

June 2013

Employee Engagement Drives Client Satisfaction and Employee Success in Professional Services

In professional services, business success is achieved through employee success. Organizations that prioritize top talent gain competitive advantage, improve client satisfaction, and dramatically impact the bottom line. As a result, employee engagement is not only an HR buzzword — it is a strategic business initiative. In fact, nearly 70% of professional services firms have a budget for employee engagement and 39% plan to increase that budget in the next 12 months. What will set these organizations apart from their competitors is how quickly they embrace employee engagement and how effectively they can align their strategy with business objectives. According to Aberdeen's qualitative and quantitative research, conducted in 2012 and 2013, leading organizations achieve results by becoming early adopters of employee engagement, prioritizing employee recognition, defining metrics in advance, and investing in innovative technology. This report will highlight the key trends and best practices that professional services firms adopt when engaging top talent and driving business results.

The Business Imperative

For many professional services organizations, the *client* comes first — leaving the *employee* feeling overworked and underappreciated. These organizations often lose sight of the role that employees play in ensuring client loyalty and retention. Yet, since a direct correlation can be made between how employees are treated and client satisfaction, organizations must provide top talent with the same attention they give clients. Particularly when billable hours tend to dictate high performance, employees can expect long hours, extended time away from home, and a sacrifice of work / life balance. Leading professional services firms recognize the value of top talent and the correlation between employee success and client satisfaction. As a result, engagement is a critical strategy for encouraging, enticing, and motivating top talent. Surprisingly, many professional services organizations still struggle to formalize engagement efforts and align these activities with organizational objectives. When asked to identify the top pressures for engaging employees, professional services organizations identified business pressures including increased productivity (42%), skill shortages in the market (36%), and improved retention (30%) as indicated in Figure 1.

Analyst Insight

Aberdeen's Insights provide the analyst's perspective on the research as drawn from an aggregated view of research surveys, interviews, and data analysis.

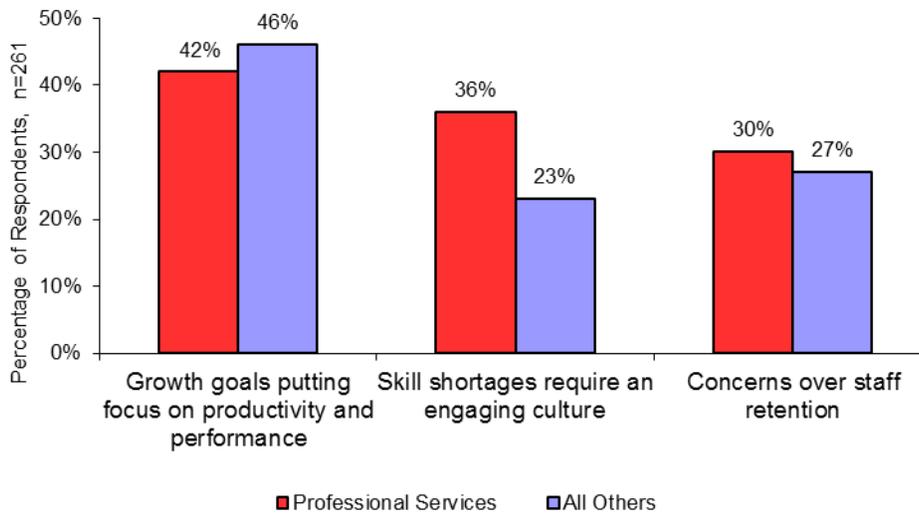
Definition: Professional Services

For the purpose of this research, Aberdeen defined professional services as accounting, consulting, and financial services firms.

Fast Fact

70% of Professional Services firms have a budget for employee engagement and 39% plan to increase that budget in the next 12 months.

Figure 1: Top Pressures for Professional Services



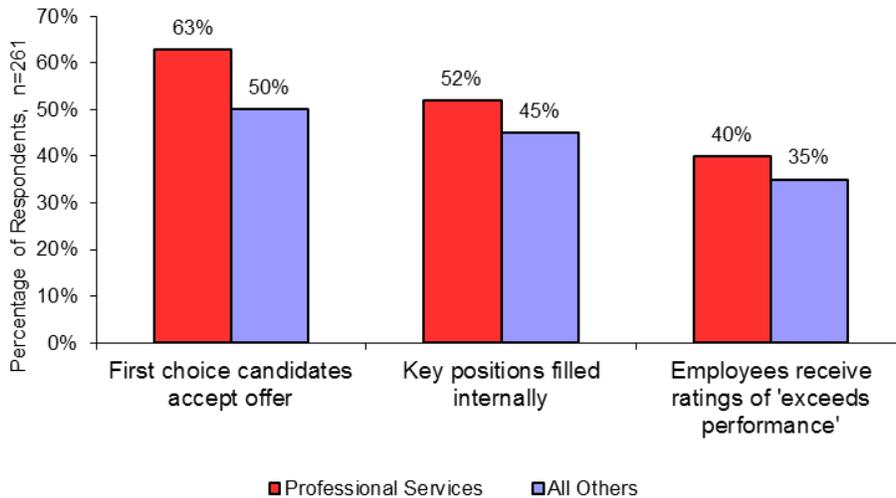
Source: Aberdeen Group, May 2013

Fortunately, these challenges are not insurmountable. Many professional services firms are rethinking their approach to engagement in order to drive business outcomes and foster employee success. In fact, professional services firms that invest in employee engagement improve customer retention and revenue per full-time employees by 6% compared to 4% of organizations in other industries. Employee engagement clearly gives these firms a strategic advantage in keeping top talent and affecting the bottom line. Additionally, they also link engagement with all areas of talent management from recruitment to retention. As indicated in Figure 2, professional services firms with a formal engagement strategy are more successful with first-choice candidates accepting their offers (63%), the number of key positions filled internally (52%), and employee performance (40%).

Fast Fact

Professional services firms improve customer retention and revenue per full-time employee by 6% compared to 4% in other industries.

Figure 2: Business Impact of Formal Engagement Strategy



Source: Aberdeen Group, May 2013

The following pages of this report will highlight the strategies professional services firms adopt in order to achieve results.

Key Strategies

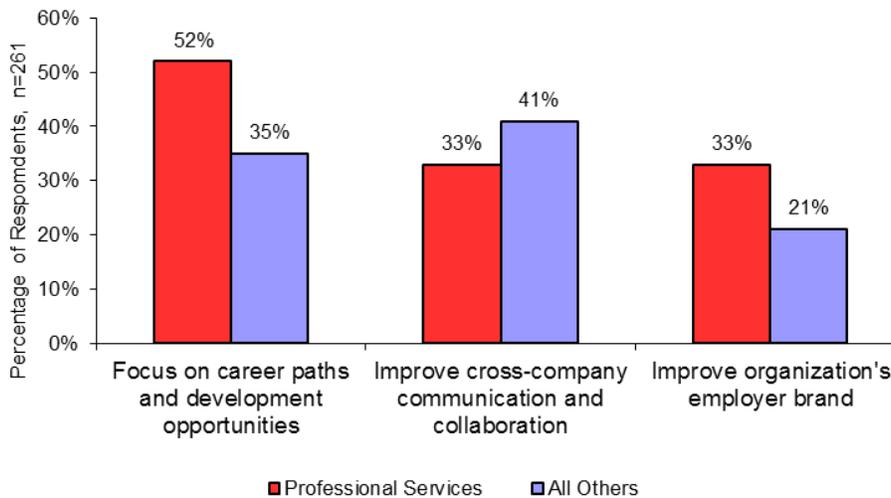
If employees are happy, clients are happy — particularly in professional services. These organizations must keep a pulse on their high-performers — ensuring that they are satisfied in their jobs and able to meet client expectations. They also must ensure that employees have the tools and resources they need to be successful at their jobs. As a result, the top strategies for employee engagement include both internal (career development and communication) and external (employer-branding) initiatives that will drive employee success. As Figure 3 indicates, career development and employer branding are unique for professional services firms given their focus on talent and client satisfaction.

Career Development: Employees that are engaged in the company are interested in aligning their professional development to improve organizational growth. Professional development is how individuals manage their career paths and requires the involvement of organizations to help structure — particularly for high potentials. Since these employees are more likely to invest in a company that invests in them, 52% of professional services firms include career development as a key strategy compared to 35% of organizations in other industries.

Increased Communication: Communication is a critical strategy that needs to be consistent, bi-directional, and foster employee success. Employers must be willing to accept and receive honest and open feedback from these individuals and be open to leveraging communication tools that facilitate real-time engagement such as social media and intranets.

Employer Branding: Employee engagement can improve not only the internal perception of the organization but also the external one. It can have a dramatic impact on how clients view the organization as well as how many first-choice candidates accept offers to get quality talent into the company. Professional services firms need to be viewed as a magnet for talent in order to attract both clients and employees.

Figure 3: Top Strategies of Engagement



Source: Aberdeen Group, April 2013

In addition to the strategies listed above, Aberdeen identified employee recognition as the key to ensuring that top talent is motivated to drive business success and reinforce positive behaviors. In fact, over 90% of professional services firms believe that employee recognition will improve overall engagement. When recognition is in place, these organizations are better able to define metrics, gain support from senior leaders, and invest in innovative technology providers. Through qualitative interviews with some of today's leading professional services firms (Deloitte, KPMG, and Pricewaterhouse Coopers), several characteristics for creating a powerful employee recognition and engagement program were also identified including:

- The importance of social recognition in improving retention and ensuring that first-choice candidates accept offers;
- The impact a formal employee engagement strategy will have on overall revenue and business outcomes for these organizations;
- The importance of balancing standardization with flexibility for employee needs;
- The role that technology plays in ensuring that employee engagement aligns with business outcomes;

- The impact of analytics for building a business case and ensuring that engagement efforts succeed.

Develop a Culture of Recognition

Recognition is a fundamental component of any employee engagement strategy. In fact, 55% of professional services organizations plan to invest in recognition programs over the next 12 months. When a professional service organization acknowledges an employee's positive behaviors that individual will continue those behaviors and feel motivated to perform. Recognition engages employees with tools such as events, celebrations, family outings, prizes, trips, e-cards, and awards. Peer-to-peer recognition is also gaining momentum as a tool for increasing engagement and driving employee success. Forty-three percent (43%) of organizations with formal recognition programs use peer-to-peer recognition tools such as notes on the office billboard and e-cards, compared to 27% of organizations which have no formal program.

Case Study — Deloitte

With shifts in workforce demographics and the demanding needs of clients, Deloitte recognizes that showing appreciation for employees plays an important role in recruiting and retaining top talent. In January 2011, Deloitte began an initiative to create a "culture of recognition" that would not only improve employee engagement but would drive organizational growth and productivity. As part of its Employee Engagement Centre of Excellence, the new recognition program and investment in a robust platform had two primary objectives. The first was to use recognition as a way to differentiate performance and encourage positive behaviors and the second objective was to be able to track those efforts and show the impact on the bottom line.

What key elements are included in this program?

- **Balancing Standardization and Flexibility** — When developing an employee recognition program, Deloitte wanted to balance standardization and flexibility. It needed a consistent program made visible to every employee in the organization that would also meet the individual needs of various job roles, business units, and even, generational groups. One example of flexibility is around Deloitte's points system and how they account for discretionary efforts and high performance.
- **Empowering Employees** — Through its points program as well as its unlimited recognition options, Deloitte places a great deal of trust in its employees — empowering them to make decisions on who, when, and how much to recognize peers and leaders.

Case Study — Deloitte

- **Social Recognition** — Similar to the other case studies featured in this report, social recognition has a tremendous impact on improving employee engagement at Deloitte without requiring a large budget.

What results did Deloitte achieve?

For the period of June 1, 2012 to May 7, 2013 Deloitte has achieved:

- 94% current activation rate
- 89% of enabled members have been recognized by peers or leaders
- 79% of members have given recognition to peers or leaders
- Dramatic improvement in peer-to-peer recognition as well as organizational productivity

What were the lessons learned?

As Deloitte's recognition program matures, it must continue to encourage senior leaders to use the system regularly.

In order to get the program "right," Deloitte realized it should start out small and then expand the program to meet the various needs of different job roles and geographies.

In order to create a culture of recognition, this program needed to integrate with other areas of talent management and continue to be flexible and adjust to change.

Define Metrics for Success

The ability to track the effectiveness of engagement efforts can help professional services organizations align engagement with business objectives. Currently, 44% of professional service organizations define metrics in advance and 58% can link employee engagement with profitability. One reason is that for professional services, people are the value proposition. Organizations often struggle to demonstrate a return on investment (ROI) from employee engagement strategies. Since employee engagement is closely intertwined with other areas of talent management, it becomes difficult to determine if key performance indicators such as retention and productivity are associated with other talent programs.

When considering an investment in employee engagement, many professional services firms, including those highlighted in this report, recognize the importance of analytics. In employee recognition, for example, analytics allows organizations to collect, consolidate, and report on all recognition activities and make better decisions around employees and performance. It can also help organizations gain insight into the talent that will drive business success.

Case Study — PwC

With over 5,700 employees in Canada, Pricewaterhouse Coopers (PwC) creates value for clients by engaging top talent. In fact, after careful examination of its business strategy, PwC identified several behaviors that improve client satisfaction and contribute to employee success, known as the PwC Experience behaviors. In order to reinforce these behaviors, PwC recognized that it would need to design and implement a formal rewards and recognition program and invest in world-class technology. The primary driver for this program was the need to link the business strategy with employee recognition, particularly around four primary behaviors and 10 sub-behaviors.

What did the program include?

The program is made up of four categories:

- **Acclaim** — a points-based program used to recognize and reward colleagues in a timely manner — those who make a major contribution and come through when it matters most, and those who deliver noteworthy results.
- **Spotlight** — a special cash bonus available throughout the year to recognize and reward staff who go above and beyond what is expected and demonstrate the PwC Experience behaviors — to produce significant results for PwC.
- **The CEO Award** — a nomination-based program to recognize and celebrate staff and teams who achieve outstanding results and are role models for living the PwC Experience behaviors.
- Saying **thank you** is at the heart of all programs and is encouraged to be done as often as possible.

What results were achieved?

- PwC was able to achieve its primary goal of aligning its recognition program with the overall business strategy. Although the program has been improved and modified over the past few years, the commitment to business outcomes has remained intact.
- Nearly 90% of employees actively use the recognition software consistently throughout the organization.

PwC continues to accept feedback on the program from employees, clients, and key stakeholders and ensures that communication on recognition is transparent and consistent.

Gain Support from Senior Leaders

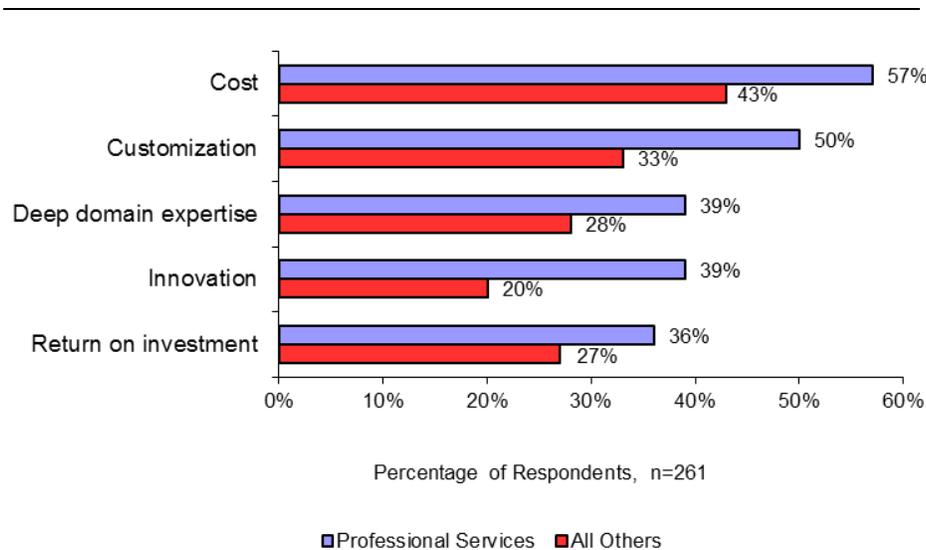
Support from senior leadership can transform ad-hoc engagement strategies into a strategic business endeavor. Professional services firms have an easier

time building a business case for engagement efforts and gaining support since people are their value proposition. Seventy-three percent (73%) of professional services firms have support from senior leadership compared to 53% of organizations in other industries.

Invest in Technology

When looking to recruit and retain talent, professional services organizations need to differentiate themselves from the competition. As a result, innovation is a key attribute of employee engagement. Organizations are looking to break away from traditional models and technology in favor of a more innovative way to engage talent. As indicated in Figure 4, professional services organizations are nearly twice as likely to select a solution provider that they feel is innovative as compared to organizations than All Others.

Figure 4: Top Criteria for Selecting an Engagement Solution Provider



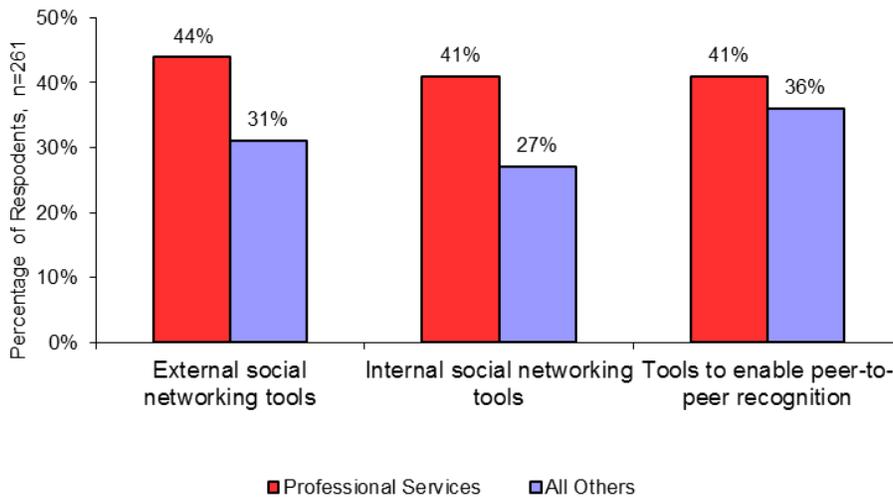
Source: Aberdeen Group, May 2013

One way organizations differentiate their employee engagement strategies and promote employee success is by leveraging social media. Social media has transformed the way organizations identify, develop, and retain talent. It offers greater collaboration, communication, and enhanced branding — all elements that strengthen employee engagement. Professional services organizations take advantage of both external and internal sites in engagement efforts. As indicated in the case studies, social recognition plays a critical role in ensuring retention and improving the percentage of first-choice candidates accepting an offer.

External sites such as Facebook, Twitter, and LinkedIn can help recognize employees' contributions and publicly drive engagement. Engagement

activities on these sites can also be used to attract talent. Internal sites can connect employees with peers, acknowledge performance, and provide more collaboration between individuals. Forty-four percent (44%) of professional services organizations leverage external social networking sites compared to 31% of All Others. Forty-one percent (41%) of professional services organizations leverage internal networking sites compared to 27% of organizations in other industries.

Figure 5: Innovative Recognition Tools



Source: Aberdeen Group, May 2013

Case Study — KPMG

For KPMG, talent is the value proposition and engaging high-performers is a top priority. As a result, building and maintaining relationships with employees was a critical driver of implementing a formal engagement and recognition strategy. The challenge KPMG faced when rolling out this program was gaining insight into if employees are happy with their professional lives, if they enjoy coming to work, and if they feel that they are getting a return on their investment.

How did KPMG build these relationships?

KPMG relies on several key initiatives to boost engagement and strengthen relationships with top talent — including annual engagement surveys, an online recognition program, and traditional recognition activities.

Case Study — KPMG

- **Engagement surveys** — Through an annual engagement survey, KPMG is able to get an understanding of employee satisfaction and motivation. This survey is the first step in understanding employee engagement and was used as the basis to create an action plan moving forward. Exit interviews that provide an understanding of why employees leave their jobs and “stay interviews” which provide insight into why top performers remain with the organization are also used in conjunction with the engagement survey to gain this insight.
- **Online recognition program** — KPMG leverages Achievers for its online employee recognition program and closely aligns this program to its business strategy. This program is highly flexible and as a pay for performance organization, focuses on high performers. Through technology, they are able to differentiate how they recognize these employees in order to keep them engaged and provide them with incentives to encourage positive behavior. They are also able to ensure that all recognition happens in real-time and encourages employees to share feedback with peers and social media channels.
- **Traditional recognition** — With a flexible recognition program, KPMG continues to offer recognition of peers or direct reports through traditional methods including simply saying “thank you,” and taking employees out to coffee or lunch as a way to show appreciation and build relationships.

What results has KPMG achieved?

Through its investment in employee recognition technology, KPMG was improved business outcomes such as reduced costs and improved engagement. KPMG also noted that public recognition has a tremendous impact on overall engagement and satisfaction of KPMG employees even more so than recognition that is tied to monetary incentives. Social recognition efforts were so successful that employee satisfaction in their recognition experience increased by 15% in just one year.

Key Takeaways

Employee engagement is critical to driving client satisfaction for professional services firms. In a demanding work environment, understanding what motivates and drives employee success will help these organizations gain competitive advantage. In order to effectively engage employees, professional services should consider creating a culture of recognition, measuring engagement efforts, gaining support from senior leadership, and investing in innovative technology providers. Additionally, the case studies

featured in this report have achieved results by aligning their strategies with business objectives and prioritizing social recognition.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research	
<i>Strategic Onboarding 2013: A New Look at New Hires</i> ; April 2013	<i>Assessments 2013: Finding the Perfect Match</i> ; April 2013
<i>A Unified Talent Pipeline: Integrating Succession Planning and Talent Acquisition</i> ; January 2013	<i>The Next Generation of Mobile Recruiting</i> ; February 2013
<i>Sourcing Gets Smart: Revamping Strategies, Rethinking Technology</i> ; April 2012	<i>Human Capital Management Trends 2013: It's a Brave New World</i> ; January 2013
Author: Madeline Laurano, Research Director, Human Capital Management (madeline.laurano@aberdeen.com)	

For more than two decades, Aberdeen's research has been helping corporations worldwide become Best-in-Class. Having benchmarked the performance of more than 644,000 companies, Aberdeen is uniquely positioned to provide organizations with the facts that matter — the facts that enable companies to get ahead and drive results. That's why our research is relied on by more than 2.5 million readers in over 40 countries, 90% of the Fortune 1,000, and 93% of the Technology 500.

As a Harte-Hanks Company, Aberdeen's research provides insight and analysis to the Harte-Hanks community of local, regional, national and international marketing executives. Combined, we help our customers leverage the power of insight to deliver innovative multichannel marketing programs that drive business-changing results. For additional information, visit Aberdeen <http://www.aberdeen.com> or call (617) 854-5200, or to learn more about Harte-Hanks, call (800) 456-9748 or go to <http://www.harte-hanks.com>.

This document is the result of primary research performed by Aberdeen Group. Aberdeen Group's methodologies provide for objective fact-based research and represent the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group, Inc. and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group, Inc. (2013a)