Moving Toward Employee Experience Excellence

Key Practices That Differentiate Employee Experience Leaders and Laggards

Why is improving EX important?

Research that highlights why employee experience (EX) matters:

- Replacing an employee can cost between 1.5 to 2 times their salary[1]

- Almost 80% of executives rate EX as either important or very important[2]

- Only 22% of executives indicated that their organizations excel at EX[3]

- Only about 58% of employees feel valued by their current employer and are satisfied with their employer's recognition practices[4]

- 20% of employees report not trusting their organization[5]

What Sets Employee Experience Leaders Apart?

Key findings from the Moving Toward Employee Experience Excellence research conducted by Medallia:

- Leaders capture timely data, using a diverse set of direct and indirect sources

- Leaders do not shy away from difficult topics

- Leaders make employee experience part of their strategy and break out of thinking about EX in a silo

Foreword

As companies continue to invest in employee experience and listening programs, this research points out three enormously important priorities.

First, we must survey and interview employees regularly. In fact, nearly half the high performing companies survey or interview employees monthly or more. Why is this so critical? Quite simply, the work, health, and economic environment changes almost daily – so if you aren't keeping a regular pulse on employee and manager needs you risk falling behind.

We also must use many channels of listening. As the Medallia research points out, 43% of high performing companies collect and analyze text-based open feedback; 43% also monitor community channels, and 31% use crowdsourcing software. Going even further,

40% analyze call center calls and 36% look at external brand websites. This wide range of feedback gives these companies many sources of information to get a holistic view of what's on employees' minds. The low performing companies use far less of these non-traditional listening methods.

Third, we must create a culture of psychological safety, enabling employees to bring up sensitive issues. As the Medallia research points out, the high performers ask employees about their safety and wellbeing, their sense of belonging, and their perception of fairness, inclusion, and diversity. The low performers do very little of this, and focus on traditional engagement measures. This "open-minded" approach to employee listening creates trust, which in turn lets employees bring even better suggestions to management.

And finally, the Medallia research points out that EX is not only an HR program. As our own research also discovered (Employee Experience: The Definitive Guide), employee experience must be owned by senior leaders and managers – with HR, IT, facilities, and other groups involved. When managers understand and act on employee feedback, the company continuously improves. When IT or HR operate in a vacuum to design solutions, the results often underperform.

We are excited to have been able to work with Medallia on this research, and we look forward to helping companies become what we call "Irresistible Organizations."

Josh Bersin

Global Industry Analyst and CEO,
The Josh Bersin Company

58%

Only 58% of employees feel valued at their current workplace

Intro

Providing an outstanding employee experience is crucial for employee satisfaction and retention. Not only that, employee experience is a key ingredient to a company's reputation as a great employer and also a major cost driver. After all, replacing an employee voluntarily leaving their organization can cost between 1.5 to 2 times the employee's annual salary[7].

The good news is that organizations can address voluntary turnover by dealing with employee concerns before they turn into the kind of issues that motivate staff to look elsewhere for opportunities. By focusing on employee experience - listening to signals that employees send, converting these signals into insights, and following up with meaningful action - organizations can improve employee productivity, satisfaction, and retention.

And there is plenty of room to improve employee experiences in the vast majority of organizations. According to a Deloitte study[8], while most executives rate employee experience as important, only 22% indicate that their organizations excel at creating a successful experience for their employees. This is not surprising, and other studies like the APA's "Work and Well-Being" survey[9] have found that only 58% of employees feel valued at their current workplace.

The following report, produced by the Medallia Institute in partnership with industry thought leader Josh Bersin, builds upon existing research that highlights why employee experience is important, with new findings that reveal how organizations can excel at delivering a better employee experience.

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About our study

In collaboration with Josh Bersin, we researched employee experience programs across more than 600 organizations to understand the link between strong employee experience practices and positive people outcomes like employee satisfaction and engagement.

We analyzed the characteristics that distinguish top performers ("Leaders") from those at the bottom ("Laggards"), and looked to see how business outcomes differ between these two groups.

Contrasting leaders from laggards gives us a window into how these organizations differ across a wide range of EX practices. Among those, there are three key practices that make leaders stand out:

1. Leaders capture timely data, using a diverse set of direct and indirect sources

2. Leaders do not shy away from difficult topics

3. Leaders make employee experience part of their strategy and break out of thinking about EX in a silo

To separate the leaders from the laggards, we looked at how these organizations performed across three key areas: employee satisfaction, employee retention, and whether the company was viewed as a great place to work.

We classified organizations scoring in the top 10th percentile of these three areas as **employee experience leaders** - organizations that are excelling at achieving people and reputational outcomes. We classify those in the bottom 10th percentile as **employee experience laggards** - organizations that struggle to attain high levels of employee satisfaction, retention and reputation.

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Insight 1: Leaders capture timely data, using a diverse set of direct and indirect sources
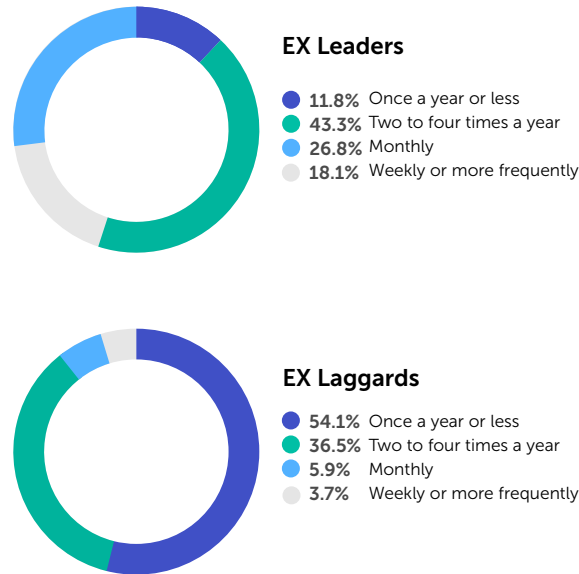
EX leaders get feedback from their employees frequently and comprehensively.

To understand the employee experience, organizations have to capture their employees' attitudes, sentiments, and behaviors. This is best accomplished by harnessing all of the signals that employees send, which can shed light on the experience and well-being of the organization's workforce.

We find that leaders survey their employees more often than laggards, and are 3.5 times more likely to obtain feedback at least monthly, if not more frequently. In fact, over half of laggards indicated that they capture feedback from their workforce only once a year or less.

As a result, laggards risk basing decisions on outdated information, an unwise approach in today's constantly changing workplace environment. Moreover, infrequent feedback doesn't give employees the opportunity to voice their concerns throughout their regular flow of

work. Surveying yearly, or less frequently, means that employees must often rely on memory and are more likely to be more biased as time passes. Feedback methods that capture in-the-moment information and are deployed more frequently present a more accurate picture as they capture attitudes, sentiment, and behaviors in real time or near real time.

EX Leaders

- 11.8% Once a year or less
- 43.3% Two to four times a year
- 26.8% Monthly
- 18.1% Weekly or more frequently

EX Laggards

- 54.1% Once a year or less
- 36.5% Two to four times a year
- 5.9% Monthly
- 3.7% Weekly or more frequently

Employee experience leaders perform better than laggards, both in terms of the experiences they deliver to customers and the financial outcomes they achieve within their organizations.

Leaders are...

- 12x more likely than laggards[10] to indicate that their revenues grew by more than 20% over the last year

- more likely to agree when asked to rate on a 5-point scale (0 to 4) that they either met or exceeded their financial targets, reporting a 3.22, compared to laggards at 1.89

- more likely to agree (3.55) that they accomplish high levels of customer satisfaction and retention compared to laggards (1.98)

Employee experience leaders outperform laggards on all dimensions of employee experience practices, especially insights and action.

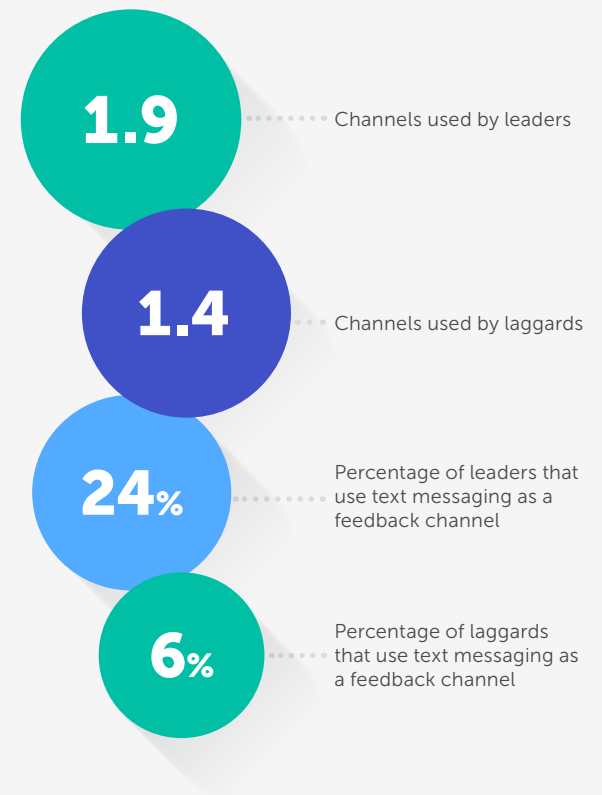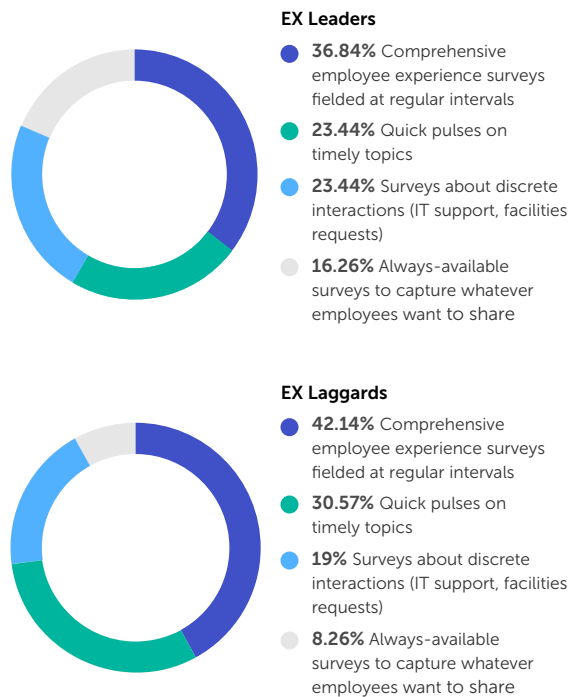|		
Signals: Practices related to employee feedback and data capture	3.30 Leaders	2.26 Laggards
Insight: Practices related to analytics and measurement	3.03 Leaders	1.65 Laggards
Engagement: Practices related to leadership, data sharing, and work routines	3.21 Leaders	1.91 Laggards
Action: Practices related to ownership, responsiveness, and innovation	3.24 Leaders	1.89 Laggards

*Measured on a 5-point Likert scale from 0 to 4 asking for agreement with different statements about practices in each area.

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The COVID-19 pandemic has demonstrated the need to move beyond comprehensive employee experience surveys fielded only once or twice a year. The dynamic nature of the pandemic illustrates that quicker, real-time signal capture is needed to understand employees and their experiences, both in the workplace and beyond. In the case of the pandemic, continuous changes in local COVID-19 cases and direct health measures have created new challenges combining work and caretaking responsibilities, and additional threats to personal health. Capturing feedback from employees only once or twice a year would likely result in missing crucial information about the impact of such changes, or create a lag in the company's ability to get insights and respond.

Leaders capitalize on different opportunities to obtain feedback from their employees, whether through comprehensive employee experience surveys, pulses, questions about discrete interactions, or always-available surveys. Leaders use any combination of these different feedback modes more extensively than laggards.

Moreover, leaders use a wider variety of channels, such as email, text, paper, and digital, to capture employee feedback. Leaders, on average, use 1.9 channels, compared to laggards, who use 1.4.

The difference between how leaders and laggards use these methods is most pronounced in the use of text messaging. Nearly one-fourth (24%) of leaders indicate that they are using text messaging as a feedback channel compared to 6% of laggards. Digital channels are also being adopted by leaders more frequently (36%) than laggards (25%).

EX Leaders

- **36.84%** Comprehensive employee experience surveys fielded at regular intervals
- **23.44%** Quick pulses on timely topics
- **23.44%** Surveys about discrete interactions (IT support, facilities requests)
- **16.26%** Always-available surveys to capture whatever employees want to share

EX Laggards

- **42.14%** Comprehensive employee experience surveys fielded at regular intervals
- **30.57%** Quick pulses on timely topics
- **19%** Surveys about discrete interactions (IT support, facilities requests)
- **8.26%** Always-available surveys to capture whatever employees want to share

1.9 Channels used by leaders

1.4 Channels used by laggards

24% Percentage of leaders that use text messaging as a feedback channel

6% Percentage of laggards that use text messaging as a feedback channel

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EX leaders use unstructured data to collect employee feedback

Beyond using various methods to solicit and capture feedback from employees directly, we also find that employee experience leaders excel at leveraging unsolicited, unstructured data to understand what is on employees' minds. This unstructured data can come in various formats, such as comments made in forums, call transcripts, or responses to open-ended survey questions. And because unstructured feedback doesn't follow a predefined format, different tools and capabilities are required to draw meaningful insights from these rich information sources.

Beyond the ability to serve as a timely, early warning signal for potential problems, unstructured data is useful for topics where respondents may not be as comfortable sharing information directly with their employer but are leaving feedback about their experiences on other forums (i.e., such as on external rating or review websites). This can happen when survey questions hit on sensitive topics (e.g., questions about diversity, equity, and inclusion) or when a company's culture is such that employees do not feel comfortable providing feedback.

Our study shows that EX leaders are twice as likely as laggards to use internal community or collaboration platforms, as well as support requests or tickets, as sources of unstructured data to get feedback from employees. Even wider gaps exist for data sources coming from other areas both inside the company — including call logs or chat sessions from the company's contact center and crowdsourcing platforms, and from outside the company — including external rating and review websites. The use of these different data sources shows that EX leaders are in a better position to get a holistic understanding of the employee experience because they capture feedback in various ways, inclusive of structured or unstructured data, as well as sourced from within and outside of their organizations.

To draw meaningful insights from unstructured data, companies need to leverage better tools like automated text and speech analytics, which draws on artificial intelligence and natural language processing, to efficiently convert these rich data sources into actionable insights. Nearly half (43%) of employee experience leaders strongly agree that they adopt automated text analysis for this purpose, compared to only 5% of laggards.
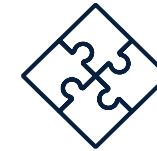
43% vs **21%**
internal community or collaboration platforms

44% vs **22%**
support requests or tickets

40% vs **7%**
chat sessions or call logs from service centers

31% vs **7%**
internal crowdsourcing software

36% vs **13%**
external rating and review websites

52% vs **60%**
exit interviews

● Leaders   ● Laggards

Insight 2: Leaders do not shy away from difficult topics

EX leaders ask about rapidly changing and sensitive topics.

Our study not only finds interesting differences in how employee experience leaders capture signals about the employee experience, but also what topics these leaders are addressing.

When we asked respondents about the topics they cover in their employee experience surveys, we found that EX leaders were much more likely to ask their employees about rapidly changing and sensitive topics (Fig 1). At the time of data collection (March 2021 through July 2021), the COVID-19 pandemic, the sharp uptick in voluntary resignations sometimes referred to as the "Great Resignation"[11] as well as diversity, equity, and inclusion[12] were key issues impacting companies in the U.S. and abroad. What all of these issues have in common is that they are directly related to EX and employee outcomes, leading to changes in the workplace experience and sometimes causing employees to look for opportunities elsewhere.
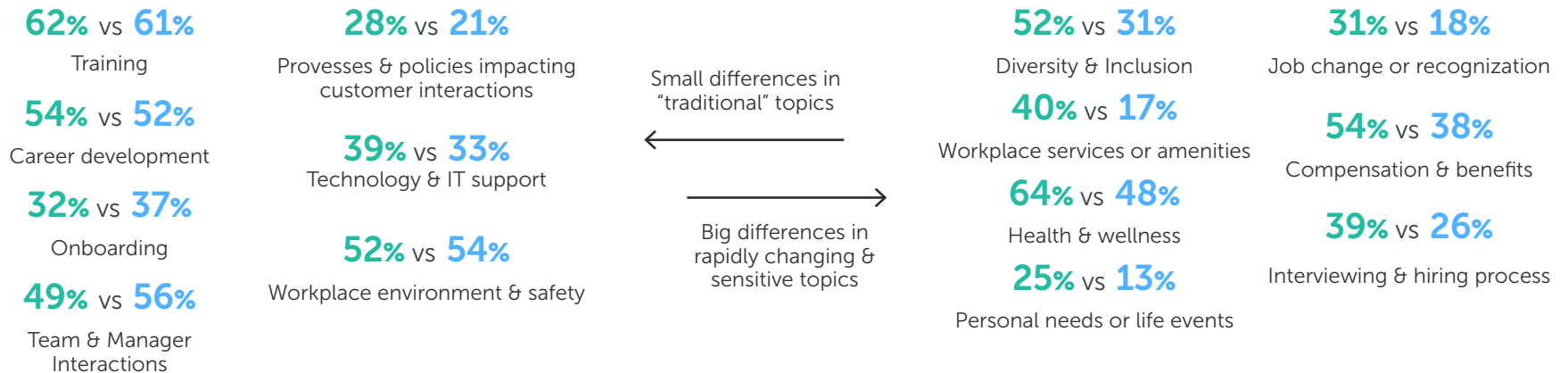
In line with these topics, we find that leaders are more likely than laggards to focus on health and wellness, personal needs, and life events. This puts them in a better position to understand the employee experience during the pandemic as employees cope with new demands of remote work, balancing job and caregiving responsibilities, and dealing with additional stress related to the pandemic itself.

In addition, the "Great Resignation" has sparked the need for a stronger focus on how companies are performing on the topic of benefits, whether and why employees are changing jobs or are considering changing jobs, and the candidate interviewing and hiring process. Again, we find that employee experience leaders are more likely than laggards to collect feedback about these topics.

Lastly, over half of EX leaders survey their workforce on diversity and inclusion in contrast to only a third of laggards. Taken together, our study shows that employee experience leaders have an up-to-date and highly relevant view of their employees' environment, which allows these companies to create timely insights and adapt to changing needs so they can attract and retain talent and remain competitive in the marketplace.

Figure 1

● Leaders   ● Laggards

62% VS **61%**
Training

28% VS **21%**
Provesses & policies impacting customer interactions

52% VS **31%**
Diversity & Inclusion

31% VS **18%**
Job change or recognization

54% VS **52%**
Career development

40% VS **17%**
Workplace services or amenities

32% VS **37%**
Onboarding

39% VS **33%**
Technology & IT support

64% VS **48%**
Health & wellness

54% VS **38%**
Compensation & benefits

49% VS **56%**
Team & Manager Interactions

52% VS **54%**
Workplace environment & safety

25% VS **13%**
Personal needs or life events

39% VS **26%**
Interviewing & hiring process

Small differences in "traditional" topics

Big differences in rapidly changing & sensitive topics

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EX leaders create an environment where employees feel safe giving feedback

Making sure employees feel secure when sharing honest feedback is critical for moving towards employee experience excellence. Without honest feedback, organizations are unable to identify critical pain points, emerging issues, and improvement areas. Our findings show that EX leaders create an environment where employees feel safe about giving honest feedback. When asked the degree to which they agree that they provide their employees with an environment in which they feel secure enough to be truthful in what information they provide about the company, EX leaders were much more likely to agree (3.37 out of 4) when compared with EX laggards (2.06 out of 4).

> Employee experience leaders create environments in which employees feel safe when sharing honest feedback about challenging topics

This finding is supported by a recent study by Josh Bersin[13] that highlights the importance of creating an environment and culture of trust, transparency, and care when developing a successful, differentiated employee experience program.

EX leaders readily listen to their workforce. They capture feedback frequently and through various sources, and they turn these insights into improvements and innovations. Moreover, they ask about topics that are impacting employees right now, such as their health and well-being, an area that has been front and center during the pandemic.

The results of our study reveal that while many employee experience leaders have emerged, many companies still have room for improvement when it comes to listening to their employees, improving their experiences, and fostering an environment in which employees trust their organization enough to provide honest feedback.

Most importantly, employees must trust that their company will act on their feedback to improve the experience. Taking visible actions periodically in response to employee feedback and communicating broadly about those decisions is a critical first step in building trust.

Medallia Institute research into the experiences of frontline employees has shown that companies that ask for and act on employee feedback garner the highest employee Net Promoter® scores. In fact, companies that ask for feedback but don't take action receive even lower ratings from their employees than those that don't ask for feedback at all.

Likelihood to recommend company as a place to work

% of frontline respondents

- ● Extremely likely
- ● Very likely
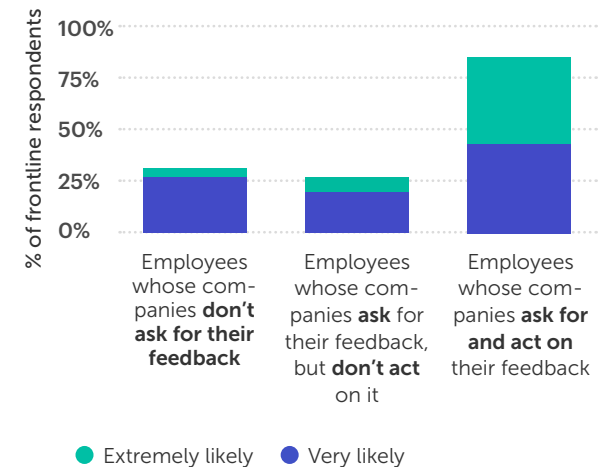
Insight 3: Leaders make employee experience part of their strategy and break down EX silos

EX leaders set and communicate employee experience goals throughout the organization

For leaders, EX starts at the top of the organization. We find that leaders are much more likely to have employee experience goals throughout the organization — 49% of leaders report this being the case vs. 9% of laggards — and communicate how these goals align with the overall strategy (51% of EX leaders report this vs. 11% of laggards). This highlights the importance of having a clearly communicated EX strategy and that doing so is key to establishing EX excellence.

Furthermore, leaders involve the entire organization in employee experience initiatives. Nearly three-fourths (72%) of EX leaders indicate that direct team leaders and people managers are highly involved in the organization's employee experience initiatives, but only 18% of laggards say the same.

72%

Highly active **EX leaders**

18%

Highly active **EX laggards**

Leaders are regularly fine tuning their employee experience goals, using insights they gain from the signals they capture. Almost 70% of EX leaders use employee experience data for priority setting on a quarterly or monthly basis, as they recognize the need to continuously understand their workforce and take data-driven action in the moment.

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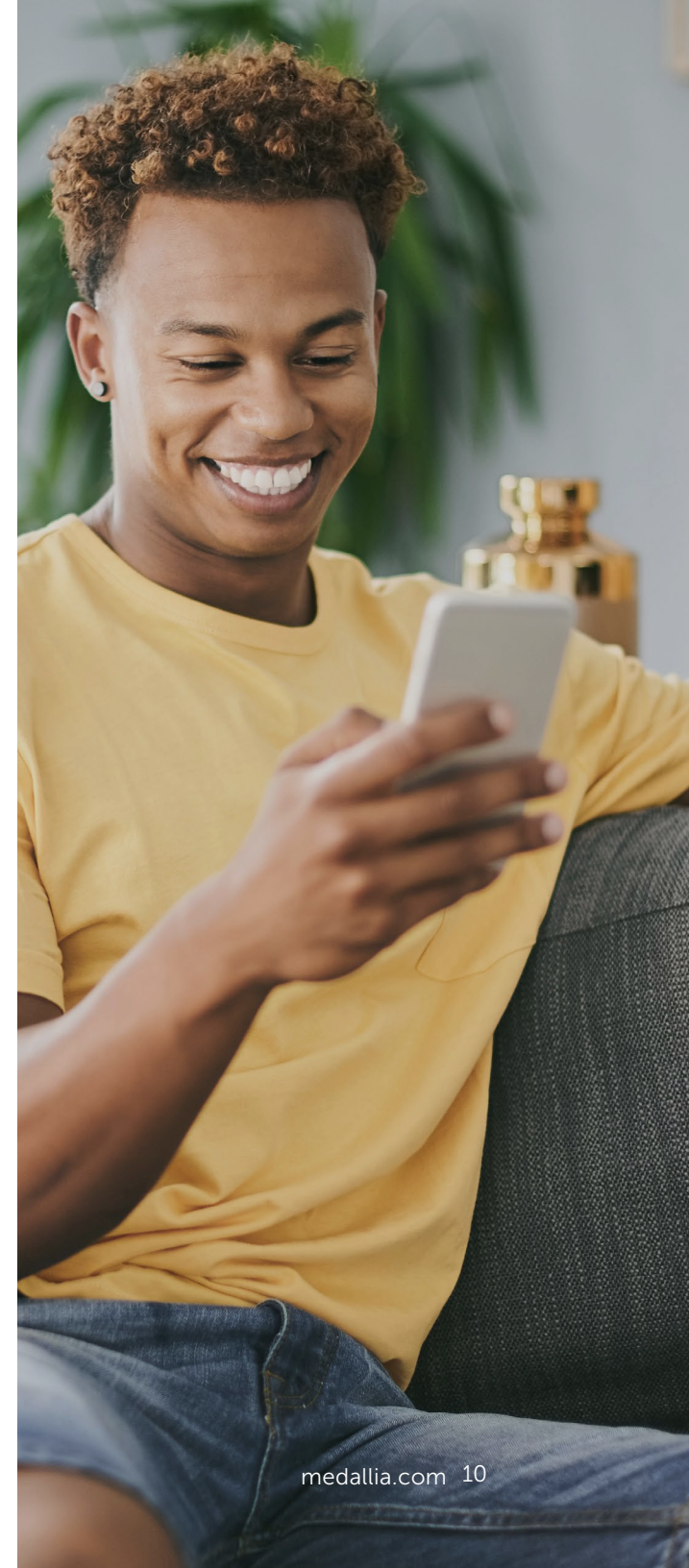
EX leaders create a dedicated employee experience function

Organizations leading on employee experience are more likely than those that are lagging to prioritize EX by establishing a separate functional area within their human resources department. Almost all (93%) of EX leaders indicate that they have a dedicated employee experience team, compared to only 59% of EX laggards.

Having a dedicated function for employee experience not only signals its importance but also allows for clearer assignment of responsibilities and resource allocation to make changes and improvements.

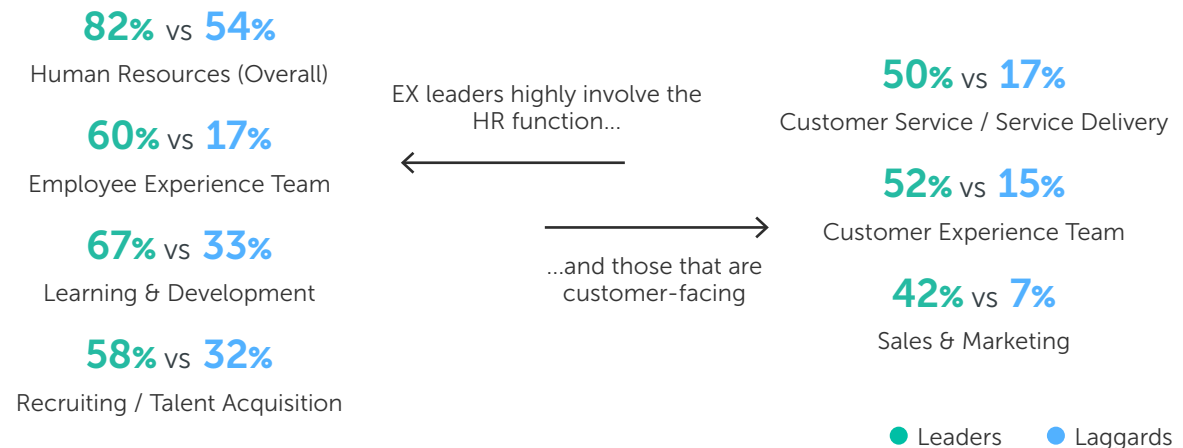## EX leaders involve the entire organization in employee experience initiatives

Having a dedicated employee experience team does not mean that leaders do not involve other parts of the organization. On the contrary, our study finds that leaders are much more likely to collaborate with other departments, especially those that deal closely with customers, such as sales and marketing, customer service, and customer experience.

They do this precisely because they understand that breaking down employee experience silos is extremely important to achieving EX and CX excellence.

A study by Deloitte shows that HR or EX departments are unable to adequately create change that extends beyond their function[14], such as introducing improvements to culture or management practices, when their influence is limited solely to their department. Thus, a siloed employee experience function is inherently at odds with our finding that EX starts at the top and then spreads throughout the organization.

Employees in customer-facing functions often bring creative ideas around how to positively impact both the customer and employee experience. In a previous Medallia Institute study, we found that 61% of frontline employees were likely or very likely to come up with ways to delight customers. Furthermore, 56% said that they had feedback on new ways to improve company processes and practices, and 47% had suggestions regarding employee feedback and training.

The deep connection between employee and customer experience is clear, and it's critical to tap into those within the workforce who have intimate knowledge of the processes and workflows that affect both.

82% vs **54%**
Human Resources (Overall)

60% vs **17%**
Employee Experience Team

67% vs **33%**
Learning & Development

58% vs **32%**
Recruiting / Talent Acquisition

EX leaders highly involve the HR function...

←————————————→

...and those that are customer-facing

50% vs **17%**
Customer Service / Service Delivery

52% vs **15%**
Customer Experience Team

42% vs **7%**
Sales & Marketing

● Leaders ● Laggards

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Conclusion

Developing employee experience excellence requires companies to obtain a timely, accurate picture of their workforce, their attitudes, and topics that matter, and to take proactive, meaningful action.

EX leaders can leverage the findings included in this report by focusing on the three key strategies that enable organizations to achieve employee experience excellence:

- Capturing both direct and indirect employee feedback to build a holistic, timely view of the workforce, driving meaningful action

- Creating an organizational environment where your employees feel safe and comfortable sharing their views, including those about difficult topics that require reflection and action

- Collaborating with leaders across your organization, from top to bottom and across departments, on key employee experience initiatives

Ultimately, EX leaders who follow these recommendations, by listening to their employees — however they choose to provide feedback — and taking the appropriate action, will be able to achieve real results when it comes to workplace performance, engagement, and operational performance improvements.

Methodology

Between March 2021 and July 2021 Medallia surveyed 683 human resource and employee experience professionals via email, social media channels, and online research panels. Respondents represent leaders at organizations with more than 100 employees, based primarily in the following countries: U.S., Canada, Mexico, Argentina, Colombia, Great Britain, Germany, France, Spain, New Zealand, and Australia. Our researchers screened potential survey participants based on their familiarity with their company's employee experience program to include only those that were at least somewhat familiar with the company's practices.
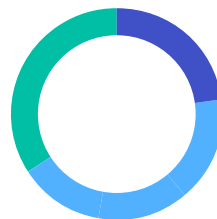
Respondent & Company Characteristics
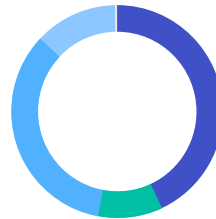
Geographical representation

- **44%** US/Canada: 299
- **10%** Latin America: 66
- **34%** Europe: 232
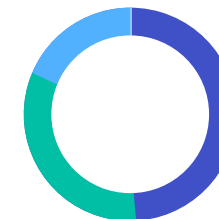- **12%** Australia/New Zealand: 79
- **1%** Other: 7
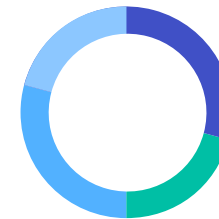
Annual revenue

- **27%** $1 billion or more: 185
- **21%** $100 million to $999 million: 144
- **32%** $99 million or less: 217
- **20%** Declined to state: 137

Number of employees

- **23%** 10,000 or more: 160
- **33%** 1000 to 9,999: 228
- **43%** Fewer than 1000: 295

Organizational sales model

- **48%** B2C: 329
- **32%** B2B: 217
- **19%** B2B2C (via distributors): 128
- **1%** Declined to state: 9

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Endnotes

1. https://www.gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx#:~:text=The%20cost%20of%20replacing%20an,to%20%242.6%20million%20per%20year

2. https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2017/improving-the-employee-experience-culture-engagement.html

3. https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2017/improving-the-employee-experience-culture-engagement.html

4. http://www.apaexcellence.org/assets/general/2018-work-and-wellbeing-survey-results.pdf?_ga=2.27748476.1121808645.1631627149-1380619884.1626719824

5. http://www.apaexcellence.org/assets/general/2018-work-and-wellbeing-survey-results.pdf?_ga=2.27748476.1121808645.1631627149-1380619884.1626719824

6. https://joshbersin.com/ex-definitive-guide-2021/

7. https://www.gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx#:~:text=The%20cost%20of%20replacing%20an,to%20%242.6%20million%20per%20year.

8. https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2017/improving-the-employee-experience-culture-engagement.html

9. APA 2018 Work and Well-Being Survey

10. Based on an ordinal regression with response to the question "How has your company's global revenue changed over the past fiscal year?" as the dependent variable. The question was asked using an ordinal measurement with the lowest category stating that revenues had decreased and the highest category stating that revenues had increased by over 20%. Compared to the baseline condition (laggards), the odds ratio associated with the variable indicating a leading company reflected that such a company was 12 times more likely to indicate that they were in the highest performance category than a lagging company (p < .01). Followers - companies neither classified as leaders or laggards - were twice as likely as laggards to indicate that they were in the highest performing category (p < .01).

11. https://hbr.org/2021/09/who-is-driving-the-great-resignation

12. https://www2.deloitte.com/us/en/blog/human-capital-blog/2021/predictions-dei.html

13. https://joshbersin.com/2021/07/secrets-to-employee-experience-the-definitive-guide-launches-today/

14. https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2017/improving-the-employee-experience-culture-engagement.html

Meike Ellert, PhD

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About Medallia

Medallia is the pioneer and market leader in Experience Management. Medallia's award-winning SaaS platform, the Medallia Experience Cloud, leads the market in the understanding and management of experience for customers, employees and citizens. Medallia captures experience signals created on daily journeys in person, digital and IoT interactions and applies proprietary AI technology to reveal personalized and predictive insights that can drive action with tremendous business results. Using Medallia Experience Cloud, customers can reduce churn, turn detractors into promoters and buyers, and create in-the-moment cross-sell and up-sell opportunities, providing clear and potent returns on investment. Medallia has offices worldwide, including Silicon Valley, Buenos Aires, London, New York, Tel Aviv and McLean, Virginia. Learn more at www.medallia.com.

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