CHANGE-READY
SOLUTIONS
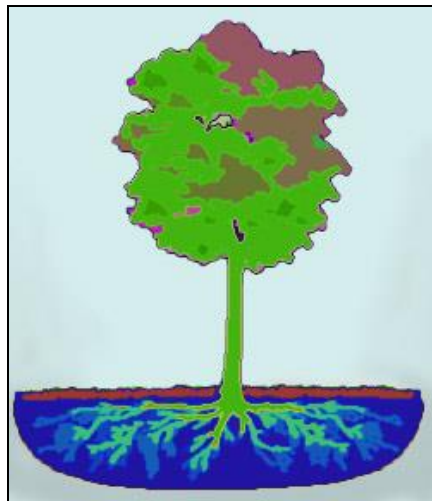
Leading for
Employee Engagement

*Ten Actions to Mobilize Your Workforce
around Your Business Strategy*

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Leading for Employee Engagement
10 Actions to Mobilize Your Workforce around Your Business Strategy

This research summary addresses one of the most pressing issues facing companies today, how to ensure employees are fully engaged in the organization's critical business priorities. After reviewing this document, you will obtain insight into:

- ◆ The nature of the challenge of engagement

- ◆ A unique model for getting your workforce engaged in your business strategy

- ◆ Ten actions you can take to increase engagement in your own organization

The document describes:

1. **The Next Generation of Employee Motivation**

2. **Managing the Bottom Line through Engagement**

3. **Engaged in What?**

4. **Critical Drivers of Engagement**

5. **Managing Accountability and Execution**

6. **Facilitating Change-Readiness**

7. **Engaging Sense of Purpose**

8. **What is Strategic Engagement?**

9. **Case Studies**

10. **Summary**

Plus …. ten actions you can take starting tomorrow.

1. The Next Generation of Employee Motivation

Employee motivation has always been on the mind of business leaders. Corporations and universities have continued to teach leaders the theories of motivational experts like BF Skinner, Herzberg, Maslow and Bandura, who all sought to answer the question, "What motivates people to take certain actions?" Ever since the inception of the industrial age, managers have been asking the same question, "What can I do to motivate my employees?"

Managers have been taught conventional wisdom about motivation as part of almost every management training program since the 1970's. But today's world is very different because of:

- Globalization and diversity
- Increasing number of younger employees in the workforce
- Continued outsourcing
- Unrelenting investor pressure for continuous revenue and growth
- Constant change

The consequences on the workforce of these large-scale issues are:

- Increased pressure and stress[1]
- Less humane work environments
- Greater demand for increased productivity and longer work hours
- Skepticism concerning repeated strategy shifts intended to meet financial expectations

In the language of leaders, we hear, "I want my people to be passionate about this company, what we are doing, and their work". But in the language of employees, we hear, "I'm getting tired of repeatedly changing strategies that don't work – the 'change du jour', the constant stress, and there's a good chance I won't be working in this company several years from now anyway."[2]

Repeated studies have validated that a significant number of employees world-wide are less than fully engaged in their work and that it has a deleterious impact on company performance.

> The Corporate Leadership Council calculated that only 11% of the world's professional workforce is fully engaged, leaving 89% up for grabs or fully disengaged[3]

Gallup's research indicated that 60% of employees are unengaged and a full 17% of US workers are "actively disengaged", which leads to lower productivity that costs the US $300 billion a year[4].

Furthermore, actively disengaged workers are 10 times more likely to say they will leave their organizations within a year (48%) than engaged staff (4%).

ISR, an international employee research company, has conducted research that shows that 54% of the workforce is complacent, less committed, or fully disengaged. [5]

Accenture conducted a global study[6] of the priorities of C-Suite executives, and engagement ranked third among the factors executives considered critical to performance. The top three organizational capabilities executives view as most important to competing in the marketplace are:

1. **Developing effective leadership capabilities (65%)**
2. **Creating an organization that adapts to change (49%)**
3. **Engaging and aligning multiple stakeholders (43%)**

2. Shaping the Bottom Line

Employee engagement is not just an HR issue. A withdrawal of commitment and engagement impacts employee performance, which in turn has a domino effect on financial performance. There are repeated examples of the impact on earnings and revenue of engagement. For example:

Companies with higher levels of employee engagement have 71% more revenue than their industry peers[7]

Increasing employee engagement by 5% can add 2.4 % to a business' operating margin [8]

Increasing engagement can add 2-3% to both operating margin and net profit, while lower levels of engagement will erode operating margin and net profit by 1-2%[9]

Significant improvements in employee engagement as a result of improved "human capital practices" can result in up to a 47% increase in shareholder value[10]

These conclusions are not only striking, they are prescriptive. They tell us that if an organization takes action to improve employee engagement, they will most likely improve financial performance. In fact, one body of research[11] even deciphered what we call the 10:6:2 Rule:

**Every 10% Increase in Commitment
Yields 6% Increase in Extra Employee Effort
Yields 2% Increase in Company Financial Performance**

Increasing employee engagement is a bottom-line company performance issue.

3. Engaged in What?

The Change-Ready Solutions' position is that it's not enough to get employees engaged. When we work with executives who tell us they want their employees to be more engaged, we ask, "Engaged in WHAT?" For example:

> ### Scenario 1
> **The Situation**:
> An engineer is highly engaged in the current project he is working on. He puts in long hours and lots of discretionary effort and really enjoys the work. Sounds good, right?
>
> **The Problem**:
> The project he is working on is his pet project which has little to no strategic value to the company.
>
> ### Scenario 2
> **The Situation:**
> A sales representative has good relationships with her customers and is passionate about her products. What could be better?
>
> **The Problem:**
> The products she is passionate about are the old products and she is hesitant to sell the new products that take the firm in a more strategic direction. The customers with whom she has relationships are long-term "friends", but she is hesitant to be proactive about establishing new relationships with customers in more strategic segments.

These examples make it clear that being engaged alone is simply not sufficient. The type of engagement depicted in these scenarios is what we call "aimless engagement". Employees are engaged, but their focus has little to do with the strategic imperatives of the business.

Organizations instead need to manufacture what we call "aligned engagement". Aligned engagement represent the workforce being engaged in the **strategic priorities** of the organization. An organization's strategic priorities include its:

- New business objectives and revised work processes

- Strategic change initiatives

- ◆ Competitive strategy

- ◆ Customer segmentation approaches

- ◆ New sales strategies

- ◆ New Products and/or pricing

- ◆ Increasing innovation

- ◆ Enterprise system implementations

- ◆ Reorganizations and acquisitions

- ◆ Providing unparalleled levels of customer service

When an organization focuses on aligned engagement, initiatives are fueled by the power of a ***mobilized workforce that is engaged in the realization of critical strategic drivers***.

At Change-Ready Solutions, getting employees engaged means aligning your workforce around your critical business objectives.

Ten Actions You Can Take to Build Employee Engagement – Actions #1

☑ **#1 –Don't Focus on "Aimless Engagement" Efforts**: Ensure that whatever training, communication and organizational initiatives you undertake are not generic, off-the-shelf engagement solutions. Instead, focus on building an engagement plan around your own most critical strategic imperatives.

4. **Drivers of Engagement**

Those organizations that have researched the engagement challenge have surfaced a comprehensive list of factors that impact engagement. They identified up to 300 drivers of engagement.

These factors pointed to:

◆ Organizational Culture Issues

◆ Senior Leadership Actions

◆ Middle Manager Actions

◆ First Line Supervisor Actions

◆ Actions Individual Contributors Themselves Can Take

We conducted a factor analysis of these drivers of engagement in order to:

◆ Identify the commonalities across models

◆ Surface the higher priority drivers using the Pareto 80/20 Principle – isolating those "vital few" drivers that make the most difference

◆ Put these factors into a coherent model that managers, organizations and individuals can use to build engagement
◆

The result is that we identified three Roots of Employee Engagement:
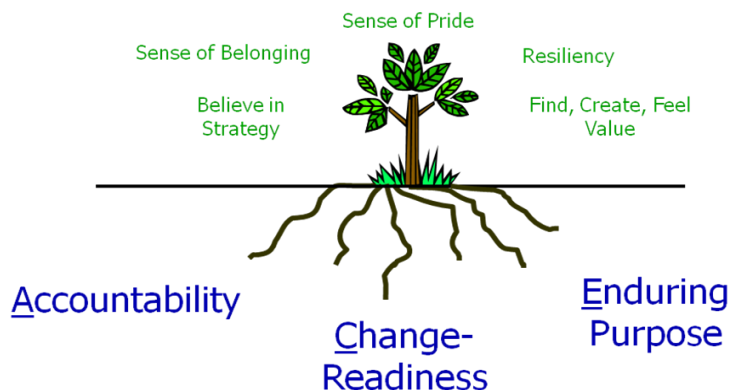
5. **Manage Accountability and Execution**

The first root is **Accountability**. Accountability might seem an improbable candidate for building engagement, but in fact it is exactly what the doctor ordered. This is because:

> Accountability ➔ Ownership ➔ Engagement

The question leaders should ask as they seek to enhance engagement is NOT how do we get our people more engaged, but rather, how do we build greater ownership and accountability. When you think about aligned engagement, this means *building ownership for the fulfillment of your strategic priorities*.

Accountability, when extended over a longer period of time, translates into **execution**. Execution is intimately linked to engagement as the graphic below depicts.

Execution
(+ or -)
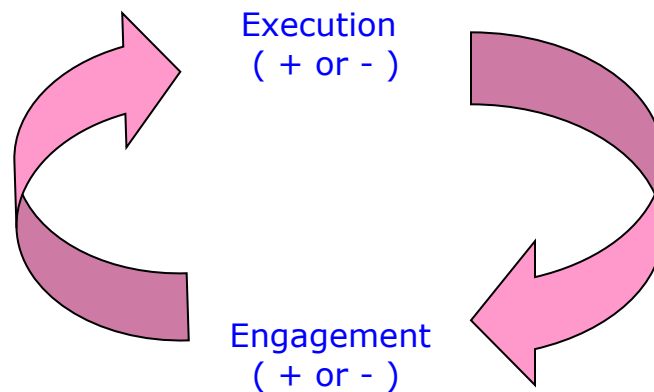
Engagement
(+ or -)

The greater the engagement - the better the execution; the lower the level of engagement - the poorer the execution. But interestingly enough, the opposite is also true. Why? Because everyone wants to experience success and be part of a winning team. And when execution succeeds, the team experiences success and therefore becomes even more engaged. However, execution is a double-edged sword because when companies execute poorly and fail to achieve results, employees become disengaged. And there is ample evidence that most organizations are deficient at execution. For example

One national cross-industry study [12] showed that 49% of companies report a gap between their organization's ability to develop a vision and strategy and their effectiveness in executing on that strategy

64% of the leaders surveyed in that study lack confidence in their organization's ability to close that gap

More than 64% of C-Level executives from 250 midsized to large US and European companies report that being able to execute is critical for their success but nearly impossible to achieve [13]

Only 27% of organizations fully integrate their strategy and tactics, and 58% integrate at the higher levels, but not at the lower levels [14]

Ten Actions You Can Take to Build Employee Engagement – Actions #2-4

☑ **#2 – Manage Accountability**: Ensure your leaders hold people accountable for the success of big picture business initiatives and change efforts. Ensure that employees who don't take accountability are held accountable, coached, and given the support they need to be successful. Don't allow managers to turn their heads when people fail to act with accountability.

☑ **#3 – Focus on "Ownership"**: Ensure you have a culture in which employees are encouraged to take ownership for achieving your overall company goals. Don't allow employees, teams and managers to be blacklisted when they make honest mistakes. This leads to the avoidance of ownership, cover ups, finger pointing and disengagement.

☑ **#4** - **Become Obsessed with Execution**: Build a culture that pays as much attention to follow-through as it does to developing solutions and clever ideas. Develop execution plans for all key initiatives, including but going beyond project planning and instead focusing on engagement.

6. **Facilitating Change-Readiness**

Research on change indicates a surprising reality about change. The greatest determinant of change is **not** an employee's desire or motivation to change. It is their **READINESS** to change. The second Root of Engagement therefore is **Change-Readiness**.

Change is a constant. Furthermore, change that can be unsettling is more the norm than the exception. If employees are not ready to change, then when change does occur, they become disgruntled and disengaged. Alternatively, employees who are ready to change are more likely to be able to sustain higher levels of engagement. In other words:

> **Change-readiness is a prerequisite for sustaining engagement**

Change-readiness goes deeper than change management. Change management focuses on organizational processes and gaining buy-in, whereas change-readiness focuses on the individual or teams' readiness to **change behaviors and beliefs** in order to support new initiatives. The research on change supports the challenges most organizations face when trying to implement change. For example, research on change[15] indicates that:

- 90% of business process redesign initiatives fall short of producing intended results
- 80% of quality improvement initiatives don't yield intended gains
- 55-90% of technology initiatives fail to achieve their full objectives
- A meager 46% of leaders believe that change is managed effectively in their organizations and 43% lack confidence that current organizational changes will be implemented effectively[16]

Change-Ready Solutions uncovered little known research into change-readiness. We translated this research into a business-friendly tool; the Change-Ready™ model. This breakthrough model clearly elucidates several remarkable points about change-readiness:

1. Organizations often focus on "*one size fits all"* solutions when seeking to implement change. They fail to realize that different employee groups may be at different levels of readiness to adopt new approaches and they consequently fail to implement meaningful solutions that really work.

2. Employees and managers progress through five distinct measurable levels of readiness to change.

3. Certain **level-specific** and unique strategies can help teams progress through the levels of readiness more quickly. However, those same strategies, if used at the wrong time and not synchronized to the right level of readiness, will have no effect or even create more resistance.

The ability to help the workforce change rapidly to respond to internal and external business problems and opportunities equates with **agility**. The greater an organization's agility, the more likely they will be:

- The first to market with new products and services
- The first to divest products/businesses that don't grow the company
- Quicker to build competitive barriers
- Faster to satisfy client needs and therefore create market dominance

Ten Actions You Can Take to Build Employee Engagement – Actions #4-6

☑ **#5 –Manage Change with Engagement Sensitivity**: When seeking to implement new changes in your organization, recognize that the way the change is handled will go a long way towards building or eroding employee engagement. Don't ask, "How should we manage this change?" Instead, ask, "How can we get our employees engaged in this change?"

☑ **#6 – Focus on Behavior**: When you want employees engaged in a business initiative, define the behavioral outcomes you desire. If you can't define the behaviors to support the new direction that you want to achieve, then you run the risk that you will fail, as most organizations do, at translating vision to action.

☑ **#7** – **Center Your Attention on Readiness**: Don't ask, "How can we help our people change?" Instead ask, "How can we help our people to be more ready to change?"

7. **Enduring Purpose**

Why do your employees get up in the morning and come to work in your organization? What percent are solely motivated by the need to make a living?

People who come to work for reasons other than the need for an income are motivated by some deeper sense of purpose. It's that purpose that gives meaning to their work. In other words:

Purpose drives engagement

Consequently, the third Root of Engagement represents **Enduring Purpose**.

There is a large body of research on the power of purpose. At minimum, when employees have a sense of purpose, they are more engaged, and they have:

- ✓ Increased perseverance in the face of obstacles

- ✓ Greater adaptability and flexibility

- ✓ The ability to be grounded even in the face of ambiguity and uncertainty

- ✓ An increased sense of identity concerning how they contribute to your organization

- ✓ Increased job satisfaction

- ✓ Higher levels of productivity

Research on creating purpose in the workplace identifies a number of different ways that employees can derive a sense of purpose at work[17]:

The Organization – Employees can derive a sense of purpose from the organization's mission, vision, goals, and culture

The Job – Employees can develop a sense of purpose from the actual work they do

Relationships with Others – Many employees derive a sense of purpose from their relationships and interactions with others at work

Their Contributions – Employees can build a sense of purpose from the way they make an impact on the organization

The key to aligned engagement is to link employee sense of purpose to the business strategy or change you want to implement.

Ten Actions You Can Take to Build Employee Engagement – Actions #8-10

☑ **#8–Create a Sense of Purpose for the Entire Organization Aligned with Strategy**: This is the secret behind the power of communicating a clear and compelling future for the organization – it gives the workforce a sense of purpose.

☑ **#9 – Create a Sense of Aligned Purpose for Teams**: Help each group in your organization understand their sense of purpose and how their contributions as a workgroup impact the company.

☑ **#10** – **Create a Sense of Aligned Purpose for Key Contributors**: Encourage managers to identify the perspectives, needs and priorities of your key contributors and help each understand how they "make a difference" in your organization.

8. **Case Studies**

Technology/Manufacturing

One of the world's largest and most respected technology and manufacturing organizations in its segment introduced a new strategy to its organization: Transform themselves from a low-margin/ high volume provider into a *valued-added* technology partner and low-volume/ high margin provider.

This new strategy required the sales organization to redefine how they sell and to whom they sell; the product development groups had to completely revamp their product and technology strategies; and the manufacturing organization had to retool their entire operations.

After two years, a significant portion of the organization still refused to adopt the new strategy and hoped they could just "wait it out".

The organization retained us, and we built aligned engagement in the organization, top to bottom, through training and consulting, with a focus on getting the workforce to become fully engaged in this firm's new strategy. As a result of the work we did with this client:

> There were significant and measurable increases in commitment/action on the new strategy

> Engagement survey results demonstrated measurable increases in virtually every dimension of engagement when "before" and "after" scores were compared

> The firm developed hundreds of new products in the new model

> Fourth quarter revenues were 22.6 % higher than the revenues recorded in the fourth quarter of previous fiscal year

> Gross margin hit an all-time high of 61.4 percent, up from 54.7 percent from the previous year

> The company has sustained this profitability, even in a soft market for its products.

Financial Services

A major national financial services organization sought to change the way it handled the collections of late loan payments. In the past, the organization wrote off over $100 million a year in pure losses due to uncollected funds.

The executive in charge of this division of the organization had a vision for a new way of doing business which represented a radical departure from traditional collection strategies. The organization retained Performance Connections with a focus on helping the workforce to become fully engaged in this new way of doing business.

As a result of the work we did with this client there was:

A 60% measurable increase in desired behaviors

An increase in customer satisfaction reports measuring how the reps handled the transactions

A significant improvement in "promises kept per hour" which increased by 30% (the correlation between the promise to pay the loan and whether the loan was actually paid)

A major improvement in dollars collected per hour, which increased by 29%

Improved charge-offs by 39% which translated into approximately $44 million in one year

9. **Summary**

Engagement has become a critical issue that can either erode financial performance or drive an organization more quickly to its marketplace objectives.

While there are many factors that shape the degree to which a workforce will engage in its organization's strategic priorities, there are a small number of vital factors that can be influenced in order to accelerate engagement in strategy.

There are very few other business factors that warrant more immediate attention than building a workforce that is engaged in your business priorities.

If you'd like further details on any of this research or to discuss how building employee engagement will strengthen the critical business initiatives in your organization, please contact us at bruce@changereadysolutions.com or visit us at www.changereadysolutions.com

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