

# Manage Your HumanSigma<sup>®</sup>

Susan Conner, Principal

Gallup

Washington, DC

## Agenda

- **Who is Gallup?**
- **What is HumanSigma?**
- **What is Employee Engagement?**
- **What is Customer Engagement?**
- **HumanSigma (5 Core Principles)**
- **Best Practices**

# Who is Gallup?

# Introduction

## Leading Research-Based Management Consulting Firm

- Founded in 1935
- Staff of 2,500 in 41 offices worldwide
- World experts on human behavior leveraging the latest advances in economics, psychology, statistics, sociology and neuroscience
- Experts on Employee, Patient, and Physician Engagement
- Experts human capital management and employee life-cycle

## Unparalleled Research Experience & Fact Base

- History as world's leading polling company
- Best-in-class database – over 10 million respondents (over 5.2 million respondents in last 3 years), 422,522 work groups, 14 major industries, 112 countries, 37 languages
- Among clients are 35% of F500 companies
- 40% of the Fortune 100 companies
- 12 of the top 35 companies
- 4 of the top 10 companies
- 40 of the World's Largest companies
- Over 2,200 hospitals



# Select Gallup Healthcare Clients



Franciscan Health System



American Medical Association  
Physicians dedicated to the health of America



# Select Gallup Consulting Relationships



Fairmont Hotels & Resorts



TIFFANY & CO.



WAL\*MART®

stryker®

CATERPILLAR®

Fifth Third Bank

FedEx®



WACHOVIA



GOODYEAR

SAKS FIFTH AVENUE



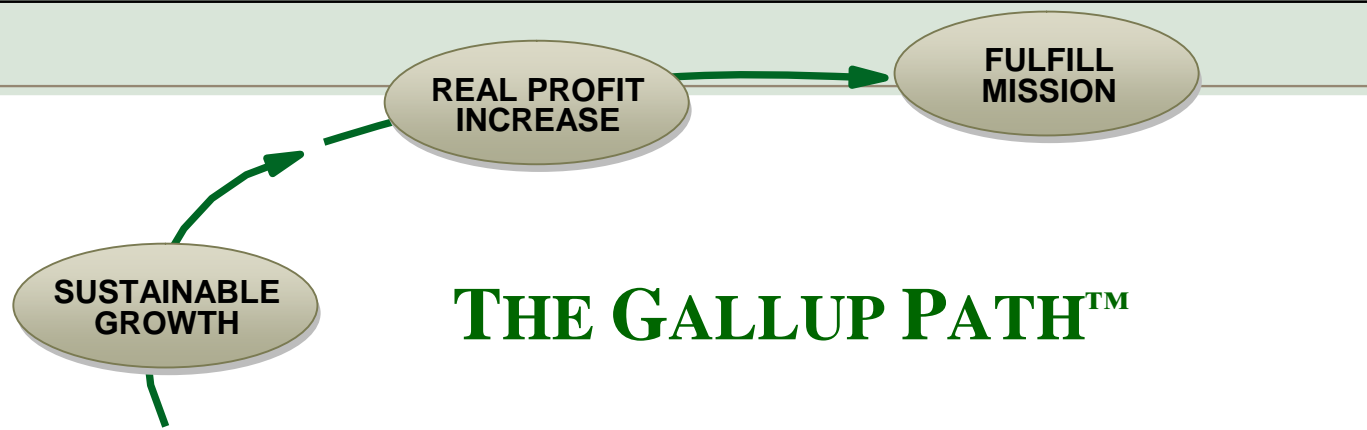
INTERNATIONAL PAPER



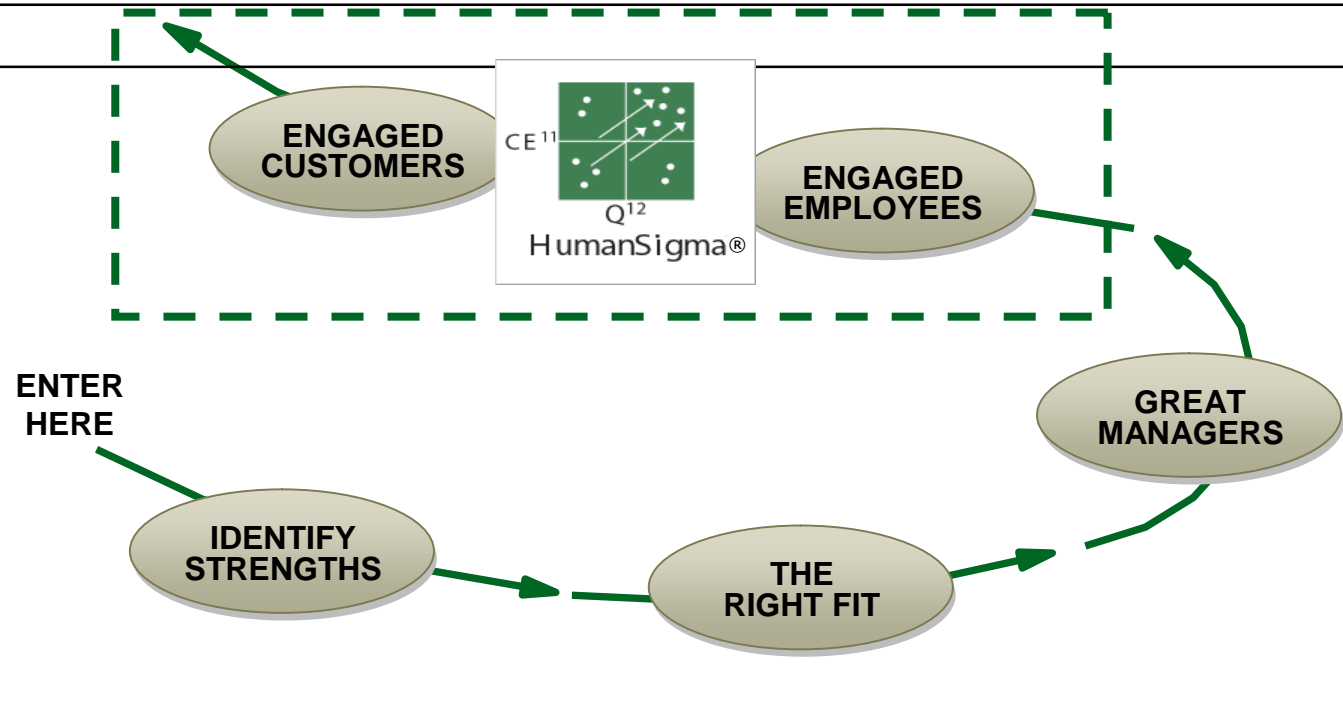
STARBUCKS.CO

DISCOVER FINANCIAL SERVICES

To reliably influence these . . .



. . . these must be managed.



## The Employee-Customer Encounter

- In manufacturing, value is created on the factory floor when a product is made available for sale.
- But with sales and service organizations, value is created when an employee meets – and interacts with – a customer and their family.
- To achieve meaningful operational and financial improvements, the employee-customer encounter must be measured and managed.

## First, what is Six Sigma?

- Six Sigma at many organizations simply means a measure of quality that strives for near perfection. Six Sigma is a disciplined, data-driven approach and methodology for eliminating defects (driving towards six standard deviations between the mean and the nearest specification limit) in any process -- from manufacturing to transactional and from product to service.
- **Six Sigma** is a system of practices originally developed by Motorola to systematically improve processes by eliminating defects. Defects are defined as units that are not members of the intended population. Since it was originally developed, Six Sigma has become an element of many Total Quality Management initiatives.
- To achieve Six Sigma, a process must not produce more than 3.4 defects per million opportunities - a Six Sigma defect is defined as anything outside of customer specifications.
- The fundamental objective of the Six Sigma methodology is the implementation of a measurement-based strategy that focuses on process improvement and variation reduction through the application of Six Sigma improvement projects.

## What Is HumanSigma®?

- A holistic approach to “optimizing” an organizations vital signs.
- Like Six Sigma, focus on reducing variability and improving organizational performance.
- Unlike Six Sigma, focus on the human aspects of organizational performance to drive profitability and growth.

# Team Member Engagement



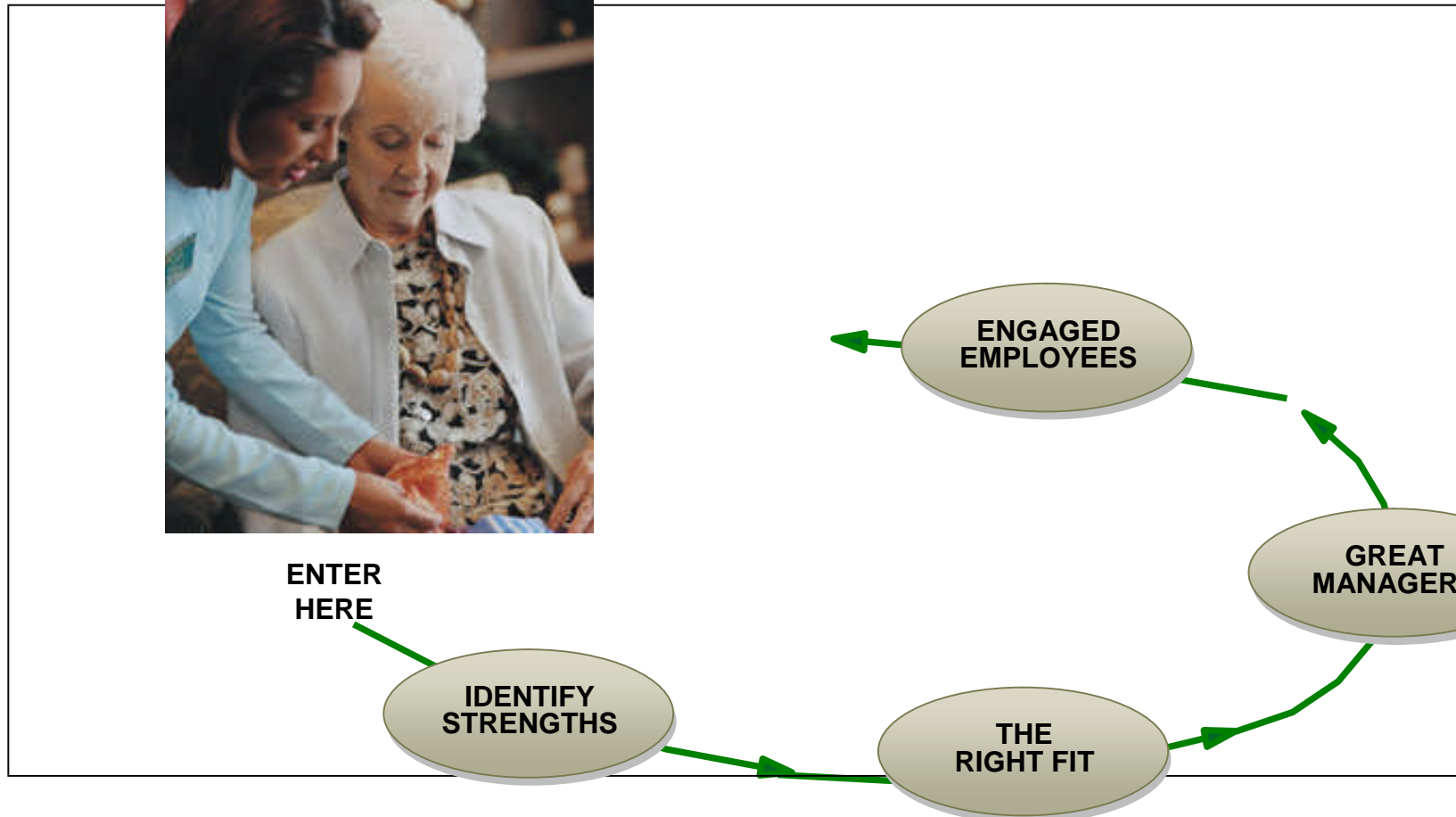
ENTER  
HERE

IDENTIFY  
STRENGTHS

THE  
RIGHT FIT

GREAT  
MANAGERS

ENGAGED  
EMPLOYEES



## We Were Wrong...

**1993** - Human resources, organizational development personnel in Fortune 500 companies, were interviewed about creating positive culture change - the ways and means.

**80%** conduct employee surveys

**Average length** - 150 question items

**Frequency** - every one to two years



**60%** reported being “worse off” after the survey!

## Why?

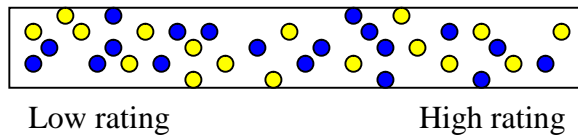
- Strategic/Macro in focus
- No drive for local accountability
- Purpose unclear
- Confusion

## Solution (What we've learned)

- Survey needs to be focused
- You must measure what is important
- It must be comparable
- It should reinforce accountability local
- It should emphasize process versus  
“event”

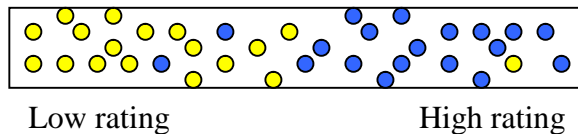
# The Sorting Effect

## Poor Question





“I feel I am paid the right amount.”

## Great Question



“At work, I have the opportunity to do what I do best every day.”

-  More productive workgroups
-  Less productive workgroups

## Why Satisfaction is a necessary, but not a sufficient condition

- We start every employee survey with “Overall, how satisfied are you with your organization as a place to work?” There is a difference between engagement (which the Q<sup>12</sup> measures) and satisfaction. Engagement is mostly driven by the local workgroup environment, while satisfaction takes into account how employees feel about the organization as a whole, much of which is beyond the control of the local manager.
- It is important to distinguish between engagement and satisfaction. For example, we find situations where employees are very satisfied with their organization as a place to work, but they are not all that engaged.

# Employee Engagement

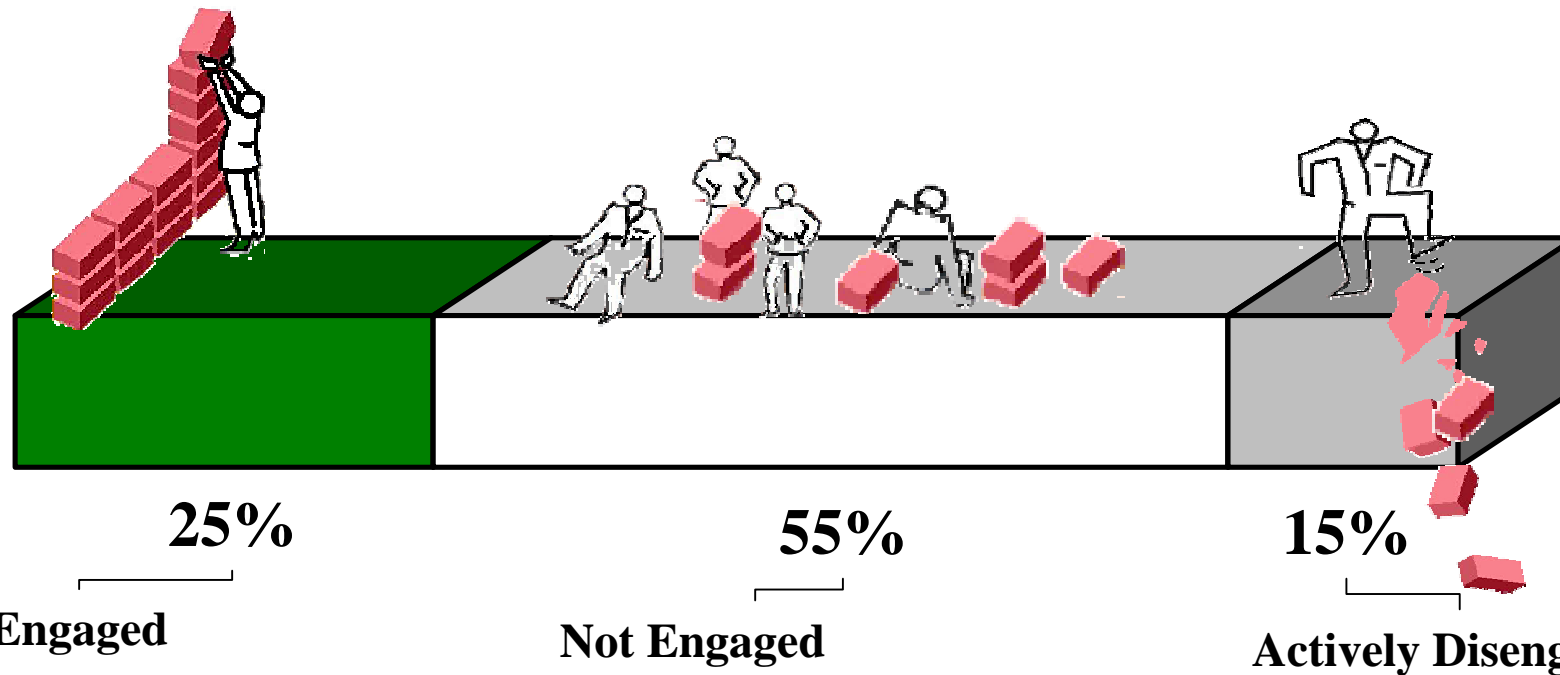
## What is Employee Engagement?

- Employee Engagement is a systematic approach to reduce and improve the variance in engagement, in human capital, to benefit the bottom line performance.
- Through years of analysis, Gallup identified 12 items for measuring employee engagement.
  - The process consists of evidence-based measurement, education, action planning, and consulting that is proven to improve key clinical, operational, and financial outcomes.

# The 12 Questions That Matter

- I know what is expected of me at work.
- I have the materials and equipment I need to do my work right.
- At work, I have the opportunity to do what I do best **every day**.
- In the **last seven days**, I have received recognition or praise for doing good work.
- My supervisor, or someone at work, seems to care about me as a person.
- There is someone at work who encourages my development.
- At work, my opinions seem to count.
- The mission or purpose of my company makes me feel my job is important.
- My fellow employees are committed to doing quality work.
- I have a **best friend** at work.
- In the last six months, someone at work has talked to me about my progress.
- This last year, I have had opportunities at work to learn and grow.

## Employee Engagement Groups- what do they mean?

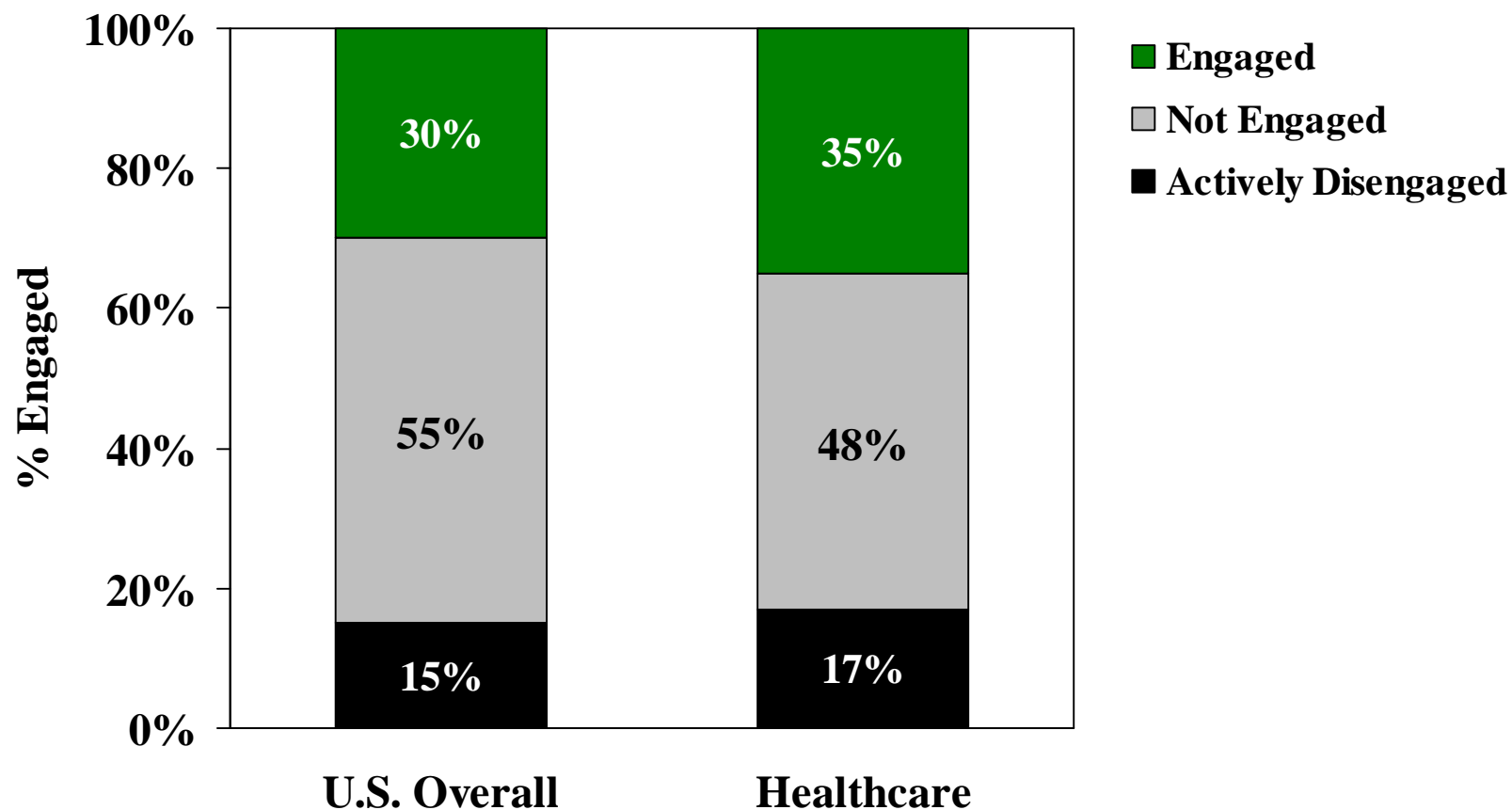


*These employees are loyal and psychologically committed to the organization. They are more productive and more likely to stay with their company for at least a year.*

*These employees may be productive, but they are not psychologically connected to their company. They are more likely to miss workdays and more likely to leave.*

*These employees are physically present but psychologically absent. They are unhappy with their work situation and insist on sharing this unhappiness with their colleagues.*

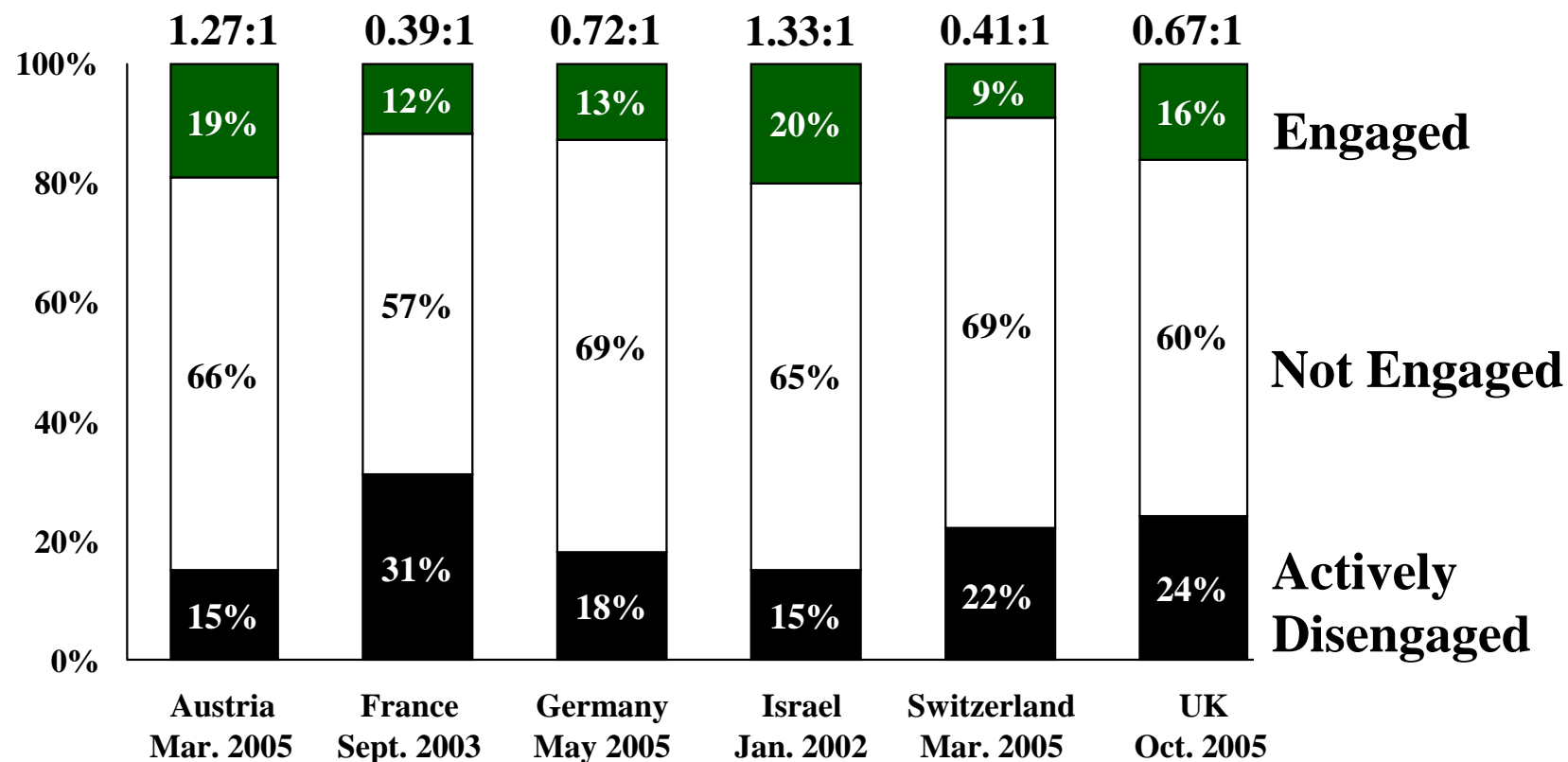
## U.S. Overall vs. Healthcare



Source: Gallup Poll data of U.S. working population. 18 years and older, accumulated March-October 2003.

# Engagement Index by Country

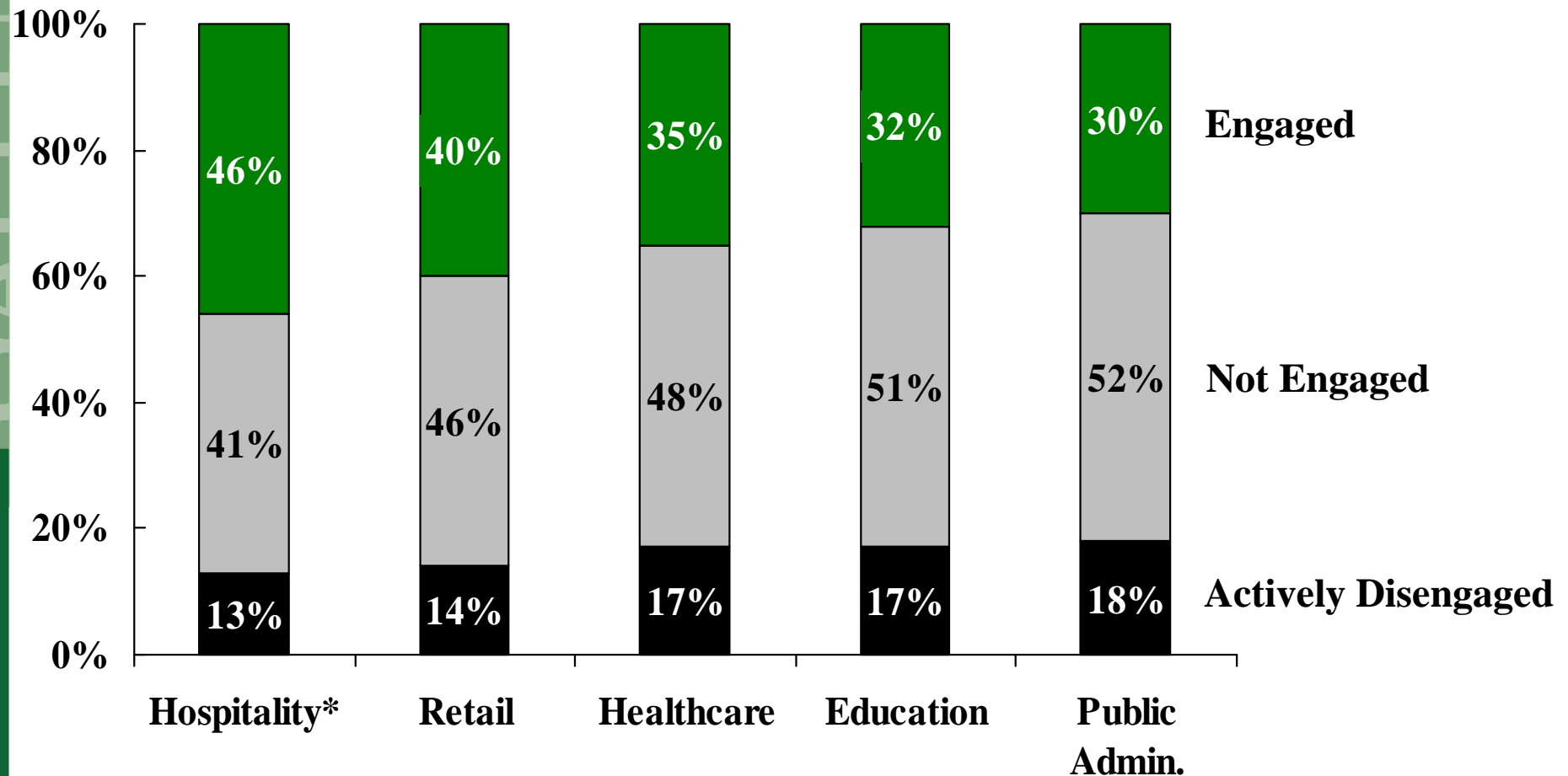
Ratio of Engaged to Actively Disengaged:



## The Cost of Disengagement

- **Australia:** \$32 Billion Aus
- **Brazil:** 75 Billion BRL
- **France:** 96 Billion Euro
- **Germany:** 90 Billion Euro
- **New Zealand:** \$4 Billion Aus
- **Singapore:** 3 Billion SGD
- **UK:** 51 Billion Euro
- **United States:** \$270-343 Billion

# Engagement in Service Industries

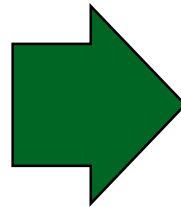


\* Hospitality is made up of Accommodation and Food Services

# Q<sup>12</sup>® Meta-Analysis Study Information

## Analysis of:

- **681,799 employees**
- **23,910 business units\***
- **125 organizations\*\***
- **37 industries**



## Correlations of Q<sup>12</sup> to:

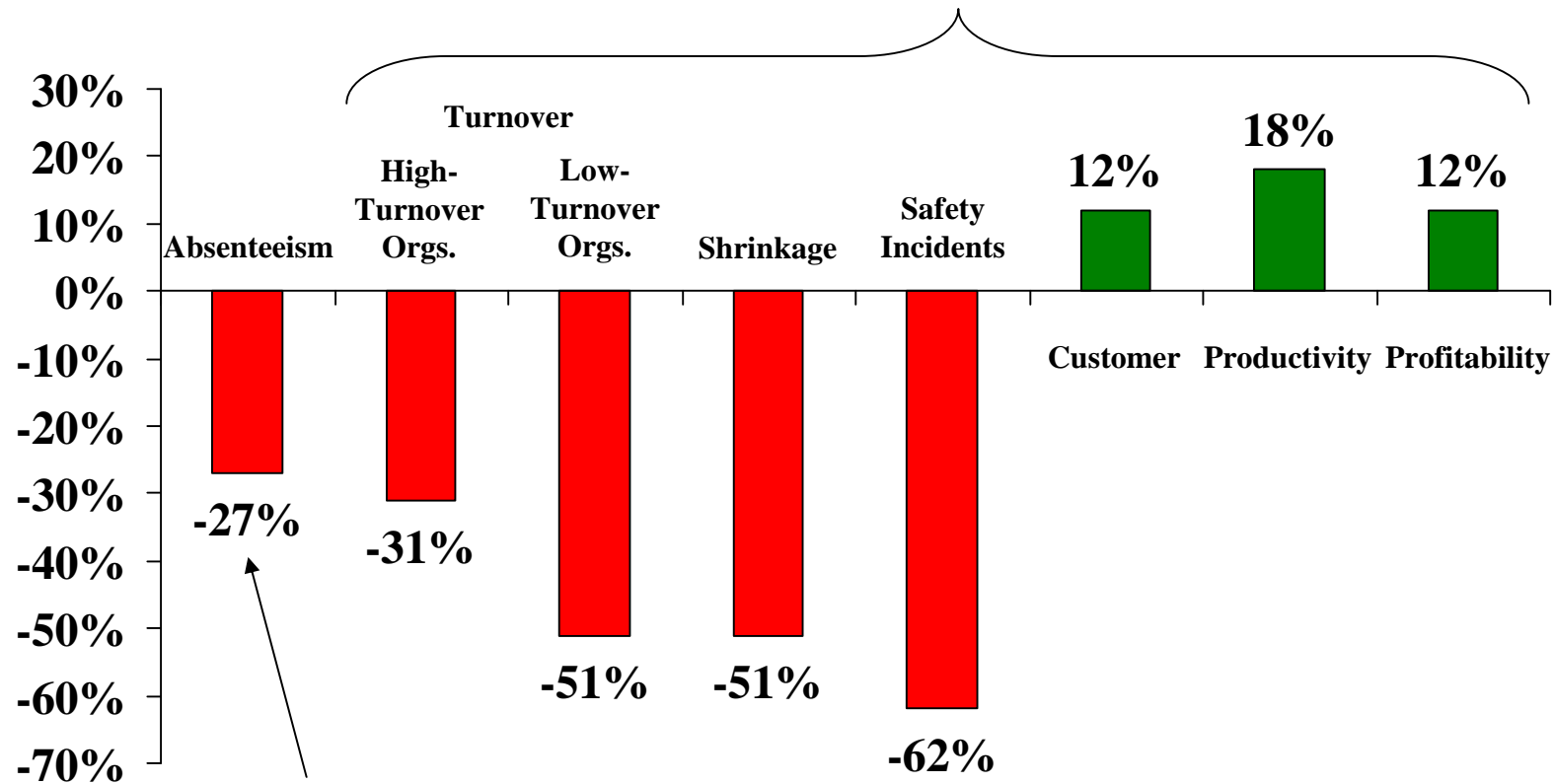
- **turnover/retention**
- **customer metrics**
- **safety**
- **absenteeism**
- **shrinkage**
- **productivity**
- **profitability**

\* Includes business units in 23 countries in Asia, Central/South America, Europe, and North America

\*\* 20 organizations exclusively outside the United States

# Q<sup>12</sup>® Meta-Analysis: Outcomes

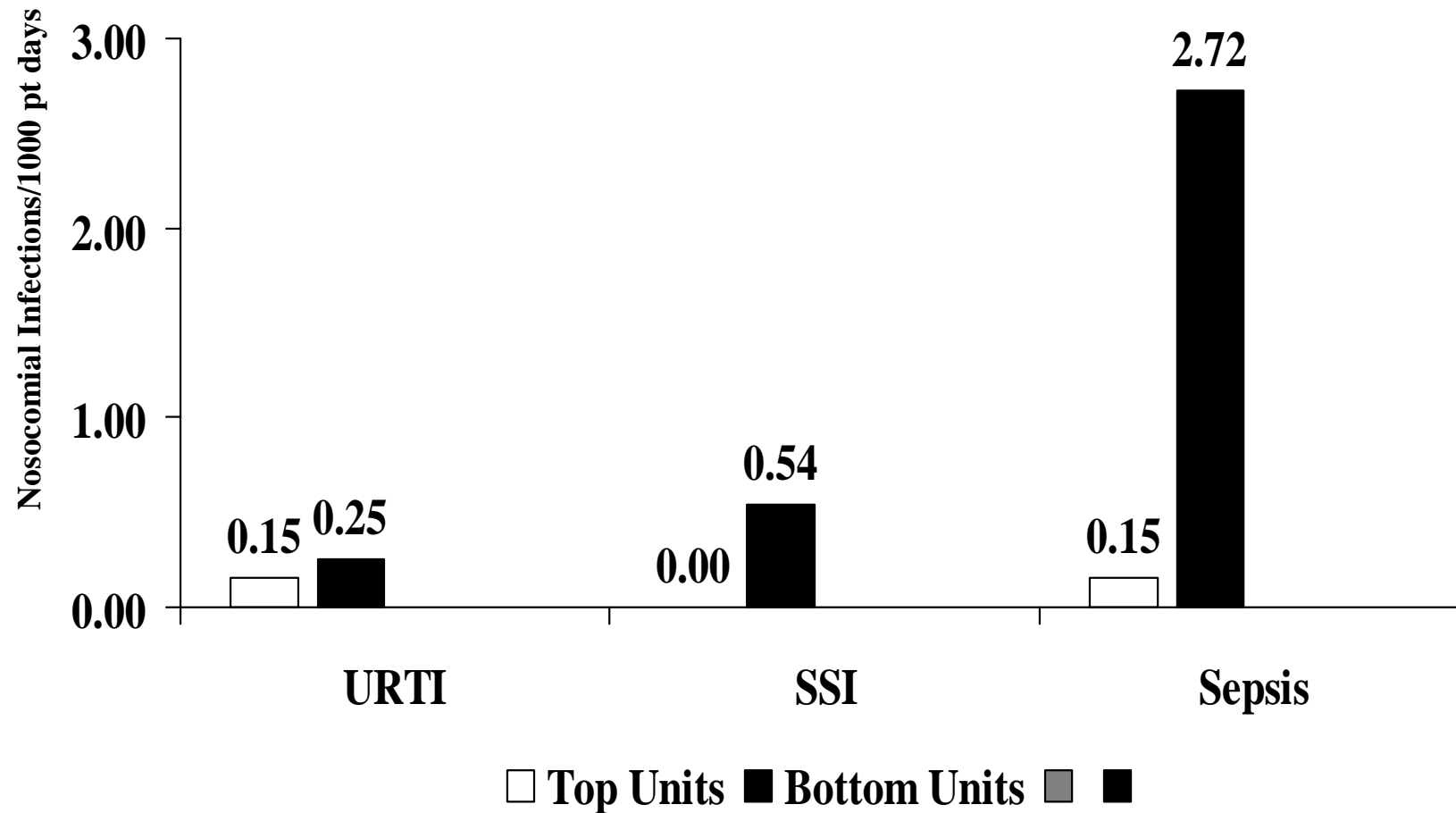
Difference between top and bottom quartiles



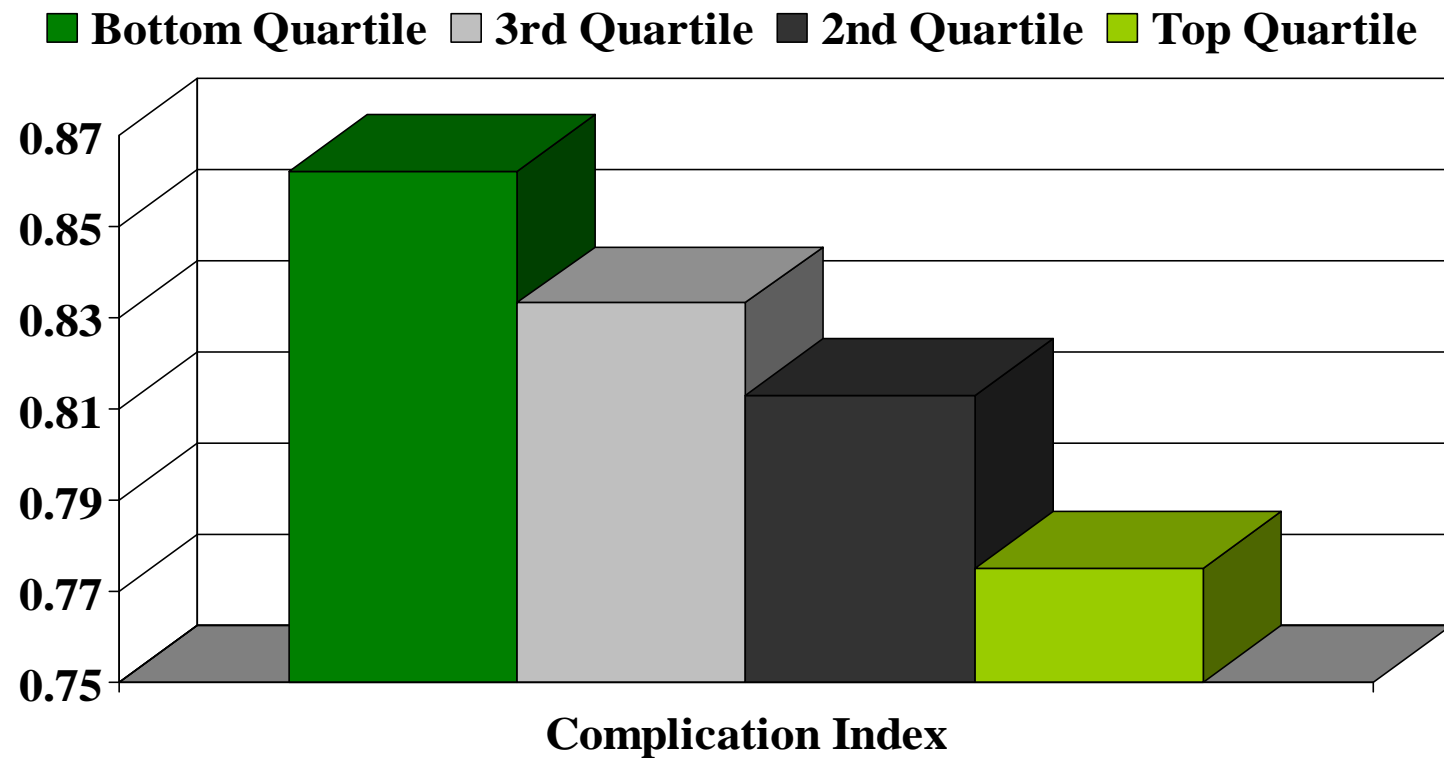
Difference between engaged and actively disengaged employees in unexcused absences

# Employee Engagement and Infection Rates

## Employee Engagement and Nosocomial Infections



# Employee Engagement & Avoidable Complications



Correlation-regression analysis of Engagement GrandMean and Complication Index statistically significant at  $-.23$  ( $n=152$ )

## Prediction of Complication Index



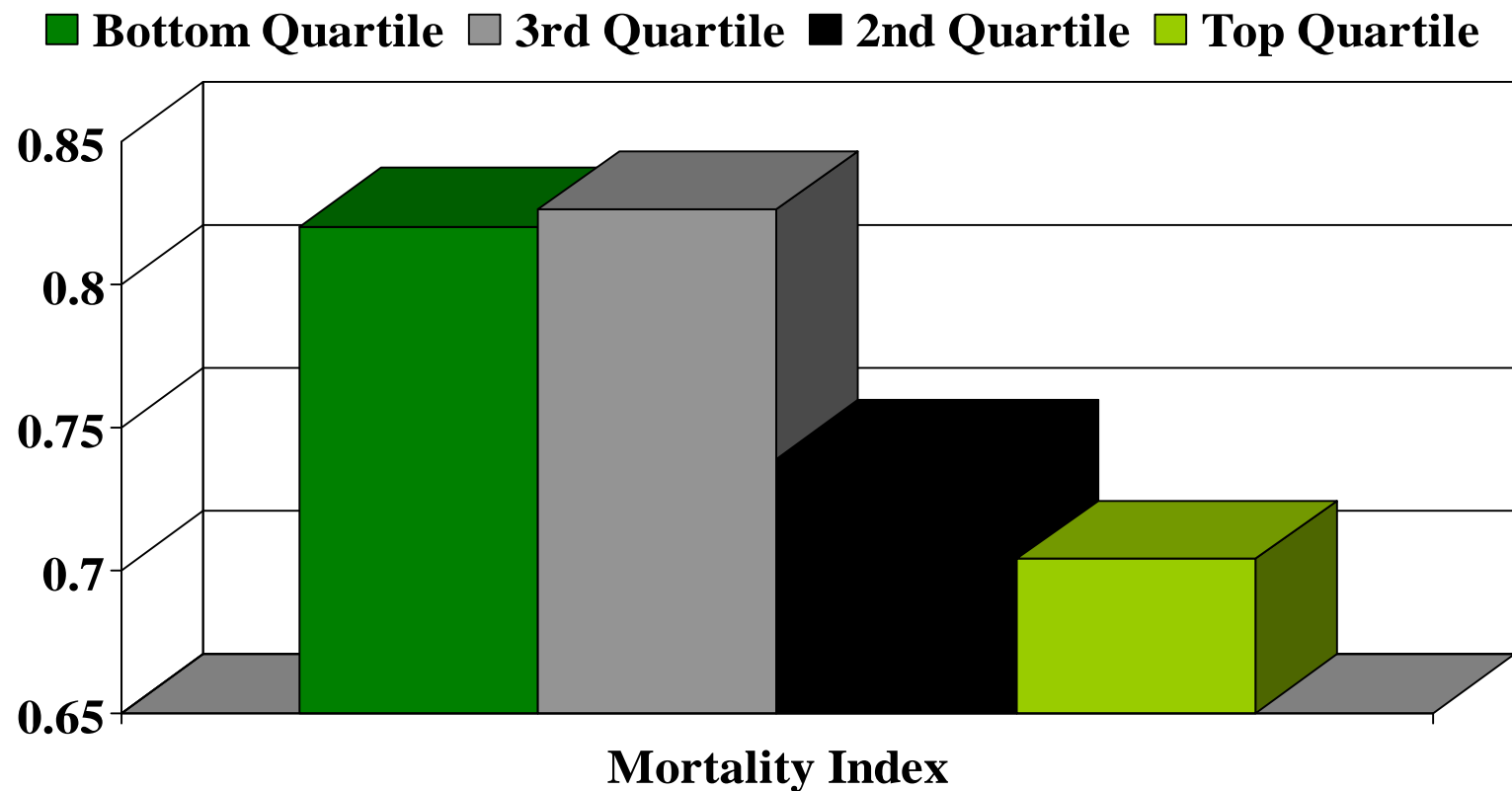
### Gallup's Complication Index

**Key predictors, in rank order, of  
better or worse than expected  
Complication Index in hospitals:**

- 1. Engagement Level of Nurses**
- 2. % Contract Hours per Year**
- 3. % ICU/CCU Days (Acuity) per Year**

\*Results obtained by regression statistically significant at  $p < .05$

# Employee Engagement & Avoidable Deaths



## Prediction of Mortality Index



### Gallup's Mortality Index

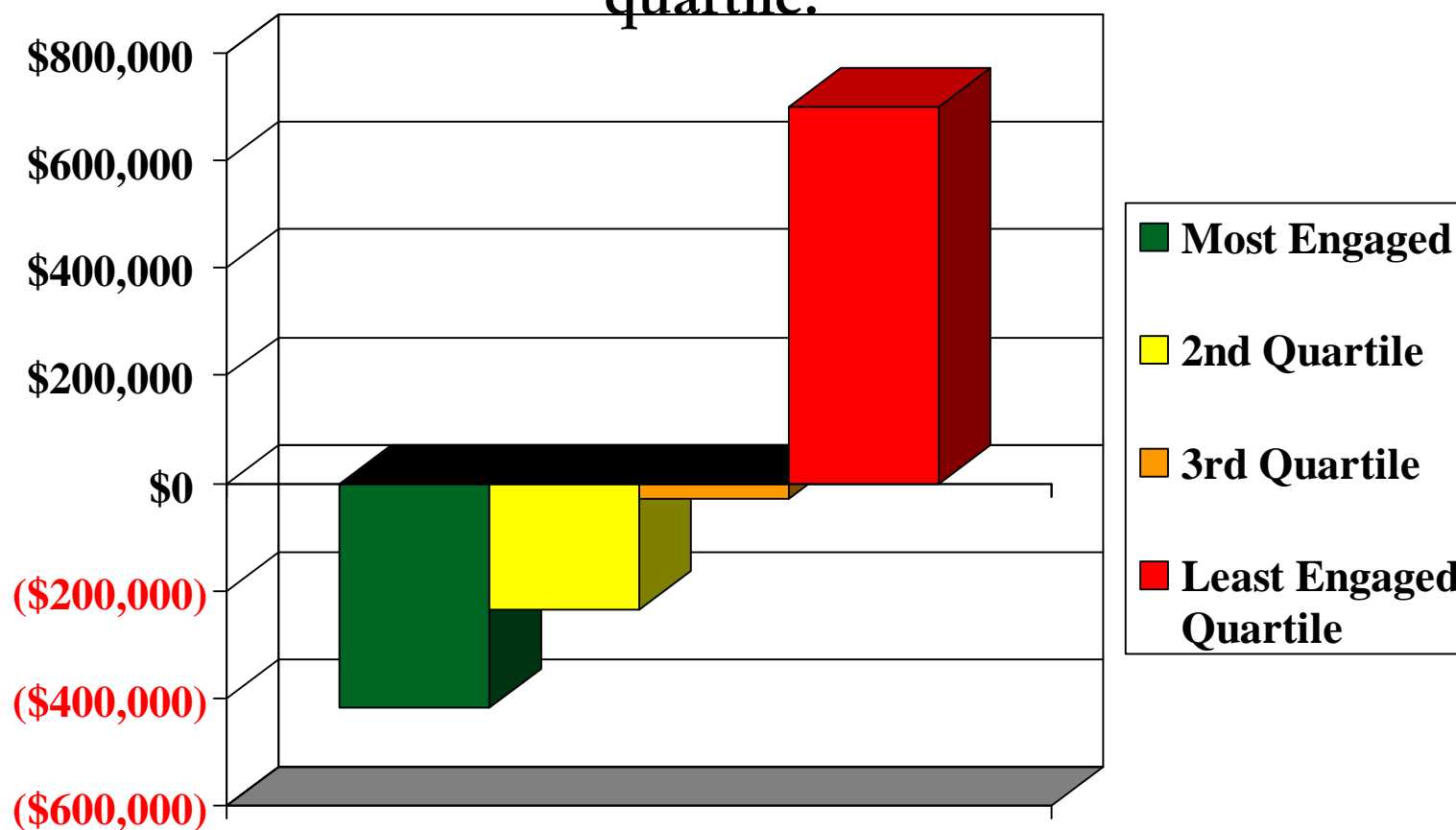
**Key predictors, in rank order, of  
better or worse than expected  
Mortality Index in hospitals:**

- 1. Engagement Level of Nurses**
- 2. Number of Nurses/Tot Patient  
Day**
- 3. % Overtime Hours per Year**

\* Results obtained by regression statistically significant  $p < .05$

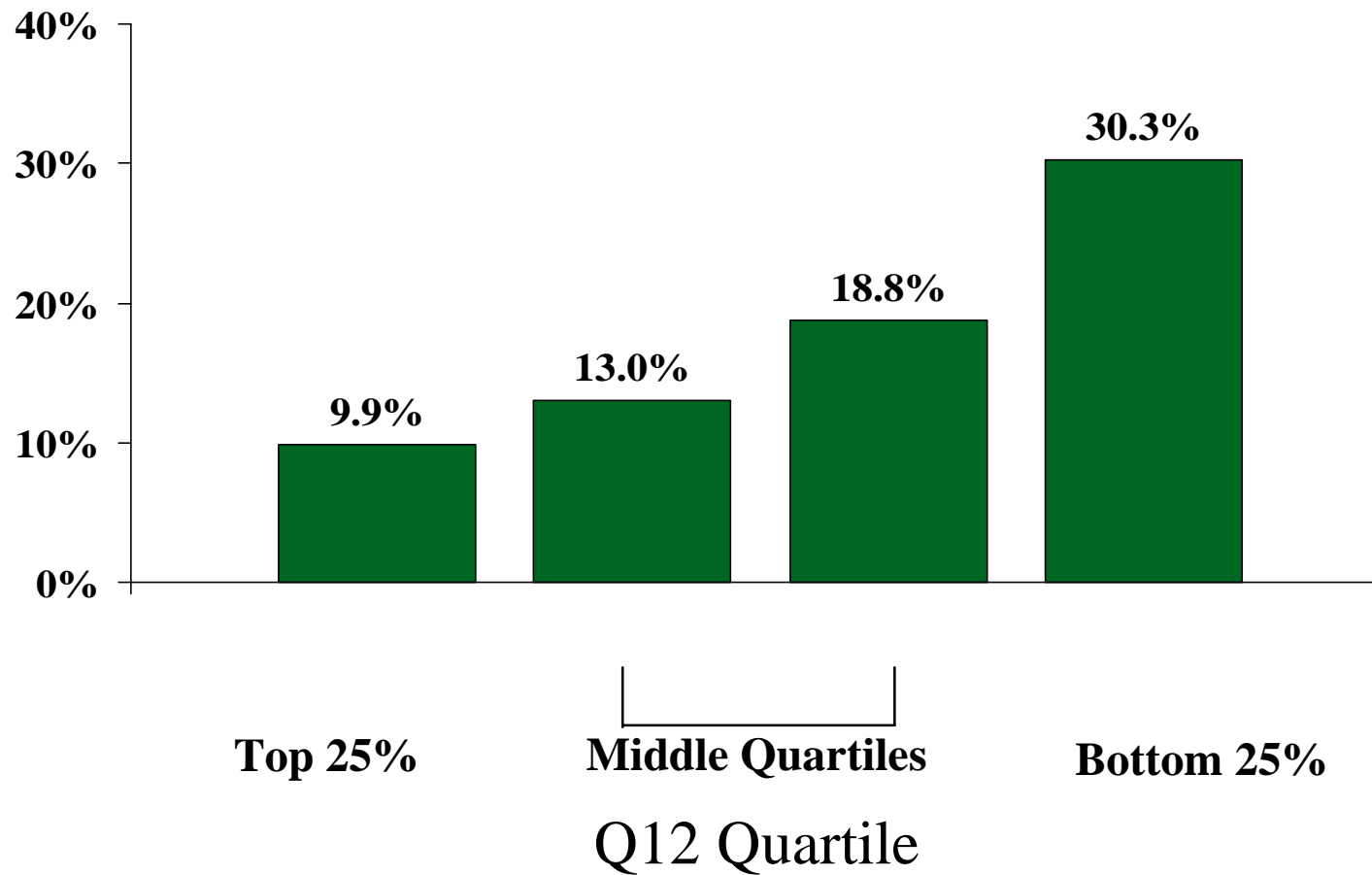
## Employee Engagement Correlates with Malpractice Payments

Hospitals in the most engaged quartile pay **\$1,120,000 less** in annual malpractice claims than hospitals in the least engaged quartile.



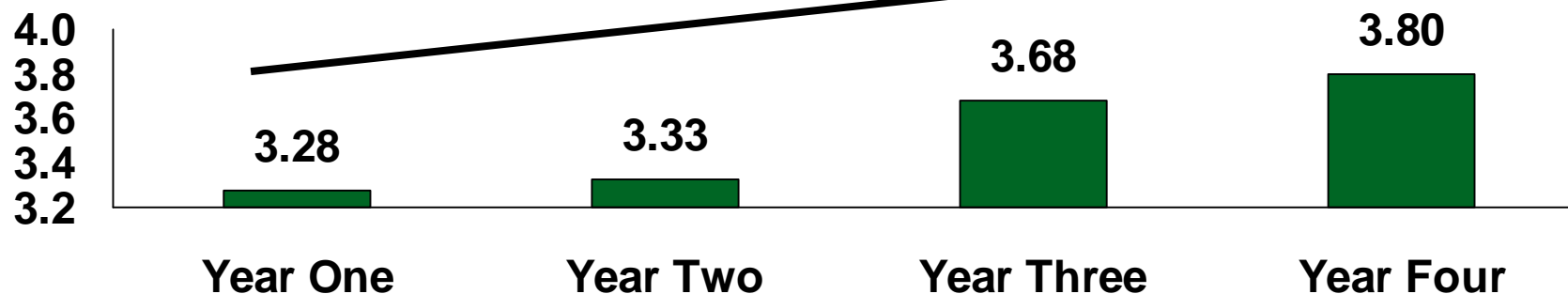
# Nurse Turnover

## Nurse Turnover by Quartile

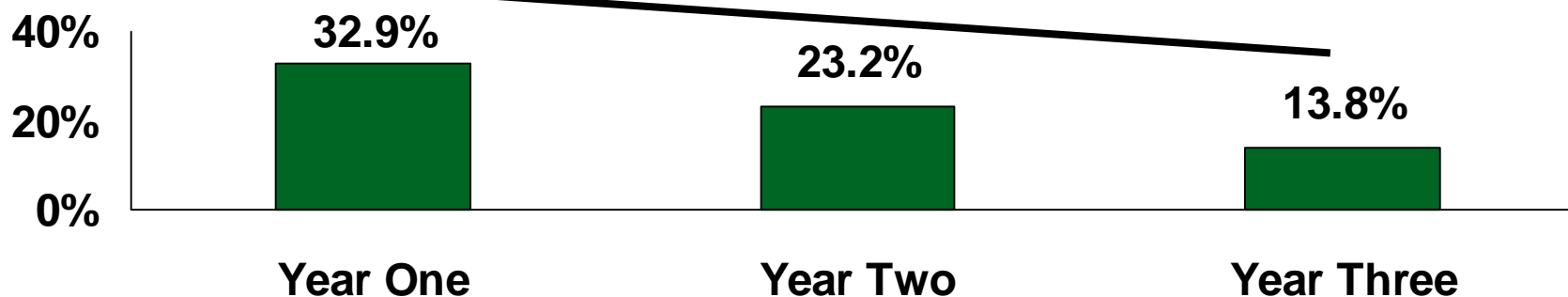


## Employee Engagement is Directly Related to Nurse Turnover

### Results — Workplace Engagement



### Results — Nurse Turnover

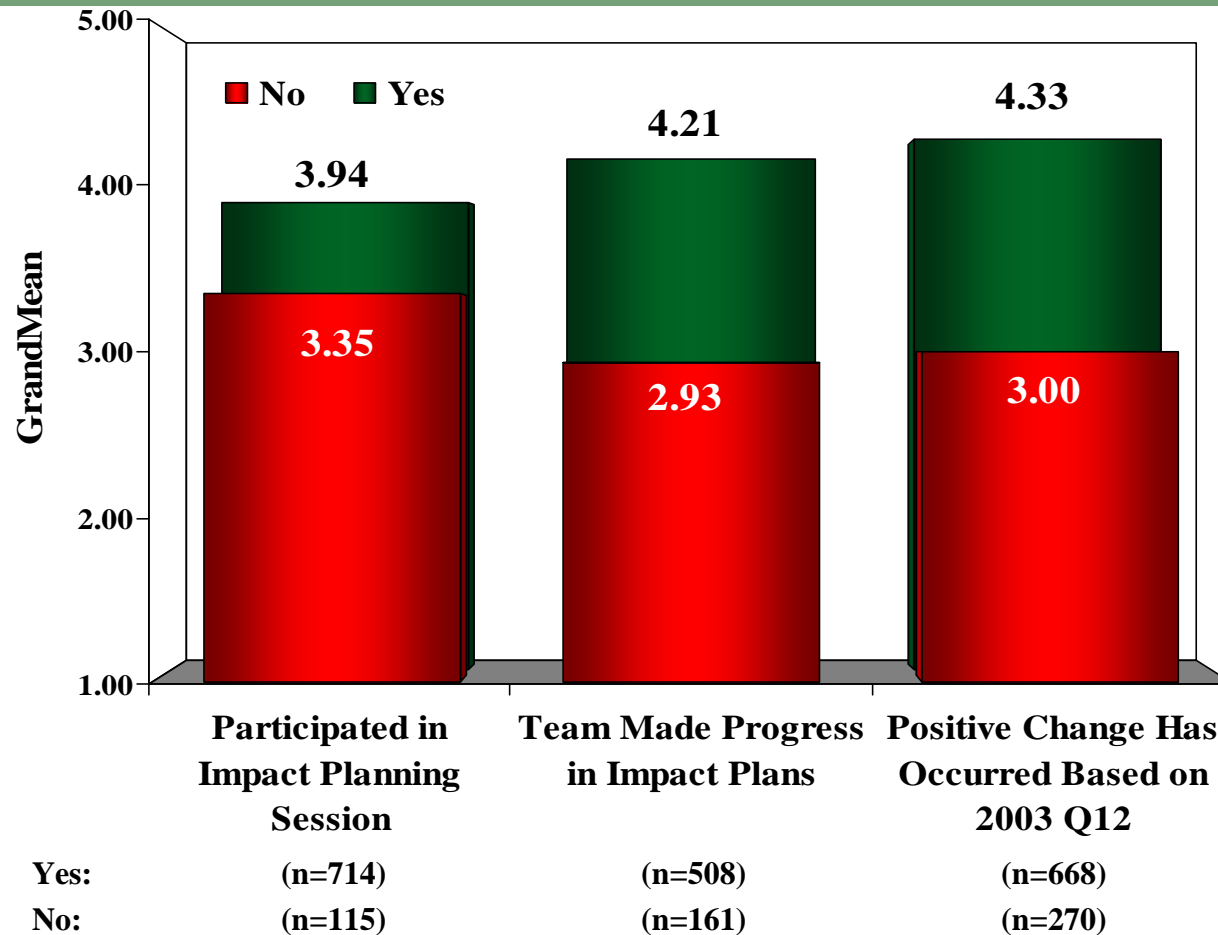


\*360 Bed Facility

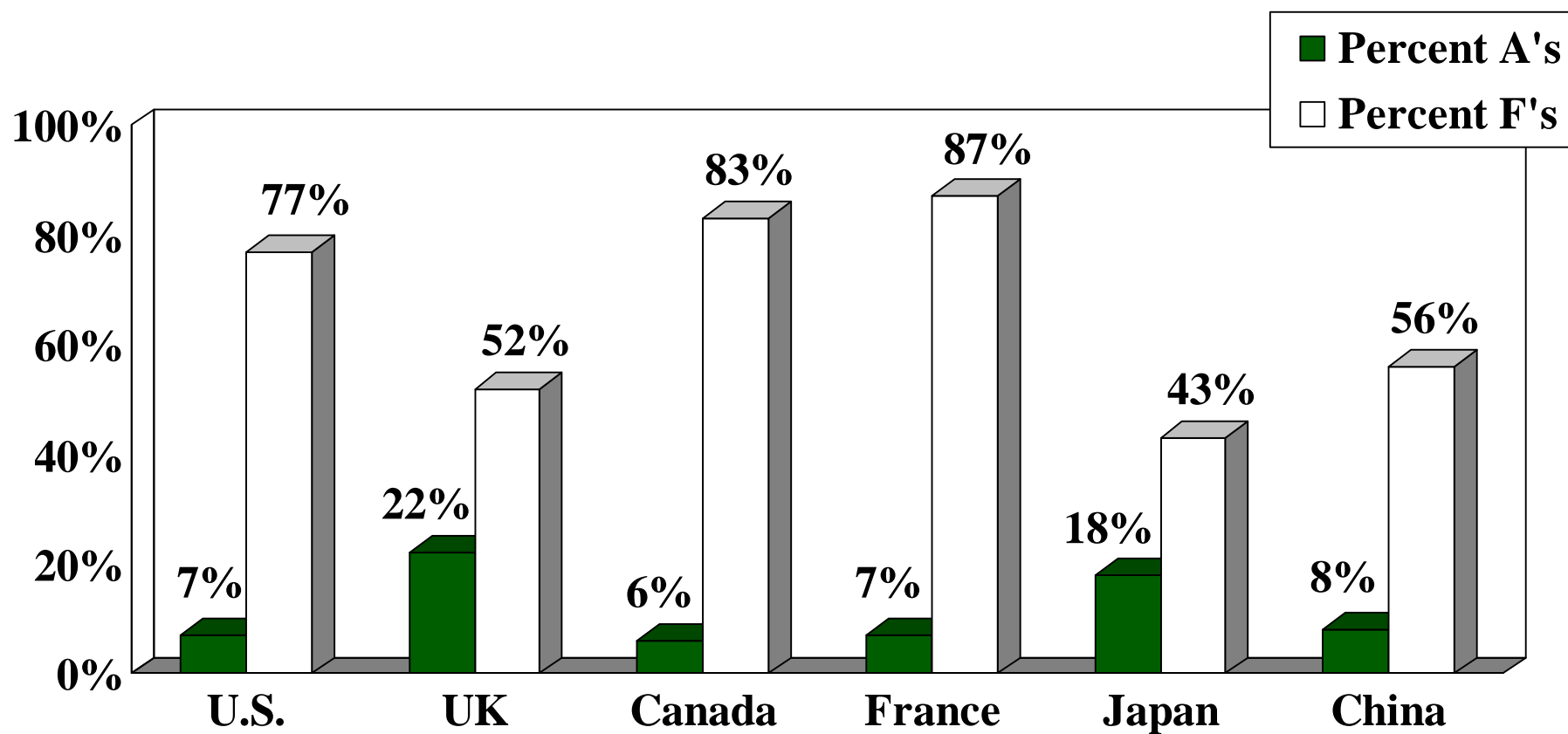
# What drives Engagement?

# Action planning drives engagement

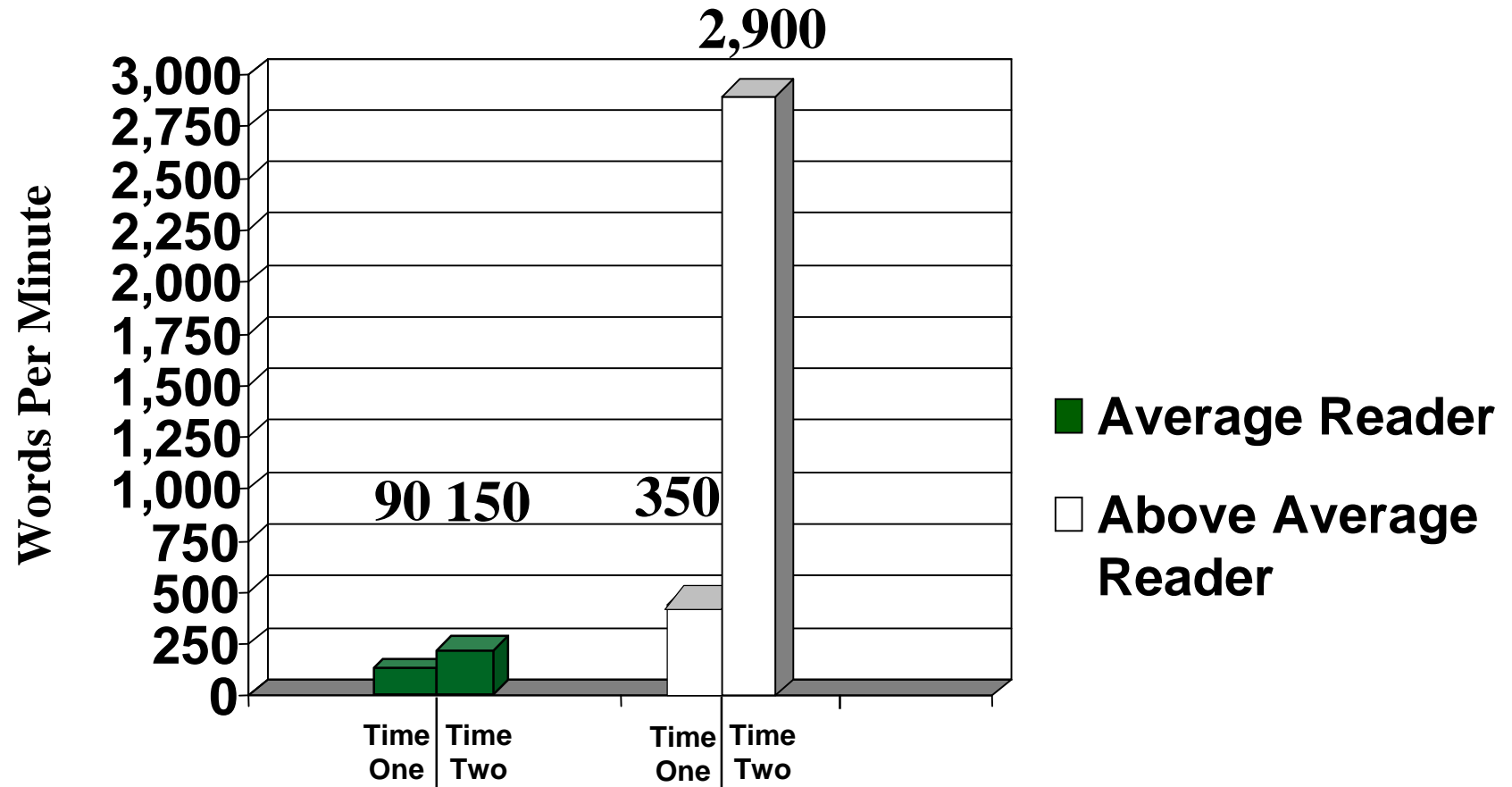
Percentile for "Yes" Groups*:	63 <sup>rd</sup>	82 <sup>nd</sup>	88 <sup>th</sup>
Percentile for "No" Groups*:	18 <sup>th</sup>	4 <sup>th</sup>	5 <sup>th</sup>



## What we focus on...



# Strengths: Focusing on who we are



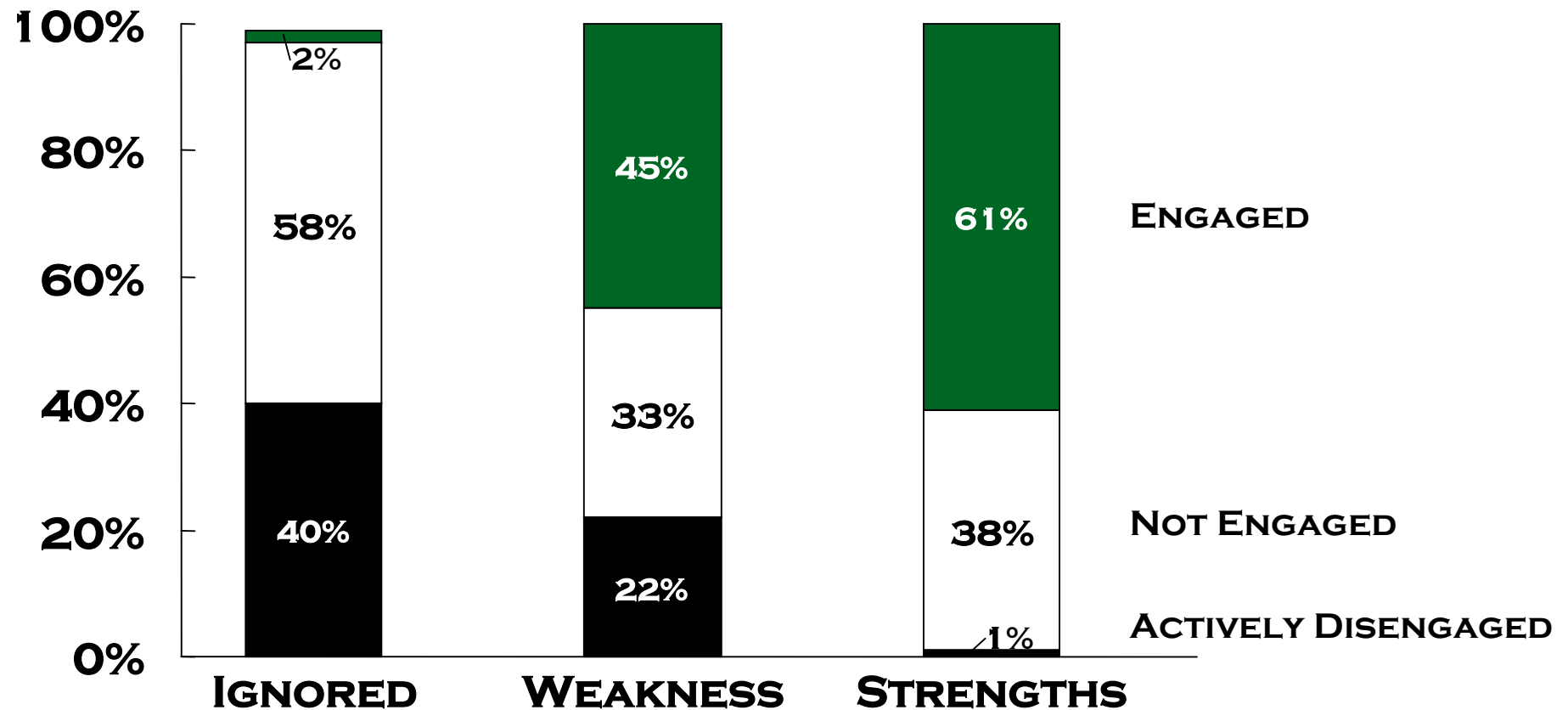
## Talents and Strengths

# Talent x Investment = STRENGTH

- **Talent** is a natural way of thinking, feeling & behavior
- **Investment** is time invested into development of the proper knowledge (information & understanding) and skills (basic steps in a given activity)
- **Strength** is the ability to provide consistent, near-perfect positive performance in a given activity

## The Impact of a Strengths-Based Approach

What happens if you start focusing on your employees strengths, rather than their weakness?



Let's look at...

...how focusing on Strengths can help your employees, patients, financials, etc.

Gallup's research shows that managers adopting a strengths-based approach are

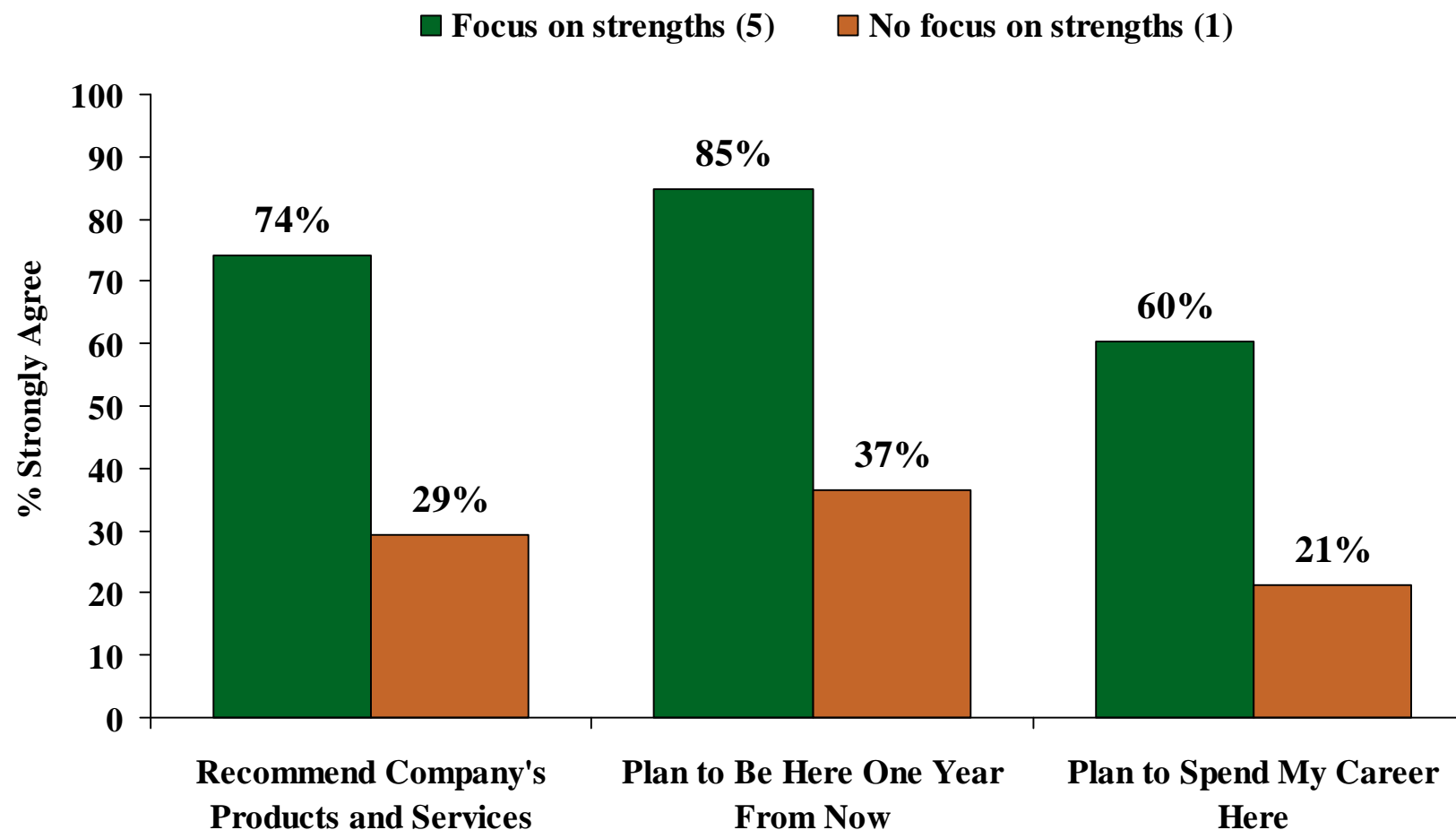
**1.9**

times more likely to be top performers.

## Why do it?

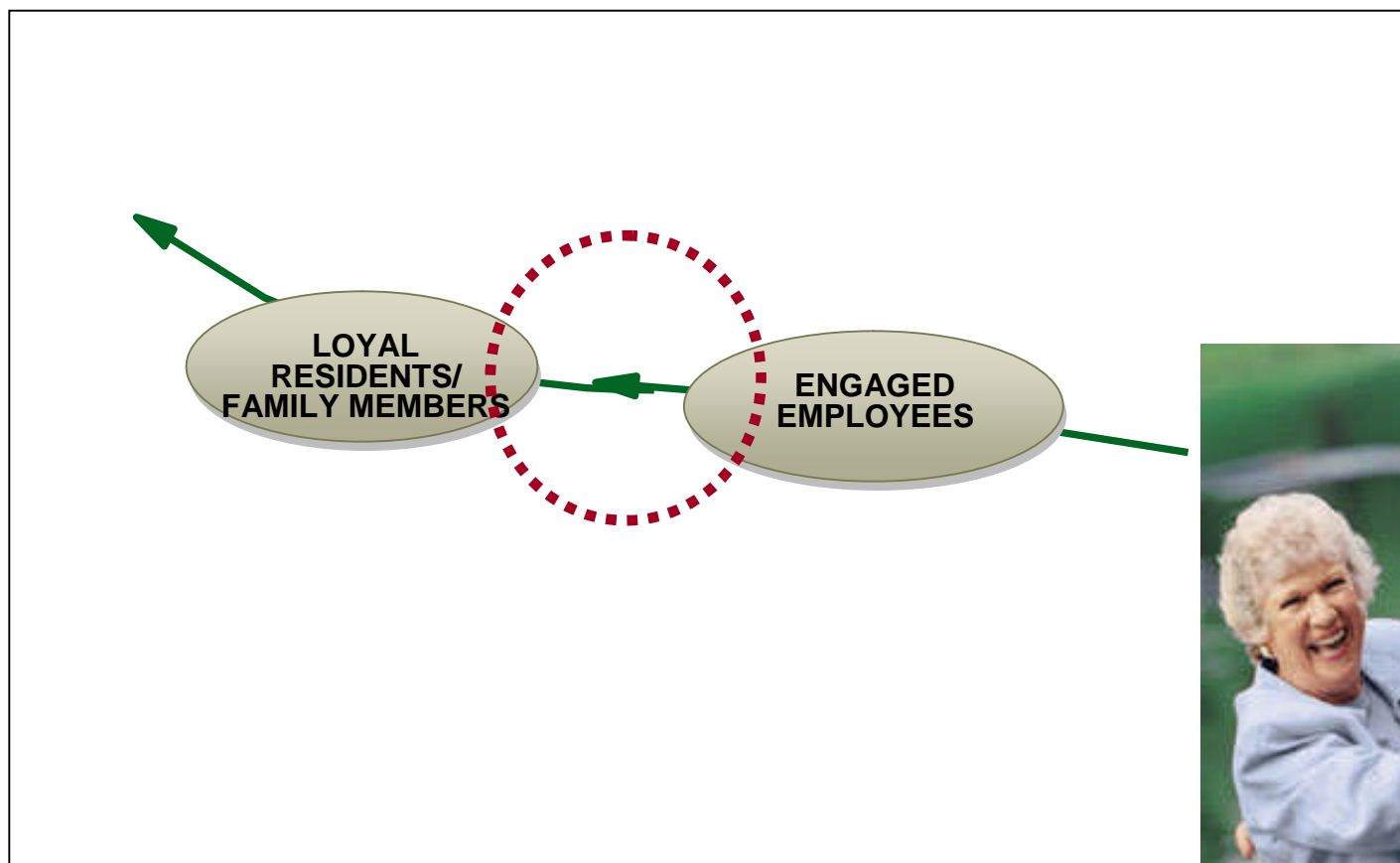
- An employee who truly knows how to apply their strengths is **8.2** times as likely to strongly agree that they know what is expected of them at work.
- An employee who truly knows how to apply their strengths is **15.3** times as likely to strongly agree that they have the opportunity to do what they do best.
- Of the people who felt their manager focus on their weaknesses, **22%** were actively disengaged as employees.
- When people felt their manager focused on their strengths, only **1%** were actively disengaged.

# Loyalty Effect of Focusing on Strengths



Source: Gallup Poll data of U.S. working population aged 18 and older, April 2004

# Points of Customer Impact



## Understanding Customer Engagement

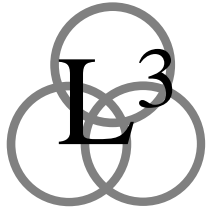
**“When it comes to customers,  
*feelings are facts.*”**

*-Simon Cooper, President & COO,  
Ritz-Carlton Hotel Company LLC.*

## Core Principles of Customer Engagement

1. **Customers are not strictly rational; your most profitable customers have strong emotional bonds with your organization.**
2. **Level of engagement drives the long-term financial success you will have with each customer.**
3. **Every time your organization touches a customer, they either become a little more, or a little less, engaged – but they never stay the same.**
4. **Simply satisfying customers is not enough. Satisfaction is the cost of entry; necessary but not sufficient.**
5. **Your organization has as many “brands” as there are customer touch points.**
6. **Strong customer relationships must be managed locally.**

## CE<sup>11</sup>: Assessing Customer Engagement



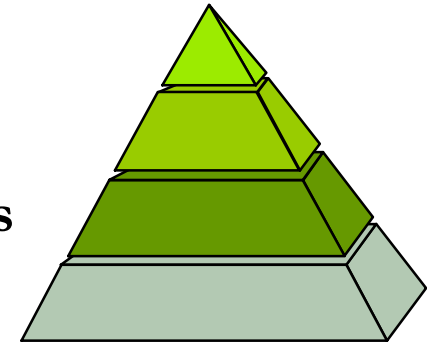
Overall, how satisfied are you with Country Meadows?  
How likely are you to continue to choose Country Meadows?  
How likely are you to recommend Country Meadows to a friend/associate?



I can't imagine a world without Country Meadows.  
Country Meadows is the perfect organization for people like me.  
Country Meadows always treats me with respect.  
I feel proud to be a Country Meadows customer.  
If a problem arises, I can always count on Country Meadows to reach a fair and satisfactory resolution.  
Country Meadows always treats me fairly.  
Country Meadows always delivers on what they promise.  
Country Meadows is a name I can always trust.

# The Emotional Attachment Hierarchy

***Passion.*** This resident/family member feels the brand is “perfect” for her, that she “can’t live without it.”

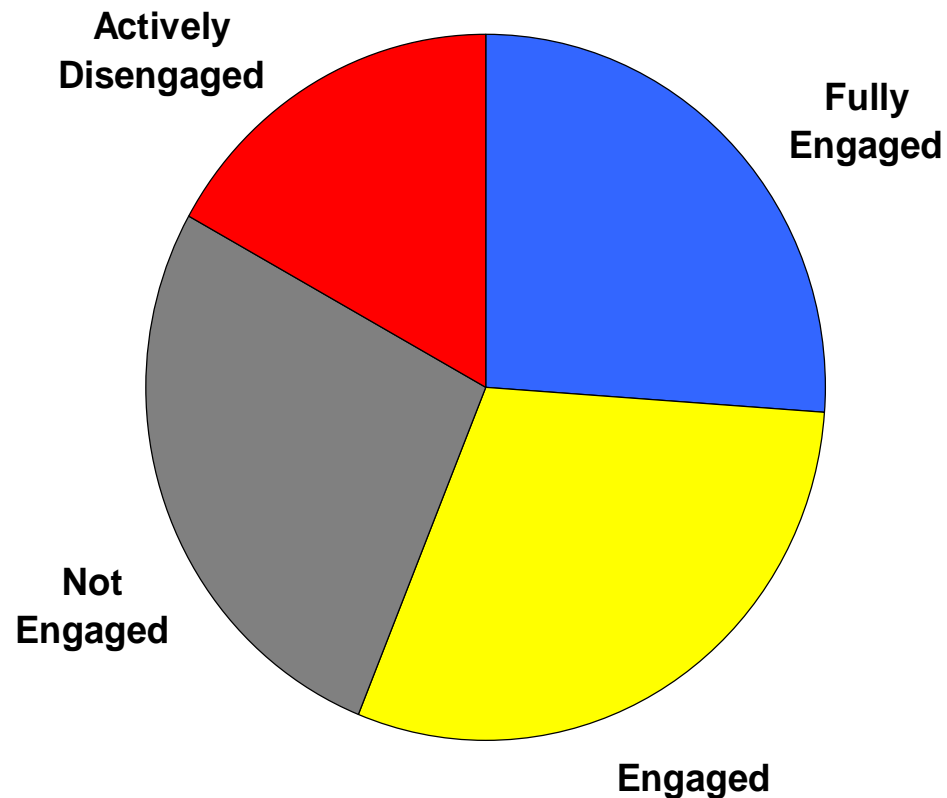


***Pride.*** The resident/family member feels really good about the brand, and how using or owning the brand reflects upon him.

***Integrity.*** The resident/family member’s feelings of brand integrity will depend on whether he is treated fairly by the company, both routinely and when something goes wrong.

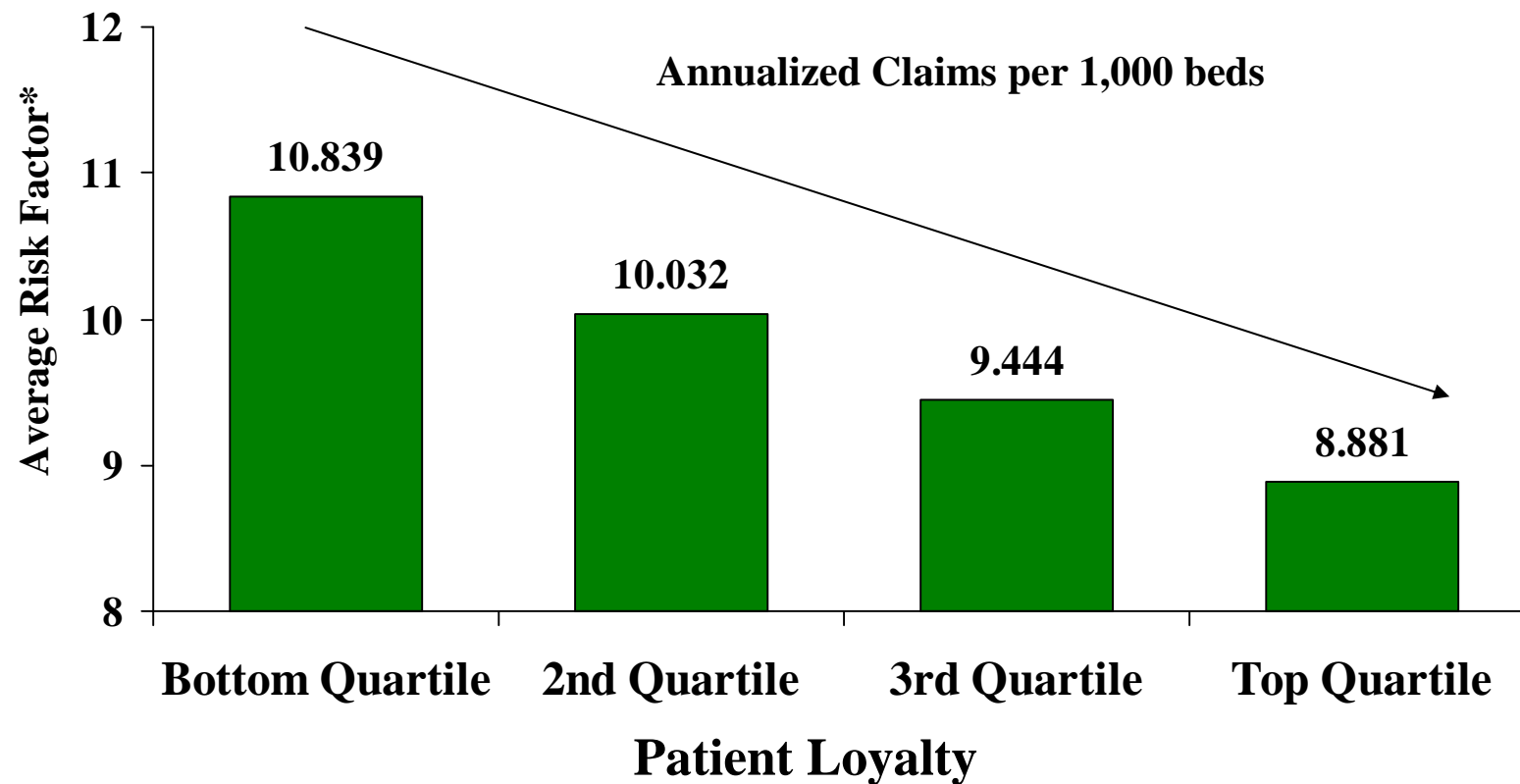
***Confidence.*** The resident/family member feels the brand is trustworthy and keeps its promises.

## Every company has four different types of customers



- Fully Engaged – Strongly attached and loyal. These are your best customers.
- Engaged – Somewhat emotionally attached but not yet fully engaged
- Not Engaged – Emotionally and attitudinally neutral; no positive association
- Actively Disengaged – Active emotional detachment; occasional antagonism

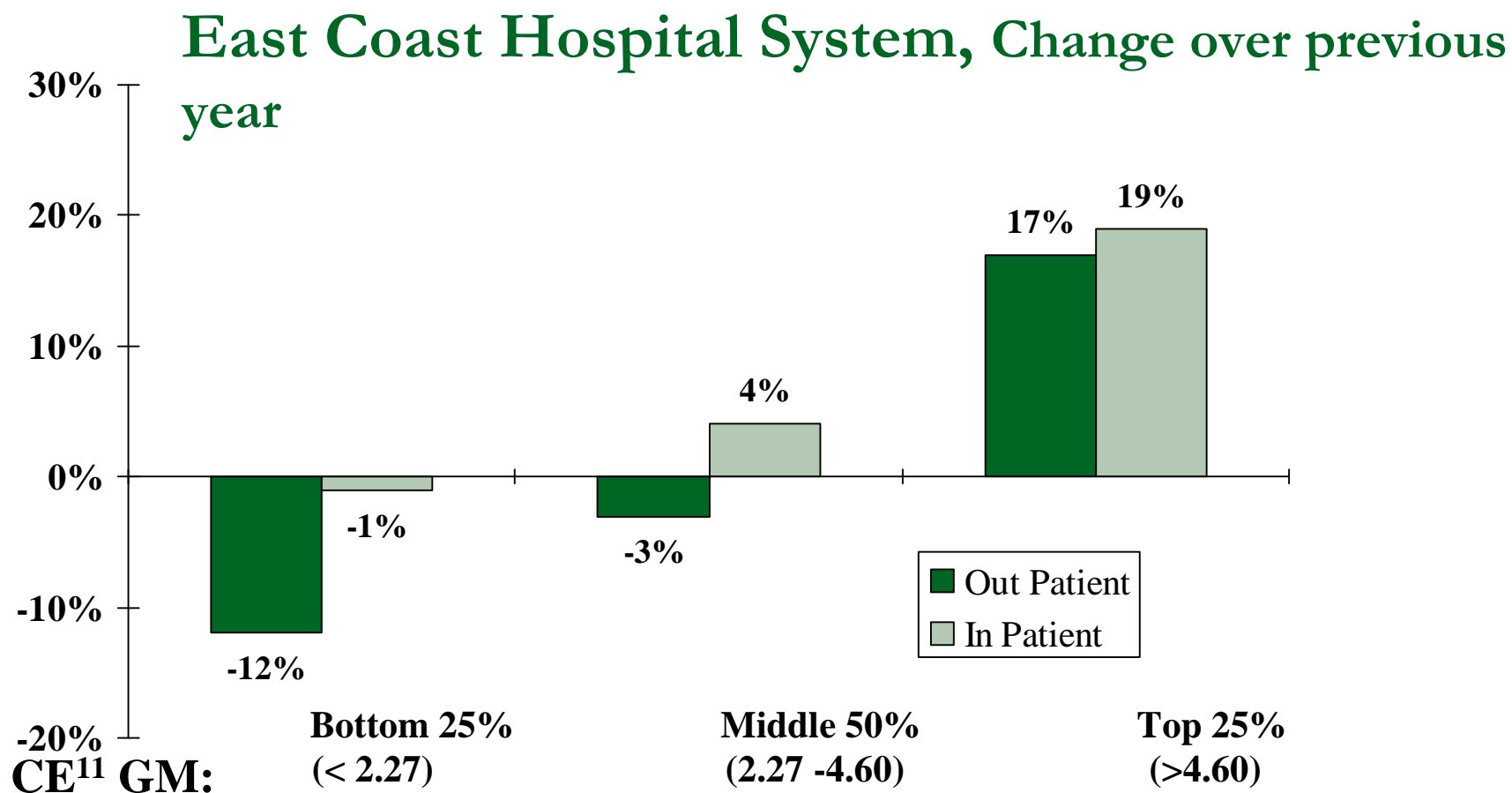
## Medical claims decline as Patient Loyalty increases



\*Risk factor represents annualized claims per 1,000 beds.  
The higher the risk factor, the higher the potential for claims and financial losses.

## Business Impact Analysis:

### In-patient/out-patient Admissions



*Physician data cleaned to remove physicians who are no longer in the service area, sick, or otherwise not practicing.*

**Bringing the Employee-Customer  
(residents and their families) relationship  
together.**

## HumanSigma®

The *HumanSigma* approach is based on five core principles that our research and experience have found facilitate the effective management of the employee-customer encounter:

## HumanSigma® Principles

- (1) Like vital signs, the employee-customer encounter must be conceptualized and managed holistically.
- (2) The employee-customer encounter is fundamentally emotional.
- (3) The employee-customer encounter must be measured and managed locally.
- (4) The effectiveness of the employee-customer encounter can be quantified and summarized in a single performance metric – the *HumanSigma* metric – that is powerfully related to financial performance.
- (5) Improvement in local *HumanSigma* performance also requires attention to a combination of “transactional” and “transformational” intervention activities.

## HumanSigma® Principle #1:

- (1) Like vital signs, the employee-customer encounter must be conceptualized and managed holistically.**

**Because value creation in SSOs flows from the interaction between employees and customers, both sides of the employee-customer encounter must be viewed as interrelated and mutually-dependent systems that should be measured and managed as a coherent whole, not as independent activities housed within separate organizational entities.**

## HumanSigma® Principle #2:

### *Feelings Are Facts*

- (2) The employee-customer encounter is fundamentally emotional.

Because both employees and customers are human agents, the measurement and management of the employee-customer encounter must acknowledge and incorporate the critical *emotional* infrastructure of human behavior and decision-making, yielding a concept that extends well beyond traditional considerations of employee and customer “satisfaction” – a concept we refer to as *engagement*.

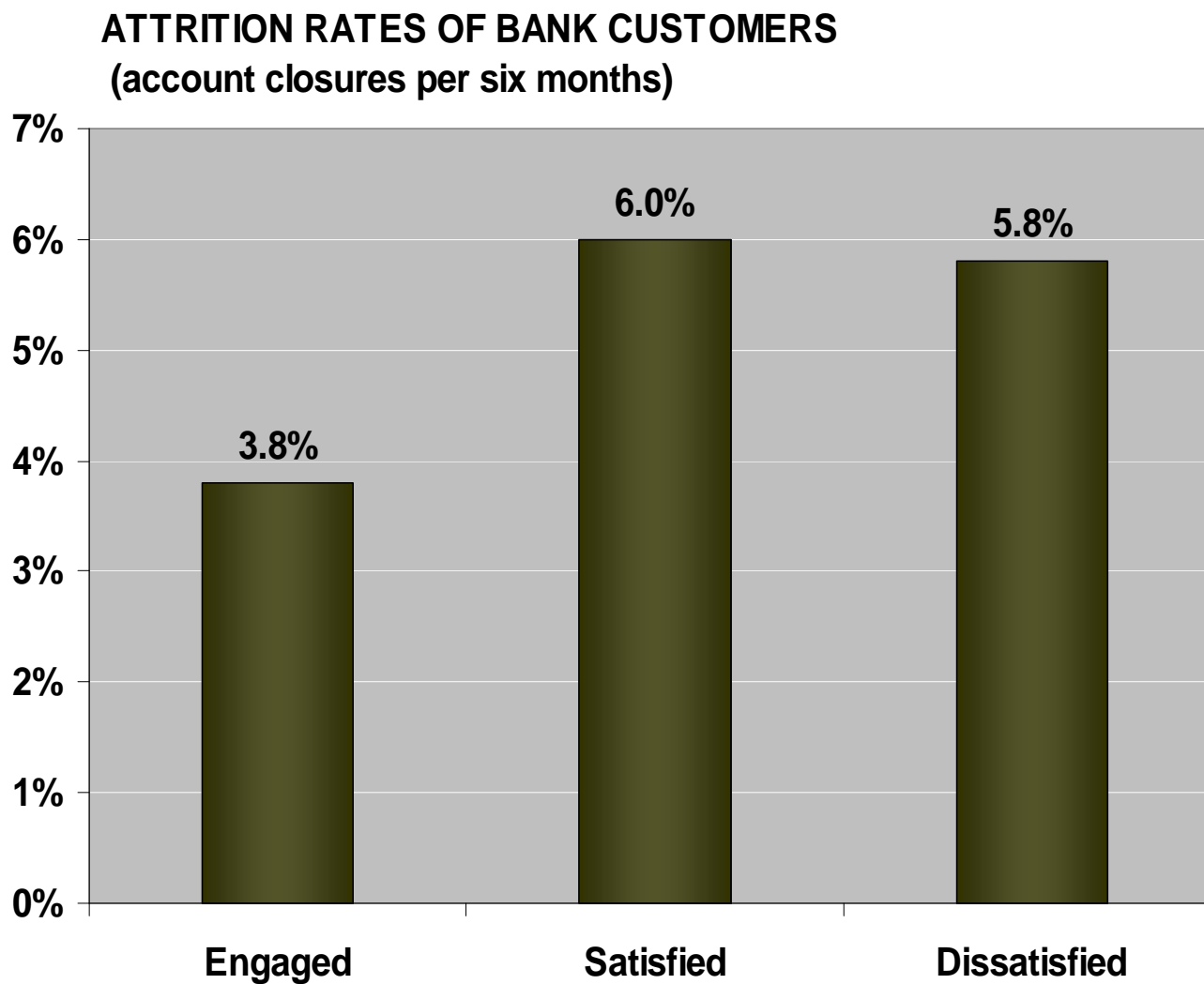
## Engagement is Emotional !!!!!

**It is about the brand you choose.....**

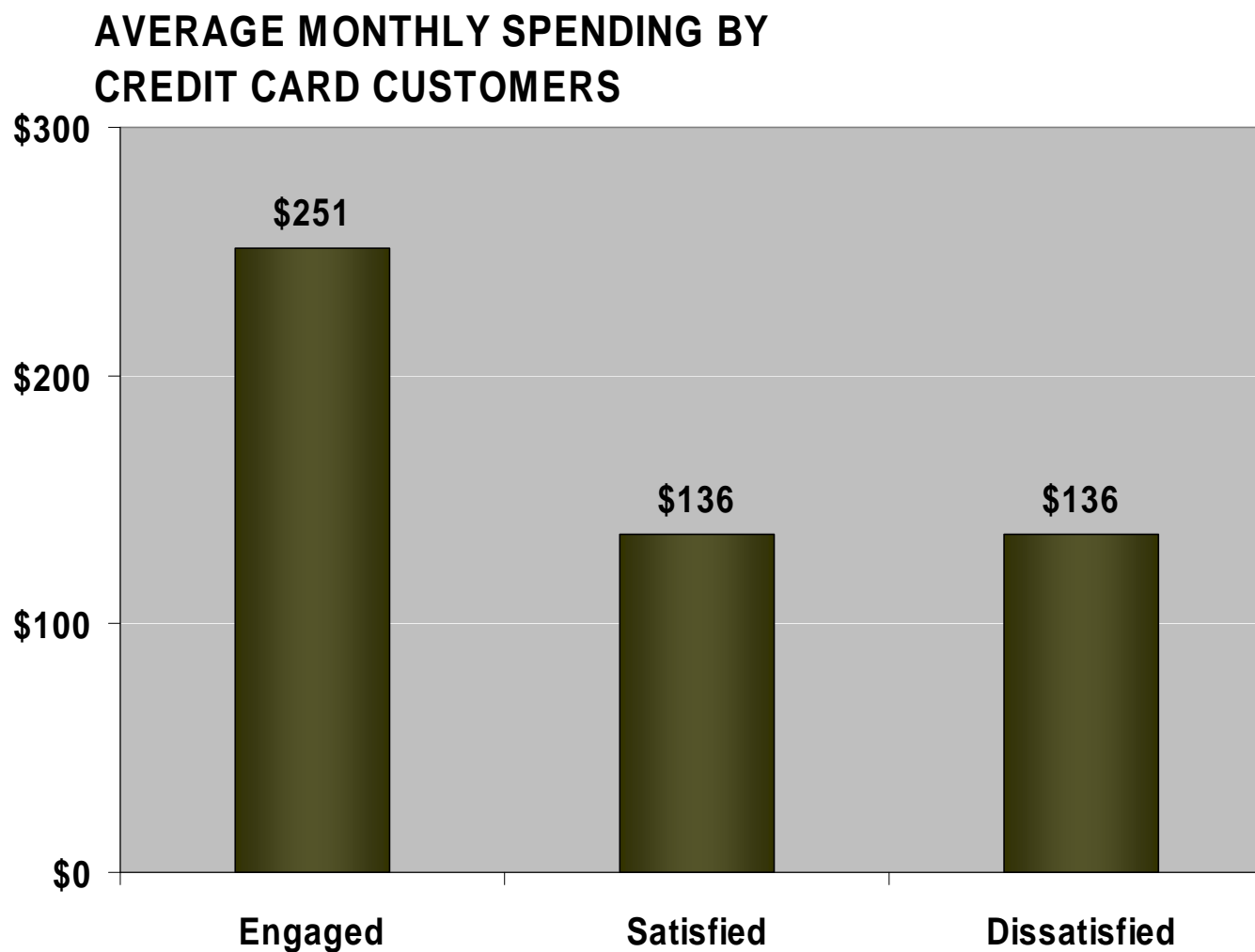
**The job you prefer.....**

**The organization you work in.....**

## Emotionally engaged customers have lower attrition rates



# Emotionally engaged customers spend more



## HumanSigma® Principle #3:

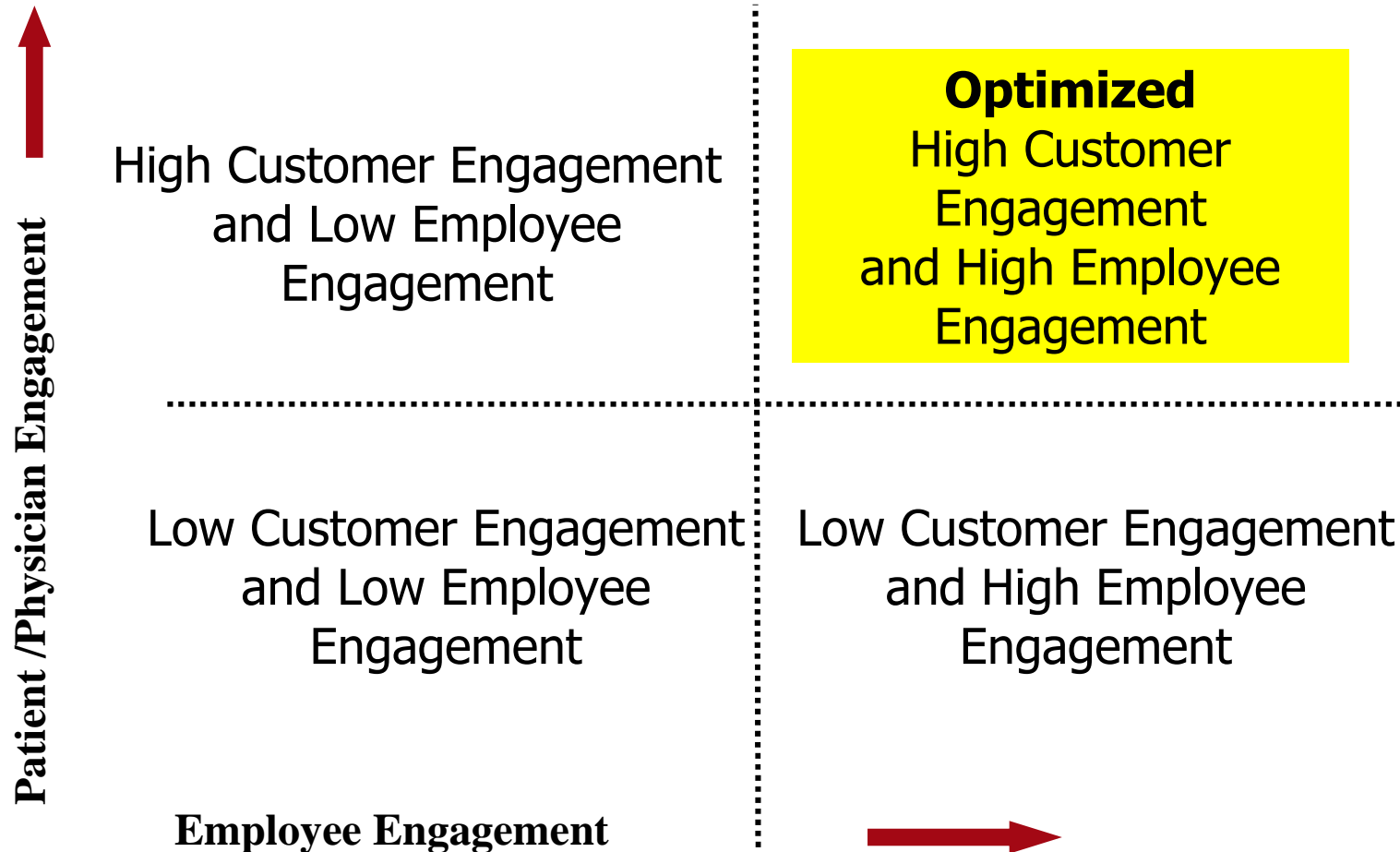
### *Think Globally, Act Locally*

- (3) The employee-customer encounter must be measured and managed locally.

While many other kinds of organizational activities may be managed effectively from the top down, the employee-customer encounter is an intensely local phenomenon whose effectiveness varies considerably from location to location within the same organization. Because of this variability in local effectiveness, its measurement and management must be focused locally.

# HumanSigma:

Bringing the Employee-Customer relationship together.



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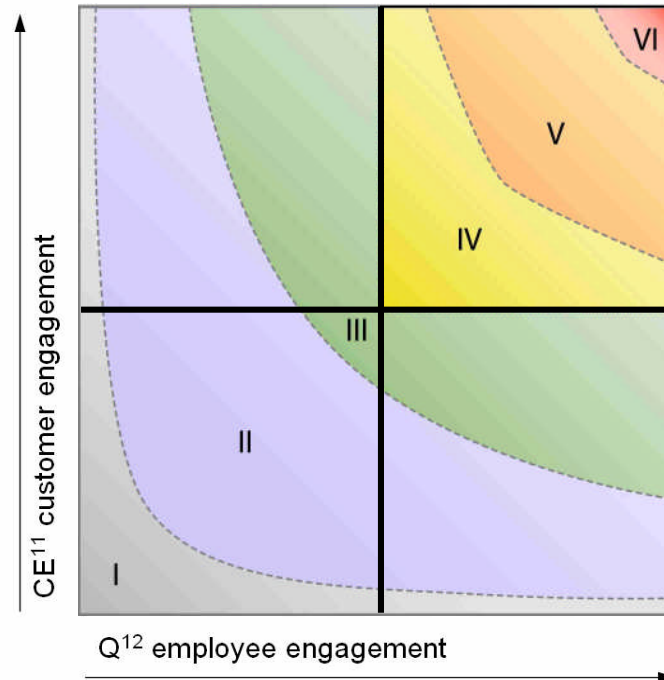
## HumanSigma® Principle #4

- (4) The effectiveness of the employee-customer encounter can be quantified and summarized in a single performance metric – the *HumanSigma* metric – that is powerfully related to financial performance.

Our research has revealed that the two sides of the employee-customer encounter *potentiate* one another and can be quantified into a single *HumanSigma* metric. The interactive effects of employee and customer engagement at the local unit level exponentially drive operational and financial performance and growth.

# HumanSigma® Levels

- More return business
- Customer retention
- Higher share of wallet
- Less price sensitivity
- More cross-buying
- Better word of mouth



**Performance  
Multipliers**

5.2

4.5

3.8

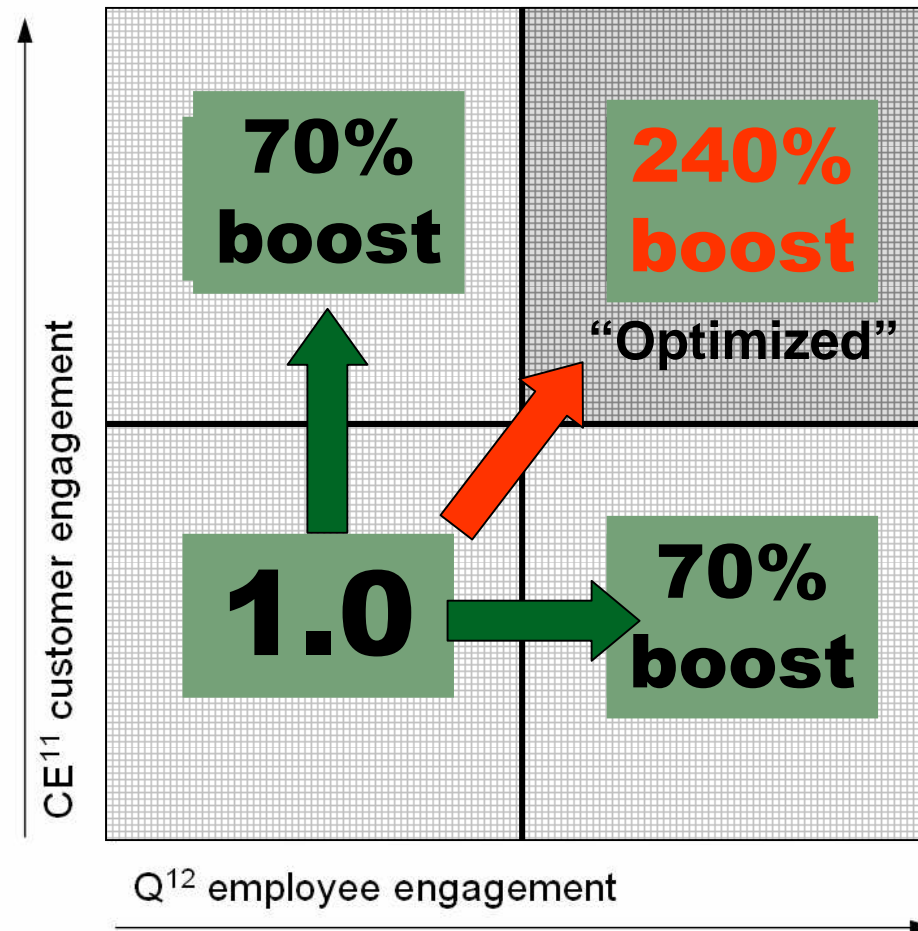
2.5

1.8

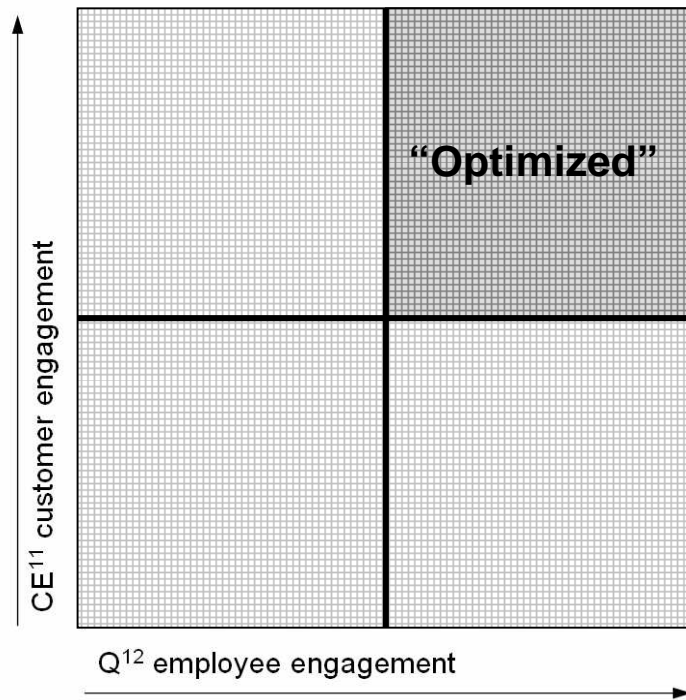
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- Higher employee retention
- Fewer lost work days
- Higher productivity
- Higher safety
- Higher customer engagement

# HumanSigma® Quadrants



# HumanSigma® - A retail example



- Optimized stores:
  - Generate **\$16-\$22 more profit PER SQUARE FOOT** than non-optimized stores
    - This accounts for a difference in earnings of **\$26.3-\$33.6 million per year**
  - Improvement from managing HumanSigma:
    - 1 Year Ago = **13** Optimized Stores
    - Today = **47** Optimized Stores

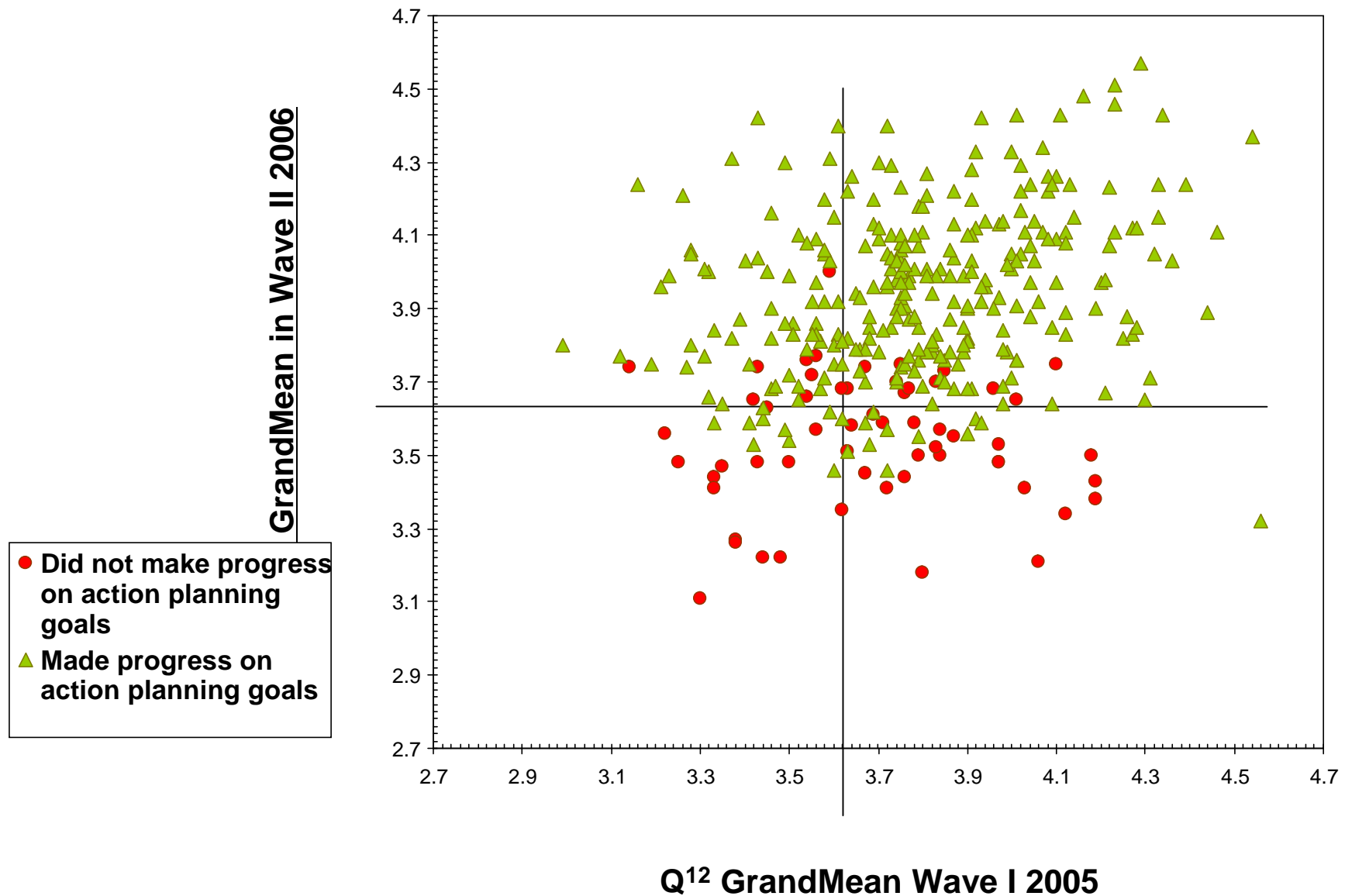
## HumanSigma® Principle #5

- (5) Improvement in local *HumanSigma* performance also requires attention to a combination of “transactional” and “transformational” intervention activities.

Transactional activities, such as action planning and training, are cyclical interventions that tend to be more topical and short-term in focus, but recur regularly. Transformational activities, on the other hand, are structural interventions that focus on how companies select employees, select and promote managers, pay and appraise employees, do succession planning, and recognize and develop employees.

Transformational activities are focused on creating an organizational infrastructure that supports *HumanSigma*.

# Progress on Goals During Impact Planning

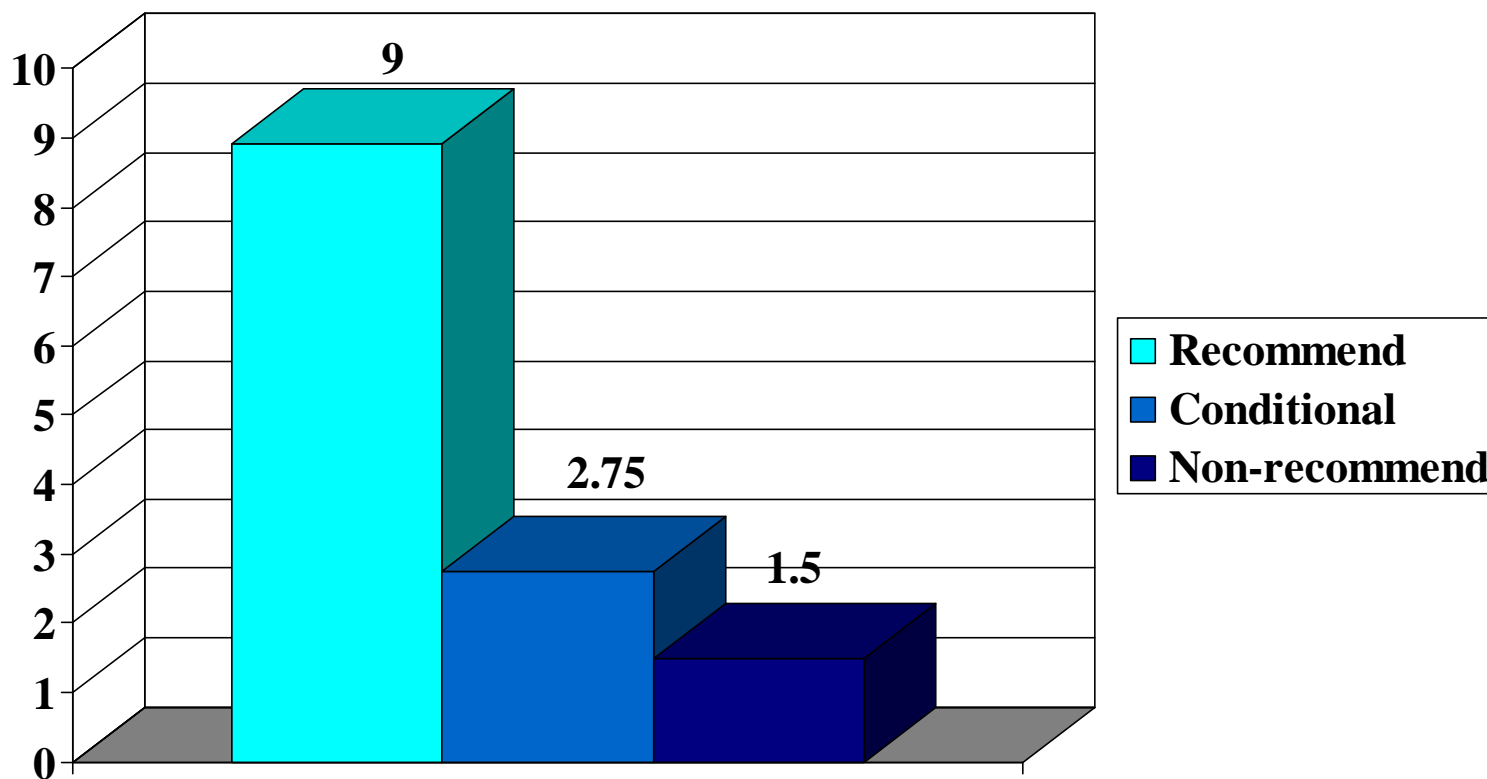


## Patients and Physicians - Similar Perceptions of Nursing

Physician perceptions of nursing and care delivery		
	Score	Percentile
Delivered quality care all shifts/departments	3.31	30th
Overall quality of nursing care	3.54	26th
Nurses judgment when to call doctor	3.62	30th
Competency of staff nurses	3.64	34th
Teamwork between doctors and nurses	3.74	36th

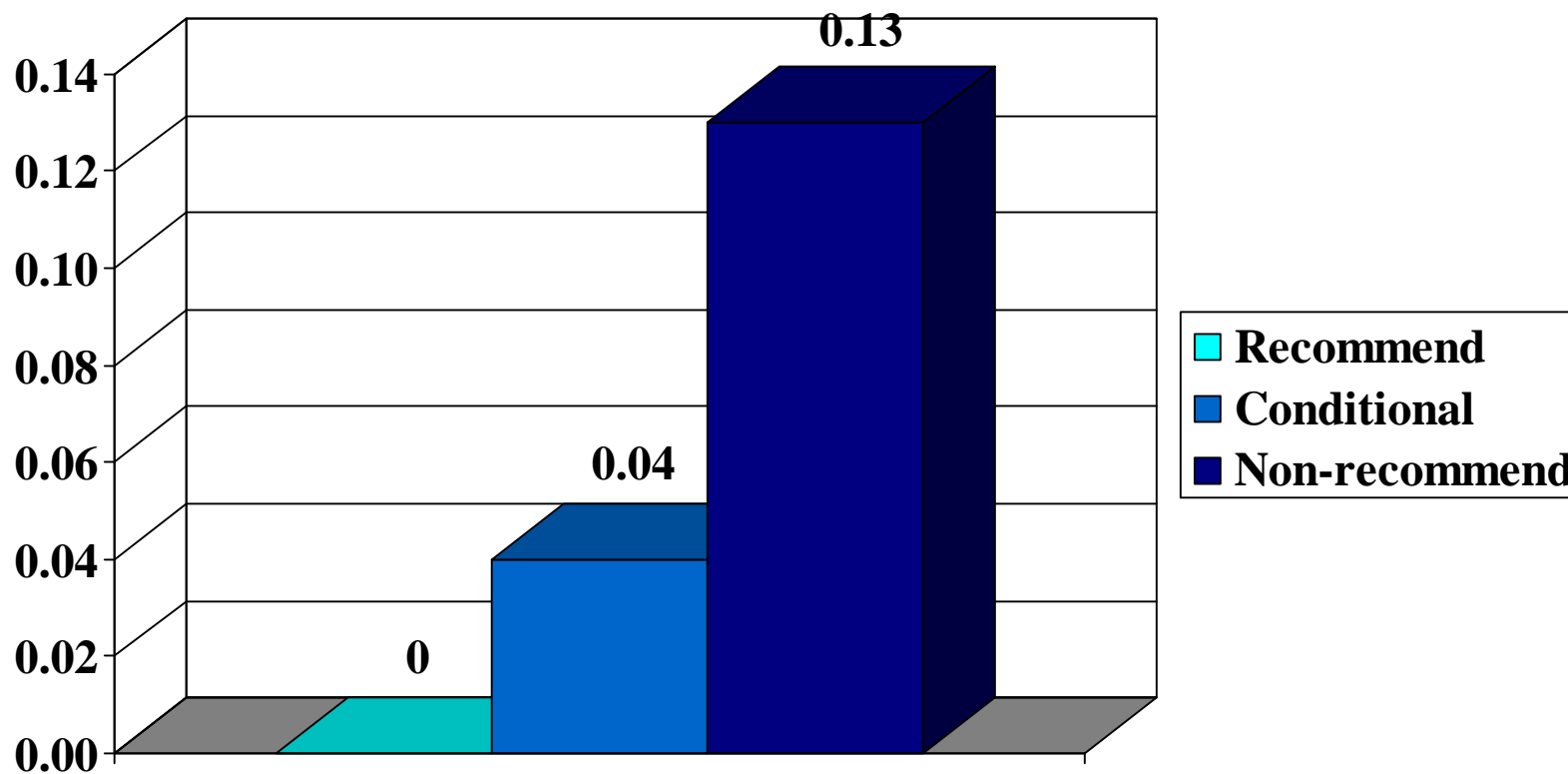
Patient perceptions of nursing and care delivery		
	Score	Percentile
Nurses anticipated needs	3.25	14th
Nurses explained procedures	3.31	10th
Nurses helped calm fears	3.32	11th
Nurses responded to requests	3.27	13th

## Impact of Nurse Talent on Patient Service



*Patient Service:* Number of positive comments spontaneously volunteered by patients per nurse annually

## Clinical Accuracy



*Clinical Accuracy: Average number of medication errors per nurse annually*

## HumanSigma® Summary

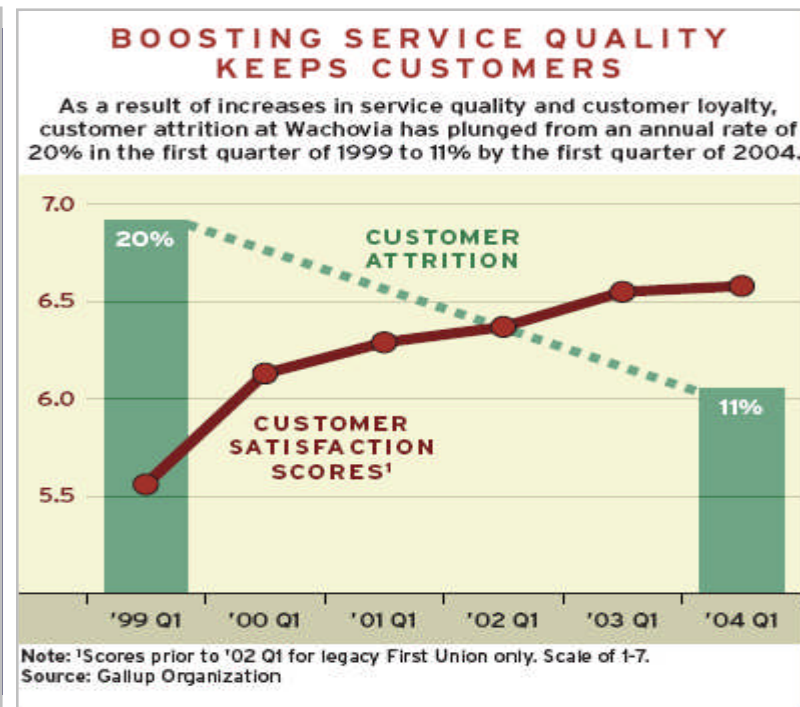
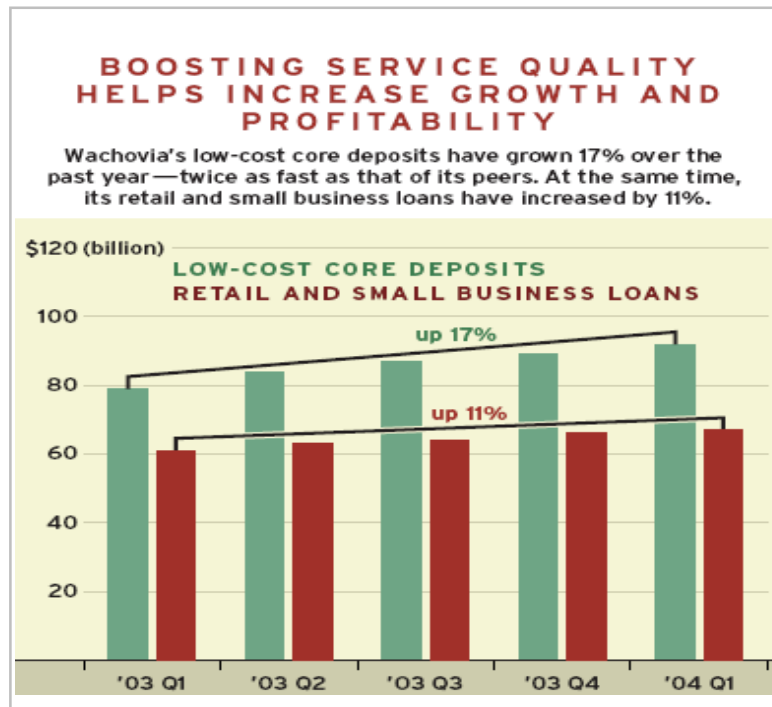
- (1) The employee-customer encounter must be conceptualized and managed holistically.
- (2) The employee-customer encounter is fundamentally emotional.
- (3) The employee-customer encounter must be measured and managed locally.
- (4) The effectiveness of the employee-customer encounter can be quantified and summarized in a single performance metric – the *HumanSigma* metric – that is powerfully related to financial performance.
- (5) Improvement in local *HumanSigma* performance also requires attention to a combination of “transactional” and “transformational” intervention activities.

# The Wachovia Story

# The Wachovia Story

## The ROI of building a superior multi-channel service quality infrastructure

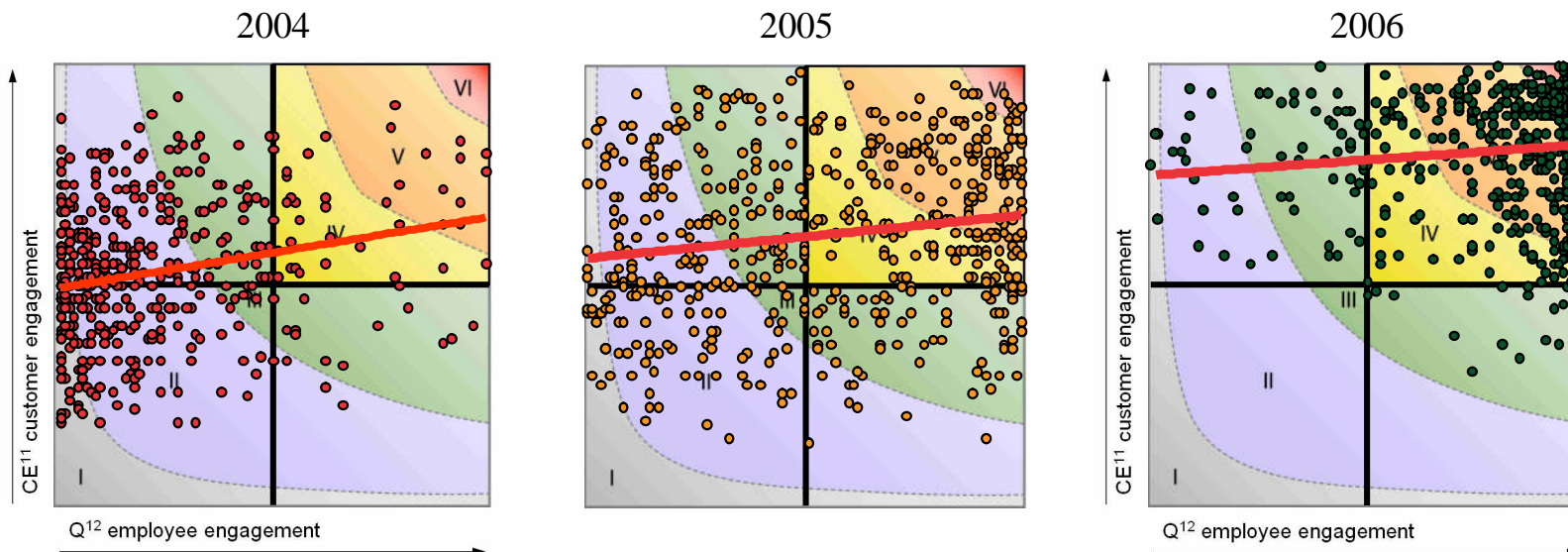
Service Quality (Excellence) improvements have helped Wachovia become one of the most successful super-regional banks in the U.S. These improvements have led to growth in deposits and consumer loans that have outpaced those of their peer group over the past few years.



# Improvements Across 800 Branches

## Service quality improvements accelerate over time

- 2003** Struggle to compete with other top banks  
Begin aggressive service quality effort
- 2004** Communicate KPI to managers at the beginning of the year  
Focus training on high score branches
- 2005** Start sharing internal best practice within each area  
Focus aggressively on low score branches
- 2006** Establish 'Service Excellence Unit' to drive bottom 25% branches



# Cohort Patient Expectations

	Pre-Boomer	Boomer I	Boomer II	Gen x'er	NGens/ Millenials
Service/ Promptness	Will wait for good bedside manner	Get me out fast- tell you how to	Get me out fast – tell you how to	Get me out fast	Now
MD Personality	Marcus Welby	Academic	ER	Not Important	Not Important
Staff	Friendly	Professional	Efficient	Quick	Quick
Quality care Means	Optimism	Clear Explanations	Latest Technology	Latest Technology	WEB based links.

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