A large, shiny red balloon is the central focus of the image. It is inflated and has a glossy surface that reflects light, creating several bright highlights. The balloon is tied at the bottom with a red ribbon that forms a small loop and then extends downwards. The background is a plain, light-colored surface with a subtle, mottled texture. Centered on the balloon is a white text overlay.

Cut through the hot air
about engagement to find
factors that motivate your
employees.

RAISING ENGAGEMENT

By Adrienne Fox

A vast majority of employees say they are disengaged or not engaged, creating an unproductive—or, worse, toxic—work environment.

The August 2009 Gallup Employee Engagement Index reported that only 33 percent of workers are engaged in their jobs, 49 percent are not engaged, and 18 percent are actively disengaged. The Gallup Organization defines the categories as follows:

Engaged employees work with passion and feel a profound

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connection to their company. They drive innovation and move the organization forward.

Non-engaged employees have essentially “checked out.” They sleepwalk through workdays. They put in time but don’t approach their work with energy or passion.

Actively disengaged employees aren’t just unhappy at work; they’re busy acting out their unhappiness. Every day, these workers undermine what engaged co-workers accomplish.

Gallup researchers, who base the Employee Engagement Index on a survey of nearly 42,000 randomly selected adults, estimate that disengaged workers cost U.S. businesses as much as \$350 billion a year.

While troubling, these figures could also be viewed as an opportunity to re-engage a large percentage of disengaged workers—and reap financial benefits. Other research shows that companies with highly engaged employees perform better: Gallup’s 2009 analysis of 199 surveys found that business units scoring in the top half on employee engagement double their odds of delivering high performance compared to those in the bottom half. Those at the 99th percentile are nearly five times more

\$350B

Estimated annual cost of disengaged workers for U.S. businesses

likely to deliver high performance than those at the 1st percentile.

In a subsequent study in January of this year, Gallup researchers found that companies in the top 10 percent on employee engagement bested their competition by 72 percent in earnings per share during 2007-08. For companies that scored

beneath the top quartile, earnings fell 9.4 percent below their competition.

And in a September 2009 study of 50 multinational companies, the London office of Towers Perrin, now Towers Watson, documented the impact of engagement on financial performance. The report found that during a span of 12 months, companies with high levels of engagement outperformed those with less-engaged employees in operating income, net income growth rate and earnings per share growth rate.

“Our research shows that the connection between employee engagement and business performance is [a stronger] indicator than any other measure of employee attitude and business performance,” explains Julie Gebauer, managing director at Towers Watson in New York. It “makes a difference in terms of dollars and cents.”

Reports such as these have piqued the interest of executives seeking to move the needle of engagement in their favor. HR professionals are now bombarded with a multitude of sales pitches for survey tools, models, books and technology—all promising to deliver improved employee engagement.

Yet “Employee engagement is not an expensive undertaking,” says David Zinger, a consultant based in Winnipeg, Manitoba, Canada.

What Engagement Is ... and Is Not

Zinger founded the Employee Engagement Network, an online community where people in a variety of professions, including human resources, can discuss engagement. Membership has grown to 2,000 in two years. He says the different vocabularies and models confuse people.

“Some people say engagement is only discretionary effort; others say it’s all about retention or productivity, while still others say it’s just a score on a survey,” Zinger notes. “I say employee engagement is about connection.”

Gebauer adds that the connection has three tenets: “rational, emotional and motivational. I call it connecting at the head, heart and hand. An engaged employee understands what he or she must do to add value to the company, has a sense of pride, feels connection to the company mission, and is willing to put those thoughts and feelings—discretionary effort—into action.”

Engagement is not the same as satisfaction, though many HR managers change the names of their surveys without changing the approach, Zinger says.

Engagement Fuels Performance

Business units at the highest level of employee engagement in The Gallup Organization’s database have an 83 percent chance of performing above the company median when it comes to measures of customer loyalty, profitability, productivity, turnover, safety, absenteeism, shrinkage and quality. This compares to a 17 percent chance of performing above the company median for units at the lowest level of engagement. So, it is possible to achieve high performance without high employee engagement, but the odds of doing so are nearly five times lower.

Employee Engagement Percentile	Percentage Above Company Median
Above 99%	83%
95	75
90	70
80	63
70	58
60	54
50	50
40	46
30	42
20	37
10	30
5	25
Below 1	17

Source: Gallup’s *The Relationship Between Engagement at Work and Organizational Outcomes*.

Satisfaction is fickle; measurements vary widely. In contrast, "Engagement figures remain steady," notes Brad Federman, a consultant at Performancepoint in Memphis, Tenn. And, satisfaction and engagement surveys measure different things. "For instance, you would ask about satisfaction on pay. But, an engagement question would ask about the transparency and fairness of the compensation system," Federman says.

Engagement, satisfaction, motivation and drive—the terms are used interchangeably, experts lament. To a manager with sales targets, Zinger notes, an "employee engagement 'initiative,' if it's presented that way, may not go over well, especially if you or your company has chased fads over the years."

He points to consultants who oversell engagement surveys with all the benchmark data, and bells and whistles, but don't provide road maps for solutions. Consultants overpromise, saying, "If we move the needle one or two points in this direction, you will see productivity go up by X."

"If you treat employee engagement as an annual survey that demonstrates you're not as bad as your competitors, then you've missed the point," Zinger adds. "Engagement is a business imperative, but only if it's tied to the business."

Bettina Kelly, senior vice president at insurer Chubb & Son's talent strategies group in Warren, N.J., says keeping an eye on what behaviors relate to your business takes "fad" out of the equation. "Know your people and what's important to them," Kelly advises. "You have to know what you do well, what matters to your business strategy and where you want to go, and pull those levers."

What Engages Employees?

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. Analyzing 120,000 journal entries, Amabile found that workers reported feeling most engaged on days when they made headway or received support to overcome obstacles in their jobs. They re-



Recognizing progress in meaningful ways represents an engagement lever.

ported feeling least engaged when they hit brick walls. Small dents in work meant as much as large achievements.

"Progress is the biggest employee engager," Zinger agrees.

Setting small goals in addition to long-term goals can result in more-regular progress. Recognizing progress in meaningful ways represents an engagement lever that Gebauer calls "knowledge admiration."

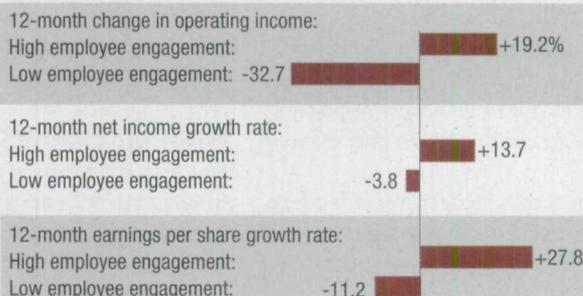
For instance, "If you know your employee is looking to move up in the organization, specify your feedback on how the employee's performance will lead to other opportunities," she says. "Another employee may want better work/life balance. If appropriate, reward the performance with a half-day off to go to a baseball game with his son." Both employees receive recognition, but the delivery depends on what each employee wants.

Gallup's research points to a basic factor in predicting engagement—employees' understanding of how their roles fit with the business strategy. "People forget to go back to the basics,

especially after major changes such as mergers, layoffs or salary freezes," says Jim Harter, Gallup's chief scientist of workplace management and well-being in Omaha, Neb.

Many employees feel they aren't making a contribution, agrees Daniel Pink, author of *Drive: The Surprising Truth About What Motivates Us* (Riverhead Trade, 2009). "They are working hard, but

Employee Engagement Brings in the Bucks



Source: Towers Watson.

Understanding the Mission

In 2007, United Health Group integrated disparate health care services into one company under one mission: Helping People Live Healthier Lives. Lori Sweere, executive vice president of human capital at the Minneapolis-based headquarters, led the HR effort to revamp compensation, performance appraisals, recognition and training, and to integrate them into the mission.

For six months, Sweere analyzed past employee surveys with Mercer. She met with managers and employees, and even reached out to people who had left the organization. The research and meetings “gave me a clear picture of what to focus on,” Sweere says.

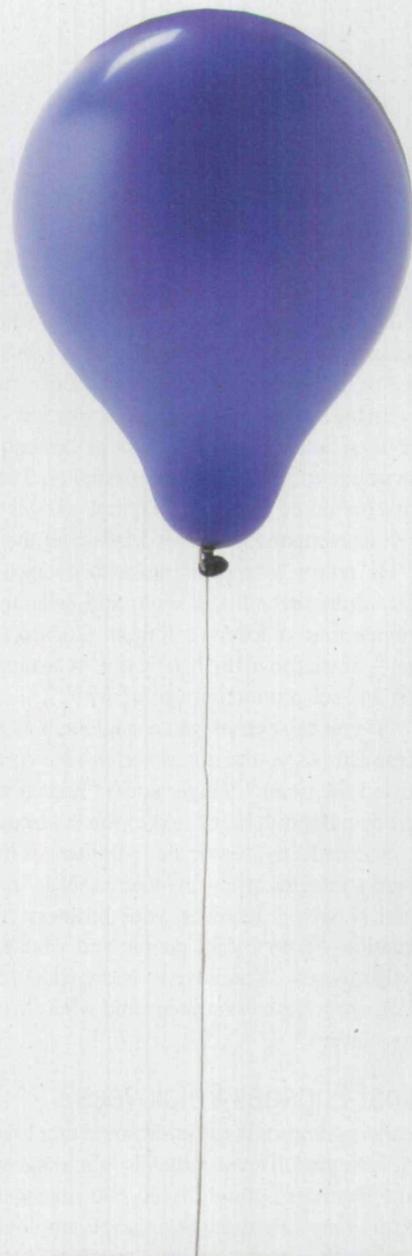
Managers’ performance, communication and understanding of how each employee’s job contributes to the business strategy were identified as areas for improvement that could enhance employee engagement. Now, “I have personal and monthly communications with our 6,000 managers about how to engage employees, such as how to talk to employees about personal and business challenges in the economic downturn,” Sweere says. “We give managers tools to translate business strategy for each employee.”

In two years, engagement has increased 6 points to 72 percent. She correlates that increase to:

- A drop in turnover by 9 percentage points.
- A drop in turnover of key employees by 6 percentage points.
- An internal promotion rate that increased by 13 percentage points to 35 percent.
- A drop in “quick quits”—people who leave in the first 12 months—by 10 percentage points.

During that time, the company also has seen increases in customer and provider satisfaction scores and has posted higher revenue.

Another way United Health Group drives engagement is by using a Facebook-style tool called U-Link to help people connect. Employees form groups, and Sweere writes a blog and answers questions. “People become engaged by promoting their brands and having access to people they never had access to before,” Sweere says. “We have 15,000 telecommuters who need this technology to connect with others. We list name, title, where they work. People can volunteer to add more to their profiles. And people can search for expertise.”



they don’t understand or see how their work drives the business. That is a form of disengagement.”

Who’s Responsible for Engagement?

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. “Engagement is everyone’s responsibility, and, unfortunately, it hasn’t been treated that way,” Federman argues. “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.” Federman insists that the

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

Adds Zinger: If HR professionals “shift responsibility to managers and hold them accountable for the engagement levels, make sure they have the tools to do their jobs and that their employees have the necessary tools.”

What Engagement Factor?

Progress, contributing to the business, development, recognition, empowerment, purpose, trust and autonomy factors often show up in survey findings as issues that affect engagement. The challenge: identifying factors that are right for your business—and managing them.

Federman explains that a company turning a profit based on strong customer service and loyalty will measure and manage

engagement differently than a company looking to reduce union activity.

San Antonio-based Rackspace provides web-hosting and information technology solutions to its clients, but that role is secondary, says Wayne Roberts, vice president of human resources. "Our mission statement is to be among the world's greatest service companies."

Engagement drivers at Rackspace relate to improving customer service and increasing customer loyalty, thereby affecting the bottom line. It starts with recruiting and being honest about Rackspace's culture, Roberts says. "We do strengths assessments on each recruit or employee and assign them the right job for them in the company. It's not uncommon for candidates to come to us for one job, and we hire them because their values align with ours, but we place them in a different role."

Giving people the opportunity to do what they do best fosters engagement at the company. Good job fit has translated into lower-than-industry-average turnover and a connection with customers. Quarterly performance reviews stress employees' contributions to business strategy. "Discretionary effort comes from an employee understanding the connection between the 'fanatical' customer service she provides and the overall health of the organization" and how that ties to her future, Roberts says.

Rackspace employees also want transparency, so senior leaders hold monthly open-book financial sessions, Roberts says.

He adds that Rackspace doesn't tie managers' bonuses or salary increases to engagement scores; the scores are looked at only for promotions. "I will not use our engagement surveys as weapons," Roberts says. "We want candid, open and unfiltered feedback. Engagement is a team sport, and the scores are reflective of the team, not just the manager."

Empowerment as a Lever

Discovering that highly engaged teams demonstrated higher performance at franchisees prompted Frank Saitta, senior director of brand performance support at Homewood Suites by Hilton in Memphis, Tenn., to pay more attention to employee engagement.

On regular visits to the 290 franchised hotels throughout North America, he gathered best practices and helped develop a "service suitcase" that was rolled out to all the hotels to improve engagement. The suitcase provides general managers with tools on leadership, communications and training.

Empowerment is the key driver of engagement at Homewood Suites. The company offers

a 100 percent money-back guarantee if a guest isn't satisfied. Any employee—from housekeeper to manager—can make good on that guarantee; they don't have to seek approval or argue. And, the guest doesn't have to go through a chain of command to have a complaint resolved.

"The return we get on every dollar refunded is 20 to 1," Saitta says, based on repeat business and referrals from those refunded guests. The return on having engaged employees "is much higher."

For this to work effectively, though, Saitta says Homewood trains employees on how to gauge a guest's experience by initiating conversations, actively listening and reading body language. Because Homewood has extended-stay hotels, housekeepers have more interaction with guests than managers do, so it is important that every employee is empowered to handle problems quickly. This type of training and authority is not typically granted to hospitality employees below the managerial level—and Saitta suspects it makes a difference.

Homewood ranks and publishes hotel performance on scorecards. Results from use of the service suitcase have been impressive: "We had a Texas hotel move from the bottom third of the scorecard to the top 30 after using the suitcase for six months," Saitta says. From 2007-09, guest loyalty scores increased from 68.6 percent to 70.4 percent, satisfaction with service inched up 2 percentage points to 78.2 percent, and "return in- tent" scores grew from 75.3 percent to 77.7 percent.

These increases, Saitta says, translate into dollars on the bottom line. He correlates them directly to employee engagement.

Development as a Lever

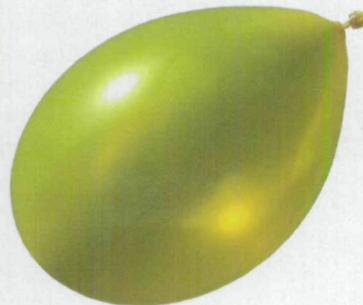
In 2005, Daphne Utilities made sweeping changes that brought different operating units—gas, recycling, water and sewerage—into one company. Rob McElroy came in as general manager with a goal to improve engagement among employees, who serve approximately 25,000 customers in Daphne, Ala., and surrounding areas.

Leaders at the utility strive to provide employees with a social purpose through environmental programs, such as a biodiesel fuel effort. In addition, workplace safety and whole-family health and wellness programs have resulted in a reduction of insurance rates for the company and employees in each of the last three years.

Engagement is achieved through cross-training in recruitment, development and promotions. "Our

Online Resources

To discuss employee engagement and for more information, see the online version of this article at www.shrm.org/hrmagazine.



lobby receptionist cross-trained as a meter reader—and she loved it,” McElroy says. “She is a natural outdoorswoman but would never have thought to apply for that job. Now she does part-time reception and part-time meter reading, and it saved us from having to hire a full-time meter reader.”

Even when people don't succeed in a cross-training exercise, it is not viewed as a failure. “It's good information to have,” McElroy says. “I don't want to promote someone to supervisor, find out he didn't have the natural ability to manage, and then demote him and humiliate him.”

McElroy views the employment relationship as a mutually beneficial contract. Daphne will give an employee many opportunities to learn skills, enhance those skills and develop through new roles. In return, the employee will be engaged, connected and motivated to contribute. “When the employee feels like he has learned all he can here, and the development lever isn't engaging him, he will move on,” McElroy says.

Self-Direction as a Lever

Chubb & Son uses its intranet to connect 10,300 employees worldwide and enhance engagement through innovation. HR professionals implemented a program called “Motivate, Drive and Deliver.” For two months in 2008, anyone could post an idea for a new product or service online and others could comment and improve on the idea. Users posted 607 ideas and 2,341 comments. Senior executives selected 24 people to present their ideas, and about a half-dozen concepts are being implemented by the employees who proposed them. Executives look forward to future rounds of online innovation.

“It's not just an engagement initiative; it's a business initiative to get ideas for growth and opportunity that leads to engagement,” Kelly says.

Chubb also has tapped into a new phenomenon of creating a personal brand through inexpensive technology that can be leveraged to increase engagement.

Says consultant Federman: “We are in a world with new technology and a new generation of people who want peer

recognition and instant recognition. Collaboration, recognition, brand building—all of it can be facilitated with social media.”

Behind the personal branding phenomenon lies the premise that lifetime employment doesn't exist and jobs aren't secure, so employees are looking to build their expertise and reputation for subsequent jobs. “Employment has to be mutually beneficial to the organization and the employee so that the employee—while there—can do his job well, build his expertise and brand, and stay there until it's no longer mutually beneficial,” Federman says.

Zinger argues that even negative branding can be turned around. “I had a client whose employee started a mycompanysucks.com web site, and, instead of firing him, the company brought him in to find out what his gripes were. Now, he is the first person new hires meet. Here's a person who obviously had passion about his work. At first it was negative passion—poisonous disengagement—but it didn't take the company long to turn it into positive passion.”

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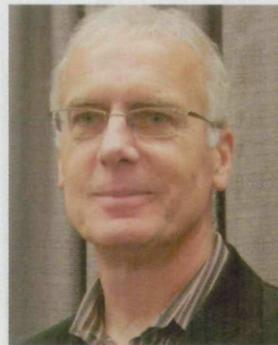
Pay Is Not a Lever

While HR professionals leverage different factors to enhance engagement depending on their cultures and business strategies, compensation is not one of those factors. “People don't go the extra mile because of base pay or health benefits or life insurance,” Gebauer says. “They go the extra mile because of leadership's interest in their well-being, development opportunities or recognition.”

Think about the last time you got a raise or bonus, Federman notes. “How long did that feeling last? One, maybe two, paychecks? It's not sustaining.”

That may explain why, during the heart of the recession, from July 2008 to March 2009, Gallup found only slight changes in overall engagement. In July 2008, 31 percent of employees were engaged, 51 percent were not engaged, and 17 percent were actively disengaged. By March 2009, the results changed to 30 percent, 52 percent and 18 percent, respectively.

Daphne Utilities, which pays employees slightly below the market and industry average, had voluntary turnover of three people last year—out of 70 employees. “If you build your entire relationship with employees on money, and then the economy sours or you have a bad year and you can't give raises or bonuses, then the basis of the relationship is gone. When that happens to us, we have many other reasons for them to stay,” McElroy says. ■



David Zinger

‘People don't go the extra mile because of base pay or health benefits or life insurance.’

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