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Companies Are Finding It Really Pays To Be Nice To Employees

By Sue Shellenbarger

In the turn-of-the-century workplace depicted in Upton Sinclair's 1906 novel "The Jungle" employers barely paused when a worker swooned from overwork or fell into a rendering tank. They just got another warm body to replace him.

As the next century nears, employers are trying with growing intensity to engage workers from the neck up. They're using tender words like commitment and loyalty to describe the bond they want. Some are hiring psychologists to study workers; others are routinely taking employees' psychic pulse in painstaking attitude surveys.

Why bother? This isn't altruism. A growing numbers of employers suspect improving employee satisfaction will have an indirect but important effect on profit. Some are running mountains of data through elaborate computer models to measure the links between employee satisfaction, customer satisfaction and revenue. The trend has major implications for people's ability to balance work with family and personal life.

Driving the effort is the growing role of "human capital" in corporate wealth. As little as one-third to one-half of most companies' stock-market value is accounted for these days by hard assets such as property, plant and equipment, a Brookings Institution report says. The growing share lies in "soft attributes not traditionally viewed as assets at all, such as patents, processes and customer or employee satisfaction.

The rush to assess workers' state of mind is just part of a broader effort to track the value of these intangible assets, a topic so hot that the Financial Accounting Standards Board has formed a committee to study it. Some companies are trying to get a jump on figuring out how to gauge soft assets and improve returns.

In one example, Sears Roebuck found in an elaborate 800-store study that employees' attitudes about their workload, treatment by bosses and eight other such matters have a measurable effect on customer satisfaction and revenue. Basically a happy employee will stick with the company, give better service to the customer and recommend company products to others. If employee attitudes on 10 essential counts improve by 5%, Sears found, customer satisfaction will jump 1.3% driving a one-half-percentage-point rise in revenue.

"If we know nothing about a store except that employee attitudes had improved 5%, we could predict that it's revenue would rise 0.5% about what it otherwise would have been", Sears executives wrote in a Harvard Business Review article in January.

Sears rigorously measures employee attitudes and customer satisfaction and bases executives' long-term bonuses in part on the results, says John Sloan, senior vice

president, human resources. The retailer has been swamped by inquiries about its approach from hundreds of other companies.

Northern Telecom of Toronto says it has found a similar link by tracking customer and employee attitudes in annual surveys. When employees said they wanted a better understanding of customer needs, clearer leadership and more streamlined work processes, Nortel addressed all three and saw customer satisfaction rise, says Elizabeth Rose, Nortel's vice president, customer loyalty and value. "We came up with conclusive evidence that improving employee satisfaction will satisfy customers better and, in turn, improve financial results, she says.

MCI communications surveys employees as often as quarterly, focusing on attitudes the company know help determine whether they stay: relationships with bosses and feelings about pay and working conditions such as schedule flexibility, says Brian McQuaid, executive director, human resources.

A new hire can accomplish on 60% as much in the first three months as an experienced worker, and serves customers less well, MCI learned from studying its employees. And even a 5% drop in overall employee efficiency cuts annual revenue by "a couple of hundred million dollars," Mr. McQuaid says. "We know employee satisfaction does increase customer satisfaction, as well as productivity, for us."

Separately, Electronic Data Systems has found employee-satisfaction uses the data in coaching manager's, says Paul Boyett, EDS's senior manager, executive development.

The employee attitudes that matter most to profit vary by company, ranging from feelings about Internal communication to feelings toward bosses says **Palmer Morrel-Samuels of Employee Motivation & Performance Assessment** of [Ann Arbor], Michigan. But [if] one element looms large at all, he says: Workers frustrated over not having a life outside work aren't very effective. "If there are great conflicts at home," he adds, "employee motivation will soon deteriorate."

Any company studying worker attitudes is likely to discover that fact. Sears and Nortel have found work-life balance a growing concern, and are taking steps to address it. All this adds up to better times ahead for workers who want a life.