



**ALLEGIANCE™**

*The Power to Engage*

## **The Top 11 Ways to Increase Your Employee Loyalty**

**Follow these and enjoy an immediate lift in your  
employee productivity, retention, and loyalty**

By Kyle LaMalfa

Loyalty Expert and Allegiance Best Practices Manager

# The Top 11 Ways to Increase Your Employee Loyalty



## How much do you value your employees?

The lifeblood of every business is its employees. Given this critical fact, you may assume every business has a detailed plan and solid processes in place to ensure employees are engaged. Unfortunately, this is generally not the case. Many companies continue to assume that if they build a good product or offer a good service, and if customers continue to buy those products or services, then employees should be happy.

Employers typically do just enough to ensure the majority of employees don't leave; they train just enough, they offer just enough benefits, and they give just enough positive reinforcement. Is this the right way to approach employee loyalty? Consider these two startling facts:

- Each year the average company loses 20-50% of its employee base  
– **Bain & Company**
- Replacing a lost employee costs 150% of that person's annual salary  
– **Columbia University**

Because the cost of replacing employees is so high, and the fact that so many continue to leave, businesses who effectively manage the employee engagement process can turn these facts around, making these burdens a strength. They can realize increased productivity, happier employees who willingly promote the business, and eventually, greater profits and other positive business outcomes.

As an employer, you need to understand why your employees are emotionally connected to your business – and it's generally much more than salaries, training, or benefits. Research shows that emotionally connected employees are the best employees because they are engaged and productive, and they feel validated and appreciated.

The opportunity exists for businesses to manage engagement just like they manage other areas of their business. It's not impossible today, with the right technology and best practices.

I hope this information will give you ideas and motivation to want to engage your employees more. Ultimately, with engaged employees, everyone wins.

**Kyle LaMalfa**

**Loyalty Expert and Allegiance Best Practices Manager**

According to Target Training International, more than 60% of all customers stop dealing with a company because of perceived indifference on the part of an employee.

Tarp Worldwide research found that customers who experience mild or strong dissatisfaction will tell between 9 and 16 other people.

“Our research continues to show a well-substantiated relationship exists between employee engagement – the extent to which employees are committed, believe in the values of the company, feel pride in working for their employer, and are motivated to go the extra mile – and business results.”

– **ISR Global Research Director  
Patrick Kulesa**

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To increase the loyalty and engagement of your employees learn and follow these basic principles and action items.

## Engaged employees are the best employees

An engaged employee is a person who is enthusiastic about their work. Improving employee engagement directly impacts measurable business outcomes. Employees who are committed to success, emotionally attached, and socially involved with a company demonstrate qualities that business managers thirst to have. Engaged employees are more productive at work, take less sick days and exhibit other favorable behavior, promote the business to others and show their happiness to customers. In short, engaged employees are the best employees.

## Employee engagement makes a difference

Engaged employees bring a competitive advantage to a business for several reasons. An engaged employee is less likely to leave, leading to substantial cost savings for your organization in terms of recruitment and training. Engaged employees demonstrate improved performance as individuals and teams. Furthermore, engagement increases the consistency in team performance from day-to-day and month-to-month. Also, engaged employees enable a “skill-liquidity,” – an ability to adapt skills to changing business needs – that improves a company’s flexibility to evolve and capitalize on new business environments.

Tim Hendon, a leader from a prominent Washington-based credit union, faced an unanticipated problem. A new loan network partnership provided loans with a high likelihood of debt default. Over time, these bad loans burdened his group and cost the company lost profits. He devised a plan to solve the problem capitalizing on the skills and engagement of his employees; their passion for the company and their desire to want to solve problems was an asset he could use. It worked. He attributed his debt recovery team's success to two factors. First, the engagement level of his star performer whose attitude inspired an environment of friendly competition. Second, his team eagerly adapted new technologies to facilitate immediate debt payment. In two years, the debt recovery team slashed the auto loan delinquency ratio in half, turning a money loser into a profitable business unit. Their success turned into national recognition in collections and remarketing.

## You can manage employee engagement

Employee engagement can be improved by aligning the goals of the business with the goals of the individual. Employee motivation should be associated with traditional rewards, such as pay and compensation, but also with emotional rewards such as personal growth, working for a common cause, being part of a high-performance team, and being recognized for achievements.

### Cost per Hire

Consider these recruitment activities – and costs – that can be minimized by having engaged employees

#### Sourcing/Recruiting

- Salary costs of recruiters
- Costs of job advertising
- Career fair expenses

#### Recruiting/screening process costs

- Resume sourcing
- Resume reviewing
- Time spent phone interviewing
- Cost of background check
- Cost of skills assessment
- Cost of employment verification
- Time spent for personal interviews
- Time spent on 2nd interviews
- Time spent preparing job offers

#### Quality costs – multiplicative factors

- Resumes reviewed per phone interview
- Rate of candidates who pass screenings
- Phone interviews per personal interview
- Personal interviews per 2nd interview
- 2nd interviews per offer
- Rate of offer acceptance

#### Training/ramp up costs

- Orientation/training materials
- Orientation class
- Training costs
- Instructor salaries
- New hire diminished productivity
- Cost of increased supervision for new hire

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## You can make dramatic improvements in your employee engagement

Through management of engagement, you can increase the loyalty of employees. But how? You need to know what drives engagement. Why are employees emotionally connected to you?

Four primary drivers of engagement can help you conceptualize and break down employee engagement into its causes and effects. Research by Allegiance loyalty experts Dr. Gary Rhoads and Dr. David Whitlark concludes that there are four primary areas of emphasis which are critical to understanding why employees are emotionally connected to a business. They are: being helpful, feeling competent and improved, feeling accepted, and feeling respected.

The following sections describe these drivers of engagement, and what specific tactics can be done to improve them.

### Principle: Start by measuring employee engagement

The process of measuring employee engagement can range from very simple to very complex. Measuring your employee's passion about work and the work environment can be as simple as issuing a survey with a few scaled questions around the ideas of:

- Job satisfaction
- Productivity
- Quality of peers
- Likelihood to change jobs
- Likelihood to recommend company products or services
- Likelihood to recommend as a great place to work
- Satisfaction with compensation & benefits

#### 1. Use a Likert Scale

Using a scale of agreement (or Likert Scale), a survey can express quantitative measurements of your employee engagement. Often times, gathering open-ended comments along with numerical, scale data yields a rich source of inexpensive opportunities to make employees happy.

#### 2. Gather compliments

By gathering compliments in addition to concerns, companies can find out if their engagement efforts make a meaningful, lasting contribution to employees.

Consider the following anonymous compliment and complaint printed verbatim:

“My manager is very proactive in discussing my abilities and goals with me and we arrive at a goal together; one that is realistic and achievable.”

“I bothers me that our customers get better benefits with their accounts than we do as employees. Everybody makes a mistake once in a while with their accounts; it's unbelievable that an employee gets two overdraft reversals in a lifetime.”

#### Benefits of engaged employees:

- Improved productivity
- More customer-focused
- Improved safety
- Reduced voluntary separations
- Improved morale/attitude
- Reduced sick days
- Reduced involuntary separations

#### Likert Scale

A Likert scale (pronounced 'lick-urt') is a type of psychometric response scale often used in questionnaires, and is the most widely used scale in survey research.

I will look for another job in the next 12 months

1. Strongly disagree
2. Disagree
3. Neither agree nor disagree
4. Agree
5. Strongly agree

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These two feedback items helped a business confirm the effectiveness of its management program and work on moral boosters for its employees. Engagement is most effectively measured both quantitatively through scaled questions, and qualitatively through open-ended comments.

## **Principle: Promote and manage “Being Helpful”**

Employees want to feel like they are making a positive contribution. An apathetic employee just works for a paycheck, but an engaged employee perceives their job as important. Being helpful means that whether in a front-facing, retail environment, or in the back office, employees feel like they are making a difference.

‘Being helpful’ means that employees can take pride in delivering outstanding quality, service, and value. It means that jobs make good use of employee skills and abilities. It means that employees are empowered to solve customer problems. To increase ‘being helpful’ at your work, try these two things:

### **3. Help employees see the big picture**

Help your employees to see the big picture, how they contribute to a functioning whole. A ‘chain of customers’ exists from the bottom of the organization up to the top. Where outward facing employees serve a customer, supervisors must serve and empower retail employees, managers must serve and empower supervisors, and so on up to corporate presidents who must serve and empower vice presidents.

### **4. Use secret shoppers**

Use secret shoppers not just to grade service delivery but also to measure front-facing processes. Is it simple for customers to do business with you? Chances are your secret shoppers can find process gaps and that retail employees know how to solve the issue. Empowering employees to provide first-class service delivery will make employees feel like they are being helpful.

## **Principle: Your employees must feel confident and improved**

Employees want to feel like they can do their assigned job confidently, that their future is secure, and that they are progressing in their own personal life goals. It surprises me how often company managers slash training budgets to save costs, not knowing that both service delivery and morale suffer from inadequate training.

By facilitating career advancement and opportunities to improve skills through training, employers can improve their employee engagement. An employee who is feeling confident and improved by the organization actively promotes the organization to others.

### **5. Close training gaps**

Make sure there are no major training gaps in your organization. Training should be up-to-date. Make sure employees know about training opportunities. Some sophisticated organizations have a Learning Management System in place to measure training and results.

“One of the biggest business growth opportunities today is to focus on engagement. Companies that make it fundamental to their business cannot be touched by competitors. They enjoy more profits during tough times, and grow faster during good times. It truly is an untapped opportunity just waiting for those who want to grab it.”

– Adam Edmunds,  
CEO, Allegiance, Inc.

“Executives are finding that the winning differentiator is no longer product or price, but the level of customer engagement relative to the competition.”

– Rama Ramaswami, Senior Editor,  
Economist Intelligence Unit

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## 6. Mentoring program

Train and encourage seasoned employees to be mentors. A mentoring program can facilitate dynamic skill growth throughout an organization. Informal learning can be as important as formal learning programs.

### **Principle: Help employees feel accepted**

Employees must be accepted as contributors by their peers at work. Teams may encourage a challenging but supportive environment. Organizational behaviorists of yesteryear recommended that we reduce stress at work to improve engagement. New research says that stressful environments can be healthy, provided that employees are passionate about what they do.

Strong, loyal teams provide one level of acceptance, and teamwork between departments provides another. Furthermore, adequate benefits programs will enable employees to feel accepted by the organization, not expendable. Employees who become more engaged through increased acceptance will share a common bond of beliefs and purpose about the organization.

## 7. Promote team building

Encourage team building activities among employee groups. Some managers see the intangibles of team building as a pointless waste of time. However, there are well-documented benefits to creating trust and acceptance among work groups. Team building activities don't have to be expensive. Inexpensive ideas for trust building activities are available through a simple web search.

## 8. Build a supportive environment before addressing compensation complaints

Sometimes dissatisfaction with wages merits investigation. But often, dissatisfaction with wages and benefits masks problems that relate back to acceptance by a team or manager. Often employees voice any problem in terms of a compensation issue. Employees may need appropriate coping skills, problem-solving skills, tactics for handling difficult situations, or help expressing their own personal feelings.

### **Principle: Employees want to feel respected**

"Employees don't leave their job, they leave their manager" is the mantra heard for many years in Human Resources circles. To feel respected, employees should feel like the company regards them as an important asset. Employees should feel like their manager has realistic expectations about what they can achieve. And, managers must be fair and even-handed.

In my experience, nothing makes employees angrier than seeing a peer receive special treatment when they've broken the rules or have not been performing. Managers have the special role of enforcing company policy while at the same time removing barriers and excuses for employee performance.

**"Having highly loyal employees is not a secret, its science – combined with the right solutions and best practices. Companies today don't need to feel like they are alone. There is technology that can lighten the load. In fact, with the right help, business managers can move from 'not knowing and wishing' to 'knowing and doing' exactly what moves the needle for their business."**

– John Epeneter, VP Product Management, Allegiance, Inc.

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### **9. Don't be afraid to tell them the truth**

Respect your employees through degrees of transparency. Communicate how your business is really doing at least quarterly or semi-annually. Give your employees confidence in the future and information to understand shifts in corporate policy due to your economic or competitive environment.

### **10. Retrain or get rid of bad managers**

One bad manager can pollute multiple layers of an organization. Your most talented employees will be the first ones to leave in the face of poor management. I have seen situations where poor managers bring down the morale of employees, which in turn spills over to the engagement level of customers and ultimately reflects poorly in that group's performance and profits.

### **11. Recognize employee contributions**

Recognition from a supervisor at least two ranks above an employee makes a meaningful, engaging difference in employee morale.

### **Let technology help you manage engagement**

Utilize technology to help you understand the heart and mind of your employees. Don't try to figure it all out in a single annual survey, or through a feedback email link you put on the company Intranet. You need to collect feedback often, and in all possible collection points, both solicited and unsolicited. Then you need to really listen and respond to what is submitted. This creates a win-win relationship.

A word of caution, Allegiance has learned through years of collecting and managing feedback for businesses in every industry that most employees are skeptical of any feedback system that is offered by their own company. They fear their submissions will not be confidential, so they don't submit truthful information, or they don't submit anything at all. That's one of the reasons Allegiance has been so useful for so many companies; employees know we are a trusted third-party offering them the chance to submit feedback in complete anonymity.

### **Understand the 'heart and mind' of employees**

To really know the heart and mind of customers, you should ask them questions that draw out truthful answers to the 4 topics we just discussed: being helpful, feeling confident and improved, feeling accepted and feeling respected. You should ask these questions regularly to a small subset of your employees and you will bring to life the employee engagement level at your business. You will truly know what makes them emotionally connected to your company, spot trends, and become empowered to be proactive instead of reactive. The easiest way to do this accurately is through the Allegiance EmployeePulse solution. Contact Allegiance for more information.

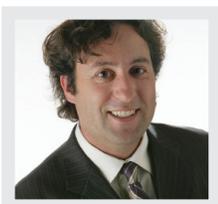
To effectively manage the engagement of your employees is to start down a road with great rewards, including happier and more productive employees who stay longer with your company and willingly promote your business to others. Happy customers will follow, which will then lead to increased profits and other positive business outcomes.

I suggest that you start working right away on these items I've explained. If you can only start on a few right now, that's OK. What's important is that you start! Having highly engaged employees is one of the most worthy goals any business can seek.

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### *Allegiance*

*For more information about how to increase your employee loyalty and engagement, visit [www.allegiance.com](http://www.allegiance.com) and learn about the Allegiance Engage Platform – a software platform and services designed to help companies actively build engagement and link it to business outcomes to grow revenue faster.*



### **About the Author**

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Kyle LaMalfa helps Allegiance clients fine tune and optimize their customer, employee, and feedback engagement processes to align closely with idealized standards.

LaMalfa has been analyzing data professionally since 1996. Along with undergraduate degrees in mathematics and economics, LaMalfa will complete a master's degree in statistics in 2007. His professional experience includes time as a software quality engineer for a large financial services company, a data warehouse engineer at a mountain resort, a freelance consultant for local businesses, and the lead statistician for a market research company. Throughout his career, LaMalfa has worked with managers and executives to answer business questions using statistical data and research. Problem solving specialties include customer/employee attrition, customer/employee engagement, data mining and predictive modeling.

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