Measuring and using employee satisfaction

Dave Leonard, Focus on Service, and **Michael Lieberman**, Multivariate Solutions, show how employee satisfaction measures can be translated into operational goals

MULTI-UNIT RETAILERS and restaurants spend a great deal of money and effort trying to understand and manage thousands of employees in many different locations. The results are typically evaluated on a company level as part of an annual business review. However, this is not the whole picture. Basically, when you are looking at the company, all units are assumed to be average. The company picture is really a composite of all the local operations.

This misses significant inter-unit variation and the opportunity to improve performance or correct problems at a specific location.

A basic problem is that we can always know more than we can prove. Managers of large, multi-unit companies 'know' that:

- management teams at different locations aren't equally effective
- unit management affects employee performance
- employee performance affects sales & customer satisfaction
- management performance affects employee turnover and morale.

But how do you prove it? More importantly, how do you identify the specific areas that each unit management needs to improve? And most crucial of all, what do they need to do differently that will improve employee performance and guest results?

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In this article we are going to walk through a case study that demonstrates proven employee satisfaction methodologies to measure employee attitudes and how to guage key factors in order to keep employees happy and productive. We will set up a framework within which employee satisfaction can be measured, then describe a concrete methodology to apply these findings to the workplace.

The test

The company in question has more than 100 locations, structured in regions, and employs several thousand people. In our survey, staff were initially asked more than 40 questions, covering training, management, personal development, the company, and its customers.

The test objectives were to identify the issues that were most important for employee retention and lowering staff turnover. We sought to demonstrate that significant employee differences can be measured between individual units, and to develop action reports for region/unit managers that highlight differences between units.

Basics

Key Driver Analysis measures the strength of descriptive attributes or performance ratings in relation to a strategic characteristic. What is driving your brand in its market segment? What would make its market share rise? What makes your employees happy at work? Why? In regression analysis, the strategic characteristic is called the dependent variable.

What we are looking for is significance. If an attribute is positively significant, this indicates that it has a positive relationship with the dependent variable. If the attribute is high, the dependent variable is high. If the attribute is low, the dependent variable is low. If an attribute is negatively significant, the opposite is true. High attribute, low dependent variable.

Within human resources the dependent variable should not only be defined by the HR goals of the employer – that is, employee retention, employee satisfaction, and so on. It should also include an evaluation of the impact on customer satisfaction. What we are looking for is the 'why'. Why are employees going to remain with the company? Why are they satisfied with their jobs? What aspects of their employment drives their satisfaction? How does their performance influence guest visits and sales?

The survey is constructed as a series of statements within six different categories. Employees are asked to rate on a 1–7 scale whether a particular aspect of the unit is important, or whether they agree or disagree with statements about their place of employment or the company in general.

TABLE 1
Employee priorities

Category	Relative importance (%)
The company	25
Management	23
Teamwork	21
Personal development	13
Training	13
Customers	5

Results

Table 1 shows the relative area or category importance contributing to employee 'intent to stay'. These normalised relative importances (adding to 100%) give an indication of the importance of the overall areas of employee concern.

After running regressions of the individual questions on the employee survey, the results indicated that there were eight attributes that positively drive ▶

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'intent to stay'. Conversely, four attributes were negatively significant.

Figure 1 shows the 12 specific key question drivers for employee retention. The beta scores are to be interpreted relative to each other. For example, if 'It is fun to come to work' has a beta of 0.26, and 'I receive regular feedback about my performance' has a beta of 0.12, we can say that fun at work is roughly twice as important as regular feedback.

There were four questions that were negatively related to 'intent to stay'. In order to interpret negative drivers, it is useful to insert a 'not' within the attribute. Looking closely at the negative values in Figure 1, we were able to advise our client on immediate actions that needed to be undertaken in order to improve employee perceptions and performance. The company needs to reinvest in management communication, employee health plans and training.

Functional diverse results

The power of regression analysis is that it can be run by filtered groups to analyse more fully intent-to-stay priorities. For example, length of employment affects intent-to-stay priorities. Employees with more than two years' experience put more emphasis on:

- manager teamwork
- receive regular feedback
- boss treats fairly
- products well received
- seek to increase sales

Employees with less than two years experience are more concerned with:

- staff are happy
- company pride
- high standards at the company
- receive enough training
- regional management cares

Differences between staff positions also have differing priorities linked to employee retention. It is often important to filter the regression by key groups in order to produce more precise, actionable results.

For example, point-of-sale employees (cashiers, salespeople, and so on) focused more on understanding the retail process (for example, understand computer systems, promotion, and 'being well trained'), whereas backroom employees wanted a 'supervisor that cares' and 'products well received'.

Both of these were highly correlated with 'intent to stay' as an employee.

Real-world impact

Beyond the statistical 'proof' developed in our initial testing and development of the employee survey, we also tracked unit sales, guest satisfaction and employee retention over 12 months.

Management teams that were able to drive their employee ratings consistently higher also:

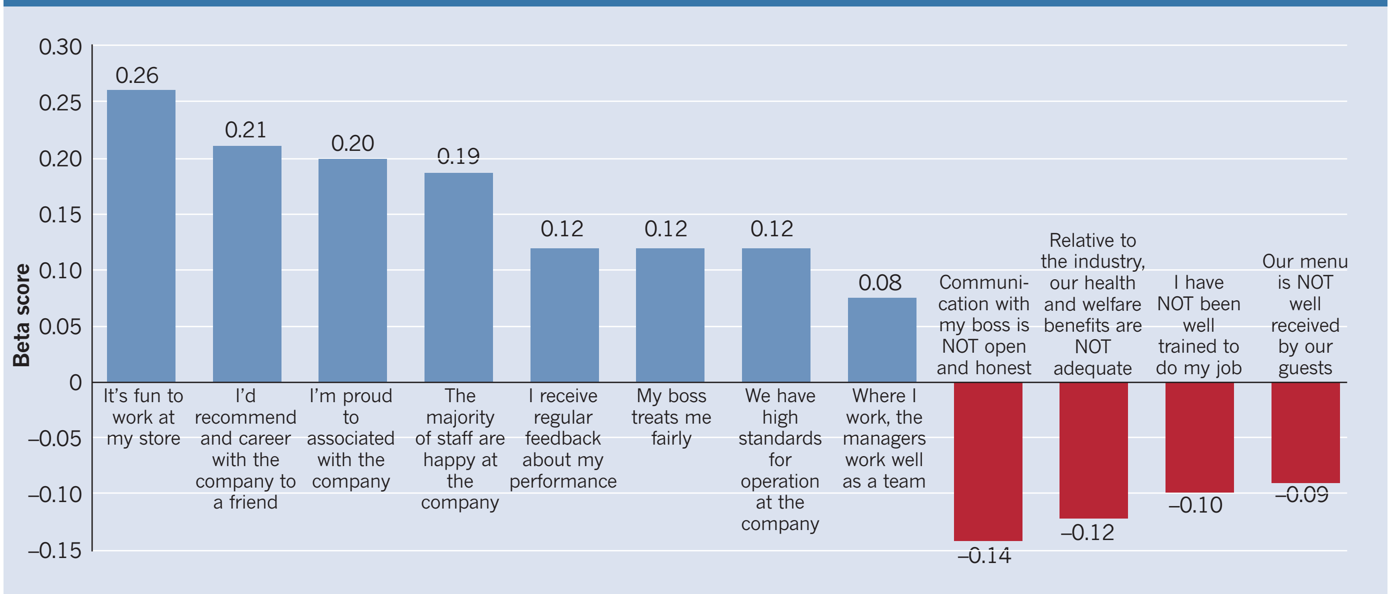
- out-performed the company results on customer satisfaction
- out-performed the company on sales results
- improved their employee retention and beat the company results, which also improved.

Conclusion

Most managers 'know' that staff turnover is expensive, but a large majority were unable to quantify the cost of turnover when asked in a recent poll. The cost of hiring and training a new employee can

FIGURE 1

Positive and negative 'intent to stay' drivers



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vary greatly – from only a few thousand dollars for hourly employees to between $75,000 and $100,000 for top executives. Costs that are more difficult to estimate include customer service disruption, emotional costs, loss of morale, burnout/absenteeism among remaining employees, loss of experience, continuity and 'corporate memory'.

Another 'truth' is that unit managers in multi-unit companies hold most of the keys to keeping the right talent. By using Palm Pilots to implement a unit-level employee survey, we were able to complete three surveys for the cost that one written/paper-based survey requires. This not only provides the company with a snapshot of results more frequently, it allows the individual location to measure its progress three or four times a year. Most unit managers are being measured by financial performance. The reality is that sales results are frequently being affected by external variables that may increase or decrease a unit's sales, regardless of whether a management team is performing well or poorly.

Measuring and improving employee retention is an increasingly vital challenge, essential to the smooth function of multi-location operations that involve far-flung management and staff personnel. Combining the reduced technology costs of Palm Pilots with the power of regression analyses not only identified what was important to improving performance; it provided a measurable basis for each unit to target the specific areas that needed to improve.

It is a 'fact' that not all management teams are equally good at communication, training, and so on. The employee survey system that was developed let them 'know' their real effectiveness on the important issues influencing their employees' performance – and what to do about them to improve the guest experience. ■

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