

## View from the Top

### Arcus Innovation Leaders Series

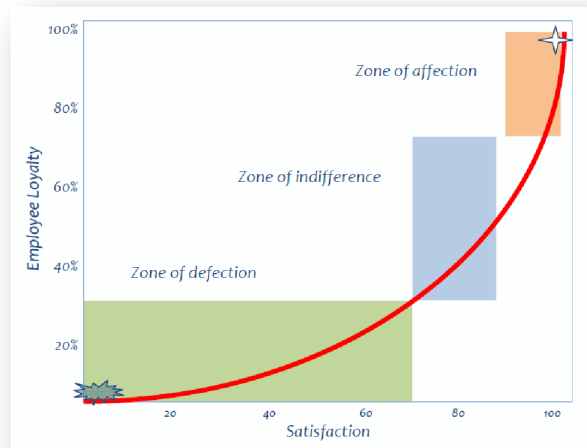
How business leaders use innovative approaches to shape their strategies.

### Would Your Employees Recommend Your Company To Friends?

On a scale of zero to 10, how likely is it that you would recommend your company to a friend as a place of work? That simple query to employees is shaking up the way executives manage human capital.

Today, most companies struggle to interpret traditional employee satisfaction questionnaires as a driver of business performance. But those indicate only vague feelings rather than the more telling action of praising a company to a friend -- and they don't really track with impact on business performance. As a result, such surveys often get the brush-off by employees who see them as a "hobby" of the HR department or corporate leadership.

With rhetoric like that, it's no wonder that the Arcus Employee Motivator Score (EMS) methodology is becoming a popular and powerful way to measure employee satisfaction, loyalty and business performance.



Today, most leading companies use the Net Promoter score to measure their business performance. The Net Promoter is a customer loyalty metric introduced by Fred Reichheld in his 2003 Harvard Business Review article "The One Number You Need to Grow". Companies obtain their Net Promoter Score by asking customers a single question on a 0 to 10 rating scale: "How likely is it that you would recommend our company to a friend or colleague?"

The Net Promoter Score is discussed at length in "Answering the Ultimate Question" by Richard Owen and Laura Brooks. It has been adopted by a large number of large companies, including Philips, GE, Allianz, P&G, Intuit and American Express. Clearly, it's attractive to have something simple. Arcus has applied the concept of the Net Promoter Score approach to employee management by asking "How likely is it that you would recommend your company to a friend as a place of work?"

The Arcus Employee Motivator Score helps an organization to measure employee trust and become more focused on improving employee satisfaction which in turn increases customer satisfaction and business performance. Hence, the motivator score correlates directly with revenue growth. Arcus has a benchmark of over 500 companies to enable HR executives and Management compare their EMS scores with other companies and industries.

By asking employees whether they would put their own credibility on the line by recommending a company to a friend, employee motivator scores are truer indicators of loyalty and future behavior and, therefore, sales growth. The score can be highly effective if bonuses of managers are tied to employee motivator scores. One client has found that higher employee motivator scores have already been linked to a greater likelihood that the company will win new contracts from existing clients. Ultimately, it's not about the score, it's about focusing employees on the customer.

The Employee Motivator Score methodology can reduce the complexity of implementation and analysis frequently associated with measures of employee satisfaction, providing a stable measure of business performance that can be compared across business units and even across industries, and increasing interpretability of changes in employee satisfaction trends over time. Based on their responses, employees can be categorized into one of three groups: Motivators (9-10 rating), Indifferent (7-8 rating), and Doubters (0-6 rating). The percentage of Indifferent is then subtracted from the percentage of Motivators to obtain an Employee Motivator Score.

An EMS score of 75% or above is considered quite high. Companies are encouraged to follow this question with an open-ended request for elaboration, soliciting the reasons for the ratings. The EMS is then correlated with customer's rating of that company or its products. These reasons can then be provided to HR executives, business managers, Front-line employees and management teams for follow-up action.

Arcus has found that companies with high net employee motivator scores show the highest revenue growth. The approach is gathering steam at a time when CEOs are increasingly focused on getting closer to employees and customers. It also plays into the executive lament that employee management programs, which track employee retention, are among the most ineffective tactics in their toolbox. Pair that with mounting recognition of the power of word of mouth and social networks, and it's easy to see why buzz is building.

The most important benefits of this methodology are derived from simplifying and communicating the objective of creating more "Motivators" and fewer "Doubters" -- a concept that is far simpler for executives to understand and act on than more complicated, obscure or hard-to-understand employee satisfaction metrics or indices. Companies are discovering a need to simplify a complex satisfaction tracking process to make a company's business strategies match up more closely with Employee Motivator Scores. One effect of the new approach is that companies are spending more time listening to motivators and Doubters.

For example, at one company, managers following up with unhappy customers found that a chief complaint was slow response times from knowledgeable support staff. So the division is overhauling its operations and putting more staff in the field; now Employee Motivator Scores are jumping by 15 to 20 points.

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A PDF version of this paper is available at [www.arcusgroup.ca/ems.pdf](http://www.arcusgroup.ca/ems.pdf)

Please visit [www.arcusgroup.ca](http://www.arcusgroup.ca) for the Arcus Innovation Leaders Series and for additional insights on how business leaders use innovative approaches to shape their strategies. Please contact Merrill Mascarenhas, Managing Partner at Arcus Consulting Group at (416) 710-2727 or [merril@arcusgroup.ca](mailto:merril@arcusgroup.ca) for more information.

## Arcus's service offering for senior executives

### C-level viewpoint on strategic planning

A recent Arcus survey of over 800 senior executives indicates strategic planning can be a frustrating exercise. Just 45 percent of the respondents said they were satisfied with their strategic-planning process. Only 23 percent indicated that major strategic decisions were made within its confines. Given these results, managers might well be tempted to jettison the planning process altogether. But there are ways to increase its value. Many different elements of strategic thinking are necessary to ensure success. We offer a comprehensive toolkit of approaches to help clients with specific needs around growth, globalization, competitive issues in the marketplace, and a number of other strategic and tactical concerns that may arise. Please review the services we offer our clients.

### Strategy under Uncertainty/Scenario Planning

We work with clients to formulate strategies that take advantage of the opportunities presented in highly uncertain business environments—while also managing the risks. For example, companies and their consultants have long used scenario planning as a tool for managing uncertainty—but often use scenarios that are slightly altered versions of the same future. We believe scenario planning works best when it focuses on the elements of the future about which there is the greatest uncertainty. Will new regulations be passed? How long and severe of a downturn will we face in our sector? This approach yields a divergent set of scenarios that represents a plausible set of potential alternative futures.

### Business Unit Strategy

A powerful business unit strategy focuses on creating shareholder value by producing products and services whose value exceeds the cost of providing them; capturing value from competitors, customers, and suppliers; competing successfully against others for market share; and cooperating selectively to enlarge the potential market. Central to these decisions are the challenges of selecting how and when to compete.

### Corporate Strategy

Making the corporate "whole" worth more than the sum of its parts is the biggest challenge facing many multi-business companies. We work with clients to define a role for the corporate center that goes beyond monitoring operations, allocating resources, and coordinating shared functions. We help the corporate center shape the company's direction and boundaries and identify privileged capabilities and insights.

### Strategic Management

We studied dozens of best-practice companies to identify attributes of successful planning processes. For example, we discovered that they generally provoke questions and facilitate conversations rather than creating documents, rely on facts to make key decisions, and involve those expected to implement the strategy in the planning process. We use these insights, captured in our Strategic Management Performance Index, to help clients reinvent their strategic planning processes.

### Growth

Large-company growth has long been an area of focus for Arcus. A decade ago we introduced the four-horizon framework. Over the past four years, we have undertaken a new, extensive study of company growth to deepen our insight. In our approach that looks at the *Granularity of Growth*, we enhance the four-horizon model by integrating it with a more robust and granular understanding of the sources of revenue growth.

### Innovation

Driving innovation is a significant challenge. Companies usually complain about lack of ideas and an anemic innovation pipeline. We rarely, however, find companies lacking ideas. Instead we find that existing ideas are small, incremental, and capable of only modest value creation; or they are buried in complex organizations, in the hands of individuals with no capacity to drive them forward. While they do not need to be addressed simultaneously, excelling at innovation requires excelling at all its pieces: leadership, creativity, consumer focus, innovation and benchmarking.