

Employee Engagement

By Allan Schweyer



INTRODUCTION

A great deal has been written and said about employee engagement over the past two decades or so, and for good reason. Beyond satisfaction, the extent to which an employee identifies with the organization, embraces its values and commits discretionary effort are perhaps the most important determining factors of individual and organizational performance.

Today, the debate has shifted away from *whether* employee engagement is critical. Very few leaders dispute the direct connection between employee engagement, customer engagement and financial outcomes (see Chapter 2: Economics of Enterprise Engagement). Leaders now seek managerial constructs, strategies and tactics that will raise the level of engagement in their workforce quickly and sustainably.

In its 2013 global engagement study, Gallup found that only 18% of the world's workers are engaged, including just 29% of workers in the U.S. and Canada.¹ The rest are just going through the motions - or worse. According to the research, almost one in five North American workers are "actively disengaged," meaning they're uninvolved and unenthusiastic about their jobs and frequently tell others how bad things are. Indeed, many actively disengaged employees are actually doing harm in the workplace either by not performing their basic job duties - and forcing others to pick up the slack - or by attempting to sabotage the organization in some way.

BASIC ENGAGEMENT

Beyond a small minority of workers, pay and other tangible benefits do not drive great performances. Compensation must be competitive, or most talented individuals will disengage and eventually leave your organization, thereby rendering engagement a moot point. In situations where pay, benefits and tangible rewards are better than an employee might find in most other places, you effectively remove compensation from the equation for most people.

Employees are typically satisfied at work when their rational needs are met. Fair pay, security, safety (mainly from toxic bosses and co-workers), adequate resources, equipment, space, etc. And while each of these is critical for a properly functioning organization, they don't inspire committed effort and great performance. The missing ingredient - emotion.

Employees want more than money. They crave purpose and pride. The reputation of their organization is also increasingly important, especially among younger workers. Employees want growth, career opportunities and good management that recognizes them for the work they do. In short, they want a great place to work.

Making your organization such a place requires developing trust, generating enthusiasm and instilling a shared sense of mission, all of which are part of what might be called the *emotional* paycheck. By forging an emotional connection to the organization - to colleagues, customers and partners - employees become committed to the organization's success. At that stage performance potential is boundless.

RECOGNIZING ENGAGEMENT

Employee engagement involves a heightened connection between employees and their work, their organization and the people they work for/with. Engaged employees find personal meaning in their work, take pride in what they do (and where they do it) and believe that their organization values them. According to Gallup, engaged employees are those that work with passion and feel a profound connection to their firm. They drive innovation and move the organization forward.

When you engage employees, they become ambassadors for the organization. Instead of conveying a negative - and ultimately corrosive - attitude about their employer, they are enthusiastic supporters. This doesn't mean they've completely conformed or capitulated to your will - after all, we also want employees to engage when they see something negative. Engaged employees are more likely to share their ideas on how to improve things, and are more likely to be positive about the organization with prospective customers, employees, suppliers, partners and the community as a whole.

1 - See: <http://www.gallup.com/poll/165719/northern-america-leads-world-workplace-engagement.aspx?ref=more>

They also tend to stay with the organization. Turnover, especially when it involves a valued employee, is very costly and disruptive. Most importantly, engaged employees strive. That is, they put forth more discretionary effort, beyond what it takes just to keep their jobs. The result – when multiplied across the workforce – is enormous productivity gains.

GETTING TO ‘WANT’

When organizations truly make employee engagement a company-wide priority and commit the time and resources needed to monitor and maintain their human capital, the financial results can be spectacular.

A study by Wharton Finance Professor Alex Edmans casts an interesting light. He found that companies on *Fortune* magazine’s “100 Best Places to Work” list (companies that obviously take good care of their employees) outperformed the market between 1998 and 2005 by a margin of 14% growth in share value vs. 6% overall.² The important difference between employees who are skilled enough to do something and know what needs to be done versus those that actually get it done is the “want.”

We all agree that employees must know *what* to do, that they must know *how* to do it and they must be *equipped* to do it. But for greater performance and competitive advantage, organizations need to give them reasons to *want* to do it as well. The *want* is what engagement is all about.

TACTICS OF EMPLOYEE ENGAGEMENT

There are thousands of initiatives, programs, incentives and other tactics available to leaders who seek to inspire their employees to greater performance. Fortunately, most can be classified into a few categories. Your most effective levers in driving employee engagement are through better management and leadership, incentives, rewards & recognition and through a category we’ll call “The Primacy of Purpose.”

These key tactics are best illustrated using real examples across a number of situations and industries. The three vignettes below offer multiple, practical solutions that virtually any organization can implement to drive higher levels of employee engagement.

THE USS BENFOLD

The U.S. Navy is a tradition-bound organization in which command and control management techniques and an extremely hierarchical structure are firmly entrenched.

As the new commander of the USS Benfold in 1997, Captain Mike Abrashoff inherited one of the worst ships in the Navy. The USS Benfold’s performance ranked nearly last in the world’s largest naval fleet. It was a situation that screamed for a strong leader, yet Abrashoff had no power to hire, fire, promote or even transfer personnel.

In taking command, Abrashoff’s first experience was to participate in the formal ceremony in which the departing commander leaves and the new one takes over. Full of pomp and circumstance, the ceremony takes place on the deck of the ship and includes the entire crew, as well as the family of the incoming and outgoing commanders. As a Naval band plays, the outgoing commander walks between the columns of his crew, over the gangway and off the ship. The worst insult the crew can give the outgoing commander is to turn their backs on him as he passes. The gesture is extremely rare and undoubtedly painful for any commander that experiences it. As Abrashoff observed this happening to his predecessor, he vowed he would do anything to avoid the same experience when he left the ship in eighteen months time.

What separates Abrashoff from so many leaders is that he concentrated on the possible rather than the obstacles. The Benfold’s culture mirrored the Navy’s command and control traditions. But Abrashoff knew that the commander he was succeeding had little success with that style, so he crafted an entirely new approach – a style and method he calls “Grassroots Leadership.” Crew members became empowered leaders. Abrashoff met with each and every one of his crew individually to get to know something about all of them – why they had joined the Navy, their aspirations, etc. To each he repeated his mantra: It’s your ship, your responsibility; what can you do to make it better?

Abrashoff followed up with action. He empowered the crew to make suggestions and implement them. In one case, a sailor questioned the wisdom of repainting the ship every year at great expense of both time and money. Abrashoff asked how they would avoid the ugly rust stains that cover the sides of ship, as bolts and nuts rust and discolor the ship over time. The sailor's suggestion was simple: replace the thousands of nuts and bolts on the ship with stainless steel ones. Abrashoff used his Navy credit card to get the hardware that day. It worked, and since then every ship in the Navy has been refitted.

Without the power to promote crew members or even offer tangible rewards, Abrashoff had limited means of recognition. He was allowed to hand out merit citations, yet in the culture of the Navy, where merit citations can make the difference in the trajectory of one's career, they were awarded very sparingly. Abrashoff found no rules limiting the number of these awards he could make. Accordingly, he walked the decks looking for what was going *right* as opposed to what was going wrong and handed out the badges unsparingly.

Before long, the crew became engaged; engagement boosted ideas and performance, which lifted the Benfold to recognition as the best ship in the U.S. Pacific Fleet – one of the Navy's top performing ships – less than 18 months after Abrashoff took command. In other words, Abrashoff went against Navy traditions, changed the culture of the ship and won one of the Navy's top performance awards, all during his short assignment on the Benfold. His principles of autonomy *with* results generated engaged, self-led teams that took more pride in their ship and its accomplishments.

A brilliant example of this pride comes from an email Abrashoff received from an Admiral days after earning recognition as the best ship in the Pacific Fleet. The email congratulated Abrashoff on the award, but boasted that the Benfold would never break the Admiral's long-standing record for gunner accuracy. Abrashoff said nothing to his gunnery crew; he simply posted the email on the Ship's Mess Bulletin Board.

The next month, at the annual competition, the Benfold shattered the record for gunnery accuracy, a record that stands to this day. Abrashoff's engaged crew figured it out for themselves with no special urging or training.

As commander of a Navy destroyer, Abrashoff used engagement and leadership techniques and turned one of the most under-performing warships in the U.S. Fleet into perhaps the best performing ship in the Navy. Commander Abrashoff took the same team he inherited – a dispirited bunch of sailors and officers that had wanted to transfer off the ship as soon as they could – and made them a high performing, high functioning team.

'There's nothing magical about it. In most organizations today, ideas still come from the top. Soon after arriving at this command, I realized that the young folks on this ship are smart and talented. And I realized that my job was to listen aggressively – to pick up all of the ideas that they had for improving how we operate. The most important thing that a Captain can do is to see the ship from the eyes of the crew.'

~ Capt. Mike Abrashoff, author of *It's Your Ship*.³

JOHN DEERE CREDIT

Leaders and managers can drive appreciable improvements in engagement by a variety of techniques and behaviors. Knowing this, John Deere Credit (JDC), a division of John Deere (now John Deere Financial), sought to improve its managers' capabilities as related to employee engagement.

First, JDC surveyed its organization of about 800 employees. Though much like an engagement survey, this survey focused on those things most impacted by a person's direct manager or supervisor. Analyzing the results, JDC could see what managers were doing relatively well and relatively poorly. Manager strengths were documented and shared, as were their weaknesses. This gave the organization (and managers themselves) a benchmark and guidance for where improvements might have the most impact.

Related to their strengths and weaknesses, managers were asked to choose two activities that would drive higher engagement among their teams. Each would lead and be accountable for these initiatives with their reports. The interventions were simple and cost effective – for example, developing individual learning plans with each team member, scheduling weekly one-to-one coaching sessions, finding the time to recognize people regularly for their contributions. Monthly meetings were scheduled to review progress and hold all managers accountable for following through with their plans.

JDC's next employee engagement survey took place about eight months after the program was initiated. Not surprisingly, it revealed tremendous gains. While it wasn't possible for JDC to isolate the impact of the management initiative alone, they felt the initiative contributed to the lion's share of improvements. Those assessed as "Fully Engaged" rose from 18.2% to 25.6%. "Engaged" workers rose from 49.8% to 55%. Those previously deemed "Somewhat Engaged" and "Disengaged" dropped from 24% to 17.3% and 10.1% to 3.2%, respectively.

So what do these numbers mean? Using their previous engagement survey results, JDC determined it lost over \$6 million per year due to the 34% of its employees who were either Somewhat Engaged or Disengaged. After the intervention, they produced the following profile using data and recommendations from the Center for Talent Solutions (CTS), a firm that has been assisting organizations worldwide with employee engagement for the past 15 years.⁴

- 800 employees
- Average salary: \$78,000
- Average benefits: 28%
- "Fully Engaged" = 122% performance
- "Engaged" = 100% performance
- "Somewhat Engaged" = 71% performance
- "Disengaged" = 40% engaged

By multiplying the number of employees by average salary plus benefits (\$99,840), managers arrived at an ideal "performance number" if all employees were engaged: \$79,872,000. However, because 25.6% of its employees are now Fully Engaged, it received an annual performance boost of \$4,498,391.04. Unfortunately, despite decreasing the number of Somewhat Engaged and Disengaged employees, it is still losing money in terms of performance. The 17.3% of its employees who are still Somewhat Engaged cost JDC \$4,007,178.24 each year, and the 3.2% that are Disengaged cost it \$1,222,041.60.

Yet by taking the simple, inexpensive actions they did, JDC reduced its net annual performance loss from roughly \$6,000,000 per year to roughly \$731,000 – a drop of more than \$5.2 million.

Consider whether these numbers appear credible to you. Does the Center for Talent Solutions use inflated or conservative calculations in your opinion? Is it a stretch to say that Fully Engaged employees contribute 122% of their compensation, while Disengaged workers contribute only 49%? The actual numbers will differ between industries and organizations, but most experts believe the CTS calculations are extremely conservative. In any case, the potential hard dollar savings in driving higher employee engagement are enormous.

A U.S. INTELLIGENCE AGENCY

Imagine you're an analyst for a government intelligence agency. You're watching TV one Sunday evening when a breaking news item appears:

⁴ See: www.keepppeople.com

The Island of Quadraat has just suffered a major earthquake. You immediately sit up and pay attention because Quadraat is one of the nations you're responsible for as an intelligence analyst.

Using a secure network site and your tablet, you draft a fast report based on the initial information you're able to glean online. You tag it with keywords and press "send." The system automatically routes your report to your direct manager and to the in-boxes of every analyst, specialist, agent and operative who matches your keyword.

Within hours you receive an update from the system. Already, more than a thousand people throughout the nation's network of thirteen intelligence agencies has received your briefing, and some have already added their own insights.

By sharing your briefing, you've set in motion a system that taps the collective insights of dozens of experts. They are able to combine satellite images of Quadraat with intelligence about potentially sensitive materials located on the island. By Monday morning, they've alerted the Director of the agency that a breach in a chemical plant caused by the earthquake is a potential source of "controlled materials" that terrorist networks known to be operating in the area may try to get their hands on.

By noon on Monday, the system reports back to you with a summary of the impact your briefing has had so far. Seeing the results, you feel connected and gratified that you played a part in identifying a potentially dangerous situation. That evening, the Director decides the situation is serious enough that it should go into the following morning's Security Briefing to the President. The Director recommends that a Navy Seal team parachute onto the island to secure the facility as quickly as possible, while awaiting a Marine guard contingent and construction repair crews. On Tuesday morning, the system alerts you that your briefing has made its way into the President's daily Briefing. You beam with pride knowing that you've made a difference. The system is fully integrated with the agency's performance-management system, meaning you'll have a record of it when performance review time comes around.

The intelligence analyst in this example is very likely underpaid versus her counterparts with similar experience and education in the private sector. But she works for a cause and purpose that are important to her and her colleagues and co-workers. The technology, based on sound principles of motivation, is perfectly suited to her key drivers of engagement.

But it's important to keep in mind that nearly everyone shares a similar need for a sense of purpose in what they do.

'PRIMACY OF PURPOSE'

Thinkers, philosophers and theorists have told us for thousands of years that purpose is essential to leading meaningful and contented lives.

It's not enough to say that you want to be a wealthy and important executive, or even that you want to be a wealthy but compassionate and generous executive. You have to be able to answer "why?" - in other words, you'll use being a wealthy and important executive for what purpose? And the "what" must amount to something greater than yourself. Knowing your purpose, you can more easily define the values that will help you achieve it and thereby give meaning to everything you do and accomplish.

Most people, absent this purpose, will find their accomplishments either unsustainable or hollow - or both. You can avoid this fate for yourself and your employees by practicing the tenets of Self Determination Theory (SDT)⁵ which prescribes three elements for your best approach to sustained, intrinsic motivation and subsequent development as a human being:

1. **Autonomy** - You decide. You choose your work, how you live, the way you behave and your goals.
2. **Mastery/Competence** - After you've chosen what you do, you naturally crave the ability to do it well. You are happy and thrive in the application, practice and learning involved in its pursuit.

⁵ - See: http://en.wikipedia.org/wiki/Self-determination_theory

3. **Relatedness of Purpose** – You must link your pursuits to a purpose involving connection with, and service to, others.

As a leader, strive to ensure that your employees can achieve autonomy, mastery and purpose. This might develop in different way and in different people over the course of many years, but as long as they're on the path they stand a much better chance of being happy and engaged at work.

THE EMOTIONAL CONNECTION

Gallup stands above all other organizations in the depth and breadth of its research into the drivers of engagement. Over the decades, it has come to a very solid (if intuitively obvious) conclusion about what makes people connect to another person, an employer, a seller or a community. In studying customers across industries, it found that those who are emotionally engaged are far more valuable than those who are rationally engaged.

For example, if you have a customer who has experienced nothing but positive service (i.e. great price, great quality, responsiveness, etc.) in their dealings with you, congratulations; you're very likely to have a rationally satisfied customer. If, on the other hand, you have a customer who deeply identifies with your products, services or brand – even if they pay more and even if they occasionally experience poor quality and bad service – you likely have an emotionally engaged customer.

Despite experiencing the same (or worse) treatment as a customer, someone who is emotionally engaged is far more likely to remain your customer and spend more money with you over time.⁶

This runs completely counter to the field of classical economics, which is based on the assumption that consumers act rationally. But where classical economics gets it wrong is that people very often *do not* act rationally; they act on emotion and they never engage on a rational basis. They only engage on an emotional level.

Think about your own behaviors. If you always act rationally, you'll always buy the lowest cost car with the longest and best warranty. Some manufacturers go after that market, but many others – especially the luxury brands – succeed in winning your business with other carefully crafted messages that resonate with you emotionally and that make you want to be identified with that brand. The very same thing applies to employees. We have to get their *emotional* commitment, we need to make them *want* to stay, perform well and see the organization succeed.

CHOOSE THE RIGHT LEADERS

If you get only one thing right, make sure it's your leaders – especially front-line managers and supervisors. Don't let bad leaders impact your workforce. Remember that not everyone should be a leader or wants to be a leader. Get it right in your organization by knowing the difference between a high performing individual contributor (IC) and one with the potential to be a leader. ICs with leadership potential tend to exhibit common traits. They perform at high levels, but they also demonstrate cognitive and emotional intelligence; a willingness to work with, assist and share recognition with others; a commitment to learning; and they do what they say they'll do. Most importantly, they inspire high commitment and high performance in others. In other words, they get things done through other people.

Great managers and leaders are motivated to lead. Too many organizations provide only one path for employees to achieve the prestige and high pay that talented individuals seek – the management track. Smart organizations create a second career ladder for those who prefer to remain technical experts, great salespeople or brilliant researchers but still want to be promoted, respected and rewarded without being forced into leadership roles.

With the right leaders in place – either through selection, development or both – the path to a highly engaged workforce is largely free of obstacles. You'll still need a sense of purpose and the right incentives, but great leaders will deliver both seamlessly.