thorough basis for strengthening your customer relationship and thus help you to ensure sustained success which will safeguard your long term prospects.

Survival Critical Capabilities

I have identified 5 critical capabilities, without which it is impossible to build sustained success and therefore to come close to ensuring your organisation's long term survival. I have created the mnemonic SCRIP to represent these 5, and as you can figure out, retention is only one of these. The others are:

- Send & Respond;
- Customer Experience;
- Innovation;
- Productivity.

It is outside the scope of this paper to explain these here but you can find out more from my paper, "Empowering Employee Engagement: 5 Essential Capabilities for Sustained Business Success" which is available upon request or as a free download from my website www.zealise.com Suffice here to say that each has both the complexity and the simplicity you have just seen for retention, and each is equally affected by the level of employee engagement in your company.

Employee Engagement

In fact employee engagement is unquestionably the single strongest thread running through your mission to build sustained success. Ultimately, business boils down to people. It does not matter how good your plant is or your product, your business is ultimately dependent on your people and they way they support its objectives in their dealings with customers and potential customers (as well as other stakeholders.)

So not only are people the greatest asset you claim them to be, but they are your most important asset. Thus your ability to sustain success is ultimately dependent on your people. Consequently, you could say that SCRIP is not only a useful barometer for measuring your ability to sustain success, but also the key to measuring just how engaged your people really are. Why? Because the extent of shortcomings in your SCRIP measures is indicative of the extent to which your people are failing in these areas. *Any* failure here is because there is a gap in understanding of what your business needs to do to sustain success and/or a commitment to meet those needs.

In light of this it is hardly surprising the employee disengagement is estimated to cost the US economy \$300 billion a year. And remember that figure is an aggregate, made up of its effect on all businesses in the US economy. And survey results indicate that employee disengagement is just as much, if not more, of a problem in other major economies. So what is it costing your business and to what extent is it putting your long term prospects at risk?

Don't take a chance

Of course it is no good identifying all these capabilities that are essential for sustained success without have a way to measure yourself against them. That is why I have used them to build a high-powered, cost-effective assessment tool that will enable you to:

- Assess your position; and
- Develop a targeted action plan to address any shortcomings.

Now is the perfect time for you to conduct a review. There are many who say that there are more nasty surprises in store and that the economic climate is going to get worse before it gets better. Not only will an assessment help you to ensure that there are no nasty surprises lurking in your business, but it will simultaneously help ensure you meet your executive accountabilities properly. It will also position you for both the short term and the long term and thus to lay the foundation for your future sustained success.

Are your customers remaining loyal?
Are your customers spending more with you?
Are your people remaining loyal?
How engaged are your people?

Undertake an assessment now to help you answer these questions, or others you may have, or just to assess how engaged your people really are. To find out more, please contact us now

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About Bay Jordan



Bay Jordan is the author of "*Lean Organisations Need FAT People*" and "*A Feeling of Worth*" and the founding director of Zealise Limited, a consultancy he is building on his recognition that the failure to fully recognise the human element in managing change has been a primary cause of increasing employee disengagement, and the reason why so few ICT projects have ever realised the full benefits projected for them. He recognises that sustained competitiveness is impossible with disengaged people. Accordingly, he has an innovative new approach to flushing out and rectifying these problems. He fully expects his solutions to potentially to improve your bottom line results by *at least 20%*.

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