



# Put Your Employees on the Other Side of the Microscope

By Jack W. Wiley, Ph.D., Kenexa® Research Institute, Scott Brooks, Ph.D. and Kyle Lundby, Ph.D., Kenexa  
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**M**ost employee surveys ask employees how they feel about their job, their manager, or their company. To gain fresh insights into the workings of your organization, try asking your employees what they think about how well you serve your customers.

As HR professionals, we constantly study our employees. We want them to be happy and engaged and to remain within our organization. For decades, we have used employee satisfaction surveys to put our employees under the microscope. But, as organizations increasingly turn to HR professionals for strategic leadership, we need to take a new look at the power and potential of employee surveys. Instead of using surveys solely to measure job satisfaction, we should turn the microscope around and ask employees to measure the effectiveness of their work groups and customer service environment. By using employees as reporters of what works and what does not, we can discover where and how to tailor the implementation of our strategy to make the greatest impact. If you could ask your employees just one question, what would it be?

HR professionals traditionally use employee surveys as an opportunity to put their workforce under the microscope and find out whether employees are committed and engaged. They might ask: Would you recommend this organization as a good place to work? Are you deeply committed to your role at the organization—Is it more than just a job? Do you feel you have a promising future here?

These are all good questions to ask. By understanding what drives employee satisfaction, businesses can evaluate and modify the effectiveness of compensation, benefits, working conditions, growth opportunities, recognition practices, and other factors that affect employee loyalty. Their expectation is that, in turn, loyal, happy employees will create a better customer experience, and, ultimately, superior business performance.

This is a typical justification for measuring employee opinions and has been advocated by survey administrators for decades (Rucci, et al., 1998; Schneider, et al., 1998). Our research shows that in 2005, nearly three out of four companies with more than 10,000 employees conducted employee surveys; however, if businesses only measure and act on job satisfaction data, they are failing to realize the true potential of their employees to diagnose the performance of the organization (Johnson, 1996; Lundby & Fenalson, 2004; Ryan, et al., 1996).

Employees not only create value as individual contributors or team members, they also serve as keen observers of the effectiveness of their workgroups and the customer service environment. Employee surveys are increasingly incorporating this new perspective. Rather than simply putting employees under the microscope in order to learn about the employees themselves (through measurement of employee-centric topics), businesses are turning the lens around and asking employees to diagnose the effectiveness of the organization's leadership, service climate, and other performance-centric topics (see

Figure 1). This means working with a different set of potential questions: Do customer problems get corrected quickly? Are there clear standards for quality? Are employees getting the training needed to keep up with customers' needs?

**Figure 1: Examples of “Employee-Centric” and “Performance-Centric” Questions**

“Employee-Centric” Questions	“Performance-Centric” Questions
Job uses skills and abilities	Customer problems corrected quickly
Satisfaction with recognition	Quality is continually improving
Manager good at managing people	New employees get necessary training
Opportunity for career development	Authority needed to serve customers
Rate total benefits program	Enough information about meeting group goals
Confidence in organization’s future	Co-workers cooperate to get job done

Employee surveys that include performance-centric questions can help you understand how well your culture and leadership practices promote customer loyalty, which is one of the strongest leading indicators of business performance. Typical survey questions focused solely on employee-centric issues do not offer the same predictive power (Schneider, et al., 1998; Thompson, 2006; Wiley, et al., in review). As the following example illustrates, employee perceptions of service support and customer orientation are a much more potent predictor of customer loyalty than are measures of employee commitment or engagement.

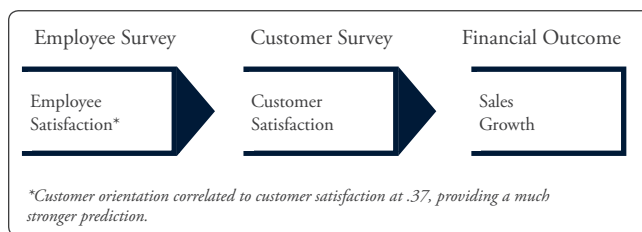
Within an 800+ retail store environment in the United States, this measurement perspective helped focus an employee survey and action planning initiatives around issues most relevant to organizational performance. The study demonstrated that improvements in employee perceptions of the organization’s customer orientation correlated .37 with improvements in external customer satisfaction, compared to a correlation of only .18 for increases in employee satisfaction. The performance-centric topic (i.e., customer orientation) accounted for more than four times the variance in customer satisfaction than did the employee-centric topic (i.e., employee satisfaction).

Although the organization was interested in the dynamics of customer satisfaction, its foremost goal was sales growth. With this objective in mind, we started at the end and worked backward, using the customer survey data to find the factor that most influenced increases in repeat purchases and store-

level sales growth. This factor turned out not to be customer satisfaction. Instead, service excellence, which was defined as the sales associate’s ability to communicate with and serve the customer, emerged as the optimal mediator between employee behavior and financial outcomes. We then studied the employee survey to identify the factors that correlated most closely with service excellence and found (as we did in analyzing customer satisfaction) that performance-centric measures again had substantially more predictive power than employee-centric measures did. Improvements in the organization’s customer orientation showed a correlation of .32 with service excellence, compared to a correlation of .17 for employee satisfaction.

Figures 2 and 3 compare the results of employee-centric and performance-centric models in predicting both customer satisfaction and service excellence. Figure 2, which shows the relationship between employee and customer satisfaction, represents a traditional employee survey model. Figure 3, by contrast, reveals the predictive power of an employee survey built around performance-centric measures, with focus on the organization’s desired business outcomes. By assessing the factor that most correlated with sales growth (in this case, service excellence) and then using employee observations to assess the organization’s delivery of service excellence down to the business unit level, we were able to provide data that was of maximum value in helping the organization improve its performance through follow-up actions.

**Figure 2: Employee-Centric Model**



**Figure 3: Performance-Centric Model**



We then conducted additional analyses to identify which employee opinion measures beyond “customer orientation” alone best predicted how customers rated service excellence. As a result, we distilled the most relevant employee survey measures to four topics: customer orientation, quality, training and teamwork. By isolating these employee measures into a performance excellence index, this publicly held corporation developed an economic model illustrating how improvements in store-level service climate could translate to more loyal customers and, ultimately, sales growth. The specific survey questions that made up the performance excellence index included:

- Customers rate products/services favorably
- Customer problems are corrected quickly
- Company delivers products/services in timely manner
- Quality is priority versus deadlines
- Manager emphasizes quality work
- Employees satisfied with on-the-job training
- Co-workers cooperate to get job done

By casting employees as expert observers of operational effectiveness, HR professionals can gather and evaluate data down to the business unit level to provide early warning signs for future customer service/delivery problems and work to correct them. Viewed in this way, the employee survey is no longer just a human capital tool. It helps diagnose your economic value chain, build customer loyalty, and drive financial performance.

### The High Performance Model

The previous example illustrates the characteristics of the workplace that provide the strongest link with customers and financial performance. As a result, we can isolate the input from employees that is most related to organizational effectiveness.

We have conducted research across a variety of industry segments, based upon survey projects involving millions of employees at hundreds of different companies. We have consistently found that specific key leadership practices—customer orientation, quality emphasis, employee training, and employee involvement—are the critical factors that separate the leading units within an organization from the laggards (Wiley, 1996; Wiley & Brooks, 2000; Brooks, et al., 2006). These characteristics of a high performance climate create a work environment in which employees can work together to become successful. Organizations with a clear focus on these four leadership practices are also those in which employees know what to do, are aligned and work well in teams, experience fewer work-related frustrations, and are thereby more satisfied

and less likely to leave. Under these conditions, employees produce greater value products and services for their customers, which contribute to higher customer loyalty, increased market share, and better business performance. This cycle is illustrated in the high performance model (see Figure 4).

Figure 4: High Performance Model



The link between employee opinions and customer results in the model underscores the importance of using employees to analyze the effectiveness of the work environment. These observations can help an organization take action to improve its processes, systems, product mix, priorities, problem resolution practices, and other issues that affect customer satisfaction and, over time, translate into better financial results.

It provides a way to anticipate changes in performance, based on information gathered from human capital, and to modify (or reinforce) the organization’s strategy and execute accordingly.

### The High Performance Model in Action

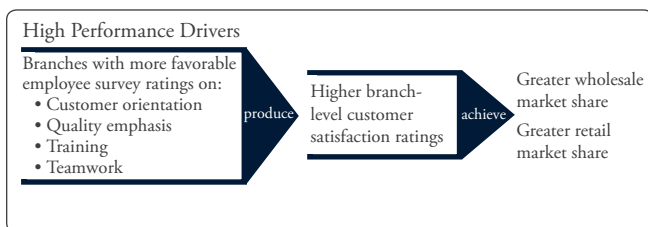
The reliability of the High Performance Model has been tested and confirmed, but its ultimate value is realized when it is put to use. This involves diagnosing an organization’s economic value chain and steering corrective actions toward problems and issues that will most contribute to improved performance.

For example, in a study of one large North American financial service organization with 85 branches, the High Performance Model was used as the basis to understand and improve customer loyalty and system performance. The immediate goal of the organization was to increase both wholesale (institutional) and retail (end consumer) market share for the lending services it provided. The strategy for achieving this goal focused on improving customer loyalty. To increase customer loyalty, the organization implemented an initiative called “Amazing Service.” This initiative was aimed at promoting excellence in customer service. More specifically, the organization set the following objectives:

1. Establish that we are a customer-driven company
2. Motivate employees to excel in providing “Amazing Service”
3. Empower employees to become responsible and accountable for customer satisfaction
4. Foster cooperation and team building that reaches across all functional groups
5. Continually raise our standards above the expectations of the customer

To test the management team’s hypothesis, as well as the validity of the high performance model, branch-level employee opinions, customer satisfaction and market share data, all taken from the same time period, were integrated and analyzed. The findings are presented in Figure 5.

**Figure 5: Test of the High Performance Model**



The findings clearly showed that those branches achieving the goal of higher wholesale and retail market share were indeed branches that were producing higher customer satisfaction ratings. We then analyzed the drivers in the work environment that most correlated with higher customer satisfaction and discovered that those branches with higher employee opinion survey ratings on customer orientation, quality emphasis, training, and teamwork were clearly outperforming the comparable units within the system. These findings supported

the validity of the management team’s hypotheses regarding how to increase market share and their investment in their “Amazing Service” initiative as a way to drive customer loyalty. We also expanded the analysis to focus on individual survey questions. In doing so, we confirmed that questions measuring performance-centric topics from the high performance model (including customer orientation, quality emphasis, and training) had a much stronger relationship to customer satisfaction than did employee-centric questions.

For example, employee responses to the following high performance model item—“Overall, our customers are satisfied with our products and services”—provided the strongest prediction of how customers rate their satisfaction. For this item, the correlation to customer satisfaction was .44, significant at  $p \leq .01$ . In contrast, the following traditional employee satisfaction item—“I like the kind of work I do”— had a much lower and nonsignificant correlation coefficient of .12. The results from Figures 6 and 7 illustrate that actions focused on improving employee satisfaction will have less impact on customer loyalty than will actions focused on practices measured in the high performance model.

**Figure 6: High Performance Model Topics as Predictors of Customer Satisfaction**

Employee Survey Theme	Item	Correlation to Customer Satisfaction
Customer Orientation	Customers satisfied with products/services	.44
Customer Orientation	Customer problems corrected quickly	.32
Customer Orientation	Evaluates process in customer service and quality improvement	.31
Customer Orientation	Work group receives adequate feedback from customers	.29
Quality Emphasis	Recognized for customer service	.32
Quality Emphasis	Work group uses feedback to improve	.27
Quality Emphasis	Work group follows plans to become the “best-in-class”	.26
Quality Emphasis	Rating of quality of work	.26
Training	Receive necessary training to improve performance	.29
Training	Received necessary training to be an effective team member	.29
<b>Average High Performance Model Correlation</b>		<b>.30</b>

*Note: Correlations presented are significant at  $p$  value  $\leq .01$ , one-tailed significance test.*

**Figure 7: Employee Satisfaction Topics as Predictors of Customer Satisfaction**

Employee Survey Theme	Item	Correlation to Customer Satisfaction
Job Satisfaction	Satisfaction with job	.17
Job Satisfaction	Like the kind of work	.12
Performance Feedback/Reward	Job performance evaluated fairly	.14
Performance Feedback/Reward	Compensated fairly	.08
Career Development	Opportunity to improve skills	.13
Career Development	Opportunity for better job	.03
Company Satisfaction	Seriously considering leaving	-.11
Company Satisfaction	Overall satisfaction with organization	.09
Company Satisfaction	Valued as an employee	.08
Company Satisfaction	Satisfaction with job security	.01
<i>Average Employee Satisfaction Correlation</i>		<i>.10</i>

Note: No correlation coefficients are significant at  $p$  value  $\leq .05$ .

Statistical research alone does not drive organizational results. We followed this analysis by interviewing branch managers and other employees regarding the barriers to delivering better service and performance. We were guided by the statistical analysis in talking to the right people about the right topics. The result was the development of best practices guidelines and a short list of tangible actions provided to the organization's leadership team. The actions were implemented to improve the overall performance of the organization and the results were monitored through future employee and customer surveys, and business performance metrics. Based on analyses of these results, the recommended actions were determined by the company to be highly effective in its drive to become the industry's top performer.

### The Role of Employee-Centric Topics

The importance of employee-centric survey topics should not be overlooked. Although research demonstrates the value of focusing employee survey content on the leadership practices included in the high performance model, data related to job satisfaction and employee relations play a different and necessary role in the HR process.

Performance-centric topics work as an engine and provide the infrastructure required to channel employee efforts properly in the right directions, but employee-centric topics act as the “turbo,” supplying the individual engagement that helps push an organization to the next level of performance. This engine-turbo model has been directly demonstrated by research (Dietz & Wiley, 1999), and flows naturally from the links between job satisfaction and employee relations issues such as turnover, motivation, and personal initiative that goes beyond the requirements of the job.

This discussion also raises perhaps the most important question: What are your objectives? Like any major organizational effort, employee surveys require focus and purpose. As referenced in other work (Wiley, 2006), a primary survey objective of many organizations is driving high performance—and this purpose demands an emphasis on performance-centric topics. Other objectives, however, may require a greater focus on employee-centric topics. An organization's policies related to recognition, supervisory practices, career growth, and the like will play a significant role in retaining talent (e.g., Griffeth & Hom, 2001). An organization in crisis or transition may need employee satisfaction data to develop a strategy for improving engagement in the wake of significant organizational change, such as layoffs or mergers.

### Implications for HR Professionals

The High Performance Model identifies how employee opinion surveys can serve as critical diagnostic tools for driving better business outcomes. The model has strong implications for conducting employee surveys in general. To ensure you are getting the most from your employee survey, consider the following:

1. *Know your objectives.* This advice is too often underemphasized. Before conducting a survey, know why you are doing it and what you hope to accomplish.
2. *Employee-centric and performance-centric survey topics accomplish different things.* Ask about what you hope to change. The most potent predictor of employee turnover is intention to quit. The most potent predictors of customer satisfaction (e.g., customer orientation and quality emphasis) relate to the customer experience.
3. *Start with the end in mind.* Establish your objectives and work backward into survey design. Performance objectives (e.g., driving customer loyalty or financial performance) call for performance-centric employee topics; employee objectives (e.g., talent retention) call for employee-centric topics. This advice may seem obvious, but researchers and practitioners within the HR domain have a long and unfortunate history of developing outstanding HR tools before looking into the organization to see how the tool can be applied.

4. *Invest organizational effort accordingly.* The knee-jerk reaction to employee survey results is to take actions designed to bolster the topics with which employees are least satisfied. Often that approach leads to efforts focused on recognition, career growth opportunities, or pay. More sophisticated organizations also realize the value of building upon strengths, not simply dwelling upon the low scores. The most effective survey follow-up focuses upon the issues with the most impact on the organization's ultimate objectives (see Item1).

These approaches firmly cast the employee as an ally in achieving organizational ends—an intimate observer that helps you diagnose organizational effectiveness. In this way, the purpose of employee surveys is much richer than simply to scrutinize job satisfaction. Instead, strategic surveys act as a tool to allow managers to see what employees see, to serve as a microscope on how well the organization delivers on its promise of leadership in quality and service. ■

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## About Kenexa

Kenexa provides business solutions for human resources. We help global organizations multiply business success by identifying the best individuals for every job and fostering optimal work environments for every organization. For more than 20 years, Kenexa has studied human behavior and team dynamics in the workplace, and has developed the software solutions, business processes and expert consulting that help organizations impact positive business outcomes through HR. Kenexa is the only company that offers a comprehensive suite of unified products and services that support the entire employee lifecycle from pre-hire to exit.

## Media Contact

Jennifer Meyer, Kenexa  
1.800.391.9557  
jennifer.meyer@kenexa.com

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