

Customer Satisfaction Through Employee Transformation

Organizations that truly engage and inspire their employees produce world class levels of innovation, productivity and performance which enrich customer satisfaction and earn customer loyalty. For any organization, every employee contact with a customer becomes a “moment of truth” which improves or degrades the customer relationship. This is where alignment of employees’ expectations with the organization’s vision & values assumes foremost importance. Values are deeply held principles that people hold or adhere to when making decisions. Individuals express their values through their behaviors. Organizations express their values through their working culture. Research shows that there is a strong link between financial performance and the alignment of an organization’s operating values to the employees’ personal values. In *Corporate Culture and Performance*, John P. Kotter and James L. Heskett show that companies with strong adaptive cultures based on shared values outperformed other companies by a significant margin. Over an eleven-year period, the companies that emphasized all stakeholders grew four times faster than companies that did not. They also found that these companies had job creation rates seven times higher, stock prices that grew 12 times faster, and profit performance that was 750 times higher than companies that did not have shared values and adaptive cultures. In *Built to Last*, Jim Collins and Jerry Porras show that companies that consistently focused on building strong corporate cultures over a period of several decades’ outperformed companies that did not by a factor of six and outperformed the general stock market by a factor of 15.

In order to evaluate the effects of employee transformation & engagement on customer satisfaction & loyalty, this paper analyzes some contemporary examples where involvement of employees lead to satisfied customers.

Case 1

In 2009, ICICI Prudential Life Insurance launched a major initiative to address the needs of orphan clients & win them back. Orphan Clients are those existing clients who are not being serviced because the advisor who initiated sales to these clients is no more active in the system. The Nagpur Branch of ICICI Prudential Life Insurance, using the database of orphan clients in its purview, assigned these clients to various Relationship Managers to address their needs and grievances. The major roadblock was to turn around the orphan clients as they were feeling neglected and feared that their investments were at risk. At first, such clients only wished for return of their invested sums. Realizing the severe challenges involved, ICICI Prudential Life decided to align the Relationship Managers’ vision with the company initiative. With an array of employee training & mentoring programs, the company imbibed the importance of this initiative in its employees’ minds. The importance of winning back orphan clients was highlighted – these clients would automatically become brand ambassadors for the company once their fears are dispelled and their investments begin showing good returns. This will create a general feel good environment about the company in the minds of potential customers thereby helping further sales. With such alignment of company & employee vision, the Relationship Managers reached out to each & every such client with a

personalized solution to address their concerns & needs. Such highly spirited efforts yielded record sales. The orphan clients were not only converted into satisfied customers but also rewarded back with additional investments once they felt secure.

Case 2

Another case study is of Hyundai Motor. The local dealerships were surveyed to understand reasons behind many customers exchanging their cars with new models. What made these customers return to the same brand? With many competitive alternatives available in the market, Hyundai dealerships ensured that many of their customers came back after a few years to exchange their old cars with new models. The results of survey show that almost all these customers felt that they were serviced very well throughout their use. Most of these clients came back looking for specific employee at the dealership – a positive indicator of the argument that employee involvement leads to customer satisfaction.

Case 3

A classic case of a local south Indian food outlet – a seemingly nondescript activity. What makes people from all corners of the city, all walks of life throng to this place alone when dozens of other such outlets exist? The quality of food they serve, of course. But how does this enterprise manage to deliver the same irresistible quality year after year? Sometimes the people working there have changed, have had personal limitations and yet the customer loyalty has remained intact. Speaking to the management & employees, it was very clear that the primary objective were uniform. The employees responsible for creating the quality were totally involved to the extent that they considered it to be their own enterprise. Once the result started showing, the process became self sustaining as the

enormous trust & patronage shown by customers acted as a catalyst.

The above examples bring out the integral relationship between employee satisfaction, customer retention, and corporate profitability. The empirical literature is clear that if organizations concentrate on employee satisfaction elements, positive effects on customer satisfaction and corporate profitability can be realized. These examples help us understand that employee involvement & transformation holds enormous potential in retaining & sustaining customers thereby creating a preferential market position for an organization.

It has been long established that organizations with a quality foundation have better leverage to achieve high levels of customer satisfaction, but research has shown that a specific key driver of achieving customer satisfaction is employee satisfaction. There is a positive and significant relationship between customer satisfaction and employee satisfaction. Employee satisfaction is significantly related to service quality and to customer satisfaction, while the later in turn influences profitability leading to a satisfaction-quality-profit cycle. Various studies & researches worldwide have clearly endorsed the above theory. Satisfied employees are a major source of customer referrals and are also better selectors of new customers, leading to greater long-term customer value to the business. Schlesinger and Heskett (1991) have emphasized the role of employee satisfaction & loyalty to the basic customer loyalty model. They developed the concepts of "cycle of success" and "cycle of failure". In the cycle of success, an investment in your employees' ability to provide superior service to customers can be seen as a virtuous circle. Effort spent in selecting and training employees and creating a corporate culture in which they are empowered can lead to increased employee satisfaction and employee competence. This leads to superior service

delivery and customer satisfaction which in turn creates customer loyalty, improved sales levels, and higher profit margins. Some of these profits can be reinvested in employee development thereby initiating another iteration of a virtuous cycle.

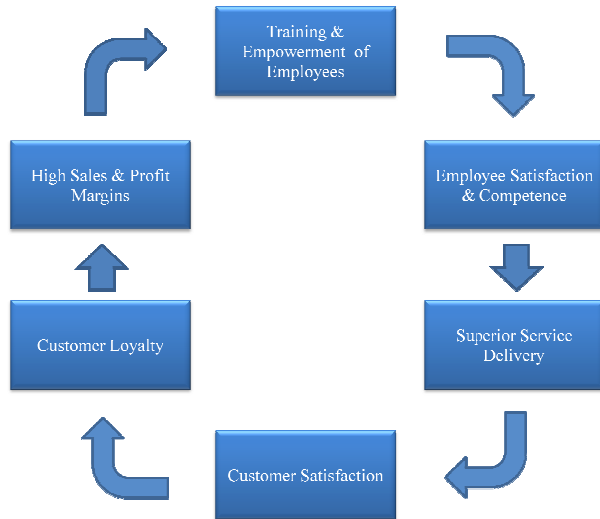


Fig. 1 Virtuous Cycle

So, satisfied employees are more productive, innovative and loyal, which in turn leads to customer retention, which means that employee satisfaction plays a “strong, central role” in predicting profitability and “organizational effectiveness”. With direct links between employee satisfaction and customer satisfaction, and between customer satisfaction and improved financial performance, what are the elements that explain and drive employee satisfaction in these cases? In a study of employees across many companies and their customers, it was found that organizational communication, employee engagement and organizational culture are the three key elements antecedent to employee satisfaction. This is supported by other studies that show the “value of upward feedback for increasing employee sensitivity to managerial and unit performance and for enhancing managers’

attention to behaviors that influence departmental performance and customer satisfaction” is substantial. This feedback needs to include employee empowerment and “input in evaluating success” and responding to it.

The actionable challenge faced by organizations is to connect employee and customer satisfaction and use them most effectively and efficiently. As the Corporate Leadership Council report points out, “companies must build their own models because customer satisfaction is only one variable in understanding the relationship between employee satisfaction, customer satisfaction and financial performance. Moreover, each company must determine how it defines employee satisfaction and customer satisfaction, which can even differ between departments and business units within one company.” The Baldrige Criteria, while not being prescriptive does provide a common set of definitions and a model to integrate both employee and customer satisfaction with other key variables. Two of the core values and concepts of Baldrige Criteria are customer driven excellence and valuing employees. Baldrige makes the connection between customer satisfaction and its integration with internal processes and results. Customers focus impacts and should integrate an organization’s strategic directions, its work systems and work processes, and its business results. In regard to empowerment this is aimed at enabling people to satisfy customer on first contact, to improve processes and increase productivity, and to improve the organization’s performance results. An empowered workforce requires information to make appropriate decisions.

This paper, thus, identifies employee transformation, engagement & satisfaction as a fundamental driver of customer satisfaction to be coordinated, integrated and measured within a defined but personalized framework to achieve improved business results.

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