

Relationship between supplier's employees engagement and automotive customers satisfaction.

A Master's Thesis submitted for the degree of
"Master of Business Administration"

supervised by
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Vienna, September 15th, 2014

Affidavit

I, **CYRIL EŠTOK**, hereby declare

1. that I am the sole author of the present Master's Thesis, "RELATIONSHIP BETWEEN SUPPLIER'S EMPLOYEES ENGAGEMENT AND AUTOMOTIVE CUSTOMERS SATISFACTION.", 85 pages, bound, and that I have not used any source or tool other than those referenced or any other illicit aid or tool, and
2. that I have not prior to this date submitted this Master's Thesis as an examination paper in any form in Austria or abroad.

Vienna, 15.09.2014

Signature

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1 LIST OF ABBREVIATIONS

ACTA	Atlas Copco Tools and Assembly Systems
ACTA CCEE	Atlas Copco Tools and Assembly Systems Customer Centre Eastern Europe
MVI	Motor Vehicle Industry division
SCE	Service division
ITBA CCEE	Industrial Technique Business Area Customer Centre Eastern Europe
EE	Eastern Europe
OEM	Original Equipment Manufacturer
NPS	Net promoter score
ENPS	Employee net promoter score
EEI	Employee Engagement Index
EBIT	Earning before interest and tax
FC	Functional costs
GDP	Gross Domestic Products
BRICS	cluster of countries Brasilia, Russia, India, China and South Africa
HR	Human Resources
PwC	PricewaterhouseCoopers
TQM	Total Quality Management
CLI	Communicative Leadership Index

2 ABSTRACT

Being motivated by knowledge gained during my study of Professional Automotive MBA Program and practical experience during my professional life, this master thesis is focusing on study of relations between selected core variables, which drive and influence company performance. They are Employees engagement, Customer Satisfaction and Economic results..

How to create fair a value proposition of a supplier and how to transfer it through employees to a customer? Those questions are going to be analyzed and discussed in this Academic document.

The major aim of the research work is to analyze and find a relationship between parameters which are measurable. The parameters which determine automotive customer' satisfaction and their willingness to stay loyal. The parameters which define important factors of employees' engagement and help them create an optimal value proposition. How relevant the company culture in that process is and at the end how we can measure and translate results to the financial figures of a supplier company.

The pre-assumption of the master thesis is that the engaged employees in an automotive supply chain can better serve their customers, they can satisfy them and keep them loyal. Loyal customers are a basic pillar of the sustainable development of automotive company. Massive changes in the economic environment caused by globalization, liberalization and raising the competition create strong pressure on companies involved in automotive supply chain. It is not enough to differentiate by technology and product innovations.

The first part of this master thesis brings more academic background of satisfaction in general, devoted more to specific engagement of employees, customers, the methods used to measure all the mentioned parameters

The second part of the master thesis is a description of surveys conducted in the company Atlas Copco s,r,o,(moja poznámka-neviem, či s.r.o. by sa tiež nemalo preložiť = Ltd.) operating in the region of Eastern Europe. The first survey measures voice of employees and their satisfaction in the company. A specific part of the survey related to employee engagement according to EEI measurement by PwC has been selected and the data used for further processing. The second survey has been conducted within the customers' group of a supplier company. The survey has been focused on their satisfaction and loyalty.

The third part of the master thesis evaluates the gathered data within the conducted surveys and searches for existing relations between the variables as well as a correlation with the economic output of the supplier company. All findings are discusses and analyzed. Finally, all findings are concluded in the last part of the master thesis and critically discussed. The final part includes also some recommendations for the management of the Atlas Copco, focusing on nurturing the future actions related to employee engagement and customer satisfaction.

3 Introduction of Research Topic

The author of this document has spent last 20 professional years within automotive industry on several different positions and experienced different aspects of industry. Being part of manufacturing process require high level of integrity and flexibility. Complexity and high dynamic of market changes create automotive industry very demanding and challenging for all involved stakeholders. There is significant professional interest of author to understand factors of success in automotive supply chain. It is vital to prove that human resources play very important role in successful automotive company.

3.1 The Objective

The main objective of this master thesis is to analyze and find relationship between employees engagement, customers satisfaction and economic output of the company. This master thesis should confirm the hypothesis:

- There is a correlation between automotive customer satisfaction, supplier company employees engagement and economic results of supplier company.
- Satisfied customers becoming promoters and repeating buyers
- Company culture has impact on employees engagement
- Engaged employee create higher value proposition for customer

The academic paper would help understand and explain what the key success factors in automotive industry are. What the roles of employees are and how they can contribute to employer's success. The intention is to link employee engagement with customers' satisfaction. A minor interest area of this master thesis should answer the following questions:

- What are the key success factors?
- What are the parameters which determine the competitive advantage in non-direct supply to automotive companies?

Objectives of the research:

Planned research methodology will be based on:

- 1) Existing literature resources and empirical research studies conducted in the field of employee engagement and customer satisfaction

- 2) Author's professional experience gained within last 20 years in automotive industry and knowledge gained at the same time
- 3) An empirical part conducted in the the company, where the author is employed and selected important customers, served by the author company..

The theoretical part (section 4 and 5) of this master thesis explains important and latest findings in the issues of general human satisfaction and later on elaborates more about customer satisfaction, employees satisfaction. The research issue is further developed in the next part (section 6), where working definition, working methods, research approaches, models are described, including a discussion of the data used. The outcome of the empirical research is presented in the next section (section 7). The findings are critically discussed and confronted with the hypothesis. All possible side findings are developed and interpreted. The very last part of the material (sections 8,9 and 10) translate all results to the practical recommendation for an author employer company, which can be used as base for an action plan towards the future company development. How relevant the company culture in that process is and at the end how we can measure and translate the results into the financial figures of a supplier company.

3.2 Automotive industry

Importance of automotive industry are highlighted by European Automobile Manufacturers Association report 2013, which conclude some important facts:

The turnover generated by the automotive sector represents 6.9% of EU GDP. 12.9 million people, or 5.3% of the EU workforce, are employed in the sector.

The 3 million high-skilled jobs in automotive manufacturing represent 10% of the EU's manufacturing employment.

Vehicle manufacturing is a strategic industry in the EU, where 16.2 million cars, vans, trucks and buses are manufactured.

Automobile manufacturers operate some 290 vehicle assembly and production plants in 25 countries across Europe.

The European auto industry is a global player, delivering quality 'Made in Europe' products around the world, and bringing in a €95.7 billion trade surplus.

Motor vehicles account for over €385 billion in tax contributions in just 14 EU countries.

The auto industry is the largest private investor in R&D in Europe, investing over €32 billion into R&D and applying for 9,500 patents per year.

Automotive industry, in the specific environment of an author employer company segment is so called Motor Vehicle Industry. There are many different perspectives which make automotive industry very interesting. Despite the facts that global perspective ranks automotive industry on the sixth place within all other industries, it has itself very specific characteristics as a global, multinational, multi geographical , multi-cultural and multidimensional area of industry.

Eastern Europe countries represent significant portion of automotive industry, 17,2% of EU made cars, has been assembled in Eastern Europe countries in 2013, according The International Organization of Motor Vehicle Manufacturers statistic report 2013. Eastern Europe region became preferred destination during last two decades, for building new production capacity. Lower wages and public aid payment made EE very attractive destination for all type vehicles manufacturers.

Research of this master thesis is placed in Eastern Europe region, where all survey has been conducted.

3.3 People role in automotive industry

More than a hundred years after Carl Benz, Wilhelm Maybach and Gottlieb Daimler developed and produced their first automobile, the overall concept of passenger cars has not changed very much. Even though components have been considerably optimized since then, motor cars in the 21st century are still driven by combustion engines that transmit their propulsive power to the road surface via gearboxes, transmission shafts and wheels, which together with spring damper units allow driving stability and ride comfort. Vehicles are still navigated by means of a steering wheel that turns the front wheels, and the required control elements are still located on a dashboard in front of the driver who operates the car sitting in a seat. However, what has changed dramatically are processes involved in vehicle development and vehicle production. What used to be solely the work of one brilliant engineer over several years is achieved today by a highly interlaced co-operative network of specialists coming from a variety of disciplines. The process of vehicle development has become a complex interplay of decentralized sub-processes which are steered

on a relatively high level. Even at the most efficient carmakers in the world, it is, to a surprisingly high extent, an ad-hoc process. After all, automotive development is about people. It is that twofold challenge, to both technically integrate separate components to create a complete vehicle, and at the same time to orchestrate the cooperation of thousands of people from different companies and different professional, cultural and social backgrounds, which makes automotive development so challenging and fascinating. (Julian Weber, Automotive development processes, 2009)

3.4 Future of automotive industry

According KPMG Global Automotive Executive Survey 2013 the automotive industry is being shaped by a number of forces. Environmental pressures are leading to more efficient engines either via e-mobility or improvements to traditional technologies. With an increasing proportion of the world's 7 billion people living in already overcrowded cities, new smaller, urban friendly vehicles are necessary, with the car sharing and other mobility concepts growing in popularity.

Consumers are now demanding new functionality within the car – particular full connectivity via the internet-while emergence of battery powered vehicles calls for innovations such as the leasing of batteries. The globalization of markets, along with the rise of the BRICs, means that automakers everywhere have big decision to make on where to source an\& sell their products.

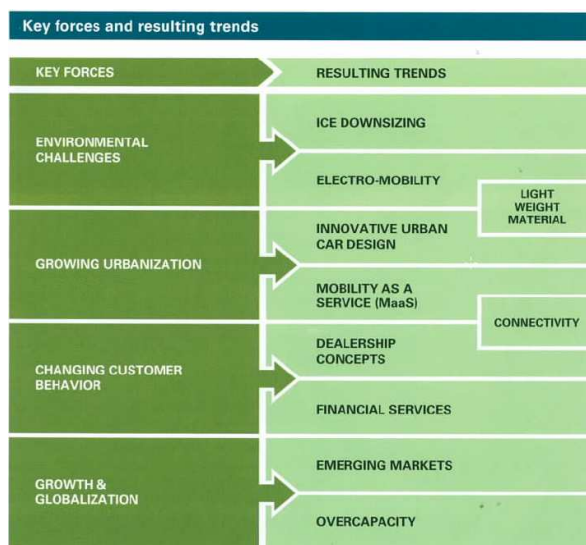


Figure 1: Key forces and resulting trends according KPMG's Global Auto Executive Survey 2013

It is interesting to see future trends expectations of automotive executives according KPMG's Global Auto Survey 2013. Those selected trends are related to Eastern Europe region.

Short term trends:.

- Over 50% feel Japan, German, US, Korea, Spain and France all have a high risk of overcapacity – directly affect EE production capacity
- There is no common global solution – each country acts differently
- Global customers are keen on Safety, Health and Environment impact
- High quality is focus in majority of industries

Midterm trends according KPMG global automotive report 2013 related to EE region.

- 70% of BRIC manufacturers believe that EE is best hub to enter Western Europe car market (according KPMG survey 2013)
- 19% of sales growth is expected in EE by BRIC manufacturers
- 33 new models are announced to have SOP within 2014-2016

Complexity of Automotive Industry and change trends creates high demand for flexibility and changeability of suppliers companies, in order to stay on the market. Highest possible level of innovations is needed, but not only. Highest possible output of people performance is required also. Ability to engage own employees would be one of the crucial winning factor in competition game.

3.4 Atlas Copco group overview

Historical background. Atlas Copco Group is an industrial group with world-leading positions in compressors, construction and mining equipment, power tools and assembly systems. The Group delivers sustainable solutions for increased customer productivity through innovative products and services. The company was founded in Sweden in 1873. Today it has a global reach spanning 180 countries. Atlas Copco has as a vision to become and remain First in Mind — First in Choice® for its customers, prospects and other key stakeholders. Atlas Copco strive to lead in the share of mind and in the share of business; it should be seen as an innovator that sets the standards and exceeds high expectations.

The core values express what Atlas Copco stand for, what it takes to serve their customers effectively and to reach this vision.

Interaction refers to AC ability to listen and to understand the diverse needs of AC customers and other target groups coupled with our capacity to create new and better solutions.

AC are fully committed to their customers' business and totally engaged in each and every project AC undertake together. AC believe in lasting relationships.

Finally, Atlas Copco believe that there is always a better way of doing things. That explains why Atlas Copco is continuously striving to arrive at better and more efficient solutions. That innovative spirit is a vital part of our way of doing business.

Atlas Copco achievements are also recognized externally and are perceived as an industry benchmark in many areas. For example, at the World Economic Forum in Davos in Switzerland Atlas Copco were listed as one of the most sustainable companies in the world. Atlas Copco have been on that list eight times.

3.5 Atlas Copco Industrial Technique Business area

Atlas Copco's Industrial Technique business area provides industrial power tools, assembly systems, quality assurance products, software and services through a global network. It innovates for sustainable productivity for customers in the automotive and aerospace industries, industrial manufacturing and maintenance. Principal product development and manufacturing units are located in Sweden, France and Japan. By focusing on the motor vehicle industry and its aftermarket, Atlas Copco has built up extensive expertise in the area of tightening tools and assembly tightening processes. A modern car contains up to 2 000 screws and nuts. Tools must meet exacting standards when they are used in critical assembly processes such as engine block installation and wheel mounting. One of the keys to success in the assembly industry is to control and monitor assembly operations. Using new technology from Atlas Copco, it is now possible to assemble a car in Germany and monitor the process online in the United States.

The definition of leadership in Atlas Copco is the ability to create lasting results.

The concepts of mission, vision, strategy, structure and people constitute the foundation of Atlas Copco leadership model. A mission is given to an individual by his/her boss. Then he/she gives a mission to everyone in his/her team. This is the way we do things, how we make them happen.

Developing markets should be based on segmenting, differentiating, and positioning our products and services. While direct interaction with end-users is required to

safeguard strong relations and gather information about future needs, sales channels must be chosen to give each product its best chance on the market.

3.6 ITBA CC EE operational unit in EE

The Industrial Technique CC EE is a part of Atlas Copco Group division Industrial Technique. The Industrial Technique CC EE markets high quality industrial power tools, assembly systems, aftermarket products and services under Atlas Copco brand. The geographical area covered by Customer Center Eastern Europe is:



Figure 2 Map of Eastern Europe region in Atlas Copco nomenclature.

- Poland, Czech Republic, Slovak Republic, Hungary, Slovenia, Romania, Bulgaria, Croatia, Bosnia & Herzegovina, Serbia, Montenegro, Albania, Macedonia, Kosovo

Mission of Industrial Technique CC EE: Securing and enhancing competitiveness of Eastern European production industries and automotive aftermarket by continuously improving productivity and process quality. The strategy is to offer to customers: The best products. The best sales people. The best distributors. The best service and support. The most efficient flows. The best project management.

While implementing auxiliary processes, particular attention was paid to ensuring appropriate level of the human factor in the organization, i.e., among others, there was developed a clear recruitment procedure and the principle of continued improvement of qualifications of the employed personnel through training and ensuring appropriate resources to achieve the planned outcomes for them.

Obviously, there was also developed an appropriate system of procedures and corrective measures to be applied in the case of any irregularities in the organization's operations. It includes in particular internal and external audits, which are to ensure that all irregularities are identified before contacting the customer.

4 GENERAL DISCUSSION ABOUT EMPLOYEE ENGAGEMENT

4.1 Different Dimension of Satisfaction

In general discussion, the word satisfaction can be defined as fulfillment of desires, feelings or expressing pleasures, happiness, contentment and optimism. Satisfaction wholly depends upon the individuals' environment, caliber, behavior and nature. It is more concerned with mind than the material world.

Goldenson (1984) psychologically speaking satisfaction may occur on a conscious, preconscious and unconscious level and brings an organism to a balanced state. Satisfaction with one's life implies a contentment with 'or' acceptance of one's life circumstances, or the fulfillment of one's wants and needs for one's life as a whole. Life satisfaction is the conscious and cognitive judgment of one's life in which the criteria of judgment are up to the person (Pavot & Diener, 1993). Can be as well

described as emotional interaction that person shows to the life defined as job, leisure time and other out of work time (Sung-Mook and Giannokopoulos, 1994).

According to Hamilton (1995) in the Dictionary of Developmental Psychology, life satisfaction is the degree of contentment with one's own life style. Life satisfaction is referred as an assessment of the overall conditions of existence as derived from a comparison of one's aspiration to one's actual achievement (Cribb, 2000).

Life Satisfaction generally implies the pleasure that a person gets from his/her life (Telman and Unsal, 2004).

In Indian Philosophy, satisfaction includes the capacity for enjoyment i.e. more enjoyment leads to more happiness. A satisfied and meaningful life involves both subjective thinking and objective component. The three foundations of a satisfied life are: The establishment of depth relationships; The commitment to projects and goals; and The use of stories that place life in genuinely ultimate context. Therefore, life satisfaction is a complex index of one's adjustments, attitudes towards life and events, perception and experience of problems and interactional events.

Life Satisfaction as a Component of Subjective Wellbeing represents the ideas that the individual reaches about subjective well-being (subjective prosperity) and life quality in terms of facts taking part in his/her life (Dikmen, 1995).

Factors Affecting Life Satisfaction

Literature research different life satisfaction variables such as satisfaction with relations, hobbies, place of residence, satisfying life (happy or dull), health conditions, physical fitness and health and overall satisfaction with one's life situations. Douthitt et.al. (1992) reported that economic variable significantly influenced economic and non-economic domains of life. Maynard (1993) reported as the number of occupational roles increased, life satisfaction tended to decrease.

Cribb (2000) found in his study the people become more satisfied with their lives, as they get older. This could be that as we age, we come to realize that most of the important things in life are not for sale. Among these are work satisfaction, friendship, pleasures of solitary thought, reading and other forms of non-commercial leisure.

Harter et. al. (2002) examined the following hypotheses in his study: Business-unit-level employee satisfaction and engagement will have positive average correlations with the business-unit outcomes of customer satisfaction, productivity, profit,

employee retention, and employee safety. The study has been conducted within 198,514 employees in 7,939 business units. In summary, the strongest effects were found relative to employee turnover, customer satisfaction–loyalty, and safety. Correlations were positive and generalizable relative to productivity and profitability criteria but were of lower magnitude, perhaps because these outcomes are more remote downstream variables that are also influenced by other variables and indirectly by employee attitudes. The correlations of overall satisfaction and employee engagement with composite business-unit performance are shown in Table 5. It is interesting that the observed correlations of overall satisfaction and employee engagement with composite performance were identical (.22). Finally, correcting for independent variable measurement error yielded correlations of .37 (overall satisfaction) and .38 (employee engagement). Given that these are business-unit-level correlations, the magnitudes of these correlations are substantial. The corresponding *d* values are also provided in Table 5. These findings indicate that the hypotheses in this study were supported. They concluded from this study that employee satisfaction and engagement are related to meaningful business outcomes at a magnitude that is important to many organizations and that these correlations generalize across companies. An efficient composite of items measuring issues at the heart of the workplace—issues that are important to employees and that managers can influence—has substantial implications for a further understanding of the true nature of overall satisfaction at the business-unit level.

Customer satisfaction:

Is a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified Satisfaction goals". In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses. It is seen as a key performance indicator within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

Within organizations, customer satisfaction ratings can have powerful effects. They focus employees on the importance of fulfilling customers' expectations. Furthermore, when these ratings dip, they warn of problems that can affect sales and profitability. These metrics quantify an important dynamic. When a brand has loyal customers, it gains positive word-of-mouth marketing, which is both free and highly effective.

Therefore, it is essential for businesses to effectively manage customer satisfaction. To be able to do this, firms need reliable and representative measures of satisfaction.

In researching satisfaction, firms generally ask customers whether their product or service has met or exceeded expectations. Thus, expectations are a key factor behind satisfaction. When customers have high expectations and the reality falls short, they will be disappointed and will likely rate their experience as less than satisfying. For this reason, a luxury resort, for example, might receive a lower satisfaction rating than a budget motel, even though its facilities and service would be deemed superior in 'absolute' terms.

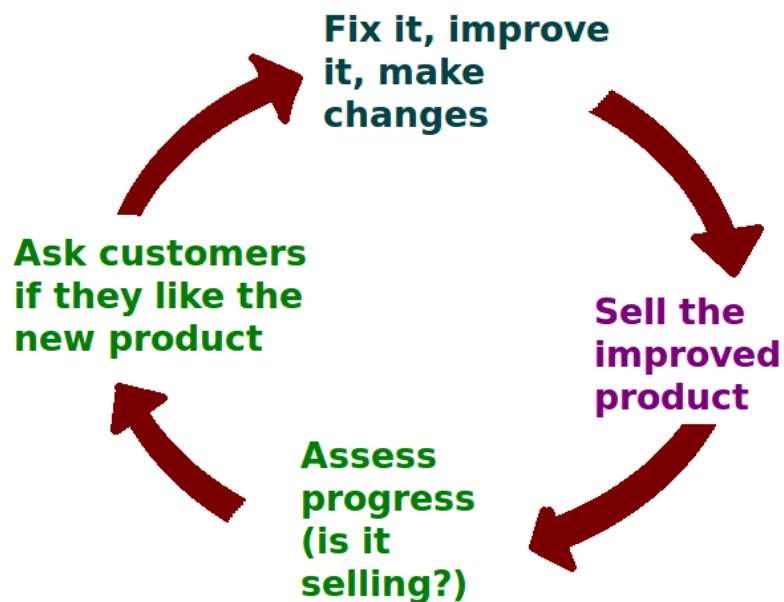


Figure 3 Business feedback loop

A business ideally is continually seeking feedback to improve customer satisfaction.

"Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty. Customer satisfaction data are among the most frequently collected indicators of market perceptions. Their principal use is twofold. Within organizations, the collection, analysis and dissemination of these data send a message about the importance of tending to customers and ensuring that they have a positive experience with the company's goods and services. Although sales or market share can indicate how well a firm is performing currently, satisfaction is perhaps the best indicator of how likely it is that the firm's customers will make further purchases in the future. Much research has focused on the relationship between customer satisfaction and retention. Studies indicate that the ramifications of satisfaction are most strongly realized at the extremes." On a five-point scale, "individuals who rate their satisfaction level as '5' are likely to become return customers and might even evangelize for the firm. (A second important metric related to satisfaction is willingness to recommend. This metric is defined as "The percentage of surveyed customers who indicate that they would recommend a brand to friends." When a customer is satisfied with a product, he or she might recommend it to friends, relatives and colleagues. This can be a powerful marketing advantage.) "Individuals who rate their satisfaction level as '1,' by contrast, are unlikely to return. Further, they can hurt the firm by making negative comments about it to prospective customers. Willingness to recommend is a key metric relating to customer satisfaction." (Farris, Paul W.; Neil T. Bendle; Phillip E. Pfeifer; David J. Reibstein (2010). *Marketing Metrics: The Definitive Guide to Measuring Marketing Performance*).

American Customer Satisfaction Index (ACSI) is a scientific standard of customer satisfaction. Academic research has shown that the national ACSI score is a strong predictor of Gross Domestic Product growth, and an even stronger predictor of Personal Consumption Expenditure growth. On the microeconomic level, academic studies have shown that ACSI data is related to a firm's financial performance in terms of return on investment (ROI), sales, long-term firm value, cash flow, cash flow volatility, human capital performance, portfolio returns, debt financing, risk, and consumer spending. Increasing ACSI scores has been shown to predict loyalty, word-of-mouth recommendations, and purchase behavior. The ACSI measures customer satisfaction annually for more than 200 companies in 43 industries and 10 economic sectors. In addition to quarterly reports, the ACSI methodology can be

applied to private sector companies and government agencies in order to improve loyalty and purchase intent.

The Kano model is a theory of product development and customer satisfaction developed in the 1980s by Professor Noriaki Kano that classifies customer preferences into five categories: Attractive, One-Dimensional, Must-Be, Indifferent, Reverse. The Kano model offers some insight into the product attributes which are perceived to be important to customers.

J.D. Power and Associates provides another measure of customer satisfaction, known for its top-box approach and automotive industry rankings. J.D. Power and Associates' marketing research consists primarily of consumer surveys and is publicly known for the value of its product awards.

4.2 History of employee engagement

History of employee engagement - from satisfaction to sustainability

Employee engagement may seem a relatively recent concept but actually it goes back over 20 years when the term first appeared in an academic journal in 1990. Prior to that, during the 70's and 80's, HR's (or as it was then 'personnel's') focus was on employee satisfaction. But this had little or no connection with performance and was more about the employee than the organization or the employee's relationship with it. The focus then moved from satisfaction to commitment (and somewhere along the way 'personnel' became 'human resources.') in return for a job, and possibly a job for life, the employee would be loyal and commit himself to the organization. Whilst commitment is an important element of and predictor of engagement it cannot replace engagement. But then things started to change. Increased global competition and the shift from a manufacturing economy to a service one meant employers needed to be more flexible, leaner and competitive. Traditional industries closed or were severely cut back and employees learned the hard way that there were no jobs for life, that to progress in their careers they too needed to be more flexible and move to where the opportunities were. And that's what they did. The old contract of a job for life with a nice pension at the end of it was broken. People were free – encouraged even – to move from job to job, selling

their skills and at the same time acquiring new ones courtesy of the new employer. Loyalty didn't come into it, or if it did it was more fleeting, more short term. So it benefited the employee but employers soon realized that actually they were losing people they didn't want to lose. It was costing them money and affecting their ability to compete effectively.

The rise of engagement

Key to this was a paper published by the Institute of Employment Studies (IES) in 1990 '*From People to Profits, the HR link to the service-profit chain*' which showed how employee attitudes and behavior could improve customer retention and consequently sales performance. This clear link between engagement and performance, supported by extensive research, helped establish engagement's importance to both HR and business performance. The fact that the UK had become a service-based economy made the report's findings even more relevant and increased the focus on employees and their interaction with customers. For service-based businesses, the old mantra that 'staff are greatest asset' became 'staff are *only* asset.' This led to greater incentives to invest in staff as the returns were seen as greater employee commitment, motivation, productivity and ultimately profit (or, in the case of not-for-profits, achieving strategic objectives).

The business case for engagement was supported by another seminal study in 2002 which also showed the link between engaged employees and profit. What had back in 1990 been confined to predominantly academic circles was now being discussed and implemented at practitioner level. Organizations began to see the potential that engagement had to positively affect a whole raft of HR and business measures including employee retention, absenteeism and turnover; sales; profitability and customer service/satisfaction scores.

HR or business function?

Engagement has also grown from something that was seen as being owned or 'done' by HR to something that needs to be owned and driven by the CEO and senior leadership team. In fact to be truly effective engagement needs to be owned by everybody; it needs to be part of an organization's DNA. Indeed, engagement measures are often aligned to managers' performance through Key Performance Indicators. Engagement's importance to a business and its subtle move of

ownership away from the HR department (who still ultimately have responsibility for delivering the policies around it) has seen the rise not only of roles like Head or Director of Engagement but engagement's place around the Board table. Engagement and the public sector: Engagement is just as relevant to the public sector. Indeed, the impact of overworked, stressed and demotivated staff is far more serious in the health sector than in a supermarket or call center. A study by Aston University in 2011 showed that patient mortality rates were approximately 2.5% lower in health trusts with high engagement levels than in those with medium engagement levels.

4.3 Definition of employee engagement

Despite all the research, the jury is still out on a universally agreed definition. These have evolved as our knowledge and experience of engagement has evolved but there is a strong consensus as to what it is and isn't.

Engagement boils down to an employee's passion and commitment to the organization and their job and the drive to deliver the organization's objectives, going the extra mile to do so. Engagement is not transactional - it's about emotion, behaviors and relationships; there's a connect between the employee and the organization. Engaged employees have pride in their job and the organization and are more likely to recommend the organization, its products and services to others. One of the key drivers of engagement is trust which applies at a number of levels:

- Work group
- Line manager
- Senior leaders
- Systems & processes

The future of engagement

Engagement is now firmly embedded in the collective consciousness of the HR community as seen in the proliferation of conferences, events and LinkedIn groups dedicated to engagement, the inclusion of a module on employee engagement in the CIPD diploma and the large number of vendors and service providers offering surveys, consultancy, research and training. Its inroads into the wider business

community was aided by the launch of the government-backed movement, *Engage for Success*, in 2011 which also nailed the evidence for the financial benefits of engagement. Its status as 'mainstream' is also reflected in the increase in searches on 'employee engagement' as reported by Google Trends which has shown a continuous rise since 2006.

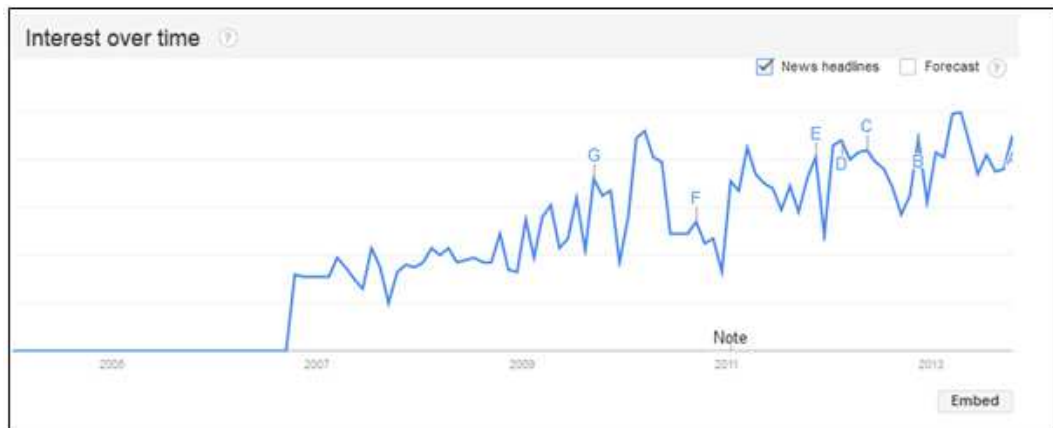


Figure 4 Google trends – the rise of searches for 'employee engagement'

As for the future of engagement, that now seems to be more about sustaining it rather than finding the next hot HR theory about how to attract, motivate and retain good employees. As demographics change (Baby Boomers, Generation X, Generation Y, Millennial and now Generation G) engagement gives organizations the tools to provide the kind of workplace that will attract, retain and motivate its changing workforce. Engagement has reached the point in its growth where it requires clarity and consistency of definition, delivery and measurement and movements like the Engagement Taskforce will be instrumental in achieving this. It would seem that there are very few businesses which are against engagement, the problem is more about doing something about it, particularly those in the SME sector which don't have the same resources and infrastructure as larger organizations. The taskforce is keen to bring the growing importance of employee engagement to investors who are starting to look at the people side of financial metrics such as employee turnover and absence rates.

Sustaining engagement

Of all the theories about what engagement is and what drives it, there seems to be agreement that trust is one of the key drivers. All they believe that trust is and will continue to be critical to both driving and sustaining engagement.

The evolution of engagement

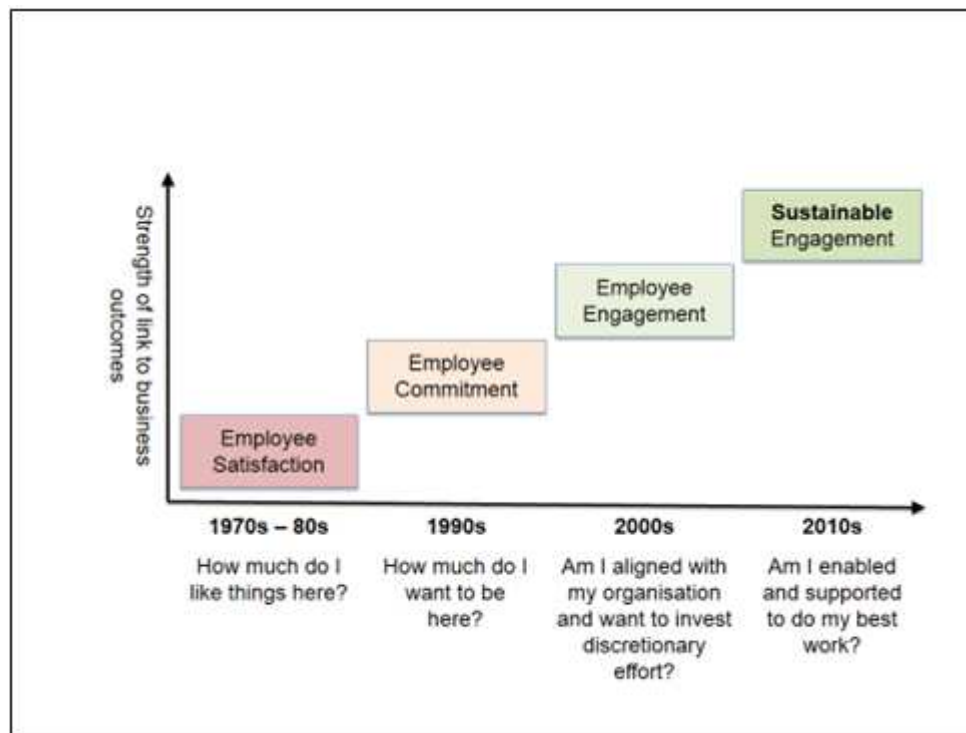


Figure 5 Engagement evolution historical development graphics.

4.4 Measurements

Gallup measures employee engagement based on workers' responses to its Q12 survey, which consists of 12 actionable workplace elements with proven links to performance outcomes. To identify these elements, Gallup spent years conducting thousands of interviews at every level of various organizations, in most industries, and in several countries. Since Gallup finalized the Q12 question wording in the late 1990s, the survey has been administered to more than 25 million employees in 195 different countries and 70 languages. The following items are the ones that emerged from Gallup's pioneering research as the best predictors of employee and workgroup performance.

Aon Hewitt Consulting 2012 said that trends are in global employee engagement. Their global research between 2009 and 2011 includes more than 300 organizations from different industries representing close to 10 million employees. The research

covers Europe, North/South America and the Asia /Pacific region and compares 2009, 2010 and 2011 surveys results.

Aon Hewitt describes a clear connection between business success and employee engagement, especially in business areas with higher levels of uncertainty and volatility:

“Employees and their behavior are at the center of business success (or failure). Ensuring that employees invest discretionary effort in the right behaviors will be critical in delivering the business results needed in conditions of recession, stagnation, or rapid growth.”

Aon Hewitt’s engagement model defines engagement as an “individual psychological and behavioral state” and divides the behaviors of engaged employees into three categories (Say/Stay/Strive):

Say – Consistently speak positively about the organization to co-workers, potential employees, and customers

Stay – Have an intense desire, to be part of the organization

Strive – Exert extra effort and engage in behaviors that contribute in business success

Consequently from the above Aon Hewitts’s major recommendations are:

1. Focus on drivers with the biggest impact on engagement
 - “ Recognize people’s effort and performance”
 - Create positive organizational reputation by communication: “Connect with your employees”
 - Be more creative in offering growth opportunities to your employees, like e.g. lateral moves, cross-functional trainings or job enrichment.
2. Create a “culture of engagement”: this means to execute “a positive impact on employees’ motivation to stay great things about their company, to stay involved, and to go above and beyond
3. Use personal characteristics, that might point to predisposition for employee engagement, to a stronger extent for selection during recruiting or promotion..

Hay Group (2012) surveys and publications strongly recommend to not only look at engagement drivers as an important factor for workplace and performance improvement, but as well to the “enablers”. Demotivated employees are bad

enough, but even worse effect to the company's success can be created by people who are motivated but cannot turn their enthusiasm into action. Over the past 35 years, over research has shown that when high levels of employee engagement are combined with high levels of employee enablement, organizations achieve significantly improved results.

It is very important to focus on engagement drivers and enablement drivers in same time to achieve best employee effectiveness expressed by financial success, highest possible retention and employee performance.

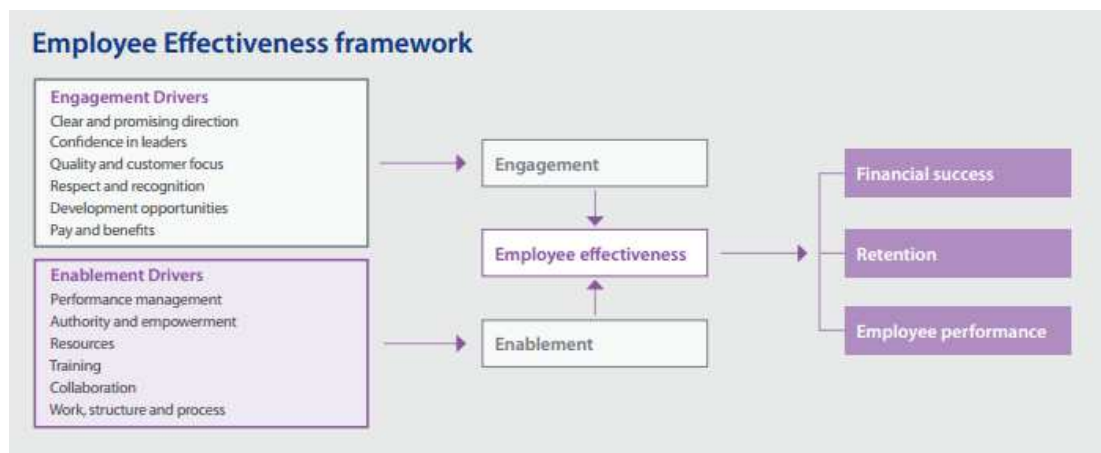


Figure 5 Employee effectiveness framework from Hay Group (2012).

Towers Watson states that employees are the heart of an organization. They distinguish between committed employees and engaged employees : “Committed employees put their hearts into the organization. They support the objectives and they feel they fit the organization. By anticipating what the organization needs, they help drive in forward. Engaged employees are motivated by the job they do and their development within it. They are willing to go the extra mile for success. When employees are both committed and engaged, it is a golden combination. They think along with the organization, and work with pleasure towards a common goal. They get satisfaction from both, their job and the success of the organization.”

Towers Watson identified “two gaps in the traditional engagement model” in their 2012 study which need to be closed:

Closing gap one: enabling workers with internal support, resources and tools

Closing gap two: creating an environment that's energizing to work in because it promotes physical, emotional and social wellbeing.

Finally Towers Watson observes a clear connection between employee engagement and company performance: “When we looked at sustainable

engagement scores among 50 global companies in a related piece of research and examined their one-year operating margins, we saw dramatic evidence of the impact of sustainable engagement on performance. The companies with high sustainable engagement had operating margins almost three times those of organizations with largely disengaged workforce.”

PricewaterhouseCoopers engagement model – Employees Engagement Index

To help organizations use employee engagement to drive business goals, PwC has created the Employee Engagement Index . The EEI has shown through factor, regression and correlation analyses to link to operational and workforce metrics. Specifically, engagement is measured by asking employees the extent to which they agree with the EEI items in Figure 2.

However, measuring the state of engagement is just the critical first step in PwC’s model. While the attributes that define engaged employees remain constant—Advocacy, Commitment, Effort, Pride, Achievement, Alignment—PwC’s model is predicated upon the reality that, just as every organization is unique, so too are the factors that can influence employee engagement. Thus, our model is built to also measure the factors, or dimensions, of the employee experience (i.e. CR, ethics or diversity), and through statistical analysis, determine the top drivers of engagement unique to an organization. It is in this way that we are able to determine which factors are most important to focus on in order to improve engagement and economic, social and environmental performance

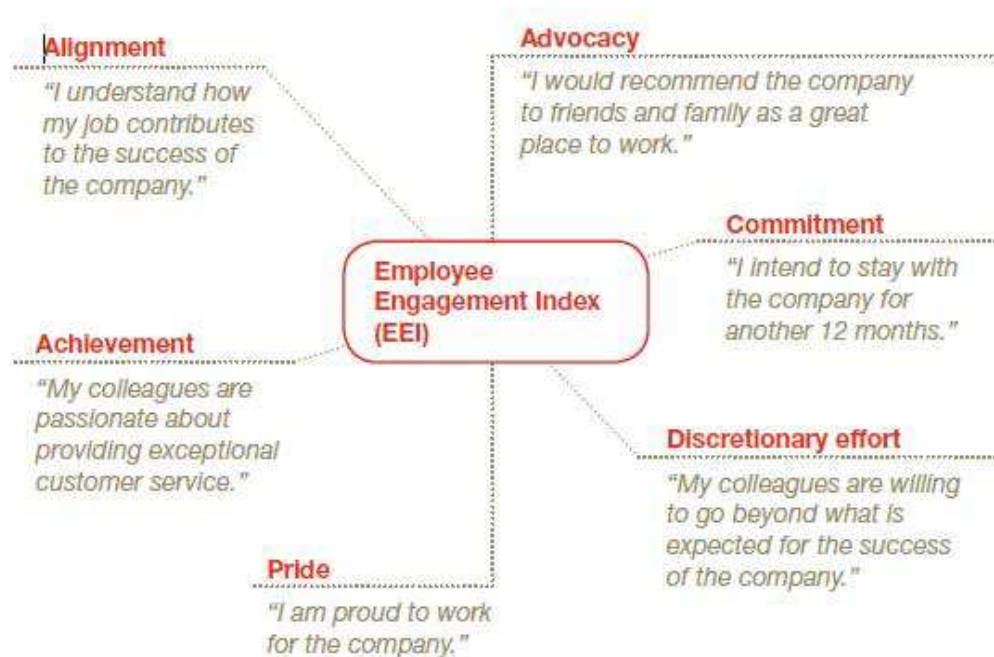


Figure 6 Employee engagement Index (EEI), PwC, 2014, www.pwc.com

4.5 Insight - employee satisfaction survey in Atlas Copco

Atlas Copco conducts employee survey on a regular basis every 24 months. Objective for the research: The main part of the master thesis is a survey designed by the Atlas Copco group which measures bases for improvement in terms of Atlas Copco overall employees' satisfaction. A deep and systematic measurement can create a sufficient base of employee voice understanding as a future development driver. The measurement runs every 24 month and the results are very seriously compared with the previous survey results. It is not enough to use the data collected during the Atlas Copco Insight Survey, but it was necessary to transform the data to different methodology, which measures and ranks the components of employee engagement. The author decided to choose the EEI – methodology of PricewaterhouseCoopers, called Employee engagement Index. The next section will explain the fundamentals of the basic survey of Atlas Copco Insight. The survey contains a questionnaire with 40 questions (excl. background questions) connected to four main activity areas:

- Leadership
- Workplace culture
- Attractive employer
- Commitment to the customer

PURPOSE

- Give employees a voice
- Drive a discussion between managers and employees
- Give a tool for continuous improvement
- Give a tool for leadership development

Target

- All employees joining AC prior to February 2014 were invited to participate
- Employees with e-mail addresses received personal invitations via e-mail directly from the survey system (belonging to an Atlas Copco supplier)
- No external people were invited to do the survey

INSIGHT is not only a measurement to define a situation. It is an instrument for improvements and involvement as well.



Figure 7 Insight – Improvement and involvement tool – process flow, AC 2014, survey instruction

Time plan research 2014

- March 15th - Deadline for data check & units mapping
- April 7th - INSIGHT survey start (login details delivered to all employees via e-mail)
- May 4th - INSIGHT survey closing
- May - Survey results released to all managers
- June/Aug. - INSIGHT results should be presented to all employees
- August 31st - Due date for workshops and action plans. Workshops held in all teams to define improvement areas and actions based on the results.
- Sept./Oct. - Follow-up of actions at the Atlas Copco Group Executive Committee Meeting

METHODOLOGY

ENPS Score - Derived from the most important question No..40. : “How likely is it that you would recommend the Atlas Copco Group to a friend or a business contact that is looking for a new job?”



Figure 10 ENPS measurement score index.

- % Promoters - % Detractors = %ENPS
- Other scores
 - Total of 37 questions
 - Scoring: Promoters: 10 & 9, Passives: 8 & 7, Detractors: 6 – 0
- Definitions
 - Promoters: loyal enthusiasts, great relationship with the company, actively promote the company as an employer
 - Passives: satisfied but unenthusiastic, can be easily attracted to another employer
 - Detractors: unhappy employees, bad relationship, not ambassadors for the company

Communicative Leadership Index (CLI) Evaluates how good leaders are at communicating. Built on eight questions in the Insight survey (question numbers 4, 7, 8, 10, 17, 26, 32, and 35) (N/A – less than 10 answers)

- Measures the manager's communicative ability
- Highlights the importance of communication in the leadership role
- Based on 8 questions in the INSIGHT survey calculated as an average of the positive answers of these eight questions
 - Does your immediate manager show you respect as a co-worker?
 - Does your immediate manager consult you when taking decisions that affect the team?
 - Do you receive sufficient feedback on your work performance?
 - Do you know your company's overall goals?
 - Do you think your immediate manager can handle conflicts?
 - Does your immediate manager translate the corporate strategy into clear team goals?
 - Are there good channels (meetings, newsletters , intranets etc.) for finding the information you need to do a good job?
 - Do you receive the support/coaching you need in your professional development?
 - The index is expressed as a figure from 1 to 100

The rest of the survey is focused on a few different aspects connected to the four main activity areas: Leadership, Workplace culture, Attractive employer, Commitment to the customer

Anonymity		Type of frequency		Scale explanation
Number of answers				Answer scale
< 5	No results	N/A		5 = Yes - works excellently
5-9	Positive share	5 + 4	3 + 2 + 1	4 = Yes - works well
> 9	3-grade scale	5 + 4	3	3 = Neither yes nor no
> 99	5-grade scale	5	4	2 = No - should be dealt with
		3	2	1 = No - must definitely be dealt with
			1	

Figure 8 Insight evaluation criteria matrix.

The researched group of employees contained from 2 sub-groups. The first group is called ACTA MVI and represent products sales to Automotive customers. The population of the group is 19 employees, The second group represented service division employees who perform products services. The group is called SCE and

consist of 60 employees. The total researched group of employees represent 79 persons, who serve directly in Automotive industry divided into many different segments: OEMs, Tiers1, HTR, PWTR.

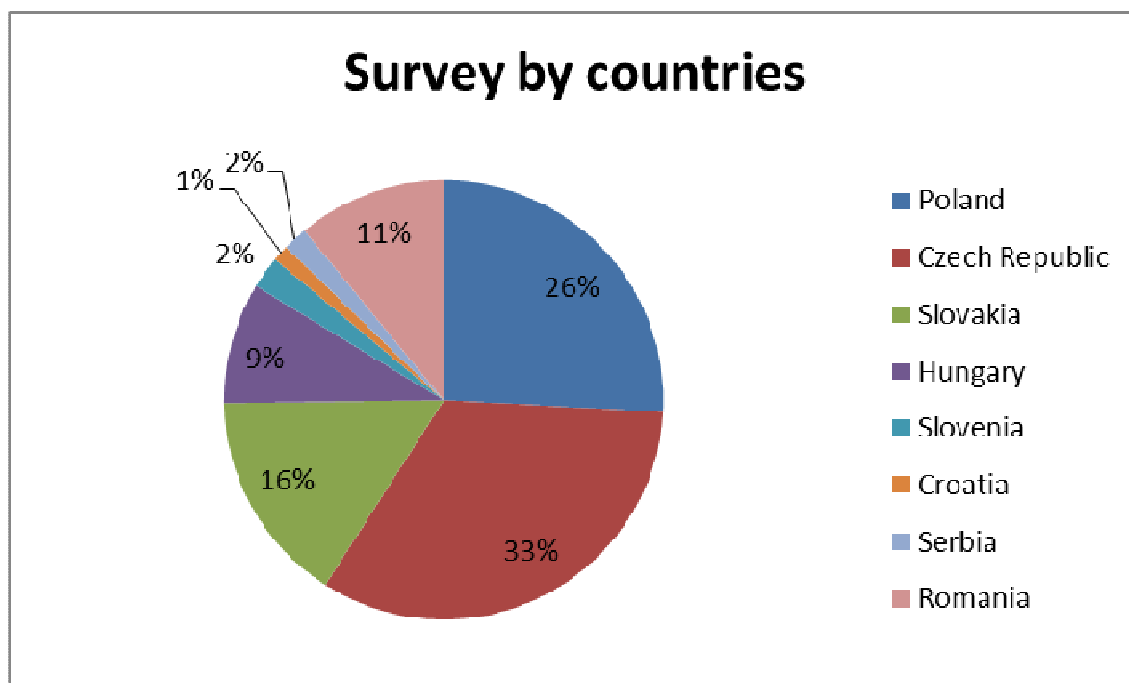


Figure 11 Surveyed group by countries (ACTA MVI + SCE).

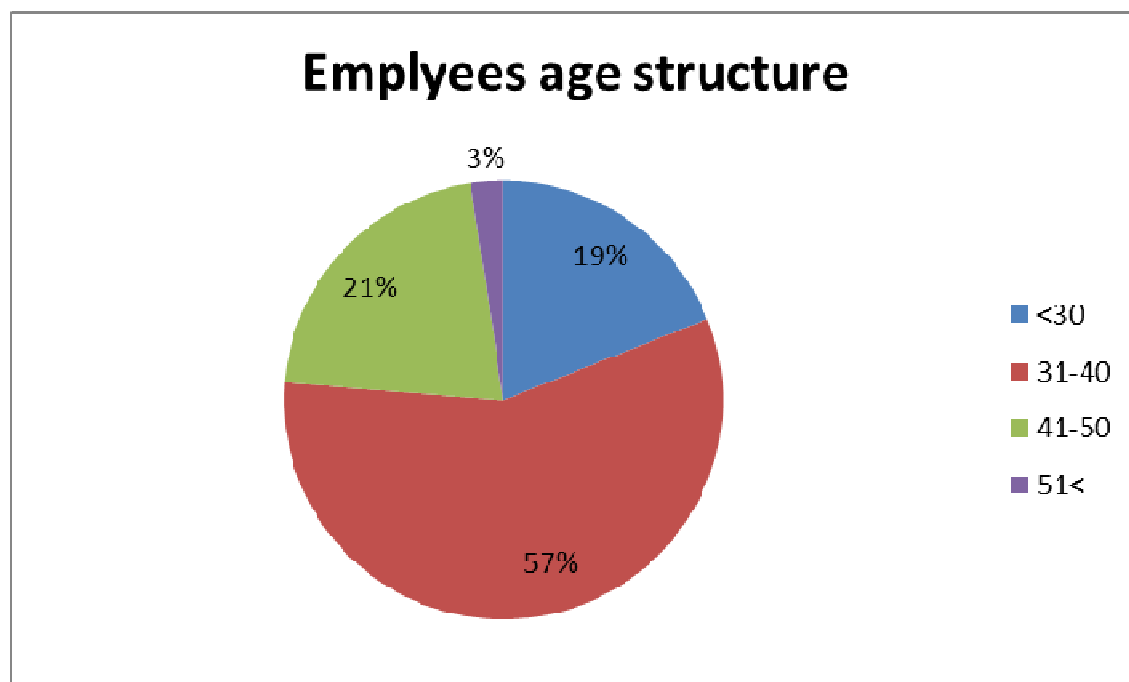


Figure 12 surveyed group by age (ACTA MVI + SCE).

A detailed summary per groups is available in appendix. For the detailed analysis the author selected the most important questions – the answers which play important roles in Employee engagement expression.

4.6 Insight – EEI (by PwC)

The sixth surveyed question from the Atlas Copco insight survey focused on employee engagement has been linked to the EEI questions as the meaning of the question is the same.

PwC EEI questionnaire.	Atlas Copco Insight questionnaire.
Alignment: I understand how my job contributes to the success of the company?	10. Do you know your company's overall goals?
Achievement: My colleagues are passionate about providing exceptional customer service?	39. Do you feel that your company works actively to increase customer satisfaction?
Pride: I am proud to work for the company?	14. Are you proud of working for the company?
Discretionary effort: my colleagues are willing to go beyond what is expected for the success of the company?	19. Do you in your teams consistently work towards your goals?
Commitment: I intend to stay with the company for another 12 months?	11. Do you see possible career opportunities for yourself within Atlas Copco Group?
Advocacy: I would recommend the company to the friends and family as a great place to work?	40. How likely is that you would recommend the AC to a friend or a business contact that is looking for a new job?

Figure 9 Insight questions equivalent of Employee Engagement Index by PwC.

Then the answers on insight questions has been considered as EEI questions answers.

5 NPS – NET PROMOTERS SCORE

5.1 Quality as a customer's satisfaction driver in Automotive Industry

For operations managers, one of the most important jobs is to deliver healthy, safe, and quality products and services to customers. The development of poor-quality products , because of inadequate design and production processes, lawsuits, and

increased government regulations. A manufacturer must accept responsibility for any poor-quality product released to the public. Especially in automotive industry, when products are pretty much critically linked to safety of users. In recent years, many OEMs have been accused of failing to issue products recall campaign, of withholding damaging information, and of handling complaints on an individual basis. There are many stakeholders involved in the production and marketing of poor-quality products. Including stockholders, employees, customers, suppliers, distributors, and creditors. As a matter of ethics, management must ask, if any of these stakeholders are being wronged. Every company needs to develop core values that become day-to-day guidelines for everyone from the CEO to production-line employee.

Total Quality Management refers to a quality emphasis that encompasses the entire organization, from supplier to customer. TQM stress a commitment by management to have a continuing companywide drive toward excellence in all aspects of products and services that are important to the customer. Every decision made by operations managers deals with some aspect of identifying and meeting customer expectations. Meeting those expectations requires an emphasis on TQM if a firm is to compete as a leader in world markets. Quality expert W. Edwards Deming used 14 points to indicate how he implemented TQM.

Create consistency of purpose

Lead to promote change

Build quality into the product; stop depending on inspections to catch problems.

Build long-term relationship based on preference instead of awarding business on the basis of price.

Continuously improve product, quality and services.

Start training

Emphasis leadership

Drive out fear.

Break down barriers between department .

Stop haranguing workers.

Support, help, and improve.

Remove barriers to pride in work

Institute a vigorous program of education and self-improvement.

Put everybody in the company to work on the transformation.

There are few different concepts supporting effective Total Quality Management execution.

Continuous improvement

Six sigma

Employee empowerment

Benchmarking

Just in time

Taguchi concept

TQM knowledge

One of the aspects related to the master thesis topic and quality which generally predict satisfaction is Employee empowerment. It means involving employees in every step of the production process. Consistently, business literature suggests that some 85% of quality problems have to do with materials and processes, not with employee performance. Therefore, the task is to design equipment and processes that produce the desired quality. This is best done with a high degree of involvement by those who understand the shortcomings of the system. Those dealing with the system on a daily basis understand it better than anyone else. Some of the studies published, indicated that TQM programs that delegate responsibility for quality to shop floor employees tend to be twice as likely to succeed as those implemented with "top-down" directives. (The Straining of Quality" The Economist (January 14, 1995)).

Techniques for building employee empowerment include building communication networks that include employees; developing open supportive supervisors; moving responsibility from managers to production employees; building high-morale organization; and creating such formal organization structure as teams and quality circles.

5.2 Voice of customers

What perceptions do the customers have of supplier products and services? How do they know that? Are they asking them right questions? Customers surveys and questionnaires, along with focus groups, are some of the more common ways of getting data on customer perceptions. Do the supplier have a systematic approach

of collecting this data so that can be quickly detected trends or shift in perception? If the supplier doesn't have these data, it will be hard to understand voice of customer. Understanding the voice of customer is difficult. A carefully designed process must be used to properly collect voice of customers data, because the validity of the analysis of that data will depend on how it is collected. A common misperception that must be addressed here is that customer satisfaction can predict customer loyalty. Customer satisfaction that indicate customers are "satisfied" should not be deemed reassuring

5.3 Net Promoters Score

Finding the 'Right' Loyalty Questions

Data Collection

The survey questions are prepared by experts for Automotive Industry loyalty to identify a loyalty question that links to real behaviors (i.e., purchases and referrals), Survey data has been collected via the Web, and solicited customer participation via email invitations. All questionnaires asked respondents to provide information related to satisfaction and loyalty to a particular company, as well as to individual purchase-histories and actual referrals made. To evaluate the relationships between loyalty questions and customer behavior, survey questions has been designed and response options with quantitative analysis in mind. Response options for the loyalty questions were based on a 0-to-10 point rating scale, with '0' representing extremely negative and '10' representing extremely positive. Response options for the behavioral questions were also numerically scaled, and consisted of a set of rank-ordered categorical choices.

Using these scaled responses, correlation each paired loyalty and behavioral combination for each of the different industries has been done. Then correlation coefficients has been examined in terms of absolute magnitude and level of significance to find the loyalty question that most strongly and consistently linked to short-term customer behaviors. Below is a listing of the primary questions and behaviors

- Satisfaction with company's overall performance
- Likelihood to recommend company to friend or a colleague
- Likelihood to continue buying products/services from a company

- Likelihood to choose again as it for the first time
- Belief that company deserves his/her loyalty
- Belief that company sets the standard for excellence in its industry
- Belief that company creates innovative solutions
- Belief that company make it easy to do business with

Background to the Net Promoter Program. Net Promoter Score Methodology - Atlas Copco Customer Experience Program is based on the Net Promoter Score (“NPS”) methodology. NPS is a means to understand and deliver what is important to customers. It is an established methodology utilized globally with a wide range of users and organizations similar to Atlas Copco. The method is based on measurement of how customers feel about service. It measures customer loyalty not just satisfaction. Research has shown that up to 80% of customers who defect from a company have stated that they were “satisfied” on previous customer surveys. This approach increases effectiveness of business performance improvement by putting customers into ‘improvement driving seat’. Cross-functional teams at each location continually review customer responses to identify and deliver improvements on a real time basis.

The basic NPS concept is based on a recommendation question:

If you were advising a colleague on the choice of a supplier, how likely would you be to recommend Atlas Copco Tools?

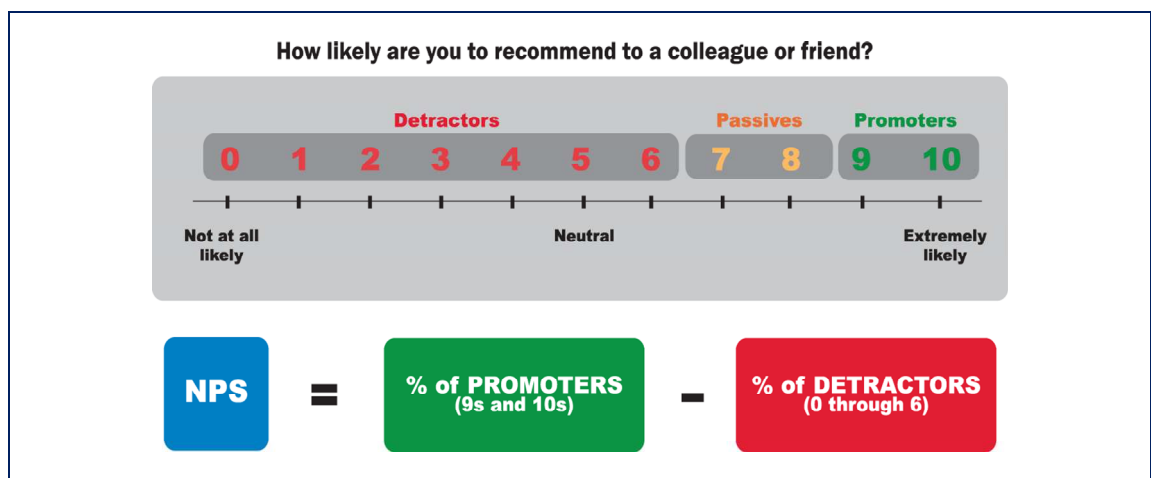


Figure 13 NPS evaluation score matrix.

Based on customers' responses, the scores given tend to cluster in three groups: Detractors, Passives and Promoters, each one characterized by different attitudes, behaviors and, therefore, economic value.

- Detractors – score 0-6. Detractors are not loyal to the brand, the churn rate is much higher. They are dissatisfied, disaffected, even dismayed by how they are treated. They may bad-mouth Atlas Copco to their friends and colleagues. If they cannot switch easily, they make nuisance of themselves, registering complaint after complaint and driving up costs.
- Passives – score 7-8. Passives stay with the brand but are open to offers from competitors. They are passively satisfied customers, not loyal customers, and they are not actively promoting us to others. They make fewer referrals – and when they do make one, it is likely to be unenthusiastic. If a competitor's discount or glitzy advertisement catches their eye, they are likely to defect. We call this group passives, because they bring little energy to the company and cannot be counted on as a long term assets.
- Promoters – score 9-10. Promoters live with the brand and are reluctant to offers from competitors. They drive profitable growth because they behave like real loyal customers buying and using our services to a higher extent. Promoters have the ability to drive new customers to Atlas Copco through their positive word-of-mouth – promoters recruit new customers (and cost-effectively too!).

The NPS question is followed by a number of questions including free text that reveals the reasons for a customer to give a certain grade on the NPS question. The NPS calculation gives a more dynamic presentation than using an ordinary average score.

6 EMPIRICAL RESEARCH

6.1 Goal for survey

Goal Focus of the Program - Becoming a World class service company is one of Atlas Copcos focus areas. Therefore all discussions must start from a customer point of view. This focus area is perhaps the most challenging. It requires a major change in our processes, our attitude and our focus in many parts of the company.

The benefits will be:

- Real time customer feedback - act on customer early warnings
- Customer insight – change to a customer centric mindset & way of working
- Improvement loops – customer and action based improvements
- Evaluate offers and campaigns – improved market performance
- Involvement and commitments of every employee – creating value for the customers

6.2 Construction of survey

The NPS Distribution report segments customer population into three groups:

Detractors: Customers who are not loyal to your company

Passives: Those who are neutral

Promoters: Customers who are willing to promote supplier company

Detractors consist of customers who have rated their likelihood to recommend your company at 6 or below, whereas the passives likelihood to recommend stands between 7 and 8 and the promoters at 9 or 10.

Action Drivers

Different aspects or attributes of a product or service have different impact on customer satisfaction and loyalty. These attributes are called Drivers in the Satmetrix application. The Action Driver report shows the performance of various drivers that influence customer's satisfaction and how these drivers impact loyalty.

The primary chart in Action Driver report is organized into four quadrants to help you prioritize resources on drivers that most impact loyalty.

The data points on the chart indicate drivers influencing customer's loyalty, and the position of data points or drivers along the four quadrants can help you to understand the impact different drivers have on loyalty and how satisfied customers are about them. You can use this information for strategic decision making regarding areas to focus and act on to improve customer loyalty. The names of the four quadrants are indicative of the course of action you can adopt to improve performance of drivers falling under each of the quadrants.

The four quadrants are:

Leverage (top right quadrant): Drivers in this quadrant have a strong impact on loyalty and high customer satisfaction. Drivers in this quadrant show areas where you are doing the best. You can strategically leverage on these drivers for better profits.

Prioritize (top left quadrant): Drivers falling in this quadrant have a strong impact on loyalty but customer's satisfaction with these drivers are low. To create loyal customers, you'll need to prioritize and focus your efforts on improving satisfaction with drivers in this quadrant, so that they move to the Leverage quadrant which indicates high customer loyalty, high satisfaction and better profits.

Maintain (bottom right quadrant): Drivers in this quadrant have a low impact on loyalty, but since customer satisfaction is high for these areas, you should look to maintain your performance in these areas.

Improve (bottom left quadrant): Drivers in this quadrant have a low impact on loyalty. Customer satisfaction with these drivers is also low. Drivers in this quadrant do not have a strong impact on customer loyalty, but you can target to improve customer's satisfaction in these areas, so that they fall under the Maintain quadrant.

7 RESEARCH ANALYSIS

7.1 Employee engagement survey results – Insight 2014

ACTA MVI + SCE Eastern Europe 2014:

Number of answers $19 + 60 = 79$

Number of respondents $19 + 60 = 79$

ENPS – employee Net Promoter Score. Difference between Promoters and Detractors – 37% (42% Promoters and 5 % Detractors)

CLI – 83 - Communicative Leadership Index, evaluates how good leaders are at communicating. Built on eight questions in the Insight survey (question numbers 4,7,8,10,17,26,32, and 35)

Q #19.: Do you in your team consistently work towards your goals? 100% of questioned people answered.

Response :

ACTA MVI : 2014 – 79 (Positive answer 4+5)

2012 – 90 (Pos. (4+5))

2014 AC Group – 81 (Pos. (4+5))

SCE : 2014 – 75 (Positive answer 4+5)

2012 – 85 (Pos. (4+5))

2014 AC Group – 81 (Pos. (4+5))

Comment: The question is linked to the leadership question about strategy awareness. The results achieved in the survey show a negative development since 2012, 11 percentage points lost in ACTA MVI team and 10 in SCE team. .

Q #10.: Do you know your company's overall goals? 100% of questioned people answered.

Response :

ACTA MVI : 2014 – 95 (Positive answer 4+5)

2012 – 95 (Pos. (4+5))

2014 AC Group – 79 (Pos. (4+5))

SCE : 2014 – 80 (Positive answer 4+5)

2012 – 80 (Pos. (4+5))

2014 AC Group – 79 (Pos. (4+5))

Comment: Here, a relatively high awareness of the company strategy is visible. Both teams' scores are above the AC group results. MVI team is significantly better aligned with the company strategy.

Q #14.: Are you proud of working for your company? 100% of questioned people answered.

Response :

ACTA MVI : 2014 – 89 (Positive answer 4+5)

2012 – 95 (Pos. (4+5))

2014 AC Group – 80 (Pos. (4+5))

SCE : 2014 – 80 (Positive answer 4+5)

2012 – 87 (Pos. (4+5))

2014 AC Group – 80 (Pos. (4+5))

Comment: The direct question about the attractiveness of an employer gives the company a clear picture of how the company is perceived by the employees. What the overall value in employees' eyes is and how happy they are to work for the company. The results show high results, but a loss comparing with the 2012 survey has been recorded, representing 6 percentage points in ACTA MVI team and 7 percentage points in SCE team, which is definitively a point of a future focus..

Q #11.: Do you see possible career opportunities for yourself within the Atlas Copco group? 100% of questioned people answered.

Response :

ACTA MVI : 2014 – 89 (Positive answer 4+5)

2012 – 90 (Pos. (4+5))

2014 AC Group – 54 (Pos. (4+5))

SCE : 2014 – 58 (Positive answer 4+5)

2012 – 70 (Pos. (4+5))

2014 AC Group – 54 (Pos. (4+5))

Comment: The future development attractiveness of employer opportunities offering a long term development perspective for employee. It brings a high level of commitment, satisfaction and even engagement. 1 percentage point loss in the

2014 result in comparison with 2012. A different situation is in SCE team where much lower score has been recorded and significantly high loss of 12 percentage points. The focus of the manager definitively needed in the future.

Q # 39.: Do you feel that your company is customer focused? 100% of questioned people answered.

Response :

ACTA MVI : 2014 – 74 (Positive answer 4+5)

2012 – 95 (Pos. (4+5))

2014 AC Group – 74 (Pos. (4+5))

SCE : 2014 – 78 (Positive answer 4+5)

2012 – 80 (Pos. (4+5))

2014 AC Group – 74 (Pos. (4+5))

Comment: Customer focus is a very critical part of the company's business success and links all components of employee satisfaction together. A very significant drop of 21 percentage points in ACTA MVI in the 2014 survey compared with the 2012 survey showing very negative development. It defines a future focus of activity to shape a proactive customer focus in a different way. More stability visible within SCE team, where the 2014 drop represents 2 percentage points, however, there is a space for a future improvement action plan.

Q #0.: How likely is that you would recommend the AC to a friend or a business contact that is looking for a new job?

Response :

ACTA MVI : 2014 – 43 (% Promoters (10-9) – Detractors (6-1))

2012 – 37 (% Promoters (10-9) – Detractors (6-1))

2014 AC Group – 14 (% Promoters (10-9) – Detractors (6-1))

SCE : 2014 – 50 (% Promoters (10-9) – Detractors (6-1))

2012 – 57 (% Promoters (10-9) – Detractors (6-1))

2014 AC Group – 14 (% Promoters (10-9) – Detractors (6-1))

Comment: This overall ENPS, which detracts a percentage of Detractors from the total percentage of Promoters. While MVI team increased team members' loyalty, SCE team lost 7 percentage points to the 2012 survey.

The survey contained as well additional 6 questions in 2 sections which are not connected to the research subject of this master thesis. That is why it is not further discussed here.

In a part of the master thesis there is a survey designed by the Atlas Copco group which measures bases for improvement in terms of Atlas Copco overall employees' satisfaction. A deep and systematic measurement can only create a sufficient base of employee voice understanding as a future development driver. The measurement runs every 24 month and the results are very seriously compared with the previous results.

7.2 Customer Satisfaction Survey NPS – 2014.

Main findings/statistic:

743 emails sent to contacts on customer site

260 responses received from unique contacts

113 different customers

6 different countries – Poland, Czech Republic, Slovakia, Hungary, Romania, Slovenia

5 different segments within Automotive Industry –Final Assembly, Tier1, Power Train, Heavy Trucks and Buses, Machine Tools Builders

Analysis of conducted NPS survey

Overall Motor Vehicle Industry customers score is 39.2 percentage points. 53.1 % of customers are promoters, 33.1% of customers are neutral and 13.85% of customers are detractors. Comparing to industrial average, total NPS over 40% is very good (see appendix – NPS index in countries within EMEA manufacturing). The one of three (28%) surveyed customers rated 10 out of 10, when it comes to express likelihood to recommend ACTA.



Figure 15 NPS total results of MVI customers ACTA 2014.

The results according to the internal Atlas Copco segmentation of Automotive Industry show small differences in the segments. the highest NPS score achieved in heavy trucks and Buses 61.5% rated by 13 contacts from 10 customers. The lowest score achieved in Power Train segments 33.3% rated by 9 contact persons from 7 responded customers.

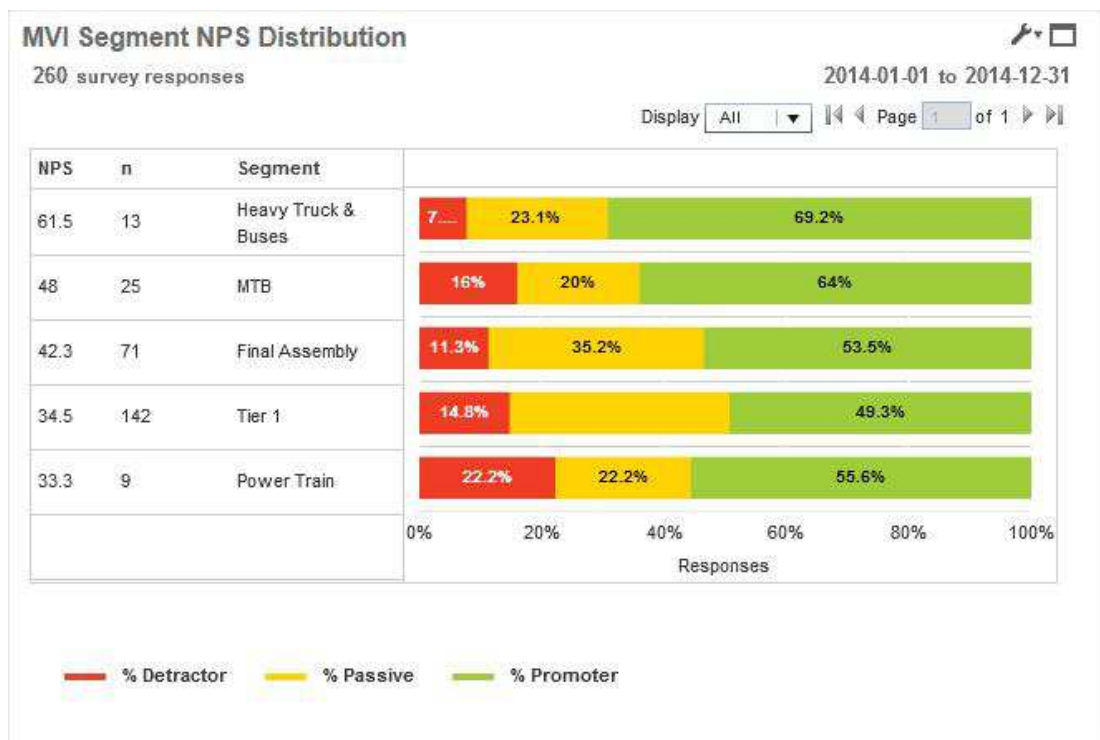


Figure 16 ITBA CCEE – customer NPS output by MVI segments.

The results according to the surveyed countries show significant differences. The highest NPS score achieved in Romania 72% rated by 25 contacts from 14 customers. The lowest score achieved in the Czech Republic 16.7% rated by 120 contact persons from 45 responded customers.

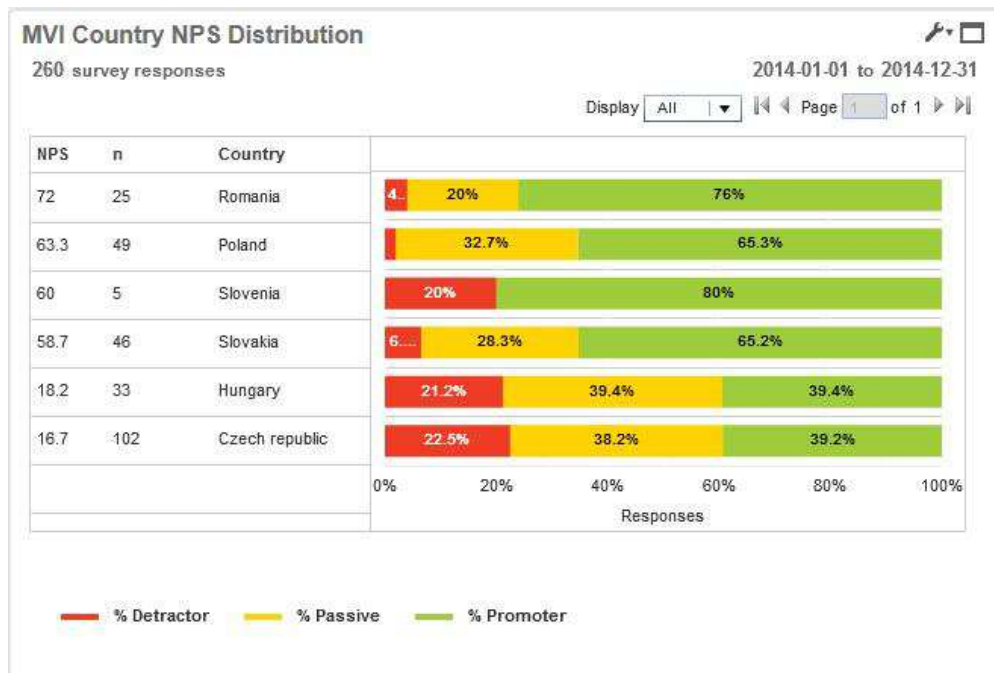


Figure 16 ITBA CCEE – customer NPS output by countries. ACTA, 2014

Behaviors for driving servicing of products are sales and training support, turnaround time emerges as a priority area. Leverage (top right quadrant): Showing the driver where company is doing best. It is Contribution to customer business rated by 16 contacts, products portfolio – 17 and Quality of service - 315

Maintain (bottom right quadrant): 6 drivers located here showing customers satisfaction in field which are less important for loyalty: Servicing of products rated by 166 contacts, Products performance - 178, Products delivery - 193, Installation/Startup - 132, Project management - 86, Distributors service - 23.



Figure 18 Customers satisfaction drivers in products service field. AC NPS 2014 results analyze

Leverage (top right quadrant): The drivers in this quadrant have a strong impact on loyalty and high customer satisfaction. The drivers in this quadrant show areas where you are doing the best. You can strategically leverage on these drivers for better profits.

Maintain (bottom right quadrant): 13 drivers located here have a low impact on loyalty: Sales and training support – 17, Ability to solve problems – 324, Access to information – 16, Turnaround time – 308, Ability to provide solution – 271, Communication – 328, ability to understand customer needs – 290, keeping customer updated – 251, Reliability – 290, Meeting promised time – 280, delivery lead time – 277, Products capability to improve productivity - 251

Displaying reality of company customer base

The graph described below shows Company results – separating good profit received from promoter and bad profit coming from detractors.

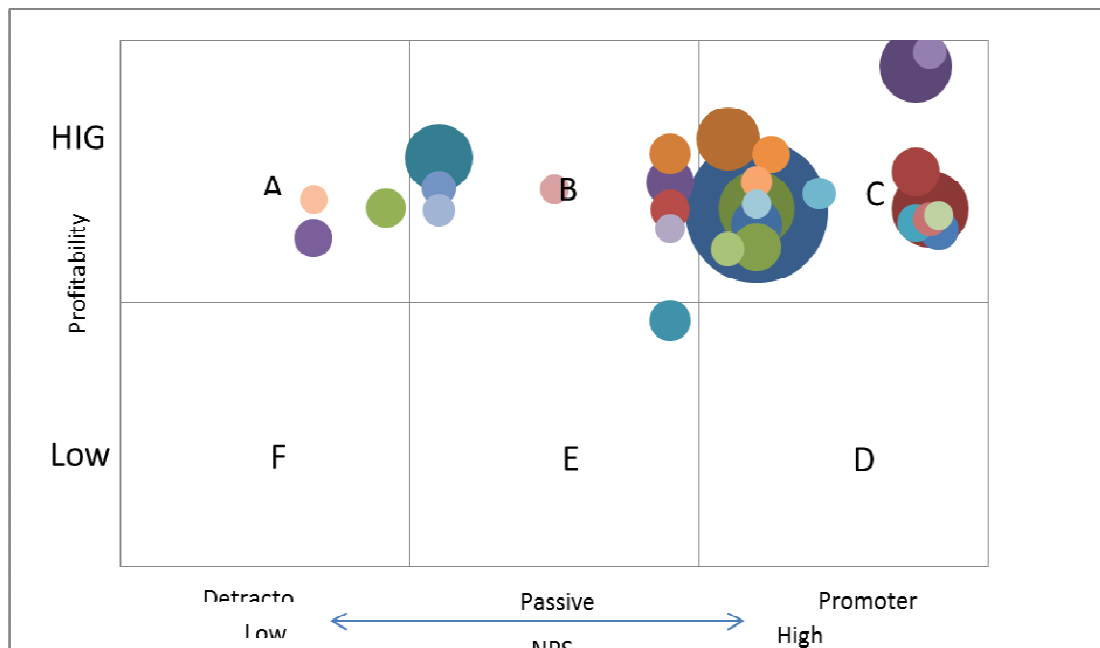


Figure 19 Customers grid separating profit by NPS results. AC 2014, NPS results analyze

Vertical axis of the chart showing company profitability achieved by customers in researched period 2014. The bigger bubble showing bigger profit achieved by single customer. Horizontal line separate good, neutral and bad profit, based on NPS score achieved by respective customers. Vertical threshold line indicates profit equal to company returned cost of capital. As it is visible in from survey results visualized in the chart. Sector F is empty, there is no single company, which is completely dissatisfied and generate profit under company cost of capital. Sector A is occupied by 20% of researched companies and represent 13% of generated profit. This profit is located in unhealthy sector and attention of the company is needed. Specific action plan to recover those customers is needed.

Sector B is occupied by 23% of surveyed customers and represent 16% of generated profit. Those customers don't really love the company, but they don't hate company either. Most probably they will stick to company until something really better will appear. Percentage of customers staying in sector B and E is pretty much matching with standard general industry pattern research by Satmetrix.

Sector C is occupied by 57% of customers and they represent 71% of total profit generated by researched group of TOP customers of the company. This numbers compared by general research done by Satmetrix indicating good economic shape of the company. Satmetrix stated that top firms typically have from 55 – 85 percent of their customers in sector C or D. (F.Reichheld, The Ultimate Question, 2006)

7.3 Economic parameters to be linked with surveys

Analyses of the economic parameters of the studied company are not the subject of this Masters Thesis, therefore there is not deeper discussion about the quantitative and qualitative evaluation. The attached tables contain selected economic parameters achieved in the researched time period. The author of this academic paper will use that data for statistic correlation analyses and searching relationship between other selected variables: Employee engagement and Customer satisfaction in the selected time period. The data is divided into two subgroups , MVI team and Service (SCE) team.

MVI team	2 008	2 009	2010	2 011	2 012	2013	2014 12 m roll
Revenue (kEuro)	14 241	10 028	10 433	14 003	17 022	17 000	16 433
OGP (kEuro)	1 756	904	1 118	1 625	1 052	1 052	2 943
EBIT (kEuro)	193	484	725	598	409	409	1 180
FC(kEuro)	1 362	1 254	1 776	2 157	2 732	2 732	2 666
Headcount	28,0	29,5	29,8	27,3	30,5	30,5	33,7

Table 2 Researched economic output parameters of MVI team

SCE team	2 008	2 009	2010	2 011	2 012	2013	2014 12 m roll
Revenue (kEuro)	3 740	3 496	4 264	5 285	6 480	6 954	7 467
OGP (kEuro)	1 302	1 483	1 618	1 977	2 312	2 378	2 266
EBIT (kEuro)	879	1 129	1 278	1 539	1 579	1 632	1 556
FC(kEuro)	337	305	331	436	697	702	706
Headcount	30,8	30,6	33,5	46,7	50,0	62,1	67,7

Table 3 Researched economic output parameters of SCE team

7.4 Statistic correlation verification

The first section of the correlation verification has been dedicated to a simple research of relation between 2 variables EEI and NPS. EEI consists of 6 components represented by a different question each, and confronted by NPS data measured in same time line.

The results of question 1, Alignment: I understand how my job contributes to the success of the company, and NPS results indicate a weak positive correlation ($r_1 = 0,268$). Question 2, Achievement: My colleagues are passionate about providing exceptional customer service, and question 3, Pride: I am proud to work for the company and NPS results indicate a strong negative correlation ($r_2 = -0,542$, $r_3 = -0,984$). Question 4, Discretionary effort: My colleagues are willing to go beyond what is expected for the success of the company, and NPS results indicate a weak negative correlation ($r_4 = -0,215$). Question 5, Commitment: I intend to stay with the company for another 12 months, and question 6, Advocacy: I would recommend the company to the friends and family as a great place to work, and NPS results show a strong negative correlation ($r_5 = -0,940$, $r_6 = -0,669$).

The aim of the second part of analysis is to identify the relationships between the employee engagement, measured by EEI, customer satisfaction, measured by NPS and economic output of the companies in 5 selected indicators. There have been selected results of the same two teams (MVI and SCI) as employee engagement index has been researched for, and their direct customer satisfaction index (NPS) for a period of four years (making eight cases each paired variables). The data analysis was performed in the statistical software SPSS v20.0. To determine the relationship, nonparametric Spearman correlation coefficient has been used.

	Revenue (kEuro)	OGP (kEuro)	EBIT (kEuro)	FC (kEuro)	Headcount
Employee: Alignment	0,803*	0,296	-0,400	0,778*	0,136
Employee: Achievement	-0,073	-0,464	0,037	-0,049	-0,122
Employee: Pride	0,743*	-0,431	-0,855**	0,755*	-0,778*
Employee: Discretionary effort	0,310	-0,667	-0,506	0,310	-0,595
Employee: Commitment	0,690	-0,238	-0,855**	0,714*	-0,548
Employee: Advocacy	-0,500	-0,143	-0,120	-0,500	-0,524
Costumer – NPS	0,195	0,390	0,296	0,195	0,586

* sign. $p \leq 0,05$; ** sign. $p \leq 0,01$

Table 4 Correlations matrix between selected variables.

In the table we can see that in the aspects of employee satisfaction Alignment, Pride and Commitment, and selected indicators of economic efficiency, there are several significant strong mutual relations. NPS as an indicator of customer satisfaction

with selected indicators of economic success of the company is not strongly correlated.

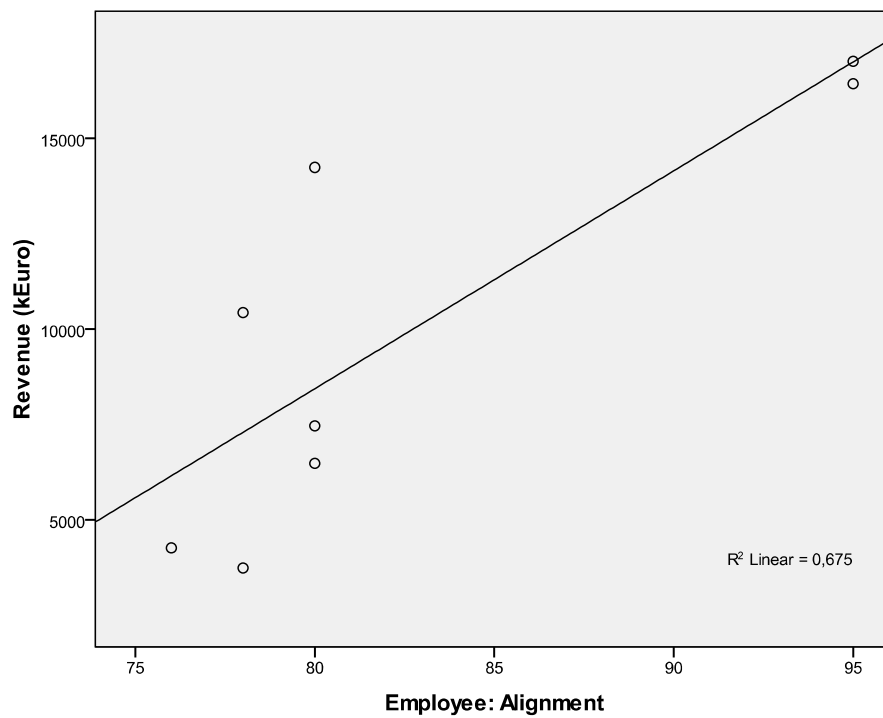


Figure 20 Common relations between variables Employee: Alignment a Revenue.

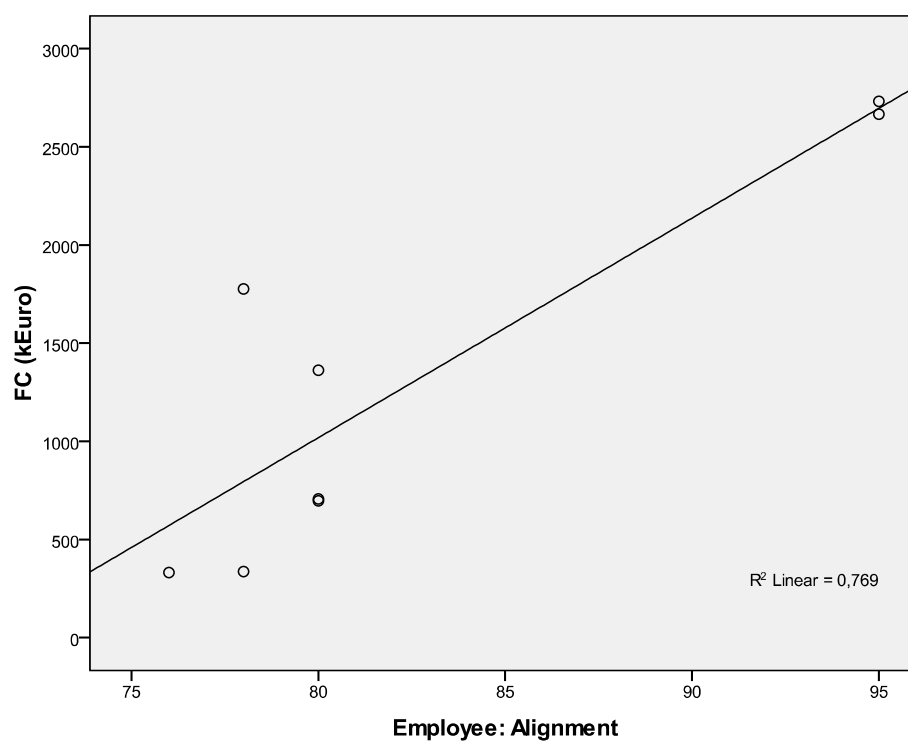


Figure 21 Common relation between Employee: Alignment a FC.

The alignment is in a strong positive relationship with the Revenue ($R = 0.803$), and it is able to explain 67.5% of the common variance ($R^2 = 0.675$). Similarly, this variable has a strong relationship to the FC, while 76,9% of common variance has been found ($R = 0.778$, $R^2 = 0.769$). Employee: Pride; Pride is a strong positive correlation with the variables Revenue ($R = 0.743$) and FC ($R = 0.755$). It is also in a strong but negative relationship with EBIT variables ($R = -0.855$) and Headcount ($R = -0.778$).

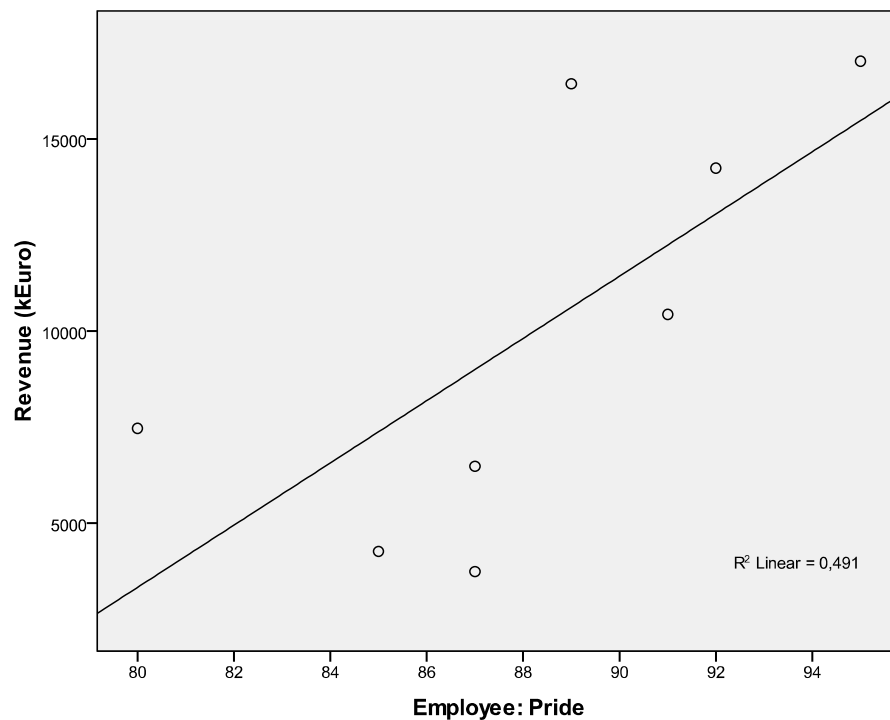


Figure 22 Common relation between variables Employee: Pride a Revenue.

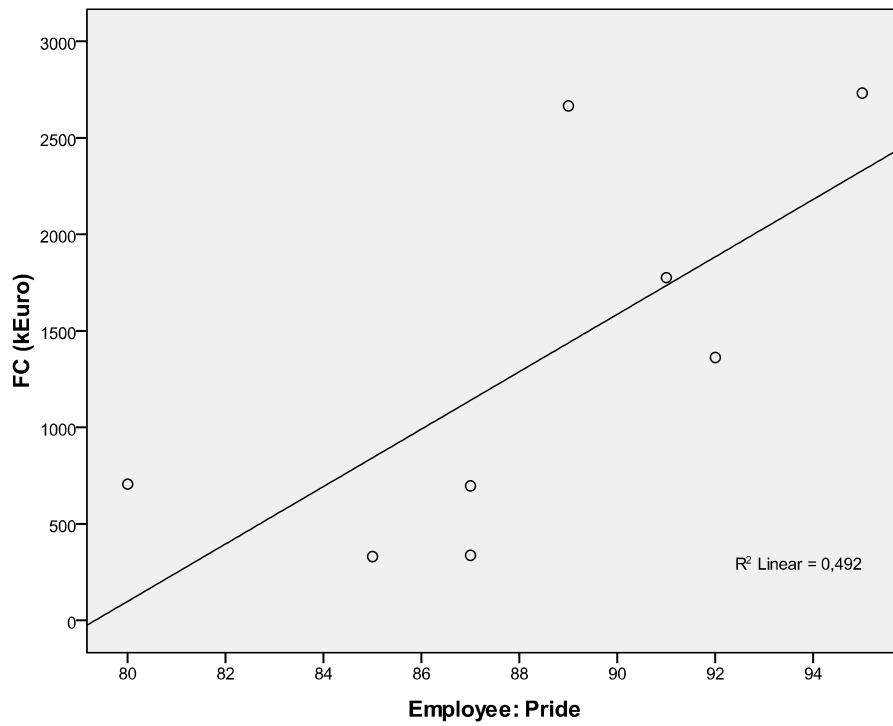


Figure 23 Common relation between variables Employee: Pride a FC.

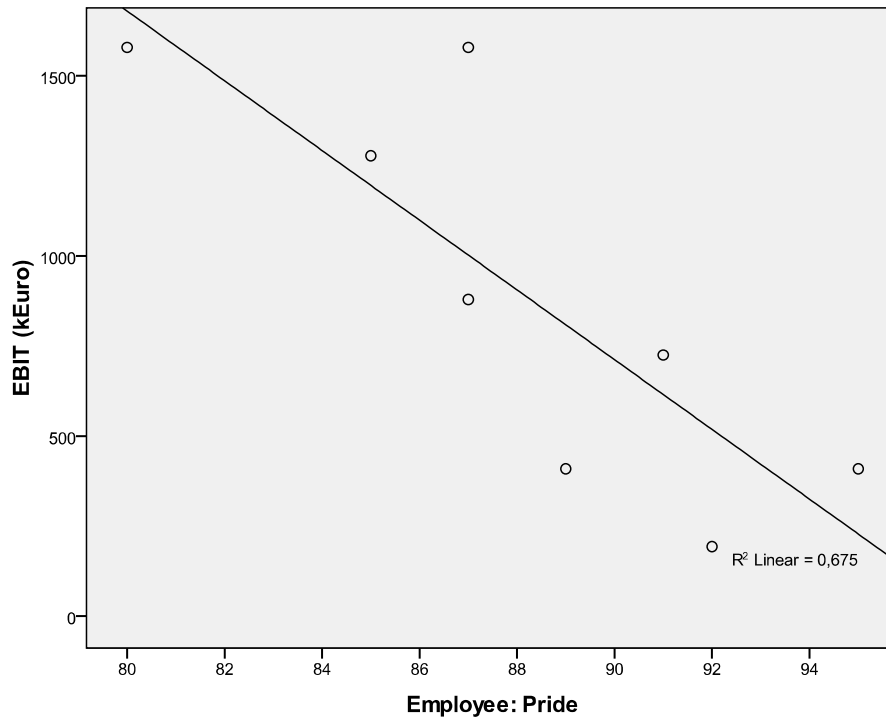


Figure 24 Common relation between variables Employee: Pride a EBIT.

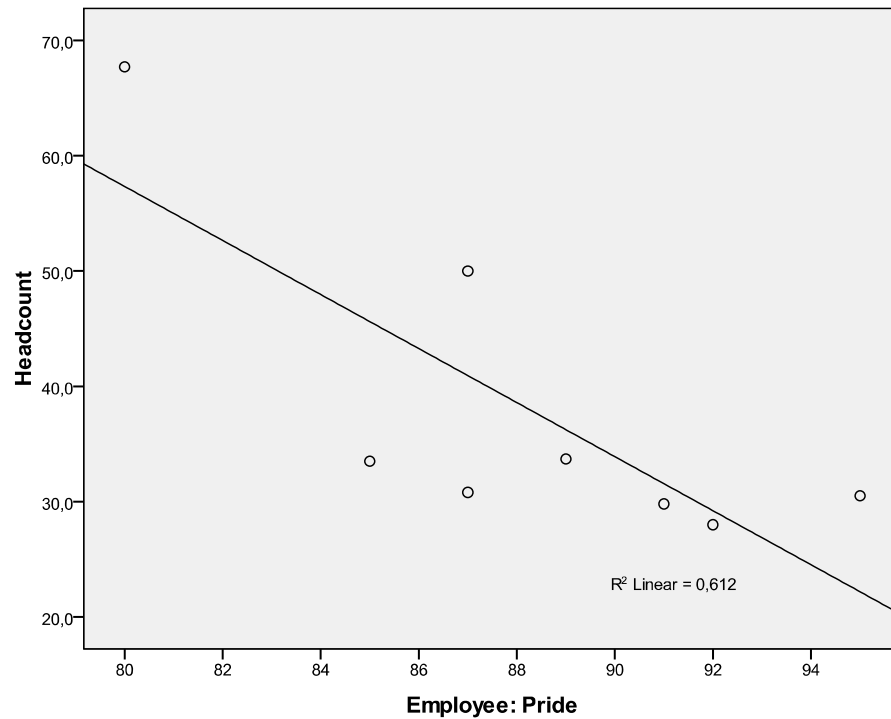


Figure 25 Common relation between variables Employee: Pride a Headcount.

Employee: Commitment, Commitment is a strong significant relationship between the indicator FC ($R = 0.714$) and a strong negative relationship with EBIT ($R = -0.855$).

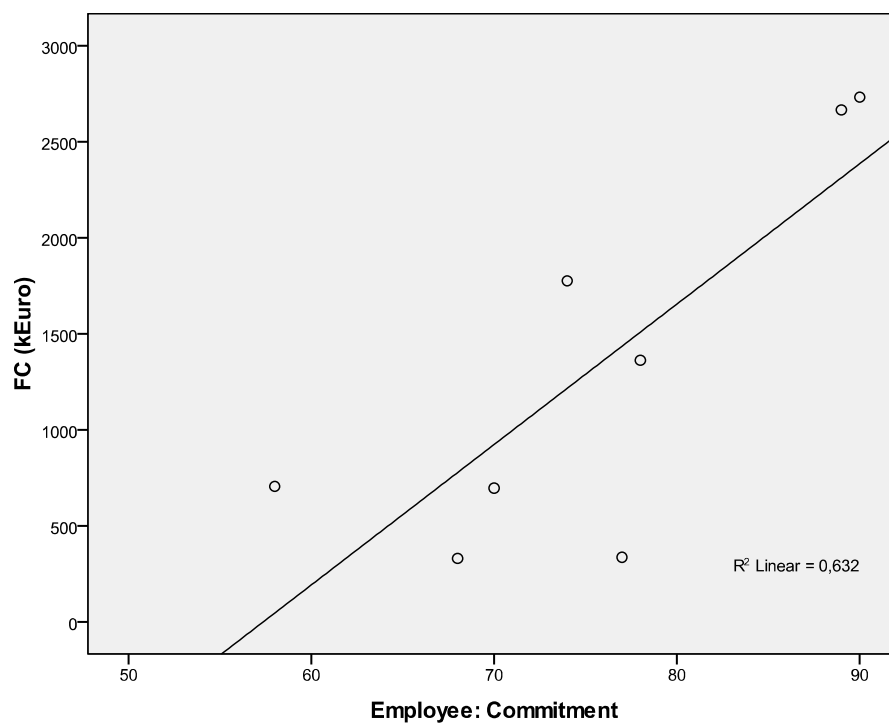


Figure 26 Common relation between variables Employee: Commitment a FC.

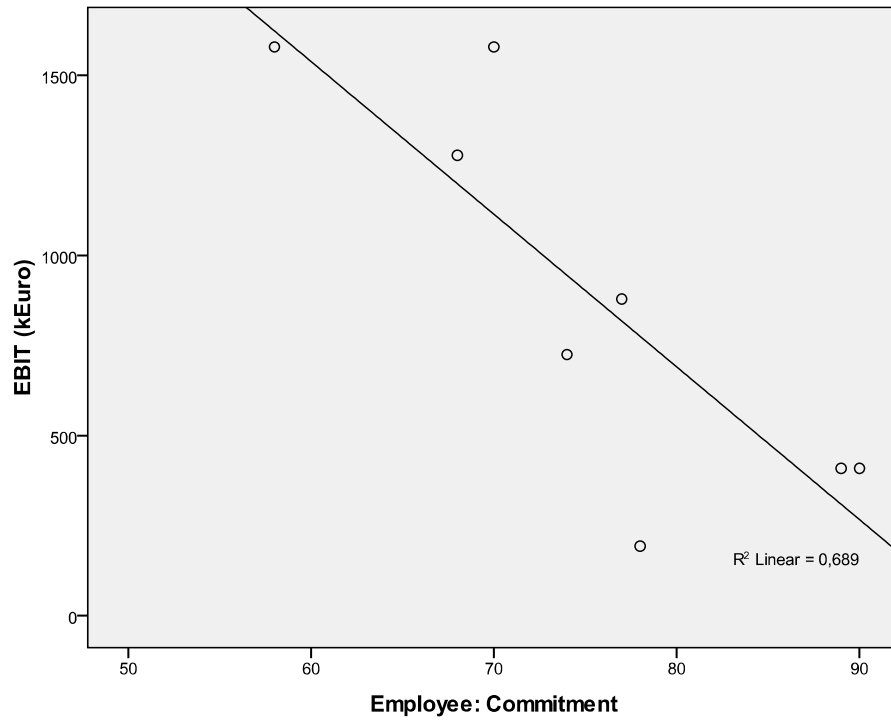


Figure 27 Common relation between variables Employee: Commitment a EBIT.

8 FINDINGS, DISCUSSION

As it has been pointed out in section 3.1, main objective of this Master Thesis is to confirm existence of relationship between employee engagement, customers satisfaction and economic output of the company. Actual literature sources, combined with author's research in Atlas Copco indicates correlation between researched variables and proving important link between those variables.

The strong effects were found relative to employee Alignment, Pride, Commitment and company revenue. Correlations were strong and positive, perhaps because these outcomes are more remote downstream variables that are also influenced by other variables and indirectly by employee attitudes. Both overall satisfaction and employee engagement showed generalizability across companies in their correlation with customer satisfaction–loyalty, profitability and economic outcomes. Although many of the reasons why employees stay at or leave companies may be related to aspects of the work situation that the manager can influence (GWA Items 1–12), there may be an accumulation of factors that lead to an overall perception of the company that may also include factors such as pay, benefits, and other facts that are beyond the supervisor's or the manager's control. Employee perception of the company is a relatively narrow and it is directly linked to the economic efficiency of the company, which is not in direct relation with the customer looking at your company. Based on the identified correlations, we can say that employee satisfaction leads to success of the company, or vice versa, better firms lead to a higher employee satisfaction.

Second hypothesis has been clearly confirmed by majority of literature sources, studied by author and partially has been confirmed by conducted survey. Getting customers' feedback on their experiences with supplier company is a vital part of the operations to enhance customer loyalty and to improve the company's products and services. Customer's advocacy is strong business supporter for every supplier in automotive industry. Segment complexity require extremely high level of good relationships between stakeholders. Usual car's life cycle predict length of contracts for supplier, which is approximately 3 years. Supplier selection at the beginning of project building barriers for competitors to penetrate the same project or same customer in project life. Positive customers experience gained during project gives

preference points to next projects tenders for supplier. Negative customer's feedback can lead supplier to very difficult economic output.

Looking to research results of this academic document, it is visible strong positive correlation between company employee population and customers satisfaction index score. Low correlation has been found between EBIT and customers NPS score. Customers satisfaction is higher when servicing supplier organization is more populated, and can provide the job quicker, in higher quality and some add on can be provided. There is highlighted importance of balance between investment to resources and return on investment. Customers satisfaction is important parameter, but could not be the only driver for company success. Sustainable way of doing business require constant balancing of mentioned factors.

Third hypothesis is asking how the company culture impact employee engagement. As it has been discusses in upper sections, majority of successful automotive suppliers consider human capital one of the keys to success, and they focus to ensure that workplace have robust standards for safety, health and ergonomics. Those are the basic factors for employees wellbeing. Than the company culture can differentiate companies with more or less engaged employees. Company core values, mission, vision and strategy has to be clearly communicated to all employees within organization. Appropriate leadership is needed in specific automotive segment. Companies aim is to develop a diverse group of managers that have the courage to lead and engagement to develop their committed collaborators in global multinational and multicultural diverse environment. Greater diversity fosters an international mindset, stimulates innovation, and improves the ability to work cross culturally.

Fourth hypothesis indicate that engaged employee create higher value proposition for customer. There has been found commonalities in literature and personal author's professional experience regarding value creation of engaged and disengaged employee. Significantly higher level of commitment, interaction and innovation are delivered by engaged employee. Automotive customers are driven by ultimate quality of their products. Complexity of manufacturing process brings many deviations from planned process and require flexible solution from supplier. Value proposition is based on flexibility, creativity and innovation. Engaged employee are always some steps towards customers satisfaction and future prosperity.

9 RECOMMENDATION

As has been confirmed by last decade, the automotive industry is fast moving industry segments. The role of top executives is to read trends, predict future evolution and develop appropriate strategy. Organic growth has overtaken joint ventures and alliances as the most common business strategy, as automotive businesses reconsider the benefits of partnerships. Looks that internal strengths such as innovation also appear to be critical, in order to retain position on the market. In the past year, there appears to have been a re-think over the key business strategies. Partnerships are by nature challenging, with each party having to adapt to issues such as cultural differences and noncompeting clauses. Having already entered into a number of such alliances, many automotive players acknowledge the difficulties in gaining mutual agreement on strategy and realizing synergies. The new and existing players strive to gain leadership positions.

As automakers consider ways to grow organically, new products and technologies are considered the single most effective strategy, with entering new markets. The days when automakers turned out a handful of models are long gone, as the individualization of consumer tastes, combined with more flexible manufacturing platforms, enables a host of different products to satisfy specialist niches.

Innovation excellence may be more than just a means to gain competitive advantage; it could be critical to the survival of the company.

The impact of the ongoing changes in the global automotive market are profound, as customers ask to produce energy-efficient vehicles that meet the demands of megacities and embrace the technological revolution. At the same time, the rapid growth of the emerging nations brings tremendous opportunities but also intensifies competition. The automotive executives believe that they will gradually lose their dominance in motor expertise, as suppliers take a more involved role in the process. Progress of development in hi-tech firms predict that completely new entrants from sectors such as technology and utilities are likely to become important players, gaining

greater brand awareness. Given the emergence of new technology players, and developments such as Google's self-driving car, such an attitude could potentially be shortsighted, as tech firms are demonstrating their ability to move into o Automotive Industry/Mobility providers territory.

Technology and innovation differentiate winners and losers, but not only. People make the difference as well. That is why it is strongly recommended to all automotive companies to put a lot of effort into focusing on People Management activities that will create motivated and committed people. Investing in People pays off. Best companies strive to focus to be the employer of choice within industry segment and create the best place to work.

The purpose of the good people strategy is to design and provide people processes, framework and tools to support growth through Key Strategic People Initiatives. Interaction with internal and external customers is the key to bringing value to them. This interaction can only be done by people who are committed and empowered to fulfill their tasks in the best way. Training is not only about technical skills, but also about taking responsibility and making decisions. This empowerment has to be formalized from top to bottom, in order to streamline the process and take customer-centered decisions immediately.

HR Agenda is on same importance level than Product strategy or sales tactics. Successful supplier company has to have clear and innovative HR Agenda to be able adapt on fast changing external business environment. HR strategy should focus on main pillars: Attract and recruit best available people on the market. Retain and develop within the company, motivate and engage.

Recruit and promote solely on the basis of the qualifications required for the role. Equal opportunities, fairness and diversity should be fundamental pillars of company people management process . Global automotive environment expect recruitment base comprising all cultures, religions and nationalities. Diversity increase, in both nationality and gender, will bring extended opportunity. Diversity fosters an international mindset, stimulates innovation and improves the ability to work cross culturally and expand into new markets. It can help reach 100% of the talent pool. Balanced teams generate better result long term. It will bring a sustainable

leadership in the business. It is necessary to align with the outside world – customers are changing faster than supplier. To avoid risk become an old boring male engineering company.

To formalize the given framework and make responsibilities very clear, the Roles & Responsibility Matrix of the organization is a must. This has to be done top-down at each level. It cannot be expected people to assume ownership, if we do not communicate their responsibilities to them or give them the means to fulfill that responsibility. This process should not limit employee when facing the customer, but empower them to take action in a structured and clear way.

It is highest asset of the company, if competent and engaged employees serve customers. Then there is very high probability to obtain high customer satisfaction and keep them loyal with company.

Recommendation for the company

The target of this document was to have a deeper understanding of the issues connecting employees, customers, and a company, and it results as it has been described in the upper section. Many different professional sources have been studied and confirmed with empirical experience and the particular surveys executed and evaluated in this master thesis. All findings are summarized and a few practical recommendations are prepared for the Atlas Copco Industrial Technique Eastern Europe company's managers.

1. Company culture: As it has been analyzed above in the master thesis, it is recommended for the company to have and clearly communicate the company strategy, core values and business principles. It has to be the correct way of communication with every single employee in the company. A few different channels are recommended to be used. Standard internal communication tools are basic, but the most important is to live the company culture in real everyday life. The leaders are responsible to proof to the team members that the company culture is a real and everyday part of the life. They should lead by examples. As it has been proven by the employee survey, Atlas Copco culture is a strong motivator for the employees. The leaders are responsible to maintain a tool box supporting the vital company culture like the policies and systems that influence employees' behavior, attitudes, and performance. A focus on newcomers to quickly identify themselves with the

company vision, brand identity and promise. To offer them mentoring by older colleagues, excite them by engaged people.

2. Leadership models: Company need to deploy leaders who actively participate in decision process, where the company should be driven and help the company to gets there. The company has to make sure the employees at all levels understand where the company is going, and know what to do to make it happen. The employees need to believe and have an emotional connection to the strategy at a very personal level. The strategic leader needs to translate external customer expectations into the organization's culture. It is recommended that all managers should have a mission from their superior, outlining the long-term expectations and goals. After having received the mission, the team leader should develop their own vision clarifying how to achieve the mission within the respective teams. The competent and committed people then make it happen with the leaders able to challenge, coach, give constructive feedback and inspire to achieve successful results. It is strongly recommended to review if the existing team members with significantly lower communicative Leadership Index measured by the survey are aligned with the leadership model of the company. The measured gaps should be covered by an appropriate training and coaching.

3. Competences: This has to be always on the company agenda, especially today when the speed of changes is higher than ever. It is an essential condition in order to stay competitive, that the company as whole and every single individual invest time to rise competences needed for the job. Each Competency has a different value for the business success of the company according to the company strategy, performance indicators as well as financial impact. The main criteria for competency value result from customer expectations, market environment and the strength of impact linked to desired performance indicators. Performance strategy designs a clear path for actions implementing drivers with maximum level impact on competencies which determine the performance expressed by the key indicators. The company executives need to understand that even if a formal training in products, application sales etc. is still critical, the most important learning approaches are on-the-job training, job mentoring and coaching by supervisors. The informal learning that comes from collaborating with top peers and expertise networks is the most valuable of all. It is critically important to define a package of core competences for all positions in the company. All assessment of existing

employees should be done based on the core competences package. It is strongly recommended to hire people according to the core competencies model.

4. Motivation. It is recommended to the company management to roll out a deeper investigation of individuals' motivation to have precise understanding of motivators. A deep analysis of every single motivation factor can help company understand the consistency of teams and make a proper adjustment. Either by an individual motivation program, or by a personal readjustment within the teams. The specific business model of ITBA Customer Centre Eastern Europe require the highest possible level of motivation as the people are remotely located in a diversified region and hardly connected with their fellow co-worker. It is recommended to execute a survey focused on individuals to measure the individual motivators of employee. It can create understanding what packages of motivators are available in the company, and can be offered on individual base to an individual employee. It can create as well a picture of what motivators are not affordable in the company and should not be offered to anybody It can create a clear border between a future core team of the company and possible leavers.

5. Divers' workforce: Observe and respect that employees as human beings are different from each other. They are differentiated by age, education, life experiences, educations, skills, and many other factors. The top managers of the company should focus on understanding the basic differences and their implications for the workplace. It will bring a lot of new ideas on the spot by potential of diverse individuals, a higher diversification within the team of employees. Automotive industry is traditionally recognized as the main part of the world, primarily in Eastern Europe it is not so obvious to see ladies on engineers' positions. The gender diversification will definitively bring new ideas, new points of view and could help company to serve customer better.

6. Customers centricity: As it is visible from the employees survey, the weakest part coming from the section Commitment to the customer. It is strongly recommended to review the customer strategy approach by every single individual and the teams as well. Possible areas of improvement are identified:

- a) Identify possible competence gaps linked to a specific customer to make sure that the right competence is offered to every customer

- b) Talk to every customer more deeply by more contact persons to understand a wider picture of the customer's expectation
- c) Make sure that internal resources related to the customer needs are coordinated and collaborative. The line managers should create a wide network of interdisciplinary experts and encourage their collaboration in formal and informal way. Dedicated projects across the departments dedicated to the customer needs will help.
- d) Make sure that the front line contacted customers contained the most engaged employees. They should believe in their mission to bring the brand value and brand promise to the customer

7. Cultural differences acceptance. AC business segment is a highly global industry, sister companies are located in different countries and continents, business partners come from different countries /continents /cultures. It is typical to have expatriate managers. It is typical to enter conflicts with groups and persons coming from a different culture. It is inevitable to understand the core dimensions, problems and aspects of cross-cultural relationship. The line managers and team leaders should be trained or re-trained for multicultural dimension of collaboration. Make sure that multinational teams respects individuality and create enough space for common integrity. It is recommended to identify possible language gaps, internal or external, and make sure it will prevent the employees from feeling demotivated

8. Career development plans: It is strongly recommended to work more on a career development plan for every single individual within the company which will bring a long-term commitment and engagement of the individuals if it is correct. It can bring a lot of benefits to show to the employees a possible career road map and show them requirements needed to qualify on a higher level. Clear rules of the mission fulfillment prior to the role change will keep employees focused and demanding for a higher level job. Recruit the highest possible number of managers from internal resources. Prioritize internal candidates while maintain competence requirements for the position. Publish internal promotions on many different communication channels and discuss with employees internal career success stories. Think about talents from engagement perspective. In the promotion process prefer the leaders with the ability to engage workgroups.

9. Workplace: A specific business model of the surveyed company creates specific requirements on a workplace definition which play a very important role of employee motivation. As 90% of all organizations is working in a remote home office environment in 8 different countries of Eastern Europe region. Remote distance based on home office creates very high flexibility in terms of distance to the customer needs, but create some specific challenges for the direct superiors. Modern communication technology creates a lot of opportunities to secure sufficient a remote controlled workplace. An activity based work place can boost stated well-being of employee. Employee satisfaction and motivation, as well as a better collaboration and knowledge sharing will lead automatically to a higher productivity and improved customer satisfaction.

10. Changing management: Build a case for a change – communicate reasons. Have a clear direction for the change. As a change agent, assign top talent to key initiatives. Have them spend 20- 30% of their time on this project. Define success in measurable, tractable and clear terms. Monitor the change with regular checkups to find out what is not working. Make the change last - help others see the change as an opportunity not a problem-communication issues. Communicate, communicate, communicate to engage others at their highest level of commitment. Focus on only a few priorities and explain why they are important. Share your emotions. Share both bad and good news openly and directly. Help people connect their personal career best to the goals of the organization. Overcome tendency to encircle yourself with people who are like you. Put the right person in the right job with the right skills at the right time. Provide resources to help employees cope with high demands. As a talent manager and developer set high expectations on employees to stretch them so they can grow. Help them access resources to meet these demands. People thrive in positive atmosphere where the focus is on what is right not what is wrong. Lead with kindness. Have fun at work. Humor, events, celebration, contests, rewards, fitness centers. Map the workforce, determine critical positions. Mentor. Delegate and empower.

11. People performance management: What is the current reward strategy? Is it well developed or a set of generic statements? Does it align with the business and people strategies? How does it apply to different employee groups? How is the business environment influencing the company's talent needs? What is management's tolerance for change? What is the turnover / retention picture? What

is the company's ability to pay? What is the management's view on pay-to-performance linkages? What are the mission critical job roles and families?

12. Business model and Organizational Structure. It is recommended to regularly review alignment of organizational structure with the business environment and customers' reorganizations. Business environment, technology development, and customer technology demand have to be considered always, as well as design of organization and company culture integration. Future fast changing environment requires a more and more often review of the company structure not to become rigid and non-performing. New people with new competencies according to the customer needs should not match with existing traditional structure based on departments and fixed structures. Focus on possible human resources mobility.

13. Talents pool strategy: It is strongly recommended to maintain the existing company talent pool and regularly review. Talents have to be maintained and developed via specific development programs. They need to be recognized by the company management and challenged by extra mile goals. A regular assessment of talents can indicate the progress of development. Fast growing companies like ITBA CCEE need to focus on talents in the recruitment stage. The best candidates (in terms of fitting with a future company strategy and goals) from the market are a solid base for a future development and building consistent and engaged team able to deliver the best value for satisfied customer.

14. Targets: Right set up of targets and goals are very important factors which can create a lot of negative motivators and resistance. Literature study and the employee survey results show high importance of a proper agreement on the company's operational goals. Targets have to be SMART as a lot of literature sources explain. It is recommended to the company that process of annual financial targets for the operations should be built from 2 different perspectives and the process should be parallel. Operational teams should be lead by team leaders in the process of deep analysis of market potential, customer development, products availability, and total company potential. Company strategy and vision should be respected. Line managers should develop their own vision over the dedicated market and prepare their own plan respecting the company's overall strategy and vision. Final goals should be obtained by mutual agreement and understanding. That process prevents from any negative frustration from unfair treatment and will

help satisfy customers better and contribute to achieving company's development financial goals.

15. Performance feedback is a very important motivation factor and if it is done in good manner, it increases engagement of employees. It is recommended for the company to focus on the right process of regular feedback of employees provided by the direct superior. Minimum recommended frequency for a feedback is once per calendar year or better every six months in a structured prepared way. A regular performance feedback should consist of three main parts. Self-evaluation of employee prepared in an agreed written form and sent to the superior in advance. The second part of feedback should be manager's evaluation of employee with written quantitative and qualitative analysis. Then the last part of a high quality feedback should be a common dialogue about findings and agreements. In a written feedback report it is recommended to include the following points:

- a. Individual targets of an individual connected to a team target or a company target.
- b. KPIs evaluation and reconciliation for the next period. If needed, priorities and focus on the future agenda can be highlighted.
- c. Evaluation and plan for personal development of the employees, including a milestones plan.

Feedback should be used as a regular tool for the evaluation of an employee for steering and development in the future. Feedback can be provided on daily bases in an appropriate form and should be a part of daily communication between an employee and a superior. Constructive feedback is welcomed from all perspectives and can develop well all the company by employees' contribution. It is vital for the line managers to train all the operation managers to be able to provide high quality feedback. It is a part of the leadership development of all the leaders. High quality feedback is not a positive message only, it can be easily a negative message addressing to non-performer. When it is done in a proper way, it can bring positive achievement only. High quality feedback is a very strong engagement driver.

NPS outcome recommendation

Overall performance of the company is very good. There is some variance by markets. Sometimes a Net Promoter program is about fundamental changes and sometimes it is about looking for opportunities to tweak and improve this case, it is necessary to look for the customers who are not happy and learn. The account managers should be held accountable for their account NPS performance.

10 CONCLUSION

Successful companies in Automotive industry nowadays offer a sustainable productivity solution. They are able to secure long time lasting results through creating value for all stakeholders. Successful companies in automotive industry offer the highest quality products which are able to attract customers. There is extremely strong competition on the global market. Offered products are coming closer to each other, companies are in permanent race to develop favorable terms for their customers. It is essential to offer world class products, but not only. It is essential to offer world class people, as well.

Employees represent one of the most important pillars of that success, that is why it is business success which is critical to ensure to have the best people on board. It is critical to have the right process on place which can maintain the highest level of engagement of employees. It is business critical to understand all possible drivers of employees' engagement and support their development.

The managers and leaders have to understand their responsibility to have competent and engaged team members which can offer to a customer the highest level of expertise and the best application of the best products. They are responsible to work very closely with the Human Resources managers and develop a process how to measure and understand the results of the engagement factors like motivation, company culture, workplace, work-life balance and many others. They must not ignore the opposite part of engagement, the disengagement factors which prohibit extra miles delivered from the employees.

Automotive industry companies are bringing higher and higher quality standards for products, processes, and technologies which give very challenging permanent tasks to all the suppliers. Automotive industry is a very fast changing environment which all the supplier employees have to cope with if they want to stay in the game.

Many different professional literature researches and this master thesis survey the confirmed correlation between customer satisfaction and a few specific employee engagement areas and through that a direct impact on the company's business results. Excellent organization is the best base for a long lasting sustainable development of any company, especially in automotive industry, where a project's long lasting specifics require sustainable high quality performance of all the participated stakeholders..

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12 LISTS

12.1 List of annexes

Anex 1 – NPS 2014 customer satisfaction survey questionnaire

Anex 2 – NPS 2014 – words cloud – customer free comment sample

Anex 3 – INSIGHT 2014 – employee engagement survey email invitation

Anex 4 – INSIGHT 2014 – survey questionnaire

Anex 5 - INSIGHT 2014 – employee comment sample

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Anex 1 (2 pages) Atlas Copco Tools Customer NPS Survey

If you were advising a colleague on the choice of a supplier, how likely would you be to recommend Atlas Copco Tools? <0 – 10 Likely Scale>

[IF PROMOTER] In your opinion, what are the things we are doing well? <text area>

[IF PASSIVE] In your opinion, what things should we be doing better? <text area>

[IF DETRACTOR] In your opinion, what things do we need to improve? <text area>

Based on your working relationship with Atlas Copco Tools over the past 12 months, please rate how satisfied you are with each of the following experiences:

<0-10 Satisfaction Scale>

Please use “not applicable” if you do not have experience with a particular area.

Purchasing a product or service

Project management

Taking delivery of products

Installation / start-up of a product

Product performance

Servicing of products

[SKIP IF Q3a = ‘Not applicable’] Thinking about your purchasing experiences with Atlas Copco Tools, please rate your satisfaction with each of the following areas:

The sales team knowledge of products and services

The sales team ability to understand your needs

Our ability to provide solutions that help you optimize your performance

[SKIP IF Q3C = ‘Not applicable’] Thinking about when you took delivery of products from Atlas Copco Tools, please rate your satisfaction with each of the following areas:

Meeting our promised delivery times

Our delivery lead times

Providing you with delivery status updates

[SKIP IF Q3E = ‘Not applicable’] Thinking about the product performance of Atlas Copco Tools, please rate your satisfaction with each of the following areas:

Our products capability to improve productivity

The reliability of our products

[SKIP IF Q3F = ‘Not applicable’] Thinking about your servicing provided by Atlas Copco Tools, please rate your satisfaction with each of the following areas:

Turnaround time

Quality of service

Communications with you

Our ability to solve problems

Do you have personal experience of working with a competitor of Atlas Copco Tools in the past 12 months?

Yes

No

[SKIP IF 'No' AT Q8] Could you please provide the name of that competitor? <text area>

IF YOU HAVE DEALT WITH MORE THAN ONE COMPETITOR, PLEASE PROVIDE THE NAME OF THE COMPETITOR WITH WHICH YOU HAVE THE CLOSEST RELATIONSHIP

[SKIP IF 'No' AT Q8] Thinking about your relationship with this one competitor in particular, please rate how satisfied you are with each of the following experiences: Please use "not applicable" if you do not have experience with a particular area.

Purchasing a product or service

Project management

Taking delivery of products

Installation / start-up of a product

Product performance

Servicing of products

What is the one thing Atlas Copco Tools needs to improve to better support you? <text area>

Thank you for participating in this survey. If you would like, please provide any final comments you would like us to listen to. <text area>

Anex 2 NPS results – free comment

MVI PROMOTER COMMENT WORD
CLOUD



MVI DETRACTOR COMMENT WORD CLOUD



Anex 3 – INSIGHT 2014 – employee engagement survey email invitation



(In Archive) Zaměstnanecký průzkum - Atlas Copco INSIGHT 2014
Atlas Copco INSIGHT 2014 |o: cyril.estok
Please respond to "Helpdesk"

07. 04. 2014 15:03

[Show Details](#)

Archive: This message is being viewed in an archive.

Vážená kolegyně/Vážený kolego,

vitáme Vás v zaměstnaneckém průzkumu INSIGHT 2014 skupiny Atlas Copco Group.

Váš názor nás zajímá. Abychom zajistili, že bude skupina Atlas Copco Group i nadále atraktivní a udrží si kompetentní a oddané zaměstnance, je pro nás důležité zjistit, co funguje dobře a co je možné zlepšit. Proto potřebujeme znát Váš pohled na Atlas Copco Group jako na zaměstnavatele, jak vnímáte Vaši pracovní situaci, profesní rozvoj, pracovní prostředí atd.

Vaše stanoviska, názory a zkušenosti pro nás mají obrovskou hodnotu. Účast v tomto průzkumu Vám umožní zapojit se do rozvoje Vaší vlastní pracovní situace a utvářet budoucnost skupiny Atlas Copco Group. Vzhledem k tomu, že vždy existuje lepší způsob, je tento průzkum a jeho výsledky cenným nástrojem v rámci kontinuálního zlepšování práce v naší organizaci.

Prostřednictvím našeho nezávislého partnera můžeme všem zaručit naprostou anonymitu. Nikdo ve skupině Atlas Copco Group nebude mít přístup k jednotlivým odpovědím. Výsledek tohoto průzkumu bude skupině Atlas Copco Group poskytnut jako celek a rovněž budou předloženy výsledky zvlášť pro jednotlivé oblasti podniku, divize, společnosti a útvary/oddělení s minimálním počtem pěti respondentů.

Využijte této příležitosti zúčastnit se tohoto průzkumu a pomozte nám utvářet budoucnost skupiny Atlas Copco Group.

Dotazník prosím vyplňte nejpozději do 4. května.

S pozdravem

Ronnie Leten
generální ředitel

Commitment to the customer

ITBA CC Eastern Europe

	Has opinion
25. Do you feel that your company is customer focused?	100%
39. Do you feel that your company works actively to increase customer satisfaction?	98%
30. Do you think that your company works actively together with customers to offer customer based solutions?	98%

Attractive employer

ITBA CC Eastern Europe

14. Are you proud of working for your company?

12. Do you get support with additional education/ on the job training needed for your professional development?

11. Do you see possible career opportunities for yourself within the Atlas Copco Group?

Workplace culture

ITBA CC Eastern Europe

15. Is the work in your team well planned?

3. Do you think there is a go-ahead spirit in your team?

38. Can you openly talk about mistakes made at work?

37. Do you have the authority to make your own decisions in your work?

34. Do you have the resources you need to do your job well?

33. Do you have the tools you need to do your job well?

52. Do you believe that people with diverse backgrounds are given equal respect within the company?*

Workplace culture

ITBA CC Eastern Europe

10. Do you know your company's overall goals?

32. Are there good channels (meetings, newsletters, intranets, etc) for finding the information you need to do a good job?

29. Do you know what it is that makes the company profitable?

23. Do you feel respected by your colleagues?

22. Is your team good at implementing changes and improvements?

18. Is there a good cooperation between teams?

Workplace culture

ITBA CC Eastern Europe

- 20. Are decided actions implemented quickly enough in your company?
- 2. Do you think that you work in a cost-conscious way in your team?
- 28. Do you have clear job responsibilities?
- 27. Do your colleagues take responsibility when problems arise?
- 19. Do you in your team consistently work towards your goals?
- 13. Do you feel motivated in your work?

Leadership

ITBA CC Eastern Europe

- 8. Do you receive sufficient feedback about your work performance?
- 31. Does your immediate manager (the person you report to) set a good example?
- 36. Do you believe that people with diverse backgrounds are given equal opportunities within the company?
- 35. Do you receive the support/coaching you need in your professional development?
- 7. Does your immediate manager (the person you report to) consult you when taking decisions that affect your team?

Leadership

ITBA CC Eastern Europe

report-2

21. Do you feel that your company is managed in a good manner?

17. Do you think your immediate manager (the person you report to) can handle conflicts?

16. Do you think your appraisal is productive (i.e. helps you understand your goals, receive clear feedback on your performance, planning for performance improvements and possible future development)?

24. Is your immediate manager (the person you report to) open to new ideas and suggestions?

9. Are ideas and suggestions put forward by your team realized?

Leadership

ITBA CC Eastern Europe

5. Is your team free from conflicts that negatively affect the work in your team?

4. Does your immediate manager (the person you report to) show you respect as a co-worker?

26. Does your immediate manager (the person you report to) translate corporate strategy into clear team goals?

1. Do you think that your team is managed in a satisfactory manner?

6. Can you influence your work situation?

Anex 5 - INSIGHT 2014 – employee comment sample

42. Why are we so good?

szacunek dla pracownika, szansa na awans

42. Why are we so good?

Atlas Copco has a strong historical background. The tools are traditionally very durable, ergonomic, industrial design, what is a strong brand on the market. We are using the brand as a credit.

41. What can we do better?

viac nacuvat a snazit sa porozumiet poziadavkam zakaznika, nezabudat pritom ze zakaznik opakovane nakupi od toho, kto mu rozumie.

42. Why are we so good?

Many products we have and almost cover all the scale of the needed tools in the industrial world.

41. What can we do better?

Megfontoltabban kellene osztogatni a felel Qséggel járó Manager pozíciókat. Túl sok a Manager de kevés az igazán jó stratégia. Nem mindig működnek a különböző Q Business Line-ok összehangoltan, ez BLM felelQsség ahol hiányosságot érzek. A Product támogatás elégtelen, ennek hátterében a global Product Manager pozíciók (Stockholm) állnak. Ezen területekre sokkal tapasztaltabb emberek kellenének!

41. What can we do better?

szybszy przepByw informacji mi dzy wspóBpracownikami

42. Why are we so good?

Kvalitní zázemí, kompetentní a schopní lidé na vedoucích pozicích, dobrá organizace a vnitřní struktura

42. Why are we so good?

Mame kvalitní produkt, jasnou strategii a cíle

41. What can we do better?

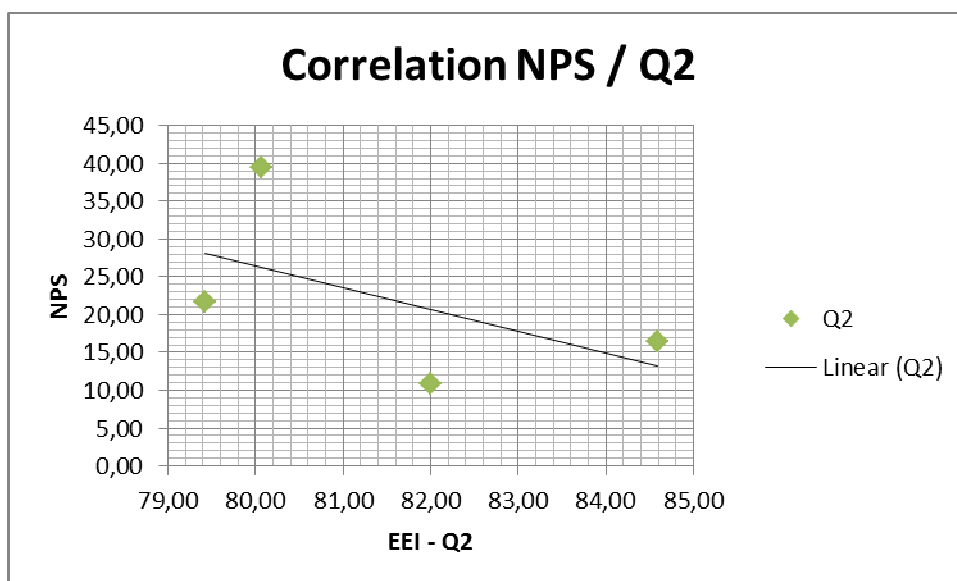
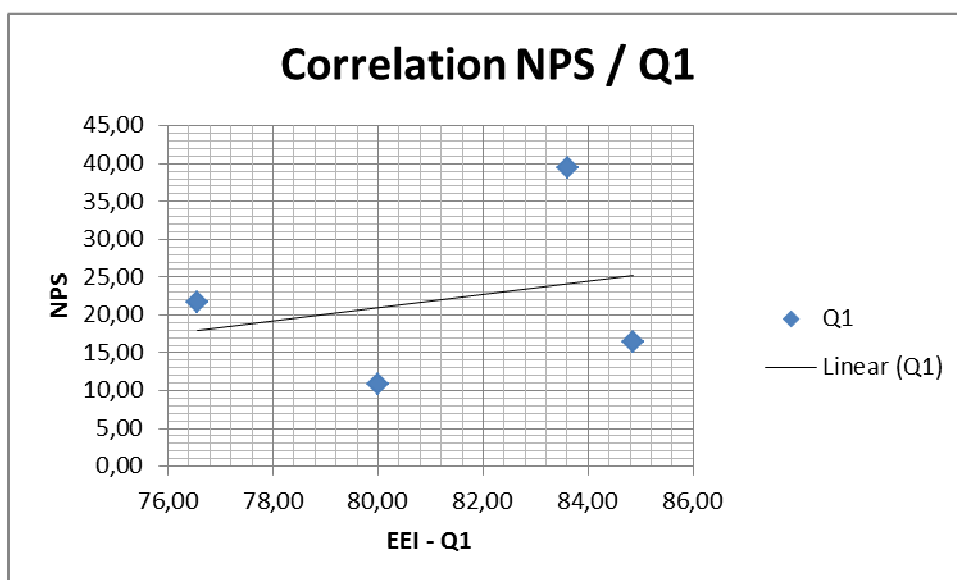
Ve je sodelovanje med skupinami na regionalnih in globalnem nivoju

42. Why are we so good?

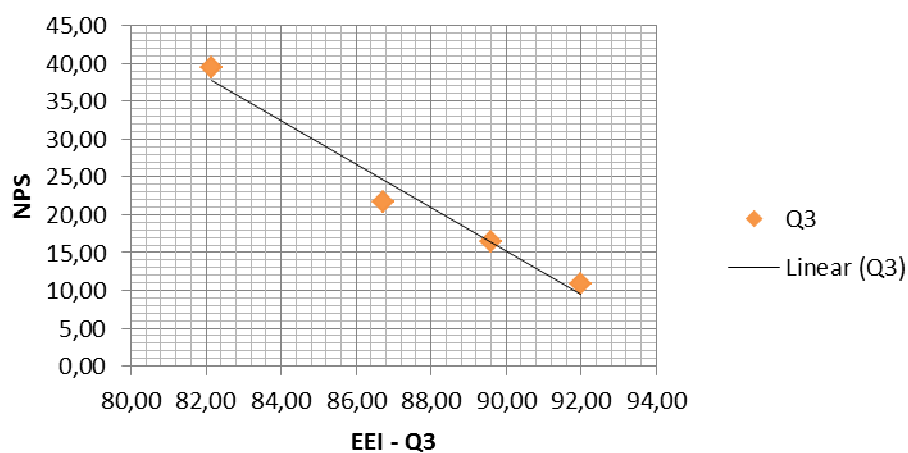
Dbamy o bycie liderem na rynku

Anex 6 (2 pages) – EFI – NPS correlation calculation detail results (charts, tables)

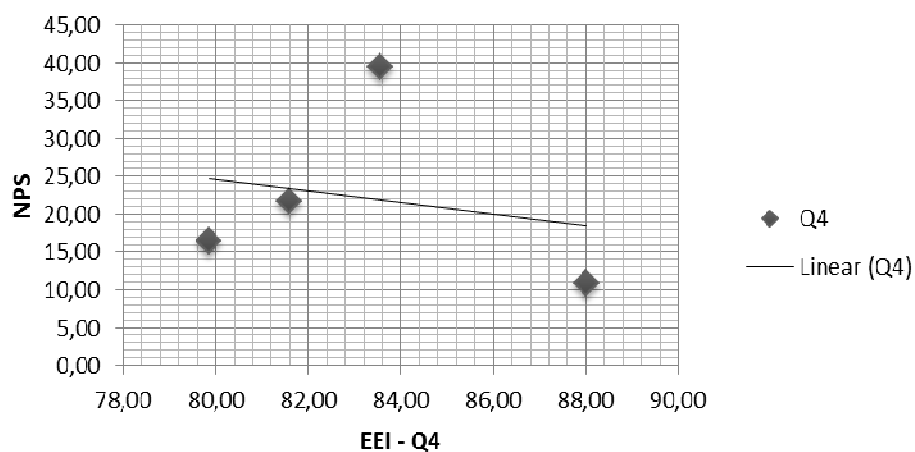
EEI question/year	2008	2010	2012	2014		correl.coef.
Q1	80,00	76,57	84,85	83,61	Q1/NPS	0,268
Q2	82,00	79,43	84,59	80,08	Q2/NPS	-0,542
Q3	92,00	86,71	89,59	82,16	Q3/NPS	-0,984
Q4	88,00	81,57	79,85	83,56	Q4/NPS	-0,215
Q5	78,00	69,71	76,47	65,46	Q5/NPS	-0,940
Q6	70,00	64,86	50,53	48,32	Q6/NPS	-0,669
NPS	10,90	21,60	16,50	39,50		



Correlation NPS / Q3



Correlation NPS / Q4



Correlation NPS / Q5

