

# **HUMAN SIGMA OPTIMIZATION: IMPROVING EMPLOYEE ENGAGEMENT**

## **CASE STUDY OF RETAIL BANKING IN INDONESIA**

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### **ABSTRACT**

Competition in banking industry from year to year increasingly fierce. Small capital banks must open compete with large banks in the same segment. Local banks must compete "apple to apple" with other local banks. In addition, local bank has to be able to compete with foreign banks in order to gain the largest market share. The level of customer engagement can be a leading indicator at the rate of return for investors. It means if the CE survey results produce a high level of engagement, then the company's financial performance expectation is also high. employee engagement level is the basic indicator of leading indicators. It means that if the EE survey results produce a high level of engagement then, engagement costumer is also high on products or services owned by a bank. Human Sigma is a model and approach by analyzing the value of Customer Engagement and Employee Engagement to determine Human Sigma Value that will describe the level of engagement from the point of view of employee and customer. The aim of this study is to look for top of pain factors the weakness of employee engagement in the retail banking company that caused the decrease of customer engagement and the level of company productivity by using the concept of human sigma.

**Keywords:** *Banking Industry, Customer Engagement, Employee Engagement, Human Sigma*

### **INTRODUCTION**

Competition in banking industry from year to year increasingly fierce. Small capital banks must open compete with large banks in the same segment. Local banks must compete "apple to apple" with other local banks. In addition, local bank has to be able to compete with foreign banks in order to gain the largest market share and which became one of the triggers of the fierce competition map is that all banks apply the same strategy, especially to become market leaders in the retail and consumption market segment.

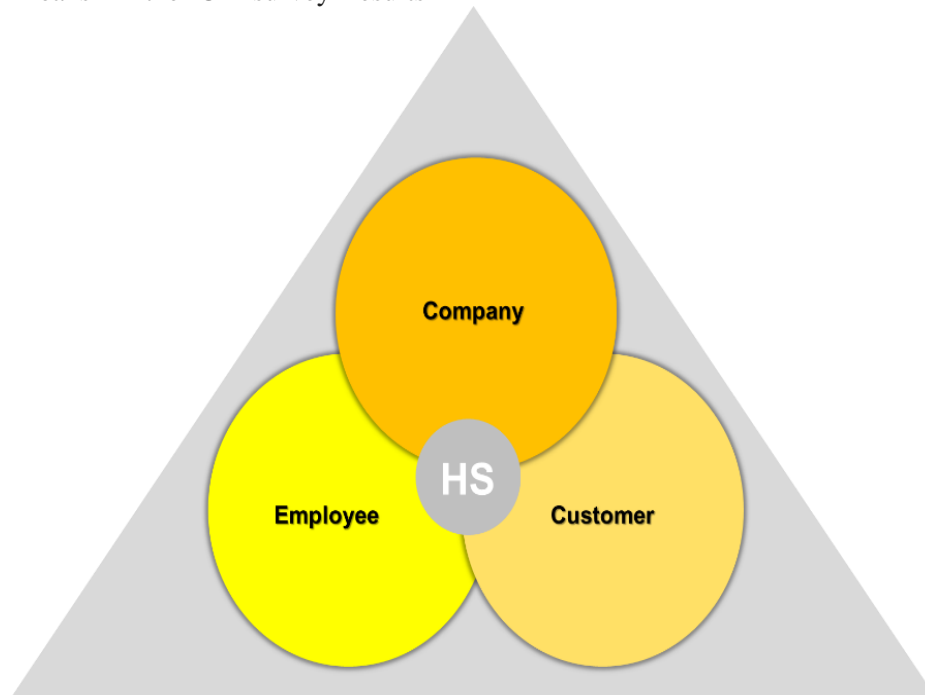
Consumer behavior in the retail segment is very different compared to the SME segment as well as the corporation. In the retail segment, banks will intensively interact and give direct

influence to individual consumers as end users, while in the SME segment as well as corporations, banks will interact with individuals but do not exert direct influence because the individual is a representative or given responsibility in a particular field by a company. Approach and treatment are also much different. Therefore, as a company engaged in the field of financial services and to be able to win the competition in the retail segment, beside common things such as pricing, product features, the bank must have competitive advantage and able to create enjoyable customer experience so that a consumer becomes satisfied not only after using its products and services, but also being loyal for long periods of time.

The interaction between employees and consumers is an important aspect in the process

of the occurrence of a business opportunity. Employee attitudes affect consumer attitudes, and consumer attitudes will affect organizational performance in a linear fashion (Fleming, Coffman, Harter, 2005). It can be interpreted that if a bank wants to have a good financial performance, the bank should be able to measure and improve consumer attitudes, behavior, and specifically its customer engagement. The level of customer engagement can be a leading indicator at the rate of return for investors. It means if the CE survey results

produce a high level of engagement, then the company's financial performance expectation is also high (Fleming on Zweifel, 2010). In addition, the employee engagement level is the basic indicator of leading indicators. It means that if the EE survey results produce a high level of engagement then, engagement customer is also high on products or services owned by a bank. Researchers define it with a Triangle of Happiness: Happy Employee - Happy Customer- Happy Company.



**Figure 1**  
**Triangle of Happiness**

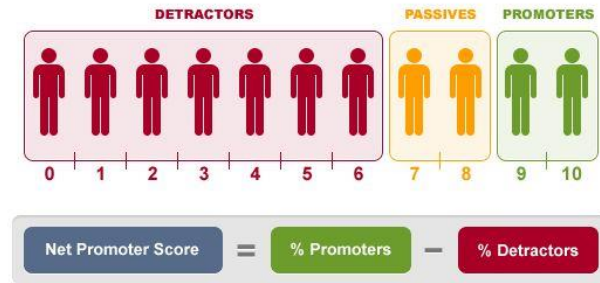
Source: Fleming, Zweifel (2010), Coffman, Harter (2005)

## RESEARCH METHOD

The proper method to analyze the engagement of customer and employee relationship to the company is Human Sigma Method. This method is a model and approach by analyzing the value of Customer Engagement and Employee Engagement to determine Human Sigma Value that will describe the level of engagement from the point of view of employee and customer. According to Fleming, Coffman, Harter (2007) Customers who have strong emotional ties with their companies will generate higher share of investable assets and

higher share of spending from customers in general. This can happen if the company can improve engagement and good relationships with employees.

In this study, researchers used the Human Sigma method collaborated with NPS (Net Promoter Score) method for measurement and data processing. The NPS method is the most effective and simple method of measuring the satisfaction level, loyalty, or engagement of an employee. Through this method employee engagement can be classified into 3 types:



**Figure 2**  
**Net Promoter Score**  
Source: Gallup (2007)

1. Promoter (9-10): employees who are enthusiastic about the company and will continue to work in the company. They will gladly refer companies / brands to their friends.
2. Passive (7-8): employees who are satisfied with the company but are not enthusiastic and may at times move to another company if they find a more attractive deal.
3. Detractor (0-6): employees who have less experience with the company and if there is a chance to spread the negative news (*negative word of mouth*)

The object of this study is one of the bank of the BUKU III group with total human resources of approximately 8000 employees and has 337 branches in Indonesia. Sampling techniques using purposive sampling, with the subject are frontlines spread across branches throughout Indonesia. According to Otoritas Jasa Keuangan Report (2017), BUKU III bank group is a bank with a core capital of 5 Trillion Rupiah up to less than 30 Trillion Rupiah, with the scope of its products and activities of conducting all business activities in Rupiah and foreign currency and participating in 25% of financial institutions at home and abroad limited in the Asian region.

Issues that will be analyzed by the researcher is in the low phase of productivity caused by the decrease of closeness of retail banking customers to the products, services, and services owned and the factors are very

significantly influenced by the weakness of the level of closeness of employees in the bank itself.

Therefore, the purpose of this study is to look for top of pain factors the weakness of employee engagement in the retail banking company that caused the decrease of customer engagement and the level of company productivity by using the concept of human sigma.

## LITERATURE

### Human Sigma

Human Sigma focuses on reducing variability and improving performance. Every interaction an employee has with a customer represents an opportunity to build or diminish that customer's emotional connection to the organization. Work groups whose employees are positively engaged have higher levels of productivity and profitability, better safety and attendance records, and higher levels of retention (Wagner & Harter, 2006). Not surprisingly, they are also more effective at engaging the customers they serve. Companies that make employee engagement and customer engagement a priority have a positive shift in the overall business success (Heskett et. al in Zweifel, 2010).

Gallup's research reveals that business units that score above the Gallup database median on both employee and customer engagement metrics are, on average, 3.4 times more effective financially (in terms of total sales and revenue, performance to target, and year over- year gain in sales and revenue) than units that rank in the bottom half on both measures. These units are also twice as effective financially as units that

are high performers on one, but not both, of these engagement metrics (Fleming & Asplund, 2007). Business units on the lower levels of engagement are in need of improvement: Those that engage employees without engaging customers have become too inwardly focused and have lost direction. Those that engage customers without engaging employees, over time, will see diminished customer engagement as well (Fleming et. al. 2008).

Customer engagement and employee engagement interact to promote financial performance. Fleming & Asplund (2007) research shows that organizations that have adopted Human Sigma management systems have outperformed their peers by 26% in gross margin and 85% in sales growth over a one-year period. These numbers present a compelling argument for businesses to determine what they might equate to in terms of impact on the business and the customer. In today's competitive environment, these numbers indicate a great opportunity to enhance and retain engagement levels and to thereby build loyalty and create brand ambassadors in the customer base. It is estimated that a 5% increase in customer loyalty can produce profit increases from 25% to 85%. Quality of market share, quality of employee care, and quality of customer care all deserve as much attention as quantity of market share (Reichheld & Sasser, 1990).

Frontline workers and customers need to be the center of management focus. Successful managers support investments in their people, providing technology, and linking employee performance to outcomes. Doing so puts the service-profit chain to work and establishes relationships between profitability, customer loyalty, employee satisfaction, and productivity (Heskett et. al in Zweifel, 2010).

Profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of services provided to customers. Value is created by satisfied, loyal, and productive employees. Employee satisfaction, in turn, results primarily from high-quality support services and policies that enable employees to deliver results to customers. The service chain has the opportunity to link with

each customer; it also has the opportunity to break with each customer. Focusing on engagement results in strong links in the chain, for both employees and customers, and leads to Human Sigma.

### **Employee Engagement**

Employees who are engaged will find ways to do more quality work in less time, feel compelled to come up with solutions to issues they identify, and are more likely to consistently be at work (Baumruk, Gorman, Gorman, & Ingham, 2006; Beer & Eisenstat, 2000; Davis, 2006). When employees become one with their roles, they then begin to feel that they are acting with total involvement or, as defined by Csikszentmihalyi (1990), people have reached a flow state, and little conscious control is necessary for their actions.

Csikszentmihalyi explained that certain essential components are necessary for flow at work: clear goals, immediate feedback, challenges that match skills, and areas where action and awareness merge to create a feeling of empowerment. Workplace engagement is a powerful factor when it comes to improving business processes and customer service, as the best solutions come from those employees who are truly committed to the success of the organization and the customer.

Frederick Herzberg (1993) performed studies to determine which factors in an employee's work environment caused satisfaction or dissatisfaction. He developed the motivation-hygiene theory to explain these results. Herzberg found that the satisfiers at work are motivators and the dissatisfiers were hygiene factors (maintenance factors). The following six factors were found to cause satisfaction in the workplace: achievement, recognition, the work itself, responsibility, advancement, and growth. Herzberg argued that job enrichment is required for intrinsic motivation, so a job needs to have sufficient challenges, and employees should be given increasing levels of responsibility to avoid boredom and lack of motivation. Engaged employees are a company's most productive and efficient workers; they feel connected emotionally, socially, and even spiritually to the

company's mission, vision, and purpose (Fleming & Asplund, 2007).

After many studies, Gallup has created the Q12® Engagement Survey (Fleming, Coffman & Harter, 2005). The survey consists of twelve questions investigating employee expectations, recognition, and relationships. The survey is designed to measure employee attitudes, productivity, retention, profitability, and safety levels. Gallup maintains a rolling three-year database of responses to the survey questions which companies can use to compare their performance to outstanding performers, rather than just average performers.

### Customer Engagement

Fully engaged customers deliver a 23% premium over the average customer in terms of wallet share, profitability, revenue, and relationship growth (Fleming, Coffman & Harter, 2005). However, when customers experience a problem, their loyalty to the brand can drop by as much as 66% (Fleming, 2008).

Customer engagement is a powerful link to financial performance.

Gallup has identified a customer engagement hierarchy to measure customer engagement and to quantify the strength and nature of a customer's emotional connection to a company. The hierarchy is comprised of four main subjects (Fleming, Coffman & Harter, 2005):

1. Confidence (*Will the company keep and deliver on its promises?*)
2. Integrity (*Is the customer always treated fairly?*)
3. Pride (*The customer is treated with respect and feels proud to be a customer.*)
4. Passion (*The customer cannot imagine a world without the business*)

Parameters to determine the employee engagement level is to conduct a survey with questionnaires with a list of questions as below:

Human Sigma Qusionare										
Division/Unit:										
Function:										
Q1	I know what is expected of me at work.									
	1	2	3	4	5	6	7	8	9	10
Q2	I have the materials and equipment I need to do my work right.									
	1	2	3	4	5	6	7	8	9	10
Q3	At work, I have the opportunity to do what I do best every day.									
	1	2	3	4	5	6	7	8	9	10
Q4	In the last seven days, I have received recognition or praise for doing good work									
	1	2	3	4	5	6	7	8	9	10
Q5	My supervisor, or someone at work, seems to care about me as a person.									
	1	2	3	4	5	6	7	8	9	10
Q6	There is someone at work who encourages my development.									
	1	2	3	4	5	6	7	8	9	10
Q7	At work, my opinions seem to count.									
	1	2	3	4	5	6	7	8	9	10
Q8	The mission or purpose of my company makes me feel my job is important									
	1	2	3	4	5	6	7	8	9	10
Q9	My fellow employees are committed to doing quality work.									
	1	2	3	4	5	6	7	8	9	10
Q10	I have a best friend at work.									
	1	2	3	4	5	6	7	8	9	10
Q11	In the last six months, someone at work has talked to me about my progress									
	1	2	3	4	5	6	7	8	9	10
Q12	This last year, I have had opportunities at work to learn and grow.									
	1	2	3	4	5	6	7	8	9	10

Figure 3  
Human Sigma Questionnaire  
Source: Gallup (2007)

Customers are not looking to conduct transactions; customers are looking for relationships. In every company, there are customers who outspend others. These customers visit more often, resist competitive overtures, promote the brand to others, and forgive the occasional service hiccup. Creating customer engagement generates emotional advocates for an organization's brand. Customers who do not just talk about the brand, but who are passionate promoters of the brand, are the best advocates for it.

Because people can transact their business anywhere they want, the focus on building a relationship with customers is key to keeping their business in a specific organization. Customer experience is the reason why consumers shop where they do. Working to establish an emotional connection with a customer creates a customer who is passionate about the company's products and services. Such customers are more likely to share their experiences with others in a passionate way. Just as employees take pride in building relationships with the customers, engaged customers will take pride in sharing information about a business with their friends; the customer becomes a great acquisition tool for additional customers (Reichheld & Sasser, 1990).

When customers offer their feedback to the business, it is important for employees to understand what the customers are saying (Jones & Sasser, 1995). Finding ways for employees to discuss the feedback results is important in keeping customers satisfied. Customers prefer to deal with companies they trust, so to increase the amount of sales to customers, a business needs to focus on the level of trust customers have with the business (Peppers, 2008).

Hewitt Associates (2004) published a study that found employee engagement explained 39% of the variance in total shareholder return. They also found that organizations with higher levels of employee engagement enjoy higher levels of sales growth compared to their peers. Towers Perrin's (2007) study focused on the long-term sustainable impact of employee engagement on key increases in operating income. The study found that companies with low levels of employee engagement experienced a 32% decrease in operating income. Investors and

shareholders pay great attention to such shifts in sales growth, shareholder return, and operating income prior to investing in an organization or moving a large amount of business to it.

Because employees are human, mistakes can and will happen. If the organization has earned the trust of a customer, that customer is more likely to remain a customer at the organization in spite of a mistake (Peppers, 2008). Creating engagement with both employees and customers is key to opening dialogues and working to fix mistakes while making service even better. Strong working relationships between employees to help solve problems, strong relationships between employees and customers to facilitate feedback, and availability of a forum to discuss all of these elements are important elements in creating and promoting an engaged environment. In addition, many employees are also customers of the organization.

Customers will do business with an organization tomorrow only if they trust that organization today; employees will work to earn customer trust only when that employee trusts their employer (Peppers, 2008). And, because customers talk to each other and talk to non-customers, a trusting relationship is a vital sales tool. Customers are in a position to sell the services of an organization or to tell others to stay away from it.

## RESULT AND FINDING

The level of employee engagement is measured using the NPS method through survey or questionnaires filled by respondents scattered throughout Indonesia. Respondents are divided into two groups: frontline sales and operation groups. Frontline group of sales of 76 respondents with work functions include Branch Sales Manager (BSM), Premier Banking Manager (PBM), Personal Financial Consultant (PFC), Secured Loan Officer (SLO) and Relationship Officer (RO). While the frontline operation group as many as 223 respondents with work functions include Operation Service Supervisor (OSS), Premier Banking Assistant (PBA), Service Assistant (SA), Teller and Security.

### NPS formula: %Promoter - %Detractor

High NPS (positive) means the number of Promoters is higher than the number of

Detractors in the company. This means that the number of employees who are satisfied and have engagement against larger companies. Low NPS (negative) means the number of Promoters is lower than the number of Detractors in the

company. This means that the number of employees who are not satisfied and do not have engagement against the company greater number.

SALES					
Q	FUNCTION				
	BSM	PBM	PFC	RO	SLO
Q1	50%	100%	32%	21%	50%
Q2	50%	100%	-10%	-37%	-100%
Q3	50%	100%	-6%	-8%	-100%
Q4	0%	0%	-29%	-66%	-50%
Q5	50%	100%	3%	-11%	0%
Q6	100%	0%	-13%	-34%	-50%
Q7	100%	0%	-16%	-45%	-50%
Q8	50%	100%	-6%	-37%	-50%
Q9	50%	0%	6%	-21%	50%
Q10	100%	100%	35%	11%	0%
Q11	50%	0%	19%	-50%	50%
Q12	100%	0%	13%	-42%	100%

Figure 4  
Sales Function NPS Result

Based on the survey results above, the most dominant negative NPS in the frontline sales group is in Q4 with the NPS average of -29%, that is, of the total respondents, all frontline

sales function that answers Q4 has the highest number of detractors and becomes the most influential top pain factor on the issues that are happening in the sales scope.

OPERATION					
Q	FUNCTION				
	OSS	PBA	SA	TELLER	SECURITY
Q1	66%	9%	34%	40%	36%
Q2	24%	-18%	19%	25%	36%
Q3	47%	-18%	34%	44%	20%
Q4	-24%	-36%	-26%	-35%	-72%
Q5	11%	0%	13%	19%	-32%
Q6	3%	-18%	16%	23%	-16%
Q7	32%	-9%	13%	1%	-40%
Q8	42%	-9%	31%	35%	24%
Q9	47%	0%	32%	46%	28%
Q10	45%	27%	41%	56%	32%
Q11	32%	-9%	13%	35%	-32%
Q12	29%	0%	25%	42%	8%

Figure 5  
Operation Function NPS Result

In the frontline operation group, the most dominant negative NPS also is in Q4 with an average of -39%, meaning that of the total

respondents all frontline operation functions that answer Q4 have the highest number of detractors, and become the top pain factor that is



most influential on the problems that are going on operational scope.

It can be concluded in general that negative NPS is dominantly present in Q4 for all sales and operational frontline functions. This means that the most dominant pain factor influences on weak employee engagement that occurs in frontline of retail banking in Indonesia is the low recognition received by employees to the good performance that has been done, thus weakening

the level of engagement to the company and the quality of service to the customer.

In addition, the researcher conducted breakdown analysis of pain factors that emerged based on Negative NPS from each function in each group of respondents based on the assumption that each work function will have different problems.

SALES FUNCTION	TOP PAIN FACTOR	NPS
BSM	Passive	0%
PBM	Passive	0%
PFC	Q04: In the last seven days, I have received recognition or praise for doing good work	-29%
RO	Q04: In the last seven days, I have received recognition or praise for doing good work	-66%
SLO	Q02: I have the materials and equipment I need to do my work right.	-100%
	Q03: At work, I have the opportunity to do what I do best every day.	-100%
OPERATIONAL FUNCTION	TOP PAIN FACTOR	NPS
OSS	Q04: In the last seven days, I have received recognition or praise for doing good work	-24%
PBA	Q04: In the last seven days, I have received recognition or praise for doing good work	-36%
SA	Q04: In the last seven days, I have received recognition or praise for doing good work	-26%
TELLER	Q04: In the last seven days, I have received recognition or praise for doing good work	-35%
SECURITY	Q04: In the last seven days, I have received recognition or praise for doing good work	-72%

**Figure 6**  
**All Function Summary NPS Result**

Based on the data above, can be analyzed that in BSM and PBM function there are no dominant pain factors, because the respondents of both functions are more answer Passive so NPS for both is 0%. As for the function of PFC, RO, OSS, PBA, SA, Teller and Security have the same dominant pain factor that is the recognition loss received by employees to the good performance that has been done (Q4). In addition, there is anomaly in the SLO function because the dominant pain factors are Q2 and Q3 where employees feel they do not have the materials and equipment needed to do the job well and do not have the opportunity to do the best things every day.

## CONCLUSION

Based on the analysis above, can be concluded that there are different pain factors in each work function of each group of responders both frontline sales and operation. But that becomes the most dominant pain factor is the low recognition received by employees to the good performance that has been done so as to weaken the level of engagement to the company and the quality of service to the customer.

This conclusion can be taken based on the survey data showing that the most dominant Negative NPS in the frontline sales group is in

Q4 with the Negative NPS average of -29%, it means, from the total respondents, all frontline sales functions that answer Q4 had the highest number of Detractors and who become top pain factors most influential on the problems that are happening in the scope of sales is the low recognition received by employees to the good performance that has been done. Similarly, the most dominant Negative NPS of frontline operation group also is in Q4 with an average of -39%, it means that the total respondents all frontline operation functions that answer Q4 had the highest number of detractors, and which became the top pain factor most affected the current problem in operational scope.

## RECOMMENDATION

Based on the findings and conclusions obtained from this study, recommendations that can be offered by author that the company can make a small change the paradigm of corporate culture to cultivate giving appreciation or recognition both verbally and material to every employee who do extraordinary things on every result of work by direct supervisor/line manager/management. The data show that appreciation and recognition are simple things that affect employees' happiness and their loyalty to the company.



In addition, academically author suggest for further research to be able to take the subject and object of a wider research into some or all Retail Bank in Indonesia based on the BUKU category and compare the problems that exist in each category, because usually the greater the assets owned by a bank, then the problems faced will be different as well and more complex.

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