

Employee Engagement in New Normal

ARL HR Conference, December 13 2012.

Session Outline

- Some Local Facts
- Emergence of Employee Engagement
- Employee Engagement and Business Performance
- Global Facts
- Making it Happen
- Q&A

Some Local Facts

The talent barometer, Engage Consulting October 2012

“62% of the respondents are considering leaving their company. Since 2011, the number of people actively looking for jobs increased by 20% with as many as 28% of respondents indicating that they have been actively looking for opportunities in the past 3 months.”

AND

“65% are considering leaving their jobs, 81% of Senior and Middle managers being approached for job opportunities outside their organization”.

Story of Employee Engagement

Story of Employee Engagement

- Early 1900s Fredrick Taylor work on ‘Scientific Management’
 - How do you strip jobs down to their basic elements that people become more like machines
 - Eliminate the chances of errors, eliminate individual differences and make people as productive as possible
- Huge reaction against this from people, companies and academics
- Question emerged around the “human nature at work”
- Lot of research came out of people being satisfied and interested in their work
- Feeling more part of their work than less part of their work, as being created by “Scientific Management”

Story of Employee Engagement

- In the next 30 years we saw an increased research on ‘importance of satisfaction’.
 - It is nice to have satisfied employees compared to unsatisfied employees but ‘satisfaction is not the ‘real driver’ of performance. Why?
 - If you are satisfied / happy as an employee does not mean you working really hard and towards the best interest of the organization
- Instead people started working towards the notion of ‘commitment’.
 - Commitment being a concept that employee identify themselves as part of the organization
 - Their personal lives are associated or attached to what's happening at the organization

Story of Employee Engagement

- Increased focus on Commitment as better predictor of performance
- In the next two decades we saw a lot of companies push for notion of increasing Employee Commitment
- Unfortunately we found that commitment is nice to have but it does not really explain the difference between best performers and worst performers
- At this stage it really starts to become emotional vs rational approach to understand employees and the extend of this emotional bonding, unlike Scientific Management

Emergence of Employee Engagement

Satisfaction – Commitment - Engagement

Satisfaction

Satisfaction is the overall **rational 'assessment'** of a situation

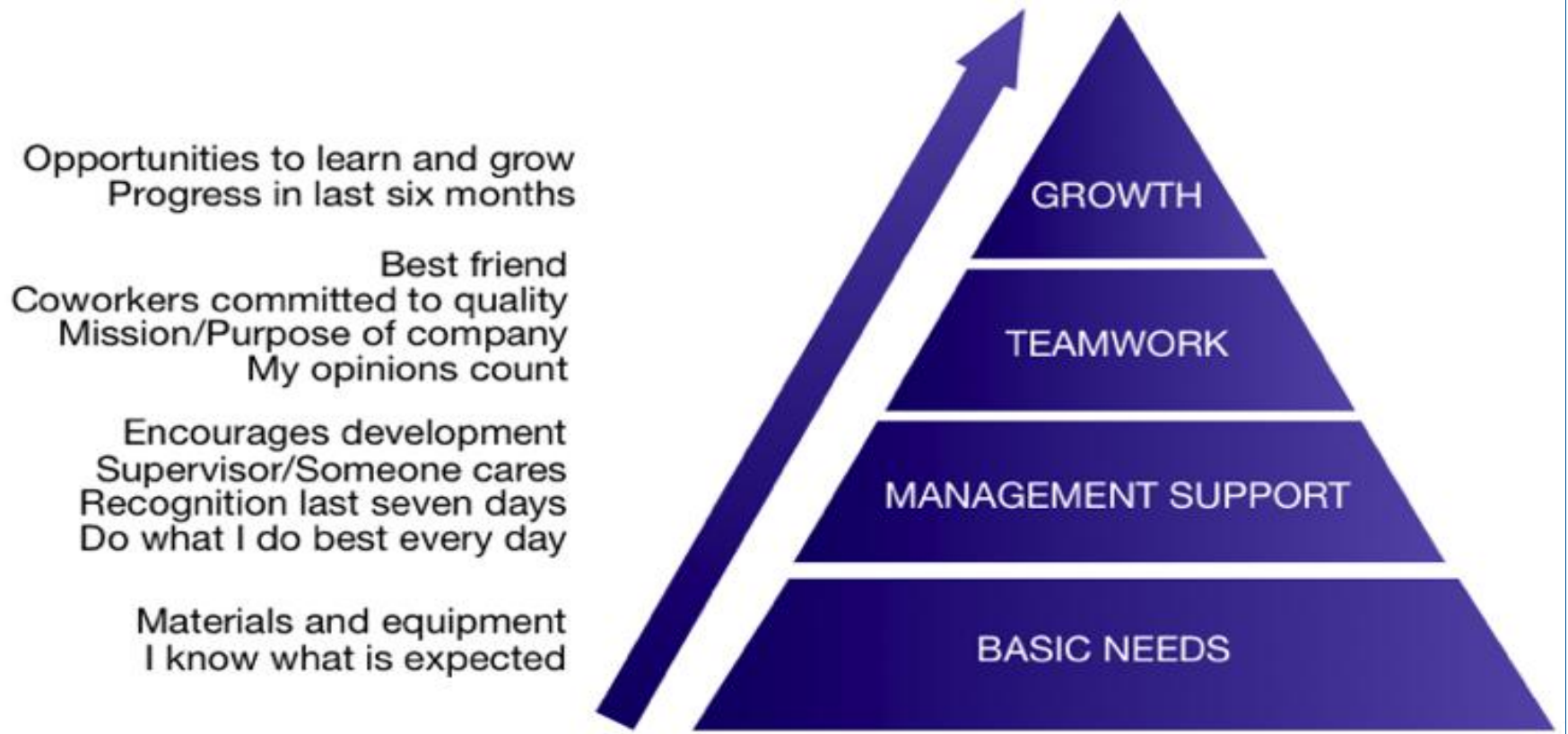
Commitment

Commitment is employees **relatedness** with the organization

Engagement

Engagement measures the levels of *psychological commitment & 'emotional bonding'*

Engagement is Meeting Basic Human Needs at Work



These factors are derived from behavioral economics and is relevant across cultures.

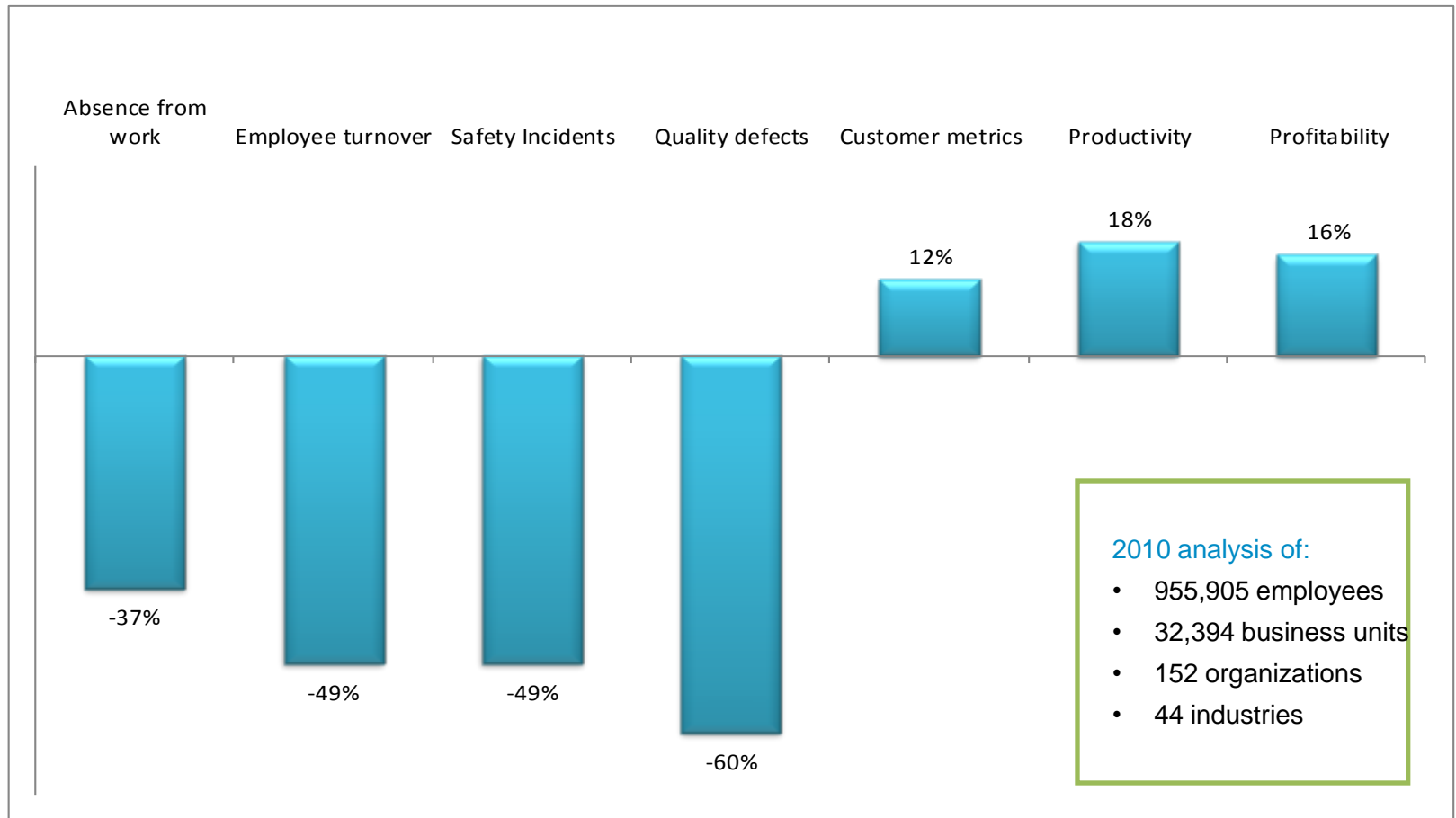
Gallup

Employee Engagement

- In a broader perspective, employees' attachment with their jobs, with their coworkers, with their supervisors/ leaders, with organizational culture and overall the emotional attachment / psychological bonding with the organization
- Interesting things emerged, with increased Employee Engagement:
 - people were more productive
 - less absent from job
 - leaving less or quitting
 - helping coworkers
 - staying late
 - doing extra things
 - using discretionary behavior to solve problems
 - going above and beyond call of duty to satisfy customers

Employee Engagement and Business Performance

Employee Engagement and Business Performance



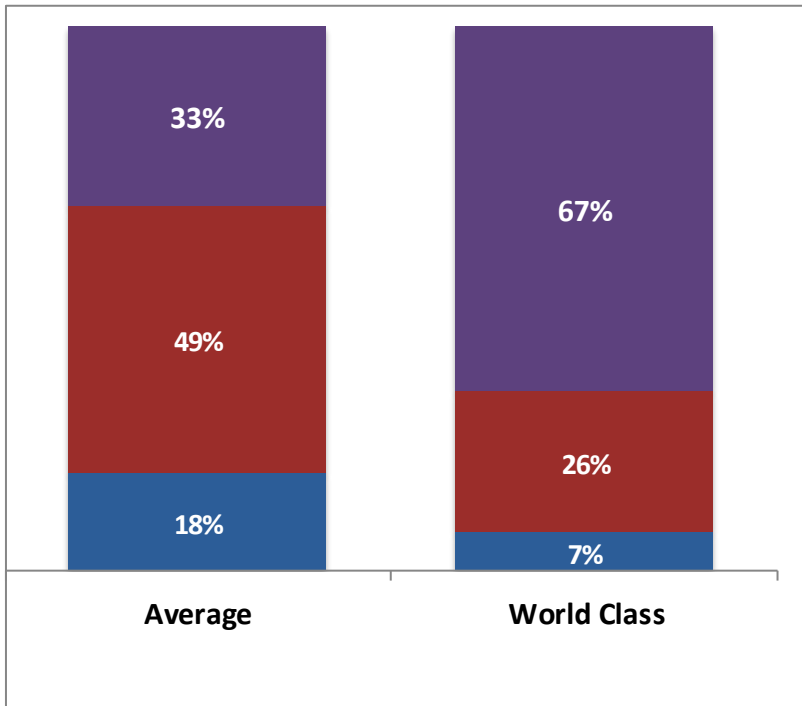
Difference between top and bottom quartiles of engagement as measured by Gallup's Q¹²

Unleashing the Potential for Growth

Engagement Ratios

1.83:1

9.57:1



Engaged Employees are emotionally attached to their workplaces,

Not Engaged Employees are “working just the minimum”, are less productive, have less emotional attachment to their workgroup/company

Actively Disengaged Employees are working against the interests of the company, “are physically present, but mentally not there”

Difference between top and average EE score as measured by Gallup's Q¹²

EE is the Key

Institute of Employment Studies, UK

- 85% engaged employees plan on stay vs 27% disengaged employees. In addition, 41% engaged employees would stay if the organisation is struggling to survive.
- Study of 50,000 employees found that the most engaged and committed perform 20 per cent better than their colleagues.
- Survey of 946 companies across 22 countries found that employees who are highly engaged are more than twice as likely to be top performers than are other employees.
- Operating income (OI) of 50 financial companies, found that companies with high employee engagement showed OI improvements of 19.1% in a 12 month period and a combined additional income of over £192 million. Conversely, the OI of organisations with low engagement declined by 32% in the same time period, a combined loss of over £448 million.
- Similarly, a study of 2,000 banks in the UK found that with every 10% rise in engagement levels comes a 4% rise in sales

EE is the Key

- 1% increase in EE can lead to a monthly increase of 9% in sales. (IES)
- The lost productivity of actively disengaged employees costs the US economy \$370 BILLION annually. (Gallup)
- 70% of engaged employees indicate they have a good understanding of how to meet customer needs; only 17% of non-engaged employees say the same. (Wright Management)
- 78% would recommend their company's products or services, against 13% of the disengaged. (Gallup)
- 86% of engaged employees say they very often feel happy at work, as against 11% of the disengaged. 45% of the engaged say they get a great deal of their life happiness from work, against 8% of the disengaged. (Gallup)
- 75% of leaders have no engagement plan or strategy even though 90% say engagement impacts on business success. (ACCOR)

EE is the Key

- 59% of engaged employees say that their job brings out their most creative ideas against only 3% of disengaged employees. (Gallup)
- 18% of dis-engaged employees actually undermine their co-workers' success. (Gallup)
- Engaged employees in the UK take an average of 2.69 sick days per year; the disengaged take 6.19. (Gallup)
- Increased investment in EE related programs, would increase profits by \$2,400 per employee per year. (IES/Work Foundation Report)
- Increased employee engagement was accompanied by a 12% increase in customer satisfaction and significant double-digit revenue and margin growth over the past three years. (Serco Study)
- Engaged organizations grew profits by 3x faster than their competitors.
- High EE can reduce staff turnover by 87% and improve performance by 20%. (Corporate Leadership Council)

Harvard Business School Study

Leaders commonly misunderstand employees' engagement drivers. Last year, Teresa Amabile, a management professor at Harvard Business School, asked 600 managers to rank workplace factors that they thought engaged employees. "Recognition for good work" topped the list; "progress" came in dead last.

Amabile then compared the managers' rankings to what she had concluded from a multiyear study tracking day-to-day activities, emotions and motivations of hundreds of knowledge workers in a variety of settings.

Her findings? Progress ranked No. 1 on the list of engagement factors related to performance.

Setting small goals in addition to long-term goals is the key.

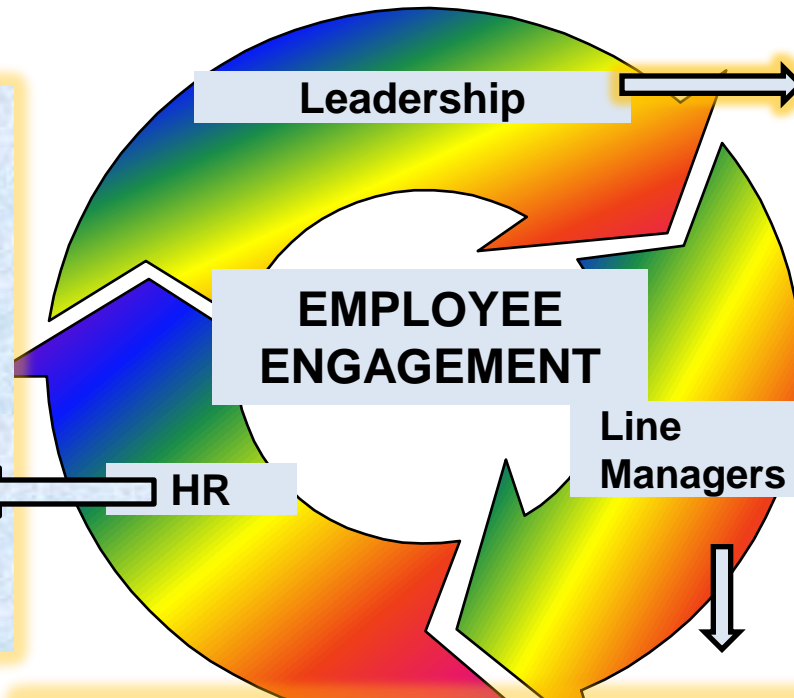
Making it Happen

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Building Engagement

Key Role:

- Create enabling HR Systems and Processes
- Build Managerial Capability for effective Action Planning
- Keep track of Action Planning and periodic communication to all concerned
- Be the Sounding Board for employees & managers – collate and escalate pervasive issues
- Drive Best Practice Collation and Dissemination



Key Role:

- Be Role Models- Walk the talk
- Set the scene for Engagement Goal and Integrate it with Vision/Mission
- Formalize EE Strategy
- Communicate Results/Action Taken
- Enable HR and Line Managers to take initiatives
- Review and Drive Action Planning
- Recognize and Reward Engagement efforts and Performance
- Support Engagement Initiatives

Key Role:

- Share results with the team
- Interpret results and create ownership
- Lead the respective Action Planning
- Develop a system of Feedback for impact
- Escalate issues not within the control of the team

One last bit!!!

A manager's role in employee engagement is hotly debated. Studies showing that people leave managers, not companies, have led some HR professionals to hold supervisors responsible for engagement survey results. Managers' bonuses may even be tied to engagement scores. Not everyone agrees with this tactic. EE is everyone's responsibility, and, unfortunately, it hasn't been treated that way.

If managers' bonuses are tied to the score, it sends the subtle message to everyone else that 'if I'm not engaged, it's my manager's fault. We create a victimization culture when we do that.

Therefore the responsibility for engagement needs to be shared from top to bottom.

Thank You

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