



# BUILDING BUSINESS VALUE WITH EMPLOYEE EXPERIENCE

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One of the great challenges of the digital economy is the pressure for large, established companies to respond to disruption in their industries. Companies must be able to rapidly and continuously create new, innovative customer experiences and digital services. Traditional command-and-control organizational structures are not effective in this rapidly changing world. Required instead are flatter hierarchies, an innovative mindset throughout the organization, and fluid test and learn environments in which employees can be both proactive and reactive in realizing customer expectations. Creating a great employee experience that enables doing more complex work is critical to success.

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**Employee experience is defined by work complexity—how hard it is to get work done in your organization—and behavioral norms around collaboration, creativity, and empowerment.**

In late 2016 we conducted a global survey of 281 senior executives.<sup>1</sup> We found that employee experience was made up of two essential factors: work complexity and behavioral norms (specifically collaboration, creativity, and empowerment). Companies that focus on these two factors outperform their competitors. This research briefing explores employee experience in large companies: what it is, why it matters, and how you can enhance it.

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<sup>1</sup> Results reported in this briefing are from a 2016 MIT CISR survey of leaders, managers, and sponsors of digital workplace projects (N=281) from companies across North America, Asia Pacific, and Europe. 77 percent of respondents were directly responsible for the design or ongoing redesign of the digital workplace in their company. A wide cross-section of industries was represented, with 56 percent of respondents from ICT, Manufacturing, and Financial Services companies. 65 percent of companies had more than 1,000 employees; 33 percent had more than 10,000 employees.

## EMPLOYEE EXPERIENCE IS DISTINCT FROM EMPLOYEE WELLBEING

We define **employee experience** as *the work complexity and behavioral norms that influence employees' ability to create value*. Employee experience is different from employee wellbeing—the benefits and beliefs that make employees feel good about belonging to an organization. While we acknowledge the importance of employee wellbeing, this research focuses on the employee experience of doing work. In some instances work is simply being enhanced—such as made faster, more efficient, or more accurate—but in many cases work is being reimaged as digital technologies replace, augment, or create roles and tasks.

**Work complexity** refers to how hard it is to get work done in your organization. We found that companies that had invested in both technology and processes were able to reduce work complexity. These companies provisioned tools and advocated practices to connect employees with ideas and each other and to reduce friction around non-value creating tasks.

**Behavioral norms** refers to the pervasiveness of expectations around how people work in your organization. In our research, three behavioral norms emerged as critical for building business value: collaboration, creativity, and empowerment. These behavioral norms made it easier for employees to contribute to new ideas, regardless of where the ideas originated in the organization; to share new ideas for both customer- and employee-facing initiatives; and to curate their own ways of working to meet individual and collective needs.

## EMPLOYEE EXPERIENCE DELIVERS ORGANIZATIONAL VALUE

In our research, companies with great employee experience (i.e., low work complexity, and strong behavioral norms for collaboration, creativity, and empowerment) were more

innovative and profitable and had higher levels of customer satisfaction. Figure 1 shows the striking differences between the business performance of companies that scored in the top and bottom quartiles on employee experience.<sup>2</sup>

Companies with scores in the top quartile of employee experience were twice as innovative as those in the bottom quartile, based on the percentage of revenue from new products/services in the past two years. These companies were paving the way for employees to work together effectively and engage with customers in new ways to enhance revenue streams.

**Great employee experience enables work that is less predictable and requires more human judgment and coordination.**

The companies’ ability to develop new solutions and seamless experiences for customers was also reflected in significantly higher customer satisfaction, as shown by the average Net Promoter scores in the two groups. We further saw a 25 percent increase on the industry-related profitability measure

in our survey,<sup>3</sup> indicating that those companies scoring high in employee experience are lowering costs and/or increasing revenue to shift their performance relative to competitors.

**DIGITAL CAPABILITIES AND LEADERSHIP ENABLE GREAT EMPLOYEE EXPERIENCE**

Top-performing companies in our survey on employee experience prioritized two distinct areas of activity to both reduce work complexity and build behavioral norms: (1) providing and facilitating the digital capabilities required by employees, and (2) implementing a facilitative and evidence-based leadership approach.<sup>4</sup>

To build great employee experience, our research findings suggest that companies need to prioritize the following:

**1. Deliver outstanding employee-facing digital capabilities**

Companies in the top quartile on employee experience delivered an average of 66 percent more digital capacity to employees than companies in the bottom quartile, particularly in areas such as mobile access to work, effec-

2 We obtained an **employee experience** score for each company in our study by subtracting the company’s score of work complexity from its score of behavioral norms. **Work complexity** is an average of three technology survey items—(1) connecting virtually, (2) getting technologies needed for work, and (3) using IT systems—and three process survey items—(1) finding expertise, (2) sharing ideas, and (3) making changes to the way work is done—measured on a 1–5 scale (never to very frequently). **Behavioral norms** is an average of three sets of survey items that describe employee behaviors in an organization—collaboration, creativity, and empowerment—measured on a 1–5 scale (not at all to very well).

3 Survey respondents reported their profitability relative to competitors on a 5-point scale. Respondents were asked to describe how their organization compares to competitors on a scale of 1 (performing far worse than competitors) to 5 (performing far better than competitors). This measure had significant correlations with net profit margin and Return on Assets (RoA) in the sub-sample where secondary data were available.

4 An analysis of variance (ANOVA) showed significant differences at the p=0.01 level between the mean scores on all design levers (including physical workspace) for companies in the top quartile and in the bottom quartile on employee experience. A backward regression showed that the following design levers were significant (at p<0.01) for employee experience: digital capabilities and responsive leadership (leadership support, learning, and symbols). For behavioral norms in particular, social capabilities were also significant (at p<0.01).

Figure 1: Employee Experience Predicts Business Performance



tive support where and when needed, and the ability for employees to search for and access people and knowledge anywhere in the organization. These companies were also on average 61 percent more likely to provision and support personalized toolkits based on working needs. Social networking platforms were not only two to three times more prevalent in these companies, but also seen as central to collaboration and the sharing of ideas.

## 2. Create channels to continue identifying employee friction points

Companies in the top quartile on employee experience were on average 90 percent more likely to seek feedback on friction points from employees by providing online feedback and innovation platforms, building an active network of digital workplace champions, and drawing data from activity on enterprise social media platforms. These companies empowered employees to identify problems and make proactive changes to the way they work in order to add value. To build a richer picture of friction points and to identify non-value creating activities, leaders gathered data from many channels, including IT help desks, and IoT sensors and other digital capabilities built into work processes. In contrast, companies that performed low on employee experience took a more passive approach, seeking employee insights infrequently, and largely through senior executive reporting, employee surveys, and traditional HR metrics.

## 3. Design accountability for maintaining a focus on employee experience

Senior and middle management were not only more active in their focus on employee experience. The bottom quartile of companies reported a significant lack of senior and middle management support. In contrast, leaders in the top quartile actively provided dedicated coaching to support employees in new ways of working and aligned reward systems to new employee experience strategies. Companies with high employee experience ratings were almost three times as likely to provide regular or real-time information on employee improvements and to benchmark these against targets. To build great employee experience that delivers value, companies need to take an organization-wide approach that is sustained and incorporates dashboards and metrics that maintain the pressure on both stripping out complexity and supporting desired behaviors.

## 4. Communicate the strategic significance of employee experience initiatives

A critical and very challenging task for leadership is communicating how employee experience initiatives matter for the digital transformation of the company. Survey respondents from the top quartile agreed that there was a clearly articulated and well-understood strategy associated with employee experience initiatives. These companies explicitly linked activities associated with work and workplace changes to the business vision statement to consistently reinforce the importance of employee experience. Leaders in the top quartile companies effectively communicated the value of employee experience by exemplifying new ways of working, sharing stories about how work was changing, and building a brand<sup>5</sup> that visualizes new values and capabilities. This leadership behavior was highly symbolic in motivating change.

## THE CIO MUST TAKE A LEADERSHIP ROLE

Based on our survey results, companies that prioritize both digital technologies and leadership behaviors are better equipped to reduce work complexity and develop behavioral norms around collaboration, creativity, and empowerment. We found that initiatives in companies that scored low on employee experience often received inadequate funding and resources, had low levels of management commitment, and did not move beyond isolated efforts. This finding has significant implications for who should manage the employee experience, and suggests that the CIO must take a major role. However, technology is clearly not all that is required. Establishing a more facilitative style of leadership will require a broader level of senior management commitment across a range of functions, focusing on activities such as investment in technology solutions, the reevaluation of business rules, risk assessments, and the creation of company-wide processes. As work in the digital age becomes less predictable, leaders who continuously work with employees to identify and eliminate friction points will enhance employee experience and create the fertile ground to build more value.

5 For more information on building a company brand, see K. Dery, I.M. Sebastian, and J.W. Ross, "The Digital Workplace Transforming Business: The Case of Deloitte Australia," MIT Sloan CISR Research Briefing, Vol. XV, No. 8, August 2015.

Success in the digital era at established companies depends on transforming how work is done to create digital workplaces and improve employee experience. In an article in the current issue of *MIS Quarterly Executive*, Kristine Dery, Ina M. Sebastian, and Nick van der Meulen describe the transformational journeys of three established companies: DBS Bank in Singapore, Deloitte Australia, and AUDI AG in Germany.

Read "[The Digital Workplace Is Key to Digital Innovation](#)" in *MIS Quarterly Executive*.

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