

Accelerate the way you plan – Connecting your employee eXperience to business strategy

COVID-19 has changed everything, everywhere. It's changed the way people think, feel, act. It's changed their expectations and desires. To succeed in these uncertain times, employee eXperience (eX) should be a key enabler of every organization's business strategy.

What challenges are organizations currently facing? How can organizations connect eX to their business and talent initiatives? And how can they show ROI from investments in eX in this hyper VUCA (volatile, uncertain, complex, ambiguous) world? Find out, as we hear directly from Stephen Hickey, Kincentric's Culture & Engagement Global Practice Leader.

How do you define employee eXperience?

Employee eXperience, or "eX," is made up of the moments that matter for an employee – the interactions and events that shape an employee's time and journey with an organization and impact their performance.

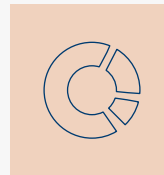
Why is eX so important?

We know employees are having experiences every day, and we know these experiences help to shape their mindset, behavior, engagement and performance – and all of that then impacts how an individual will interact with customers, colleagues and other stakeholders to contribute value to the organization.

With a great eX, employees want to show up in ways that deliver extra value on behalf of the organization – so companies need to make sure their employees are having more of the right types of experiences. If you don't have a plan to identify, measure and improve these defining experiences, you run the risk of employees losing motivation and connection, which has serious business implications.

Why is eX so challenging for some organizations?

It can be challenging if it isn't connected to solving business and talent issues or creating opportunities. It's this connection to business and talent matters that gets cut-through with an organization's leaders. This is required to influence priorities, secure investment and ultimately show a business benefit from any eX investment. In our 2019 research, we found that while nine out of 10 organizations said that employee eXperience is really important to their organization, only three in 10 had a very deliberate approach to their eX strategy, measurement and delivery. Fortunately, that number has gone up a bit, and in this year's study, we are seeing approximately four out of 10 organizations reporting that they are getting much more deliberate and intentional in planning, measuring and delivering a great eX.



The experiences interact with customers, colleagues and other stakeholders to add value to the organization.

So how should organizations be thinking about eX?

1. Start with strategy. Be clear on the business problem you are solving and make sure it's important to your leaders.
2. Get to the defining moments...the moments that have the potential to unleash outside performance improvement.
3. Quantify the impact of improving this defining moment experience. Do your best to then link this to business metrics that your leaders care about so that you can demonstrate the progress you are making in solving a business problem or capturing an opportunity.

In your opinion, how well are organizations doing that?

I'd say that we are seeing steady improvement with a lot of opportunity yet to be fully realized. Our research indicates that just over a third of organizations have a clearly articulated employee eXperience strategy. But that also means nearly two-thirds of the organizations we surveyed are at risk of misdirected efforts from the absence of a well-articulated strategy. They are unlikely to be utilizing improvements in eX to solve a business problem and are missing opportunities to align eX with strategy to drive results. Our research also revealed that only about one-third of organizations have identified the key segments of their workforce that can deliver the biggest impact to their business and, by extension, the moments that matter for those segments.



32%

of organizations have a clearly defined eX strategy

30%

of organizations are prioritizing to determine the business impact/ROI of eX

However, we are seeing some organizations win by setting short-term eX priorities around the development of frontline leaders, with a strong commitment to investing in developing leadership skills. This is because the capabilities needed by leaders prior to the COVID-19 crisis shifted during the first wave toward, first and foremost, building trust, authenticity and personal connection and demonstrating agility. These capabilities are essential to lead employees and the business through the crisis and into the future.

We are also seeing a need for solid change management actions to ensure eX is aligned with the shifts in strategy required to deliver successful outcomes after the crisis subsides.

I've heard you talk about organizational culture and its connection to business strategy. How does purpose fit into this? What role does purpose play in the eX?

Purpose is enduring, purpose always matters and it really serves as that "north star" for an organization. As we think about the actions that organizations are having to take in response to the COVID-19 pandemic, now more than ever, we need that clear north star to help guide and shape making decisions and setting priorities. So, organizations need to be thinking about what specific experiences people need to have right now to ensure that their employees are deeply engaged and aligned with

the company's purpose, mission and values. In fact, that is actually the number-one goal cited by organizations investing in eX at this moment – they want to help employees connect to the organization's purpose and align with the business strategy.

What kind of ROI can one expect from investments in eX?

Demonstrating a very strong and defensible ROI on employee eXperience investment is probably the thing I am asked about most often. People want to know how to best measure to determine effectiveness.

The good news is that you can achieve some good, practical ROI insights with not much more than an Excel spreadsheet and access to the type of business data that most organizations already have.

For example, we used our analytics to help a large client determine their defining employee experiences and the impact of these on business outcomes. We started by helping them to identify defining employee experiences, which helped them prioritize strategic investments targeted at improving the quality of those defining experiences. As a retail organization, one of these defining moments was feeling recognized in a store for doing great work on behalf of a customer. Twelve months later we helped them measure the improvements they'd made in the quality of this defining experience. We also partnered to take the insights further by comparing store performance measures in stores with high recognition experiences versus those with lower recognition experiences. We found that stores with the highest-quality recognition experiences achieved average customer transaction values 21% higher than stores with low recognition experiences. While a variety of factors will account for this difference, it does prove the theory that if you take great care of your people, they will take great care of your customers, which boosts organization performance.

In another example, we helped a client identify the defining moments of their onboarding process that accounted for the largest difference in first-year voluntary turnover. Our insights showed that being made to feel welcome on the first day of employment accounted for a 9-point variation in first-year voluntary turnover (comparing voluntary turnover of people with a great first-day experience to those with a poor first-day experience). Insights like this help to link eX interventions with business and talent issues, and shape priority action areas for investment. This organization could save a lot of money associated with voluntary turnover by improving the quality of their first-day experience.

Those are two great examples of ways to measure ROI on eX investments. How else can an organization measure the impact of eX on business performance?

The data clearly shows that there is substantial upside potential of getting employee eXperience right. We have overlaid eX practices over a range of different business metrics. The upside potential of getting eX right is evidenced by higher EBITDA margin or revenue growth as key markers – as much as two to seven percentage point improvements. On the flip side, there's a downside risk to performance if you don't have a great eX. We see downside risk in the range of as much as four percentage points EBITDA margin below industry averages for organizations that are underperforming in their employee eXperience practices relating to their strategy, gathering and acting on feedback and delivering great experiences.

Leading up to the pandemic, our research showed that improving the employee eXperience accounted for meaningful differences in organization performance.

+2 points

EBITDA margin above industry average when the eX strategy is linked to the business strategy and strongly supported by senior leaders

+7 points

REVENUE growth when employees have great eXperiences with HR processes

+2 points

EBITDA margin above industry average when eX feedback is grounded in talent segmentation, eXperiences to measure, frequency of feedback and clarity of action-taking accountability

As companies now adapt and look to restore performance levels, we expect that improving the employee eXperience will act as a differentiating factor in how quickly organizations can recover.

What are your recommendations for organizations looking to deliver a more positive eX in these unprecedented times?

I have three calls to action for any organization or leader looking to improve employee eXperience right now:

- 1. Understand and address the fundamental experiences of your employees around the COVID-19 pandemic.**
You must meet the needs of your employees around both physical and mental health, safety and welfare, as well as provide needed tools for remote working and virtual collaboration. These baseline eX expectations must be met as part of your eX strategy.
- 2. Understand the changing role of leadership, and the skills and traits needed for people managers to be successful during and after the COVID-19 crisis.**
The critical skills and capabilities needed by leaders today and into the future include showing care and concern for people, authenticity, building deep levels of trust, projecting a sense of confidence in the direction of the organization and showing up in ways that enable deep and meaningful relationships with the people they lead.
- 3. Rethink the timing and frequency of gathering feedback and measuring eX.**
You need timely feedback that is gathered close enough to the moment, event, program or issue to enable you to pivot and plan accordingly. Gathering feedback more frequently through instruments such as pulse surveys or continuous dialogue programs is critical to successfully meeting and managing the rapid pace of change we are seeing today. If your strategy is evolving – and right now, everyone's strategy is evolving – the odds are your culture is evolving as well. It is imperative that organizations have the feedback and data to remain agile and adaptive, so that you can deliver experiences aligned to strategy and growth.

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Contact us to talk about how we can help.