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Fostering Employee Engagement: A Critical Competency for HR Practitioners

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"An organization does not succeed because it is big or long established; it succeeds because there are people in it who love it, sleep it, dream it, and build future plans for it." (unknown)

Fostering Employee Engagement

A Critical Competency for HR Practitioners

My Background

Donna A. Dickson

President and COO, WorkSmart Learning Systems Inc.

- ❑ Full service consulting company, supporting performance improvement initiatives in global companies of all types and sizes
- ❑ Headquartered in the U.S. with partners in South Africa and Australia

Assistant Professor and Program Chair

- ❑ Rochester Institute of Technology, M.S. in Human Resource Development

My Background

- ❑ RIT's M.S. in Human Resource Development will be offered in Croatia, beginning January 2009, in partnership with our Croatian entity, ACMT
- ❑ Managers and HR professionals with three years of experience and a bachelor's degree equivalence of education are invited to participate
- ❑ Students complete nine courses, each of which is five days in length

Changing Times

An organization's ultimate success does not rely on the executives' understanding of finance or marketing, but instead relies on an understanding of how each employee connects with the company and its customers

(Hayes, 2007:64)

Changing Times

Effective development and utilization of human capital[1] has become just as critical to an organization's successful delivery of services as state-of-the-art technology

[1] Human capital refers to the intangible value of your employees' knowledge, skills, and experience

Changing Times

Organizations need:
- ❑ the right people
- ❑ with the right competencies
- ❑ at the right time

in conjunction with the right systems and technology

Changing Times

Employees are usually the single largest cost in an organization

This has traditionally led to mindset of *managing* employees as *costs*
versus
maximizing employees as *assets*

Changing Times

The way senior leaders think about employees is changing, in part because of trends like:
- ❑ Shift from a product and service to a knowledge economy
- ❑ Evolution of management practices from command and control to collaboration
- ❑ Transition of marketplace from local or regional to global

Value of Human Capital

As senior leaders recognize that to compete in today's global marketplace they must creatively utilize *all* of their assets, they are looking for ways to:

- ❑ ***Find the best employees***
- ❑ ***Retain the most valuable employees***
- ❑ Get the highest levels of productivity from all of their employees

Employee Satisfaction

Employee satisfaction is often characterized as a feeling of gratification and contentment

Studies have shown the positive correlations between employee satisfaction and customer satisfaction, and the bottom line (profits)
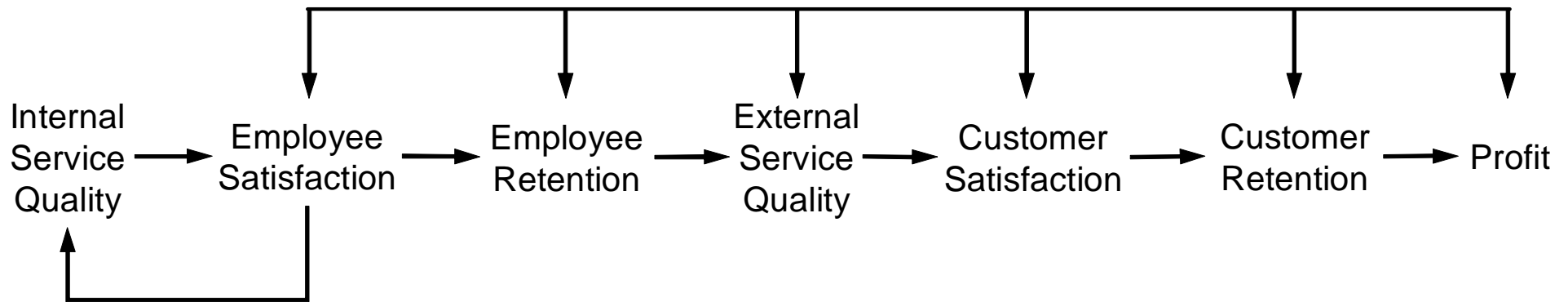
Employee Satisfaction

One study of organizations selected by *Fortune* magazine as the "Best Companies to Work for in America" found their stocks outperformed industry-matched benchmarks

The author of the study concluded that employee satisfaction drives corporate performance

(Renk, 2007)

Employee Satisfaction

Figure 1: Service Profit Chain (Heskett et al, 1994)

Employee Satisfaction

In today's multi-generational, global workplaces, employee satisfaction initiatives alone are not enough to attract or retain the best and the brightest employees

Employee Satisfaction

Consider a typical employee satisfaction initiative, *the company gathering*

- ❑ Baby Boomers appreciate a strong sense of community at work

- ❑ Generation Xers would prefer more time to spend with their families

- ❑ Generation Ys prefer to work remotely, so are not interested in company-based events

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Beyond Employee Satisfaction

"<Companies> are realizing that they've wrung the rag of operational productivity almost dry," says business consultant and author Rick Smith

(Bates 2005:47)

Increased use of technology, process improvements, and programs like Six Sigma have enhanced employee productivity but the next frontier is *employee engagement*

Employee Engagement

Employee engagement is characterized as a feeling of commitment, passion and energy, which translates to:

❑High levels of effort

❑Persistence with even the most difficult tasks

❑Exceeding expectations

❑Taking initiative

Employee Engagement

From lower turnover rates to higher productivity, the engaged employee is a valuable business asset

Results of Employee Engagement

Karl Fischer, regional VP, HR for Marriott International reported that higher employee engagement at Marriott means:

❑12% higher revenue per compensation dollar

❑9% higher house profit margin

❑9% of guests are less likely to have problems

❑11% of guests are more likely to return

(AH&LA Human Resources Committee, 2007)

Results of Employee Engagement

Results of efforts to engage employees at Molson Coors Brewing Company:

- ❑ Average cost of a safety incident for engaged employees was $63USD as compared to $392USD for disengaged employees
- ❑ Engaged employees were five times less likely to have a lost-time safety incident

(Lockwood, 2007)

Turnover

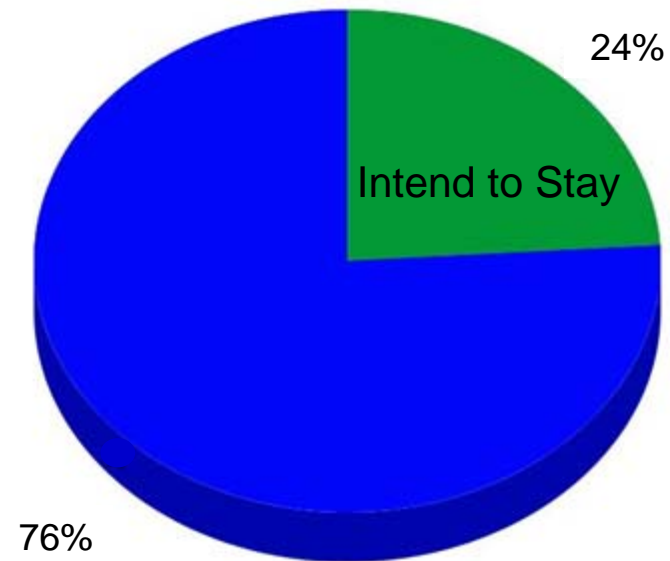**Engaged Employees**

Disengaged Employees

41%

59%

Intend to Stay

24%

Intend to Stay

76%

(O'Neal and Gebauer, 2006)

Turnover

The cost associated with replacing the average employee is 100% to 200% of that employee's salary

(Renk, 2007)

Turnover

Engaged employees report the reason they intend to stay with their employer is for *what they can give* to that employer

Disengaged employees report the reason they intend to stay with their employer is for *what they can get*

(BlessingWhite, 2008:1)

Productivity

Enthusiastic — 25%
Entirely turned off — 25%
Do enough to just get by — 50%
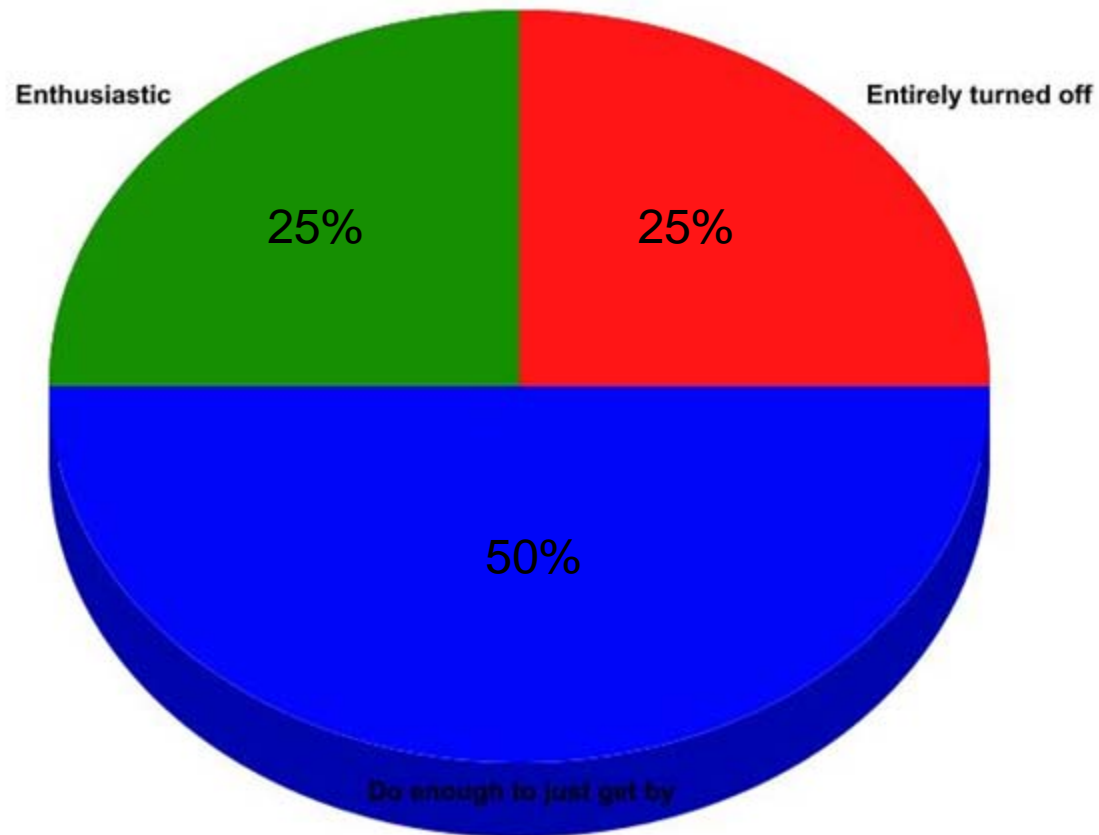
U.S.   (Bates, 2004)

Productivity
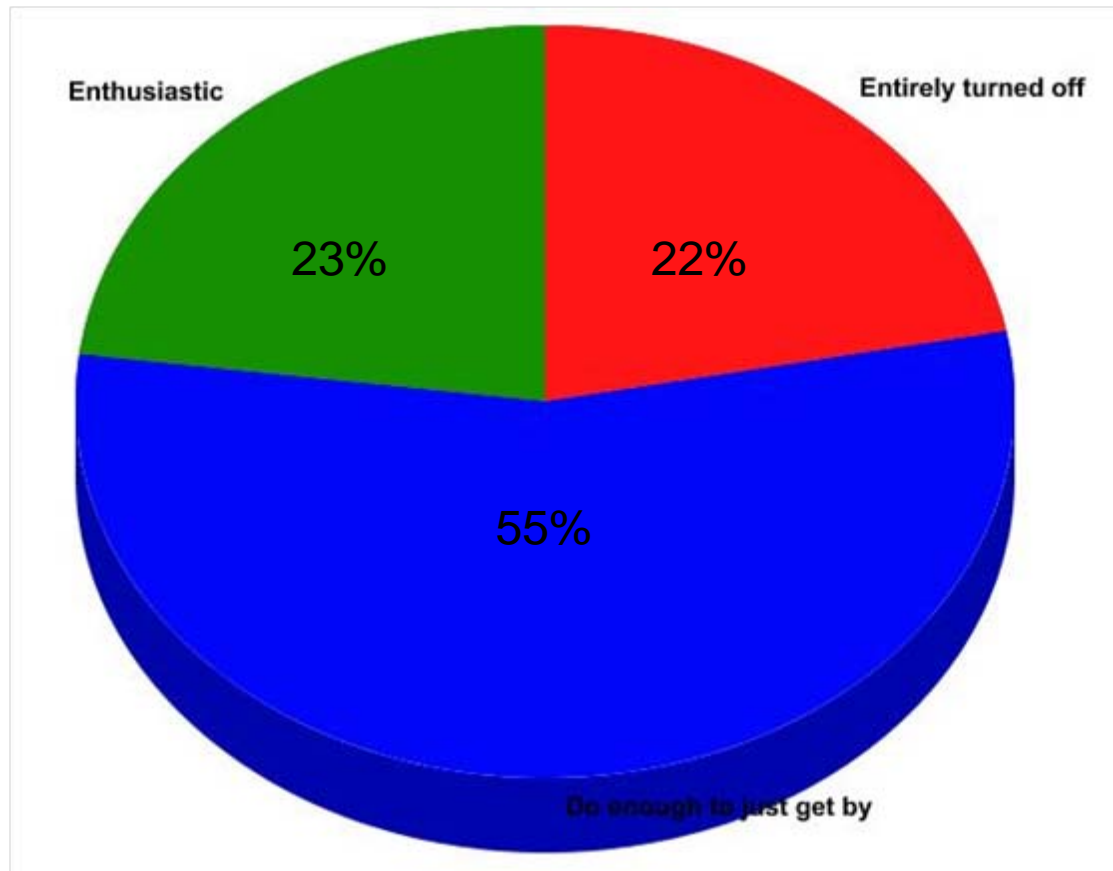
Ireland and the U.K.

(BlessingWhite, 2008)

Productivity

Copyright Towers Perrin, 2005.

	Highly Engaged	Moderately Engaged	Disengaged
Mexico	40%	51%	9%
Brazil	31	62	7
U.S.	21	63	16
Belgium	18	67	15
Canada	17	66	17
Germany	15	70	15
Ireland	15	70	15
U.K.	12	65	23
Spain	11	64	25
Korea	9	71	20
France	9	68	23
China	8	67	25
Netherlands	8	73	19
Italy	7	64	29
India	7	37	56
Japan	2	57	41

Productivity

It is important to note that employees who are disengaged say they *want* to go "above and beyond" and help the company succeed

This desire to drive company success is based on our powerful and basic human need to connect with and contribute to something significant

(Bates, 2004:46)

What Employees Want

"Work is about a search for daily meaning as well as daily bread, for recognition as well as cash, for astonishment rather than torpor; in short, for a sort of life, rather than a Monday-to-Friday sort of dying."

(Terkel, 1997:XI)

Factors Driving Engagement

A Watson Wyatt survey of 14,000 employees throughout Europe indicates that providing employees with a clear "line of sight" (alignment between role and strategy) leads to a more engaged and productive workforce

(Paton, 2007)

Factors Driving Engagement

Watson Wyatt's study showed that other key drivers of employee engagement are:
- ❑Employer communication
- ❑A focus on serving the customer
- ❑Performance management

Of interest is the fact that pay and rewards was at the bottom of the list

(Paton, 2007)

Factors Driving Engagement

It is important to be aware of how regional and cultural differences as well as unique workforce characteristics influence employee engagement

Factors Activity

Factors Driving Engagement

Factors	Country
1. Personal job fulfillment	
2. Company leadership	**Italy**
3. Quality and customer focus	
1. Sense of personal accomplishment	
2. Paid fairly, given job performance	**China**
3. Comparable benefits to industry	

Factors Driving Engagement

Factors	Country
1. Confident they will achieve career objectives	
2. Sense of personal accomplishment	**United States**
3. Confident organization will be successful	
1. Sense of personal accomplishment	
2. Senior management leadership	**United Kingdom**
3. Training and development opportunities	

Factors Driving Engagement

Copyright Towers Perrin, 2005.

Top Five Drivers of Engagement Globally	Overall	U.S.	U.K.	Mexico	China
Opportunities to learn and develop new skills	1	–	–	–	–
Improved my skills and capabilities over the last year	2	2	2	1	1
Reputation of organization as a good employer	3	3	3	4	–
Input into decision-making in my department	4	–	4	3	4
Organization focuses on customer satisfaction	5	–	–	–	–
Senior management interest in employee well–being	–	1	1	–	–
Appropriate amount of decision-making authority to do my job well	–	4	–	5	–
Salary criteria are fair and consistent	–	5	–	–	5
In combination with government programs, benefit programs generally meet my needs	–	–	5	–	–
Organization effectively maintains staffing levels	–	–	–	2	–
Senior management's actions are consistent with our values	–	–	–	–	2
Good collaboration across units	–	–	–	–	3

Fostering Employee Engagement

According to research done by DDI, organizations build a highly engaged culture when they find ways to **unleash the talent and energy of employees at every level of the organization, while keeping them focused in a common direction**

(Rogers and Ferketish, 2007)

Fostering Employee Engagement

SHRM's recent article, *Leveraging Employee Engagement for Competitive Advantage: HR's Strategic Role*, states the key to fostering employee engagement is **helping each employee understand how his/her job contributes to the company's success**

(Lockwood, 2007)

Fostering Employee Engagement

The State of Employee Engagement 2008, reports that U.S. best practices in employee engagement include:
- ❑**Equipping managers**
- ❑**Aligning employees with strategy**
- ❑**Providing development opportunities**
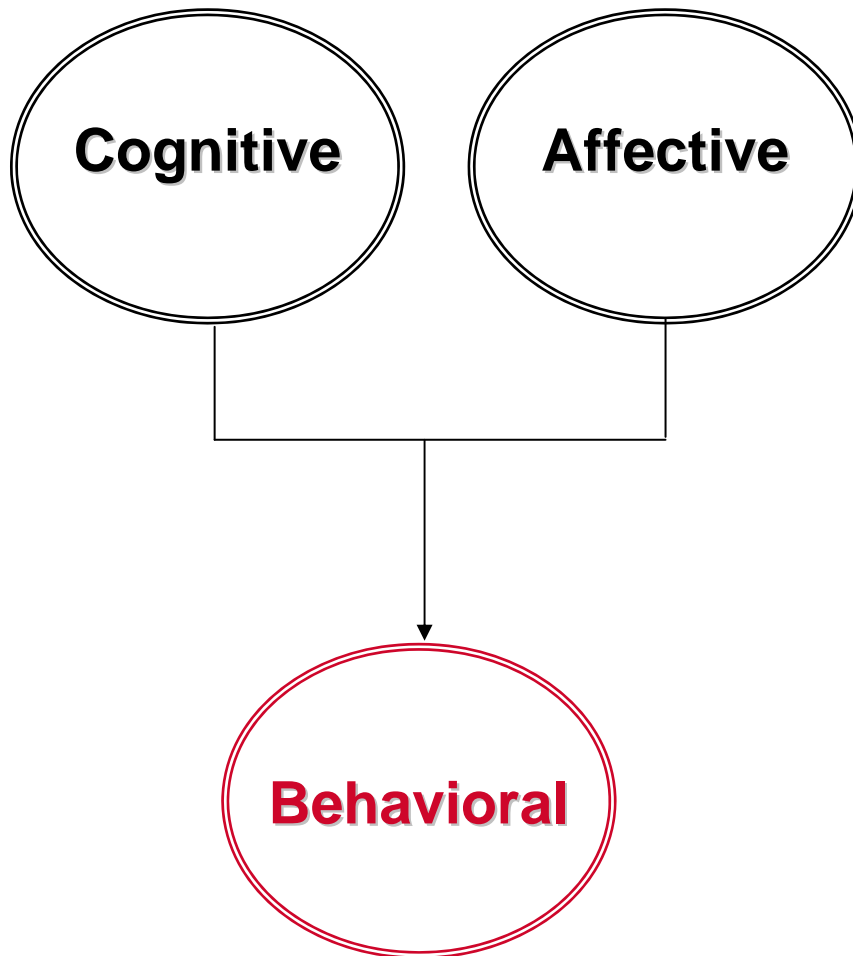
(BlessingWhite, 2008)

Fostering Employee Engagement

According to professor and consultant Dr. Theresa Welbourne, U.S.-based organizations most successful at fostering employee engagement:

- ❑ **Encourage managers to "own" engagement**
- ❑ **Reduce or eliminate barriers to productivity**

(Welbourne, 2003)

Engagement Model

Cognitive (thinking): Understanding of the goals and values of company

Affective (feeling): Sense of belonging, pride, attachment to company

Behavioral (acting): Willing to work hard and desire to stay with company: engagement

(ISR 2007)

Engaging Your Employees

Cognitive (thinking)

- ❑ Provide employees with a clear understanding of the goals and values of company
- ❑ Make sure they know how their job helps the company achieve its goals (line of sight)

Engaging Your Employees

Cognitive (thinking)

Gallup's employee engagement survey (Q12) includes an item which measures the degree to which employees know what is expected of them at work (cognitive component of engagement model)

Engaging Your Employees

Cognitive (thinking)

The Gallup Q12 Index

1. *Do you know what is expected of you at work?*
2. Do you have the materials and equipment to do your work right?
3. At work, do you have the opportunity to do what you do best every day?
4. In the last seven days, have you received recognition or praise for doing good work?
5. Does your supervisor, or someone at work, seem to care about you as a person?
6. Is there someone at work who encourages your development?

Engaging Your Employees

Cognitive (thinking)

The Gallup Q12 Index

7. At work, do your opinions seem to count?
8. Does the mission/purpose of your company make you feel your job is important?
9. Are your associates (fellow employees) committed to doing quality work?
10. Do you have a best friend at work?
11. In the last six months, has someone at work talked to you about your progress?
12. In the last year, have you had opportunities to learn and grow?

Engaging Your Employees

Cognitive (thinking)

Employee Orientation Activity

Engaging Your Employees

Cognitive (thinking)

A hotel in Dallas, Texas achieved a remarkable turnaround by focusing on this aspect of employee engagement (line of sight)

In less than 18 months, employee engagement, inspection scores, and profitability increased after they helped staff link their activities to primary business goals

(Wagner, 2005)

Engaging Your Employees

Affective: (feeling)

- ❑ **Provide employees with a sense of belonging, pride, and attachment to company**
  - ▪ **Focus on the company brand and highlight company accomplishments**

Engaging Your Employees

Affective: (feeling)

Stefan Thau, London Business School, found employees who have a sense of belonging behave with higher levels of cooperation and teamwork than employees who do not

A lack of belonging increases the likelihood of isolation, leading to reduced productivity and eventually to turnover

(Thau et al, 2007)

Engaging Your Employees

Affective: (feeling)

Interbrand, a UK-based international branding consultancy, did a study on *employee pride* and found organizations that focus on producing the best products/services, set high standards for quality, make customers a priority, and treat employees respectfully are most likely to stimulate a sense of pride among employees

(Interbrand 2007:9)

Engaging Your Employees

Affective: (feeling)

> We are often so focused on making sure new employees understand the tasks they were hired to perform that we forget to teach other important things like which behaviors are in support of the brand promise

> Explaining information such as this has a positive impact on new employee productivity and morale

<div align="right">(Lawton, 2007)</div>

Engaging Your Employees

Match the company to its brand image

Company		Brand	
	McDonald's		A. Operational Excellence
	Apple		B. Customer Intimacy
	Celebrity Cruise Line		C. Product Innovation

Engaging Your Employees

Match the company to its brand image

Company		Brand	
A	McDonald's	A. Operational Excellence	
C	Apple	B. Customer Intimacy	
B	Celebrity Cruise Line	C. Product Innovation	

Engaging Your Employees

Affective: (feeling)
  Provide learning activities in the orientation
  program that tell employees:
  ❑ What the brand strategy is and how they
     deliver can on the brand promise
  ❑ How each of the units in the company
     interact to ensure the desired level of service
     is provided so that customer is satisfied

(Lawton, 2007)

Engaging Your Employees

Affective: (feeling)

Hire the right people
- ❑ Recruit and prescreen for behaviors associated with your values and brand
- ❑ Use your brand to attract "right fit" people

Do exit interviews
- ❑ Uncover the root causes for disengagement

Engaging Your Employees

While HR practitioners can create tools and implement new practices to increase employee engagement, managers, given the nature of their role, are in a position to *directly* effect engagement

Therefore, we must also focus on equipping managers to foster engagement

Equipping Managers

Manager's Learning Activity

Equipping Managers

Manager Actions	Result
Providing a reward for perfect attendance	**Satisfaction**
Sharing customer survey results with team members and involving them in deciding on needed changes	**Engagement**
Preparing a career plan with an employee	**Engagement**
Providing tools and resources to complete a project	**Satisfaction**
Being friendly and supportive	**Satisfaction**
Providing frequent feedback on performance	**Engagement**

Engaging Your Employees

Efforts to engage employees are likely to result in measurable improvements to the bottom line

Engaging Your Employees

Devoting time and energy to acquaint new employees with company goals, the brand strategy, and ways in which their role directly supports business success will:
- ❑ Focus them in a common direction
- ❑ Increase motivation in their daily efforts

Engaging Your Employees

Educating managers and providing them with simple tools will help to increase employee engagement

Questions?