



Engagement of the Value Chain A Strategic Scorecard Approach

Enterprise Engagement Alliance Networking Expo

William Schiemann

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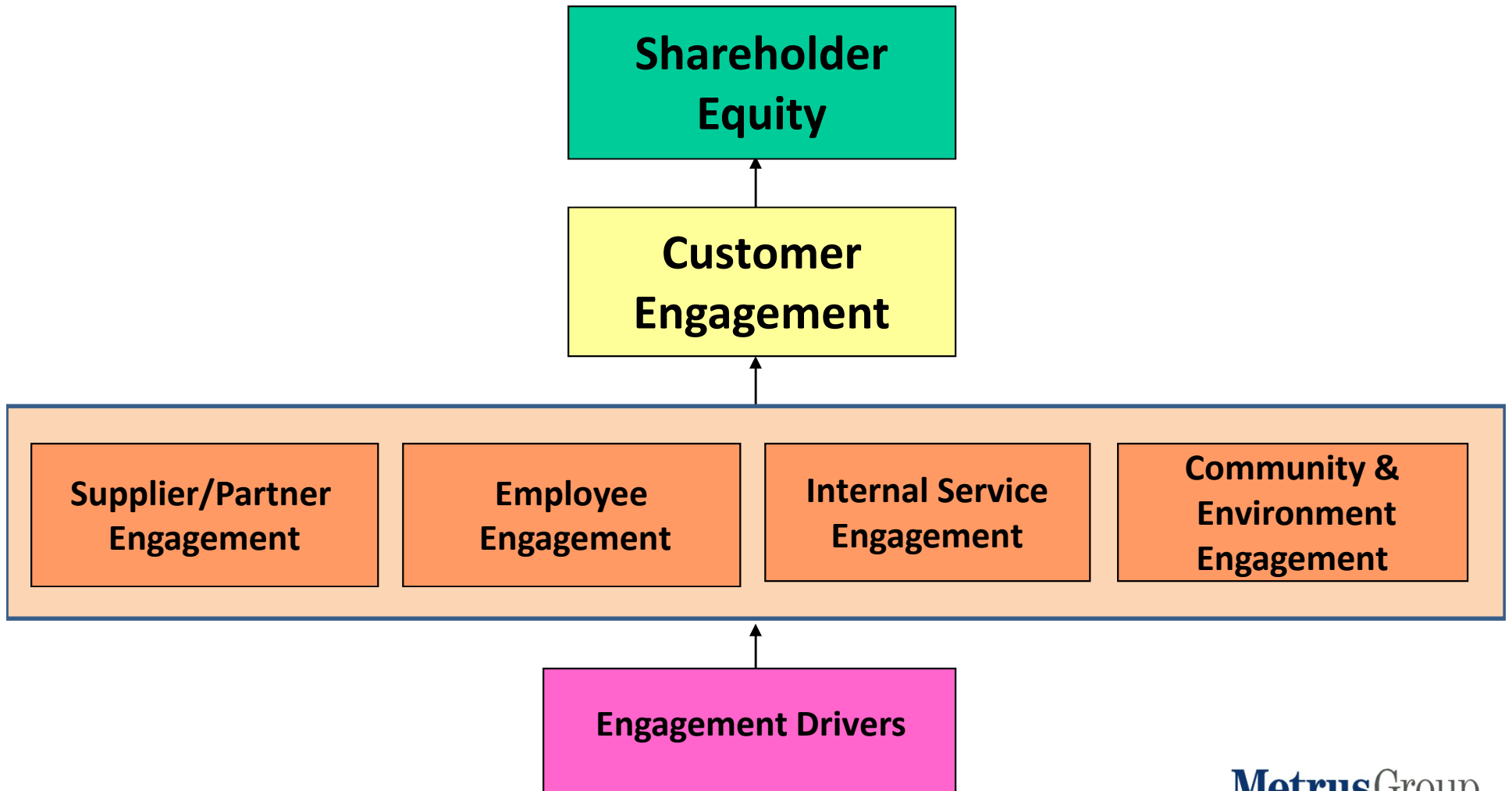
Topics

- ◆ Engagement and Strategy—Perfect Together!
- ◆ Engagement Beyond Employees
- ◆ Using Scorecards to Manage
- ◆ Potential Actions

What do we usually measure?

- ◆ Financial—revenue, profit
- ◆ Customer—retention, share of wallet
- ◆ Operations—cost, quality
- ◆ Sustainability—often neglected
- ◆ Supplier/partner—cost
- ◆ Employees—performance

Engagement is the Key Driver of Shareholder Equity



Defining Engagement

◆ Goes beyond:

- ◆ Positive attitudes toward the organization
- ◆ Pride
- ◆ Satisfaction
- ◆ Job Commitment

◆ Intellectual **and Emotional**
commitment leading to...

Engagement as Advocacy

Willingness to:

- ◆ Put in additional discretionary effort (time, energy, thinking)?
- ◆ Perform prescribed tasks, provide more voluntary actions, and exhibit fewer proscribed behaviors
- ◆ Encourage people they value to:
 - ◆ Work with this organization
 - ◆ Support this organization and its products or services
 - ◆ Invest in this organization (publicly traded)

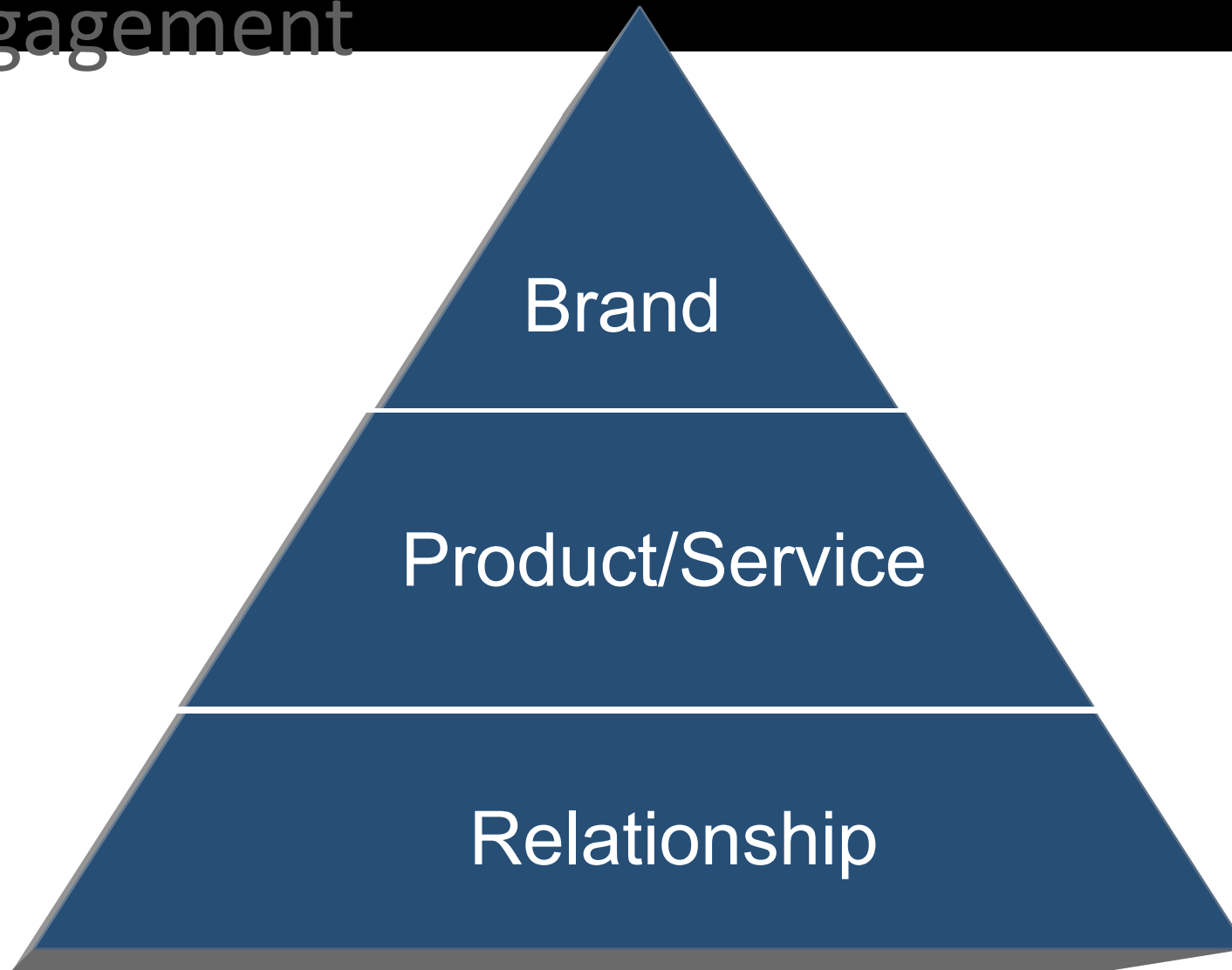


Customer Engagement

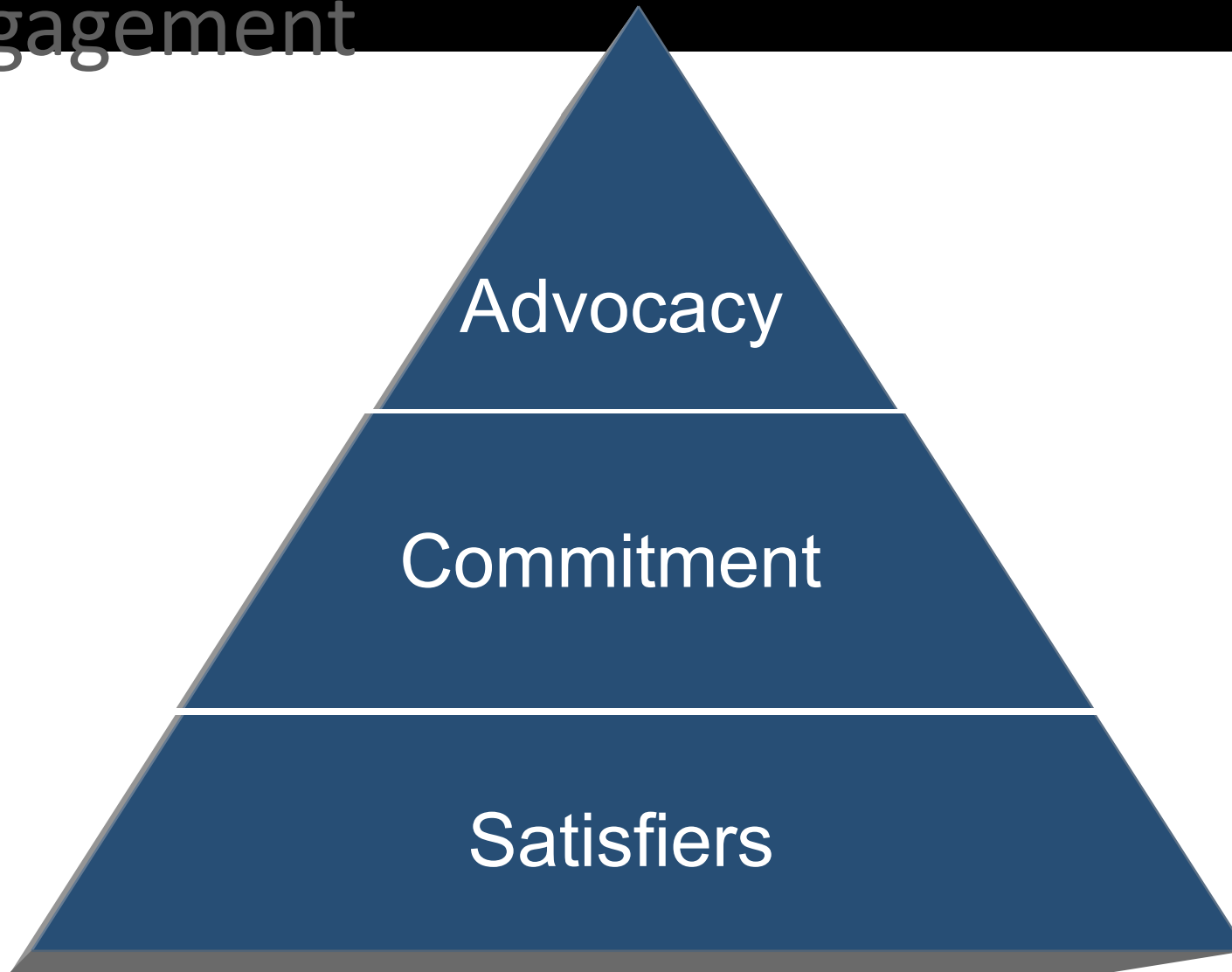
- ◆ Engaged customers:
 - ◆ Remain loyal, even...
 - ◆ Increase share of wallet
 - ◆ Tell their friends
- ◆ Disgruntled customers:
 - ◆ Leave
 - ◆ Tell 10 other people
 - ◆ Stay and ...



Major Drivers of Customer Engagement



Major Drivers of Employee Engagement



Engagement Requires Two Partners

PEOPLE EQUITY

Goals

Talent

Advocacy

Brand

Information

Satisfiers

Customer

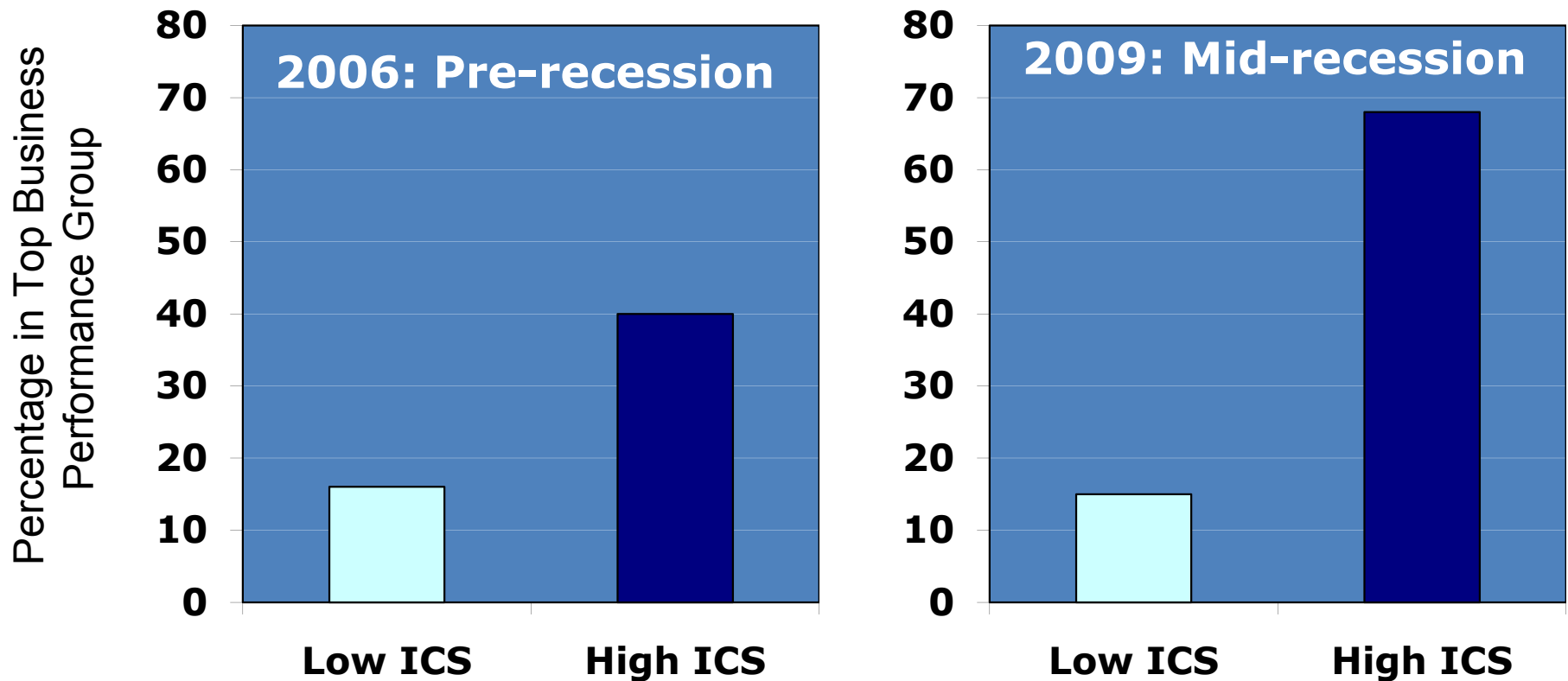
Resources

Commitment

Internal Service and Business

Performance - 2010 Metrus Institute/ASQ Research

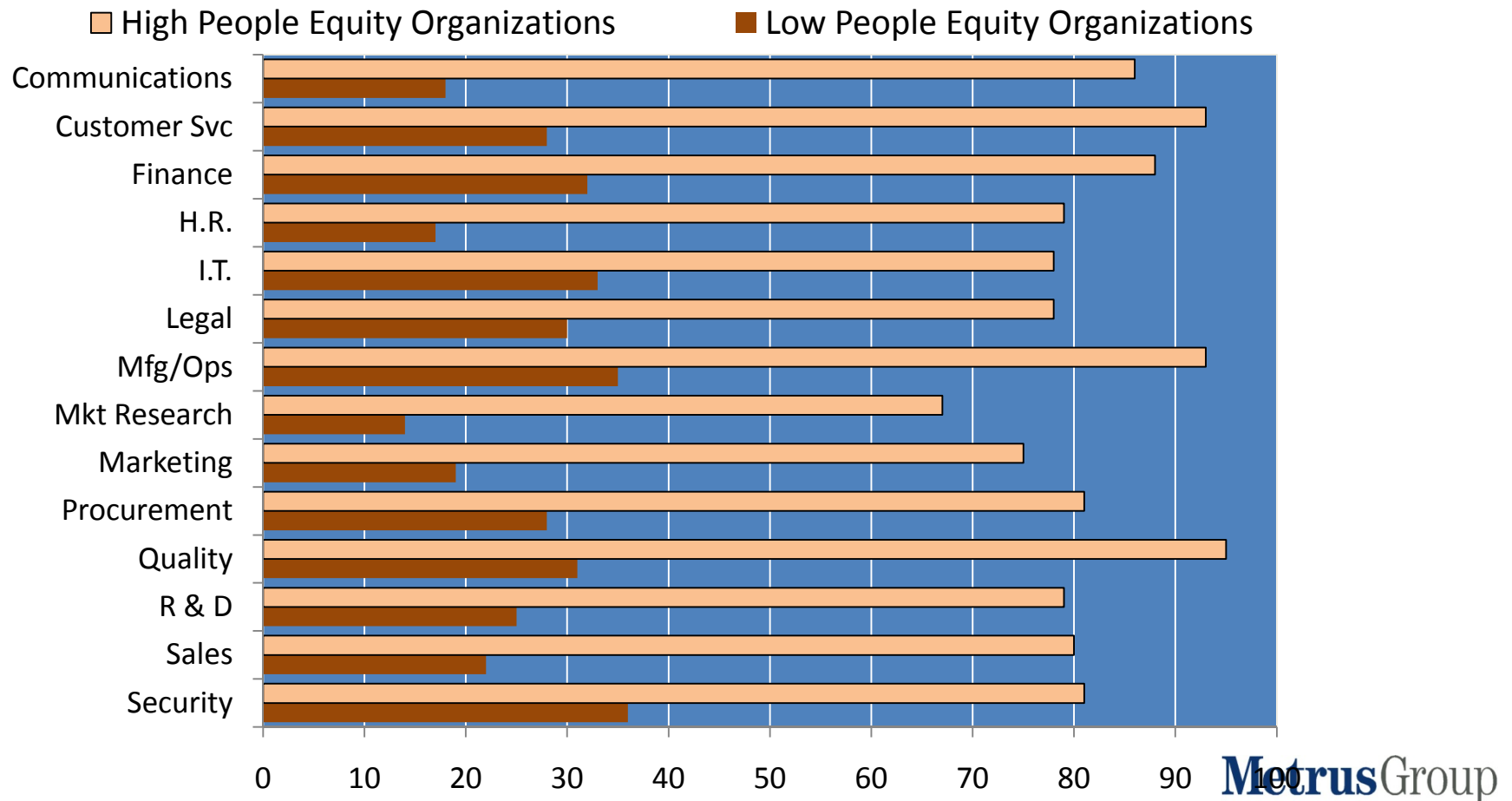
Metrus has tracked internal service since 1993, including through the recession.



High vs. Low ACE Companies – Internal Service

Over 50% Difference in Most Functions

Overall Quality of Service – Percent Favorable



Partner/Supplier Engagement

- ◆ Outsourcing and globalization have made partners a critical part of the value chain—it's no longer just about the lowest cost
 - ◆ How important was:
 - ◆ Brake pedal supplier CTS to Toyota in 2010?
 - ◆ Morton Thiokol to NASA?
 - ◆ Transocean To BP
- ◆ Few corporations measure Supplier Engagement—a Best Practice differentiator



Community and Environment

◆ Community:

- ◆ Good neighbors make good employees, good customers, good investors
 - ◆ Healthy Weight Commitment Foundation: remove more than 1 trillion calories by 2010, to reduce childhood obesity: why are Coke, Pepsi, Kraft and over 70 others participating?

◆ Environment:

- ◆ Engagement with the ecosystem has become recognized as a critical part of doing business, and a key aspect of many customer brands:
 - ◆ BP claimed to be the 'green' energy company?
 - ◆ Ortho Clinical Diagnostics committed 6 acres to solar panels as part of J&J's 7% reduced carbon footprint commitment

Shareholder Engagement

Investors are primarily focused on total return,
engagement is not an issue

Really?

- ◆ Why has Philip Morris changed its name to Altria?
- ◆ Why did Coke do an about-face on diversity and environmental issues?
- ◆ Why could Bolthouse attract investors to launch a more environmentally responsible beverage company?
- ◆ Why did many stock indices emerge that excluded South Africa during apartheid?
- ◆ Why are there stock indices that focus only on triple bottom line performers?

The Evidence for Engagement

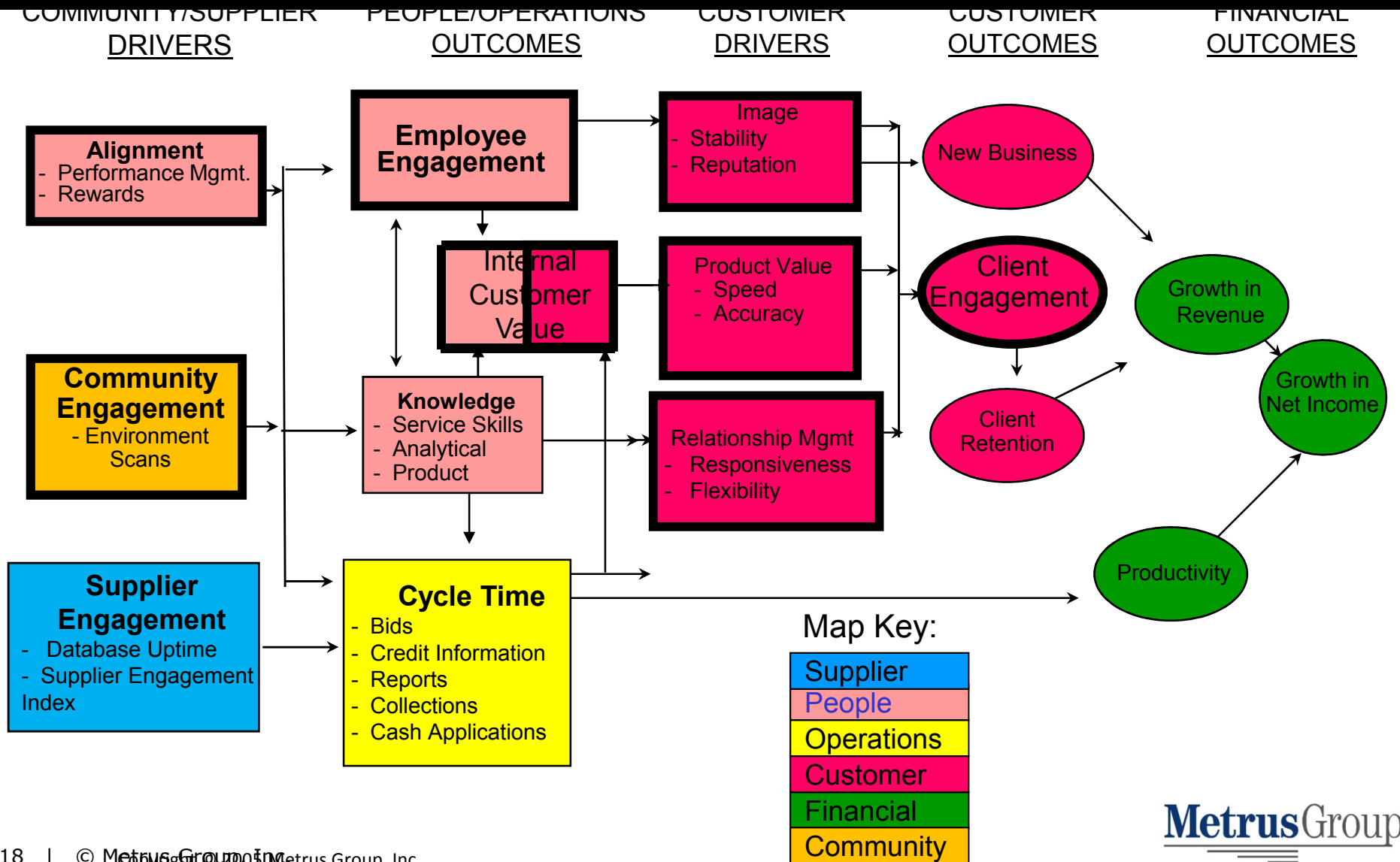
- ◆ **Lowes/Perini:** Most engaged
 - ◆ Higher retention of best employees
 - ◆ 19% increase in operating income (vs. 33% decline)
 - ◆ 28% increase in EPS (vs. 11% decline)
- ◆ **Caterpillar:** Engagement initiatives
 - ◆ \$9M in savings due to turnover, absence, and overtime
 - ◆ 80% fewer grievances
 - ◆ Higher customer satisfaction
- ◆ **Intuit:** Engaged employees
 - ◆ 1.3x more productive
 - ◆ 5x less likely to leave
- ◆ **Molson:** Highly engaged
 - ◆ 5x less likely: safety incident or lost time accident (\$1.7M)
 - ◆ Higher sales performance

Vance, Robert J. Ph.D., *Employee Engagement and Commitment*,
SHRM Foundation's Effective Practice Guidelines, 2006

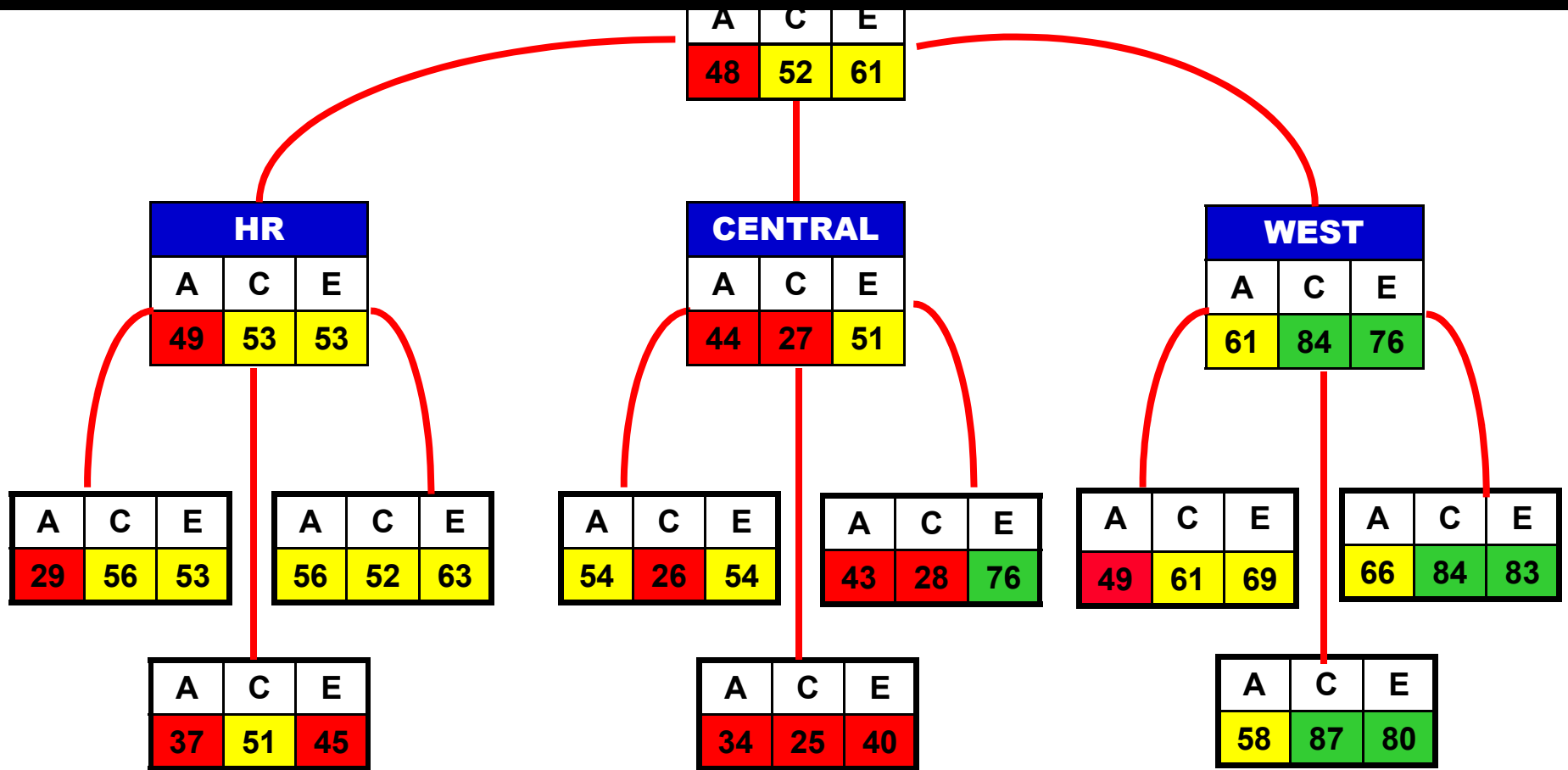
Impact of Low Engagement

- ◆ Low external or internal customer satisfaction
- ◆ Low productivity due to mediocre energy
- ◆ Top talent loss when market conditions permit
- ◆ Unmarketable employees retire in place
- ◆ Low referrals of new talent
- ◆ Weak customer retention and share of wallet
- ◆ Quality suffers
- ◆ Margins and revenue weaker

Sample Strategy Map: Financial Organization



Engagement Must Be Viewed in Context



A - Alignment C - Capabilities E - Engagement

Red = Trouble Yellow = OK Green = Strength

What can you do *NOW*?!

- ◆ Clearly define the full value chain, and look at the impact of engagement on *each* link
- ◆ Ask first: how will the *stakeholder* benefit; the benefit to you will follow
- ◆ Implement metrics that detect engagement across the full value chain—look for strategic leading and lagging indicators
- ◆ Track regularly; coordinate with financial cycles



THANK YOU!
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William Schiemann

wschiemann@metrus.com

908 231-1900, x101

www.metrus.com