

Cultures for Excellence

Key findings from the first phase of LOMA's Cultures for Excellence Consortium, the industry's benchmark of employee opinion information, have just been released. Here, we share some highlights.

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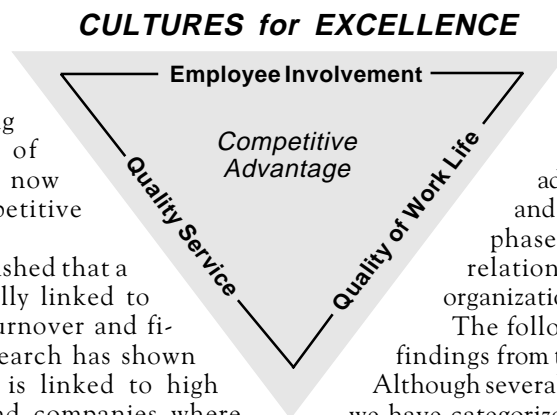
Does corporate culture impact your business success? Absolutely. Long regarded as the "soft" side of business, corporate culture is now emerging as a key source of competitive advantage.

Research at LOMA has established that a company's culture is meaningfully linked to bottom-line measures such as turnover and financial performance. Other research has shown that positive employee morale is linked to high customer satisfaction levels, and companies where employees hold more favorable opinions about key aspects of their work environment tend to have higher customer satisfaction and productivity.

To continue our study of the linkages between culture and competitive advantage, LOMA offered companies the opportunity to participate in the *Cultures for Excellence* Consortium (CFE). LOMA just completed the first phase. Over 3,000 employees, representing 20 companies in the United States and Canada, participated by completing LOMA's CFE survey. (See Exhibit 1 for a profile of CFE companies' participants.)

The first phase of the CFE research focused on developing an employee opinion survey that measures a company's "culture for excellence."

The conceptual model driving the development of the survey is shown in the graphic above. The survey assessed three levers for competitive advantage:



- Quality Service,
- Employee Involvement, and
- Quality of Work Life.

Using the CFE Survey data and additional sources of data such as turnover and financial performance, the second phase of this research will assess the relationship between corporate culture and organizational effectiveness.

The following provides a broad overview of findings from the first phase of our CFE Consortium. Although several of the survey topics are interrelated, we have categorized them as falling under the general area of Quality Service, Employee Involvement and Quality of Work Life. After explaining topics assessed by the CFE survey, we describe how insurance industry employees who participated in the CFE consortium evaluated these topics. These results are shown in Exhibits 2-4 and reflect the average percentage of employees—across the 20 CFE companies—who rated these topics favorably and unfavorably.

Quality Service

The delivery of high quality service is a critical business challenge and is a means by which a company can differentiate itself from the competition. The CFE survey addressed several themes that experts on the topic of quality service have identified as key.

- **Top Management Commitment to Quality.** Top management clearly signals that quality is a priority through words and actions.

Exhibit 1

Profile of CFE Companies

Company ownership:

- 55% stock; 39% mutual; 6% other

Company size:

- 40% — less than 200 employees
- 25% — 200-499 employees
- 15% — 500-999 employees
- 20% — 1,000 employees or more

Profile of Employees:

- 73% — female
- 84% — Caucasian
- 39% — clerical/administrative;
- 37% — technical/professional;
- 18% — management and first-line supervisors;
- 3% — top management

■ **Quality Emphasis.** Quality service and effectively serving the customer are day-to-day priorities.

■ **Continuous Improvement — The Company.** Innovation and continuous improvement efforts are encouraged and rewarded in the company.

■ **Continuous Improvement — The Work Group.** Employees continuously focus on improving how they accomplish work and quality objectives.

■ **Customer Feedback.** Employees collect information from customers about their reactions to products/services and incorporate this feedback into their work plans.

■ **Customer Satisfaction.** Employees believe that policyholders are satisfied with the overall service of the company.

As illustrated in Exhibit 2, an impressive majority of employees (88 percent) believe that quality service and meeting the needs of customers

are daily priorities in their company. Nearly eight in 10 also report that their work group focuses on continuously improving how they accomplish their work. Although still positive, employees are less likely to believe that top management demonstrates a commitment to quality and that the company rewards and encourages continuous improvement efforts.

Three of four employees believe that customers are satisfied with the service they receive from their company. Surprisingly, however, approximately half say their work group rarely makes an effort to seek customer feedback or uses such feedback to improve existing products and services. Moreover, these results do not differ for employees who have regular contact with external customers versus those who do not have regular contact. Given that customer feedback can help improve the quality of service and customer satisfaction levels, this represents a clear opportunity for improvement.

Employee Involvement

Quality service objectives are one of the core strategic imperatives for

many companies. And, to reach these objectives, companies often promote cultures that emphasize employee involvement.

Creating a culture of employee involvement means that employees throughout the company are involved in the business of the organization. In a high involvement culture, employees “receive ongoing information about the organization, make decisions that influence the organization’s success and [are] rewarded based on how effectively the organization operates.”¹ The CFE survey assessed six themes related to employee involvement:

■ **Authority.** Employees have sufficient authority to make work-related decisions and freedom over how they accomplish their work.

■ **Information/Communication.** Management keeps employees informed about business plans and goals and what is going on at the company, and there is open and honest communication in the company.

¹Lawler, E. E. III. (1992). *The Ultimate Advantage: Creating the High Management Organization*. San Francisco: Jersey-Bass Publishers



- **Company Knowledge.** Employees understand how their work and various areas of the organization contribute to the success of the company.

- **Individual Knowledge.** Employees have continuous training and development opportunities.

- **Individual Rewards.** Employees are appropriately recognized and rewarded for their contributions to the company's success.

- **Organizational Performance-Rewards Link.** Employees believe there is a link between rewards and organizational performance/business results.

Results for these topics are shown in Exhibit 3. This exhibit shows that the Company Knowledge and Authority components of an employee involvement organization are strong, but there is clear room for improvement in the area of Communication and Rewards.

The majority of employees (84 percent) believe they have sufficient authority to perform their jobs effectively. Additionally, approximately nine in 10 rate Company Knowledge favorably, meaning they have a clear understanding of how their individual job, their work group and various areas within the organization contribute to the success of the company. On the other hand, employees rate the topic of Individual Knowledge less favorably than Company Knowledge, and nearly one-quarter do not believe they have sufficient training and development opportunities.

Open communication and widespread sharing of information are central to creating an environment where employees at all levels of the company understand the business and are equipped to contribute to the company's success. However, nearly one-third of employees surveyed rate communication and information sharing in their company as poor. Employees rate communication between employees and top management least favorably, and half report that channels of communication between top management and employees are not effective.

Employees across the 20 companies are least satisfied with Individual Rewards. Nearly half are not satisfied with the rewards and recognition they receive for doing a good job. It is important to note that

these results reflect not only dissatisfaction with pay but also reflect dissatisfaction with rewards that can come in non-monetary forms, such as recognition and

Positive employee morale is linked to high customer satisfaction levels.

praise. For example, 46 percent are not satisfied with the amount of recognition they receive when they do a good job and 43 percent do not believe there is a strong link between how well they perform their job and the likelihood of receiving recognition and praise. Thus, employees are not only dissatisfied with pay but with rewards and recognition in general. Employees are almost equally unfavorable on the issue of Performance-Rewards link, and approximately four in 10 do not see a clear link between performance and rewards.

Quality of Work Life

The third aspect of culture — quality of work life — describes a culture in which employees are treated fairly and policies/procedures are designed to support both the work-related and personal needs of employees. More specifically, creating a positive quality of work life for employees means:

- **Balance.** Employees are able to effectively balance their work and personal demands.

- **Workload.** Employees' work loads

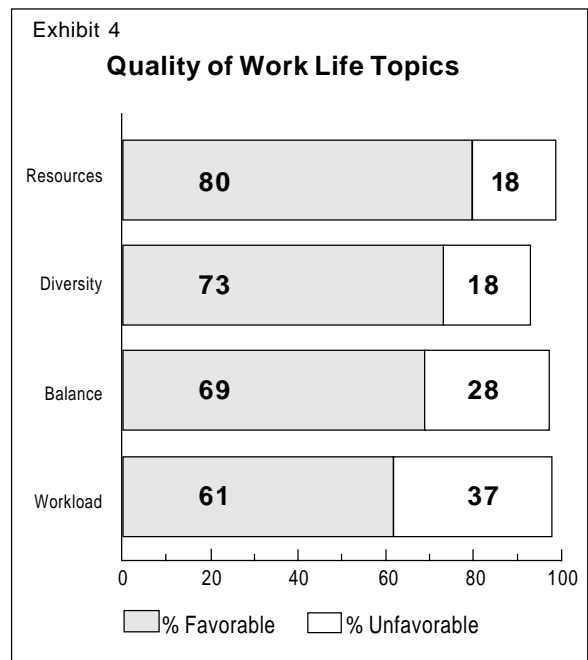
are manageable and their work group has enough employees to get the work done.

- **Resources.** Employees have sufficient resources, computer equipment and systems in particular, to perform their jobs effectively.

- **Diversity.** Employees are treated fairly and have equal opportunities, regardless of race, gender, or ethnicity.

Exhibit 4 shows how employees rated these topics. Overall, eight in 10 employees report they have the computer equipment and resources needed to perform their job effectively. Approximately seven in 10 believe that their company treats employees from diverse cultural backgrounds fairly and with respect; assures equal opportunities for all employees; and prevents discrimination in the work place.

However, employees are much less favorable about their workloads, and approximately four in 10 report their workload is too heavy. Interestingly, although the majority report having the resources and computer equipment needed to do their job, they are much less likely to report having sufficient people resources. Forty-five percent report that their work group does not have enough employees to perform their work. These findings are not surprising given the degree of organizational changes, such as downsizing and restructuring, which often decrease people resources



while also increasing work demands. Data collected from the companies participating in the CFE consortium show that most of these companies have, indeed, experienced a good deal of change during the past few years. For example, during the past three years, 30 percent have downsized, 42 percent have merged or acquired and 68 percent have reorganized.

Relative to workload, employees rate their ability to balance their work and job demands somewhat more favorably. Nonetheless, a sizable minority of employees do not feel they are able to effectively balance their work and personal demands. Most notably, 40 percent do not believe their company helps employees balance work and family/personal responsibilities.

What Employees Say

The vast majority of surveyed employees report having sufficient authority and resources to perform their job and have a good understanding of how their individual job and various areas within the organization contribute to the achievement of the company's goals and success. Impressive numbers also report that quality service is a clear priority in their company. Yet, very few (less than one-half) report soliciting or using customer feedback, which is a critical component of a quality service environment.

Industry employees express some of the greatest concern about their workload. A sizable number struggle with the amount of work they have and the number of people available to complete this work. Heavy workloads appear to spill over into employees' personal life as well. A number of employees feel they are not effectively balancing their work and personal demands, and four in 10 report that their company does not help employees balance work and personal demands. At least one-third of the employees surveyed also are dissatisfied with the rewards they receive for performance, do not see a link between performance and rewards

and report that communication and information-sharing processes are ineffective.

Although each company is unique with its own set of strengths and areas of concern, results from Phase

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1 of CFE suggest that companies can strengthen their competitive position by considering the following:

- Improve communication and information sharing processes;
- Address concerns with workload, and implement policies that help employees manage their job and personal demands;
- Reward good performance — through monetary rewards as well as recognition and praise;
- Use reward practices, such as skill-based pay, variable pay and non-monetary recognition programs, that help establish links between rewards and performance;
- Provide employees with customer feedback.

Next Steps

LOMA plans to increase the number of companies in our database and administer the CFE survey to more insurance industry employees during the fall of 1997. Combined with Phase 1 results, these new results from the second phase of the CFE consortium will be used to update LOMA's Employee Opinion Survey norms.

In addition, CFE results will be used to conduct organizational linkage research, which examines the relationships between corporate culture

and competitive advantage. This line of research will investigate whether the topics under the categories of Quality Service, Quality of Work Life and Employee Involvement are significantly related to indices of organizational effectiveness such as employee morale, financial performance and turnover.

A growing body of literature suggests that a company's culture and employee attitudes are, in fact, linked to meaningful organizational outcomes such as customer satisfaction. We expect that results from LOMA's research will further establish the employee opinion survey as a strategic business tool that is linked to bottom-line results. Results will also help identify which aspects of corporate culture are most strongly related to organizational effectiveness.

There's still time for your organization to be a part of this groundbreaking research. For more information about the *Cultures for Excellence* consortium, see page 24. □

ABOUT THE AUTHORS: Lynn Williams Allen, assistant vice president, Organizational Assessment Products & Services, joined LOMA in 1979 and currently manages LOMA's organizational assessment products, including the employee opinion and customer service surveys. LOMA has offered opinion survey products and services for approximately 30 years. Allen has been involved with opinion survey research for 12 years and consults with insurance companies across the U.S. and Canada. Before working with opinion surveys, Allen conducted executive and incentive compensation research and worked with LOMA's Employee Relations Committee. She is a graduate of the University of Georgia, where she also earned an MBA.

Lorrina Eastman, Ph.D., senior consultant, Organizational Assessment Products and Services, helps companies design and interpret results of Employee Opinion Surveys (EOS) and conducts research using LOMA's normative EOS data base. Prior to joining LOMA, she worked at the University of Georgia's Carl Vinson Institute of Government and the Center for Creative Leadership.