



# Ask Len: Is employee satisfaction still a thing?

By Len Schlesinger | January 4, 2018

**L**en Schlesinger, Baker Foundation Professor at Harvard Business School, has written extensively for athenaInsight on the need for healthcare organizations to focus on customer experience under value-based payment models. In our Ask Len series, Schlesinger answers questions from healthcare executives about his research on success in service industries.

**Q | Is employee satisfaction still a useful metric? What else should we be measuring?**

**A |** When I started out in management 50 years ago, received wisdom said that a happy employee was a productive employee.

The reality was that the relationship between employee satisfaction and performance wasn't clear when we tested it. Where a correlation existed, we didn't know whether the satisfied employee became productive or the productive employee exhibited satisfaction.

You still see employee satisfaction promoted all over the place – management 101 textbooks continue to talk about it. What can I say? Old, simple ideas die hard.

In the 1990s, researchers and consultants began promoting the concept of “engagement” as a more powerful measurement – and it's true, engagement attempts to capture a level of commitment to work that the question “Are you happy?” misses. I was working as an executive in service companies at the time, and I still found it difficult to identify a link between engaged employees and satisfied, loyal customers – which I felt was the most important driver of performance. Employee engagement just didn't have very much explanatory power as I looked at what could grow our revenue. But it sure sold seminars!

So I came up with a new way of influencing employee productivity that I believed was more useful for managers – what I termed “self-perceived service capability,” or “capability” for short. Capability refers to an employee’s *perception* of his or her ability to serve customers.

Specifically, capability is a function of several components:

1. The latitude to deliver results to customers
2. A clear expression of the limits within which employees are permitted to act
3. Excellent training to perform the job
4. Well-engineered support systems, such as service facilities, technology and information systems
5. Recognition and rewards for doing jobs well, determined at least in part by the level of customer satisfaction and loyalty achieved.

Research in service industries has shown that capability influences customer satisfaction, which in turn results in customer loyalty, which in turn results in profitability.

The results were even more striking when athenahealth’s researchers conducted a study of physicians, asking them to rate their level of agreement with the statements:

- “I have the latitude I need to provide high-quality care to my patients,” and
- “I have the tools and resources I need to properly care for my patients.”

Physicians who identified as capable, as defined by agreement with these statements, were more engaged, loyal and productive. Further examination linked capability to reductions in physician burnout and improved financial outcomes for their practice.

This new construct is easier to understand than the concepts we have focused our attention on for the last 40 years. Further, it has clear action implications, links to performance, and it works for virtually all service roles at all levels of the hierarchy.

That doesn’t mean that employee satisfaction is a worthless metric, of course. It’s important for recruiting and retaining talent – prospective employees want to see that they are joining an organization with happy workers, and workers may leave if they unhappy. Satisfaction is one of many “hygiene” factors – such as competitive compensation and benefits – that are table stakes in the war for talent.

But if you’re looking to understand what drives a range of important outcomes in your healthcare practice, self-perceived service capability is simply *the* metric from which to work.

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