
VANTAGE[®]

FROM BUZZ PHRASE TO BUSINESS CASE: WHY EMPLOYEE ENGAGEMENT REALLY MATTERS

In the past, business success was all about size. Today, it's all about speed.



But with speed comes change, and change, as we know, creates disruption. Disruption leads to disengagement as employees struggle to define where they fit in or fear that they may become obsolete.

Disengagement doesn't come cheap. Each year, companies spend nearly \$75 billion¹ in an effort to improve an estimated \$350 billion² annual impact to the U.S. economy in lost productivity. The latest research by Gallup shows that nearly 70%³ of American workers are disengaged. Clearly, the dollars being thrown at this issue are making a paltry impact at best.

THE PAIN POINTS

Productivity is just one area in which organizations are negatively impacted. In its most recent meta-analysis⁴ on the Q12® engagement survey, Gallup compiled 263 research studies across 192 organizations in 49 industries and 34 countries. The study reinforced a direct link between employee engagement and nine key performance outcomes. From productivity to profitability, from safety to shrinkage, employee engagement is not

Productivity drags as employees take up the slack from a vacant position. Tribal knowledge gets lost when employees walk out the door with information about shortcuts, locations of relevant information and customer preferences. Screening resumes and interviewing hours take up time from the hiring manager’s day. As the sidebar, “The Hidden Costs of Turnover” shows below, hiring and onboarding a \$45,000 per year employee can cost more than \$30,000.

NINE KEY PERFORMANCE OUTCOMES



a philosophical exercise. It has bottom line implications.

Many of those bottom line implications are hidden. Take employee turnover, for example. Costs such as recruitment, training and salary are obvious factors. Yet, every time an employee leaves, there are also a variety of hidden costs that can drain dollars.

FROM PRODUCTIVITY TO PROFITABILITY, FROM SAFETY TO SHRINKAGE, EMPLOYEE ENGAGEMENT IS NOT A PHILOSOPHICAL EXERCISE. IT HAS BOTTOM LINE IMPLICATIONS.

THE HIDDEN COSTS OF TURNOVER

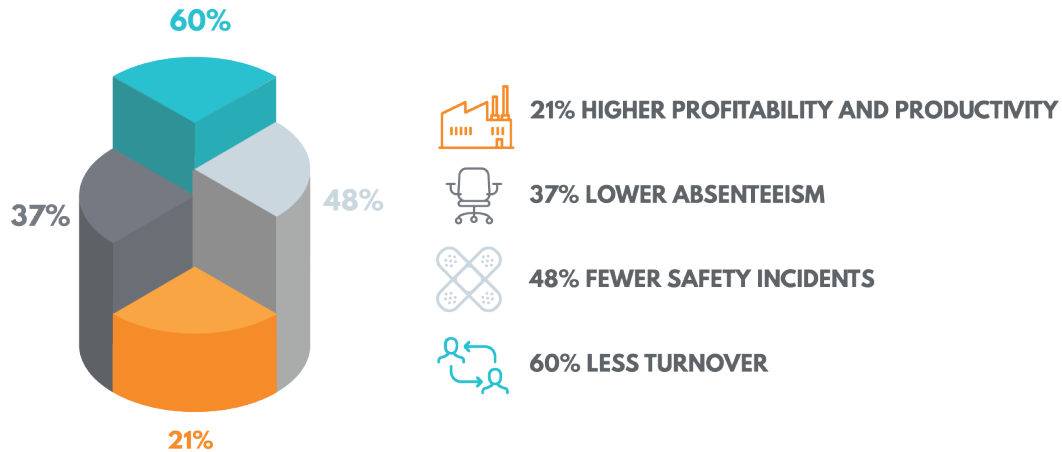
HIDDEN COSTS OF HIRING AND TRAINING CALCULATOR⁵:

ANNUAL SALARY OF NEW HIRE	\$45,000
AVERAGE NUMBER OF DAYS TO FILL POSITION	90
SALARY OF HIRING MANAGER	\$100,000
HOURS TO SCREEN RESUMES	3
HOURS TO CONDUCT INTERVIEWS	5
COST OF ADVERTISEMENTS	\$250
DRUG SCREENING AND BACKGROUND CHECK	\$400
LOST PRODUCTIVITY	\$12,000
DAYS TO TRAIN NEW HIRE	15
TOTAL COST	\$30,072.81

On the flip side, employers who understand the bottom line impact of employee engagement enjoy positive correlations. Gallup’s *2012 State of the Global Workforce Report*⁶ found this is true in four key areas:

Furthermore, companies may rely on analytics to link behaviors with organizational performance but fail to take the individual’s perceptions into account. A business development rep could be achieving

ENGAGEMENT BY THE NUMBERS



Clearly, employee engagement is not just a buzz phrase. It’s a leading indicator of organizational success.

A WORKING DEFINITION

To effectively tackle the issue, first we need to understand what employee engagement is and what it is not. A common misconception is that personal satisfaction is a proxy for engagement.

Ping-pong tables, free food, and chair massages can help keep employees satisfied. Yet, satisfied employees are not necessarily actively engaged in their work. An employee may be satisfied with her manager, for example, but may not be giving maximum effort each day.

phenomenal goals but be miserable and on the verge of burnout.

Truly engaged employees have an emotional commitment to the organization, understand their role in the bigger picture, tap into their innate strengths to perform their job, and continuously develop to deliver optimum results. It’s a four-part puzzle that unlocks both potential and kinetic energy.

CLEARLY, EMPLOYEE ENGAGEMENT IS NOT JUST A BUZZ PHRASE. IT’S A LEADING INDICATOR OF ORGANIZATIONAL SUCCESS.

Potential energy is stored by an object like a spring. The object is loaded and ready for action. Kinetic energy is activated by an object’s motion – like an arrow launched by a bow.

The same is true of employees. Engaged employees have both stored and activated energy. Stored energy comes from having both meaningful work and aligned goals. Activated energy is an employee’s ability to tap into his or her strengths and the learning and growth afforded on the job. Together, they form the engagement puzzle.

SOLVING THE ENGAGEMENT PUZZLE

Let’s break down each piece of the puzzle. The first two parts are potential in nature. Potential engagement comes when employees find meaningful work and understand their role in the big picture.

The second two parts are kinetic – when the employees’ stored energy is propelled by a focus on innate strengths and continual learning and growth.

Together, the four puzzle parts help employees understand *what* needs to be done, *why* they

Connect With Your Why

On average, loyal customers are worth up to 10 times as much as their first purchase.⁷ Organizations with the highest customer loyalty connect their purpose with their products and services, building a solid foundation of brand promoters.

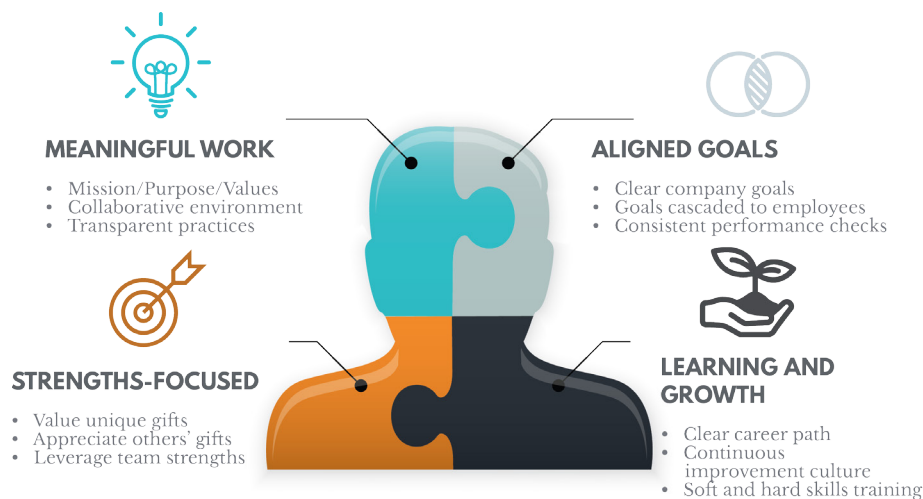
One such company is Patagonia. Its mission statement is to “Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.”

Patagonia’s mission statement combines both the values that bring the company market success (building safe, high quality products) with values that contribute to a better world.

The company donates time, services, and at least 1% of its sales to hundreds of grassroots environmental groups around the world. If your organization has a similar focus on growing your business and giving back, think about how you can share that higher purpose in your mission statement.

are doing it, and *how* to work in a way that continuously reinforces their skill sets and job acumen to deliver optimum performance.

THE FOUR PIECES OF THE ENGAGEMENT PUZZLE



1. MEANINGFUL WORK

Do your employees know the value your organization brings? Regardless of whether you are a non-profit or for profit enterprise, everyone in your organization should be passionate about your *why*. As Simon Sinek⁸ argues in his book *Start With Why*, people want more than a paycheck. They want to be a part of something greater than themselves.

Sinek writes, “Any organization can explain *what* it does; some can explain *how* they do it; but very few can clearly articulate *why*. WHY is not money or profit-- those are always results. WHY does your organization exist? WHY does it do the things it does? WHY do customers really buy from one company or another?”

Companies like Patagonia, Whole Foods Market, and Panera Bread understand that a business is more than a vehicle for making profits. These companies have a higher purpose than providing basic customer benefits. With programs that give back to the community and restore the environment, they maintain both customer and employee loyalty. (See “Connect With Your Why” p.4).

Once you’ve helped employees get clear about the *why*, provide an environment in which they can collaborate, and the information they need to get the job done. Inspired employees who have the space and tools they need are a powerful source of potential engagement. They are ready for action.

INSPIRED EMPLOYEES WHO HAVE THE SPACE AND TOOLS THEY NEED ARE A POWERFUL SOURCE FOR EMPLOYEE ENGAGEMENT.

2. ALIGNED GOALS

Next, employees need to move from the *why* to the *what*. Aligned goals are the second piece of the engagement puzzle. The sooner you can connect your strategic objectives with employee goals and rewards, the better chance you have of turning your goals from theory into reality. Help employees see how their daily jobs – improving customer satisfaction, speeding up response times, or reducing waste – impacts goals such as profit margins or market share.

In a recent interview with Jim Harter, Gallup’s ‘engagement Jedi,’ Forbes contributor Mark Crowley found that, “the best companies Gallup works with consistently see a 7-to-9 percent improvement in a given year, and it’s because they intentionally align their performance management so that everything they do is on the same path.”

The kind of alignment that Gallup has found works best is the kind practiced by San Diego based WD-40. Consider the results from their 2014 Employee Engagement survey. With a whopping average 93.7%⁹ engagement index, WD-40 has achieved best-in-class alignment by focusing on top-to-bottom alignment supported by a culture of trust and support (See “WD-40’s 2014 Employee Engagement Results” below).

WD-40’S 2014 EMPLOYEE ENGAGEMENT RESULTS

1. I UNDERSTAND HOW MY JOB CONTRIBUTES TO ACHIEVING WD-40’S GOALS. RESULT: 99.7% OF EMPLOYEES AGREED.
2. I KNOW WHAT RESULTS ARE EXPECTED OF ME. RESULT: 98.6% OF EMPLOYEES AGREED.

- 3. I LOVE TO TELL PEOPLE THAT I WORK FOR WD-40 COMPANY. RESULT: 97.6% OF EMPLOYEES AGREED.
- 4. I AM CLEAR ON THE COMPANY'S GOALS. RESULT: 97.1% OF EMPLOYEES AGREED.
- 5. I RESPECT MY SUPERVISOR. RESULT: 97.1% OF EMPLOYEES AGREED.
- 6. I FEEL MY OPINIONS AND VALUES ARE A GOOD FIT WITH THE WD-40 COMPANY CULTURE. RESULT: 96.8% OF EMPLOYEES AGREED.
- 7. WD-40 ENCOURAGES EMPLOYEES TO CONTINUOUSLY IMPROVE IN THEIR JOB, TO "MAKE IT BETTER." RESULT: 96.3% OF EMPLOYEES AGREED.
- 8. I AM EXCITED ABOUT WD-40 COMPANY'S FUTURE DIRECTION. RESULT: 95.6% OF EMPLOYEES AGREED.

Once employees understand how their jobs impact the bigger picture, monitor their progress on a regular basis. Give them consistent feedback and support to stay on track.



Recommended reading: *Helping People Win At Work*, by Ken Blanchard and Garry Ridge (2009) FT Press.

3. STRENGTHS-FOCUSED

At this point, your employees are excited about the company's purpose and understand their role in achieving that purpose. Now, they're spring loaded and ready to move onto the *how*. Depending on whether you focus on improving their weaknesses or leveraging their strengths, you can either thwart their enthusiasm or thrust them into action.

Giving employees the chance to excel by doing what they do best every day seems like a no-brainer. Unfortunately, however, once an employee is hired, many managers think that

6 Steps to Building a Strengths-Based Organization¹²

1. Don't assume that employees know their strengths. Offer to help them connect with their strengths by taking the Gallup Clifton StrengthsFinder® online assessment.¹⁰ It's easy and affordable.
2. Find ways to apply strengths in a team setting to achieve common goals. Help co-workers learn each other's strengths and how their talents complement those of others on the team.
3. Use team meetings to deepen understanding of the strengths approach. Assign team projects based on employees' strengths.
4. Help employees align their greatest talents to the expectations and responsibilities of their roles.
5. Incorporate strengths into performance reviews, and help employees set goals based on strengths.
6. Create a community of strengths advocates and champions to act as internal experts who help everyone in the organization use his or her strengths.

the biggest potential for improvement is to fix their weaknesses. Focusing on areas where an employee lacks both talent and passion will only raise his or her performance to mediocre, at best.

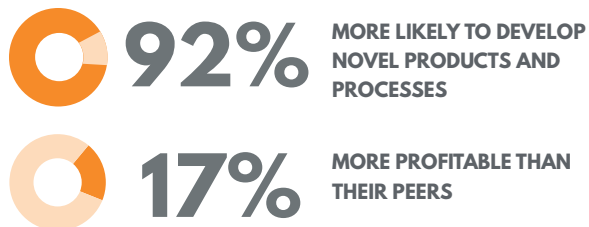
In contrast, employees who use their strengths every day are six times more likely to be engaged on the job.¹¹ For an organization to achieve best-in-class performance, managers must learn to leverage the innate talents of their employees. Your organization can achieve world-class status if you take steps to build a strengths-based culture.

4. LEARNING AND GROWTH

You've inspired your employees with the big picture, their goals are aligned with the company's, and they are focused on their strengths. That's a near-perfect formula that will have lasting power, but perhaps not staying power.

A recent study by Deloitte found that employees under the age of 25 rate professional development as their number one driver of engagement, and this is the number two priority for workers up to age 35.¹³ As employees get older, their focus on development shifts away from mobility and upward progression in favor of aligning a job with long-term career goals.

Organizations with a strong learning culture are 92% more likely to develop novel products and processes, 52% more productive, 56% more likely to be the first to market with their products and services, and 17% more profitable than their peers.¹⁴ Their engagement and retention rates are also 30 to 50% higher.



Whether you lead a non-profit or for profit organization, Learning and Growth is a critical factor to the success of all 21st century organizations. It is, however, important to keep in mind that a multi-generational workforce will not respond to a one-size-fits-all approach.

Every employee is a human being who learns in different ways and at different speeds. This is especially true when working on interpersonal

TRAIN PEOPLE WELL ENOUGH SO THEY CAN LEAVE, TREAT THEM WELL ENOUGH SO THEY DON'T WANT TO.

-SIR RICHARD BRANSON

skills such as confidence, management or leadership. Such training takes practice and repeated, personal feedback over time.

Depending on the needs of your workforce, consider using a blend of high touch and high tech Learning and Growth platforms. Here are *three trends* to consider for keeping today's eclectic workforce on a path toward continuous advancement:

1. Mobile eLearning and performance support

By the year 2020, 50% of the workforce will be made up of millennials. Give them consumable content delivered to hand-held devices that can be accessed on demand. Mobile-supported content feeds the learner's need for quick access to bits of information while on the go.

2. Global mentoring

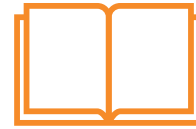
No amount of technology can replace ongoing coaching and mentoring. But to truly leverage the range of skills and experience of a multi-generational workforce, provide opportunities for global mentoring that ignores age and rank. These mentoring opportunities may be based on skills and interests to create an environment of cross-generational trust and learning.

3. Self-skilling and responsibility for one's own learning and growth

This trend, also known as "Google-isation," is growing in popularity in blended learning programs. Self-learners are supported by a

culture that encourages them to locate an expert within the organization or get answers they need as quickly as they would by Googling an answer to a question.

An irresistible organization is one that employees would never want to leave. Create an environment that gets people engaged and keeps them engaged by providing opportunities to grow and advance.



For further reading, see *Seven Steps to Building a High-Impact Learning Culture* (2013) by Oracle Human Capital Management.¹⁵

CONCLUSION

While most executives understand the importance of employee engagement, few understand how to effectively address this issue. Help employees tap into their need to be a part of something bigger than themselves, show them how their work impacts the organization, help them work within their strengths, and give them a path for continuous growth. The payoff for getting it right is a performance multiplier.

Resources

- ¹<https://hbr.org/.../the-two-sides-of-employee-engagement>
- ²<http://www.gallup.com/businessjournal/247/high-cost-disengaged-employees.aspx>
- ³<http://www.gallup.com/poll/180404/gallup-daily-employee-engagement.aspx>
- ⁴<http://www.gallup.com/services/177047/q12-meta-analysis.aspx>
- ⁵<http://www.adecousa.com/employers/resources/Pages/cost-of-turnover-calculator.aspx>
- ⁶<http://www.gallup.com/services/178517/state-global-workplace.aspx>
- ⁷<https://www.marketingtechblog.com/infographic-customer-retention-numbers/>
- ⁸<https://www.youtube.com/watch?v=IPYeCltXpxw>
- ⁹<https://www.linkedin.com/pulse/does-your-inside-look-good-outside-sheri-nasim?trk=mp-author-card>
- ¹⁰https://www.gallupstrengthscenter.com/?utm_source=employeestrengths&utm_medium=Article&utm_campaign=GBJ
- ¹¹<http://www.gallup.com/businessjournal/167462/employees-strengths-company-stronger.aspx>
- ¹²<http://www.gallup.com/businessjournal/167462/employees-strengths-company-stronger.aspx>
- ¹³<http://dupress.com/articles/employee-engagement-strategies/>
- ¹⁴<http://www.bersin.com/Store/Details.aspx?id=12171>
- ¹⁵<http://www.oracle.com/us/chro-docs/june-2013-chro-deck4-1961622.pdf>

ABOUT CENTER FOR EXECUTIVE EXCELLENCE

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Center for Executive Excellence

Carlsbad, CA 92011

877.223.1428

info@executiveexcellence.com

executiveexcellence.com