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What engages employees the most or, The Ten C's of employee engagement

Practitioners and academics have argued that an engaged workforce can create competitive advantage. These authors say that it is imperative for leaders to identify the level of engagement in their organization and implement behavioural strategies that will facilitate full engagement. In clear terms, they describe how leaders can do that.

By Gerard H. Seijts and Dan Crim

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A professor in a recent executive education program on leadership elicited a lot of laughs by telling the following joke: "A CEO was asked how many people work in his company: 'About half of them,' he responded." After the session, several participants put a more serious face on the problem when, while chatting, they bemoaned the fact that, in their organization, a significant number of people had mentally "checked out."

Quite clearly, CEOs and managers should be very concerned about a waste of time, effort and resources in their organizations. The reason is simple: If people are not engaged, how can these same leaders attain those business objectives that are critical to improving organizational performance?

What do we mean by employee engagement? How much does a lack of employee engagement cost an organization? What steps can leaders take to make employees want to give it their best? These and other questions are the focus of this article.

What is employee engagement?

An engaged employee is a person who is fully involved in, and enthusiastic about, his or her work. In his book, *Getting Engaged: The New Workplace Loyalty*, author Tim Rutledge explains that truly engaged employees are attracted to, and inspired by, their work ("I want to do this"), committed ("I am dedicated to the success of what I am doing"), and fascinated ("I love what I am doing"). Engaged employees care about the future of the company and are willing to invest the discretionary effort – exceeding duty's call – to see that the organization succeeds. In his book, Rutledge urged managers to implement retention plans so that they could keep their top talent. The need to do so is supported by a 1998 McKinsey & Co. study entitled *The War for Talent* that reported that a shortage of skilled employees was an emerging trend. Today, there is widespread agreement among academics and practitioners that engaged employees are those who are emotionally connected to the organization and cognitively vigilant.

Is there a crisis in employee engagement?

We believe that executives must be concerned about the level of engagement in the workplace. For example, the *Gallup Management Journal* publishes a semi-annual Employment Engagement Index. The most recent U.S. results indicate that:

- Only 29 percent 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.
- Fifty-four percent of employees are not engaged. These employees have essentially "checked out," sleepwalking through their workday and putting time – but not passion – into their work. These people embody what Jack Welch said several years ago. To paraphrase him: "Never mistake activity

for accomplishment."
- Seventeen percent of employees are actively disengaged. These employees are busy acting out their unhappiness, undermining what their engaged co-workers are trying to accomplish.

A Towers Perrin 2005 *Global Workforce Survey* involving about 85,000 people working full-time for large and mid-sized firms found similarly disturbing findings. Only 14 percent of all employees worldwide were highly engaged in their job. The number of Canadians that reported being highly engaged was 17 percent. Sixty-two percent of the employees surveyed indicated they were moderately engaged at best; 66 percent of employees in Canada were moderately engaged. And 24 percent reported that they are actively disengaged; the corresponding number in Canada was 17 percent. (See article by Towers Perrin authors elsewhere in this issue.)

The survey also indicated that on a country-by-country basis, the percentages of highly engaged, moderately engaged, and actively disengaged employees varied considerably. And the results showed some interesting, perhaps counter-intuitive, results. For example, Mexico and Brazil have the highest percentages of engaged employees, while Japan and Italy have the largest percentages of disengaged employees. In their report, the authors interpreted these and other findings as an indication that employee engagement has relatively little to do with macro-economic conditions. Instead, it is the unique elements of the work experience that are most likely to influence engagement.

Does engagement really make a difference?

Should executives be concerned about these findings? Perhaps a more interesting question to executives is: "Is there a strong relationship between, say, high scores on employee engagement indices and organizational performance?" It seems obvious that engaged employees are more productive than their disengaged counterparts. For example, a recent meta-analysis published in the *Journal of Applied Psychology* concluded that, "… employee satisfaction and engagement are related to meaningful business outcomes at a magnitude that is important to many organizations." A compelling question is this: How much more productive is an engaged workforce compared to a non-engaged workforce?

Several case studies shine some light on the practical significance of an engaged workforce. 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 percent less revenue than their colleagues who were engaged. Furthermore, those not engaged generated 23 percent less revenue than their engaged counterparts. Engaged employees also outperformed the not engaged and actively disengaged employees in other divisions. New Century Financial Corporation statistics also showed that employee engagement does not merely correlate with bottom line results – it **drives** results.

Employee engagement also affects the mindset of people. Engaged employees believe that they can make a difference in the organizations they work for. Confidence in the knowledge, skills, and abilities that people possess – in both themselves and others – is a powerful predictor of behavior and subsequent performance. Thus, consider some of the results of the Towers Perrin survey cited earlier:

- Eighty-four percent of highly engaged employees believe they can positively impact the quality of their organization's products, compared with only 31 percent of the disengaged.
- Seventy-two percent of highly engaged employees believe they can positively affect customer service, versus 27 percent of the disengaged.
- Sixty-eight percent of highly engaged employees believe they can positively impact costs in their job or unit, compared with just 19 percent of the disengaged.

Given these data, it is not difficult to understand that companies that do a better job of engaging their employees do outperform their competition. Employee engagement can not only make a real difference, it can set the great organizations apart from the merely good ones.

Leading the turnaround

Consider the words of Ralph Stayer, CEO of Johnsonville Sausage. In the book, *Flight of the Buffalo: Soaring to Excellence, Learning to Let Employees Lead,* he writes:

> *I learned what I had to in order to succeed, but I never thought that learning was all that important. My willingness*

to do whatever it takes to succeed is what fueled Johnsonville's growth. In 1980 I hit the wall. I realized that if I kept doing what I had always done, I was going to keep getting what I was getting. And I didn't like what I was getting. I would never achieve my dream. I could see the rest of my business life being a never-ending stream of crises, problems, and dropped balls. We could keep growing and have decent profits, but it wasn't the success I was looking for.

The CEO observed that his employees were disinterested in their work. They were careless – dropping equipment, wasting materials, and often not accepting any responsibility for their work. They showed up for work, did what they were told to do, and, at the end of their shift, went home; the same routine would be repeated the next day. An employee-attitude survey showed average results. To Stayer, it appeared that the only person who was excited about Johnsonville was himself. He began to feel like a baby-sitter for his executives and staff. Stayer also realized that he could not inspire Johnsonville to greatness and as a result, the business he was running was becoming vulnerable. .

Stayer found solutions to these problems in a meeting with Lee Thayer, a communications professor. Thayer explained to Stayer that a critical task for a leader is to create a climate that enables employees to unleash their potential. It is not the job of a CEO to **make** employees listen to what you have to say; it is about setting up the system so that people **want** to listen. The combination of the right environment and a culture that creates wants instead of requirements places few limits on what employees can achieve. Thayer's message resonated with Stayer, as it should among business executives.

Stayer began to recognize the difference between compliance and commitment, and that an engaged workforce was what he needed to help improve organizational performance. He also learned that he needed to change his own leadership behaviour first. Leaders cannot "demand" more engagement and stronger performance; they can't stand on the sideline and speak only "when the play goes wrong" if an engaged workforce and great performance are what they desire. But what should leaders do, or consider doing, to increase the level of engagement among employees?

The ten C's of employee engagement

How can leaders engage employees' heads, hearts, and hands? The literature offers several avenues for action; we summarize these as the Ten C's of employee engagement.

1. Connect: Leaders must show that they value employees. In *First, Break All the Rules*, Marcus Buckingham and Curt Coffman argue that managers trump companies. Employee-focused initiatives such as profit sharing and implementing work–life balance initiatives are important. However, if employees' relationship with their managers is fractured, then no amount of perks will persuade employees to perform at top levels. Employee engagement is a direct reflection of how employees feel about their relationship with the boss. Employees look at whether organizations and their leader walk the talk when they proclaim that, "Our employees are our most valuable asset."

One anecdote illustrates the *Connect* dimension well. In November 2003, the CEO of WestJet Airlines, Clive Beddoe, was invited to give a presentation to the Canadian Club of London. Beddoe showed up late, a few minutes before he was to deliver his speech. He had met with WestJet employees at the London Airport and had taken a few minutes to explain the corporate strategy and some new initiatives to them. He also answered employees' questions. To paraphrase Beddoe, "We had a great discussion that took a bit longer than I had anticipated." Beddoe's actions showed that he cares about the employees. The employees, sensing that he is sincere, care about Beddoe and the organization; they "reward" his behavior with engagement.

2. Career: Leaders should provide challenging and meaningful work with opportunities for career advancement. Most people want to do new things in their job. For example, do organizations provide job rotation for their top talent? Are people assigned stretch goals? Do leaders hold people accountable for progress? Are jobs enriched in duties and responsibilities? Good leaders challenge employees; but at the same time, they must instill the confidence that the challenges can be met. Not giving people the knowledge and tools to be successful is unethical and de-motivating; it is also likely to lead to stress, frustration, and, ultimately, lack of engagement. In her book *Confidence: How Winning Streaks and Losing Streaks Begin and End*, Rosabeth Moss Kanter explains that confidence is based on three cornerstones: accountability, collaboration, and initiative.

3. Clarity: Leaders must communicate a clear vision. People want to understand the vision that senior leadership has for the organization, and the goals that leaders or departmental heads have for the division, unit, or team. Success in life and organizations is, to a great extent, determined by how clear individuals are about their goals and what they really want to achieve. In sum, employees need to understand what the organization's goals are, why they are important, and how the goals can best be attained. Clarity about what the organization stands for, what it wants to achieve, and how people can contribute to the organization's success is not always evident. Consider, for example, what Jack Stack, CEO of SRC Holdings Corp., wrote about the importance of teaching the basics of business:

> *The most crippling problem in American business is sheer ignorance about how business works. What we see is a whole mess of people going to a baseball game and nobody is telling them what the rules are. That baseball game is business. People try to steal from first base to second base, but they don't even know how that fits into the big picture. What we try to do is break down business in such a way that employees realize that in order to win the World Series, you've got to steal x number of bases, hit y number of RBIs and have the pitchers pitch z number of innings. And if you put all these variables together, you can really attain your hopes and dreams … don't use information to intimidate, control or manipulate people. Use it to teach people how to work together to achieve common goals and thereby gain control over their lives.*

4. Convey: Leaders clarify their expectations about employees and provide feedback on their functioning in the organization. Good leaders establish processes and procedures that help people master important tasks and facilitate goal achievement. There is a great anecdote about the legendary UCLA basketball coach, John Wooden. He showed how important feedback – positive <u>and</u> constructive – is in the pursuit of greatness. Among the secrets of his phenomenal success was that he kept detailed diaries on each of his players. He kept track of small improvements he felt the players could make and did make. At the end of each practice, he would share his thoughts with the players. The lesson here is that good leaders work daily to improve the skills of their people and create small wins that help the team, unit, or organization perform at its best.

5. Congratulate: Business leaders can learn a great deal from Wooden's approach. Surveys show that, over and over, employees feel that they receive immediate feedback when their performance is poor, or below expectations. These same employees also report that praise and recognition for strong performance is much less common. Exceptional leaders give recognition, and they do so a lot; they coach and convey.

6. Contribute: People want to know that their input matters and that they are contributing to the organization's success in a meaningful way. This might be easy to articulate in settings such as hospitals and educational institutions. But what about, say, the retail industry? Sears Roebuck & Co. started a turnaround in 1992. Part of the turnaround plan was the development of a set of measures – known as Total Performance Indicators – which gauged how well Sears was doing with its employees, customers, and investors. The implementation of the measurement system led to three startling conclusions. First, an employee's understanding of the connection between her work – as operationalized by specific job-relevant behaviors – and the strategic objectives of the company had a positive impact on job performance. Second, an employee's attitude towards the job and the company had the greatest impact on loyalty and customer service than all the other employee factors combined. Third, improvements in employee attitude led to improvements in job-relevant behavior; this, in turn, increased customer satisfaction and an improvement in revenue growth. In sum, good leaders help people see and feel how they are contributing to the organization's success and future.

7. Control: Employees value control over the flow and pace of their jobs and leaders can create opportunities for employees to exercise this control. Do leaders consult with their employees with regard to their needs? For example, is it possible to accommodate the needs of a mother or an employee infected with HIV so that they can attend to childcare concerns or a medical appointment? Are leaders flexible and attuned to the needs of the employees as well as the organization? Do leaders involve employees in decision-making, particularly when employees will be directly affected by the decision? Do employees have a say in setting goals or milestones that are deemed important? Are employees able to voice their ideas, and does leadership show that contributions are valued? H. Norman Schwartzkopf, retired U.S. Army General, once remarked:

> *I have seen competent leaders who stood in front of a platoon and all they saw was a platoon. But great leaders stand in front of a platoon and see it as 44 individuals, each of whom has aspirations, each of whom wants to live, each of whom wants to do good.*

A feeling of "being in on things," and of being given opportunities to participate in decision making often reduces stress; it also creates trust and a culture where people want to take ownership of problems and their solutions. There are numerous examples of organizations whose implementation of an open-book management style and creating room for employees to contribute to making decisions had a positive effect on engagement and organizational performance. The success of Microsoft, for example, stems in part from Bill Gates' belief that smart people anywhere in the company should have the power to drive an initiative. Initiatives such as Six Sigma are dependent, in part, on the active participation of employees on the shop floor.

8. Collaborate: Studies show that, when employees work in teams and have the trust and cooperation of their team members, they outperform individuals and teams which lack good relationships. Great leaders are team builders; they create an environment that fosters trust and collaboration. Surveys indicate that being cared about by colleagues is a strong predictor of employee engagement. Thus, a continuous challenge for leaders is to rally individuals to collaborate on organizational, departmental, and group goals, while excluding individuals pursuing their self-interest.

9. Credibility: Leaders should strive to maintain a company's reputation and demonstrate high ethical standards. People want to be proud of their jobs, their performance, and their organization. WestJet Airlines is among the most admired organizations in Canada. The company has achieved numerous awards. For example, in 2005, it earned the number one spot for best corporate culture in Canada. On September 26, 2005, WestJet launched the "Because We're Owners!" campaign. Why do WestJet employees care so much about their organization? Why do over 85 percent of them own shares in the company? Employees believe so strongly in what WestJet is trying to do and are so excited about its strong performance record that they commit their own money into shares.

10. Confidence: Good leaders help create confidence in a company by being exemplars of high ethical and performance standards. To illustrate, consider what happened to Harry Stonecipher, the former CEO of Boeing. He made the restoration of corporate ethics in the organization a top priority but was soon after embarrassed by the disclosure of an extramarital affair with a female employee. His poor judgment impaired his ability to lead and he lost a key ingredient for success – credibility. Thus the board asked him to resign. Employees working at Qwest and Continental Airlines were so embarrassed about working for their organizations that they would not wear their company's uniform on their way to and from work. At WorldCom, most employees were shocked, horrified, and embarrassed when the accounting scandal broke at the company. New leadership was faced with the major challenges of regaining public trust and fostering employee engagement.

Practitioners and academics have argued that competitive advantage can be gained by creating an engaged workforce. The data and argument that that we present above are a compelling case why leaders need to make employee engagement one of their priorities. Leaders should actively try to identify the level of engagement in their organization, find the reasons behind the lack of full engagement, strive to eliminate those reasons, and implement behavioral strategies that will facilitate full engagement. These efforts should be ongoing. Employee engagement is hard to achieve and if not sustained by leaders it can wither with relative ease.

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Employee engagement is more than just knowing whether someone likes their job or not. Measuring employee engagement lets you know how committed they are to the business and its success. It tells you how motivated they are and how emotionally invested they are in the work they are doing. For an employee to be engaged, they are motivated to work hard towards a common goal that is in line with the companyâ€™s vision. They will be committed to the values their organization represents. Engaged employees will have a clear view and understanding of the objectives of the work they are doing. Understandi Employee engagement drives performance. Engaged employees look at the whole of the company and understand their purpose, where, and how they fit in. This leads to better decision-making. Organizations with an engaged workforce outperform their competition. They have a higher earning per share (EPS) and recover more quickly after recessions and financial setbacks.Â Managing Execution: The most effective managers excel at the people skills, but they also provide clear expectations, hold people accountable, and stay focused on delivering results. Leader and Manager Competency is measured as part of the employee survey via upward feedback. For a more complete assessment of manager competency, we recommend using a 360 Degree Feedback Survey. Employee engagement is defined by the levels of trust, transparency, and motivation employees have within a business. It is driven by many factors, including affinity, participation, access, and investment in employees. To sum it up: Employee engagement is the level of trust your employees have in their leadership and the work ethic they bring to you in exchange. It's tough to pin down engagement to just one attribute.Â So your long-term employeesâ€"the ones who are engaged and feel valuedâ€"are contributing to business success, customer satisfaction, and employee retention all in one. How is employee engagement measured? Engagement benchmarks.Â Are there many unexpected absences? Do employees report feeling burnt out or overworked? Employee engagement is about having a clear understanding of how an organisation is fulfilling its purpose and objectives, how it is changing to fulfil those better, and being given a voice in its journey to offer ideas and express views that are taken account of as decisions are made. Employee engagement is about being included fully as a member of the team, focussed on clear goals, trusted and empowered, receiving regular and constructive feedback, supported in developing new skills, thanked and recognised for achievement.Â Employee engagement is about organisation actions that are consistent with the organisationâ€™s values. It is about kept promises, or an explanation why they cannot be kept. What employee engagement is not!