



**Driving Customer Satisfaction Through
Employee Satisfaction
Using The Baldrige Criteria To Reinforce The Connections**



Denis Leonard, Ph.D.

One of the most powerful aspects of the Baldrige Criteria is its systems perspective, creating alignment and integration across the criteria itself and therefore, across the organizations using the criteria. Just one example of how important this integration can be, is the critical connection between employee satisfaction and, perhaps the most fundamental aspect of quality, customer satisfaction. The Baldrige Criteria allows both of these issues to be connected and their relationship reinforced.

It has been long established that organizations with a quality foundation have better leverage to achieve high levels of customer satisfaction, but research has shown that a specific key driver of achieving customer satisfaction is employee satisfaction. There is a “positive and significant relationship between customer satisfaction and employee satisfaction,” these relationships are “positive and statistically and substantively significant”. “Employee satisfaction is significantly related to service quality and to customer satisfaction, while the later in turn influences firm profitability.... leading to a satisfaction-quality-profit cycle.” In one study based on 7,939 business units in 36 companies, “on average business units in the top quartile on the employee engagement measure produced 1-4 percentage points higher profitability. Similar results were found for productivity (revenue or sales per month). Business units in the top quartile on employee engagement had, on average, from \$80,000 to \$120,000 higher monthly revenue or sales.”

So, satisfied employees are more productive, innovative and loyal, which in turn leads to customer retention, which means that employee satisfaction plays a “strong, central role” in predicting profitability and “organizational effectiveness”.

With direct links between employee satisfaction and customer satisfaction, and between customer satisfaction and improved financial performance, what are the elements that explain and drive employee satisfaction in these cases. In a study of 5,568 employees across 90 companies and 37,036 of their customers, it was found that organizational communication, employee engagement and organizational culture are the three key elements antecedent to employee satisfaction.

This is supported by other studies that show the “value of upward feedback for increasing employee sensitivity to managerial and unit performance and for enhancing managers’ attention to behaviors that influence departmental performance and customer satisfaction” is substantial. This feedback needs to include employee empowerment and “input in evaluating success” and responding to it.

So, how do we connect employee and customer satisfaction and use them most effectively and efficiently. As the Corporate Leadership Council report points out, “companies must build their own models because customer satisfaction is only one variable in understanding the relationship between employee satisfaction, customer satisfaction and financial performance. Moreover, each company must determine how it defines employee satisfaction and customer satisfaction, which can even differ between departments and business units within one company.”

The Baldrige Criteria, while not being prescriptive does provide a common set of definitions and a model to integrate both employee and customer satisfaction with other key variables. Indeed, it also addresses communication, employee engagement and culture, allowing all of these issues to be connected and supported.

Two of the core values and concepts of Baldrige are customer driven excellence and valuing employees. In terms of valuing employees this explicitly means “demonstrating your leader’s commitment to your employees success and.....creating a supportive environment.”

The issue of culture, communication, employee engagement and customer focus are all addressed in the Leadership category 1. This addresses how leaders set and deploy organizational vision and values to the workforce and customers in addition to communication with and engaging the entire workforce while reinforcing a customer focus.

Baldrige makes the connection between customer satisfaction and its integration with internal processes and results. “Customer focus impacts and should integrate an organization’s strategic directions, its work systems and work processes, and its business results.” In regard to empowerment this is “aimed at enabling people to satisfy customer on first contact, to improve processes and increase productivity, and to improve the organization’s performance results. An empowered workforce requires information to make appropriate decisions.”

Indeed in regard to employees, in category 5 Workforce Focus addresses “creating and maintaining a high performance workplace and toward engaging your workforce.” High performance work is characterized by amongst other issues, “good communication and information flow, alignment with organizational objectives, customer focus and rapid response to changing business needs and requirements of the marketplace.” The criteria states that employee “engagement is characterized by performing meaningful work.” A key element in performing such meaningful work is the workforce capability. “Capability may include the ability to build and sustain relationships with your customers.” For all of this to be achieved, it needs to be set in a cultural setting or climate that promotes such thinking and is addressed in 5.2 b in regard to workforce climate.

In regard to the customer focus in category 3, the aim is to focus on how your organization builds relationships with customers and determines the key factors that lead to customer acquisition, satisfaction, loyalty and retention. A central aspect of this is voice of the customer and employees are contacts with the customer.

Category 7, Results, examines customer-focused performance, workforce focused outcomes and of course other financial and non-financial outcomes. This scorecard provides a direct connection between process and results, allowing the relationship and impacts of changes and improvements to be monitored, measured and impacts determined.

The Baldrige Criteria allows employee satisfaction as a fundamental driver of customer satisfaction, to be coordinated, integrated and measured within a defined but personalized framework to achieve improved business results. The power of Baldrige is that it is built upon proven criteria to drive performance excellence. While many may be unaware of such fundamental drivers as discussed in this paper or their connections, Baldrige provides them with a means to integrate and coordinate those same critical issues.