PUTTING PEOPLE FIRST: HOW VSP ACHIEVES HIGH EMPLOYEE SATISFACTION YEAR AFTER YEAR

VSP is the nation’s largest provider of eyecare benefits, with nearly 37 million members in its plan—more than any other healthcare organization in the country. Over the past decade, VSP has seen its workforce nearly triple, from 868 to 2,100 employees. During the same period, the company engaged in a multi-pronged effort to preserve and even improve its close-knit culture and high employee engagement. The result has been a sustained period of high employee satisfaction with VSP as a place to work.

VSP’s HR department recently stepped back to assess the results of its own efforts since its inception in 1992 and, in particular, to identify those programs it considered to be most successful in nurturing the high levels of employee satisfaction that the company enjoys. We report here on our major areas of focus and a number of the satisfaction-enhancing employee programs that have helped put VSP on Fortune’s list of the “100 Best Companies to Work For” for the last three years. © 2003 Wiley Periodicals, Inc.

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What began 50 years ago as a bold entrepreneurial venture by a small group of eye doctors in Oakland, California, is now the clear leader in a market characterized by increasing competition every year. VSP works exclusively with nearly 19,000 private-practice eye doctors in thousands of locations around the nation. Our 20,000 clients include employers of all sizes and types, including more than 175 companies in the Fortune 500. The majority of VSP’s staff is located near Sacramento, California—at its headquarters and its optical lab—with additional staff in an Eastern Operations Call Center in Columbus, Ohio, and twenty-five regional offices across the nation, a geographic dispersion that VSP must contend with in its employee satisfaction efforts. VSP’s success is attributable to many things, but it has its origins in the company’s Circle of Success, a concept that honors and values the needs of VSP’s four distinct constituencies, or “publics”: its clients, doctors, plan members, and—where it all starts—employees.

Despite the growth and geographic segmentation of VSP’s employee population, the last five years have seen an increase in already high

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employee satisfaction levels. Based on the survey results shown in <strong>Exhibit 1</strong>, satisfaction responses of good, very good, and excellent have risen from 93 percent in 1997 to 98 percent in 2001. From observations of employee behavior at VSP, we have found that maximum contribution occurs when there is a high level of satisfaction on the part of the employee. This collective satisfaction has translated into observable, quantifiable business impacts. More specifically, turnover at VSP declined during this same five-year period, as shown in <strong>Exhibit 2</strong>, from 23 percent in 1997 to 14 percent in 2001, with 12 percent projected for 2002. Likewise, recruiting costs have decreased significantly.

**TRACKING EMPLOYEE SATISFACTION**

VSP goes to great lengths to monitor employee satisfaction and understand what influences it. A special unit known as Customer Delight annually surveys every employee in the company—one fourth of the population each quarter. We also use an outside vendor to conduct an all-employee survey every other year. Together, these surveys gauge the “temperature” of the organization and point to areas that could use improvement.

Employee surveys are certainly not unique to VSP, but we think the attention VSP pays to addressing the issues identified through the surveys is quite remarkable. When a negative trend appears in a certain division or department, follow-up in the form of “drill-down” focus groups provides more details and specific suggestions for improvement. HR then offers assistance in creating action plans to make those improvements. Employees feel they are heard and truly valued, and department managers get the support they need to continuously improve.

In organizations that are truly successful, there is a certain intangible “it” you notice throughout the company: People are generally happy, the work environment is comfortable and welcoming, the sense you get when you walk through the door is that you’re in the right place. It may not be possible to fully account for all the factors that create this intangible “it,” but based

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**Exhibit 1. Employee Satisfaction at VSP**

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Exhibit 2. Employee Turnover at VSP

on the research we have conducted over the last several years, we have determined what we believe are the key drivers of employees’ satisfaction with VSP:

- Treating employees with respect and dignity
- An atmosphere of honesty and integrity
- The level of confidence in leadership
- The chances of achieving career objectives at VSP

Knowing these primary drivers has made it possible for us to focus our resources in those areas that will have a significant influence on people’s satisfaction with their work experience here.

The specific things that employees cite when they are asked why they like working at VSP and what makes the company special has led us to identify seven program areas, shown in Exhibit 3, that play a large role in satisfaction: namely, training and development, rewards and recognition, benefits, culture and environment, communication, values, and fun. Most of VSP’s satisfaction-enhancing programs fall into one or more of these areas.

Many of these programs are delivered to our employees at little or no cost to the organization, but the company also invests in programs with higher costs. The positive impact that high employee satisfaction has on the bottom line more than justifies these costs. But although the financial impact is important to us, employee satisfaction is fundamentally a corporate commitment to make VSP a great company to work for. For this reason, we make a conscious decision to continue investing—even in tight economic times—in our employees’ satisfaction.

RECRUITMENT AND SELECTION

Although it may not be uppermost in the minds of employees who have been with the company for a while, hiring people who are likely to be successful at VSP is a first and very important step towards creating a satisfied employee. During the
extremely high-growth 1990s, it may have been tempting for an overextended and small HR department to eschew high recruitment standards in favor of filling an inordinate number of job vacancies as easily and quickly as possible. Instead, a concerted effort was made to identify what VSP needed to focus on in the hiring process to help the company maintain the kind of culture and work ethic we expect.

We began by asking high-performing employees and managers what they thought were the specific characteristics that identified a successful VSP employee. Subsequent focus groups led to the creation of “VSP success factors”—traits that successful employees had in common (aside from the unique qualities each individual possessed and was valued for). These success factors became the blueprint for recruiting and hiring new VSP employees.

This effort also prompted VSP to enhance its employee referral program (ERP). Since we had a strong base of current employees who most likely had friends and contacts with similar qualities, we actively communicated with our employees about the characteristics we sought in new employees. We also ramped up the publicity and style of the ERP program with special themes and campaigns to raise awareness of the program. These were all done with in-house resources and minimal cost. Participating employ-

ees received referral bonuses and were entered into vacation package drawings.

Although we do invest some money in this program, we have found it has actually reduced overall recruitment costs. The results speak for themselves. In 1999, 28 percent of external hires were through the ERP; that number has steadily climbed over the last three years and stands in 2002 (autumn year to date) at 65 percent.

**TRAINING AND DEVELOPMENT**

**New-Employee Welcome and Orientation Process.** The minute a new employee walks through the door, VSP works actively to develop loyalty, satisfaction, and a feeling of being a part of the business. Managers receive a New Employee Checklist of things they need to make sure are ready and waiting for the new employee upon arrival. It may sound simple and routine, but having such basics as a computer, voice mail and e-mail accounts, nameplate, and business cards (to name just a few) on their first day at VSP helps a new team member feel valued and able to make a smooth transition into the organization. The employee is also greeted with a picture frame and a note from our president and CEO, Roger Valine, to use the frame to display the important people in the person’s life.

We supplement this first-day welcome process with a complete orientation program. As part of the program’s two-day “VSP immersion” course, new employees tour the facilities, learn the VSP computer and e-mail systems, and visit the executive office, where they have a good chance of meeting and speaking with Roger.

**New-Employee Assimilation Program.** After the welcome and orientation process, we go one step further to make sure the new employee’s early VSP experience provides a good base for long-term loyalty and retention. New employees receive required training such as sexual harassment awareness as well as other training essential to complete their assimilation into VSP’s culture. For example, during their first six months they participate in a change management training program to help them adapt to an environment that is continuously shifting and adjusting to meet the changing business needs of the organization. Six months after the hire date, as
part of our new-hire follow-up process, new employees have a face-to-face meeting with their HR generalist, who will gauge their early satisfaction levels. They are also invited to fill out a follow-up survey so they can share their fresh perspective on VSP and its culture.

**Career Development System.** In the late 1990s, VSP was faced with the anticipated loss of several key executives through retirement during the next five years. This led to intensified succession planning, which, in turn, sparked more interest in improving VSP’s career development process for all employees. This interest was reinforced in 2000, when the all-employee survey identified an employee’s ability to meet his or her career objectives as a key driver of satisfaction. Before this, extensive training and ad hoc career counseling had always been provided, but establishment of a formal career development program raised these efforts to a new level.

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Because we demonstrated to our executives that employee satisfaction has a direct statistical correlation with reduced turnover and related costs, we were able to prove the value of investing in a more robust career development system. We researched a variety of career development packages from various vendors and ultimately selected BlessingWhite’s Managing Personal Growth (MPG), in large part for its emphasis on employees’ responsibility for their own careers. The MPG method requires thoughtful prework by employees, gaining manager participation, and initiating follow-up steps that ensure employees are putting to good use the things they learned in the process. In a two-day facilitated workshop, employees are guided through a series of activities that helps them examine their personal priorities and gain a clearer understanding of where they currently stand and where they want to be with their careers—and their lives—in the future.

Other development programs and workshops supplement MPG. For example, a lunchtime “brown bag” seminar teaches employees how to gain a competitive advantage when pursuing new internal job opportunities. It not only builds interviewing and internal self-marketing skills but also ensures that employees understand the role reputation plays in workplace success—we reinforce the idea that the best way to get another job at VSP is to do your current job exceptionally well. We also implemented an internal job-shadowing program that enables employees interested in another part of the company to spend time “shadowing” a fellow employee in that area. The program, now quite popular, is effective in increasing employees’ knowledge about their own interests as well as breaking down some cross-divisional misconceptions. These supplemental programs are administered through internal resources and thus cost the company very little.

**Performance Management System.** Since we emphasize the importance of current performance to future advancement, we must let VSP employees know what is expected of them in their jobs and provide the tools and resources they want and need to meet those expectations. Our performance management system meets this need. Each employee receives annual Key Job Accountabilities (KJAs). Rather than a basic job description, KJAs are tangible and practical actions the employee is expected to take and/or achieve during the review period, and they change year to year as employees grow in their jobs and are able to take on new projects. KJAs provide both a solid framework for guiding employee performance throughout the year and a common language and criteria at the end of the year for employee and supervisor to discuss performance and career objectives. This is a major factor in improving our employees’ level of satisfaction with the feedback they receive and the power they have to manage their own career development.

**EMPLOYEE BENEFITS**

VSP demonstrates its care and concern for employees through programs such as adoption assistance, which reimburses employees for costs associated with adopting a child. We also put an enhancing twist on some benefits such as sick leave and domestic partner benefits. Employees
can "gift" their accrued sick leave to fellow employees faced with a long-term illness. Also, despite our initial fear of large additional costs, we extended our full benefits package to same-sex as well as opposite-sex domestic partners, with the result that utilization and cost impact have been low while the impact on employee loyalty and satisfaction has been high.

**Adopt-a-PC Program.** We also encourage another form of adoption. Faced with a surplus of perfectly good computers that had exceeded the industry-standard three-year life span, VSP developed an innovative program that allows a third-party vendor to refurbish VSP's used PCs and then sell them to employees for a fraction of the cost of a new computer. This costs VSP nothing but has been a big hit with employees and their families. Another popular program is the free evening PC-training we offer to employees' family and friends in VSP's training facilities. These programs demonstrate VSP's commitment to the total individual, including those aspects of life outside the workplace.

**COMMUNICATION**

An important part of an "atmosphere of honesty and integrity" and a high "level of confidence in leadership"—two powerful drivers of satisfaction at VSP—is an environment in which issues are raised, debated, and dealt with openly and employees are given all the information and knowledge they need to do their best work. This is the goal of our internal communication strategy, a partnership we have developed over time with our Corporate Communications department, located in VSP's Marketing Division. HR and Marketing may sound a bit like corporate oil and water, but at VSP we have found a way to work collaboratively toward the shared goals of enhancing employee satisfaction and employee engagement with meeting VSP business targets. To do this, each function has learned to appreciate the skills, objectives, and needs of the other and to carefully navigate different approaches to the same issue.

**Active Involvement of the CEO.** The efforts of two departments to work together effectively would not go very far without total support from the top of the organization. Roger Valine, our president and CEO, leads the commitment to create a continuous feedback loop throughout the company that enables employees to be heard and have their concerns addressed.

Roger does not just say that open communications are important; he lives his words every day by welcoming employee e-mails that he personally answers and by randomly sitting with employees in the headquarters cafeteria to chat with them about whatever is on their minds. He also hosts a quarterly employee "focus group" lunch with division representatives who voice current employee concerns. We review and compile all the questions and responses, then distribute them to all employees and post them on our Intranet, known as VSPNet. This demonstrates to employees that issues at VSP are being discussed out in the open rather than behind closed doors. The key to this process is complete openness and honesty, as well as a good measure of nondefensiveness.

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Beyond the focus group, Roger also welcomes "Dear Rog" letters from employees who want to ask him a direct question and receive a personal response. Twice a year, we conduct an all-employee staff meeting in which Roger shares the state of the company, the competitive landscape, and any upcoming changes that will impact employees; he then offers people the opportunity to ask questions on the spot. He holds a second, similar meeting at the offsite Lab, and the Ohio-based Call Center is included via video-conferencing. The smaller regional offices are provided with a tape of the meeting soon thereafter.

**Companywide Communications.** Beyond Roger's personal communication activities, VSP uses a variety of other vehicles to keep employees informed about and engaged in the business. We use print and on-line tools and face-to-face activities to maximize the effectiveness of the message.

In 1999, VSP created its Intranet, which is called VSPNet. Over time, VSPNet has essentially replaced the quarterly newsletter to become the main news and information delivery.
channel. VSPNet posts articles that announce major new initiatives, news about community activities and upcoming events, and human interest stories; it also provides access to a broad range of HR information about the salary program, employee benefits programs, personal training history, and more. A number of on-line self-service tools make it easier to enroll in training, make changes to personal information, complete timecards, request meeting rooms, and perform other tasks.

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While VSPNet provides many of the resources and tools that allow employees to do their jobs more efficiently and with more information, other vehicles reinforce the culture and teach employees about VSP’s brand of putting people first. A new publication, VSPeople, debuted in early 2001 and features the human side of VSP through in-depth stories about people who exemplify the culture. Recent articles introduced the employees involved in VSP’s Diversity Council and examined the role employees can play in making a difference in the lives of our members. Ninety-four percent of respondents to satisfaction surveys have rated VSPeople overall as excellent or very good.

**Manager-Employee Communications.** In response to employee comments that the level of face-to-face communication they receive from their managers could be improved, we recently created the “Insta-Meeting,” a meeting in a box. Quarterly, managers receive materials designed to educate employees on key initiatives or new programs—facilitator notes and an PowerPoint presentation that they can easily insert into an existing staff meeting. Feedback has been extremely positive from both the management team and employees.

Efforts to improve employee-manager communications go beyond meetings, however. In 2002, we embarked on a new project for upward evaluation in which all employees rate their management team. The management team also rates each other but through a more extensive 360 degree process. Rating questions cover such key areas as the leader’s customer focus, decision quality, ethics and values, and skill in motivating others. We had an impressive response rate to the rating questionnaire of more than 80 percent, and we shared the results with division senior leadership. Results are used for feedback and to develop training plans for manager but are not part of actual performance reviews.

**CULTURE AND ENVIRONMENT**

An open environment in which concerns can be brought out into the open goes a long way toward creating the overall culture and environment we want. However, it really starts with a simple commitment that costs nothing: to treat people with dignity and respect. To us, respect is something we try to show in everyday actions as well as through the employee programs—large and small—that we offer.

One example is our everyday business-casual dress code. Although it is not without its perils, we have found that when employees have the freedom—within reasonable and professional guidelines—to wear clothing they find comfortable, they are generally happier and more productive. This also allows our many busy working parents to transition more easily and comfortably from work to after-work responsibilities such as their children’s after-school activities. We offer flexible scheduling so that employees can select a work schedule that fits best with their lifestyle. Generally, employees can select a time between 6 A.M. and 9 A.M. to start their eight-hour workday. Some employees take advantage of compressed work-weeks, such as the 9-day/80-hour schedule, or the opportunities we offer for part-time work and job-sharing.

Finally, we believe that if people are proud to work for VSP, many will want to “display their colors.” We partnered with a vendor to create a line of VSP logo merchandise and offer it to employees through a print and web-based catalog. This costs VSP nothing since employees pay for the merchandise they order. Many employees sport VSP polo shirts, pins, hats, and other items that show their pride in the place they work. This
reinforces the sense of being part of the VSP team and incorporates a healthy dose of fun into the workplace.

REWARDS, RECOGNITION, AND FUN

As a service company with a national reputation as a high-quality eyecare provider, we believe our employees are strategic assets worthy of further investment so that they can produce the highest level of return. Employee reward and recognition programs are just one form of investment, as are programs that add an element of fun to the work experience, and some of these entail very little cost. VSP's official rewards and recognition program accommodates a range of contribution and recognition levels. For example, employees can use company-supplied “You are Spectacular” greeting cards to send to a coworker they wish to personally thank or honor for an exceptional act. Taking this notion one step further, we partnered with an outside vendor to create a variety of “E-cards” that serve the same purpose: The employee personalizes the card and e-mails it to the recipient, whose supervisor is also copied on the card. These are low-cost programs and administratively simple since employees handle these recognition activities themselves.

One special aspect of our rewards and recognition activities is the fun we try to have with them.

Further up the reward scale, we have a series of awards that honor employees for improving processes, saving VSP money, or delivering service that is well beyond expectations. Silver Vision, Gold Vision, and Gold VSP awards recognize employees for increasingly valuable contributions to the organization and provide rewards that range from a certificate and pin to an extra day off and cash.

One special aspect of our rewards and recognition activities is the fun we try to have with them. Our Silver Vision celebrations are complete with music and a raffle for low-cost prizes, such as a “preferred parking” spot that gives the recipient prime front-row parking for a month.

Fun at VSP comes in many shapes, sizes, and price tags. We encourage and support employee sports and activity leagues and offer a place on our Intranet for teams to interact and publicize their activities. Holiday activities include charity drives, caroling, and gift basket auctions at which our executives don Santa caps and help sell the baskets to the highest bidder—all for charity, of course.

VSP is a place that takes celebrating seriously, especially at Halloween. About 80 percent of our employees take advantage of the opportunity to ham it up, and the company encourages all departments to decorate their areas in various themes. Halloween is also the day that Roger Valine convenes the troops for one of his semiannual staff meetings. Roger sets the tone for fun on this day by always arriving in a costume.

Another low-/no-cost fun activity for employees is an annual golfing event: VSP reserves a golf course and organizes an employee golfing competition, and attendees pay for the event by reserving their spot in advance. Our higher-cost activities include the annual company picnic and dinner dance—fondly known as the “VSP Prom.”

VALUES

One source of employee satisfaction is the knowledge that VSP is a company with values that act as a strong rudder for the organization, even in times of change. All the things we have discussed in this article are the direct or indirect result of these values. The corporate values are the “blueprint” for how we behave at VSP. We have eight values, simply put:

- We care.
- We start with trust.
- We treat others as they wish to be treated.
- We are a team.
- We create the future.
- We hold high expectations.
- We support our community.
- We have fun.

Our employees are expected to live the values that contribute so greatly to VSP's long-term success. We have identified what these values look like in everyday workplace behavior and actions,
and behavior that models these values has been incorporated into our performance management system and the Key Job Accountabilities.

CONCLUSION

VSP is committed to providing employees with a great place to work that is evident even to new employees the moment they walk in the door on their first day. It begins with recruiting and selecting new employees who possess the characteristics most likely to result in a positive relationship with the company, compatibility with its culture and values, and success for the employee. It continues with providing our new employees with a positive start when they join our team, and by creating and sustaining an engaging environment that stimulates people to do their best. We reinforce the key drivers of satisfaction with open communications about the company’s activities and direction and about the employee’s own performance. We demonstrate concern for the whole individual through an array of programs that address employee needs in and beyond the workplace.

Over the ten years of its short existence, the HR department has been able to demonstrate the value and bottom-line impact of effective “people-friendly” programs and bring them even further into the spotlight at VSP. In the midst of significant growth, we have been able to strengthen a culture that always had people as its central concern. The result is a best practices organization that is one of the best companies to work for in America.