



INSIGHT REPORT

Benchmarking HR's Support of CX and Employee Engagement

INSIGHTS FROM A SURVEY OF 300 HUMAN RESOURCES
PROFESSIONALS IN LARGE ORGANIZATIONS

By **Bruce Temkin**, CCXP
Head of the Qualtrics XM Institute

By **Aimee Lucas**, CCXP
XM Catalyst

February 2016

EXECUTIVE SUMMARY

Employee engagement is a critical component of customer experience (CX). To determine how effectively human resource (HR) departments support these engagement efforts, we surveyed 300 HR professionals from large companies and compared the results to a similar study we conducted in 2012. Seventy-three percent of HR professionals believe that it's very important for their organization to become more customer-centric, but only 31% believe that HR professionals are significantly helping these efforts. The good news? That's more than twice the level of HR support we found in 2012. Compared with 2012, companies are both measuring and acting on employee feedback more frequently, and HR professionals have more bandwidth to work on employee engagement. When we compared the companies that deliver outstanding customer experience with the companies that don't, we found that the CX leaders have better financial performance, enjoy higher levels of engaged employees, are more customer- and mission-centric, have HR groups that are more actively involved in CX and employee engagement activities, and more frequently measure employee feedback. To improve employee engagement, companies must master the Five I's of Employee Engagement: *Inform, Inspire, Instruct, Involve and Incent*.

CX NEEDS MORE HR ATTENTION

Our research shows that engaged employees drive positive business results (see Figure 1). They are so critical to success, in fact, we made "employee engagement" one of Temkin Group's four customer experience core competencies (see Figure 2). However, despite the obvious benefits of an engaged workforce, more than half of large companies do either a poor or a very poor job at engaging employees. One reason companies struggle to engage employees is that their HR department does not participate enough in these efforts. In fact, when we work with large organizations, we often find that the HR groups haven't fully embraced their role in customer experience or employee engagement efforts.

To examine HR's relationship with both employee engagement and overall customer experience efforts, we surveyed 300 HR professionals from organizations with at least 1,000 employees and then compared their responses to those from a similar study we completed in 2012.¹ We found that:

- **Employee engagement is an important – but not a top three – priority.** We asked respondents to rate the importance of 14 different HR activities (see Figure 3). Respondents chose employee training, recruiting and hiring, and retaining key

¹ We purchased access to HR professionals in organizations with at least 1,000 employees from a research panel provider and executed an online survey to 300 HR professionals during January 2016. We compared their responses with those from a study of 302 HR professionals in August 2012. See Temkin Group Insight Report, "CX Needs More HR Focus on Employee Engagement" (August 2012).

employees as the three most important responsibilities. Employee engagement, meanwhile, tied for fourth place alongside manager training.

- **Competency models are on the rise.** When we compared HR professional's responses from 2012 to those from 2016, we found that building and maintaining competency models increased the most in importance, going up by 12 percentage-points. No other area increased by more than 6 points (see Figure 4).
- **Working with leaders has improved the most.** We asked the HR professionals to rate how well their organization performed in each of those same 14 areas (see Figures 5 and 6). For all 14 areas, respondents in 2016 rated themselves more highly than respondents did in 2012. Executive coaching and manager training improved the most over the last four years.
- **Employee training is on the rise.** Respondents selected the items they felt would increase in importance over the next three years (see Figure 7). While retaining key employees stayed at the top of the list from 2012, slightly fewer people selected it. Which area grew the most? Employee training grew by 13 percentage points.
- **Customer-centric culture is getting more attention.** The percentage of respondents who believe that their company needs to become more customer-centric grew from 65% in 2012 to 73% in 2016 (see Figure 8). And HR professionals don't just increasingly believe that a change needs to happen, they are also increasingly participating in this change. The percentage of respondents who think HR professionals are significantly helping their organizations to become more customer-centric has more than doubled in the past four years, from 15% to 31%.

HR Is Getting More Involved in Customer Experience

We asked a series of questions about HR's involvement in their organization's CX activities. Here's what we heard:

- **HR is more involved in CX activities.** Respondents who think that HR professionals are at least considerably involved in their organizations CX efforts has grown from 52% in 2012 to 60% in 2016 (see Figure 9).
- **HR is collaborating with CX.** We asked HR professionals to identify which group (HR or CX) is leading eight important CX activities. HR most frequently leads the effort to adjust the recruiting process to bring in customer-centric candidates; however, even in this area, 28% are collaborating with CX organizations. HR and CX are split most evenly when it comes to developing measurements and incentives that reinforce good customer-centric behaviors.
- **HR has more time and wants more CX outreach.** Most of the respondents have significant employee engagement efforts underway that are coordinated across their organization (see Figure 10). When we asked respondents which obstacles impeded their ability to help the company become more customer-centric, the second most common obstacle was that the CX organization has not engaged HR. This was also the only obstacle in the top five that actually increased between 2012 and 2016. Meanwhile, the obstacle that dropped the most over the last four years was HR professionals not having enough time.

- **Employee feedback is on the rise.** The percentage of companies that measure employee engagement at least annually rose from 66% in 2012 to 82% in 2016 (see Figure 11). More importantly, respondents who believe that their executive teams are treating the results as a high priority has grown from 47% to 56%.

CX LEADERS HAVE MORE ACTIVE HR INVOLVEMENT

We asked respondents to rate the quality of their company's customer experience and found that 50% of the respondents work in organizations that are significantly above average in their industry. We compared the responses of HR professionals from these CX Leaders with the remaining respondents ("other firms"). This analysis shows that CX Leaders:

- **Have stronger financial results.** Eighty-six percent of CX leaders have enjoyed moderately or significantly better business performance than their peers over the previous year, compared with 28% of other firms (see Figure 12).
- **Focus more on employee on-boarding.** CX leaders consider all 14 HR areas we examined to be more important than the other firms do (see Figure 13). Eighty-one percent of CX leaders think that their focus on employee on-boarding is very important or critical, compared with only 58% of other firms. The two groups are more closely aligned when it comes to the importance of employee engagement, with only a five percentage-point gap between them.
- **Are better at compensation and change management.** While CX leaders rate themselves as good or excellent more frequently across all 14 HR areas, two areas have more than a 20-point gap between CX leaders and other firms: compensation management and supporting change management initiatives (see Figure 14). The gap is the smallest—only 11 percentage-points—in recruiting and hiring.
- **Expect more of a rise in competency models.** When these two groups of HR professionals look ahead three years, CX leaders were more likely than other firms to think that six areas would become more important: building and maintaining competency models (8-point gap), employee on-boarding (7-point gap), employee training (7-point gap), executive coaching (4-point gap), supporting desired culture (4-point gap), and manager training (4 point gap) (see Figure 15).
- **Are more customer- and mission-centric.** We asked the HR professionals to pick a label that best describes their corporate culture (see Figure 16). Seventy-four percent of CX leaders selected customer-centric or mission-centric, compared with 55% of other firms. Additionally, 84% of CX leaders think that is critical or very important for their firm to become more customer-centric, compared with 64% of other firms.
- **Have HR groups that help them become more customer-centric.** Forty-eight-percent of CX leaders have HR groups that are significantly helping their organizations become more customer-centric, compared with 13% of other firms (see Figure 17). CX leaders are more than four times as likely to have HR groups that are significantly involved in their organization's CX efforts.
- **More effectively collaborate between HR and CX.** We examined how often HR and CX groups collectively lead eight key employee-centric activities for driving CX

success (see Figure 18). In all cases, CX leaders share leadership more frequently than other firms do. CX leaders outpace other firms by the widest margin when it comes to collaborating on developing employee awards and employee communications.

- **Have more executive (and less HR leadership) support for customer-centricity.** When it comes to obstacles that hamper HR groups' ability to support their organization's customer-centric journey, CX leaders are much less likely to have senior executives who have not defined it as a priority (11-point gap) (see Figure 19). CX leaders, however, more frequently run into two obstacles: HR professionals do not have the bandwidth and HR leadership has not defined it as a priority.

CX Leaders Focus More on Employee Engagement

When we looked specifically at the employee engagement, we found that CX leaders:

- **Have more engaged employees.** We asked HR professionals to rate the level of employee engagement within their firms (see Figure 20). Seventy-three percent of CX leaders report having more engaged employees than their competitors, compared with 43% of other firms. Looking at different levels of employees across the organization, CX leaders are more likely to consider individual contributors to be the least engaged group of employees, while other firms are more likely to consider middle managers to be the least engaged.
- **Believe more in employee engagement.** Respondents selected which positive business outcomes they expect to see from improving employee engagement (see Figure 21). CX leaders selected each positive result more frequently than the other firms did, and the largest gap arose in increasing employee productivity. Furthermore, 73% of CX leaders have significant, highly coordinated employee engagement efforts underway, compared with only 35% of other firms.
- **Take employee feedback seriously.** Fifty-four percent of CX leaders measure employee engagement more frequently than annually, compared with 26% of other firms. And they do more with the information (see Figure 22). Seventy-two percent of CX leaders have executives who treat the results as a high priority, compared with 39% of other firms.
- **Face more challenges with funding and fewer with strategy.** Out of the 15 obstacles to improving employee engagement, CX leaders are less likely than other firms to experience 10 of them (see Figure 23). However, this trend reverses when it comes to lack of funding to support these efforts. This is not only CX leaders' most frequently selected obstacle, it is also the only one they selected significantly more than the other firms (25% to 17%). The most common obstacle for the other firms is the lack of a clear employee engagement strategy.

TAKE ACTION ON YOUR ORGANIZATION'S EMPLOYEE ENGAGEMENT

It's clear from looking across the survey results that compared to most firms, *CX Leaders* enjoy more active support from HR. Therefore, companies that want to improve CX will need

to involve their HR professionals more in the process of building employee engagement. Here's what we recommend:

- **Measure employee engagement.** Using the Temkin Employee Engagement Index (TEEI), we found that less than one-third of U.S. employees are highly engaged (see Figure 24).² If you are not already measuring employee engagement, then you should establish a tracking system, such as the TEEI, and put in place a process to review and take action on the results.
- **Learn about the Five I's of Employee Engagement.** Our research has uncovered five strategies for improving employee engagement: *Inform*, *Inspire*, *Instruct*, *Involve*, and *Incent* (see Figure 25).³ By mastering these strategies, you can propel your employee engagement maturity forward.⁴
- **Share this report with your CX and HR staffs.** It's important for CX and HR groups to enlist each other's support. Start by sharing this report as a stepping stone for discussing employee engagement and identifying collaboration opportunities.

² See Temkin Group Insight Report, "Employee Engagement Benchmark Study, 2015" (February 2015)

³ Visit Temkin Group's employee engagement resource page: <http://tinyurl.com/EngageEmployees>

⁴ See Temkin Group Insight Report, "Employee Engagement Competency & Maturity, 2015" (July 2015)

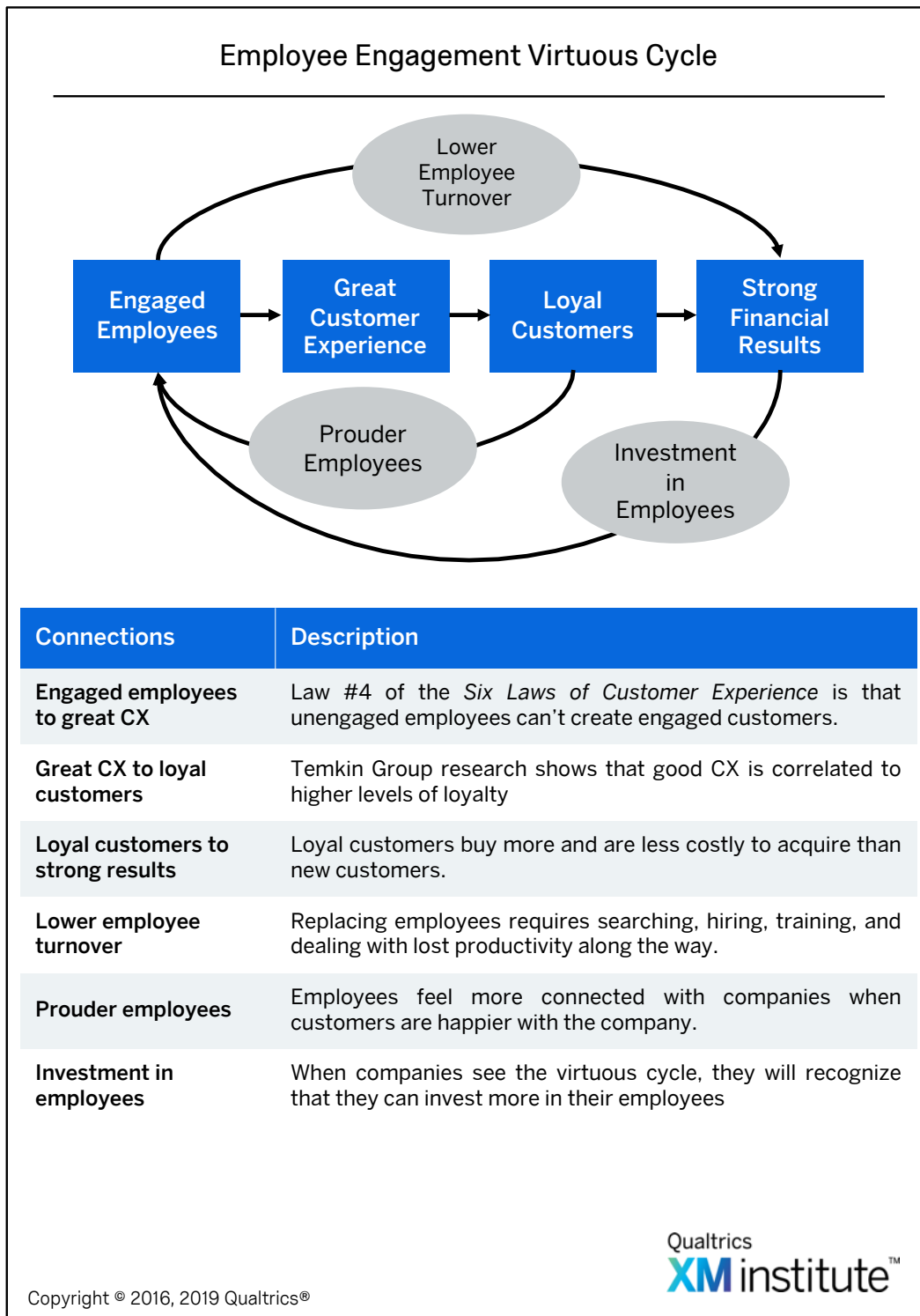


Figure 1

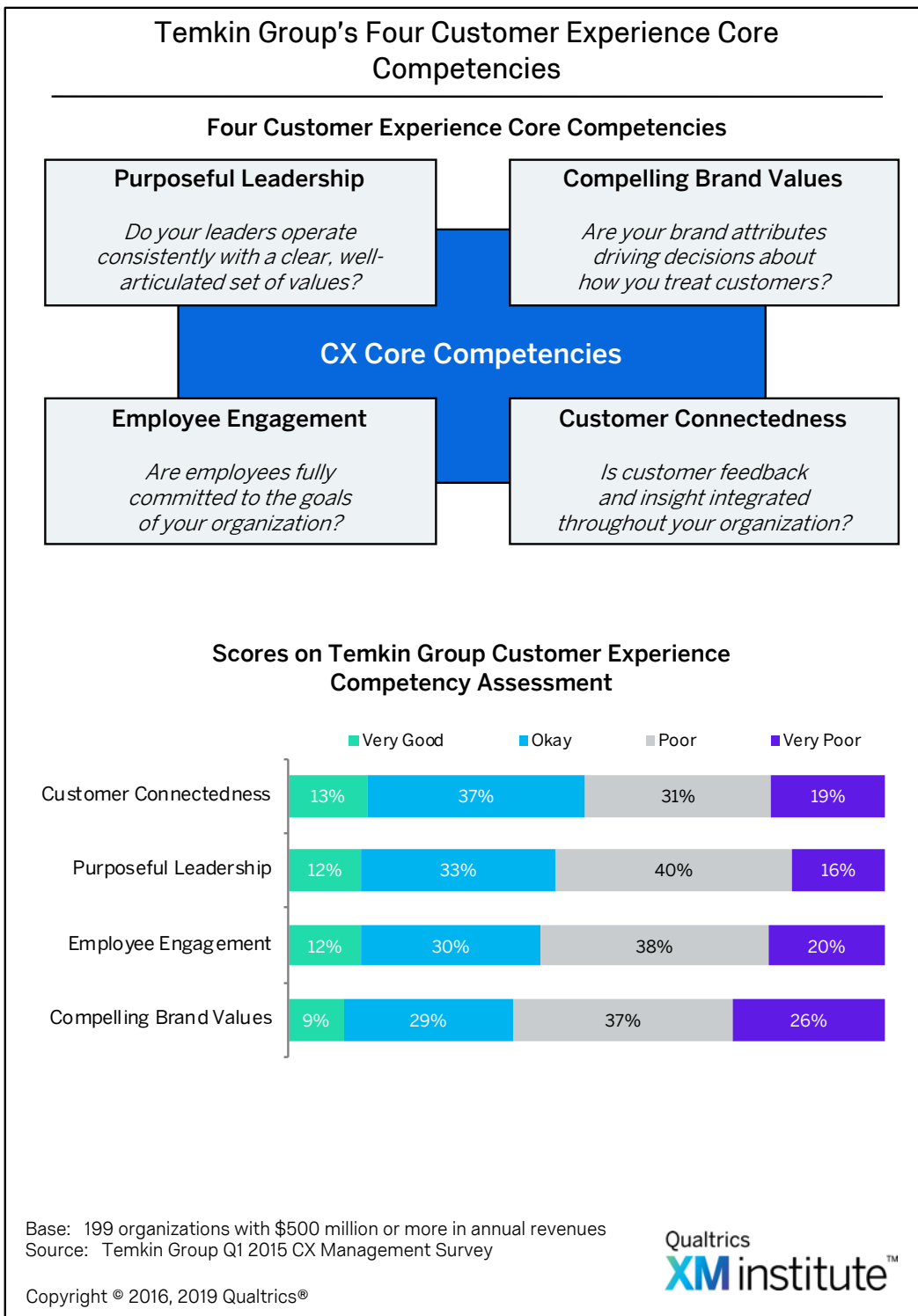


Figure 2

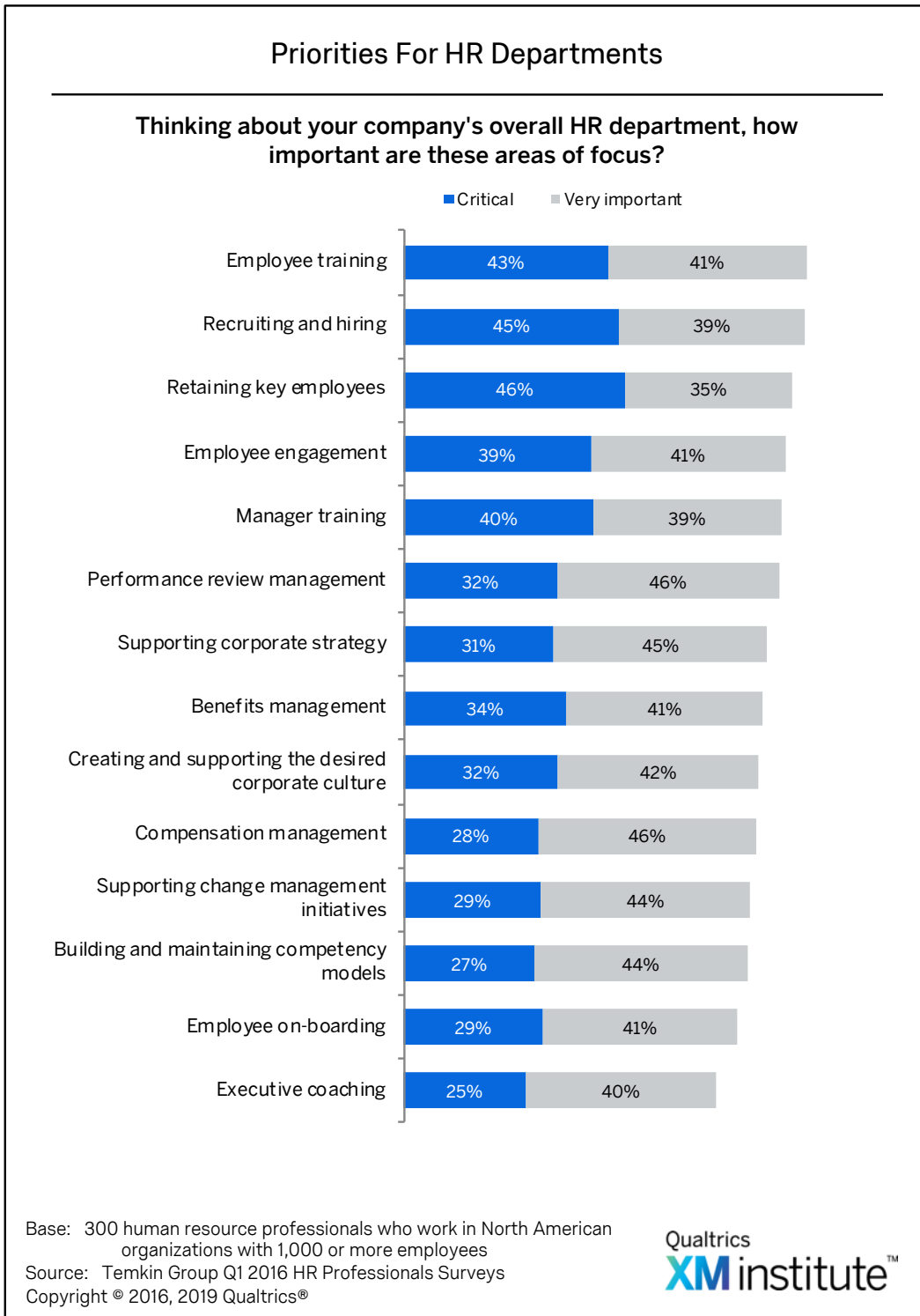


Figure 3

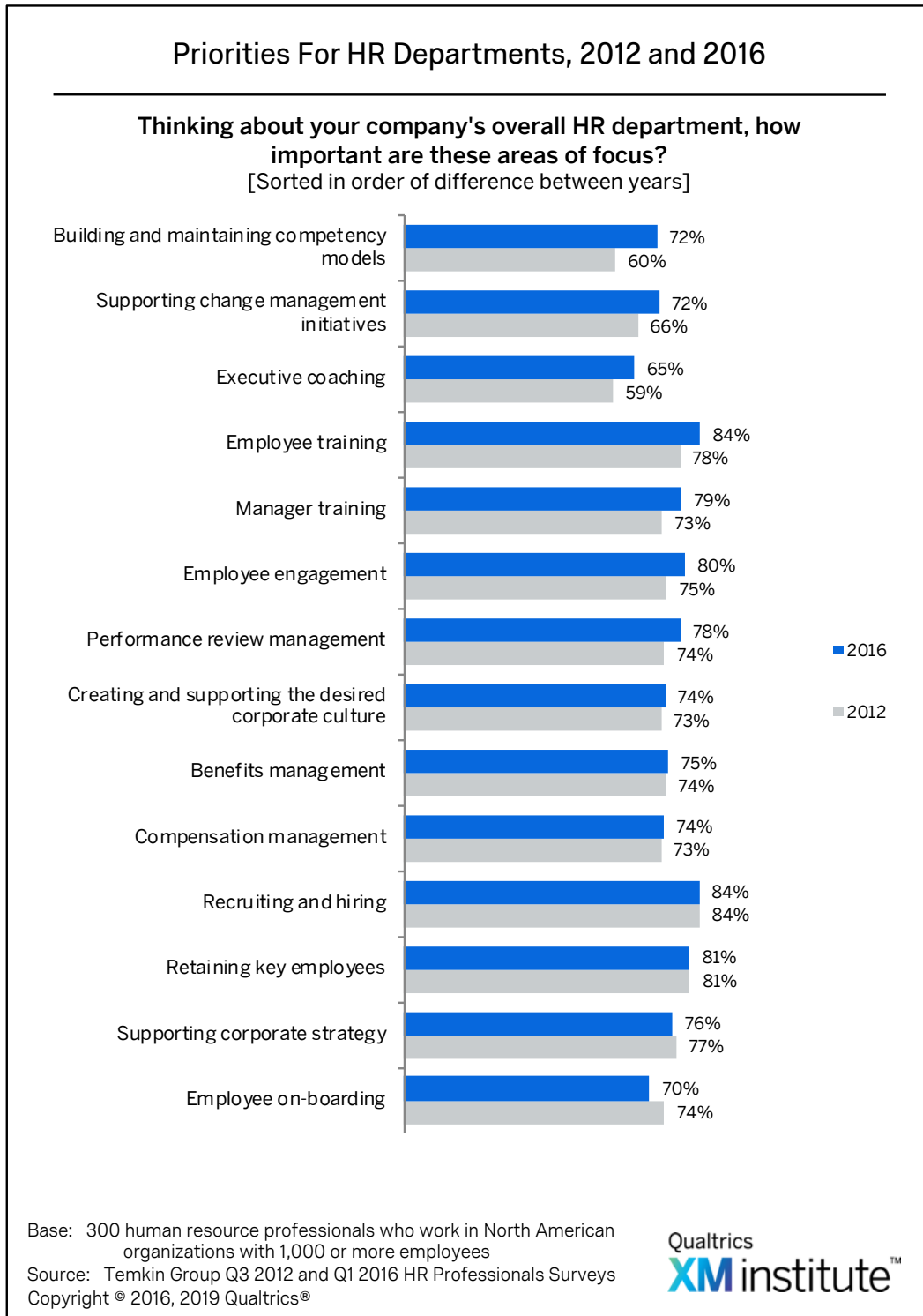


Figure 4

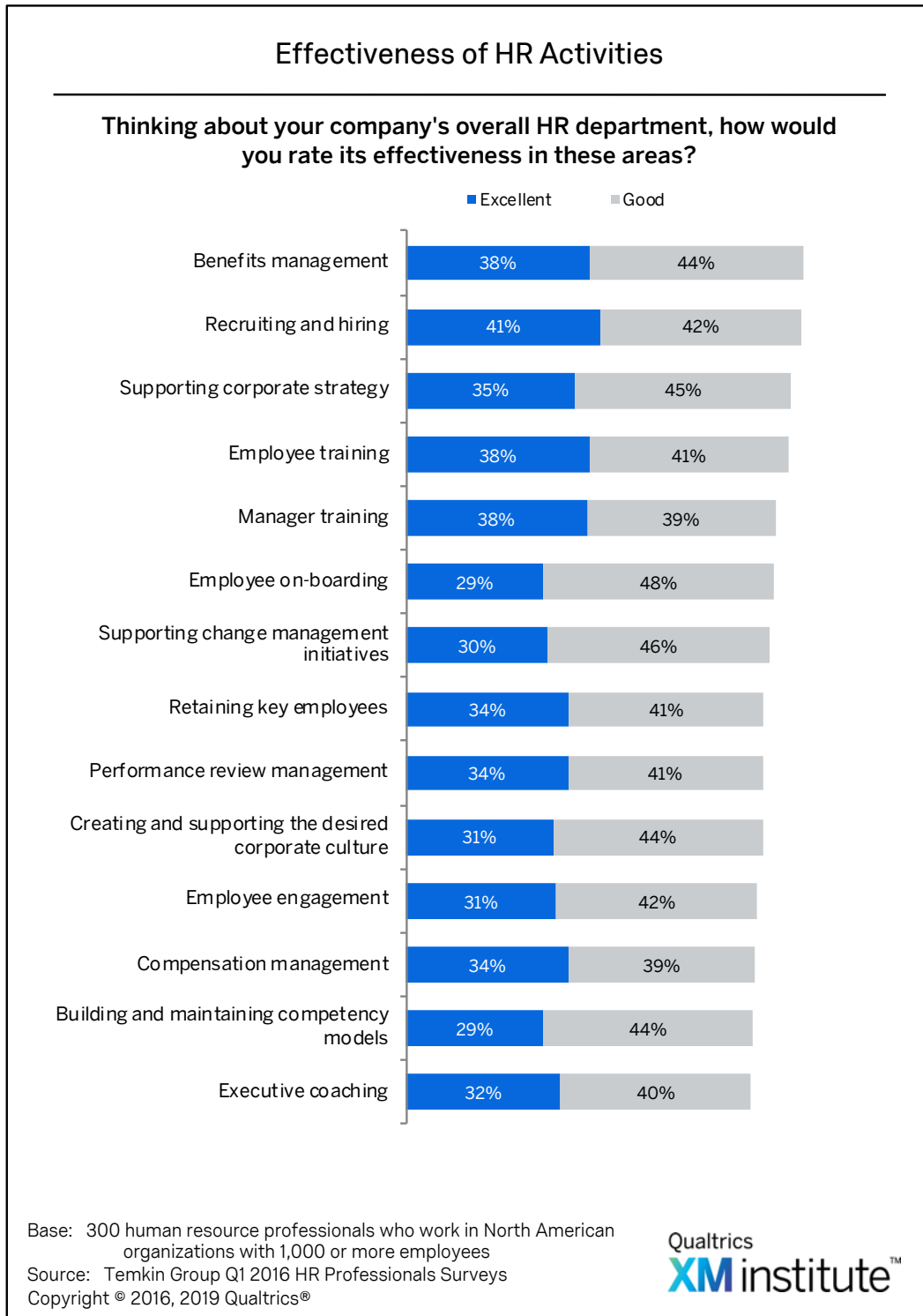


Figure 5

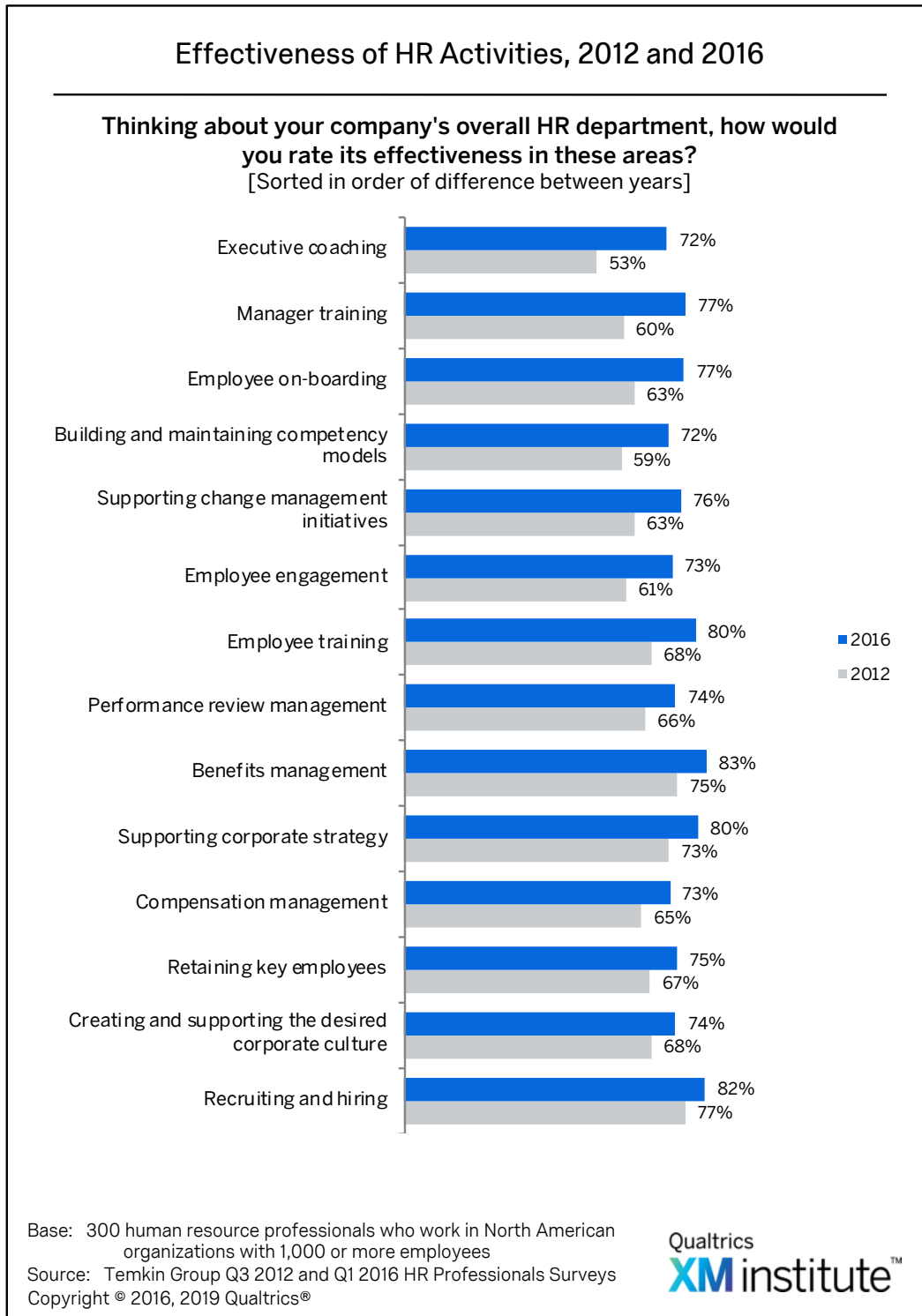


Figure 6

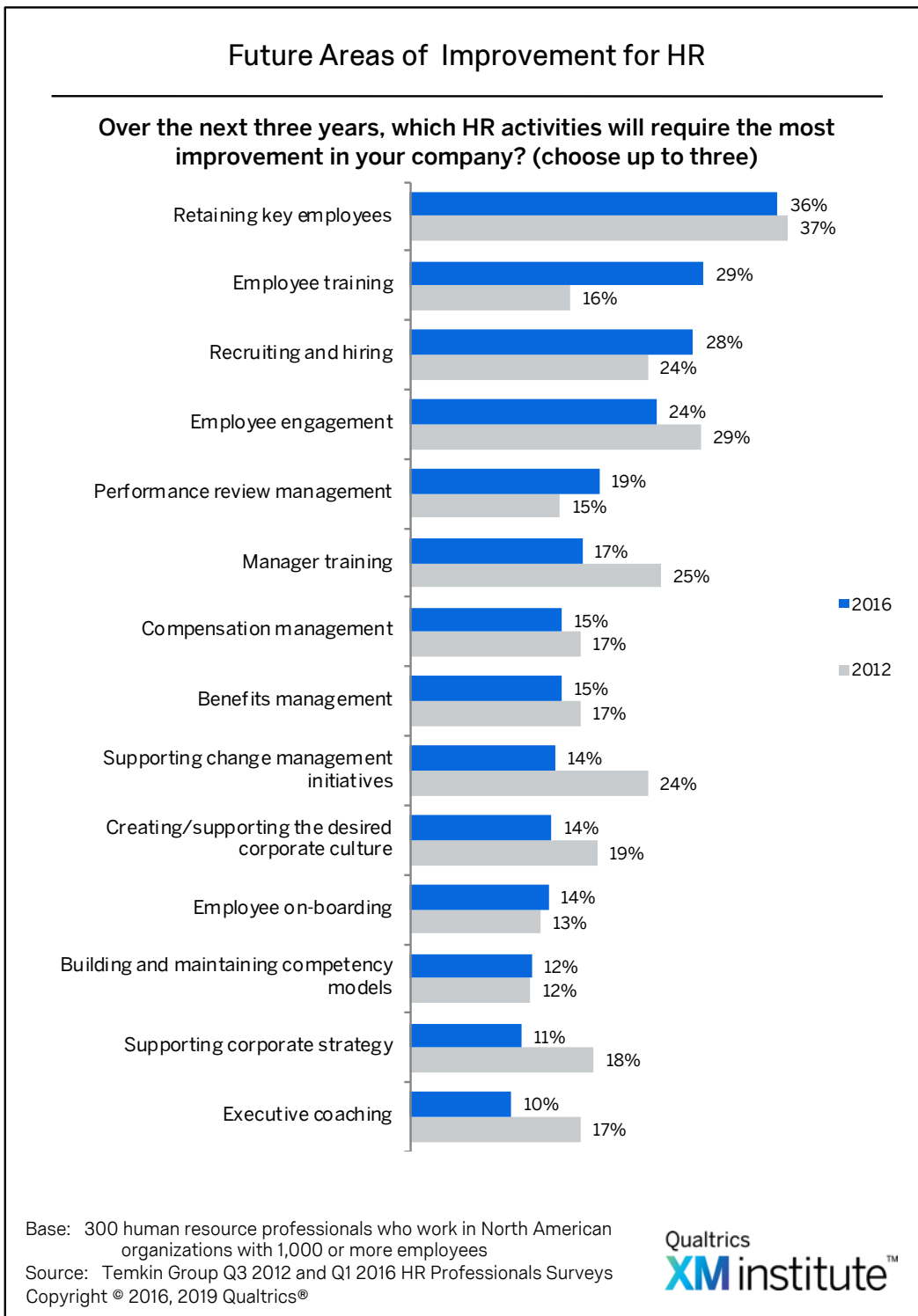


Figure 7



Figure 8

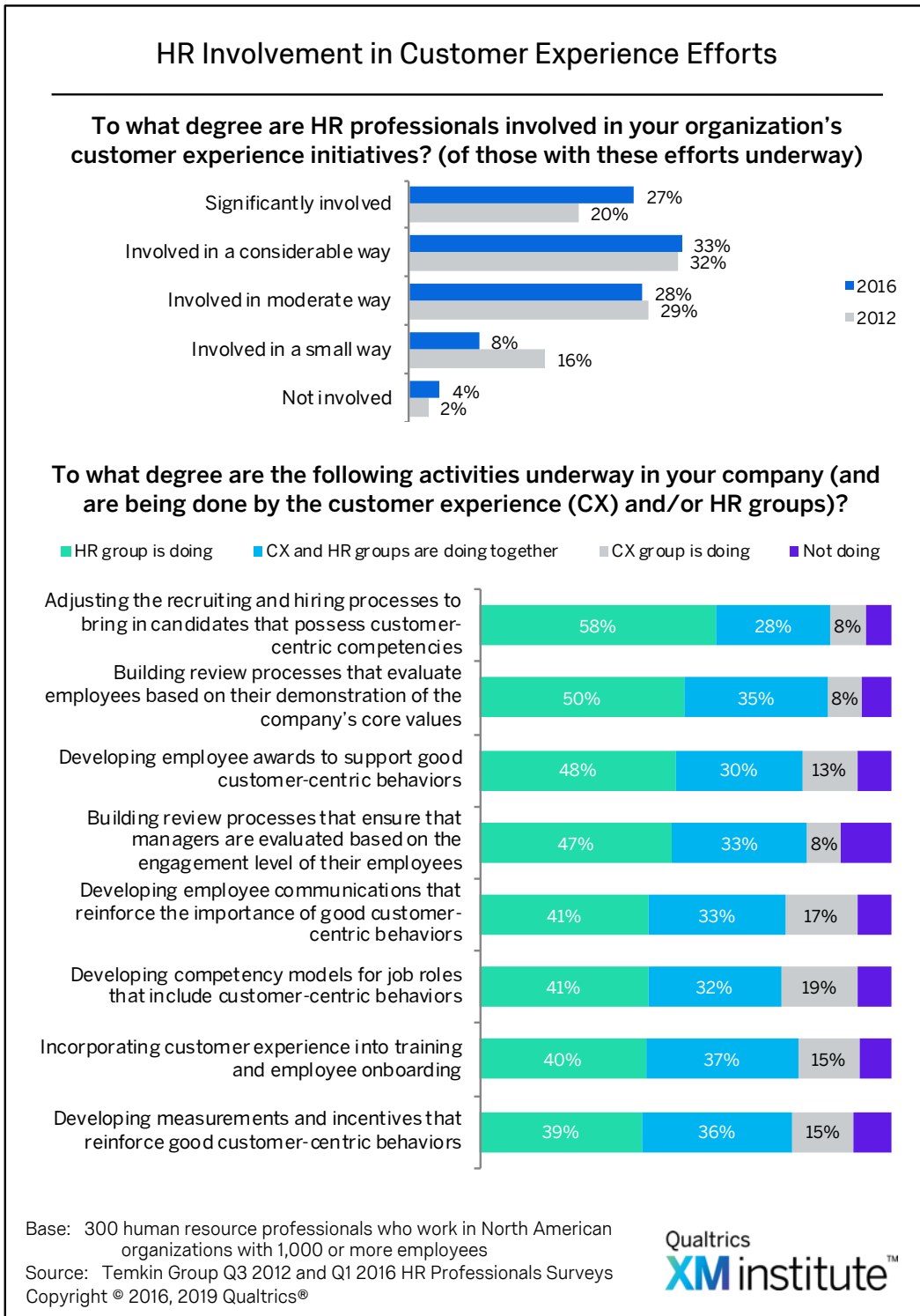


Figure 9

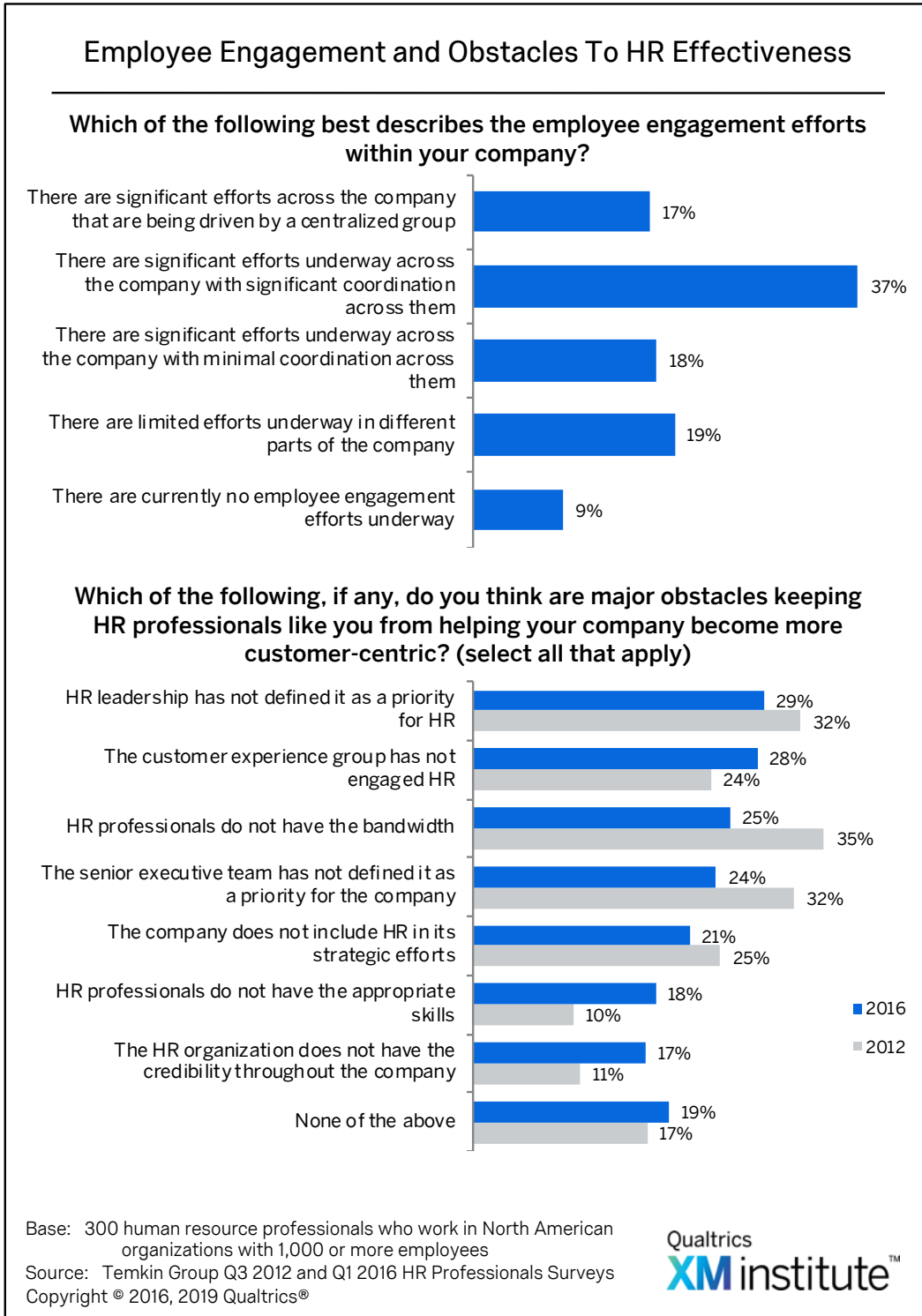


Figure 10

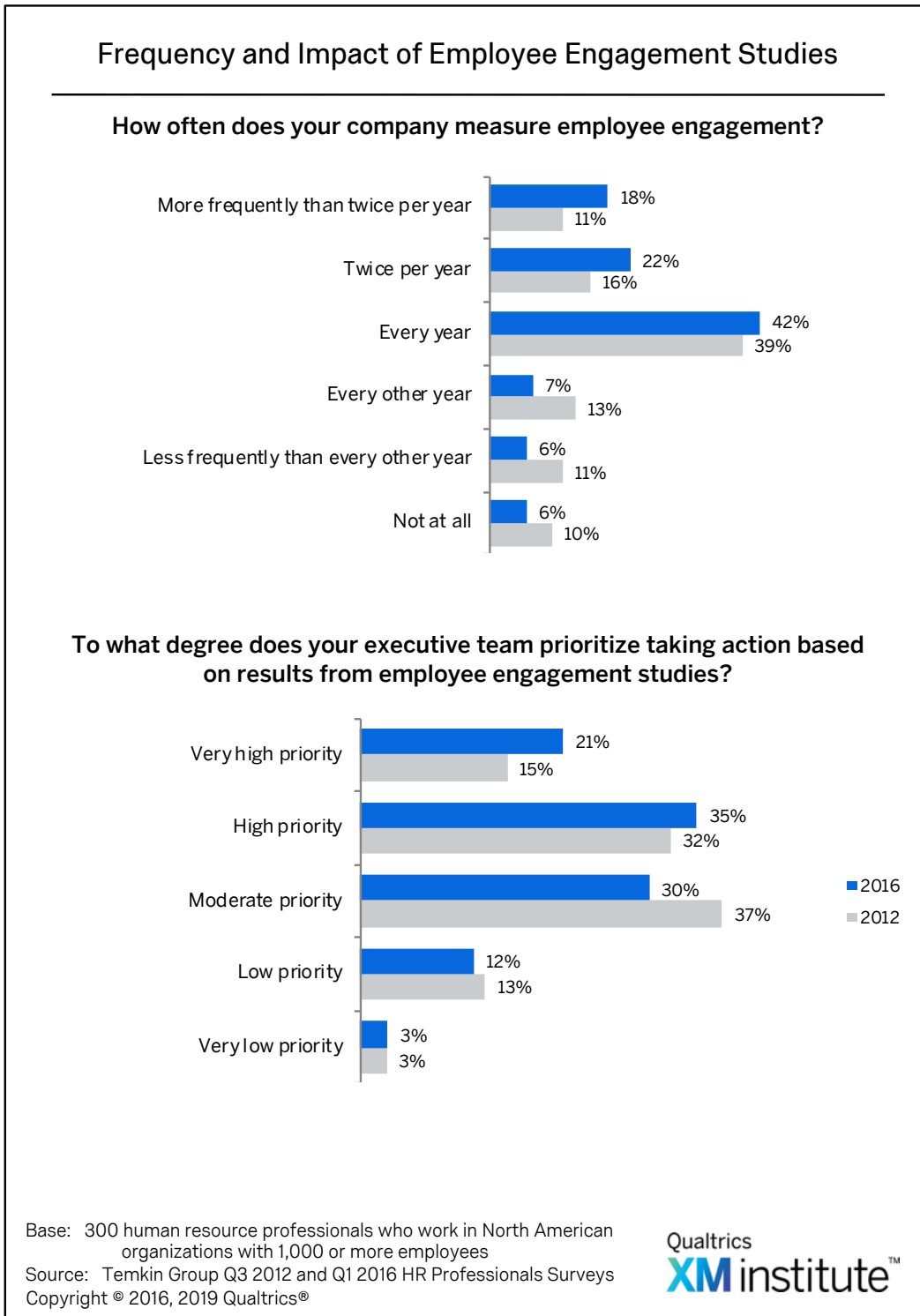


Figure 11

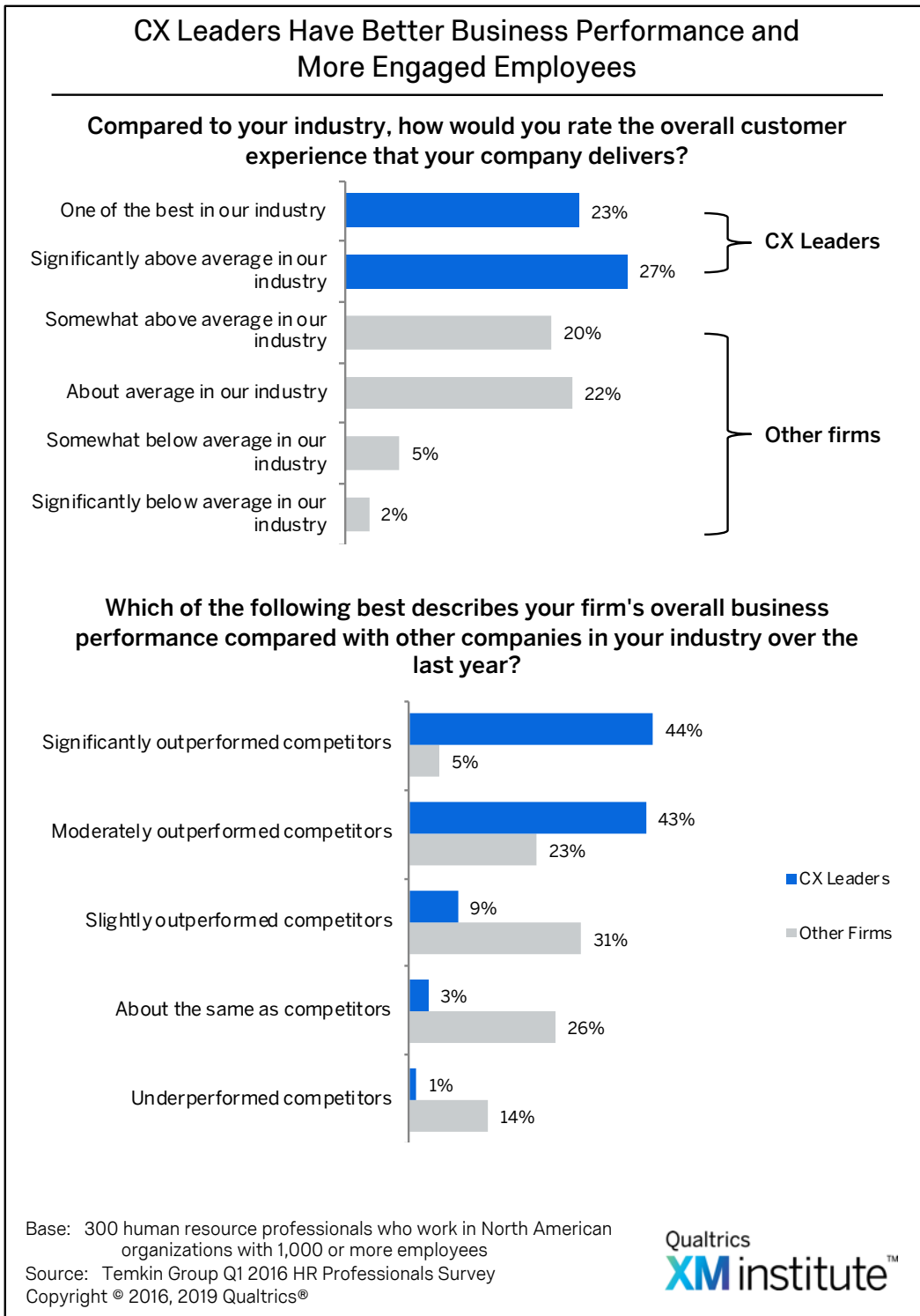


Figure 12



Figure 13

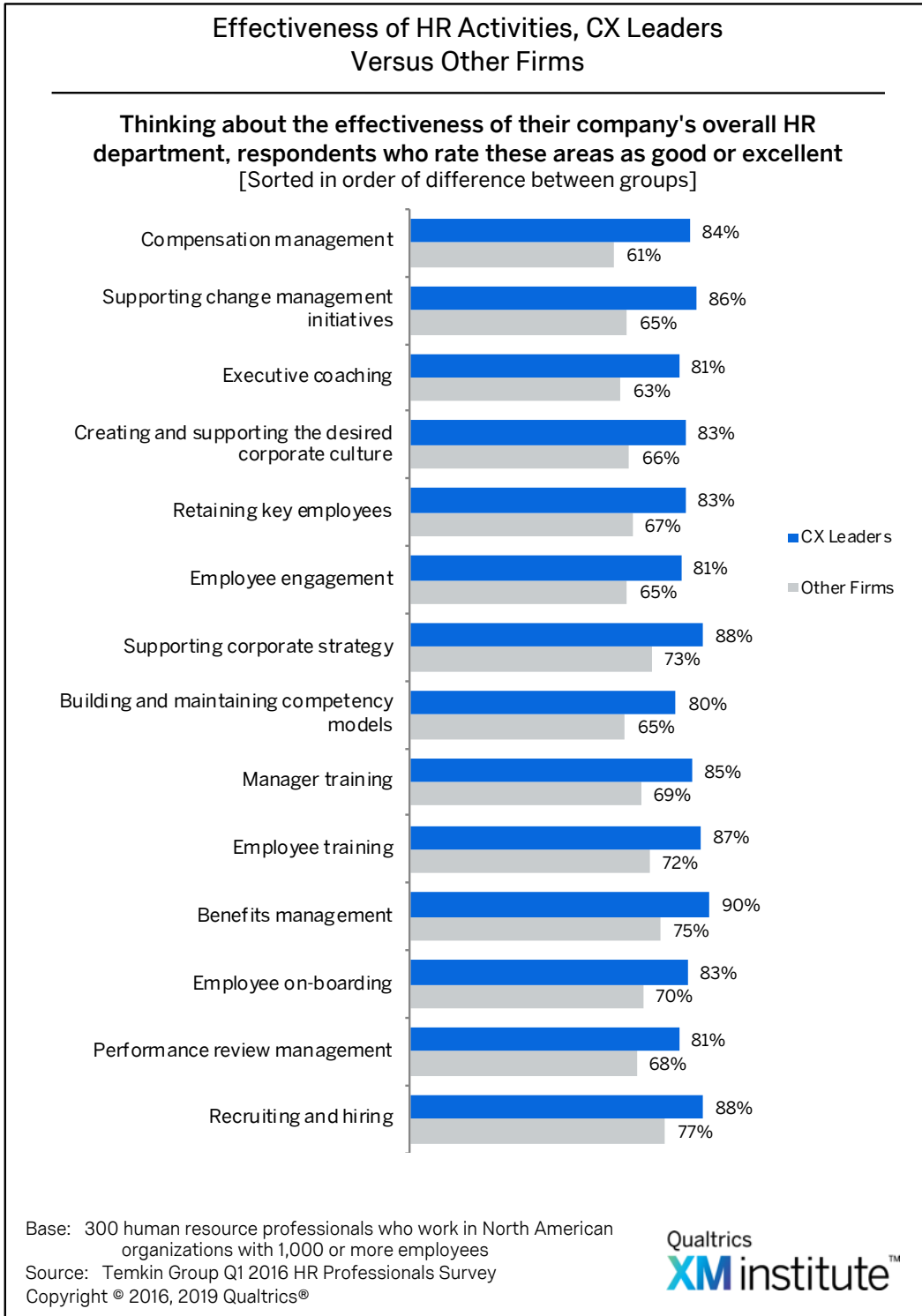


Figure 14

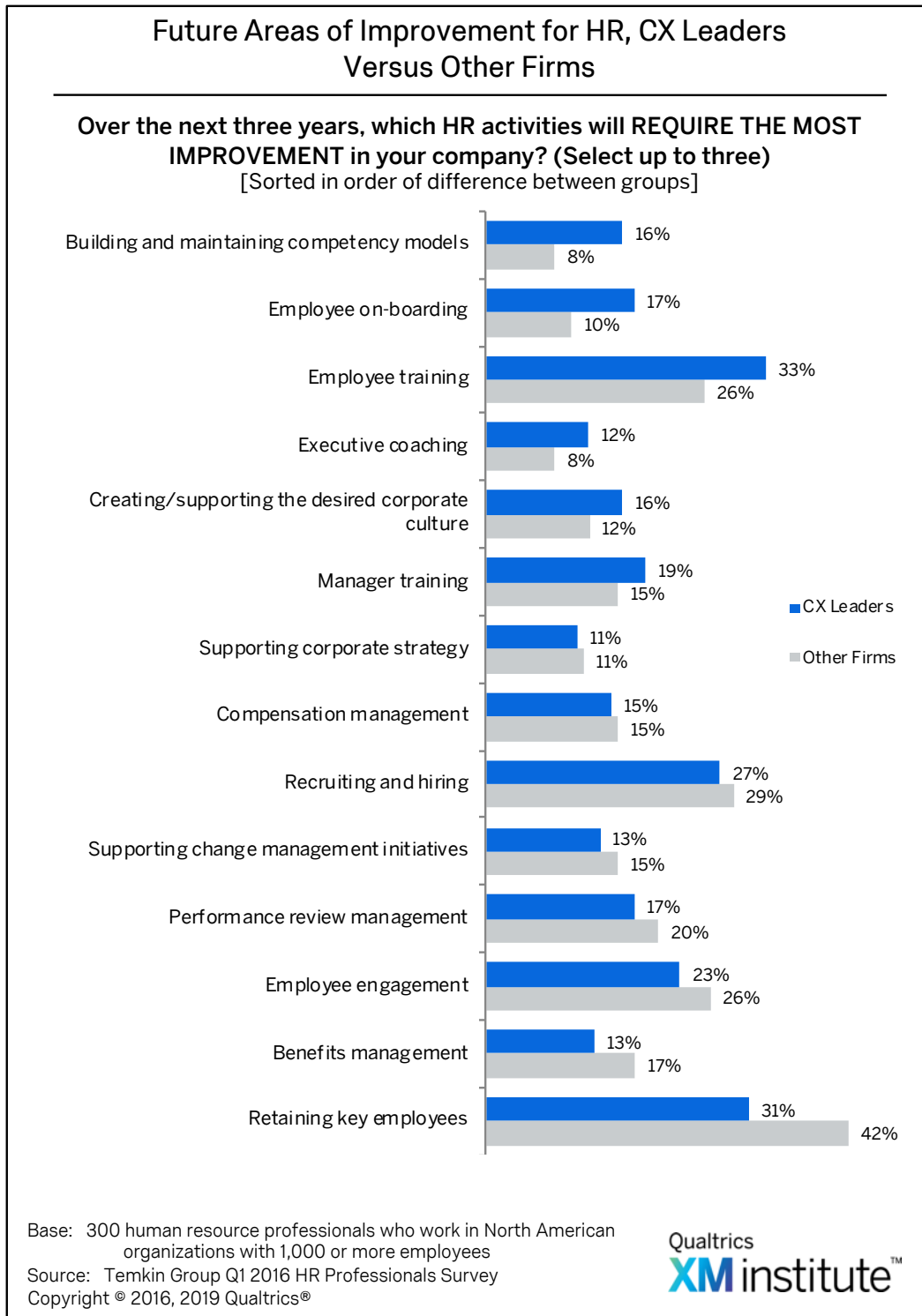


Figure 15

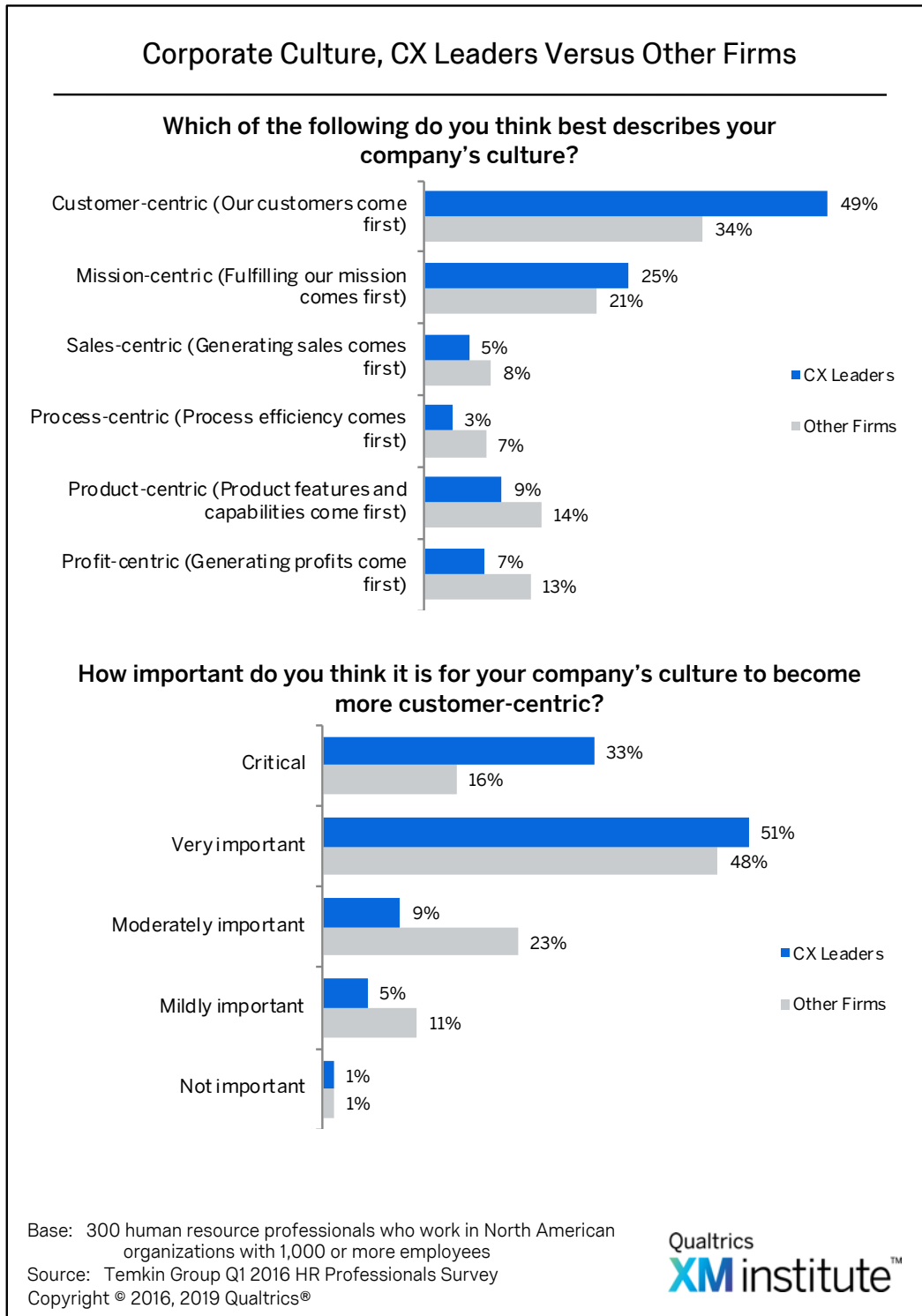


Figure 16

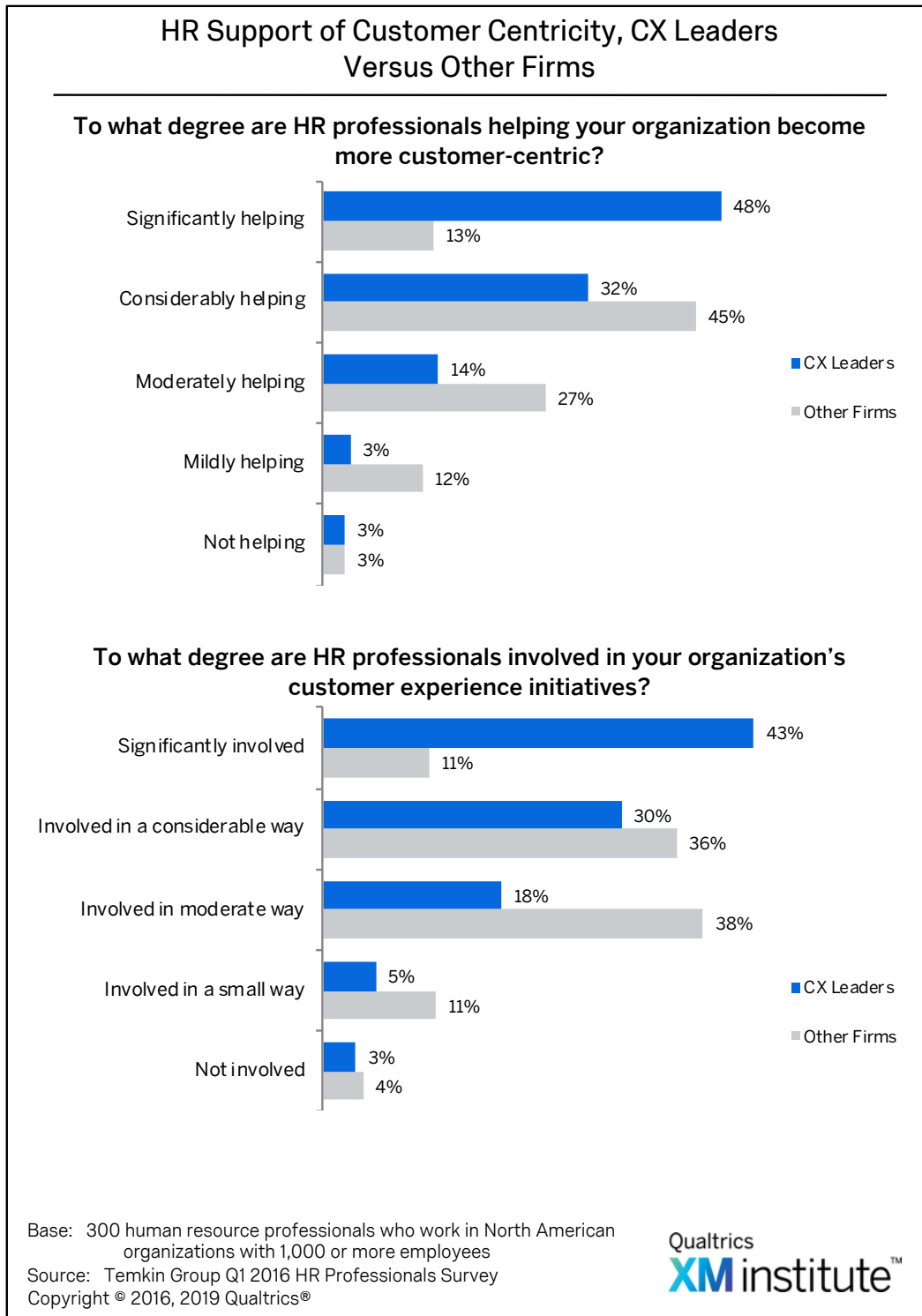


Figure 17

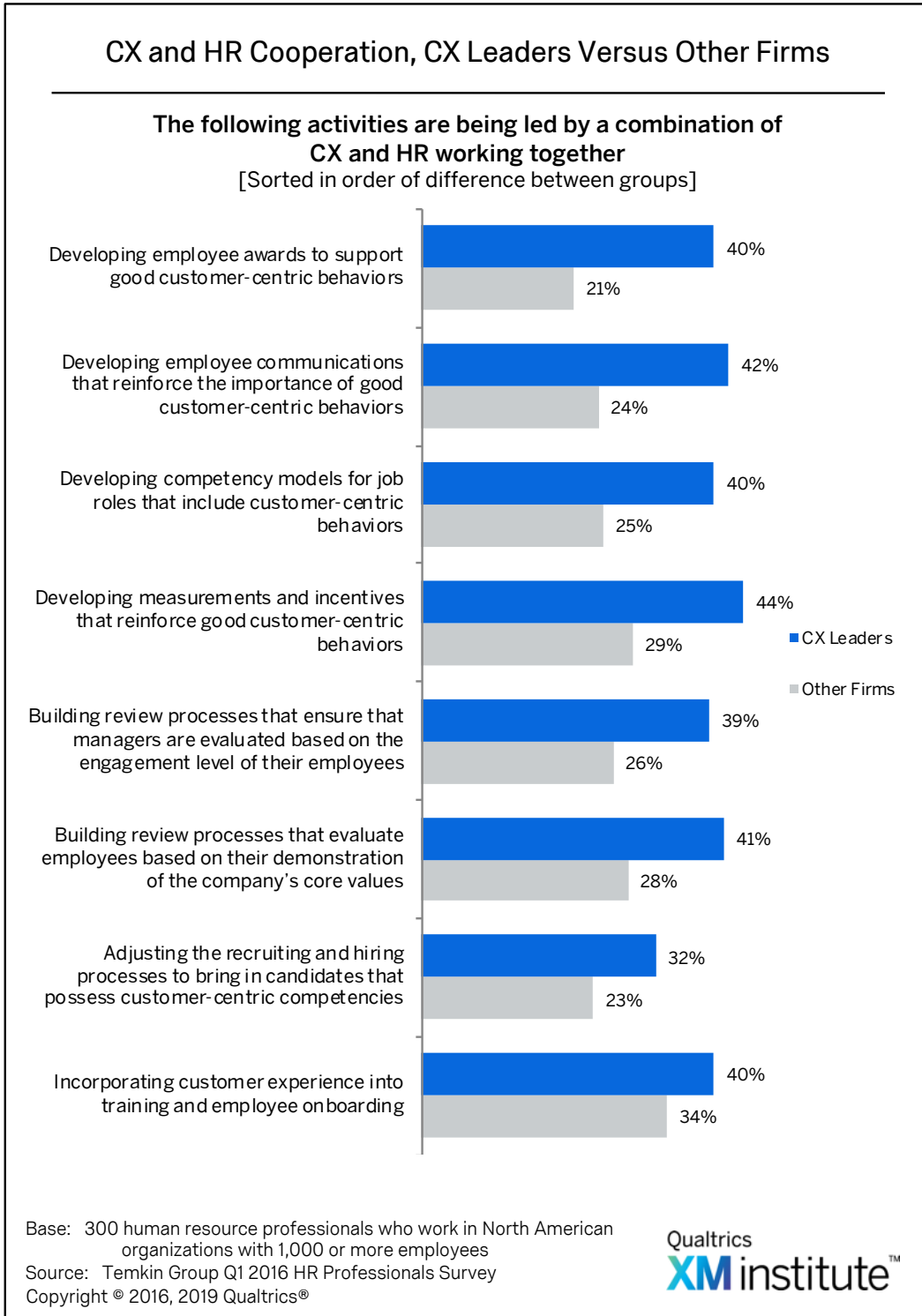


Figure 18

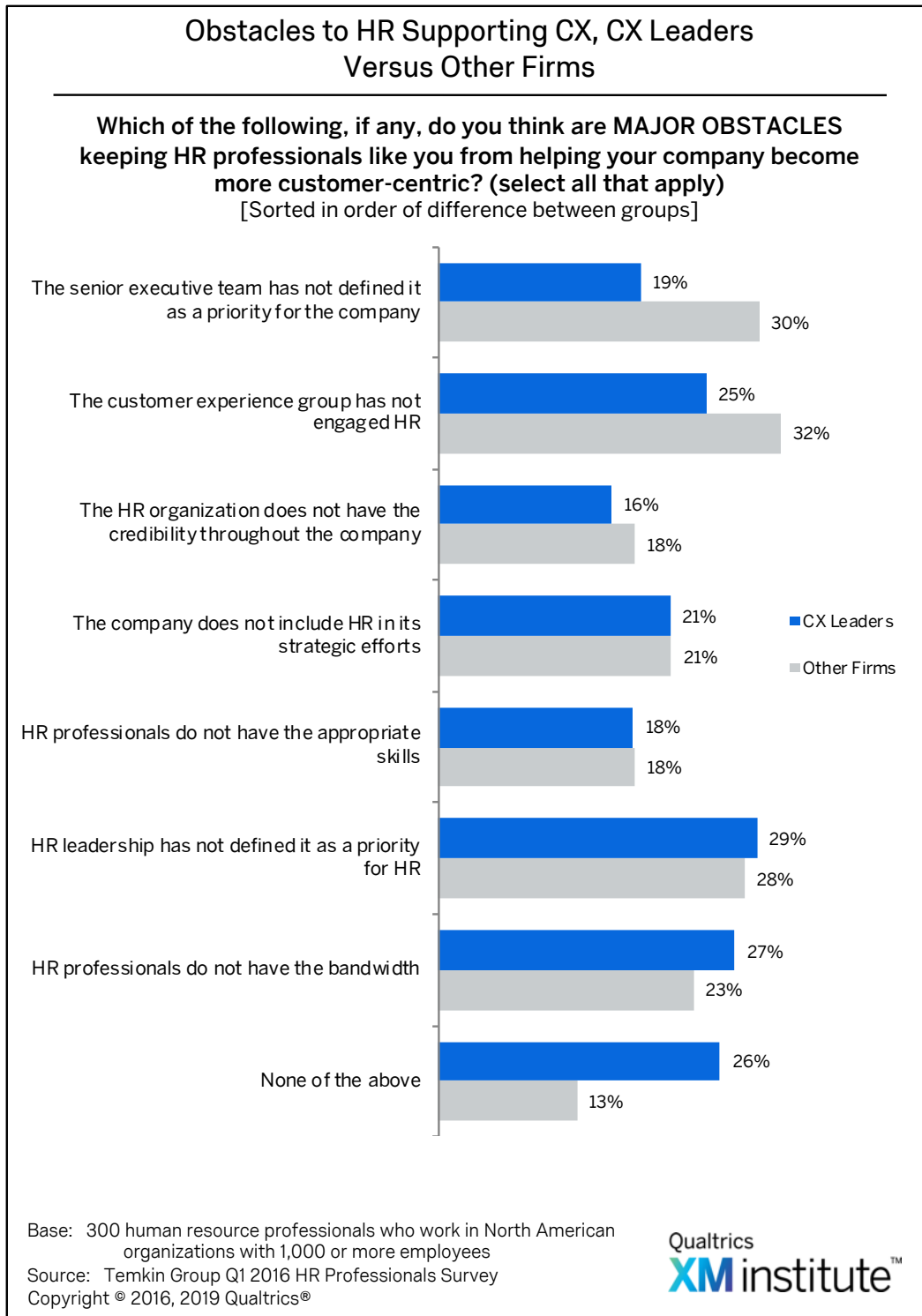


Figure 19

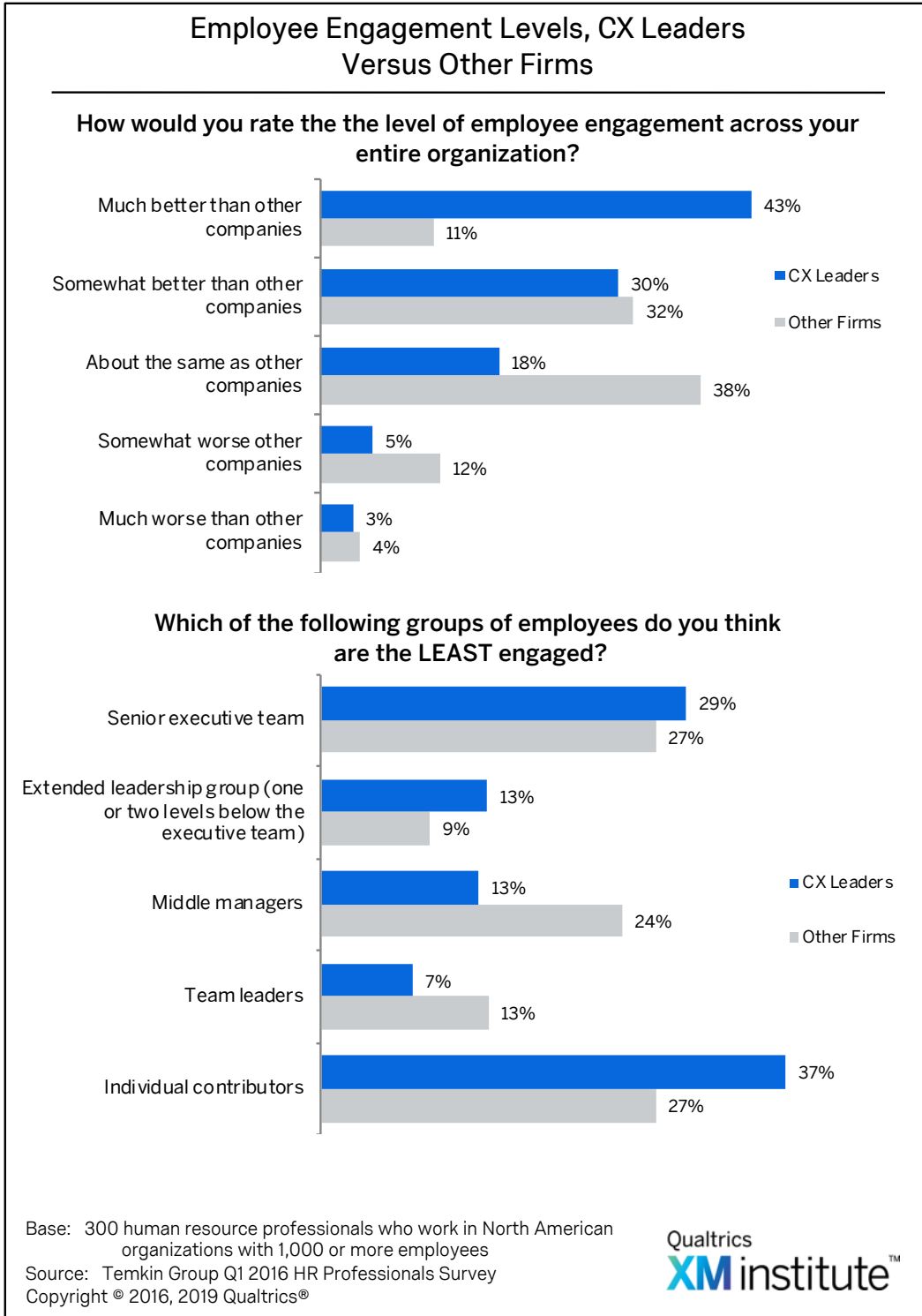


Figure 20

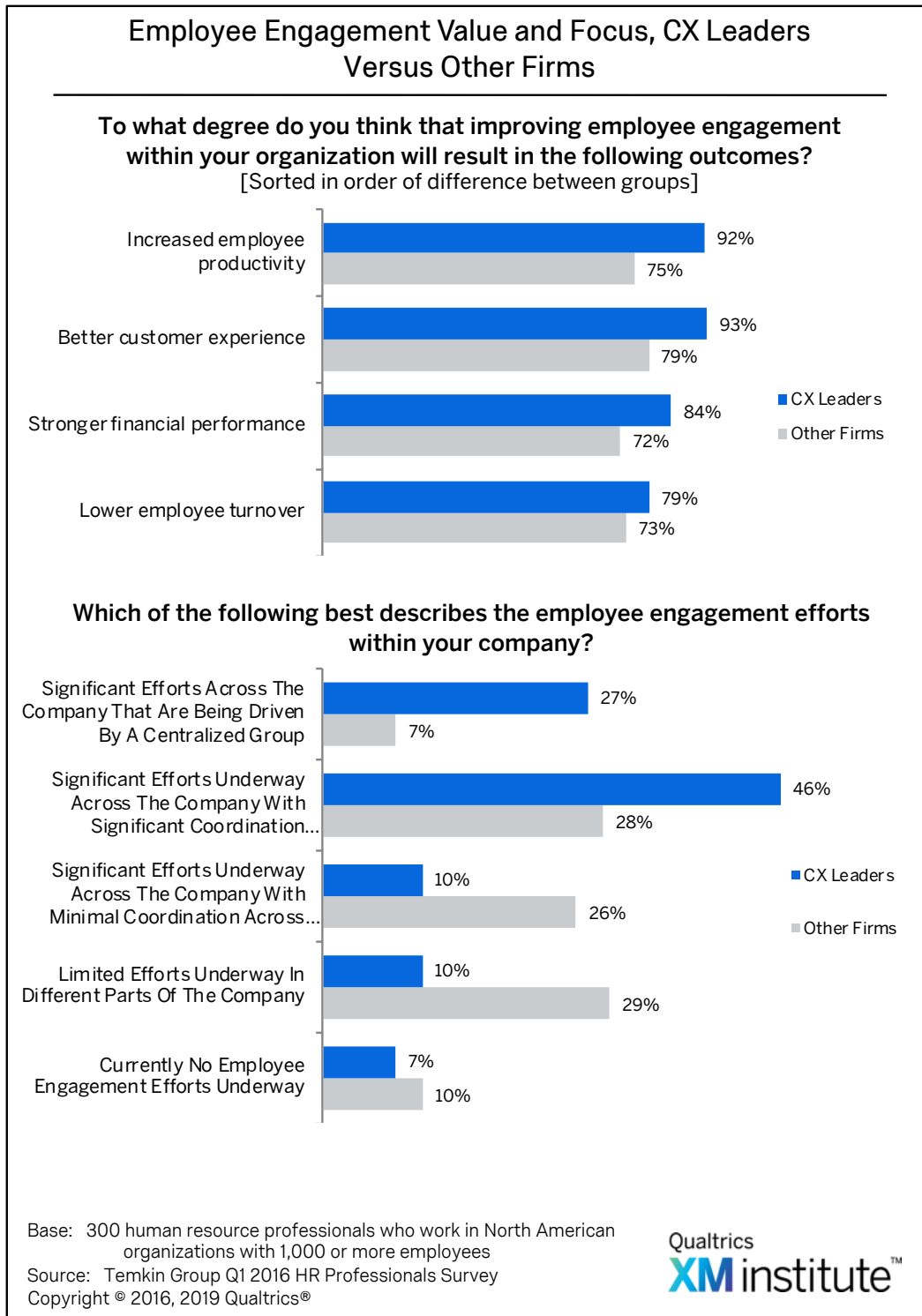


Figure 21

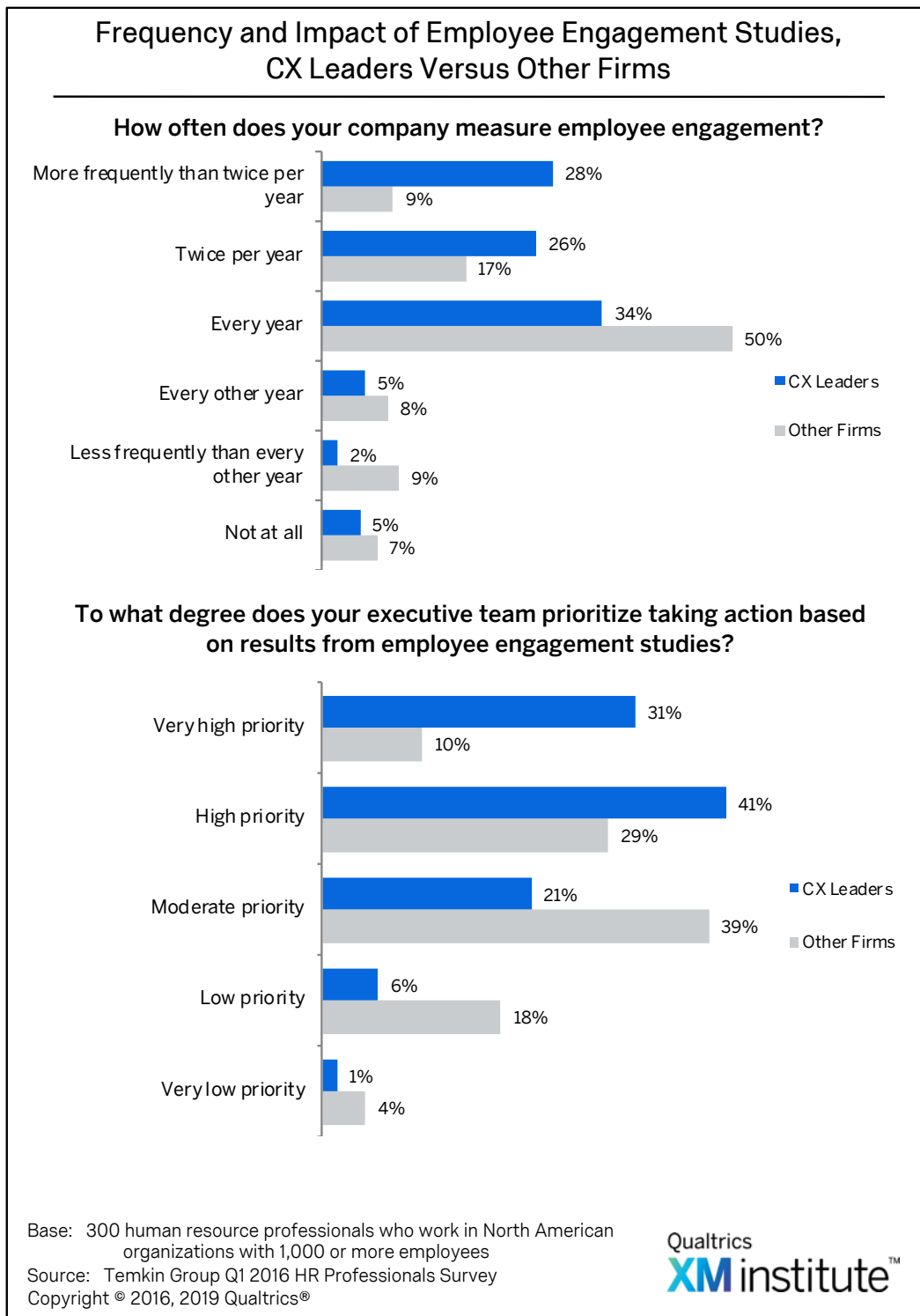


Figure 22

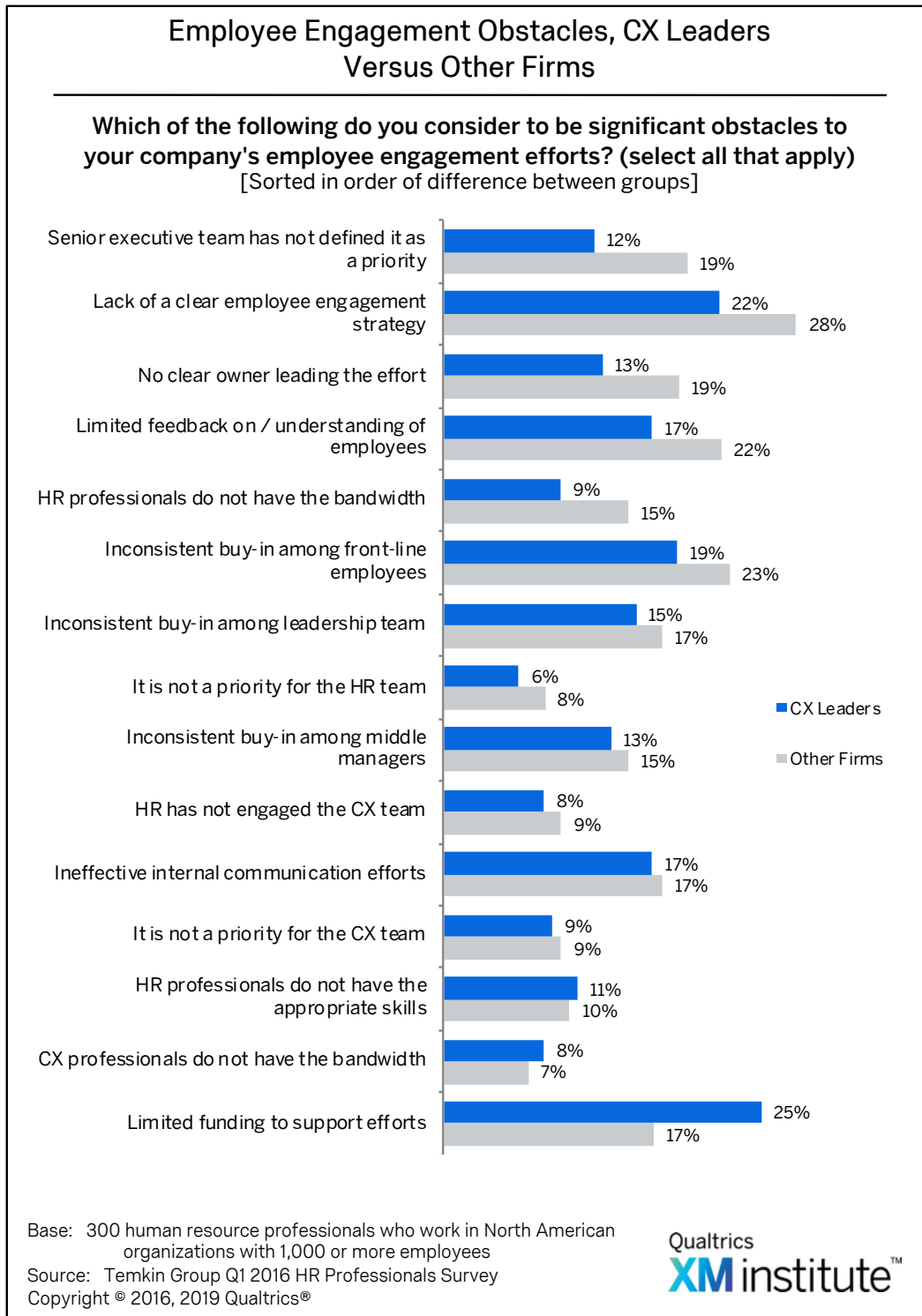


Figure 23

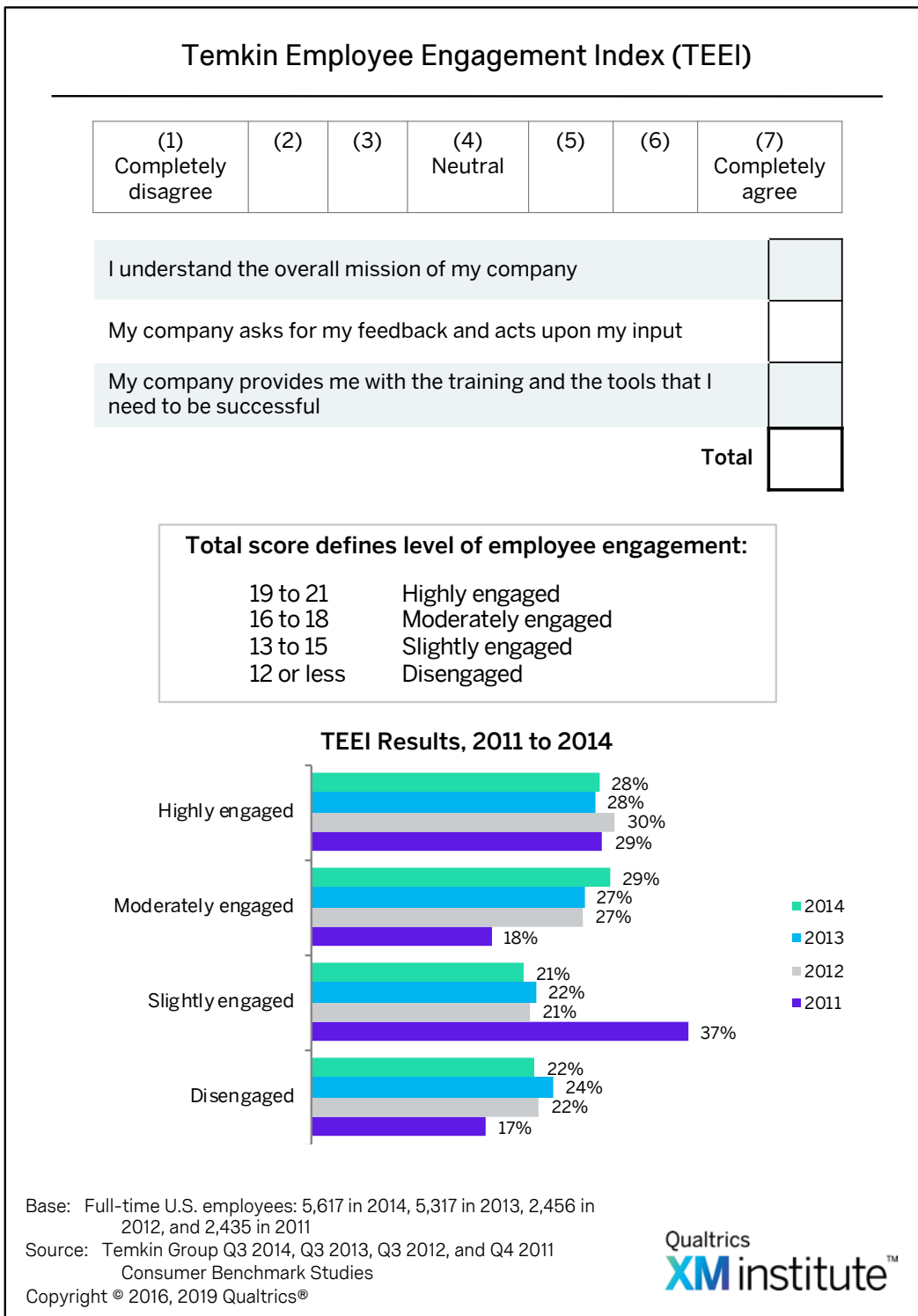


Figure 24

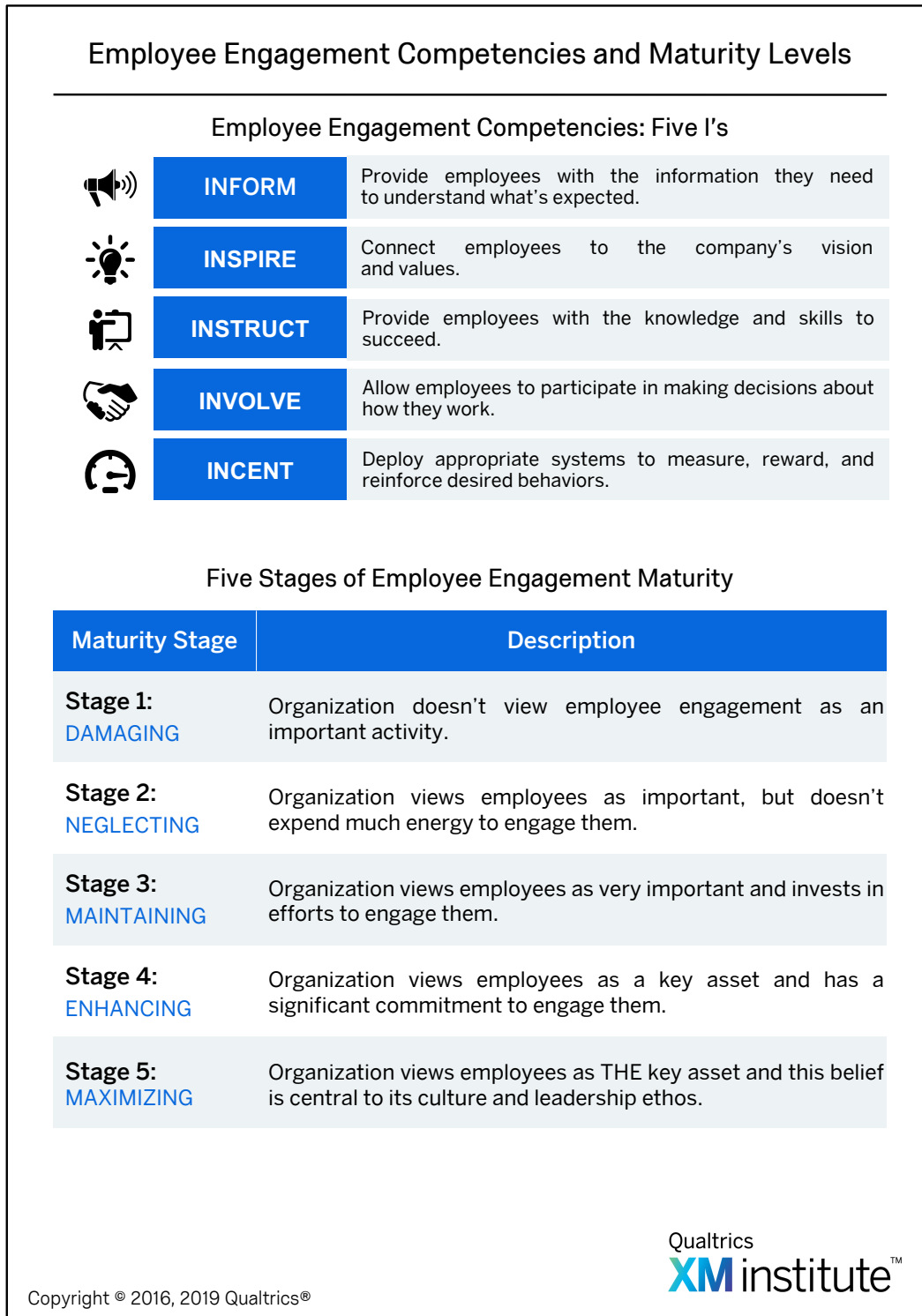


Figure 25