

Employee Engagement

“There are clear links between employee engagement and effectiveness which, in turn, affect productivity. Employee engagement goes to the heart of organisational capability issues.”

Ms Lynelle Briggs

Australian Government Public Service Commissioner.
The State of the Service. Connections Series Speech 12 July 2005

“Engagement can make a huge difference in performance. It’s the ultimate prize for employers today,”

Charles H. Watts, a principal of consulting firm Towers Perrin Boston

“In the USA

- *25% of employees are actively engaged*
- *55% are disengaged, and*
- *20% are actively disengaged”*

Clifton, James K. Chairman & CEO The Gallup Organization. Engaging Your Employees: Six Keys to Understanding the New Workplace. 2002 SHRM Foundation Thought Leadership Remarks

“Of course we’ve been really good at disengaging our employees these last years. We’ve spent millions in consulting fees to find ways to cut our employees’ pensions and health benefits (now there’s disengagement for you) and then we say we want you to be part of our brand. We’ve fired thousands of people after mergers and sell-offs and our websites proclaim that one of our goals is to be an employer of choice. We’ve cut personal and professional development programmes to the bone and then we expect our employees to be up-to-speed and enthusiastic.”

Johnson, M. The New Rules of Engagement 2004 CIPD Enterprises

“The difference between what we do and what we are capable of doing would suffice to solve most of the world’s problems.”

Gandhi

Imagine what could happen if an organisation had a fully engaged workforce?

Employee Engagement

Employee Engagement describes the attitude a person has towards their organisation and its values. Engagement is defined as a composite measurement of employee commitment to their organisation, how hard they work, and how long they stay because of their commitment.

Engaged, Not Engaged, Disengaged

The Gallup organisation suggests that there are three types of employees (these includes managers and executives):

1. **Engaged:** employees who work with passion and feel a profound connection to their organisation. They drive innovation and move the organisation forward;
2. **Not-engaged:** employees who attend and participate at work but who are timeserving and who put no passion or energy into their work and
3. **Actively disengaged:** employees who are unhappy at work and who act-out their unhappiness at work. These employees undermine the work of their engaged colleagues on a daily basis.

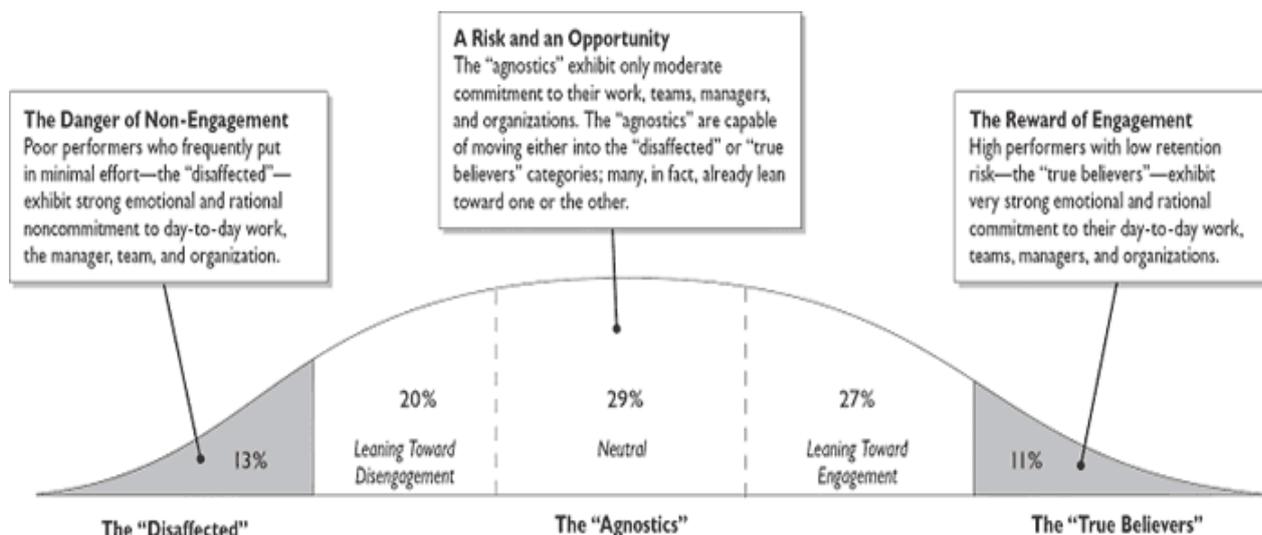
The Gallup statistics are startling as the following survey figures show:

Classification	2000 Results	2002 Results	2004 Results
Engaged	29%	25%	26%
Not engaged	55%	55%	55%
Disengaged	16%	20%	19%

Gallup USA

The Gallup surveys are confirmed by the 2004 Corporate Leadership Council report on Driving Employee Performance and Retention through Engagement.

Three categories of employee engagement



Source: Corporate Leadership Council research

Whilst the nomenclature and numbers between the two studies differ the problems they uncover are still critical to organisational performance.

International Problem

Disengaged employee syndrome is not just confined to the USA.

"In the UK, similar statistics of 19% engaged, 61% not engaged and 20% actively disengaged were found in 2003."

Flade, P. (2003) Great Britain's Workforce Lacks Inspiration. Gallup Management Journal

Commenting on the Gallup survey conducted in Germany, *European Industrial Relations On-Line* said that the survey showed that:

- ➔ 12% of German workers are 'truly engaged' in their work – have a strong emotional attachment to their jobs and their workplace;
- ➔ Some 70% of employees were 'not engaged'; - either not psychologically committed to their roles or just 'work to rule';
- ➔ 18% are 'actively disengaged' - fundamentally disconnected, from their jobs. Psychologically at least, they have already left their organisation.

Furthermore, it noted that Gallup estimates the value of lost productivity in 2003 caused by job dissatisfaction to be up to **EUR 260 billion in Germany**.

Gallup has conducted similar studies in Japan, Thailand and Singapore. The data is consistent in showing crucial HR weakness.

Anecdotal evidence suggests that we have the same problem right here in Australia!

Moving beyond commitment

APS Commissioner Lynelle Briggs suggests that there are clear links between employee engagement and effectiveness which, in turn, affect productivity:

“...Employee engagement goes to the heart of organisational capability issues...”

Mercer's '2005 What's Working Survey' is based on data collected from a statistically valid sample of working adults from over 800 organizations, representing a cross-section of industries. Respondents to the survey completed a 148-item questionnaire, including nearly 100 items that provide a comparison against Mercer's benchmark '2002 What's Working Survey', and over 50 new items tapping further into the organizational concerns of today.

Commenting on Mercer's '2005 What's Working Survey' Dr Rod Fralicx, Mercer's global employee research director and the manager of the What's Working Survey, encouraged organisations to look beyond **commitment** (the likelihood that an employee will stay with or leave the organization) and strive to improve employee **engagement**, which he defines as the employee's willingness to go “above and beyond” assigned job responsibilities to support the organization's success.

Just Showing Up to Collect a Paycheck

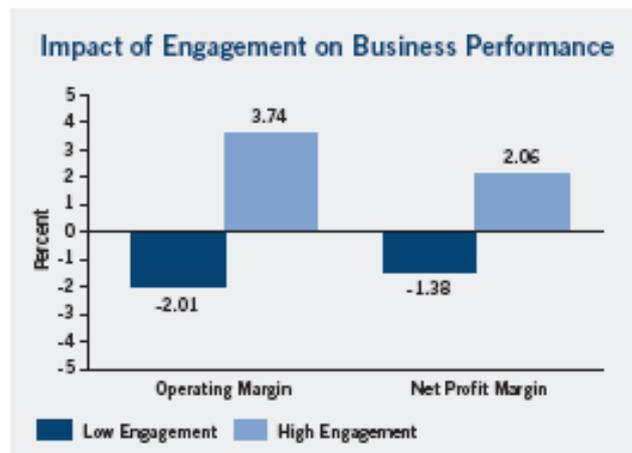
Dr. Fralicx noted “...that more than a third of US workers are currently not committed to their organisations and, of those, 40% say they have no plans to leave the company. That is not good news for their organisations employers.”

Dr Fralicx said “The last thing you want are employees who intend to stay, but are not inclined to make any 'discretionary effort' to help the organisation succeed.”

In April 2005, The Conference Board April 13th 2005 IndustryWeek.com reported that it was estimated that in the USA 40% of workers feel disengaged from their employers, 66% do not identify with or feel motivated to drive their organization’s business goals & objectives and 25% of workers are – ‘just showing up to collect a paycheck’.

Engaged Employees Drive Bottom Line Performance

A survey of over 360,000 employees from 41 companies in the world’s ten largest economies, examined the relationship between different levels of employee engagement and corporate financial performance, measured by change in operating margin and change in net profit margin. Comparing high-engagement to low-engagement companies over a three-year period, the differences were substantial as shown in the following diagram.



Source ISR Engaged Employees Drive Bottom Line Performance

The Cognitive, or “Think” component relates to employees’ logical evaluation of a company’s goals and values. The Emotional (Affective) component, or “Feel,” taps into whether employees have a sense of belonging and pride in the company. Finally, the Behavioural dimension, or “Act,” captures the outcomes that employers desire such as retention and willingness to “go the extra distance” for the company when necessary. Engagement itself is actually a measure of the combination of these three components.

The Value of Employee Engagement

- ➔ Employee engagement levels are more than 20 percent higher at double-digit growth companies than at lower-growth companies, according to a survey of 4 million employees. *Source: “Hewitt Associates Study Shows More Engaged Employees Drive Improved Business Performance and Return,” Press Release, Hewitt Associates, May 2004.*

- Close to one-third of CEOs identified the HR activity of “engaging employees in the company’s vision/values/goals” as one of the three factors most important to their company’s success. *Source: The CEO Challenge 2003, Esther V. Rudis, Conference Board, 2003.*
- Engaged employees identify with their work and actively promote the company’s mission and objectives. *Source: The Gallup Organization:*
- ([Employee Engagement Index www.gallup.com](http://www.gallup.com))
- Only half (50%) of employees polled said their company inspires them to do their best work, suggesting companies are performing below their potential because they are not engaging employees. *Source: Working Today: Understanding What Drives Employee Engagement, Towers Perrin, 2003.*

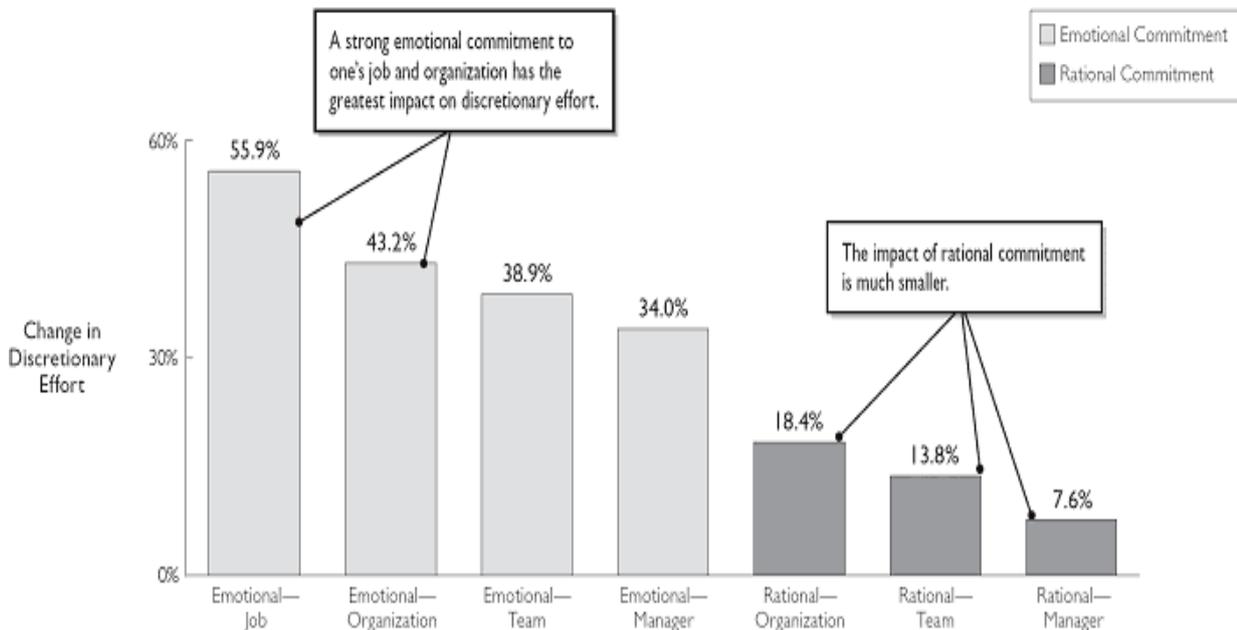
Discretionary Effort

Discretionary Effort (DE) is described as that increment of human labour whose expenditure is entirely at the discretion of the individual who owns it. DE is what individuals give willingly rather than compulsorily.

The Corporate Leadership study found that commitment drives effort and is the key to unlocking discretionary effort: employees with the highest commitment levels provide **57% more discretionary** effort than employees with the lowest level of commitment. Engaged employees are committed employees and generously give of themselves. This discretionary effort can **improve performance by 20%**

Indeed moving employees from strong non-commitment to strong commitment can result in a **57% increase in discretionary effort.**

Maximum impact of commitment type on discretionary effort*



* Each bar represents a statistical estimate of the maximum total impact on discretionary effort each type of commitment will produce. The maximum total impact is calculated by comparing two statistical estimates: the predicted discretionary effort for an employee who is strongly committed and the predicted discretionary effort level for an employee who is strongly uncommitted. The impact of each commitment type is modeled separately.

Source: Corporate Leadership Council 2004 *Employee Engagement Framework and Survey*; Corporate Leadership Council research.

80/20 Rules

Anecdotal rules of thumb have traditionally suggested that:

- (i) **80% of productivity** comes from **20%** of your **workforce**, and that
- (ii) **80% of your problems** come from **20%** of your **people**.

The results of the disengagement studies tend to confirm this. Kraack (2003) says that relying on your 'star' 20% of the workforce to meet productivity challenges isn't working any more. Today's challenges are too big and too deep to be met by the minority of the workforce. He says: *"Companies that succeed in navigating through these times are going to be the ones that figure out a way to get all hands on deck. That means effectively engaging, supporting and improving the productivity of that 'other 80 percent.' And that, in turn, means focusing on the right mix of levers that will optimally influence the ability, motivation and behaviours of that sizable portion of your workforce."*

10:6:2 Rule

The Corporate Leadership Council study also found that:

- ✓ Every **10% improvement** in commitment can increase an employee's effort level by **6%**, and that,
- ✓ Every **6% improvement** can improve an employee's performance by **2 percentile points**.

Other research has shown that a simple 1 percent increase in productivity typically produces more than 10 times the impact of a 1 percent decrease in training costs.

What this means is that rather than reduce training to increase bottom-line performance, recourse spent on improving productivity, including training can have a 10% great impact. That stands to reason. If not knowing how to fix things is affecting performance then reducing your knowledge base will only compound the problem!

Conclusion

Disengagement is a real problem that comes with massive recurrent costs. Remedial action to minimise disengagement can have a major impact on redressing recurrent bottom-line performance.

The College for Adult Learning Can Help. We have an extensive knowledge bank of experience and expertise to assist you in achieving a fully engaged workforce.

We understand:

- ✓ The drivers of commitment, engagement and performance
- ✓ The impacts of breaches of employer/employee psychological contracts and,
- ✓ The crucial role of managers and supervisors in gaining and retaining commitment and engagement.

We know how to:

- ✓ Form excellent organisational cultures
- ✓ Build high functioning teams and
- ✓ Measure & record progress.

We have the tools to help you:

- ✓ Assess your workforce and
- ✓ Estimate the resources costs and productivity associated your engaged, not engaged and disengaged staff.

We can help you with:

- ✓ Surveys & analysis
- ✓ Training
- ✓ Knowledge banks and resources
- ✓ Consulting
- ✓ Remedial strategy and operational plans

Remember you are paying 100% of the wages & salaries. Are you achieving 100% of the productivity?

You can use the following table to perform a quick analysis of your workforce to:

- (i) Establish the EFT size of your workforce
- (ii) Establish total labour cost including on-costs
- (iii) Establish total organisational productivity using measures appropriate to the organisation
- (iv) 'Guestimate' the percentage of people in your workforce who would fall into the three categories – engaged, not engaged, disengaged
- (v) Using your 'guestimated' percentage, calculate the appropriate numbers, wages & productivity for each category.

Category	%	Employee #'s	\$ Wages	% of Total Productivity
Engaged				
Not Engaged				
Disengaged				

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About **Michael Meere**

Michael is a professional & academic in the field of human resources management (HRM). He is the CEO and founder of *Human Resources Business Partners HRBP* a worldwide business and HRM consultancy focusing on global human resources challenges and solutions. Michael is also a part-time prac-academic (as he likes to refer to think of himself) supporting post graduate HR Masters students in their studies and research projects. He is known in the field as a speaker and writer on global HR trends and issues and more recently has developed a comprehensive set of HR metrics and measures designed for ease of use by busy HR practitioners. He is the author of over 50 articles and columns and has developed a large range of tools for HR professionals.

Michael is working in partnership with the College for Adult Learning to provide a range of consultancy services and specialised training development options for HRM Practitioners.

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