



Employee Experience Report

Survey of Small Business Owners
& HR Managers

October 2020

The Employee Experience Era

For years, we've been told, "customer experience is king." But if the challenges of 2020 have had one positive outcome, it's been to finally crack that perspective wide open. The importance of the employee experience and its ties to customer loyalty, business growth, and longevity are no longer theoretical—they're mission-critical. Our people understand their worth, and they're asking for more: more opportunities, more growth, and more trust. They're showing us they're no longer satisfied to work for an organization that performs well and provides good pay. They're asking for more than free lunches, perks, and fun offsites. They're asking to be seen as the true contributors they are.

Delivering a quality employee experience means empowering your people, aligning your motivations, and creating shared values. At BambooHR, we believe employee experience is the foundation on which you build your business, especially in times of change and disruption. Our first-ever employee experience report asked 300 HR decision makers in organizations with 26-500 employees to share their perspectives on employee experience and the ways they're responding to and managing in the employee experience era.

Some of the highlights of what we learned:

There is mixed understanding of the importance of employee experience

Compared to other metrics of organizational health, employee experience (EX) ranks near the bottom of the pack in terms of priority to small businesses. It is recognized as a critical measure of organizational health by less than half of small business owners and HR leaders, reflecting a misunderstanding of the importance of EX in business performance.

EX and CX leaders operate in silos—even in small businesses

While many business leaders struggle to understand the role EX plays in overall business performance, the vast majority consider customer experience (CX) very important to their organization, and many say EX has a meaningful impact on CX at their organization. Business owners and managers seem to understand intuitively that happy employees make for happy customers, even if they do not fully understand all the implications for their business.

Business leaders involved in HR perceive career-related factors such as compensation, career growth, and performance reviews to be far more important than bonus perks such as on-site amenities, free food and snacks, and company recreational events to building both positive EX and CX outcomes. Despite this, however, there remains a large disconnect between the departments responsible for EX versus those involved in CX.

HR leaders have their hands full

Building a positive employee experience takes time, but, on average, small business owners and managers spend more time managing daily HR-related duties than they do on improving employee experience. This is true even among businesses that actively measure and value EX, indicating a disconnect between company values and the resources available to focus on the areas that matter most.

The problem of needing to dedicate more time to daily HR duties will likely only get worse as companies grow. Most small businesses are planning to grow over the next few years, which will likely increase HR responsibilities. In fact, two thirds of business owners and managers expect their HR-related duties to increase in the coming year, and over a third anticipate needing to devote more resources to HR as their organization grows.

Where to start?

So, how do we all move forward from here and improve the employee experience, starting from where we are? Employee engagement is a continual process rather than a “one-and-done” activity, but the following framework can help you get started:

- **Live your mission:** Mission statements need to go beyond words on a poster. Help your employees understand the “why” behind the words in order to get them to buy in and act on your mission as they make decisions and solve problems.
- **Focus on people:** It might sound trite, but it bears repeating: your people are your most important asset. Your company accomplishes nothing without them. Now is the time to prioritize your relationship with your employees.
- **Feedback is a gift:** Feedback should be immediate and bi-directional. Give your employees the gift of feedback and implement channels for them to give it to you as well.
- **Communicate consistently:** Talk with your employees regularly about how your business is doing and your plans moving forward. This shows employees they are a valuable part of your company and you appreciate their input and opinions.
- **Listen and learn:** Clearly define who at your organization is monitoring and promoting your employee experience. Use the data available to you—your eNPS®, turnover rates, and Glassdoor reviews—but make an effort to step back and look for the trends, look for the patterns and figure out what your employees truly need so you can give them incredible employee experience.

Survey Methodology

We surveyed 302 small business owners and managers who have key influence over HR decisions in their organizations.

LOI

15 minutes

Survey Fielded

September 23 - 30

Reponses

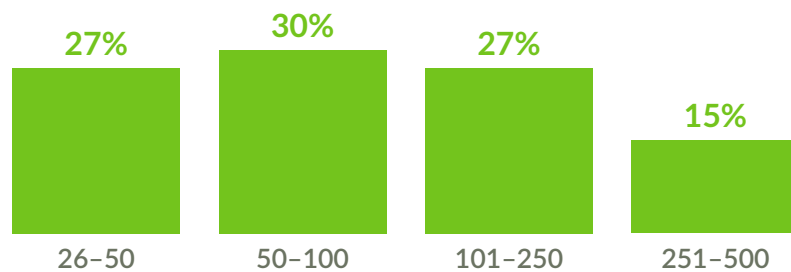
302 respondents

- All respondents met the following general requirements:
 - 18 or older
 - Employed full time or self-employed
 - Came from a variety of regions within the U.S.
- They also met the following requirements regarding their employment:
 - Work at an organization with between 26-500 employees
 - Have the role of human resources (HR), recruiter, business owner, business manager, or C-suite/executive
 - Have at least some influence on decisions regarding HR policies and HR tools used at their organization

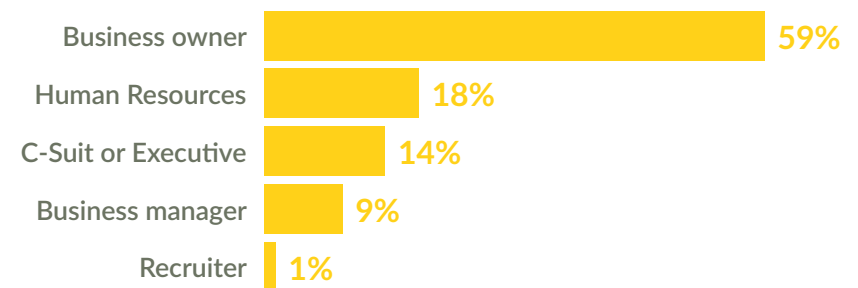
Respondent Demographics

Respondents have a wide distribution of employees at their organization and come from across the United States. Most of them are business owners between the ages of 35 and 54.

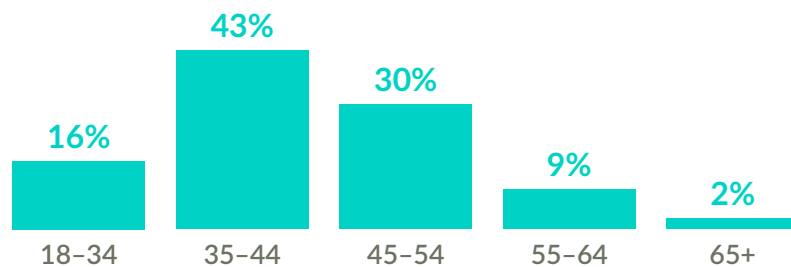
Number of Employees



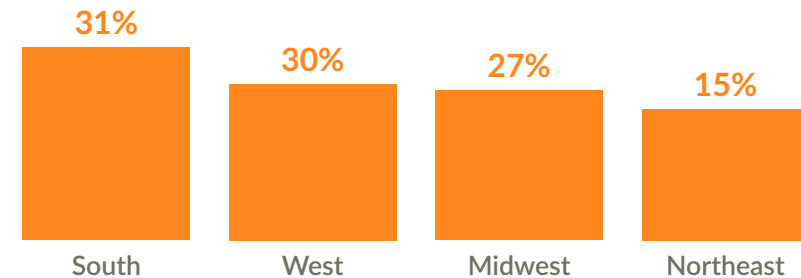
Role



Age



Region



Q1: Please indicate the total number of employees in your organization (including all locations). (n = 302)

Q3: In what year were you born? (n = 302)

Q2: Which of the following best describes your current role within your organization? (n = 302)

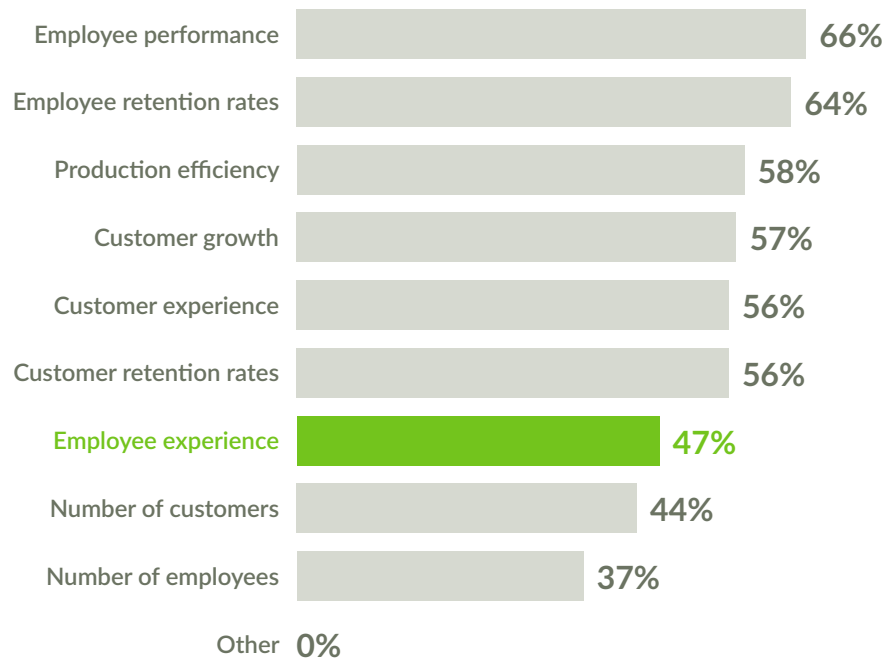
Q4: In which state do you currently work? (n = 302)

Section 1: Culture

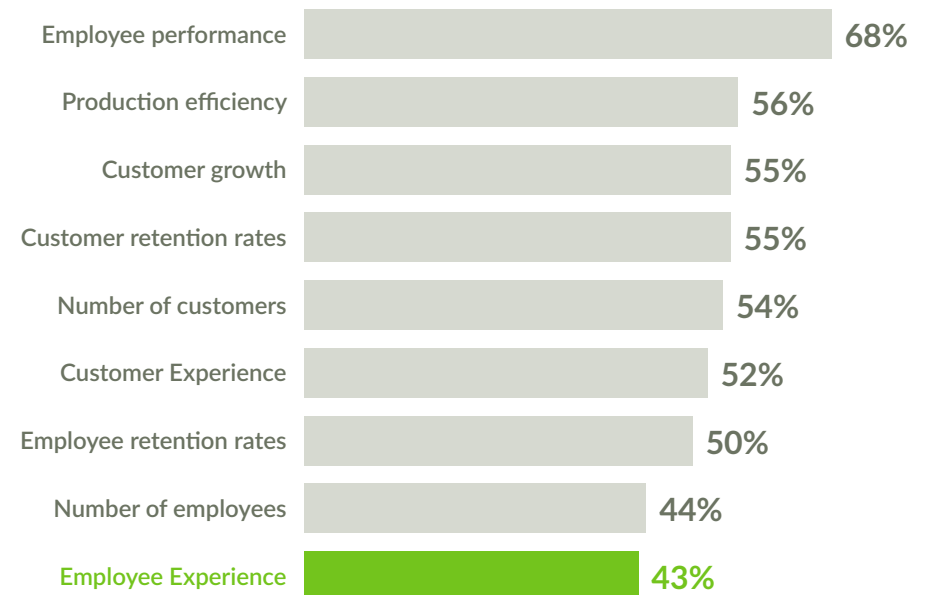
Employee experience ranks below other performance metrics in terms of priority

Less than half of small business leaders (47%) consider employee experience a critical measure of an organization's health, ranking it behind other metrics including employee performance and retention rates. Similarly, only 43% of companies actively measure employee experience, ranking it below all other metrics.

Critical Measures of an Organization's Health



Metrics Actively Measured by Organizations



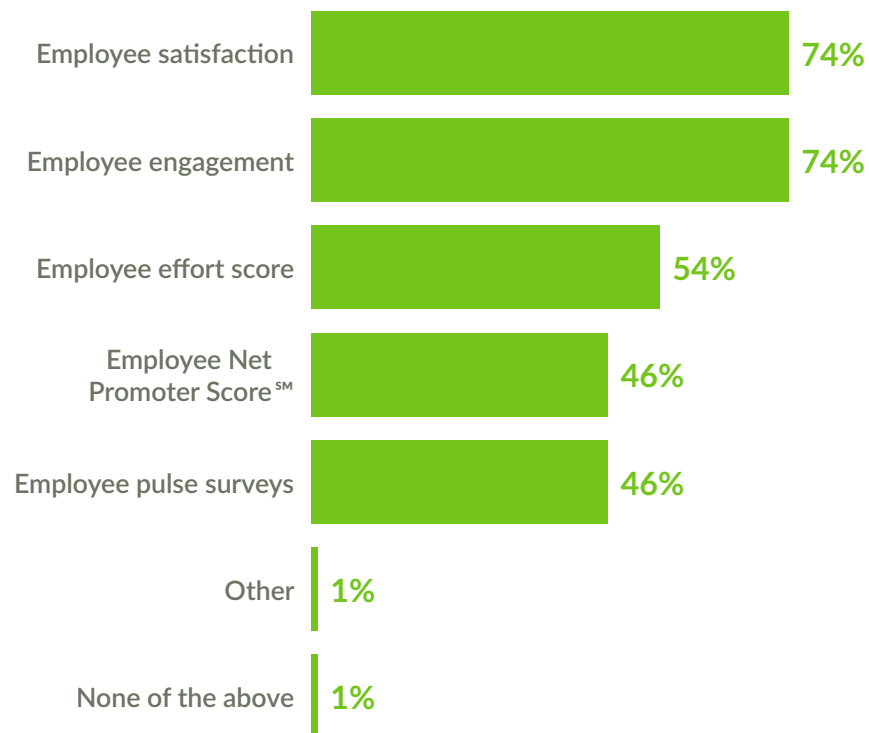
Q1: Aside from fiscal measures, which of the following, if any, do you consider critical internal measures of an organization's health? Please select all that apply. (n = 302)

Q2: Which of the following, if any, does your organization actively measure? Please select all that apply. (n =302)

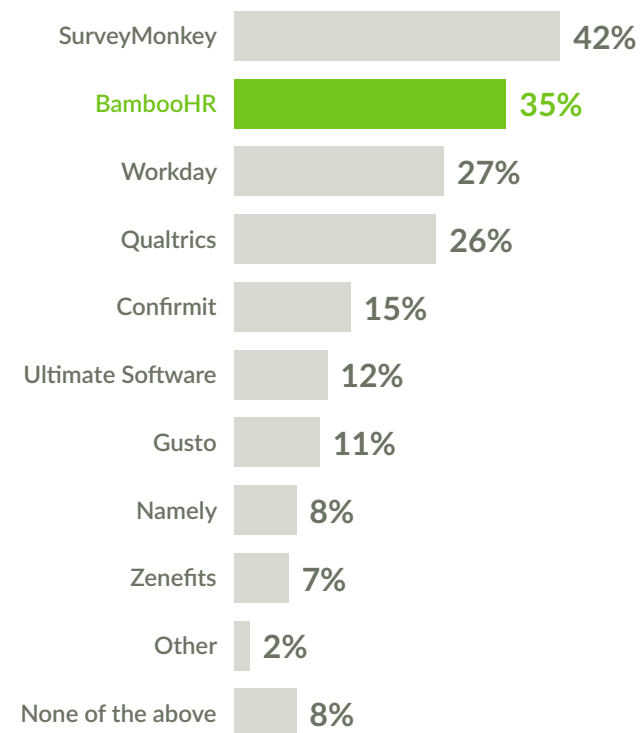
BambooHR® ranks 2nd for tools used to measure employee experience

Among businesses that actively measure employee experience, 35% currently use BambooHR. Closely ranked with BambooHR are non-HR-specific software tools such as SurveyMonkey or Qualtrics. The most common metrics used to measure EX are employee satisfaction and employee engagement.

Metrics Used to Measure Employee Experience



Software Used for Measuring Employee Experience



Q1: Which of the following tools, if any, does your organization use to measure employee experience? Please select all that apply. (n = 129)

(Asked only of respondents who say they measure employee experience)

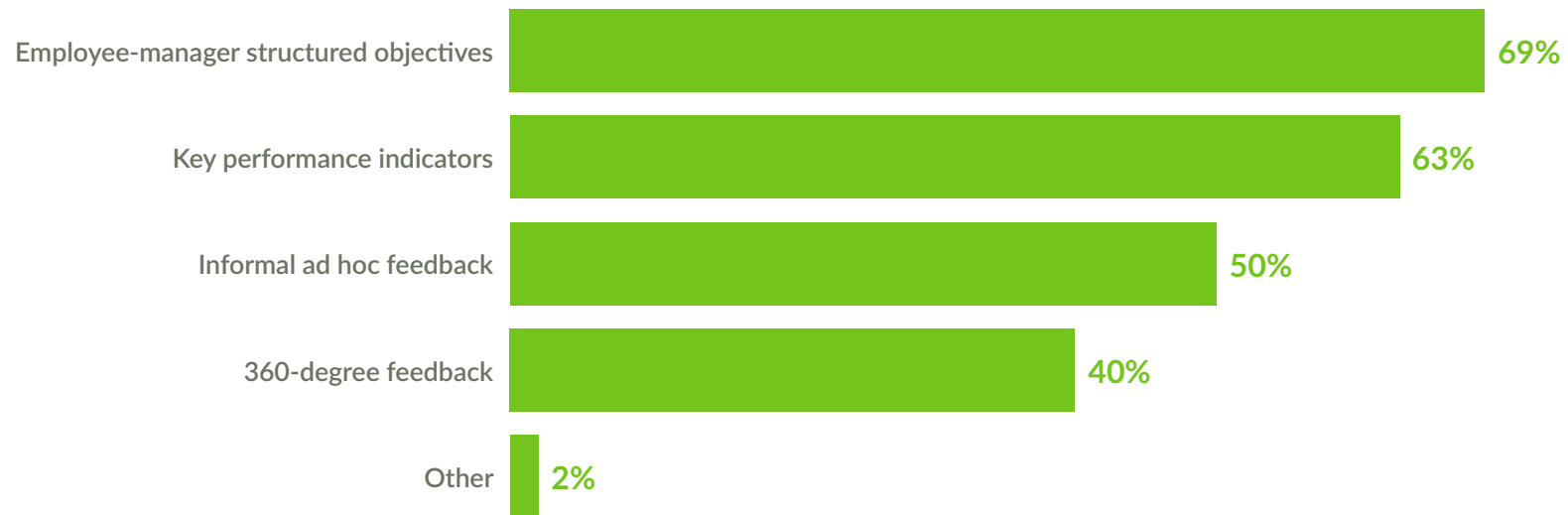
Q2: Which of the following software tools, if any, does your organization currently use to measure employee experience? Please select all that apply. (n = 129)

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Employee performance metrics commonly involve structured objectives and key indicators

Among businesses that actively measure employee performance, the majority use formal metrics such as employee-manager structured objectives (69%) or key performance indicators (63%). Less formal discussions and ad hoc feedback are less-common ways of measuring employee performance.

Metrics Used for Measuring Employee Performance



Q: Which of the following tools, if any, does your organization use to measure employee performance? Please select all that apply. (n = 129)

(Asked only of respondents who say they measure employee experience)

Some leaders recognize employee experience for improving performance, growth, and customer satisfaction

Business leaders who believe employee experience to be a critical measure of organizational health cite reasons such as better employee performance, increased job satisfaction, reduced turnover, better customer experience and satisfaction, higher profits, and improved company morale.

"Employees who are satisfied with their job will work harder to perform better"

"If employees are not happy you have turnover—that is expensive"

"Employees want to feel like they are part of the company. They are not just another worker. If they get that then they will enjoy their job and want to stay"

"A critical contribution the HR function will make is helping to design and deliver exceptional employee experiences. Consistent EX can improve individual, team & business performance"

"Employees are your greatest strength. Without them you don't have an organization"

"Employees that are happy at work perform better"

"Directly related to company annual performance and numbers and future growth"

"Happy and satisfied employees will provide better service to customers and helps in business growth"

"Employee experience is a critical measure of an organization's health because if employee experience is good then customer experience will also be good"

"Strengthening the employee experience has numerous benefits that are all associated with employee job satisfaction leading to higher profits and better marketplace positioning"

"Because my employees are what drives the business. It is critical that their experience is good...because if they are unhappy, it translates into lost business because of unhappy employees and unhappy customers"

"Businesses are the most successful when their own employees take ownership and pride in their work"

"Employees want to feel like they are part of the company. They are not just another worker. If they get that then they will enjoy their job and want to stay"

Q: In your opinion, why is employee experience a critical measure of an organization's health? (n = 143)

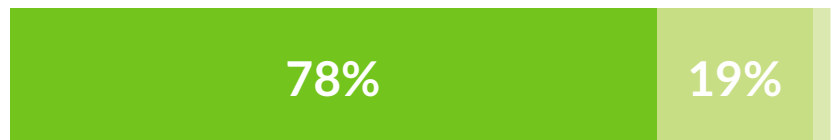
(Asked only of respondents who consider employee experience a critical measure of an organization's health)

Nearly all small business leaders recognize the importance of customer experience

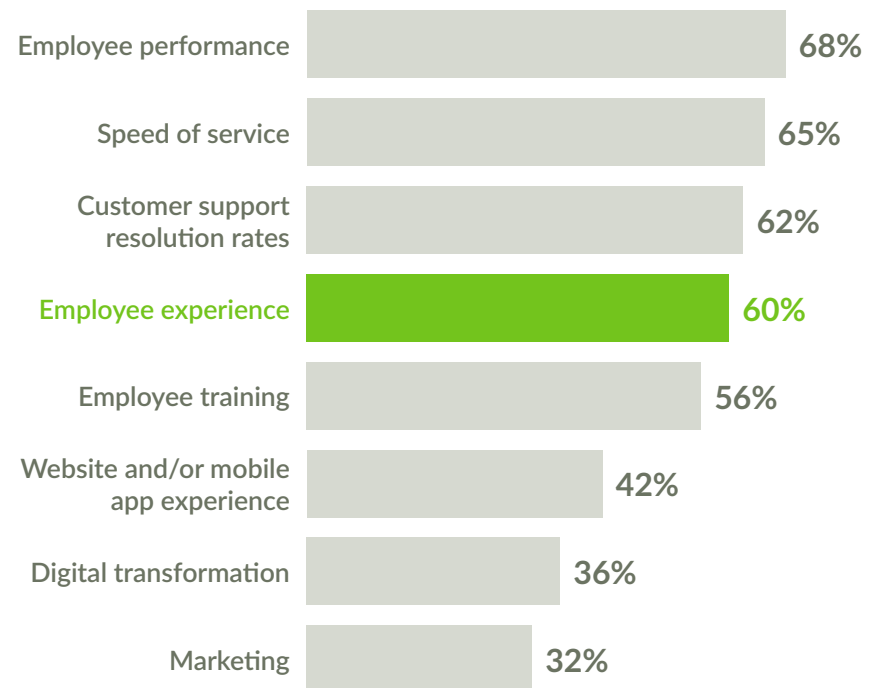
While many business leaders struggle to understand the role EX plays in overall business performance, the vast majority (97%) consider CX very important to their organization, and over half (60%) say EX has a meaningful impact on CX at their organization.

Perceived Importance of Customer Experience

- Very important
- Somewhat important
- Not very important
- Not at all important



Factors That Impact Customer Experience



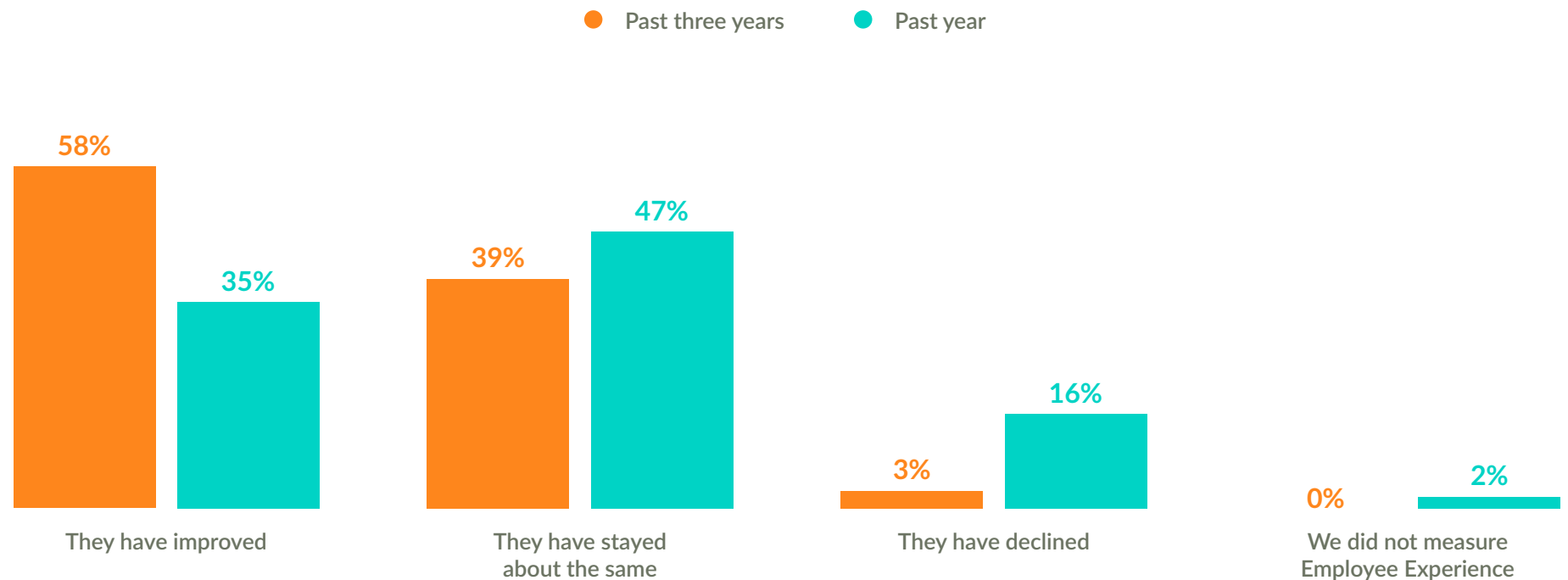
Q1: To your organization, how important, if at all, is customer experience? (n = 302)

Q2: In your opinion, which of the following, if any, have a meaningful impact on customer experience at your organization? Please select all that apply. (n = 302)

For most small businesses, employee experience is stagnant or declining

Among businesses that actively measure employee experience, nearly $\frac{2}{3}$ report that EX metrics have NOT improved in their organization over the past year. When considering EX trends over the past three years, nearly half of these organizations (42%) still reveal opportunity for improvement.

Employee Experience Metrics over Time



Q: And thinking over the past three years, have metrics for employee experience at your organization generally improved, declined, or have they stayed the same? (n = 129)

Majority report that employee experience influences customer experience “to a great extent”

Over 90% of business leaders indicate that the employee experience influences their customers' experience to at least a “moderate extent,” and 62% say EX influences CX “to a great extent.” Business leaders seem to intuitively understand that happy employees make for happy customers, even if not all of them understand the full impact of the employee experience.

Employee Experience Impact on Customer Experience

● To a great extent ● To a moderate extent ● To a small extent ● Not at all



“It makes for a more productive and friendly environment”

“Happy employees make for happy customers”

“The way you treat your employees reflects the way your employees treat your customers”

“When an employee experiences feelings of positivity, they’re more likely to do great work, innovate, and create a positive experience for customers”

“If employees are happy, they will do a better job of making sure customers are happy”

“Happy and engaged employees create better experiences, which leads to more satisfied and loyal customers and ultimately brand and company growth”

“Employees will invest more in their relationship with the client”

“There is an undeniable link between employee experience and customer experience... Study after study has shown that investing in employee experience impacts CX and can generate a high ROI for the company”

“If our employees feel appreciated by the organization, they will be more productive and friendlier toward our customers.”

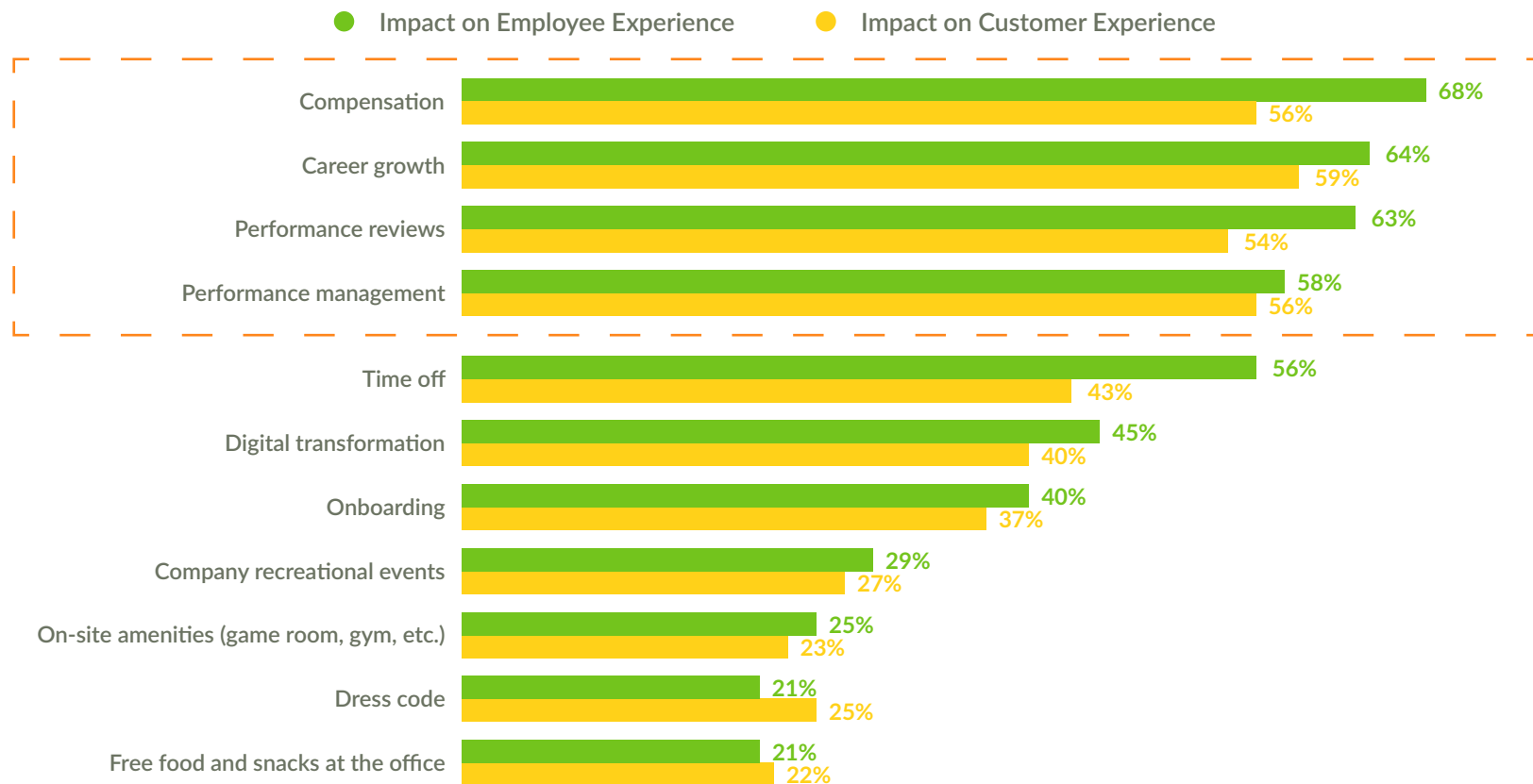
Q1: In your opinion, to what extent does your employees' experience influence your customers' experience? (n = 302)

Q2: In what ways does employee experience influence customer experience at your organization? (n = 299)

Drivers of employee experience and customer experience go hand-in-hand

The policy aspects that are perceived to have the greatest impact on building a positive employee experience are similarly perceived to be top factors influencing customer experience, namely: compensation, career growth, performance reviews, and performance management.

HR Impact on Employee and Customer Experience



Q1: In your opinion, how important are each of the following in building a positive employee experience? (% top box) (n = 302)

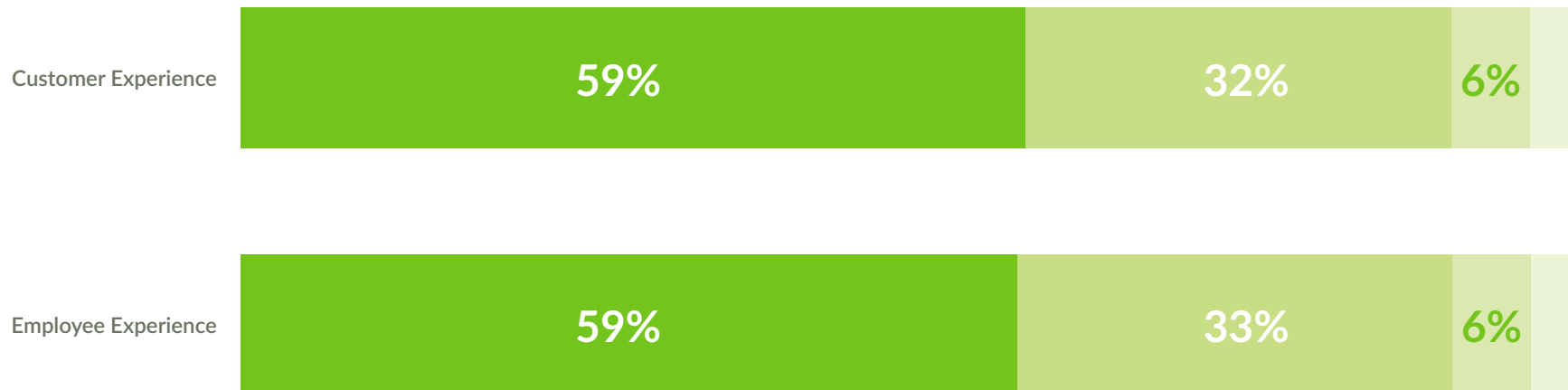
Q2: In your opinion, how much do each of the following aspects of employee experience impact customer experience? (% top box) (n = 302)

Diversity has a positive impact on both CX and EX

HR professionals perceive diversity among employees to have an identically positive effect on both customer experience and employee experience.

Workplace Diversity Impact on Employee and Customer Experience

● To a great extent ● To a moderate extent ● To a small extent ● Not at all



Q: In your opinion, to what extent, if any, does diversity among employees have a positive effect on each of the following? (n = 302)

Section 2: HR Functions

Business leaders see disconnect between those responsible for EX and those responsible for CX

Despite some recognizing the influence customer experience has on employee experience, most small business professionals see completely different departments as being responsible for each outcome.

Departments Responsible for Employee/Customer Experience



Q: Please indicate the person or department responsible for each of the following at your organization. (n=302)

Small businesses devote substantial resources to HR

On average, small business leaders devote 40% of their work hours to quotidian HR duties such as onboarding and payroll, and companies spend an average of \$15k per month on compensation-related software alone. By contrast, these leaders devote only 34% of their work hours to improving employee experience.

Task	Average Number of Employees Involved in Task	Average Dollars Spent Per Month on Software for Task
Hiring and Onboarding	6	\$4,459
Compensation	7	\$15,194
Culture	10	\$3,036
Ongoing training and Continuing Education	8	\$4,358

Average Percentage of Work Hours Devoted to:



Q1: What percentage of your time last week did you devote to [HR-related duties (e.g. hiring, onboarding, payroll, etc.)] / [improving employee experience]? (n=302)

Q2: How many employees are involved in each of the following tasks at your organization? (n=302)

Q3: How much money does your organization spend per month on software to assist in each of the following tasks? (n=302)

Even organizations that value and measure EX spend more time on daily HR tasks than on improving EX

Even in companies where employee experience is valued and actively measured, small business leaders spend nearly 50% of their work hours on daily HR duties and only 41% on improving EX. No matter the role, small business leaders spend a significant percentage of their work hours on quotidian HR-duties.

Average Percentage of Work Hours Devoted to:

Organizations that value and measure Employee Experience

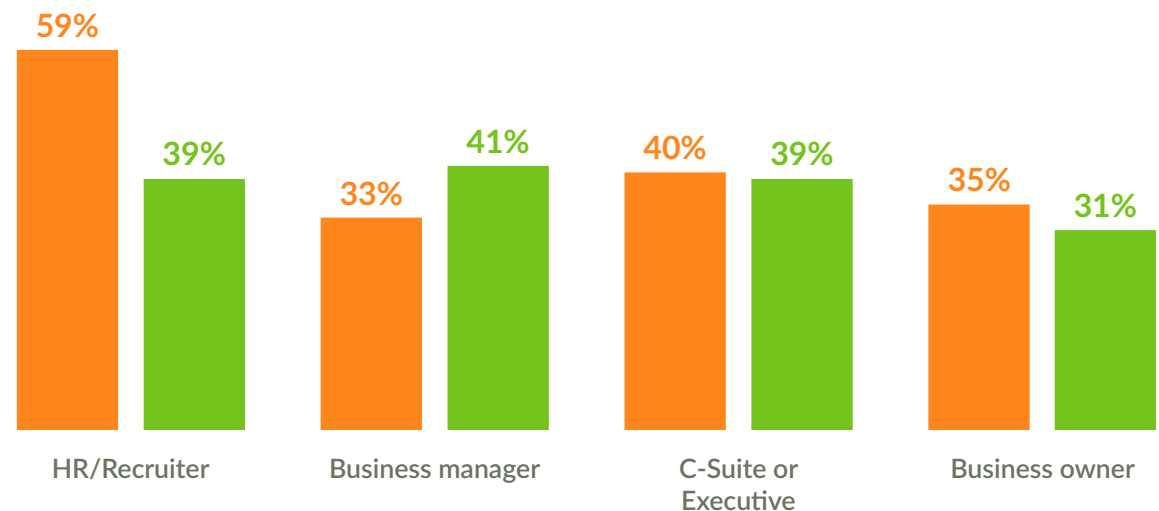
48%
41%

Organizations that do not value and measure employee experience

37%
32%

Average Percentage of Work Hours Devoted to HR Duties by Role

● HR duties ● Employee Experience

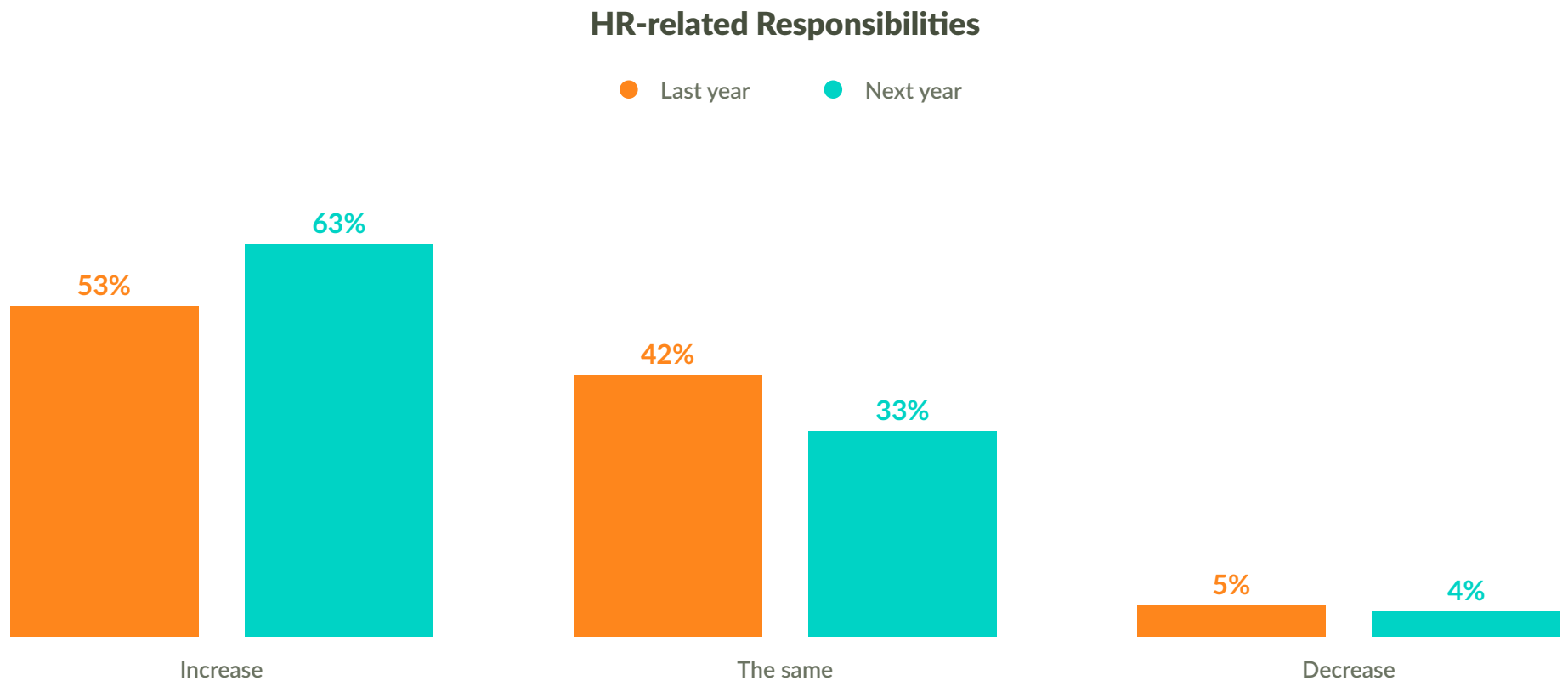


Q1: What percentage of your time last week did you devote to [HR-related duties (e.g. hiring, onboarding, payroll, etc.)] / [improving Employee Experience]? (n=302)

Q2: Which of the following best describes your current role within your organization? (n=302)

Majority of leaders expect HR duties to increase

More than half of small business leaders (53%) have experienced an increase in their HR-related duties over the past year, and even more (63%) expect those duties to increase next year. As responsibilities expand, so will the need for HR software to help leaders focus on the most important aspects of employee experience.



Q1: Thinking over this past year, would you say that your HR-related responsibilities have increased, decreased, or stayed the same? (n=302)

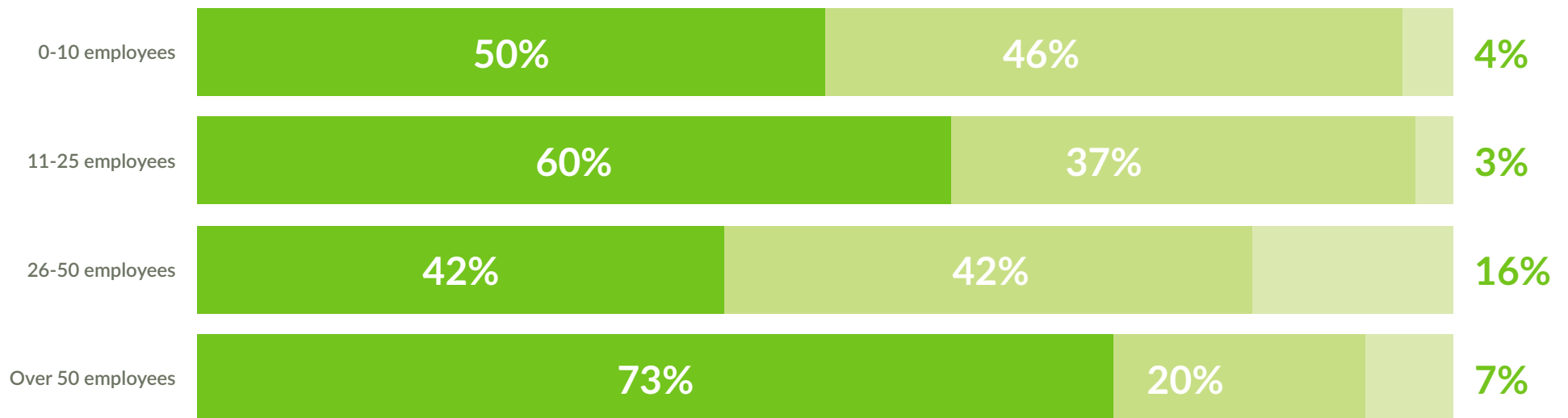
Q2: Looking forward to next year, do you predict that your HR-related responsibilities will increase, decrease, or stay the same? (n=302)

Organizations of all sizes see increase in HR duties

Organizations that have experienced the most employee growth over the past year are the most likely to say that their HR responsibilities have increased. However, even companies with less growth have seen an increase in HR responsibilities, indicating a need for HR assistance across all types of organizations.

HR-related Responsibilities by Employee Growth

● Increased ● Stayed the same ● Decreased



Q1: How many employees, if any, has your organization added over the past year? (n=302)

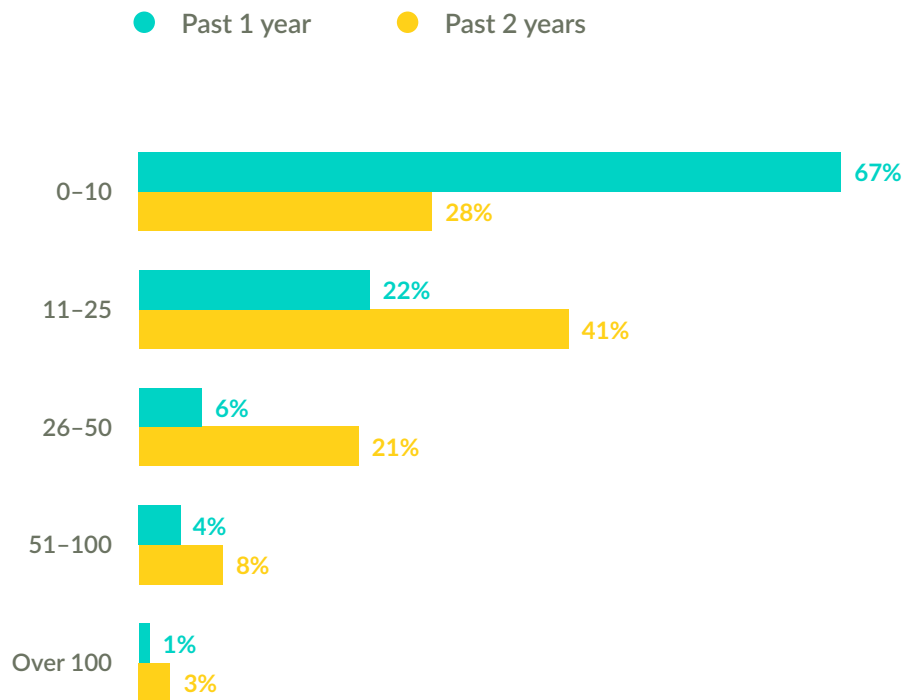
Q2: Thinking over this past year, would you say that your HR-related responsibilities have increased, decreased, or stayed the same? (n=302)

Section 3: Growth

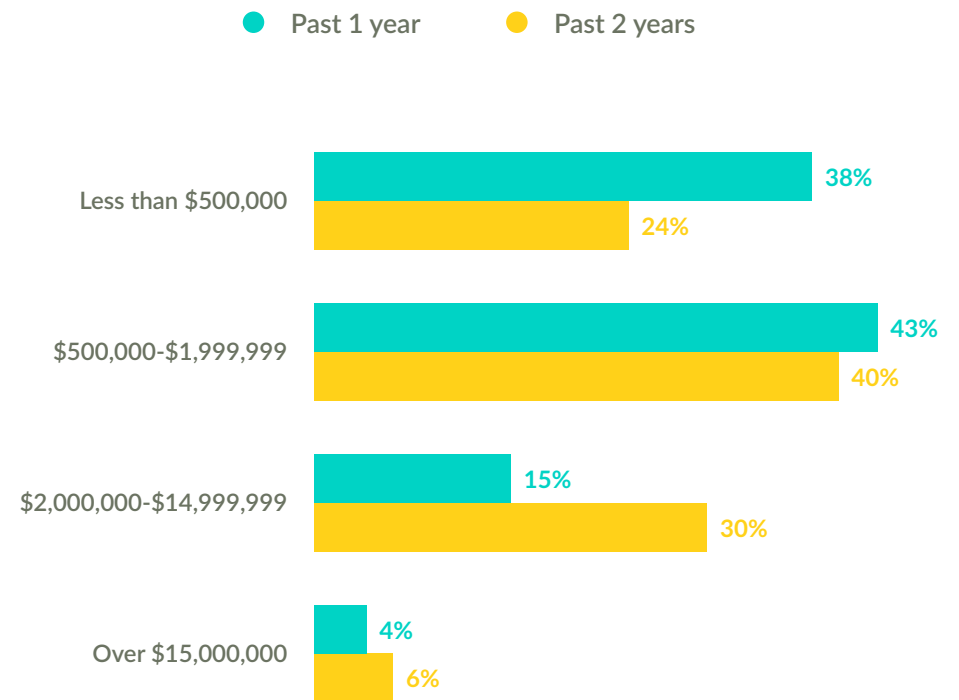
Majority of small businesses experience both employee and revenue growth

Of those surveyed, $\frac{3}{4}$ report that their organization has gained 11 or more employees in the last two years, and $\frac{3}{4}$ also indicate that they have seen revenue growth of more than \$500k in the same period.

Employee Growth



Revenue Growth



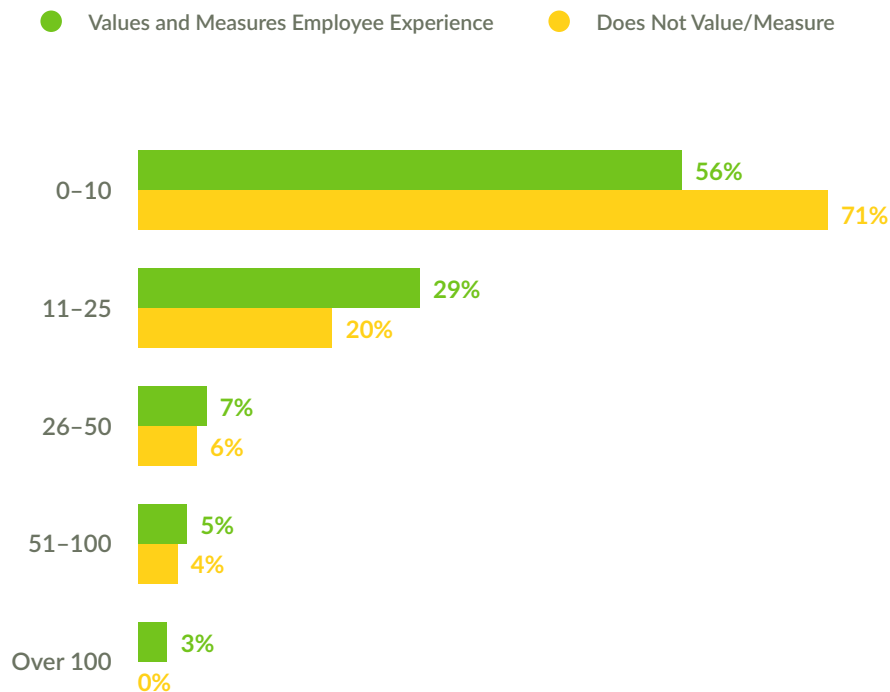
Q1: How many employees, if any, has your organization added over the past year? How about over the past two years? (n=302)

Q2: How much revenue growth, if any, has your organization experienced over the past year? How about over the past two years? (n=302)

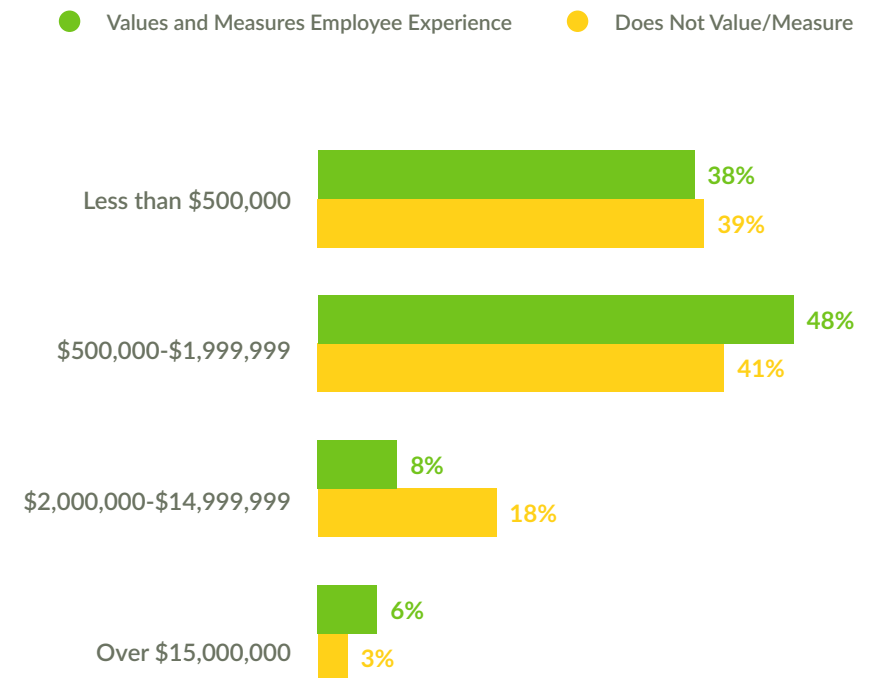
Companies that actively measure EX see slightly larger growth

Companies that value and measure employee experience are more likely (+15 percentage points) to have gained more than 10 employees compared to those who do not value or measure EX.

Employee Growth by Employee Experience



Revenue Growth by Employee Experience



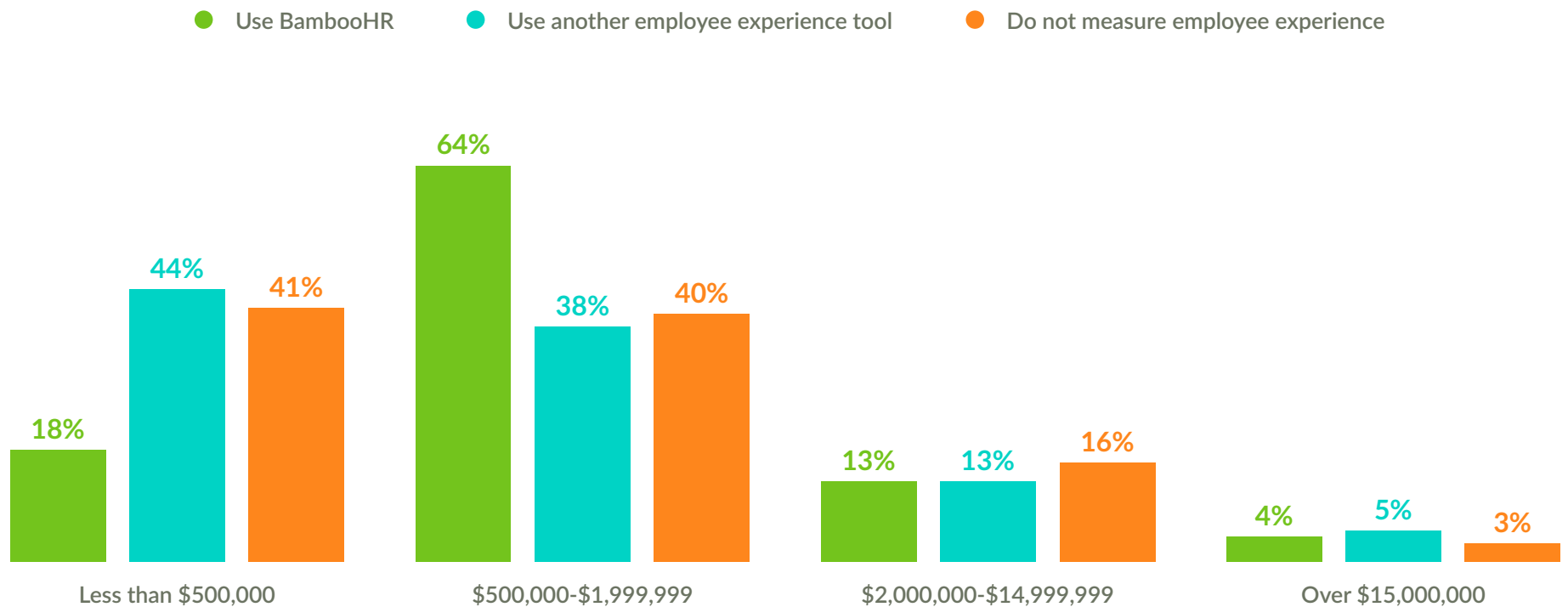
Q1: How many employees, if any, has your organization added over the past year? (n=302)

Q2: How much revenue growth, if any, has your organization experienced over the past year? (n=302)

Using BambooHR is correlated with higher revenue growth

Companies that use BambooHR to measure EX are significantly more likely (20+ percentage points) to have seen revenue growth of \$500k or more over the past year as compared to those who either do not measure employee experience or use another software.

Revenue Growth by Use of BambooHR



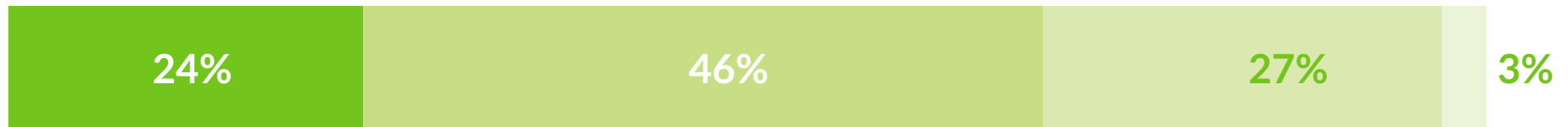
Q1: How much revenue growth, if any, has your organization experienced over the past year? (n=302)

Majority of organizations plan to grow

The majority of organizations surveyed plan to grow at least moderately over the next three years, with only 27% planning to maintain their size and 3% planning to downsize. In addition, 80% of small business leaders believe that growth has a positive impact on employee experience.

3 Year Growth Plans

● Grow substantially ● Grow moderately ● Maintain our current headcount ● Downsize



Growth Impact on Employee Experience

● A positive impact ● Little or no impact ● A negative impact



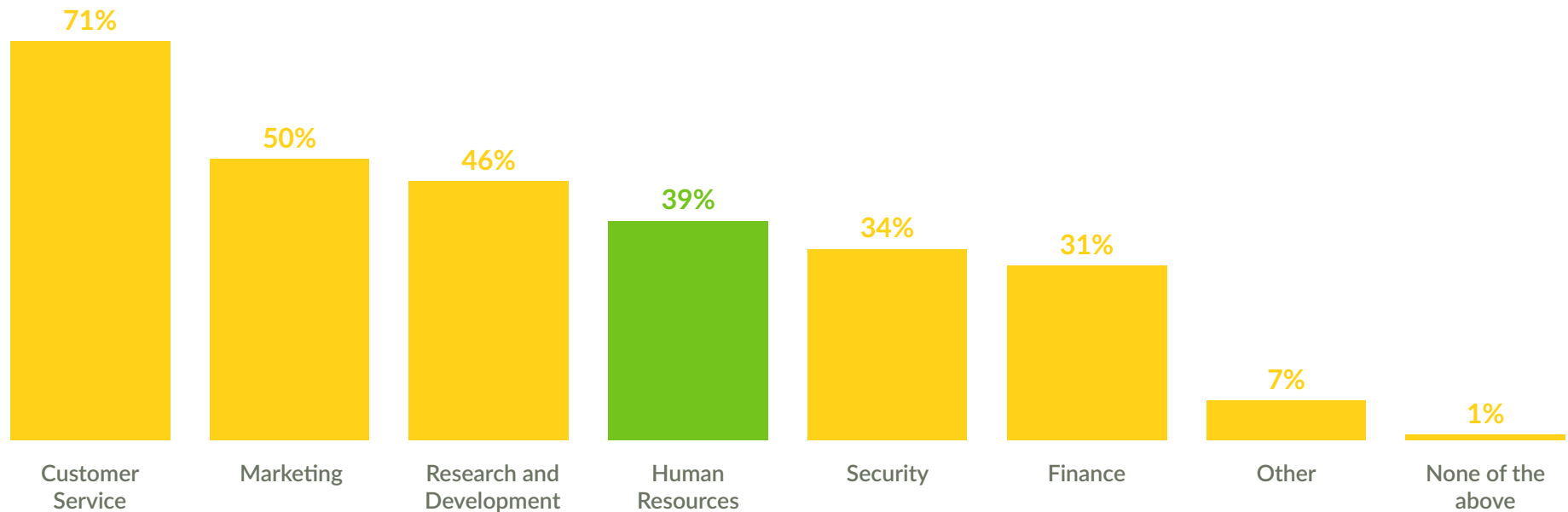
Q1: Which of the following best describes your organization's plans for the next three years? (n=302)

Q2: In your opinion, what impact, if any, does business growth have on employee experience? (n=302)

39% of businesses plan to hire in HR as they grow

Among organizations planning to grow over the next three years, 39% plan to hire in HR. As businesses invest more resources in building their HR departments, they may consider using BambooHR as an efficient way to expand the capabilities of existing HR staff and eliminate time-consuming busywork.

Expected Departments for Hiring



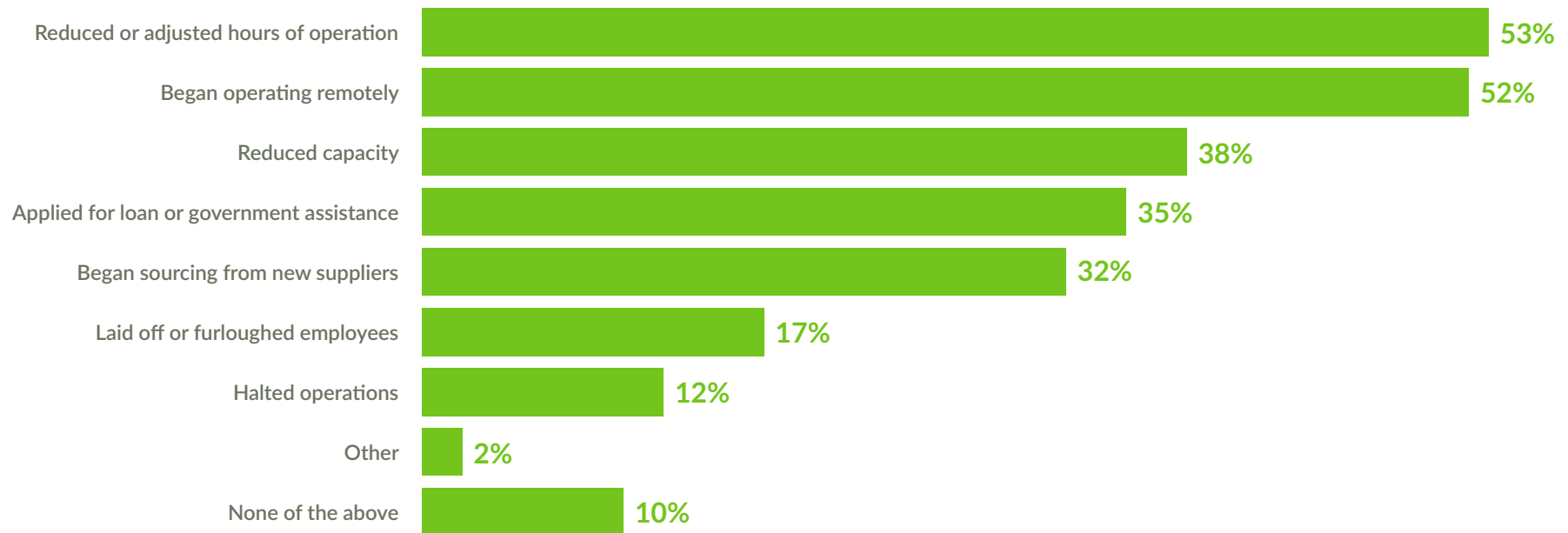
Q: In which of the following departments, if any, do you anticipate hiring as your organization grows? Please select all that apply. (n=212)

Section 4: COVID

Majority of small businesses negatively impacted by pandemic

Of the small business leaders surveyed, over half (53%) report that their organization reduced or adjusted hours of operation, and 52% began operating remotely. A small proportion of organizations were forced to take more drastic measures, laying off or furloughing employees (17%) or halting operations altogether (12%).

Organizational Responses to COVID



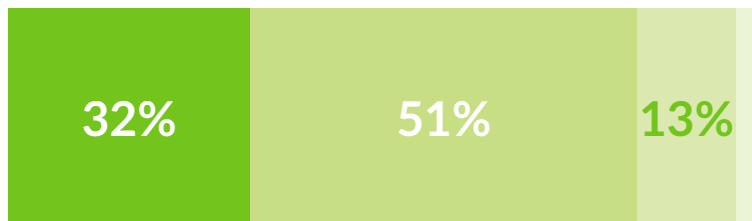
Q: Which of the following actions, if any, has your organization taken in response to the COVID-19 pandemic? Please select all that apply. (n=302)

Majority of organizations felt at least somewhat prepared for transition to remote work

Among business leaders that began operating remotely due to COVID-19, 83% report that their organization was at least somewhat prepared for the transition. The vast majority of these organizations implemented new strategies to assist their employees in working remotely including providing equipment (77%), providing training (76%), and implementing new tools (72%).

Preparedness to Operate Remotely

- Very prepared
- Somewhat prepared
- Not very prepared
- Not at all prepared



Assistance Offered to Employees Working Remotely



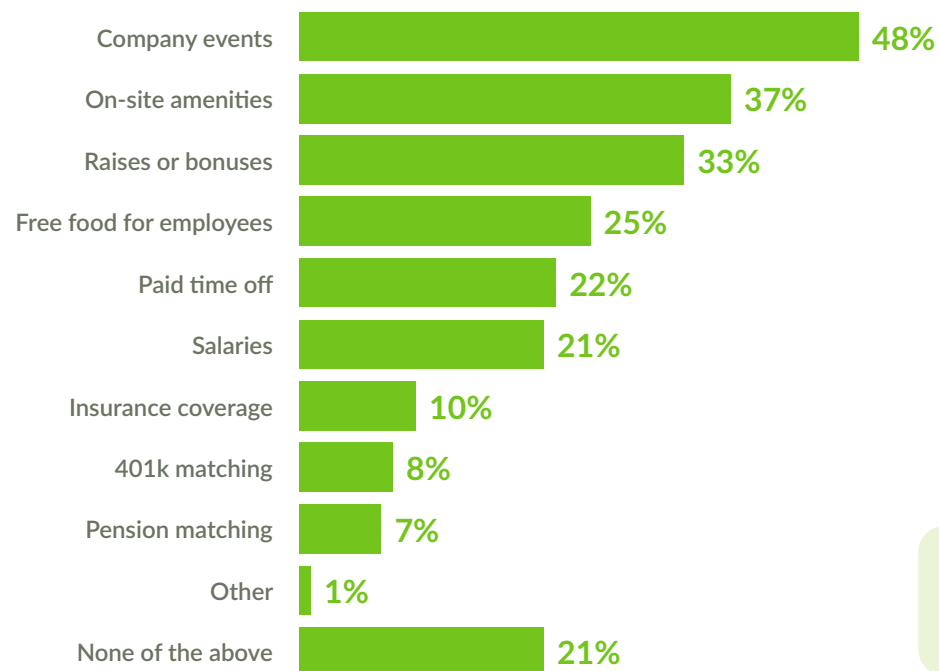
Q1: In your opinion, how prepared was your organization for the transition to operating remotely? (n=158)

Q2: Which of the following actions, if any, has your organization taken to assist employees in the transition to working remotely? Please select all that apply. (n=158)

Due to COVID-19, businesses reduce benefits and focus on key aspects of employee experience

As a result of COVID-19, small businesses have reduced or eliminated several of the benefits they provided prior to the pandemic. The most commonly reduced benefits are company events (48%), on-site amenities (37%) and raises or bonuses (33%). In addition, business leaders claim that since the onset of the pandemic, they have placed high priority on keeping employees safe and healthy, staying connected, and providing job security.

Employee Benefits Cut for COVID



"Keeping employees safe and employed"

"Communication"

"Safe work environment"

"Trying to stay connected with all of our employees"

"Focusing on employee wellness and mental health"

"Job security and family safety is our primary goal"

"Employee's safety has become the most important aspect for our organization"

"Maintaining employee morale and company culture while everyone is working remotely"

"Maintaining benefits and salaries"

"Mental health and well being. We are working to make sure there is a focus on work-life balance especially for employees with small children"

Q1: Which of the following employee benefits, if any, has your organization cut or reduced as a response to COVID-19? Please select all that apply. (n=302)

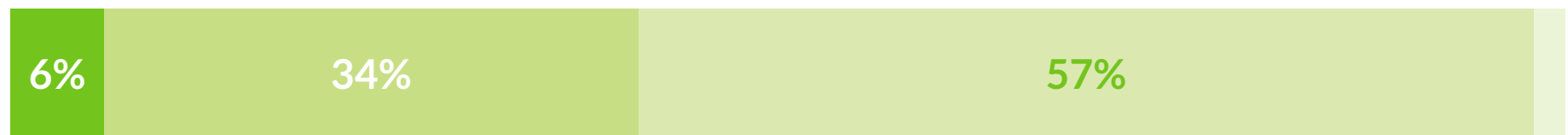
Q2: During the COVID-19 pandemic, what aspect(s) of employee experience have become the most important for your organization?

Nearly all small businesses share company performance metrics with employees at least yearly

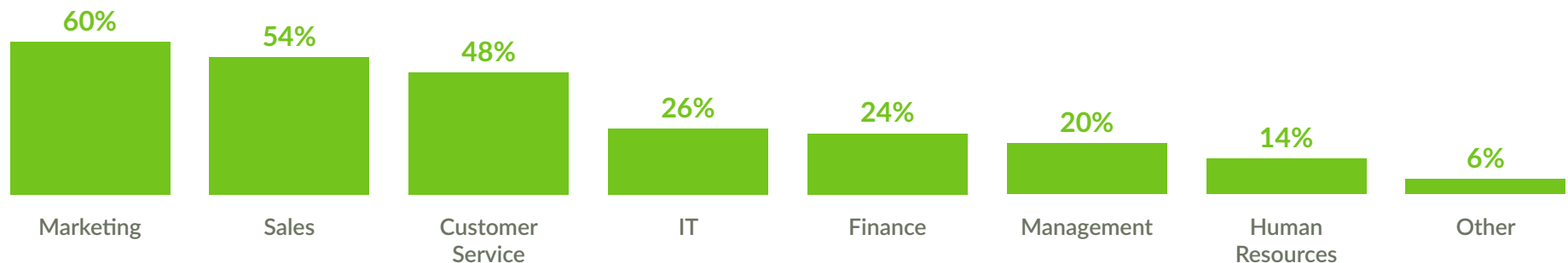
Transparency with employees is common across small businesses. While only 6% of businesses share performance metrics weekly, 40% share metrics as often as monthly, and 97% share metrics at least annually. Among organizations that laid off or furloughed employees, over half laid off employees in marketing or sales departments. By contrast, only 14% laid off HR employees.

Frequency of Sharing Company Performance Metrics with Employees

● Grow substantially ● Grow moderately ● Maintain our current headcount ● Downsize



Departments with COVID Layoffs or Furloughs



Q1: How often, if at all, does your organization's leadership share key company performance metrics with all employees? (n=302)

Q2: You mentioned that your organization furloughed or laid off employees as a result of COVID-19. In which of the following departments did your organization furlough or lay off employees? (n=50)

Conclusion

HR leaders know that employees are no longer happy being cogs in the machine. They see that it's no longer satisfying to just work for a "winning" organization—one that merely performs well and provides good pay and stability. They understand that culture is more than perks, and that customer experience is tied to employee experience. 2020 has accelerated the transition to the employee experience era, and moving forward, the most successful businesses will invest in their people, mobilizing them to contribute to business success.