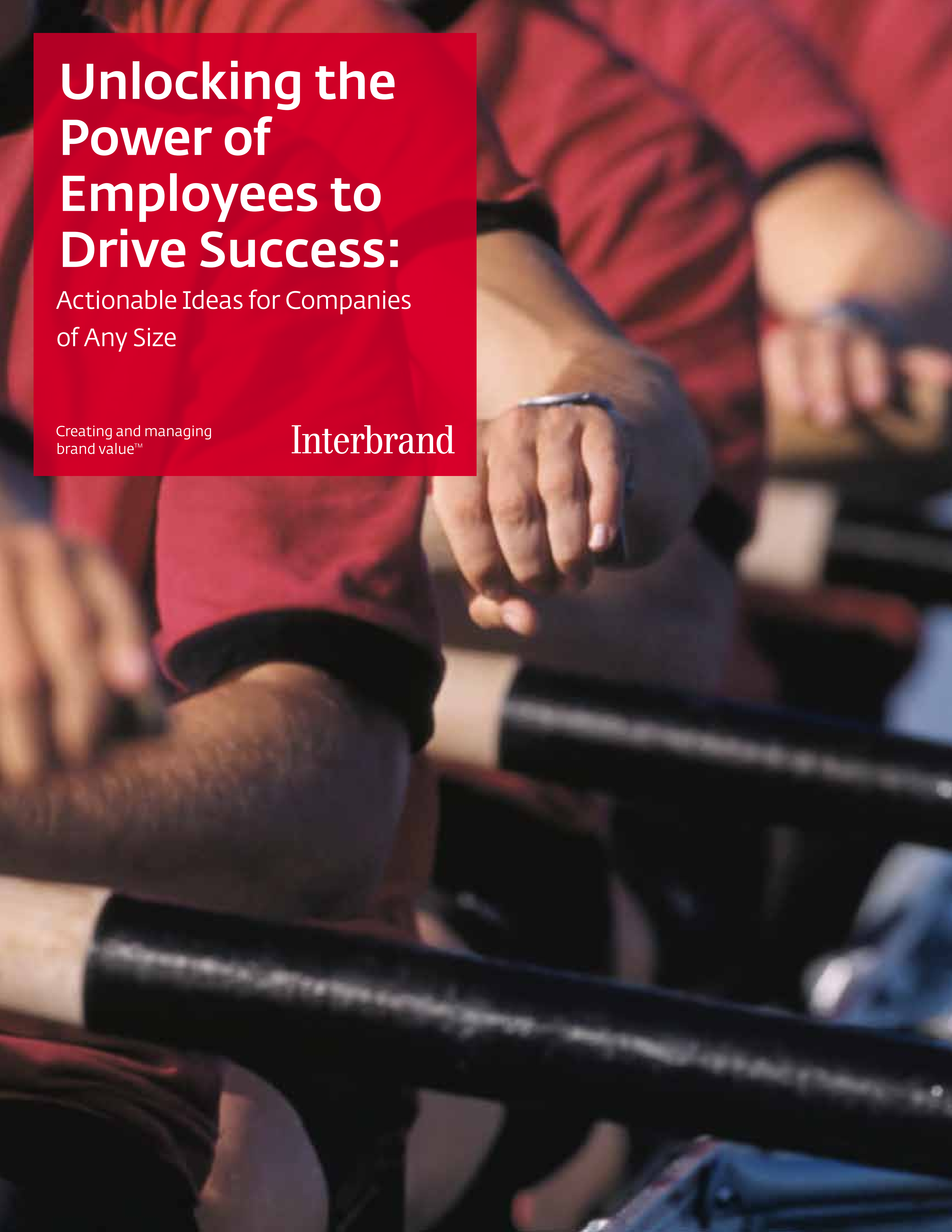
Unlocking the Power of Employees to Drive Success:

Actionable Ideas for Companies of Any Size

Creating and managing brand value™

Interbrand



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Introduction: Towards Internal Brand Engagement, transformation and business performance

If you want a great brand on the outside, look within. Employees are the most important overarching and ownable asset a company can leverage to transform itself in the market and establish a dynamic relationship with its audience.

Of course employee engagement is nothing new, and companies of all sizes and stripes are certain they are implementing employee engagement in a meaningful way. But, as evidenced by a global employee engagement survey conducted by Interbrand in April 2010, the type of engagement that can be truly transformative is all too rare.

Instead, traditional employee engagement and job satisfaction efforts suffer from several fundamental yet addressable flaws:

1. Leaders throughout the organization do not own employee engagement efforts. Rather, they tend to be under the guidance of human resources and/or communications divisions. Ownership should be shared by the architects of brand and business strategy.
2. These efforts approach the workforce as one homogeneous entity. They fail to acknowledge segmentation, and as a result, they fail to reach their intended audiences. Segmentation allows targeted messages and goals that are meaningful to their daily work.
3. Such initiatives do not link employee behavior to the customer experience. Behavior must be defined within a context and the customer experience is the most meaningful context.
4. Perhaps most notable of all, the vast majority of employee engagement efforts discount the power of brand as a vehicle for individual behavior change and organizational transformation. Brand is the lens through which customers view us therefore it must be the lens for defining performance.

In this paper we suggest that organizations interested in an effective business strategy—one that truly harnesses the power of employees as a lever for business growth—would do well to redefine their current notions of employee engagement.

The present model is essentially the implementation of activities and communications designed to share the business goals with all employees and explain how job functions support these goals. The logic is simple and unassailable: If employees know why their job matters they are more likely to strive to perform their jobs better.

While such endeavors indeed begin to connect the workforce to the business, the time is ripe to deepen that connection. Businesses that aspire to market leadership must tap into the full potential of all their employees—their ideas, their passion, their commitment. This means moving away from simpler models of broadcasting to employees in favor of segmented, brand-focused methods that can truly activate all your people as agents of transformation. It means moving from understanding to action, and from action to initiative. These updated, brand-focused methods comprise true Internal Brand Engagement.

Why is true Internal Brand Engagement a sound investment? Because it fulfills every company's ultimate goal: To maximize brand value by delivering differentiated experiences to customers, which ultimately increases customer loyalty (a customer's propensity to buy the brand over competitors), thus increasing profit and value.

The company's workforce is the living embodiment of a brand in action. If they are engaged and energized, they bring your brand to life, delivering differentiated experiences in their every interaction with customers; creating a virtuous circle between employees, customers and business performance.

And this is the case even with employees who are not customer-facing. Behind-the-scenes functions like R&D help create the brand experience. Even purely internal functions such as HR, Finance and Operations can act on the brand in their daily work. As brand ambassadors and embodiments of the brand, they bring the brand to life in the real world, becoming the brand's authentic voice and advocate. However, if employees fail to differentiate and deliver on the company's brand promise at every touchpoint, it puts brand value at risk—and leaves money on the table.

The current environment

While maximizing business performance has always been essential, the current seismic shifts we've been experiencing in the business environment have made this even more critical. On top of more commonplace factors driving organizational transformation (mergers and acquisitions, increased competition or lack of relevance), a deep recession and credit crunch have forced belt-tightening and cost-cutting measures at every level of the business world. The rise of the millennial generation has fundamentally shifted the ground in employer-employee relations. The rapid growth of new technologies means that those who are quick to react and master (but not adopt too faddishly early) have a distinct business edge. And as if all that weren't challenging enough, social networking technology now forces businesses to weather these shocks very much in public, with real-time reaction and customer feedback to every twist and turn in the corporate story.

In short, organizations have to do more with less, while staying on top of the tech tiger, with customers tougher to please and more wary of spending. These special challenges demand a change in thinking and behavior if companies are to gain ground in uncertain times. What is required is, in fact, genuine organizational transformation.

> We must move from broadcast communication to instilling belief and behavior in a more targeted, personalized and purposeful way.

With that stormy backdrop in mind, Interbrand created its global employee engagement survey, targeting a broad sample of 267 businesses ranging in size from small (defined as one to 500 employees) to very large (over 100,000 employees), and across 20 economic sectors. There were three principal objectives: First, to better understand the types of employee engagement initiatives currently being practiced; second, to gauge their effectiveness; and third, to identify possible gaps and opportunities in the engagement process that might help companies of all stripes see greater value in the marketplace. Interbrand believes it is this last objective—linking employee engagement clearly to market value and profitability—that represents the crucial next step in a journey that has been stalled too long.

That journey was begun two decades ago with the publication of William Kahn's groundbreaking study of personal engagement at work (Endnote 1) followed shortly by Harvard Business School researchers James L. Heskett and Leonard Schlesinger and others (Endnote 2) (see figure 2). This spate of work in the early 1990s revolutionized a field of business inquiry into the role employees play in an organization's ultimate success, a field that had grown mostly idle since the flurry of "job satisfaction" studies in the late 1960s. (Endnote 3) Since then, the notion of employee engagement, and its place in the Service Profit Chain, have become staples of business theory.

FIGURE 1

Do you use social media (such as Twitter or Facebook) in your employee engagement efforts?

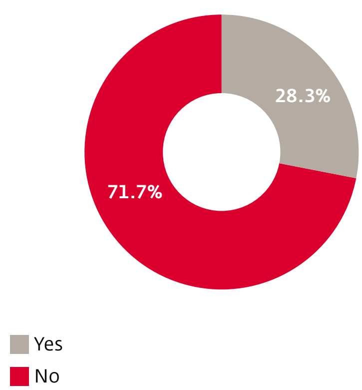
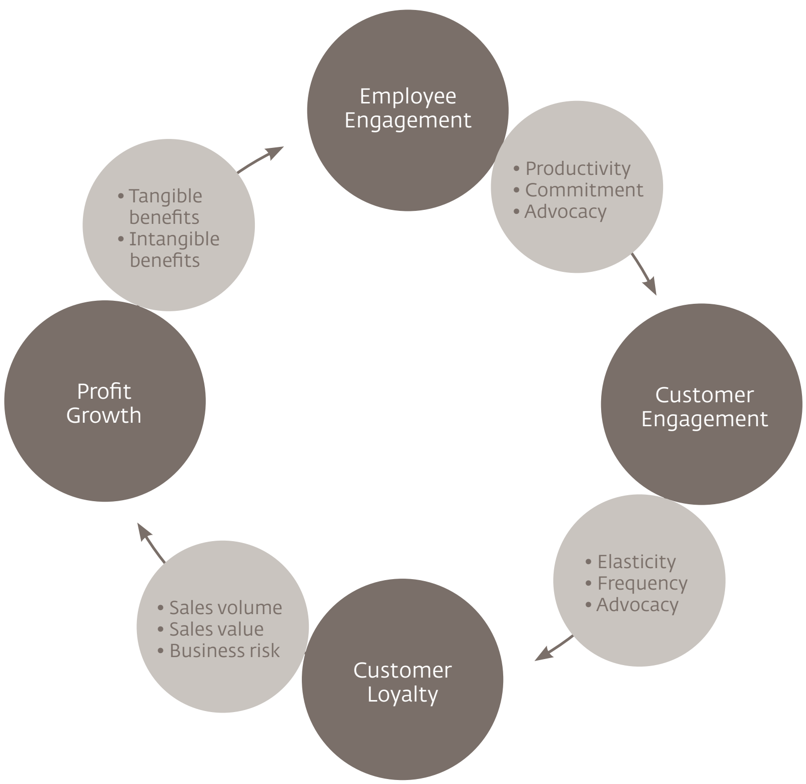


FIGURE 2: CLASSIC SERVICE PROFIT CHAIN MODEL

Source: Interbrand & Service Profit Chain (Heskett, Jones, Loveman, Sasser and Schlesinger. 1994)



In the ensuing decades theory has indeed prospered. Workplace research has demonstrated the need for employee engagement time and again, touching on emotional attachment, involvement and commitment as descriptors of an ideal employee state to which organizations should aspire. But the practice of employee engagement seems to have lagged. As our survey points out, most firms seem stuck in practices of employee engagement that have more in common with archaic notions of job satisfaction than they do with a brand-based approach that integrates all we've learned in the past decades.

Key findings: An unfinished journey

Numerous studies over the past twenty years have shown that engaged employees are more likely to perform better at day-to-day job tasks, exert discretionary effort, and are less likely to leave. Truly engaged employees demonstrate deep pride and attachment to the organization where they are employed. They are more committed, more loyal, more willing to advocate for the company (both as a place to work and its products and services), more likely to exert independent initiative, and more willing to go the extra mile on behalf of the company.

But as Interbrand's global employee engagement study reveals, there's been a general disconnect between this knowledge base and the actions taken in response. This gap represents both the issue facing business today—and the opportunity.

The study found that 90 percent of companies invest in some form of employee engagement activity. But these tend to be unrelated and/or uncoordinated, meaning opportunities are missed to build on prior initiatives and enable engagement to truly take root.

More problematic still, when the definition is honed from employee engagement to brand training, the numbers go down. Significantly fewer companies offer brand training (58 percent) than a more generalized employee engagement (almost 90 percent), including a quarter of respondents for whom the "engagement" takes the rudimentary form of "an annual employee satisfaction survey"—not exactly the most rigorous or cutting-edge approach to the engagement question. More than half of respondents said that brand knowledge, compliance, and delivery were not part of the employee evaluation process.

Then there is the question of measurement—itself a fair marker of the importance an organization places on any of its activities. Barely half of those firms surveyed measure employee engagement, and fewer than half measure it with annual regularity. This tendency to forgo data analysis even as one undertakes some engagement activity suggests a kind of half-heartedness (or perhaps a divided heart within companies) around such matters. The idea that employee engagement is, in effect, worth doing yet not worth measuring, runs counter to what one might regard as best practice.

Revealingly, even among those companies that do measure employee engagement,

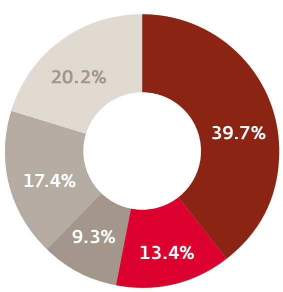
"If I see a downturn in employee satisfaction today, I guarantee I'll see a like downturn in customer satisfaction six months from now."

fewer than half link the metrics to business performance and not even a third to customer satisfaction. It's 2010, but the 50-year-old old rubric of "employee satisfaction" remains the only standard to which the metrics are linked in more than half of the cases.

Then there is the question of ownership within a company: Who takes responsibility for employee engagement, and can we glean anything from this information? The data reveal an uneven distribution of investment in employee engagement efforts across organizations. Engagement initiatives are still owned by human resources and communications departments in a full 70

FIGURE 3

Which department has the primary responsibility for employee engagement in your organization?



- Human Resources
- Internal Communications
- Brand Management
- Corporate Communications
- Other

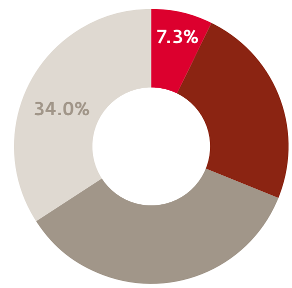
percent of cases; by contrast, respondents maintained that chief executives were "highly involved" in only a third of cases, while over 30 percent said that CEOs were either minimally involved or not involved at all. The bottom line: Engagement is not often seen the same way from every quarter of the company, and this is hampering progress. The CEO and senior management must start taking greater shared responsibility for the engagement of their people—both with the company and with the brand they are delivering to their stakeholders.

Finally, the survey sought information about the role that brand plays in employee engagement efforts, and about the degree to which firms applied the kind of sophisticated models to their own population that they use in measuring their customers and audiences. The answers in all cases were less than encouraging. Only 58 percent of companies systematically train employees on their brand. Only 45 percent link the brand to desired employee behavior—and even fewer than that link brand to the customer experience. When it came to applying marketing tools to employee engagement, not quite three in 10 used segmentation to help reach employees, and social media usage as part of employee engagement efforts was even less prevalent.

The picture that emerges from the data is one of an unfinished journey, from a simple and antiquated notion of employee job satisfaction to a destination we believe is essential for success in these remarkable—and remarkably uncertain—times: robust, segmented, sophisticated Internal Brand Engagement that enables employees to

FIGURE 4

How engaged are your chief executives in employee engagement?



- Not involved at all
- Minimally involved
- Somewhat involved
- Highly involved

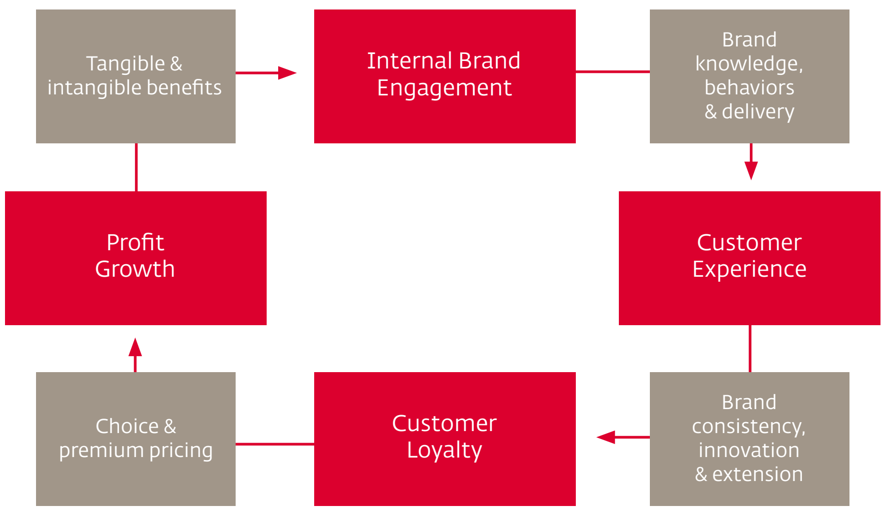
deliver the brand to external stakeholders. In present day employee engagement initiatives, it appears to be a destination still a ways off for most companies.

The opportunity: Moving beyond broadcast

The survey tells us that the traditional approach to employee engagement is still with us. This approach has its roots in the 1960s and is all about broadcast—a command and control model that focuses on instilling efficiency and consistency. The messaging is one-size-fits-all, going out to all employees in the same manner. Achieving the sort of transformation that will deliver on the promise of the service profit chain model requires that employees become more intrinsic to business strategy. We must move from broadcast

FIGURE 5

Interbrand's vision for the role of brand in the service profit chain model



communication to instilling belief and behavior in a more targeted, personalized and purposeful way.

Employees would move from being an asset of the organization to being a lever for business growth. They wouldn't simply understand what the brand stands for (as outlined in a manual dropped down on their desk on relaunch day), but would act to deliver the brand at every touchpoint they encounter. More than merely rewarding employees for effectively communicating the brand, the organization would make the employee accountable for delivery of the brand to all audiences and stakeholders. And finally, we would not simply tell employees how to contribute to business goals—we would equip and empower them to deliver business impact.

The question is: How?

As a branding consultancy, Interbrand has been approached by corporate clients attempting to do just that. And as is often the case, our clients are leading the way—we're listening to them and reflecting back their needs. The short answer is simply this: The missing piece, if we are to seize the business advantage, is brand. Our Internal Brand Engagements with financial services companies, dental plans, manufacturers, business consultants and tech firms, to name a few, have taught us the following key practices:

- Empower your employees to deliver on the brand.
- Ensure that leadership is signaling brand engagement throughout the company.
- Evolve from employee satisfaction interventions to brand training.
- Segment your workforce as you would any other audience.
- Emphasize how to live the brand through behavior change.
- Link employee performance to business results at every turn—so they know that embodying the brand is the key to their success.
- Make delivering on the brand at every touchpoint a key aspect of employee evaluations and feedback.
- Measure, measure, measure—use key metrics that reflect and reinforce these values, and prioritize tracking the markers of transformation.

And all this needs to emanate from the C-suite and across the breadth of the organization. These efforts may start from the bottom up or within one division or region—pilot or grassroots programs can quickly demonstrate the positive business impact of engagement—but true transformation requires the entire organization to participate.

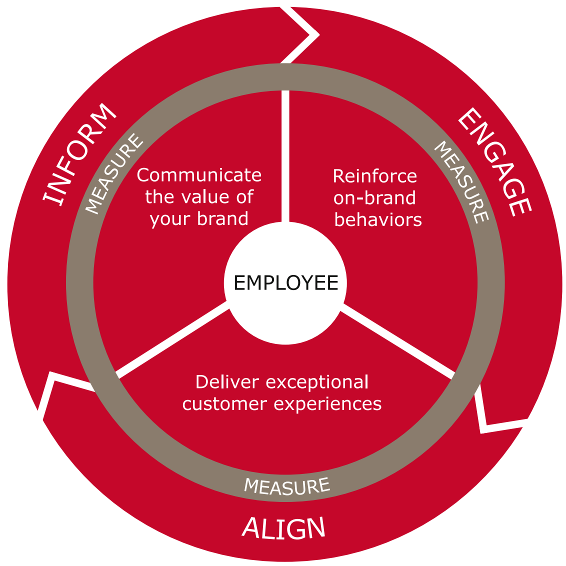
The rise of the millennial generation has fundamentally shifted the ground in employer-employee relations.

The numbers suggest that to achieve a cultural transformation, moving from employee engagement to Internal Brand Engagement, the traditional owners of these efforts—the brand architects of HR and corporate communications—need to join forces with the business architects (sales, R&D and operations).

One enlightened company president who has followed the Internal Brand Engagement examples discussed above had this to say: "If I see a downturn in employee satisfaction today, I guarantee I'll see a like downturn in customer satisfaction six months from now."

FIGURE 6: GETTING TO TRUE INTERNAL BRAND ENGAGEMENT

Inform
Define the various employee segments in your organization, connect employee messages to the customer proposition, and communicate employee messages based on their employees' roles so they will understand the brand.



Engage
Define accountability metrics for on-brand behaviors, identify informational "leaders" who can be your brand ambassadors, and reward key brand behaviors so they will believe in the brand.

Align
Understand each segment's contribution to delivering your brand, identify key behaviors needed to deliver exceptional customer experiences, and train each segment based on their ability to influence customer choice and loyalty so they can live the brand.

Getting to engagement is a process that begins with informing employees: creating general awareness, understanding and excitement around the brand. The goal is for employees to understand the brand and how it links to the business's goals. Next comes engaging them—making the brand become personally relevant, believable and, most importantly, actionable on a daily basis. Finally comes aligning the organization as a whole so that HR programs, corporate policies and operations help support the brand. Put simply, we inform employees so they will understand the brand, we engage employees to help them believe in the brand, and we align the organization so that all employees can live the brand.

Retention is one of the obvious benefits of this type of alignment, and retention saves organizations both the expenditures associated with new hires and the constant cultural issues that come with high turnover. But the benefits of this kind of alignment go even further. When the branding chain of informing, engaging and aligning your people is linked up, the lines have been drawn to connect everyday employee performance, brand identity, corporate culture, and the marketplace success of the business.

Conclusion

Customers experience indirectly the sum total of what's transpiring inside an organization. If there's no clarity of purpose around what your brand stands for, that seeps into the customer experience. On the other hand, if your people are pulling together, competing constructively and in harmony with an identity well developed and defined, then your customers will experience that positive coherence every time they interact with you. That means you're in control as the benefits start to head your way—driving choice by building customer loyalty, and best of all, commanding a premium position and price in the market—all flowing from a commitment to Internal Brand Engagement. It is past time for organizations to move boldly into this approach. ■

By Tom Zara and Maryann Stump

Endnotes

Endnote 1
See Kahn, William A. (1990). Psychological Conditions of Personal Engagement and Disengagement at Work. The Academy of Management Journal, Vol. 33, No. 4 (Dec., 1990), pp. 692–724. Kahn expanded much of his seminal work on employee engagement in his subsequent work, e.g., Kahn, William A. (1992) "To Be Fully There: Psychological Presence at Work," Human Relations, Vol. 45, No. 4, 321-349

Endnote 2
Schlesinger and Heskett (1991) observed that business systems often effectively built poor service in by designing customer-facing jobs to be "idiot proof." The authors cited customer loyalty research of the day that showed more than two-thirds of customers ceased to patronize certain buinesses over what they deemed indifferent or unhelpful service, while a mere 14% defected over perceived lack of product quality. This model has been tremendously influential when applied to all types of business involving any type of customer interaction. See Schlesinger, L., and Heskett, J. (1991). The Service-Driven Service Company. Harvard Business Review, 69(5), 71-81.

Other key work from this period included:

Heskett, J., Sasser, W., and Hart, C. (1990). Service Breakthroughs: Changing the Rules of the Game. New York: The Free Press, A Division of MacMillan, Inc.;

Reichheld, F., and Sasser, W. (1990). Zero Defections: Quality Comes to Service. Harvard Business Review, 68(5), 105-111;

Reichheld, F., and Kenny, D. (1990). The Hidden Advantages of Customer Retention. Journal of Retail Banking, XII(4), 19-23.

Schlesinger, L. and Heskett, J. (1991) "Breaking the Cycle of Failure in Service," Sloan Management Review, Spring 1991, 17-28.

Schlesinger, L., and Heskett, J. (1991). The Service-Driven Service Company. Harvard Business Review, 69(5),
71-81; and

Bowen, E. and Lawler, E. (1992). The Empowerment of Service Workers: What, Why, How and When. Sloan Management Review, 33(3) 31-39.

Endnote 3
See, for e.g., Smith, Kendall, & Hulin (1969). The Measurement of Satisfaction in Work and Retirement: A Strategy for the Study of Attitudes.

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Tom is an Executive Director in the New York office managing the brand strategy practice across offices and clients in North America. Tom has the benefit of over 30 years of brand consulting experience with a deep and diverse insight into how brands influence cultures, customers and shape markets on a national and international scale. He has strong CEO relationships and understands how organizations behave and communicate effectively as an extension of the CEO Vision through the definition of a brand. Tom leads Interbrand's Internal Brand Engagement team, recommending that clients activate their employees to deliver better customer experiences, that result in greater business growth.