

A Wake-Up Call: Achieving Customer Satisfaction Through Your Employees

By Denis Leonard, PhD, and William Murphy, PhD

Introduction

There are many aspects of business upon which quality managers need to focus, but one is often considered the most important: the customer. It's a commonplace that without customers a business cannot exist—article after article and book after book remind us of this truth. But at times this emphasis on the customer may disengage us from the pivotal resource that makes it possible to satisfy the customer—the employee.

It is self evident that without employees the business's product or service simply could not exist. Just one person (be it the originator, inventor, or entrepreneur) cannot drive a business by him- or herself, cannot make an actual organization that produces goods and services. For this people are needed. No matter the size of the organization, the *employees* will ultimately be responsible for dealing with customers, either face to face, on the telephone, through correspondence, or on the company website. To the customer, your employees are the organization.

So what does employee satisfaction have to do with the idea that without customers a business cannot exist? Just this: Employee satisfaction is the key element in achieving customer satisfaction. Without employee satisfaction, customer satisfaction will never be achieved.

It is the linkage between employee satisfaction and customer satisfaction that is critical. One major goal of this paper is to highlight this linkage (and its financial impact) in the hope that quality managers will see improving employee satisfaction as one way to effectively improve customer satisfaction. While we have seen managers and consultants state this correlation to senior management, the lack of qualitative and quantitative evidence has been a stumbling block in selling the idea to them.

The Links Between Customer and Employee Satisfaction

Research has shown that one key to achieving customer satisfaction is employee satisfaction. While it has been long established that organizations with a quality foundation have better leverage for achieving high levels of customer satisfaction (Nilson, Johnson, and Gustafsson, 2001), attaining this goal results from being particularly focused on employee satisfaction. There is a "positive and significant relationship between customer satisfaction and employee satisfaction" (Bernhardt, Donthub, and Kenette, 2000, p. 161); these relationships are "positive and statistically and substantively significant" (Brown and Lam, 2008, p. 243). "Employee satisfaction is significantly

related to service quality and to customer satisfaction, while the latter in turn influences firm profitability...leading to a satisfaction-quality-profit cycle" (Yee, Yeung, and Cheng, 2008, p. 651). One study based on 7,939 business units in 36 companies found that, "on average business units in the top quartile on the employee engagement measure produced 1-4 percentage points higher in terms of profitability. Similar results were found for productivity (revenue or sales per month). Business units in the top quartile on employee engagement had, on average, from \$80,000 to \$120,000 higher monthly revenue or sales" (Harter, Schmidt, and Hayes, 2002, p. 275).

So satisfied employees are more productive, innovative and loyal, which in turn leads to customer retention (Corporate Leadership Council, 2003). Of course, dissatisfied employees will likely *lower* customer satisfaction. Employee satisfaction therefore becomes a critical leading indicator. What else can be interpreted from this other than that employee satisfaction plays a "strong, central role" (Yoon, Seo, and Yoon, 2004, p. 395) in predicting profitability and organizational effectiveness (Koyes, 2006)?

Given the direct links between employee satisfaction and customer satisfaction, and between customer satisfaction and improved financial performance, it is important to understand the elements that drive employee satisfaction (Kozzani and Oakley, 2005). This way, actions can be taken that enhance these drivers. In a study of 5,568 employees across 90 companies and 37,036 of their customers, it was found that organizational communication, employee engagement, and organizational culture are the three key antecedents to employee satisfaction (Kozzani and Oakley, 2005). There is also clear evidence that there is substantial value to "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." This feedback needs to include employee empowerment and "input in evaluating success," along with management response to these inputs (Adsit, London, Crom, and Jones, 1996, p. 62).

A practical management question becomes: How do we connect employee and customer satisfaction and develop each one most effectively and efficiently? Unfortunately, there is no cookie cutter answer to this question. 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" (Corporate Leadership Council, 2003, p. 2). The critical issue is that customer satisfaction improvement efforts do not ignore this relationship.

Driving Customer and Employee Satisfaction

So, with employee satisfaction playing a key role in driving the success of your organization and yet lacking a template for measuring or growing employee satisfaction, what are you doing to improve it? As a starter, have you been measuring employee satisfaction levels? Have you been conducting employee satisfaction surveys, along with incorporating suggestions-for-improvement opportunities (often anonymously, so as to avoid skewing responses)? If so, do you use the feedback to create improvements? If you've gone this far, do you complete the circle by telling your employees that you are taking steps toward improvement thanks to their feedback? Considering the impact employee satisfaction has on your business, you should be doing all of these things.

The phrase, "our most important asset is our people" is used frequently but without real conviction. Otherwise, far fewer organizations would downsize whenever there is a short-term profit pressure. Indeed, downsizing would be the last resort if people really are the company's most important asset. Instead, with downsizing it is obvious that business leaders are not giving much thought to the workers still in the ranks. These people go along day by day wondering when *their* last day will be—not a motivating environment, and not one likely to encourage employees to invest time and energy into satisfying customers.

Pause for a moment and consider a few questions that greatly affect your business, because they reflect how you treat your employees:

- When was the last time you told an individual employee how much he/she is valued?
- When was the last time you told your employees that the company is made stronger by their good work?
- When was the last time you asked—and found out—just what your employees, all of them, blue and white collar included, think of your organization and heard their thoughts about improving the company?

Our people become "our most important asset" only when we do these things.

With regard to employee satisfaction surveys, conducting them occasionally or regularly—but with no follow-up is a losing path. Employees provide feedback, but nothing ever happens. In such a situation, you are better off to not conduct the survey at all because you set up employee expectations that they will be heard and that changes will come. If nothing but silence follows, it then becomes a waste of time for everyone. For

example, during our research we came across an individual who had written suggestions on every employee satisfaction survey for years. This past year he'd finally had enough of the deafening silence that always followed, and he told us he had written in the comments section, "Why should I bother providing feedback? I've done it for years and you have never listened or made changes." It is obvious from his response that company leaders are hurting morale, and harming employee satisfaction—and possibly compromising customer satisfaction as result.

Before you send out yet another employee satisfaction survey (or your first) or give your employees a chance to make suggestions for improvement, do a frank self-assessment. Are you truly willing to take those comments, consider their implications, and make hard decisions to make changes where needed? The bottom line is that you need to commit to taking the feedback onboard, to being prepared to hear things you may not like, and to being ready to make changes. If you know in your heart that you will simply dismiss any comments that are counter to your positive feelings about yourself or your company, then save the time, energy, and money and drop the survey.

Conclusion

The fact is that your employees are pivotal to customer satisfaction, and satisfied customers are many times more likely to be repeat buyers than dissatisfied or even moderately satisfied customers! The key question is, What are you doing to focus on employee satisfaction to specifically drive customer satisfaction? Although much of what we've said should be common sense—indeed, much of it has been said many times before—it is surprising how frequently these core principles are forgotten or neglected. Perhaps it is time for each of us to do a personal assessment: the wake up call has sounded!

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