Compliance to Commitment
The Business Case

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You may already be familiar with Compliance to Commitment™,

which I have also referred to as forging employee engagement as a strategic weapon in your competitive arsenal. While much of the information I have shared previously has been anecdotal, a recent white paper from the Peppers & Rogers Group, *Engagement - the New Competitive Advantage*, provides additional validation for developing employee commitment to improve your business.

One of the first things the Peppers & Rogers study distinguishes is a new view of engagement relative to the traditional view of **intellectual, behavioral,** and **emotional** levels. To describe those a little more fully, the **intellectual** level is when an employee agrees with your company vision statement, and/or a customer values the attributes of your brand. The **behavioral** level, recommending or purchasing your product or service, is when you start to see energy or discretionary effort. The third level, the **emotional** level, is when you actually see "buy in" and enthusiasm. You can see how, in some ways, this approach parallels Ron Willingham's three dimensions of congruency: **I think**, **I feel**, and **I am.** Willingham pointed out, and Pepper and Rogers agree, that the emotional "buy in" is much more impactful than the intellectual appeal.

They continue, however, to describe a different, more comprehensive model which includes five levels and incorporates critical concepts such as satisfaction, quality, and loyalty. The “new” levels in hierarchical order, are **satisfied, loyal, recommend, best products and services, and pride.** Most importantly, these levels also describe the critical foundation that this system is based upon – a foundation called **trust**.

Key point: without a trust-based relationship, the rest of the engagement initiative is a wasted effort; and trust is built at the frontline level between the immediate supervisor and the employee. It is the trust factor that the five elements of Compliance to Commitment™ (respect, responsibility, information, rewards, and loyalty) address. There is also a clear relationship to the Human Resources Pyramid™ that I have previously described.

“a foundation called trust.”

One of the important differentiators between this model and others is that the willingness to “recommend” is not the peak performance an organization can achieve. More importantly, it measures the relationship over a long-term.

Pepper and Rogers point out the “satisfaction” index can fluctuate from transaction to transaction, or you can “game the system” by asking the “right” questions. Manipulating the more comprehensive index becomes much tougher, especially factors such as pride or excitement toward the organization or brand.

“employee and customer engagement are inextricably linked”

The Pepper and Rogers model also takes into account both employee and customer engagement and argues they are inextricably linked. The research maintains that true engagement affects three critical elements that every organization should be concerned about: **Productivity, Performance,** and **Sustainability.** The most important thing in this article**:** it provides some definitive numbers in each of these categories.

Productivity:

Depending upon your business, costs for "human capital" on average represent 60% to 70% of total expenditures. As we know in some businesses, it is much higher. As we point out, the best companies are recognizing this and leveraging their return-on-investment in this area. A 2008 study by Development Dimensions International (an international training and consulting firm) indicate that moving an employee's level of engagement from low to high represented a 21% increase in individual performance. Employees at the highest levels of performance have per capita productivity of 20% higher than the average across industries, and offices with high levels of engagement are 43% more productive, according to studies by the Society for Human Resources Management and the Hay Group.

Engaged customers can also enhance your productivity through repeat business and word- of-mouth recommendations.

Performance:

In addition to productivity increases, there are direct correlations to financial performance. Engaged employees stay with their current employers at a rate of 85% versus 27%, according to a 2008 BlessingWhite study. The savings from reduced turnover alone are huge.

In addition, other studies showed similar correlations to companies with double digit versus single digit revenue growth, as well as an average total shareholder return of 24% for organizations where 60% to 70% of employees rate themselves as engaged, versus 9.1% total shareholder return for organizations with an engagement percentage of 49%-60%. In retail environments, stores in the top 25% engagement level deliver 36% higher operating income than stores with low engagement.

Customer engagement shows similar statistics including higher loyalty, increased revenue, increased profit, and increased wallet share. When you combine high employee and high customer engagement, the results show literally a **100% difference** in financial performance on a peer-to-peer basis. I don't know about you, but to me these bottom-line results get my attention!

"higher loyalty, increased revenue, increased profit"

Sustainability

Beyond the financial and productivity gains, let's talk about sustainability of the organization. Peppers and Rogers identified Brand, Strategy, and Human Capital as the three core areas for a sustainable model.

- **Brand**. A 2003 study stated that the experience a customer has with your employees influences repeat purchase decisions to a great extent; i.e. the employees "are your brand." The same study cited that 51% of consumers report "outstanding service" as the number one reason they continue to do business with an organization, and that, conversely, 80% of customers state that they will discontinue doing business because of a bad experience.
- **Strategy**. The biggest reason CEO's fail is not bad strategy, but bad implementation of their strategy according to a study by Ram Charan reported in Fortune Magazine. Engaged employees play a critical role in that implementation.
- **Human Capital**. Over the next 10 to 15 years, the demand for experienced talent is expected to increase by 25% while the supply decreases by 15%. Under these circumstances, retention of critical talent becomes even more important. Remember that "engaged" employees are 87% less likely to seek alternative employment.

The 2008 BlessingWhite study identifies less than 30% of employees as being engaged. The same study identifies 19% as being "disengaged," but it gets worse: disengaged workers are not the most likely to leave; they "quit and stay".

The same study found that only 27% of organizations, globally, have a formal program or strategy to increase employee engagement, and 19% don't even have it on their radar.

Back to the beginning. Consistent with our thinking at New Paradigms, the foundation of employee engagement is the same as any healthy relationship: mutual trust between the parties. We believe there is a direct relationship between the five elements of Compliance to Commitment™ and building that foundation of trust.

"engaged employees are 87% less likely to seek alternative employment"

What we describe in our case study, A New Paradigm for Credit Unions, is a real world example of employees and customers/members beyond the “recommend” level accepted as the ceiling of employee engagement. In that setting, we were able to create “pride.” That “pride” translated into some fairly impressive results including:

- 4000 new membership accounts
- A 21% increase in asset size
- $150 million in net revenue
- A significant increase in “wallet” share

It sounds remarkably consistent with the statistics in the Peppers and Rogers study, doesn’t it? The reality is that technology, or processes, or outsourcing, or off-shoring are not going to create engagement. You are not going to have customer engagement without employee engagement. You are not going to have employee engagement without trust. This becomes evident when we review the numbers for an active engagement:

- 21% per employee productivity increase
- Average 60% higher retention rate for valued employees
- Shareholder return of 50%+ higher than non-highly engaged companies
- Financial performance of 100% higher than peer groups for organizations with both high employee and customer engagement scores

As a reminder, less than 30% of organizations have implemented an engagement initiative.

I would say that if you don’t do it for reasons of employee satisfaction, retention, or other related factors, consider engagement as a competitive advantage. I’ll leave you with this thought from Margaret Wheatly:

> *In organizations, real power and energy is generated through relationships. The patterns of relationships and the capacity to form them are more important than tasks, functions, roles, and positions.*

It would seem like the numbers support her premise, and the results validate our case that Compliance to Commitment™ provides a more profitable way to manage your organization.