

Forbes insights

The Experience Equation:

How Happy Employees And Customers Accelerate Growth

IN ASSOCIATION WITH



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Executive Summary

We already know that great customer experience boosts sales.

Research has long established the link between customer experience and revenue.¹

But research shows the situation is more nuanced—and more interesting—than that.

Customer experience (CX) is in fact locked with employee experience (EX) in an intricate relationship in which one depends on the other to gain maximum results. In addition, the right strategic efforts have critical implications that can result in higher revenue growth.

What is unique about this study is that we have used three separate data sources to assist us in drawing our conclusions:

1. RESEARCH: Forbes Insights used publicly available data from the American Customer Satisfaction Index and Glassdoor Ratings as well as three-year compound annual growth rate (CAGR) information to analyze the correlation between employee experience, customer experience and revenue growth across 263 companies.

2. SURVEY: In June 2020, we surveyed 300 U.S.-based senior executives about the importance of CX and EX and how these executives seek to improve them to affect revenue growth and business outcomes. All respondents represent companies with at least \$20 million in annual revenue. Two-thirds of companies surveyed have more than \$500 million in annual revenue. Seventy-eight percent of executives are C-suite members.

\$20M All surveyed represent companies with at least \$20 million in annual revenue

2/3 of companies surveyed have more than \$500 million in annual revenue

78% of executives are C-suite members

3. INTERVIEWS: Forbes Insights conducted interviews with a select group of executives in July and August of 2020. These executives work at companies that fall into the same firmographics as the companies surveyed.

Taken in concert, these information sources paint a compelling picture of the ways in which great employee and customer experiences together power growth—and suggest how companies can design effective EX- and CX-centered growth strategies.

FINDINGS

Here are a few compelling findings from our multifaceted research:

- Revenue growth is linked to high EX, regardless of CX prioritization. Companies that have both high EX and CX see almost double the revenue growth as those that do not.
- 70% of executives agree that improved EX leads to improved CX, which in turn leads to rapid revenue growth.
- 52% of executives disagree that fast revenue growth leads to high EX. There is no “virtuous circle.”
- EX and CX leaders disagree on the biggest obstacle to improving CX and EX. Forty-one percent of CX leaders say the main problem is a lack of shared senior management vision. Forty-three percent of EX leaders say employees are resisting cultural change.
- 40% of executives say that creating teams that combine EX and CX skills is the best way to overcome cultural obstacles.

¹<https://www.google.com/url?q=https://go.forrester.com/blogs/improving-customer-experience-by-1-point-can-drive-more-than-a-billion-dollars-in-revenue-in-2019&sa=D&ust=1602194735061000&usq=AFQjCNGUFLAKFp8ZyOS9jZLE9mp5v8MXZA>

Great Employee And Customer Experiences Boost Revenue

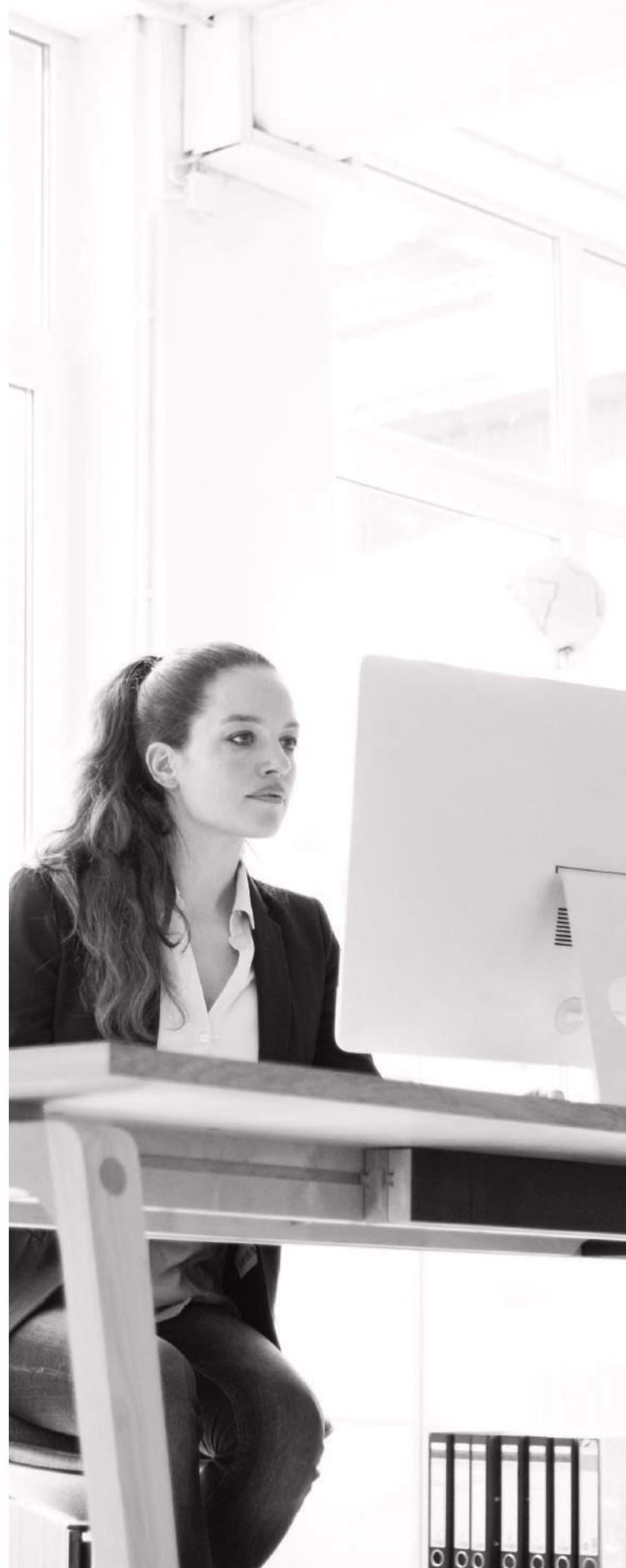
The conclusion that happy employees and happy customers go together isn't only comforting. It also points toward a powerful way for companies to grow faster.

New research indicates that good EX leads to good CX and, in turn, to stronger revenue expansion. In fact, EX and CX reinforce one another through positive feedback.

With their high EX and high CX, the companies from our dataset that landed in the top right quadrant (see chart) are growing almost twice as fast as are companies with low EX and low CX: For a \$1 billion company, such a growth rate would translate to \$40 million in revenue per year. Among these top performers are such iconic brands as Amazon, Apple, Netflix, Hilton and Southwest Airlines.

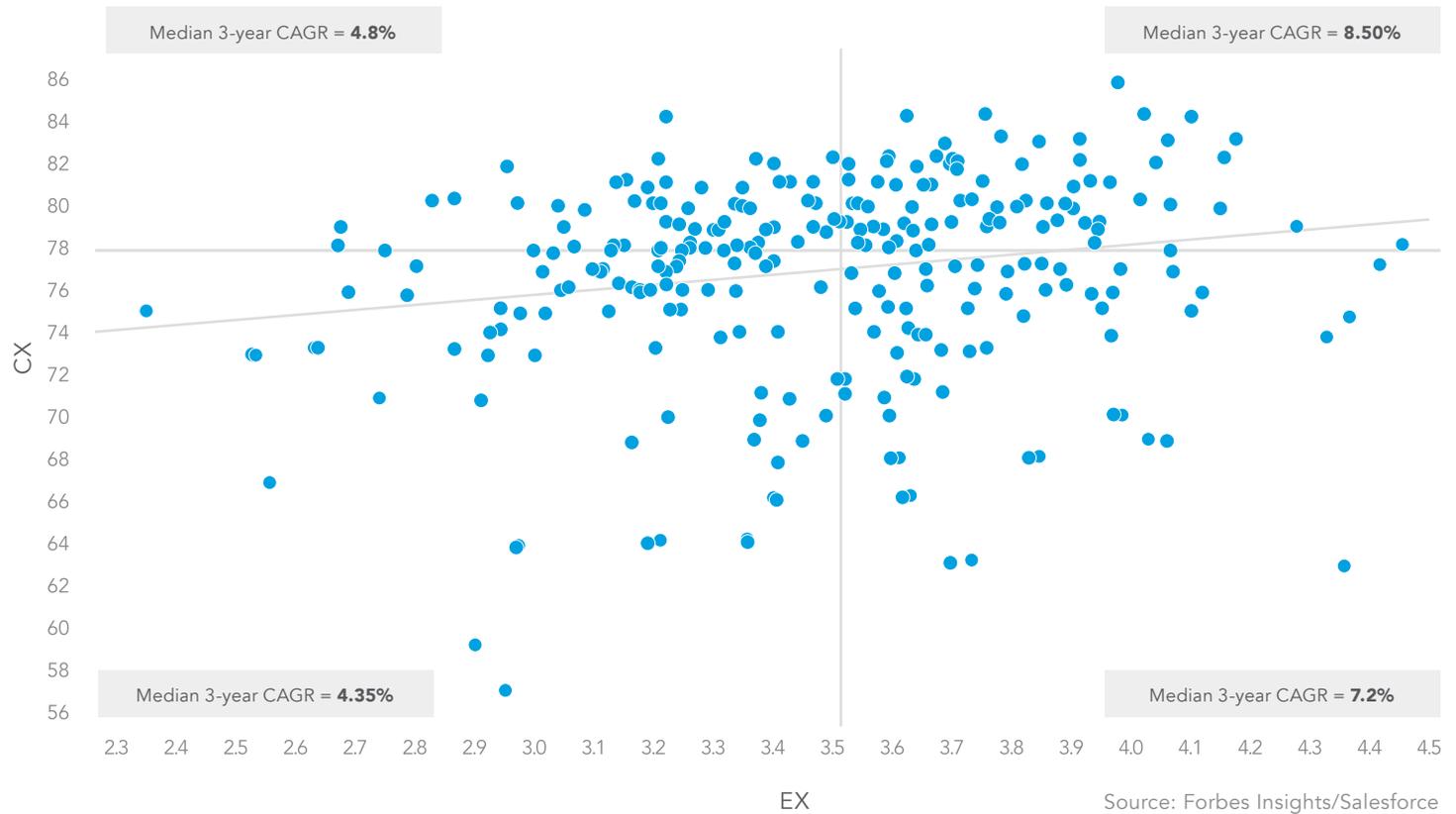
NOTES AND DATA SOURCES FOR CHARTS ON FOLLOWING PAGE

- Each dot represents a company with a customer satisfaction and an employee satisfaction score.
- CX scores come from the American Customer Satisfaction Index (<http://theacsi.org>), plotted as CX on the vertical axis.
- EX scores are the company's overall employee satisfaction score from Glassdoor (<http://Glassdoor.com>), plotted as EX on the horizontal axis.
- CAGR is the median of the three-year CAGR figures of individual companies in the quadrant, drawn from financial statements in the case of public companies and drawn from analyst and Forbes estimates in the case of private companies.
- The chart shows EX and CX ratings as of May 2020.

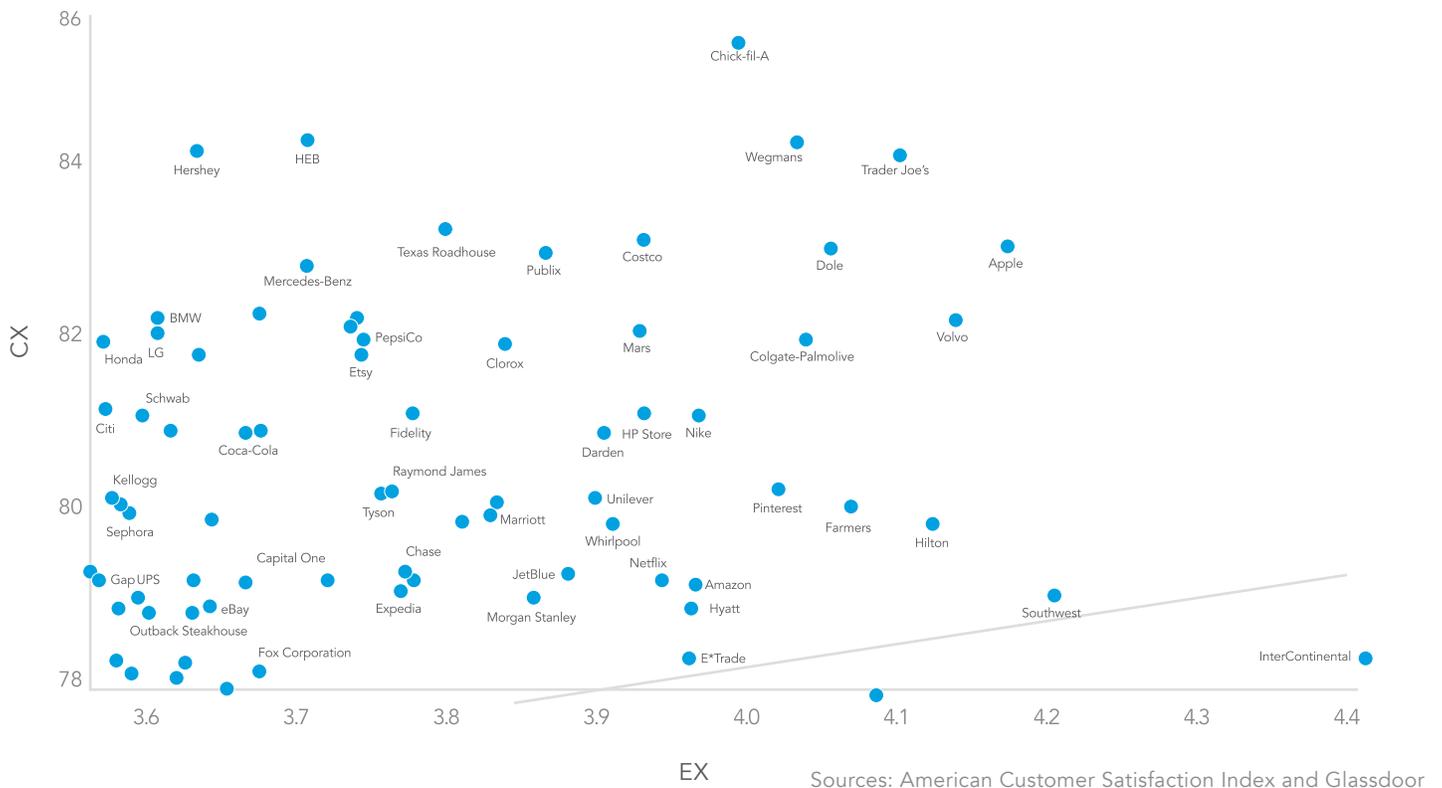


Small Improvements In CX and EX Can Yield Big Gains In Revenue Growth

The Upper Right Quadrant Firms—Those With High CX And EX—Exhibit Three-Year CAGR Almost Double That Of Firms In The Lower Left Quadrant



A Closer Look At The Upper Right Quadrant:



Improve EX To Boost CX— And Increase Revenue

The research provides strong evidence that the causal direction is as follows: EX -> CX -> revenue growth. So to drive expansion, a company should begin with EX.

Of the surveyed executives, 70% agree that improved EX leads directly to improved CX. That's more than double the proportion who say that CX -> EX.

Even more compelling is the fact that 89% of executives at companies that consider themselves revenue-growth leaders agree that better EX leads directly to better CX.

This EX -> CX transmission equation can deliver a number of benefits in addition to fast growth. Among them are:

- Stronger employee and customer loyalty
- A workforce more open to technological change
- A better organizational capacity for transformation
- Closer alignment with business goals

“When people know how their work matters to a customer, it increases their alignment, their engagement, their innovation and their collaboration,” says Christine Hill, global customer experience strategy and measurement leader at Eli Lilly and Co., the pharmaceuticals manufacturer. “Many of the capabilities that you need to have to deliver a great customer experience are aligned with what you need to do to deliver a great employee experience.”

The survey indicates that high EX drives high CX and that CX fuels revenue growth. Among executives representing companies that regard themselves as leaders in expanding total sales, 54% strongly agree that CX leads to fast revenue growth, compared with 36% of executives representing average or below-average companies (ABAs).

Happy Employees Will Help Enhance Customer Satisfaction

89% of executives at revenue-growth leaders agree that better EX leads directly to better CX

70% of all executives agree that better EX leads to better CX

33% of all executives agree that better CX leads to better EX

Source: Forbes Insights/Salesforce

“Great CX Fuels Revenue Growth”

54% of executives at sales leaders agree

36% of executives at average or below-average sales companies agree

Source: Forbes Insights/Salesforce

The Process Does Not Reinforce Itself

It would be so simple if this equation worked as a “virtuous circle” in which revenue growth led to high EX and CX.

But while it’s attractive to think that revenue growth will make employees happier, there’s a limit to how hard a company can press the accelerator before nerves fray and workers get tired. Fewer than a third (30%) of surveyed executives say that fast revenue growth leads to high EX, while more than half (52%) of them disagree that it does. The gap is even wider among revenue growth leaders.

“Fast Revenue Growth Leads To High EX”

30% of executives agree

52% of executives disagree

Source: Forbes Insights/Salesforce

Employees trying to keep customers happy can get frustrated in the absence of company resources, training and processes that help them do so. When Bill Magee became vice president of customer experience at Shaw Industries, a flooring manufacturer, in February 2018, he began by focusing on improving the experience of employees.

“Having walked in the shoes of our sales organization and our marketing associates, it didn’t feel that good,” says Magee. Shaw’s sales and marketing team “really worked as a shock absorber,” he says.

Labor turnover at Shaw Industries fell from **14%** to **9%** during two years of EX improvement initiatives.

Employees had to work especially hard whenever customers asked for something out of the ordinary, because processes were complicated and designed for standardized consumer requirements. Magee’s solution was to focus on five “pain points” to reduce complexity.

One result was to make it easier for workers to satisfy extraordinary customer requests. But Magee discovered something else, too: “[O]ur improvement in ease of doing business has had a direct correlation to our labor turnover,” he says.

Turnover, in fact, has fallen from 14% to 9% in two years.

By making it easier for employees to satisfy the rising expectations of customers, Shaw has improved both CX and EX, and grown revenue.

Organizational Design Must Enhance Both EX And CX

Executives say the best way to make CX and EX contribute to revenue growth is by shaping operations strategy to enhance CX.

“Shaping Operational Strategy To Enhance CX Is The Best Way To Boost Revenue”

66% of executives at high-EX companies agree

43% of executives at average or below-average EX companies agree

Source: Forbes Insights/Salesforce

Executives at companies that consider themselves EX leaders particularly emphasize this alignment: 66% of them focus on it, while only 43% of executives at companies with average or below-average EX do.

Ultimately, like any other business initiative, the purpose of great employee and customer experience is to drive growth.

“You can go out of business creating great customer experiences if they’re not aligned to the shared value proposition of your company,” says Hill. “We have to understand what the shared value proposition is for the employee, the customer and the company, because you can create a lot of positive experiences that really don’t add value.”

Creating a value proposition that benefits all stakeholders requires skillful organizational design tactics.

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CHRISTINE HILL,
global customer experience
strategy and measurement leader
at Eli Lilly and Co.

Creating a value proposition that benefits all stakeholders requires skillful organizational design tactics.

One tactic involves balancing enhanced CX with enhanced EX. The understanding is that the two come as a pair. The most significant organizational obstacle to improving both, the survey indicates, is a company's attempt to emphasize one while neglecting the other.

"I think they're inextricably linked," says Hill. "You have to understand what are the variables that are driving CX and EX."

The survey suggests a couple of ways to improve both CX and EX. One way involves improving governance by incentivizing employees and fully investing them in the success of the company. Some 46% of CX leaders' executives emphasize structuring incentives around CX/EX, compared with only 35% of average and below-average CX executives.

"Structuring Incentives Around CX And EX Will Improve Both"

46% of executives at CX leaders agree

35% of executives at average or below-average CX companies

Source: Forbes Insights/Salesforce

Another method involves creating teams that combine CX and EX skills. This emerges as the best way to overcome cultural obstacles to alignment, with 40% of those surveyed citing it.

USAA, a financial services company, embeds HR teams in every part of the organization, including the sales and service branches.

"We have what we call 'HR Business Partners' that, while they report to HR, are an integral part of every team," says Neal Rideout, senior vice president and general manager of property and casualty distribution and service at USAA.

That helps align employee needs and customer needs. The survey suggests, however, that executives with overall responsibility for EX and CX fail to see eye to eye about the source of the problem or about how to fix it.

"The fastest way to get customers to love your brand is to get employees to love their jobs."

TIFFANI BOVA
chief growth evangelist, Salesforce

CX And EX Decision-Makers Have Different Priorities

EX executives and CX executives need to march in lockstep at fast-growing companies.

But according to the survey, they differ when it comes to what the biggest organizational obstacles to improving EX and CX are.

The Biggest Obstacle To Improving EX And CX Is...

For **EX** executives

employee resistance to cultural transformation

For **CX** executives

lack of senior management vision

Source: Forbes Insights/Salesforce

EX executives cite employees' resistance to cultural transformation (43% of EX execs and 31% of CX execs). CX executives indicate a lack of the senior management vision required to drive change (41% of CX execs and 32% of EX execs).

EX execs and CX execs also have divergent views about how to confront the EX/CX challenge.

The Best Way To Improve CX And EX Is...

39% of EX executives say that senior management must instill a vision for change

47% of CX executives say that organizations must be redesigned to focus on high CX/high EX

Source: Forbes Insights/Salesforce

Significantly more EX execs say it's necessary for senior management to instill a vision to drive change (39% vs. 32%, respectively). By contrast, 47% of CX execs say the most important change is to redesign the organization to focus on both high CX and high EX, compared with 40% of EX execs.

Interviewees concur with survey respondents that close coordination within leadership teams is, again, crucial if operational strategy is going to take shape around enhancing EX and CX.

At USAA, "the goal is to recognize that the experience of both customers and employees is important," says Rideout. "Understanding the drivers of good and not-so-good experiences for both groups is critical, and so is the need to constantly prioritize where to focus resources."

COVID-19 Is A Catalyst

CX and EX are now both strategic imperatives.

Reorganizing the company to focus strongly on enhancing both CX and EX fails to fully account for changes in the external environment.

The most dramatic of these changes has been the COVID-19 pandemic, which is shifting priorities. Almost half (47%) of the executives surveyed say that COVID-19 is stimulating them to fundamentally rethink the way they create customer experiences. Enhancing CX will represent one of the biggest challenges going forward.

It can also represent a great chance to gain a competitive edge, if companies approach it in an intelligent way. According to research by Harvard Business Review Analytic Services, one such way is to foster the ability to work remotely: 94% of executives whose organizations give high priority to EX indicate that their organizations' ability to switch quickly to remote work during the pandemic is a competitive advantage.²

That might be why executives say CX is likely to be a more important strategic objective than EX over the next three years—this, even though they also maintain, as we've seen, that improving EX is a condition for improving CX. Almost two-thirds (65%) say CX will stand among their top five priorities. Only 47% say the same for EX.

How CX And EX Rank Among Top Company Priorities Over The Next Three Years

65% of executives say CX will be among their top five priorities

47% of executives say EX will be among their top five priorities

Source: Forbes Insights/Salesforce

A huge gap yawns here between the leaders and the others. Almost half (46%) of the executives at CX leaders say improving CX will be their single most important priority, versus only 3% of CX executives at ABAs. Of executives at revenue-growth leaders, 62% say CX will be the most important goal. Only 2% of ABAs' revenue-growth executives say so.

²Harvard Business Review Analytic Services: "Making Technology an Integral Part of Your Employee Experience Strategy." <https://hbr.org/resources/pdfs/comm/salesforce/MakingTechnologyAnIntegralPartOfYourEmployeeExperienceStrategy.pdf>

“Improving CX Will Be Our Top Priority”

46% of executives at CX leaders agree

3% of executives at CX ABAs agree

62% of executives at revenue-growth leaders agree

2% of executives at revenue-growth ABAs agree

Source: Forbes Insights/Salesforce

There are also marked differences between EX and CX execs as concerns future priorities, and not in the way one might expect. EX executives say that CX will be the most important objective or among their top five objectives by a wide margin over CX executives (81% vs. 64%). For CX executives, the priorities are reversed: 68% say EX will be the most important objective or among the top five objectives, compared with 52% of EX executives.

And yet still, the core dynamic remains: Despite the dramatic changes COVID-19 has wrought, high EX and high CX still go hand in hand. The pandemic may actually have interwoven them even more tightly. To stay successful, companies will emphasize the care and compassion they show to both employees and customers.

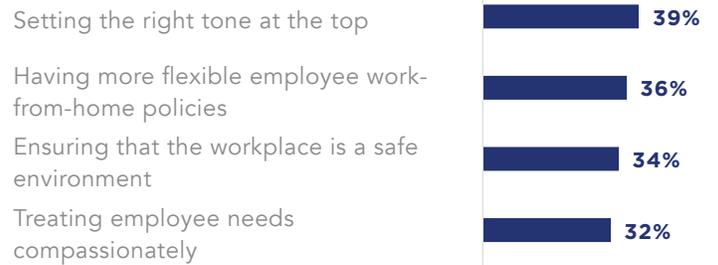
Another way to improve CX in the next year is to devise methods to strengthen the communities a company interacts with, says the survey. The best ways to improve EX are to set the right tone at the top (39%) and to institute flexible work-at-home policies (36%).

Most Likely Ways To Improve CX Next Year



Source: Forbes Insights/Salesforce

Best Ways To Improve EX



Source: Forbes Insights/Salesforce

A company that shows genuine concern for both its employees and its customers, while remaining efficient and effective, is likely to see that high EX -> high CX -> high revenue growth.

Strong Leaders At Small Companies Drive Fast Growth

Fast-growing companies that don't obtain employee buy-in can expect employees eventually to burn out.

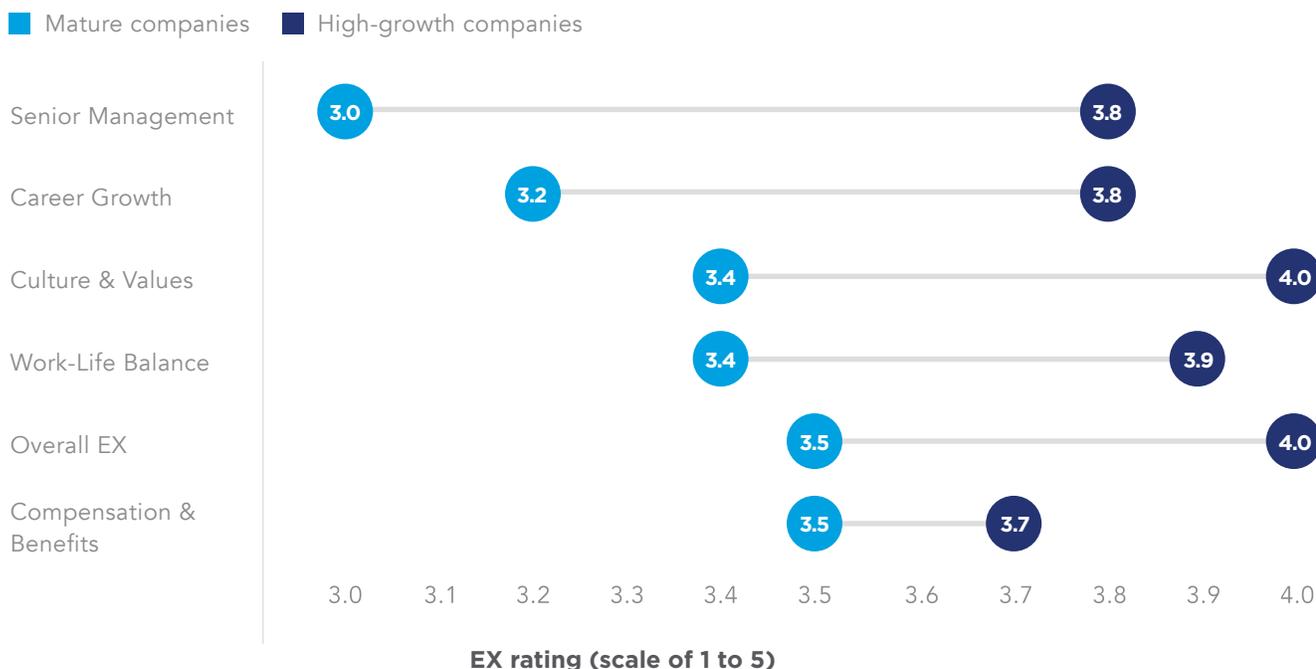
Research found that average Glassdoor employee ratings tend to be higher at high-growth companies than they are at larger, more mature firms.³ The gap between high-growth firms and mature firms is widest when it comes to assessments of senior management—in other words, leadership. (No public CX ratings are available for these fast-growing firms.)

For high-growth companies, the overall employee rating averages 3.96 on a scale of one to five; for larger companies, it's 3.5.

In other words, empathic leadership and a strong team ethos can create a situation where explosive demand actually deepens employee engagement.

Without that strong leadership, chaos may result, harming EX and CX. The survey supports this: Companies with less than \$500 million in annual revenue claimed that the

High-Growth Small Companies Earn Better Employee Ratings Than Mature Companies



Source: Inc. 5000, Forbes Insights and Glassdoor

³The sample of high-growth small companies consisted of a set of 2,168 U.S. companies drawn from the 2020 Inc. 5000, limited to those with six or more employee reviews on Glassdoor.com (average of 48 reviews per company). The sample of mature companies is represented by the firms covered by the American Customer Satisfaction Index (ACSI), found at TheACSI.org. Annual revenue at the small firms averaged \$55 million, compared with \$2.3 billion for the large mature companies. Annualized revenue growth averaged 127%, compared with 6% for the larger companies. The Glassdoor ratings were collected in June 2020.

biggest organizational obstacle to an improvement in CX and EX is a lack of vision among senior decision-makers to drive change.

One example of highly motivated employees matched with a company that rewards individual initiative can be found in Beeswax, an adtech firm that achieved an overall employee rating of 4.9 and a perfect 5.0 for senior leadership. A satisfied employee at Beeswax had the following advice for management: “Please find a way to maintain the level of opportunity/responsibility [you have] provided ... even as we continue to formalize our processes and scale rapidly.”⁴

To sustain high growth, decision-makers must create an environment where employees can blossom along with the company. There’s a positive correlation of about 0.1 between employees’ glowing evaluations of senior management and the revenue growth rate. An employee of ROI Healthcare Solutions, which has seen double-digit growth in revenues each year, says that the company “has a ‘do the right thing and take care of our customers’ focus and I believe that is the key to their success.” The employee advises management to “[s]tay the course and continue to preserve the company culture as we grow.”⁵

⁴ Glassdoor.com: “Tons of opportunity.” <https://www.glassdoor.com/Reviews/Employee-Review-Beeswax-RVW23097560.htm>

⁵ Glassdoor.com: “Great company!” <https://www.glassdoor.com/Reviews/Employee-Review-ROI-Healthcare-Solutions-RVW31328089.htm>

Conclusion: 4 Steps Forward For EX And CX

Evidence from hundreds of U.S. companies indicates that rapid growth depends on a great experience for both employees and customers.

With this in mind, here are four steps companies should be taking to succeed in the new landscape:

1. ALIGN YOUR COMPANY WITH STRONG LEADERSHIP AND VISION

A clearly articulated senior management vision to rally around and drive change is critical if organizations expect to build sustainable growth. However, there is disagreement over who is to blame for an unwillingness to change. **More than a third (36%) of executives say there's too much resistance to cultural change among employees.** Almost as many, however, say the same about senior leaders. The research also shows that leadership in EX and CX lacks a common vision (or understanding of how to achieve it). That makes it even more difficult for the company to have a unified goal.

The C-suite has to instill a sense of common purpose, one that closes these gaps and unifies employees toward a common objective. That will require a stronger organizational culture, one with processes that align both CX and EX to shared goals.



2. ALIGN OPERATIONS AND IT STRATEGY TO FOCUS ON CX

Nearly half of the surveyed executives claim that the pandemic is leading to a fundamental reassessment of how to enhance customer experience. More executives will place greater strategic emphasis on CX than on EX over the next three years. This prioritization, however, might hamper their ability to grow rapidly. Establishing the right balance is key, and technical solutions can help companies improve CX and EX. But even if priorities shift, executives need to understand that in order to improve CX, they need to improve EX.

3. INCENTIVIZE CROSS-FUNCTIONAL TEAMS TO ENHANCE BOTH CX AND EX

The biggest organizational obstacle to improving CX and EX emerges when a company emphasizes one or the other or puts conflicting priorities in place.

To prevent that, all employees need a clear line of sight as to how their roles play a part in enhancing customer and employee experiences. EX- and CX-critical roles need to collaborate more to build corporate consensus and prove the benefits of bridging the gap. One of the top ways to overcome organizational obstacles is to create a few shared metrics, like the ones that we used in this research, or others such as churn rates, recency of purchases or breadth of product adoption.

4. INVEST IN TECHNOLOGIES TO MEASURE CX AND EX

The average organization has 900 applications, and only 28% are currently integrated.⁶ Companies are still operating in silos and making investments that are not necessarily crucial to employees' day-to-day work.

The reality is that customer expectations are increasing, both in B2B and B2C organizations. Customers are taking the experiences they have with other companies, sometimes in completely different industries, and looking for the same level of excellence across the board. The experiences of employees in their personal and professional lives are becoming more closely interwoven. Research insights into building customer experiences can apply to building employee experiences. Such research is yielding valuable data that helps executives understand the variables driving both customer and employee sentiment.

Much contributes to both employee and customer experiences: technology, processes, user interfaces, ease of use and frictionless buying experiences, to name a few. **One thing to keep in mind is that, in the words of Tiffani Bova, chief growth evangelist, Salesforce, "The fastest way to get customers to love your brand is to get employees to love their jobs."**

⁶ <https://www.mulesoft.com/lp/reports/connectivity-benchmark>

Methodology

This body of research consists of both desk research and an executive survey of more than 300 EX and CX leaders. To understand the relationship between EX, CX and revenue growth, Forbes collected and analyzed the following data:

- [Customer satisfaction ratings for 269 companies/brands from the entities covered by the American Customer Satisfaction Index \(https://www.theacsi.org\)](https://www.theacsi.org)
- [Glassdoor ratings for these companies/brands based on employee reviews \(https://www.glassdoor.com/member/home/companies.htm\)](https://www.glassdoor.com/member/home/companies.htm)
- [2019 revenues and three-year compound annual growth rates](#)

In addition, in June 2020 Forbes conducted a survey among senior executives to learn more about the importance of CX and EX and to understand the ways in which enterprises seek to improve them and impact revenue growth and other business outcomes.

Survey respondents were U.S.-based executives across a range of sectors. Seventy-eight percent of respondents are members of the C-suite and included titles such as chief people officer, chief employee experience officer, chief human resources officer, chief customer officer, chief marketing officer and chief sales officer.

All executives represent organizations with a minimum of \$20 million in annual revenue, with 66% representing firms of more than \$500 million in annual revenue.

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