



Employee engagement and value proposition

EMPLOYEE relationship, against the background of a changing labour force, has produced as it is a new 'contract' between the employer and employee. As such promises and expectations are different today than they used to be in the past. Changes in the workplace have redefined the traditional 'deal' between the two parties and are having a deep impact on employee commitment and satisfaction, and telling on bottom line business performance. The continuing impact of globalization has altered the basis of this traditional contract which demanded the employee's commitment in return for the employer providing job security. Today, job security is no longer on offer and a new deal rests on an offer by the employer to provide fair pay and treatment, plus opportunities for training and development. Employers are now increasingly recognized as the key business drivers. The ability of the business to add value rests on its front-line employees, or 'human capital'. Organizations that wish to succeed have to get the most out of this resource. The purpose of business strategy should become how to get the best return from employees' energies, knowledge and creativity. The HR community has recognized employee engagement as the way to achieving people alignment with strategy.

What is Employee Engagement?

Employee engagement is a concept that is generally viewed as managing discretionary effort, that is, when employees have choices, they will act in a way that furthers their organization's interests. An engaged employee is a person who is fully involved in, and enthusiastic about, his or her work. Engaged employees care about the future of the company and are willing to invest the discretionary effort. Employee Engagement is now measured by items which have been linked to key business outcomes.

According to a CIPD survey, only 29% of employees are actively engaged in their jobs. These employees work with passion and feel a profound connection to their company. People that are actively engaged help move the organization forward. 84% of highly engaged employees believe they can positively impact quality of their organization's products, compared with only 31% of the disengaged. 72% of highly engaged employees believe they can positively affect customer service, versus 27% of the disengaged. 68% of highly engaged employees believe they can positively impact costs in their job or unit, compared with just 19% of the disengaged.

Engaged employees feel a strong emotional bond to the organization that employs them. This is associated with people demonstrating willingness to recommend the organization to others and commit time and effort to help the organization succeed. It suggests that people are motivated by intrinsic factors (e.g. personal growth, working to a common purpose, being part of a larger process) rather than simply focusing on extrinsic factors (e.g., pay/reward).

The Institute of Employment Studies (IES) in 2000 studied 15 steel mills, 17 apparel manufacturers, and 10 electronic instrument and imaging equipment producers. Their purpose was to compare traditional production systems with flexible high-performance production systems involving teams, training, and incentive pay systems. In all three industries, the plants utilizing high-involvement practices showed superior performance. In addition, workers in the high-involvement plants

showed more positive attitudes, including trust, organizational commitment and intrinsic enjoyment of the work. The concept has gained popularity as various studies have demonstrated links with productivity. It is often linked to the notion of employee voice and empowerment.

Employee Commitment

It has been routinely found that employee engagement scores account for as much as half of the variance in customer satisfaction scores. This translates into millions of dollars for companies if they can improve their scores. Studies have statistically demonstrated that engaged employees are more productive, more profitable, more customer-focused, safer, and less likely to leave their employer.

Employees with the highest level of commitment perform 20% better and are 87% less likely to leave the organization, which indicates that engagement is linked to organizational performance. For example, at the beverage company of Molson Coors, it was found that engaged employees were five times less likely than non-engaged employees to have a safety incident and seven times less likely to have a lost-time safety incident. In fact, the average cost of a safety incident for an engaged employee was \$63, compared with an average of \$392 for a non-engaged employee. Consequently, through strengthening employee engagement, the company saved \$1,721,760 in safety costs in 2002. In addition, savings were found in sales performance teams through engagement. In 2005, for example, low-engagement teams were seen falling behind engaged teams, with a difference in performance-related costs of low-versus high-engagement teams totalling \$2,104,823.3, according to a Lockwood Research.

Two studies of employees in the life insurance industry examined the impact of employee perceptions that they had the power to make decisions, sufficient knowledge and information to do the job effectively, and rewards for high performance. Both studies included large samples of employees (3,570 employees in 49 organizations and 4,828 employees in 92 organizations). In both studies, high-involvement management practices were positively associated with employee morale, employee retention, and firm financial performance. Watson Wyatt Research found that high-commitment organizations (one with loyal and dedicated employees) out-performed those with low commitment by 47% in a 2000 study and by 200% in a 2002 study.

Employee Engagement and Productivity

In a study of professional service firms, the Hay Group found that offices with engaged employees were up to 43% more productive.

The most striking finding is the almost 52% gaps in operating incomes between companies with highly engaged employees and companies whose employees have low-engagement scores. High-engagement companies improved 19.2% while low-engagement companies declined 32.7% in operating income during the study period. For example, New Century Financial Corporation, a U.S. specialty mortgage banking company, found that account executives in the wholesale division who were actively disengaged produced 28% less revenue than their colleagues who were engaged. Furthermore, those not engaged generated 23% less revenue than their engaged counterparts. Engaged employees also outperformed the not engaged and actively disengaged employees in other divisions. It comes as no surprise, then, that engaged employees have been statistically linked with innovation events and better problem

solving.

Recent research has focused on developing a better understanding of how variables such as quality of work relationships and values of the organization interact and their link to important work outcomes. 84% of highly engaged employees believe they can positively impact the quality of their organization's products, compared with only 31 percent of the disengaged. From the perspective of the employee, "outcomes" range from strong commitment to the isolation of oneself from the organization. The study done by the Gallup Management Journal has shown that only 29% of employees are actively engaged in their jobs. Those "engaged" employees work with passion and feel a strong connection to their company. About 7% of the business units scoring above the median on employee engagement also scored above the median on performance. Moreover, 54% of employees are not engaged meaning that they go through each workday putting time but no passion into their work. Only about 7% of companies below the median on employee engagement scored above the median on performance.

Access to a reliable model enables organizations to conduct validation studies to establish the relationship of employee engagement to productivity/performance and other measures linked to effectiveness.

It is an important principle of industrial and organizational psychology (i.e. the application of psychological theories, research methods, and intervention strategies involving workplace issues) that validation studies should be anchored in reliable scales (i.e. organized and related groups of items) and not simply focus on individual elements in isolation. To understand how high levels of employee engagement affect organizational performance/productivity it is important to have an a priori model that demonstrates how the scales interact. There is also overlap between this concept and those relating to well-being at work and the psychological contract.

As employee productivity is clearly connected with employee engagement, creating an environment that encourages employee engagement is considered to be essential in the effective management of human capital.

Influences on Employee Engagement

* Employer Involvement - A company's "commitment to improving the partnership between employees and employer." Employers can stay engaged with their employees by actively seeking to understand and act on behalf of the expectations and preferences of their employees.

* Employee perceptions of job importance - According to a 2006 study by Gerard Seijts and Dan Crim, "...an employee's attitude toward the job (importance) and the company had the greatest impact on loyalty and customer service than all other employee factors combined."

* Employee clarity of job expectations - If expectations are not clear and basic materials and equipment not provided, negative emotions such as boredom or resentment may result, and the employee may then become focused on surviving more than thinking about how he can help the organization succeed.

* Career advancement/improvement opportunities - Plant supervisors and managers indicated that many plant improvements were being made outside the suggestion system, where employees initiated changes in order to reap the bonuses generated by the subsequent cost savings.

* Regular feedback and dialogue with superiors - Feedback is the key to giving employees a sense of where they're going, but many organizations

Continues next page

Insight into employee engagement: CIPD angle

EMPLOYERS want employees who will do their best work, or 'go the extra mile'. Employees want good work; jobs that are worthwhile and turn them on. More and more organizations are looking for a win-win solution that meets their needs and those of their employees. What they have described points to the need for an increasingly 'engaged' workforce. Employee engagement, then, can be seen as a combination of commitment to the organization and its values plus a willingness to help out colleagues (organizational citizenship). It goes beyond job satisfaction and motivation. Engagement is something the employee has to offer: it cannot be 'required' as part of the employment contract.

Why are organizations interested in employee engagement?

Employers want engaged employees because they deliver improved business performance. CIPD research has repeatedly demonstrated the links between the way people are managed, their attitudes and business performance - when employers deliver on their commitments (by fulfilling employee expectations), this reinforces employees' sense of fairness and trust in the organization and generates a positive psychological contract between both parties.

The high performance or 'black box' model produced by Bath University builds on the psychological contract but emphasizes the role of line managers in creating conditions under which employees will offer 'discretionary behaviour'. The model recognizes that employees have choices and can decide what level of engagement to offer the employer.

Organizations increasingly recognize the importance of their 'brand'. Engaged employees will help promote the brand and protect the employer from the risks associated with poor service levels or product quality. Similarly, a strong employer brand will help in attracting and retaining employees.

How can employers build an engaged workforce?

The first step is to measure employee attitudes. Most large employers in both private and public sectors now conduct regular employee attitude surveys. The results typically show what employees feel about their work on a range of dimensions including, for example, pay and benefits, communications, learning and development, line management and work-life balance. Attitude survey data can be used to identify areas in need of improvement and are combinable with other data to support performance management.

The drive for an engaged workforce needs to build on good people management and development policies, as well as the active support of line managers. People management strategies and policies need to be aligned with those of the wider business. Employees need to understand how their work contributes to organizational outcomes.

CIPD research into employee attitudes found that the main drivers of employee engagement were:

- * Opportunities to feed views upwards
- * How well-informed they are about significant events
- * Belief in your manager's commitment

Similarly the Institute of Employment Studies (IES) has concluded that the main driver of engagement is a sense of feeling valued and involved. The main components of this are said to be:

- * Involvement in decision-making
- * Freedom to voice ideas, to which managers listen
- * Feeling enabled to perform well
- * Having opportunities to develop the job
- * A feeling that the organization is concerned for employees' health and well-being.

Human capital management

Monitoring levels of employee engagement is a key element in managing human capital.

The Royal Bank of Scotland (RBS) has made substantial progress in this area. Their human capital model links HR information such as attitudes, recruitment and turnover from across its global units in a consistent way, which is then analysed with key business indicators. The credibility of the model depends on the ability to demonstrate how engagement helps employees add value. An analysis of processing and customer contact centres showed that productivity increased in tandem with engagement levels.

Fundamental to managing engagement as a process is ensuring that action is taken on the findings of employee attitude surveys. RBS boils down its findings into an 'engagement impact' diagram, which answers basic questions managers may have as to what the data means and which issues they need to watch.

Although measurement can be key to identifying issues, managing an engaged workforce also requires 'soft skills' and the creation of a culture based on mutual respect between managers and employees.

Going with the flow

Engagement is not about driving employees to work harder, but about providing the conditions under which they will work more effectively. In other words, it is about releasing employees' discretionary behaviour. This is more likely to result from a healthy work life balance than from working long hours. Engagement is wholly consistent with an emphasis on employee well-being.

There is a convergence between the concept of engagement and that of 'flow'. This is the term used by the American Psychological Association to describe the state of mind in which people become completely involved in an activity and become so immersed that they lose track of time. Flow - and engagement - can result when an employee has job autonomy, support and coaching, feedback, opportunities to learn and develop, task variety and responsibility.

Positive emotions seem to have more than twice the impact on performance as negative ones, which suggests that managers can achieve more by promoting engagement than by simply 'trouble-shooting' or dealing with problems.

Common Factors

Many of the factors influencing employee engagement will be common to all organizations. To help identify these common factors, CIPD commissioned Kingston University and Ipsos/MORI to undertake a national survey of employee attitudes. The results, published in our "Working life: employee attitudes and engagement report", provide a national benchmark against which employers can measure the findings of their own employee attitude surveys.

Engagement can be said to have three dimensions:

- * Emotional engagement - being very involved emotionally with one's work
- * Cognitive engagement - focusing very hard whilst at work
- * Physical engagement - being willing to 'go the extra mile' for your employer.

The report finds that over a third of employees are actively engaged with

Continues next page

How to interview for engagement

MANY organisations believe they can increase engagement – and, by extension, productivity – by doing the right things for existing employees. However, change achieved in this way will only ever register as a flicker if you do not select the right people in the first place. So how do you predict which of today's applicants will be tomorrow's engaged workers?

1 Identify what you're looking for

Does your organization have a clear and consistent definition of "engagement"? If not, agree a definition and make sure line managers and anyone involved in selection decisions understand. Engagement is defined as "the extent to which people enjoy and believe in what they do, and feel valued for doing it".

2 Screen applicants for engagement

Recent research involving almost 4,000 employees in a variety of industries and jobs has revealed six

personal characteristics that predict the likelihood of individuals becoming engaged employees. These are: adaptability, passion for work, emotional maturity, positive disposition, self-efficacy and achievement orientation.

"Career batteries" offer a low-cost and highly effective way of helping managers to unearth these six magic ingredients. Such questionnaires – online or paper-based – cover a wide range of jobs in services, sales and manufacturing, and can help to predict which candidates will perform effectively, derive satisfaction from the role and become engaged. They pose questions about how candidates would handle certain situations, or how they would rate the effectiveness of various actions in accomplishing goals. Taking the time to screen applicants for engagement readiness will yield a far greater return in the medium term than hiring solely for skills and knowledge.

3 Check for 'job fit'

Line managers' confidence in HR

processes is bolstered when they spend precious interview time with only the best candidates and when those selected remain in their jobs for some time. So as well as using pre-employment tests to identify the characteristics associated with engagement, look for evidence of individuals' motivation – or "job fit" – as early in the selection process as possible.

That means establishing whether the job includes enough of the things the candidate loves about work, and whether some important job components are likely to irritate him or her. Asking existing job holders to identify the key characteristics of the role and matching these against a candidate's description of their ideal job is an easy way to do this. Managers, too, often need reminding that being able to do a job doesn't mean someone will be happy doing it for any length of time.

4 Chart your company culture

Another important consideration is the candidate's fit with the company culture. If you haven't already articulated this, ask a sample of employees what characterises your culture. For example, is risk-taking encouraged? Are processes important? Is yours a status-conscious organisation? Is it entrepreneurial? Creating a list of 20 attributes against which you can chart your company culture will give you a reference point for selecting people. If their values and needs are aligned with their work environment, they will give more of themselves.

5 Use a consistent hiring process

By now you'll have a shortlist of strong candidates who seem to possess the optimal basic ingredients to not only do the job, but to want to do the job well. But are you confident that managers desperate to fill empty seats know how to obtain information from candidates that will truly predict their likely degree of engagement?

Research and experience point to interview guides as a great way of ensuring consistency in technique, as well as in candidates' experience of your company's hiring process. Interview guides focus interviewers on questions specifically designed to elicit relevant and significant data from the candidate. They enable hiring managers to avoid the consequences of poor preparation and reliance on gut instinct.

6 Assess adaptability

"Adaptability" – one of the six magic ingredients – is relatively easy to spot. Ask candidates for examples of times they have demonstrated openness to new ideas and experiences, or modified their work approach in response to change.

"Achievement orientation" can be evaluated in the same way, through questions such as: "Tell me about a time when you had to push yourself through a continual cycle of setting goals, reaching them and setting progressively more challenging goals. What did you do and what were the results?"

7 Predict passion

"Passion for work" is about maintaining a positive view of one's job despite periods of stress and frustration. According to the DDI research study, Predicting Employee Engagement 2005, highly engaged individuals are 33 per cent less likely than less engaged employees to leave their organisation within the next year. Since no organisation in today's fast-changing global economy is without its provocations and obstructions, this tolerance is essential, especially for leaders. Talking to candidates about how they've reacted to obstacles will reveal such resilience, or the lack of it.

when you took action despite knowing that others thought your chances of success were slim. What was your rationale for taking the action and what happened?"

Look also for evidence of a candidate's desire to learn and develop, even from mistakes and setbacks. Ask about feedback they've received from performance reviews and 360-degree appraisals, and what actions they've taken as a result.

Identifying and selecting an engaged candidate is like hiring the caterpillar that turns into a butterfly, rather than the moth that eats away at the fabric of your organisation. And the beauty of it is that engagement is contagious. Our research shows that highly engaged employees are much more likely to be good coaches, effective salespeople and strong team players than poorly engaged individuals.

It's a quick and easy win to pre-screen for those who are most likely to become butterflies – and a long-term triumph for your organisation when managers use the interview process to spot those likely to fly higher, for longer.

Source: *People Management magazine*

Insight into employee engagement: CIPD angle

Continued from previous page

their work – a rather higher figure than some other surveys. Of the three types of engagement identified, levels of emotional engagement are the highest, with around six in ten employees being emotionally engaged (feeling engrossed in their work), whilst three in five are cognitively engaged (focusing very hard on their work) and around four in ten are physically engaged (willing to go the extra mile).

Other key results from the research are:

*More women than men are engaged with their work.

*About ¼ of under 35s report they feel engaged compared with two in five over 35s.

*Almost half of managers are engaged compared with around three in ten non-managers.

*Those on flexible contracts tend to be more emotionally engaged, are more satisfied with their work, seem more likely to speak positively about their organization and are less likely to quit than those not employed on flexible contracts.

*Public sector employees are more likely not to feel their senior managers have a clear vision for the organization and have less trust and confidence in their senior managers. They are also less likely to believe organizational communication.

Outcomes of engagement

The positive linkages which research has found between employee engagement, advocacy, performance and intention to quit mean that it is in employers' interests to drive up levels of engagement amongst their workforce. But levels of engagement have significant benefits for employees as well, since engagement is positively associated with job satisfaction and experiences of employment.

Implications for managers

Given the clear association between engagement, job satisfaction, advocacy and performance, there is every incentive for managers to seek to drive up levels of engagement among the workforce. Employers should consider:

*Allowing people the opportunity to feed their views and opinions upwards - this is the single most

important driver of engagement.

*Keeping employees informed about what is going on in the organization is critical.

*Employees need to see that managers are committed to the organization in order to feel engaged.

*Having fair and just management processes for dealing with problems is important in driving up levels of performance.

Different groups of employees are influenced by different combinations of factors, and managers need to consider carefully what is most important to their own staff.

CIPD viewpoint

Employers should pay more attention to creating an engaged workforce. This is a business issue. The employment relationship requires regular attention and maintenance but, if not carefully managed, HR business partnering can lead to neglect of the 'employee advocacy' role with damaging effects on engagement. Adopting an effective engagement strategy can provide an opportunity for HR practitioners to acquire new skills and work alongside professionals in other parts of the business, including those responsible for marketing and corporate social responsibility. The development of a robust employee proposition or employer 'brand' can also support a positive psychological contract between employer and employees.

Engaged employees are more likely to act as organizational advocates than disengaged employees and can play a powerful role in promoting their organization as an employer of choice. Research confirms however that there is a significant gap between levels of engagement found among UK employees and those that would produce optimum performance. HR professionals need to recognize that engagement is a strategic issue that cannot simply be left to manage itself.

Organizations should review their communications and particularly their arrangements for listening to employee opinions. Line managers need support in designing challenging jobs and managing effective teams.

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Employee engagement and value proposition

Continued from previous page

are remarkably bad at giving it. "What I really wanted to hear was 'Thanks. You did a good job.' But all my boss did was hand me a check", said an employee.

*Quality of working relationships with peers, superiors, and subordinates - If employees' relationship with their managers is fractured, then no amount of perks will persuade the employees to perform at top levels. Employee engagement is a direct reflection of how employees feel about their relationship with the boss.

*Perceptions of the ethos and values of the organization - 'Inspiration and values' is the most important of the six drivers in the Engaged Performance model. Inspirational leadership is the ultimate perk. In its absence, [it] is unlikely to engage employees.

*Effective Internal Employee Communications - which convey a clear description of "what's going on." If you accept that employees want to be involved in what they are doing then this trend is clear (from small businesses to large global organizations). The effect of poor internal communications is seen as its most destructive in global organizations which suffer from employee annexation - where the head office in one country is buoyant (since they are closest to the action, know what is going on, and are heavily engaged) but its annexes (who are furthest away from the action and know little about what is happening) are dis-engaged. In the worst case, employee annexation can be very destructive when the head office attributes the annex's low engagement to its poor performance... when its poor performance is re-

ally due to its poor communications.

*Reward to engage - Look at employee benefits and acknowledge the role of incentives. An incentive to reward good work is a tried and tested way of boosting staff morale and enhancing engagement. There are a range of tactics you can employ to ensure your incentive scheme hits the mark with your workforce such as: Setting realistic targets, selecting the right rewards for your incentive programme, communicating the scheme effectively and frequently, have lots of winners and reward all achievers, encouraging sustained effort, present awards publicly and evaluate the incentive scheme regularly.

Potential red flags

Inappropriate use of Benchmark Data - some of the more well established Employee Engagement survey companies will state that the most important part of post survey follow up is related to comparison of internal survey data to numerous external benchmarks. This seems to have rubbed off onto internal sponsors who demand very specific benchmarks, being unaware that they are diluting the accuracy of their analysis. Steve Bicknell, research analyst in over 100 Employee Engagement global projects concluded that the standard comparisons by industry sector are flawed. Is it right to compare a Bentley employee to one from Vauxhall (GM) because they are in the same automotive sector? He concluded that more information can be obtained by looking at the kind of organization that employees were a part of (and its employee proposition), its stage in development, internal communication, its brand, motivation and culture.

- MacHenry Churchill writes for PeoplePrime Ltd

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