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When Companies Honor Employees, Profits Result

Have you heard of the Service Profit Chain? Several years ago I learned of this tremendous model at a seminar sponsored by [Omnicom](#) (NYSE: OMC), who purchased the company I founded, [MarketStar Corporation](#).

Several distinguished Harvard professors created a theory in the 90s that they subsequently published in a book [The Service Profit Chain – How Leading Companies Link Profit and Growth To Loyalty, Satisfaction and Value](#) (by Heskett, Jones, Loveman, Sasser and Schlesinger).

The model states that if corporate leaders honor employees, profits will be the ultimate result. It is the opposite approach from many organizations and leaders, particularly in the public market, who have money as their primary goal, and who consider their employees—the “human capital”—to be dispensable.

In short, the model identifies that a company’s employees are its most valuable assets, together with the customers the company serves. Financial reward is a by-product. This is a wonderful model used by many of the world’s top companies.

The steps are as follows:

- 1) Find and hire the best person for the job.
- 2) Provide a culture with high values and employee support systems.



Happy employees are the key to a successful--and highly profitable--business

- 3) Ensure employees are happy and productive.
- 4) Note that happy employees take good care of customers.
- 5) Happy customers reward the company with revenues, profits and referrals.

Conversely, consider a poor leader who hires the wrong people and promotes a vile culture (contributor [Eric Jackson](#) describes these executives clearly in his article on the 7 Characteristics of Spectacularly Unsuccessful Executives [here](#)). They constantly criticize and intimidate employees. The employees, in turn, mistreat the customers who, as a result, never return to the business and tell their friends (and sometimes even the universe, thanks to social media) to do likewise.

We all know companies that fit this profile. Sooner or later (most generally sooner), these companies fail.

How should companies serve their employees?

The overarching strategy is the Golden Rule: treat people the way you want to be treated. As I visit with employees, they are delighted to talk about the activities, values and programs that hold meaning for them. For example:

- They want to know the company's vision, mission, strategies and the tasks that will yield company success and ensure their continuous employment.
- They abhor a weekly change in direction.
- They appreciate constant communication from management, whether good or bad.
- They desire clarity on their specific duties and how these tasks relate to all other employee assignments.
- They expect management to pay a marketable wage with benefits and provide the necessary resources to complete a project.
- They wish for feedback on their performance and to clearly understand a leader's expectations.
- They want to feel they own their errands and have the authority and responsibility to accomplish their objectives.
- They detest a micromanager.
- They seek a company culture where industry is recognized, honored and rewarded.
- They expect an environment of trust, fairness and justice.
- They aspire to live a balanced life.
- Opportunities for continuing education and promotions are very important.

As management meets these expectations, employees feel valued and are willing to give their best effort every day of the week.

Happy employees honor customers. Customers reward the company with purchases, not just one time, but regularly. They tell their friends to shop (and again, thanks to social media, many of them tell *everyone*). Dollars flow, profits increase and the company grows. Everyone is happy.

Research shows a one-to-one correlation between happy employees and significant positive financial returns.

The strongest leaders understand that happy employees are the key to a first-rate business. This unique attribute is one of the powerful characteristics

of an award-winning entrepreneur, and of a highly profitable business.

For more detailed information I have written an e-book on the *Characteristics of a Successful Entrepreneur* that is available from Amazon or from my personal website at www.AlanEHall.com.

This article is available online at:

<http://www.forbes.com/sites/alanhall/2012/06/24/when-companies-honor-employees-profits-result/>