Focusing on Employee Engagement: How to Measure It *and* Improve It

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Introduction

For the past few years now, workers lucky enough to have a job hunkered down to ride out the economic storm. They did more with less and often had to accept salary freezes, time off without pay, or cutbacks in hours in exchange for continued employment. Uncertain about how long the recession would last and not willing to be a victim of "last one in, first one out," they also stopped looking for that next great job at a competitor down the street. As a result, employee retention rates soared and not surprisingly, employee engagement suffered.

According to a 2010 Hewitt survey of companies from around the world, half of the organizations responding said they had experienced significant drops in employee engagement, the largest decline Hewitt has seen in more than 15 years of researching the metric.

Filmmaker, comedian and well-known neurotic Woody Allen once said: "Eighty percent of success is showing up." This may have been true thirty years ago, but today, it no longer applies. In our internationally competitive business environment, employers need dedicated employees fully committed to the success of their organizations.

> **87% of C-Suite executives recognize that disengaged employees is one of the biggest threats to their business.**
>
> Source: Re-engaging With Engagement, *The Economist*, 2011.

Promise

This white paper:

- Outlines the characteristics of engaged employees

- Identifies the traits that engaged, disengaged and actively disengaged employees demonstrate

- Explores the costs of poor employee engagement to organizations

- Provides suggestions to human resource and talent management professionals on how to gauge employee engagement in their organizations

- Offers employee engagement trends and steps to improve employee engagement that HR and talent management professionals can take

Characteristics of Engaged Employees

Researchers for the Institute for Employment Studies (IES) recently asked about the characteristics common to engaged employees as they embarked on the study, *The Drivers of Employee Engagement*. They found that there was general agreement among HR professionals that engaged workers:

- Believe in their organization

- Desire to work to make things better

- Understand the business context and the "bigger picture"

- Are respectful and helpful to colleagues

- Are willing to go "the extra mile"

- Keep up to date with developments in their field

A key finding of the IES study was that engagement was a two-way street. For employee engagement to succeed, organizations must work to engage employees; in turn, employees have a choice about the level of engagement they offer employers.

Employer Engagement

FORTUNE *Fortune* publishes an annual ranking of the Top 100 Best Companies to Work For, and while being on this list does not guarantee employee engagement, it's a very good indicator of worker satisfaction. Employee engagement can be described as a sense of personal investment where employees want to do whatever they can for the success of the organization. The companies on the Best Companies to Work For list have demonstrated that they are equally invested in their employees, and they do what they can to help their employees succeed. These companies have found that employer engagement can have a positive impact on employee engagement, and when both the employer and employee are engaged, the organization benefits. *(Continued…)*

Employer Engagement (*...continued*)

Fortune partners with the Great Place to Work Institute to identify the Top 100 Best Companies to Work For. Two-thirds of a company's score is based on the results of the Institute's Trust Index survey, which asks questions related to their attitudes about the management's credibility, job satisfaction, and camaraderie. The remaining third of the score is based on the company's responses to the Institute's Culture Audit, which includes detailed questions about pay and benefit programs and a series of open-ended questions about hiring, communication, and diversity.

Software firm SAS has ranked at the top of Fortune's list in 2010 and 2011, and has made the list for the past 14 years. SAS believes that focusing on people and relationships leads to more productive, satisfied and dedicated employees. Their focus on building these relationships has driven them to offer their employees a wide range of perks and benefits at their headquarters in North Carolina, including on-site healthcare, childcare, car cleaning, a beauty salon, and a state-of-the-art, 66,000-square-foot gymnasium.

Fortune's 2011 Best Companies to Work For® - The Top 10

1. SAS
2. Boston Consulting Group
3. Wegmans Food Markets
4. Google
5. NetApp
6. Zappos.com
7. Camden Property Trust
8. Nugget Market
9. REI
10. Dreamworks

Source: 100 Best Companies To Work For, *CNN Money*, 2011.

Engagement Levels: The Engaged, Disengaged and Actively Disengaged

If your CEO asked you today what percentage of your workforce was actively engaged, would you be able to give a fair ballpark figure?

If your workforce is typical, about one-third of your employees are actively engaged, according to a recent Gallup poll. The poll found that nearly half, or 49 percent, are disengaged while 18 percent are actively disengaged.

A study by consulting firm Towers-Watson revealed an even bleaker situation. Their research concluded that only about 15 percent of employees were fully (actively) engaged; 65-70 percent of employees were moderately engaged, while 15 percent were totally disengaged.

As the economy recovers, employees at all levels will emerge from where they were and may begin to look for new opportunities. The biggest concern will be the potential loss of an organization's most valued talent, so if improving employee engagement has not been on your organization's radar screen, it should be.

Actively Engaged Workers

The Gallup organization provides a detailed profile of an engaged worker based on its G12 employee engagement survey. Engaged workers demonstrate:

- Consistently high levels of performance

- Natural innovation and a drive for efficiency

- Intentional building of supportive efficiency

- Clear understanding about the desired outcomes for their roles

- Emotional commitment to what they do

- High energy enthusiasm

- Commitment to their organization, work group and job

Engaged workers are the ones you look forward to seeing on Monday morning because their enthusiasm is catching. They have likely been identified as high-potential employees and feature prominently in their organization's succession planning process.

Disengaged Workers

Disengaged workers, on the other hand, view their jobs as an exchange of time for a paycheck. They arrive and leave on time, take their breaks, never volunteer for extra work or projects, and do little else in between beyond the minimal effort. They show little passion or creativity for their jobs and go through the motions.

Disengaged workers may have been actively engaged workers at one time. Somewhere along the way, though, they became disengaged because of a lack of career growth or promotion, a perception of salary inequity, job dislike, or distrust in their direct manager and senior management.

Actively Disengaged Workers

Actively disengaged workers are the most damaging employees in the workplace. They are unhappy and let that unhappiness show in words, attitudes and actions. They undermine the performance of others by constantly voicing their displeasure and listing the many reasons why they are so miserable in their jobs. Kelly Services notes that while these actively disengaged workers make up only 15-18 percent of the employee population, their negative attitudes have a disproportionate effect on the performance of their co-workers and overall operational performance.

While it is not impossible to re-engage actively disengaged workers, it is much more challenging. Letting employees know that senior leaders are aware of employee engagement levels and are committed to taking positive action to address it is a key step.

Measuring Employee Engagement

One reliable instrument to measure employee engagement is Gallup's G12 feedback system. Gallup has identified the factors that determine whether people are actively engaged, disengaged, or actively disengaged. Their research (which consistently shows a correlation between high survey scores and superior job performance) yielded a series of 12 questions known as Gallup's Q12.

The 12 questions are (rated on a scale from 1 to 5):

1. Do I know what is expected of me at work?
2. Do I have the materials and equipment that I need in order to do my work right?
3. At work, do I have the opportunity to do what I do best every day?
4. In the last seven days, have I received recognition or praise for doing good work?
5. Does my supervisor, or someone at work, seem to care about me as a person?
6. Is there someone at work who encourages my development?
7. At work, do my opinions seem to count?
8. Does the mission or purpose of my company make me feel that my job is important?
9. Are my coworkers committed to doing quality work?
10. Do I have a best friend at work?
11. In the past six months, has someone at work talked to me about my progress?
12. This past year, have I had opportunities at work to learn and grow?

Source: Gallup, n.d.

The Cost of Low Employee Engagement

Low employee engagement has ramifications far beyond immediate co-workers. According to the Gallup organization, the cost for keeping actively disengaged workers over a five-year period was approximately $300 billion in lost productivity and employee performance.
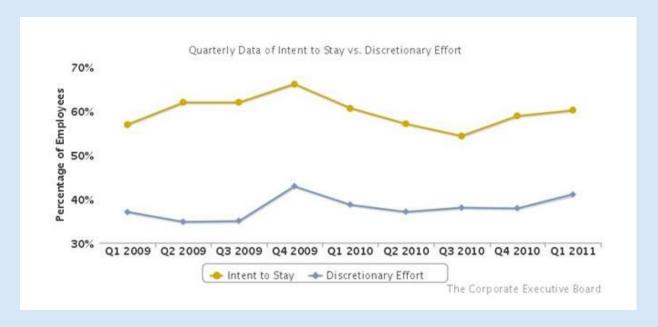
Research indicates that studies exist which show that low employee engagement not only affects performance, it increases employee turnover, lowers customer service satisfaction and increases absenteeism.

Other researchers have determined that the value added by good (not even outstanding) performers versus average performers was one-half of their gross salary. In an article in the Headwinds Journal, Joel Head points out that poor performers will cost an organization about one-half of their gross salary; the difference between a poor performer and a good performer, then, is equal to one employee's annual salary.

Potential Increase in Overall Engagement?

Intent to stay has steadily increased another 2.3 percent across the first quarter of 2011. More importantly, discretionary effort took an upswing from its decline and increased by over 8 percent.

The combination of employees exhibiting an increase in both discretionary effort and intent to stay reflects a potential increase in overall employee engagement.

Source: The Corporate Executive Board, Employee Engagement Trends Report: Q1 2011.

Get the Pulse on Employee Engagement Levels

How can HR and talent management professionals assess the level of employee engagement in their organizations? Just ask.

For smaller workplaces, one-on-one meetings with employees may be the easiest, most effective method to assess employee engagement. For medium and larger workplaces, one-on-one meetings may be supplemented with town hall meetings, focus groups and surveys. In all cases, it is important that employees are asked the same questions. This allows for better analysis of the feedback, which leads to better, more targeted action steps.

Quantum Workplace, a leader in building science-based tools to measure and manage employee engagement, loyalty and retention, has developed survey questions to assess employee engagement. This survey asks employees to rank on a scale of 1 to 10 their responses to these statements:

1. Management provides good leadership and guidance during difficult economic conditions.

2. My job is mentally stimulating.

3. I understand how my work contributes to my company's performance.

4. There are future opportunities for growth at my company.

5. My company affords me the opportunity to develop my skills.

6. I receive recognition and reward for my contributions.

7. There is open, honest communication between employees and managers.

8. I see professional growth and career opportunities for myself in this organization.

9. I know how I fit into the organization's future plans.

10. Considering the value I bring to the organization, I am paid fairly.

Gathering feedback should not end here. There is a strong link between leadership and employee engagement. As such, HR and talent management professionals should attempt to gauge the engagement levels of CEOs and senior leaders.

Becky Shambaugh, president and CEO of Shambaugh Leadership offers the following questions for CEOs and senior leaders regarding employee engagement:

- How are you and the other C-Suite execs "showing up?" How visible are you and your senior leaders to your employees?

- Does it seem like your employees are tuning lately to radio station "WIIFM"… What's In It for Me? Do employees understand why they are being asked to do discretionary work above and beyond their normal assignments? Do they understand how these activities align with the organization's goals? If not, are managers and employees given an opportunity to question the value of doing this discretionary work?

- Are you and senior leaders creating a corporate culture built on shared values, trust and empowerment, valuing diversity and team work? Or has the climate become restrictive, un-collaborative and mistrusting? Are people being perceived as commodities rather than assets?

- Are you taking a multi-cultural view of inclusiveness and diversity where people feel valued for what they bring to your company rather than feeling like they have to conform and fit into an uncomfortable mold?

- Are you giving employees examples where individuals and teams have gone above and beyond the call of duty to overcome a challenging business problem or exceed a client's expectations? Story telling is a critical way for a manager to help employees relate to what needs to be accomplished with real live examples.

- Are your managers helping employees sort through tasks and priorities so the urgent doesn't overwhelm what's important?

- Lastly, are you and your management team proactively asking employees how to make things better, improve customer relations and leverage innovative ideas for competitive advantage?

Shambaugh suggests—and research confirms—that if the answer to any of these questions is no, then employee engagement is suffering. Employee engagement starts at the top.

Four Steps for Improving Employee Engagement

There is nothing more damaging to employee morale than asking employees for their thoughts and opinions on an issue and then failing to take any action based on their input. It is vital that employees understand that steps are being taken to improve employee engagement as a result of their responses.

With high levels of engagement, firms can see revenue growth 2.5 times that of their peers and a 40 percent reduction in expensive staff turnover.

Source: Giving Everyone the Chance to Shine, HayGroup, 2010.

Step 1: Know What Drives Employee Engagement

Now that you have a pulse on your employees' commitment to the organization, action is required. Knowing what drives employee engagement will help you plan those action steps. IES identified several components of what drives employee engagement:

- Involvement in decision making

- The extent to which employees feel able to voice their ideas, and managers listen to those views and value employees' contributions

- The opportunities employees have to develop their jobs

- The extent to which the organization is concerned for employees' health and well-being

In all cases, two-way communication and management play vital roles in keeping employees engaged.

Southwest Airlines and Employee Empowerment

Employee engagement can lead to better customer service. Southwest Airlines is renowned for its outstanding customer service, the keys to which are its recruitment and employee empowerment philosophies. According to Kevin Freiberg in the book Nuts! Southwest Airlines' Crazy Recipe for Business and Personal Success, "Southwest looks for people with other-oriented, outgoing personalities, individuals who become part of an extended family of people who work hard and have fun at the same time."

To empower their employees, according to Freiberg, Southwest dispensed with rigid work rules and job descriptions so their employees could assume ownership to get the job done and get their planes out on time, regardless of whose "official" responsibility it is. The airline also gives employees the flexibility to "bend" company policy if they think it would be in the best interest of its customer.

This flexibility allows Southwest employees the ability to go above and beyond to deliver exceptional customer service—a challenge in any industry. "It can be tough and put you into a bad mood real quick when you deal with a nasty and abusive person," notes Libby Sartain in a recent article for *SHRM Online*. Sartain is an HR management consultant and former chief HR officer for Southwest Airlines and Yahoo. "[I]t's a matter of training and empowering employees to do the right thing," she said. "If you trust that employees will do the right thing and handle situations as best they can, then that's what will happen."

Southwest tightly links the way it empowers its people and manages its operations on the inside, and the way it positions itself to the customer and the marketplace on the outside. Sridhar Balasubramanian, Professor and Associate Dean of UNC Kenan-Flagler's MBA program, notes that this linkage has helped the company to be true to its values, and to execute on its customer promise flawlessly. "Southwest is a fun brand that delivers focused value," he said, "and the flight attendants and pilots who crack jokes and entertain the passenger are not just putting on a show. They have been hired at Southwest because that sense of humor comes naturally to them."

Step 2: Get Senior Leader Buy-In

As the IES study revealed, senior leader buy-in is critical for employee engagement initiatives to succeed. Good leaders create a culture of engagement, keep employee trust, and help increase productivity, employee satisfaction and retention.

If senior leaders do not understand the importance of employee engagement, now is the time for HR and talent management professionals to educate them. Show them the direct correlation between employee engagement and the organization's bottom line. Share with them the results of the employee survey (or of the one-on-one meetings, focus groups or town hall meetings) and the steps needed to improve engagement.

Consider using customer satisfaction surveys to corroborate the results of the employee survey. Monica Nolan of PeopleMetrics notes that several studies have shown a positive correlation between customer satisfaction surveys and employee engagement. If customer satisfaction is high, it is likely that employee engagement is too. Conversely, if customer satisfaction is low, so is employee engagement. In either case, comparing the results of customer satisfaction surveys with employee engagement levels can make a stronger business case to senior leaders of the need for their support.

Step 3: Communicate with Employees

One of the hallmarks of organizations with strong employee engagement is communication. Let employees know the steps you have taken to assess employee engagement, the outcome of those steps, and the plans moving forward to improve employee engagement. Communication can take the form of town hall meetings, articles in employee newsletters and on employee intranets or e-mail. Always use the communication methods you have found to be most effective in your workplace.

Step 4: Act on the Results

Each organization will differ in what they need to do to improve employee engagement. In some cases, for example, feedback may reveal that employees don't understand the organization's mission and vision. If this is the case, a series of meetings or brown-bag lunches can be arranged where the organization's mission, vision and strategic plan are discussed and a link made to each employee's role in the organization and how their work contributes to the organization's success. The important point is that the action steps should be tailored to the needs identified through employee feedback.

Action steps to improve employee engagement do not need to be costly or time-consuming. A McKinsey Quarterly survey revealed three effective non-cash awards that improve employee engagement that can work for small and large organizations:

- Praise from immediate supervisors

- Attention from leaders (e.g., one-on-meetings or attention from the top)

- Opportunity to lead projects or task forces

Kevin Sheridan, chief executive officer and chief consultant for HR Solutions believes organizations will increasingly use actively engaged employees as mentors to help motivate and re-energize disengaged workers. Other engagement trends predicted by Sheridan include the use of social media to engage employees. For example, using internal social networks to acknowledge employees for jobs well done or to promote new organizational and CSR (corporate social responsibility) initiatives can be effective uses of social media.

> **Organizations in which people feel both motivated and "enabled" can achieve revenue growth 4.5 times that of peers.**
>
> Source: Giving Everyone the Chance to Shine, HayGroup, 2010.

Conclusion

As the economy continues to improve, organizations with active employee engagement programs in place will prosper. The time is now for HR and talent management professionals to do more about helping everyone achieve their maximum level of potential and satisfaction. Assessing and improving employee engagement to re-energize and re-engage workers can be the first step in this retention process to ensure the best and brightest continue to attain both personal and professional success with the organization.

About UNC Executive Development

Our approach to program design and delivery draws upon the power of real-world, applicable experiences from our faculty and staff, integrated with the knowledge our client partners share about the challenges they face.

We call this approach The Power of Experience. We combine traditional with experiential and unique learning. Through action learning and business simulation activities, we challenge participants to think, reflect and make decisions differently.

Our Approach: The Partnership

Our team customizes each leadership program through a highly collaborative process that involves our clients, program directors, faculty and program managers. This integrated approach consistently drives strong outcomes.

Our Approach: The Results

Our executive education programs are designed with results in mind. Below are a few examples of the results our client partners have achieved:

- Leadership refocused with new strategy and cohesive vision
- Strategic plans created for the global marketplace
- Supply chains streamlined

- Products redefined
- New markets targeted
- Cost-saving measures developed
- Silos leveled
- Teams aligned

Participants leave empowered to bring in new ideas, present different ways to grow business and tackle challenges. The result is stronger individuals leading stronger teams and organizations.

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