

Business Life

Money can't make you happy, but being in a trusted team can



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ON MANAGING

Ade Sodeinde, a 17-year-old Nigerian, became famous last week for making some of Britain's trains run on time. Ms Sodeinde, who is spending a year working for Central Trains before going to Birmingham University to study engineering, solved the puzzle of why trains leaving the depot ran late.

She found that the tracks in the depot needed upgrading. They were slowing the trains' journeys to their starting platforms. Drivers and conductors also had to wait before boarding because of the time taken for safety inspections and cleaning. By refurbishing the tracks and reorganising inspection and cleaning, Central was able to eliminate the problem, potentially saving itself £750,000 (\$1.37m) a year in fines for late running – and vastly reducing

passenger frustration and delay.

Ms Sodeinde will no doubt be in great demand when she graduates. She is bright, enthusiastic and has what so many companies say they want from their employees: an ability to think about how money could be saved and customers satisfied. How large, established companies persuade employees to put in that extra effort is one of management's great puzzles. Staff know better than any management consultant where the problems and opportunities lie. There will always be employees with ideas for new products or better service. All it requires is for them to speak up and for someone to listen.

Most companies say they listen to their people – but often strategies have already been set and those responsible for devising them have no wish to see them disrupted. Alternatively, new ideas get trapped in the corporate bureaucracy. Eventually, would-be innovators become jaded, cynical and lose the engagement that characterises new arrivals such as Ms Sodeinde.

Yet there is a link between engaged employees, satisfied customers and corporate profitability, according to a

recent study by the Forum for People Performance Management & Measurement at Northwestern University*.

The Forum studied 100 US media companies to find out how engaged their staff were and whether this had any effect on corporate profitability.

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The link appears obvious. We know that it is far cheaper to hang on to existing customers than to acquire new ones. We know, too, that the more satisfied customers are the more they spend. What makes them satisfied? Decent, efficient service. Who provides the best service? Employees who are prepared to put in the extra effort. And no one puts in the effort unless they are committed to the company and happy at work.

Yet the Northwestern researchers note that previous studies into the link between staff engagement and corporate success produced equivocal results. One of the problems was that the previous studies looked exclusively at the attitudes of employees who dealt directly with customers.

In most companies, however, those employees make up only a small proportion of the staff. They will not succeed unless the rest of the company is behind them. Ideas do not come just from the front line. The researchers wanted to look at employees, such as Ms Sodeinde, who did not deal directly with customers. What impact did their attitudes have on the company's success?

A lot. The researchers asked employees how they felt about their jobs. They also surveyed customer attitudes and looked at how profitable they were to the company. The results were clear. The companies with the happiest and most engaged employees had the most satisfied, highest-spending customers.

The problem with trying to make employees engaged and happy, however, is that happiness is so

elusive. In spite of enjoying increased longevity, better health and unprecedented prosperity, most people in the developed world are no happier than they were 50 years ago. People with enough money to eat and house themselves are happier than the hungry and homeless. But, beyond that, more money does not make you happier.

This applies at work, too. According to a study by the Conference Board, the business research organisation, only half of Americans are satisfied with their jobs. A quarter said they were simply "showing up to collect a paycheck". Those earning more than \$50,000 a year were only slightly happier than those earning less than \$15,000.

So how do you make employees more engaged and content? Roger Martin, dean of the Rotman School of Management at the University of Toronto, writes in the latest issue of the school's magazine that companies need to look at the way people derive happiness from groups. Research in this area shows that what makes people content is being respected by members of groups they respect. (Ms Sodeinde did not work alone, of

course; she was part of a team.) There is another component to happiness: what people outside the group think of it. Prof Martin argues that people are happiest not only when they are respected members of a team they admire but when the team and the company are respected by the world outside.

Being part of a trusted, honest group is an indispensable component of employee happiness and engagement. So is establishing ties with colleagues you respect. When groups appear to be performing, companies should hesitate before disrupting them. The vogue for forming new teams for each task may work in companies small enough for everyone to know each other. When people constantly have to establish new links of trust, customers will probably suffer. Companies should think hard, too, before they outsource the work of a functioning team. The company you outsource to may be a happy, engaged bunch, but I would not count on it.

*Reference at www.ft.com/skapinker

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