

Manage Your HumanSigma[®]

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THE HIGH-PERFORMANCE ORGANIZATION <<

When the Gallup Organization applied Six Sigma principles to sales and service groups at several companies, it learned how much performance variation exists between seemingly similar work groups. Managing that variability can raise overall performance by orders of magnitude and can create organic growth.

MANAGE
YOUR
HUMAN
SIGMA

by John H. Fleming, Curt Coffman, and James K. Harter

“Quality” is easy to measure and manage in some contexts, and extremely difficult in others. Businesspeople have a pretty good idea how to judge the manufacturing process that yields a snazzy new handheld device, for example. But what about the retail employee’s attempts to sell the gadget? Or the call center employee’s efforts to help the customer navigate its eccentricities? Businesses aren’t especially good at measuring and managing the quality of these processes—or indeed of most work done by non-manufacturing businesses and units.

 Harvard Business Review

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The Employee-Customer Encounter

- **In manufacturing, value is created (and ultimately enhanced or destroyed) on the factory floor.**
- **But in sales and services organizations (SSOs), and in the sales and services portions of other types of companies, value is created not on the factory floor, but when an employee meets – and interacts with – a customer.**
- *Indeed, this employee-customer encounter is the factory floor of sales and services.*
- **To achieve meaningful operational and financial improvements, the employee-customer encounter must be measured and managed.**
- **But how?**

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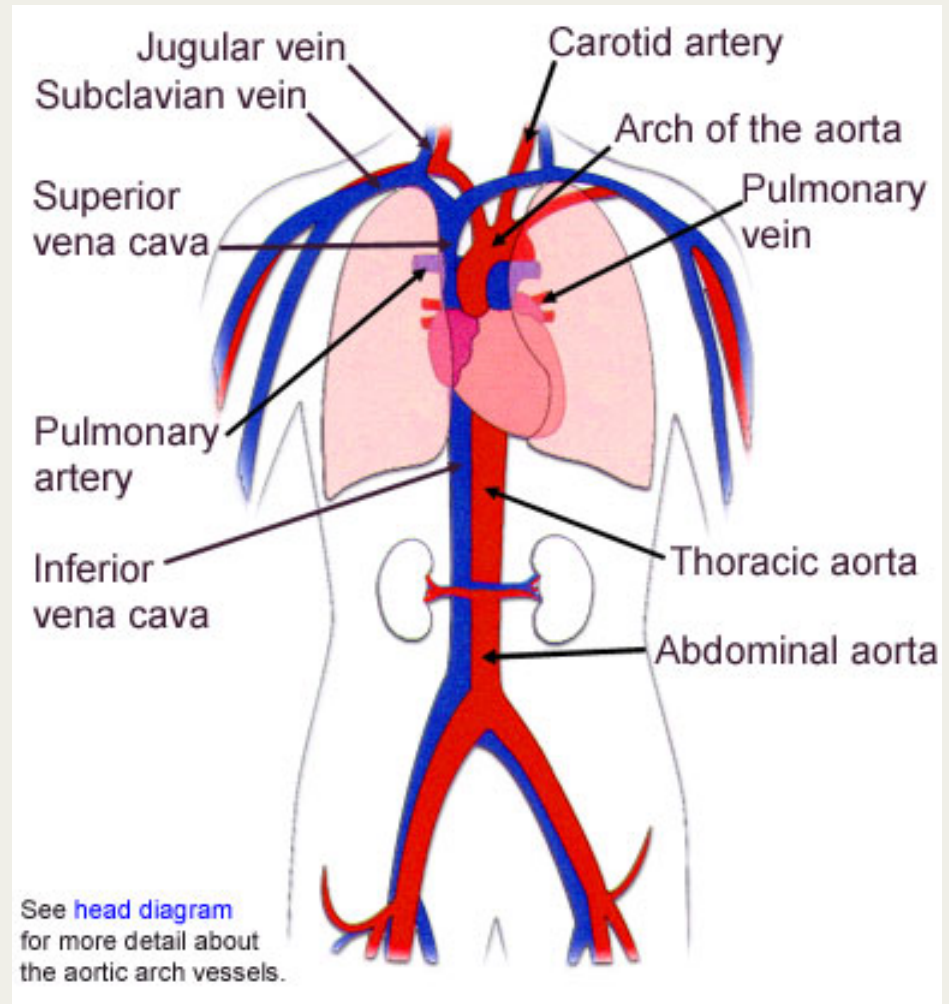
What Is HumanSigma?

- **An holistic approach to measuring – and managing – the quality of the employee-customer encounter.**
- **Like Six Sigma, focus is on reducing variability and improving organizational performance.**
- **Unlike Six Sigma, focus is on the human aspects of organizational performance to drive profitability and growth.**

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What Are Your Vital Signs?

- **Heart Rate**
- **Respiration**
- **Blood Pressure**



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What Are Your Company's Vital Signs?

- **Heart Rate – Employee *Engagement***
- **Respiration – Customer *Engagement***
- **Blood Pressure – Financial Performance**

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HumanSigma®

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

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HumanSigma® Tenet #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.

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HumanSigma® Tenet #2

(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*.

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HumanSigma® Tenet #3

(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 company. Because of this variability in local effectiveness, its measurement and management must be focused locally.

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HumanSigma® Tenet #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.

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HumanSigma® Tenet #5

(5) Improvement in local *HumanSigma* performance 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*.

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HumanSigma® Tenet #2 - Detail

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

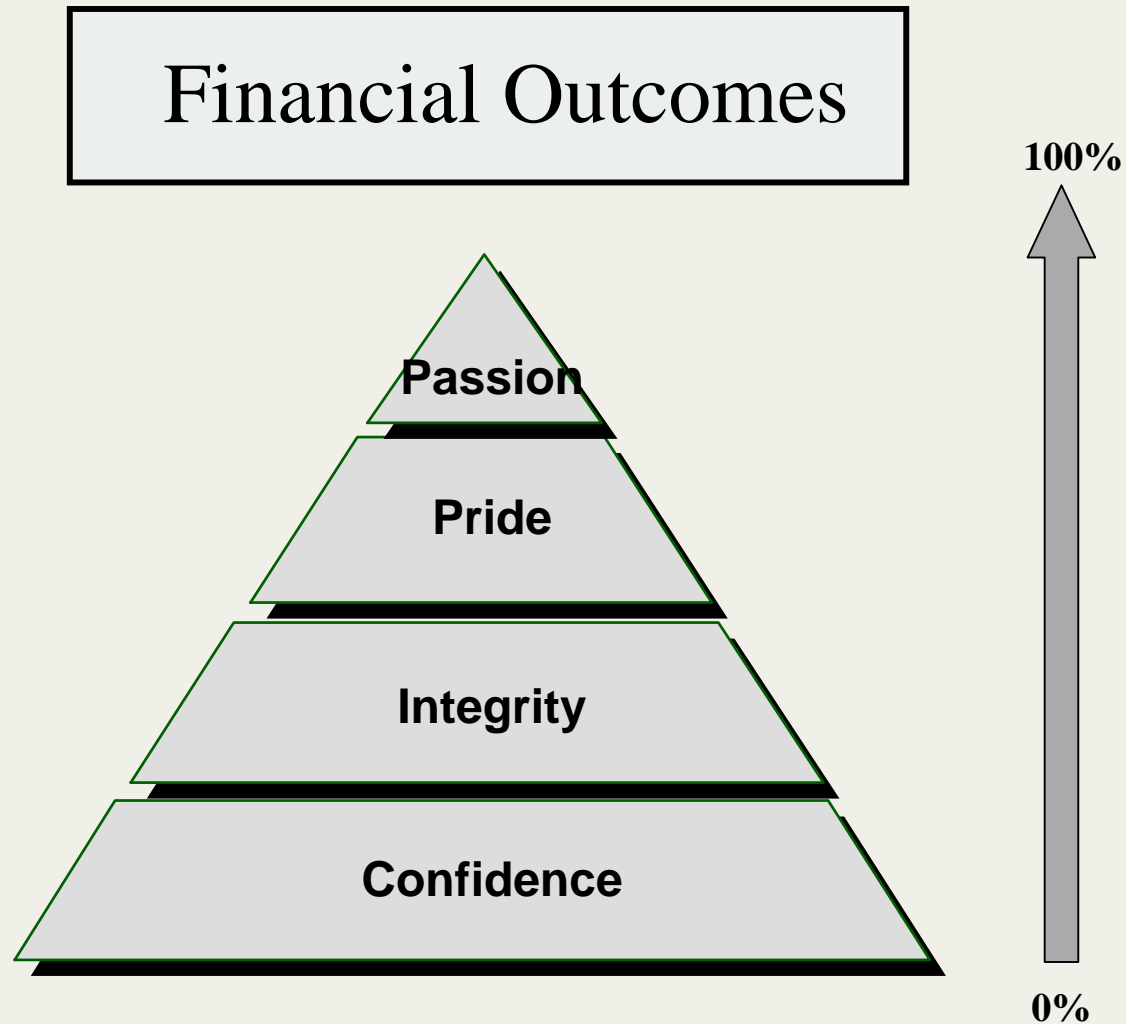
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Employee Engagement Hierarchy



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Customer Engagement Hierarchy



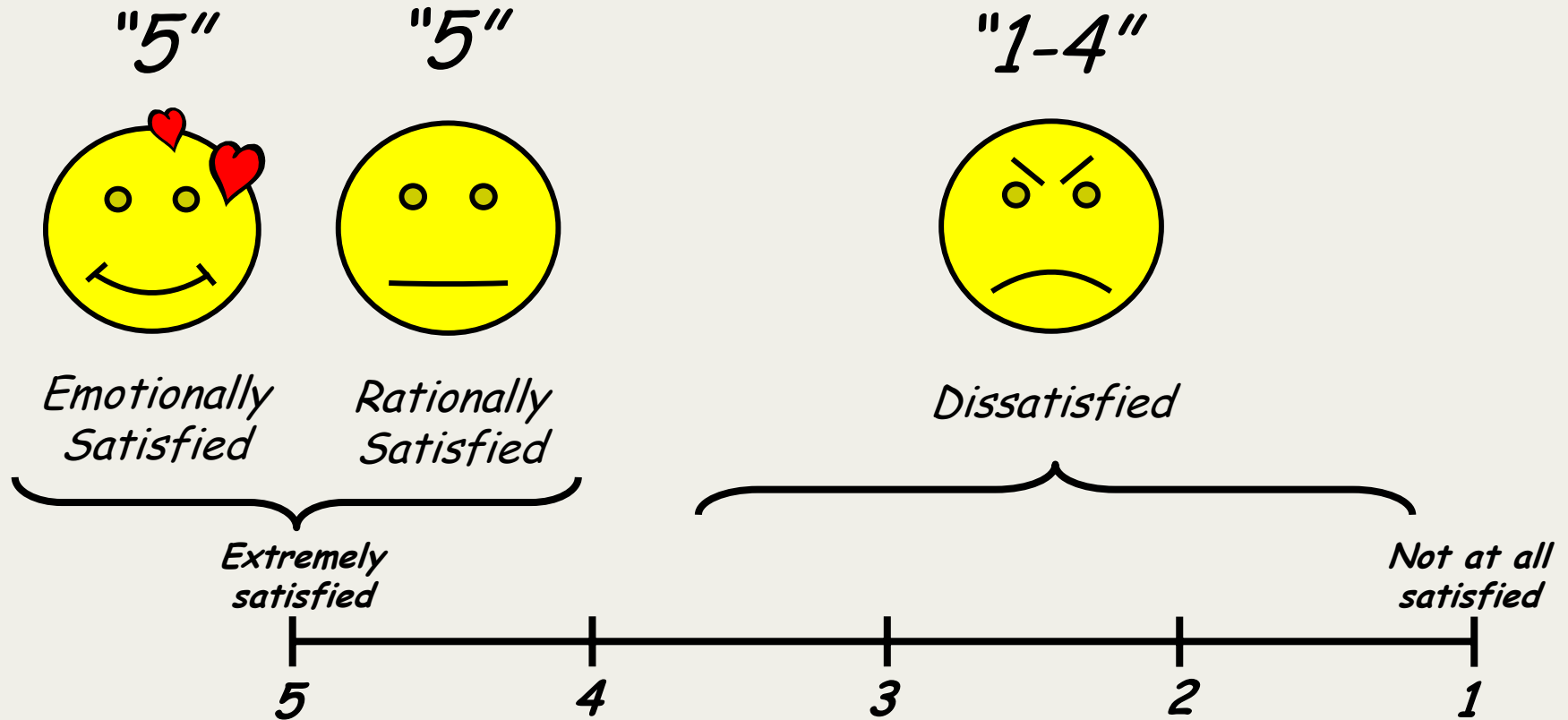
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Understanding Customer Engagement

- **Merely satisfying your customers is not enough to drive financial performance.**
- **Engaged customer relationships have an essential *emotional* component that must be managed and nurtured.**
- **Rationally satisfied customer relationships do not.**

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Satisfaction Is Not Enough: Three Levels of "Satisfaction"



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NEUROLOGY

Say the Right Name and They Light Up

By SANDRA BLAKESLEE

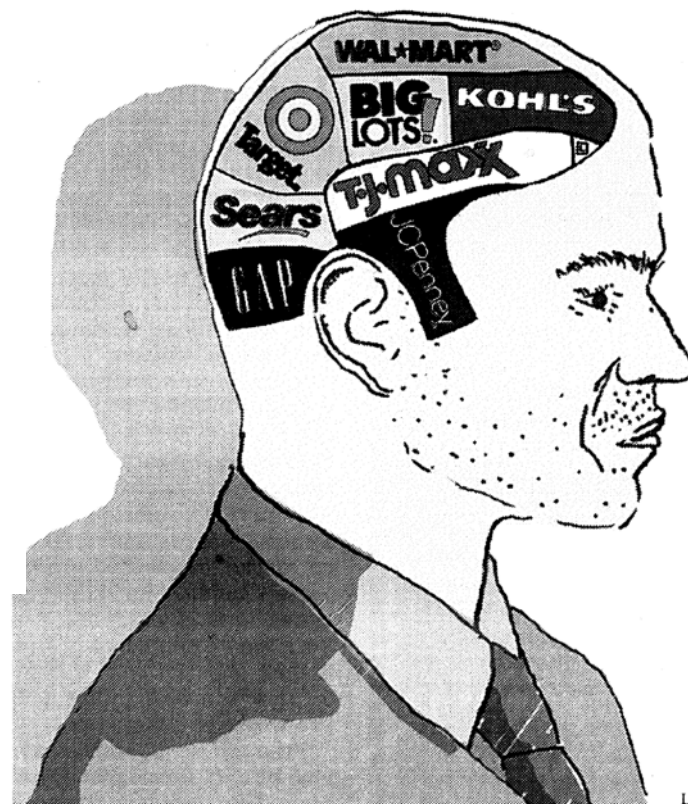
Three areas of the brain — the orbitofrontal cortex, the temporal pole and the amygdala — lighted up brightly. All are associated with visual memory and emotion, Mr. Fleming said. The most “brand addicted” subjects, he said, showed the greatest activation in the amygdala, which is a sensory gateway to the emotions.

“If the company they love screws up, they blame themselves,” Mr. Fleming said. “They ask themselves what they did to contribute to the problem.”

Women who were mildly fond of or neutral about the store showed far less activation or no activation in these emotional areas of the brain.

The study, carried out at Nihon University in Tokyo, was reported in late October at the Society for Neuroscience’s annual meeting, held in San Diego.

Putting shoppers in a brain scanner reveals that brand loyalty is more than skin-deep.



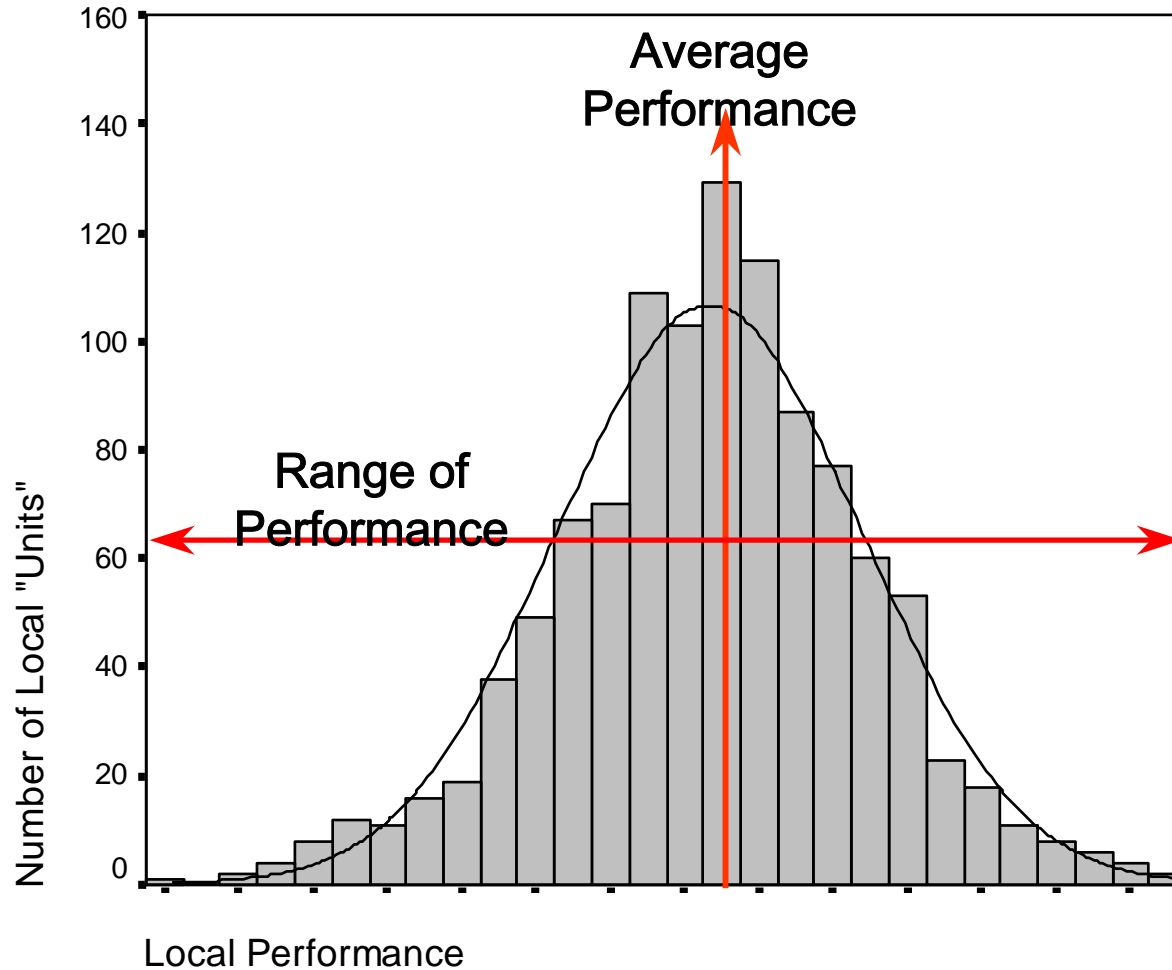
Leif Parsons

HumanSigma® Tenet #3 - Detail

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

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Local Performance Variation Is the Scourge of High Performance



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HumanSigma® Tenet #4 - Detail

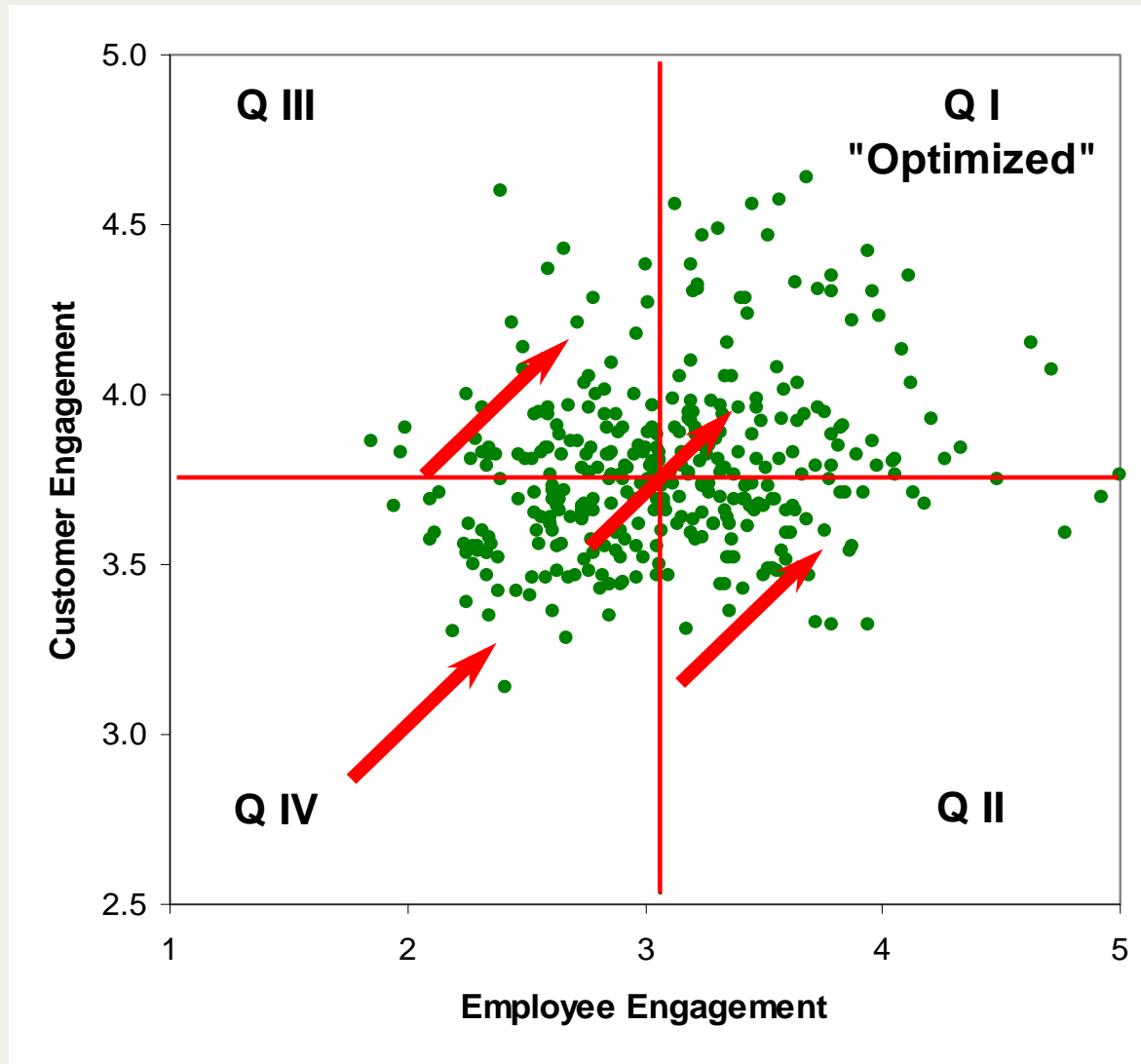
(4) The effectiveness of the employee-customer encounter can be quantified and summarized in a single performance metric – the *HumanSigma* metric – that is powerfully related to financial performance.

HumanSigma: Bringing It All Together

- **The HumanSigma Model arose from a partially failed experiment.**
- **Business units that had high levels of Employee *and* Customer Engagement *exponentially* out-performed units in which one, or both, of these critical vital signs were at sub-optimal levels.**
- **These top performers are “optimized.”**

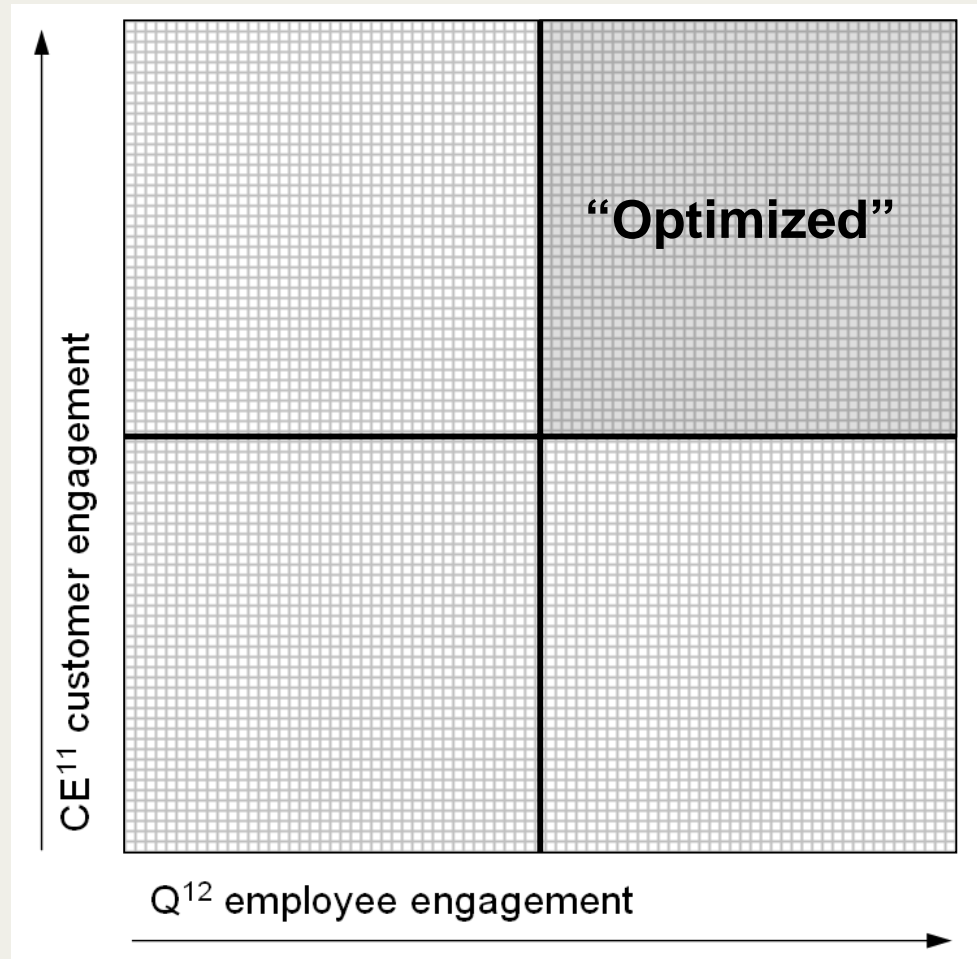
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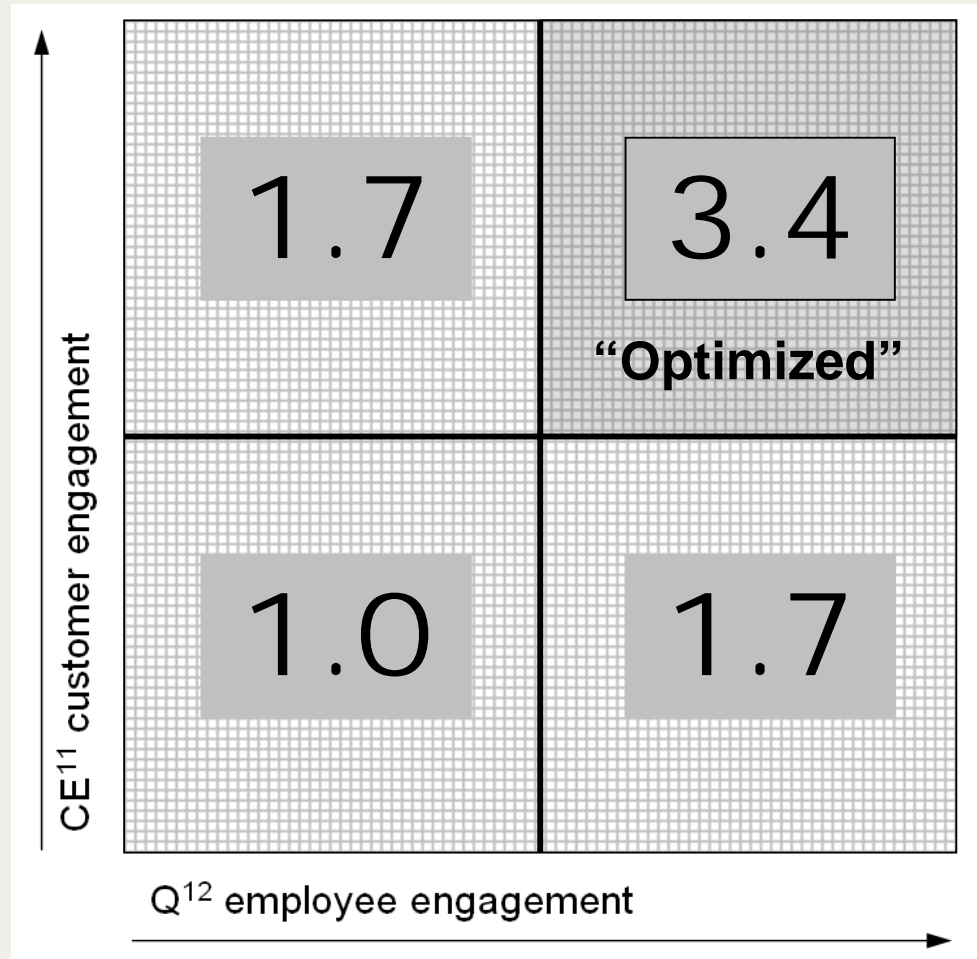
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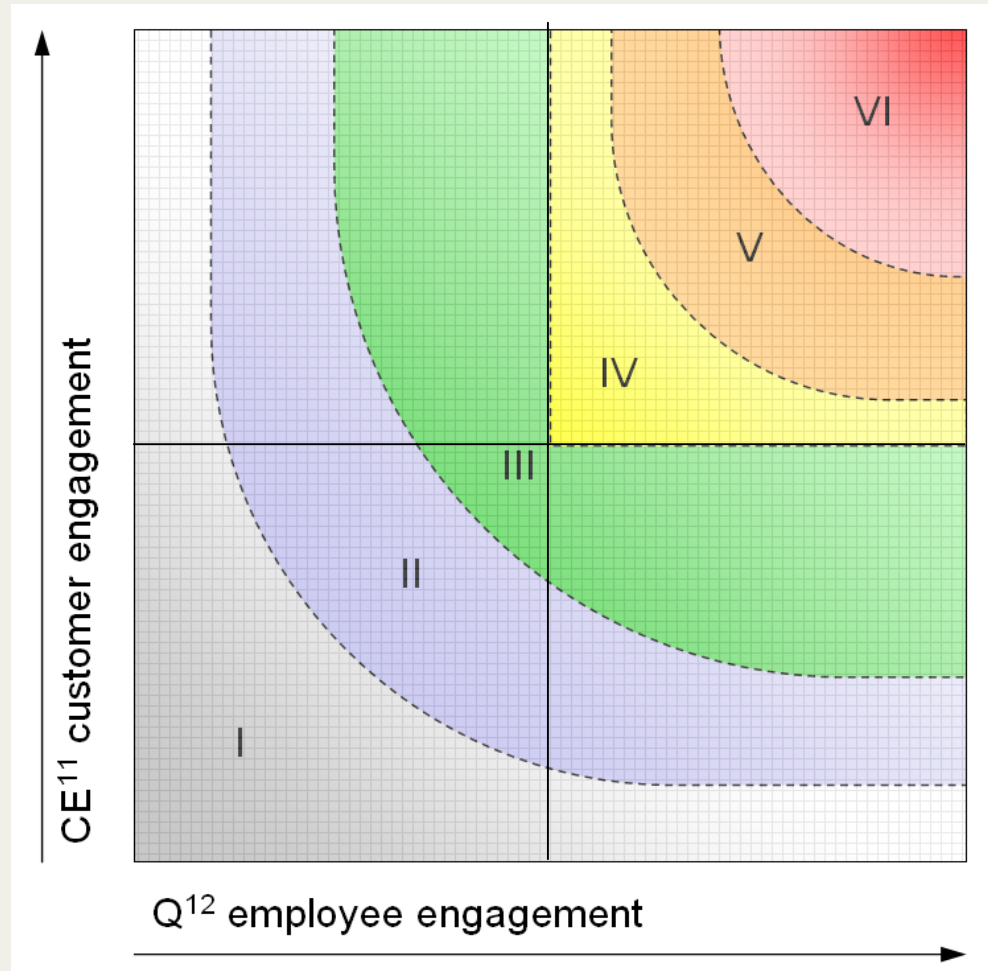
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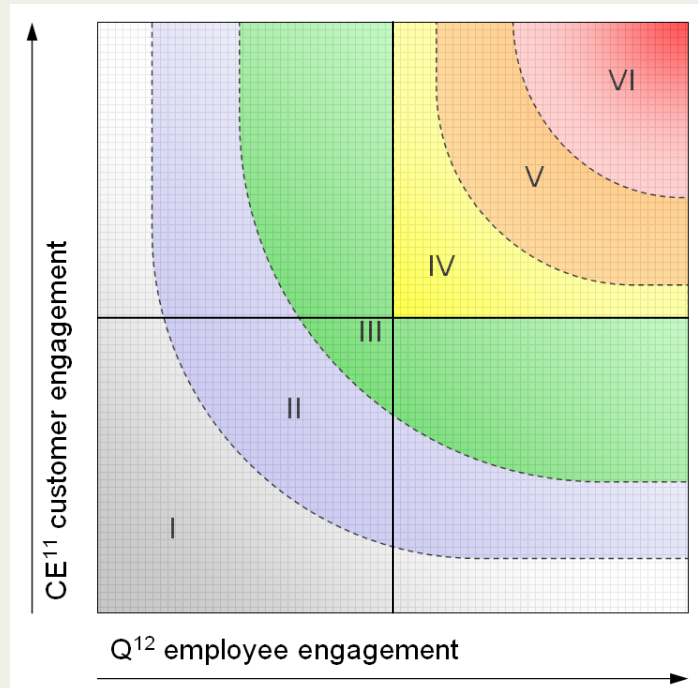
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- More return business
- Customer retention
- Higher share of wallet
- Less price sensitivity
- More cross-buying
- Better word of mouth



**Performance
Multipliers**

5.2

4.5

3.8

2.5

1.8

1.0

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

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Q12[®] Employee Engagement

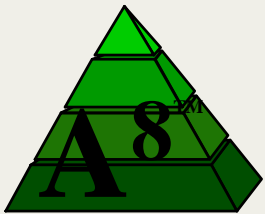
- **I know what is expected of me at work.**
- **I have the materials and equipment I need to do my work right.**
- **At work, I have the opportunity to do what I do best every day.**
- **In the last seven days, I have received recognition or praise for doing good work.**
- **My supervisor, or someone 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/purpose of my company makes me feel my job is important.**
- **My associates (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.**

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CE¹¹® Customer Engagement



- Overall, how satisfied are you with [Brand]?
- How likely are you to continue to choose/repurchase [Brand]?
- How likely are you to recommend [Brand] to a friend/associate?



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

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