

EMPLOYEE ENGAGEMENT: YOUR COMPETITIVE ADVANTAGE

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Employee engagement is promoted by a myriad of consultants, books and articles, but does it really produce a tangible return on investment? With multiple business priorities, why should leaders focus on increasing employee engagement? Simply put, it is because higher engagement leads to better job performance.

In fact, the evidence is clear: employees who are engaged in their work and committed to their organizations give companies crucial competitive advantages, including higher productivity and lower employee turnover. In tough economic times, maximizing the productivity of your workforce is more important than ever. And HR is uniquely positioned to lead the way by implementing a strategy to increase employee engagement.

“The essence of competitiveness is liberated when we make people believe that what they think and do is important—and then get out of their way while they do it.”

Jack Welch, former CEO, General Electric

Business consultant and former General Electric CEO Jack Welch cites employee engagement as the most crucial measure of a company’s health—more important than customer satisfaction or cash flow. Engaged employees will “go the extra mile” to serve customers and to be an advocate for the organization. Focus on increasing employee engagement first, and customer satisfaction and bottom line results will follow.

Defining Employee Engagement

A number of definitions exist; however, they all share these common elements. Engaged employees will:

- Feel satisfaction with their work.
- Take pride in their organization.
- Enjoy and believe in their work.
- Understand the link between their job and the organization’s mission.
- Feel valued by their employer.
- Fully commit to their employer and their role.
- Exert extra effort to contribute to business success.

Employee commitment is related to engagement. Commitment is a willingness to devote time and energy to fulfill job responsibilities and usually includes the investment of both intellectual and emotional energy in the workplace. The greater an employee’s engagement and commitment, the more likely he or she is to deliver excellent—rather than ordinary—performance.

Using Management Practices to Enhance Engagement

Employer practices—such as job and task design, recruitment, selection, training, compensation, performance management, and career development—strongly influence each employee’s level of engagement and commitment. Done right, these HR practices can positively affect engagement, thus generating real value for the business.

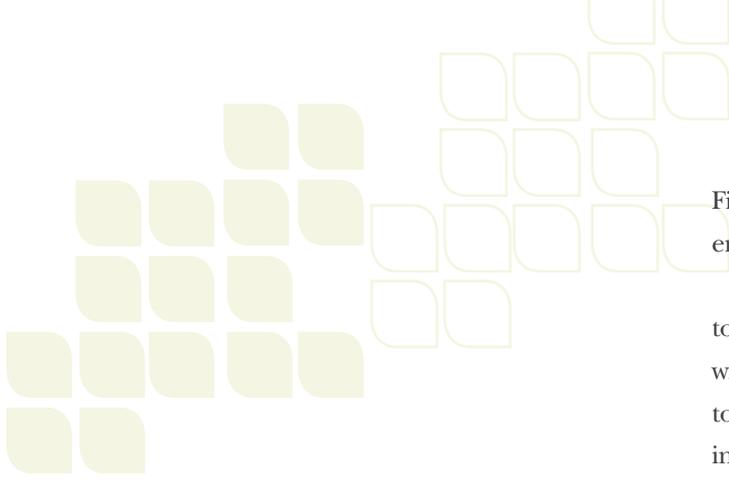


Figure 1, some of the most highly rated activities for enhancing engagement are not the most widely offered by employers.

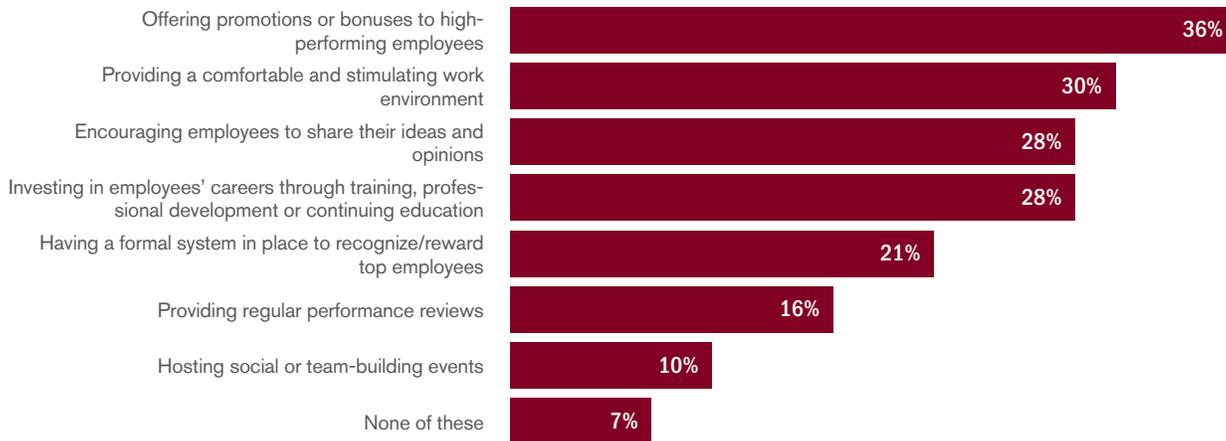
Given limited budgets and resources, you will probably need to be selective in deciding which practices to change or fix. As with any other business commitment, devote your resources to the improvements that will get the “biggest bang for the investment buck.” Weigh the bottom-line value of each of the practices discussed below and determine which are likely to have the greatest impact on your company’s specific situation.

Below are six examples of HR practices that can be modified to increase engagement.

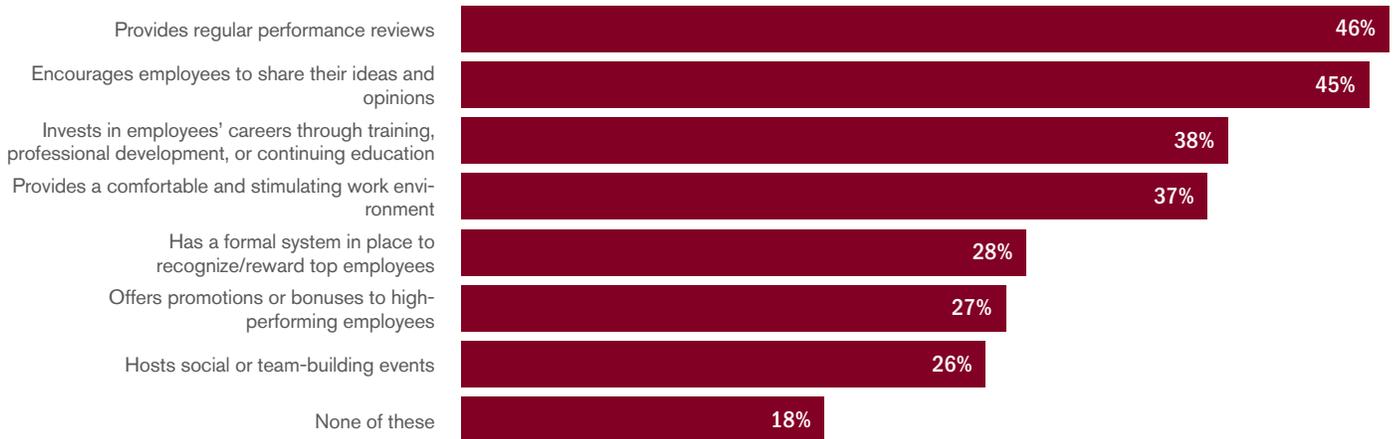
A recent survey by Randstad and Ipsos Public Affairs of 3,000 adults employed full-time asked workers what practices are most effective in keeping them engaged. As illustrated in

Figure 1

Employees rate effectiveness of employers’ engagement activities



Most common activities employers use to engage employees



Source: 2012 Randstad Engagement Index

Business Results of Engagement

- At a beverage giant Molson Coors, highly engaged employees were five times less likely than non-engaged employees to have a safety incident and seven times less likely to have a lost-time safety incident. By strengthening employee engagement, the company saved \$1,721,760 in safety costs in one year.
- Construction-equipment maker Caterpillar's increased employee engagement resulted in \$8.8 million annual savings from decreased attrition, absenteeism and overtime in a European plant, and a \$2 million increase in profit plus a 34 percent increase in highly satisfied customers in a start-up plant.

1. Job and task design. Provide enriched work—jobs with high meaningfulness, variety and autonomy to build trust and worker engagement.

Both job enlargement (broadening the scope of an employee's tasks) and job enrichment (providing more complex, enriching tasks) are important to motivating employees and keeping them engaged. Jobs that have variety, significance, autonomy and performance feedback will promote internal motivation, personal responsibility and job satisfaction—all of which increase employee willingness to pursue both prescribed and voluntary work. Researchers have also identified social traits of work that help motivate employees. These include feedback from others, interdependence and willingness to get good feedback and support from co-workers.

2. Recruiting. Whenever possible, recruit current employees for new, more desirable jobs, rather than going outside the organization.

By drawing on available workers who are already loyal to the firm and understand its mission, a good fit is more likely, thus enhancing employee engagement. For example, the Randstad Engagement Index found that 61 percent of employees expect to grow their careers with their current employers and just over one-third plan to seek a new position

within their current company. Clearly, if opportunities for advancement exist, many employees would prefer to remain with their current organizations. When it is necessary to recruit outside candidates, promote features of the job that are likely to spark engagement and commitment quickly. For example, if candidates have family obligations, highlighting the firm's family health benefits, on-site daycare or flexible work policies could cement a strong commitment from applicants.

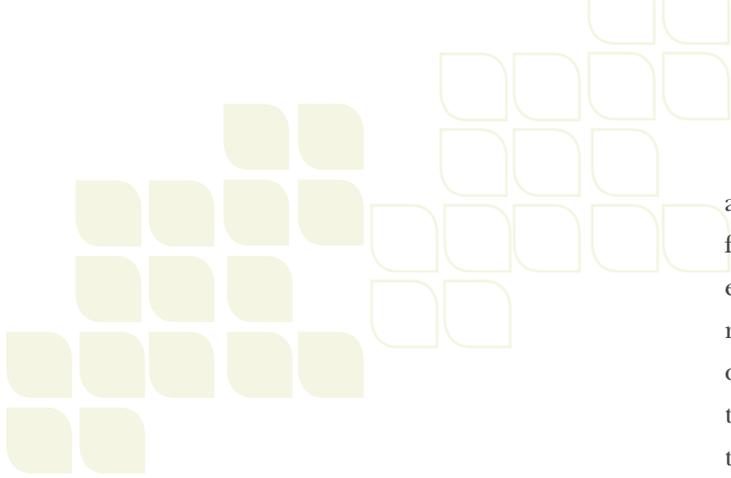
3. Employee selection. During the selection process, present some tough hurdles that candidates will have to surmount as employees. This will give them a sense of accomplishment even before they are hired. Look for candidates who will not only perform their duties well, but will also be willing to “go the extra mile” and perform voluntary tasks.

4. Training and development. Offer professional development opportunities for your employees. Consider leveraging digital technology and online training to reduce travel expenses and provide more flexible training schedules.

Offering good training is among the best ways to ensure employee productivity and dedication. Employees who enhance their skills through training are more likely to engage fully in their work because they derive satisfaction as they master new tasks and increase future employability. As Figure 1 shows, “investing in employees' careers through training, professional development or continuing education” was ranked by employees as the fourth most effective engagement tool. Plus, increasing engagement through training also decreases turnover.

5. Compensation. Provide competitive total rewards commensurate with employee contributions. Ensure the design of your compensation plan—including pay, benefits and nonfinancial perks—reinforces the organization's strategic objectives (innovation, teamwork, etc.)

Pay and benefits that are perceived as fair and competitive will motivate employees to be more committed because the organization is signaling its own commitment to them. Options for supporting specific objectives include incentive pay to reward outstanding individual or team performance, competency-based or skill-based pay to encourage continuing education and development of skills,



and flexible benefits and retirement plans to promote work/life balance and long-term commitment to the organization.

6. Performance management. Link job objectives to the organization’s objectives and priorities and include employees in the goal-setting process, because their commitment increases if they help define the goals. Don’t neglect positive feedback, including praise for voluntary work.

Find ways to recognize contributions that exceed expectations. Being compensated for a job well done fosters high engagement, particularly for high performers. Figure 1 shows that “offering promotions or bonuses to high-performing employees” was ranked by workers as the most effective engagement tool. In the same survey, more than half of employees (54 percent) ranked “feeling their efforts

are recognized and valued” as one of the most important factors affecting their attitude toward their job. To assist employees, managers should provide ongoing feedback rather than waiting for the annual review. Providing specific, constructive feedback will help employees understand how to be successful in the organization and let them know that their contributions are valued.

Developing Engagement Strategy and Measuring Results

Decisions about engagement and commitment initiatives should be grounded in sound data. Conducting linkage research in your organization will yield customized advice highlighting specific HR practices, such as those discussed above, likely to produce the best results. Outcomes of this research may include short lists of the highest-impact engagement levers and actionable survey items that differentiate top-performing units in your company from less successful units.

To develop sound investment decisions, be sure to link survey items to the organization’s performance measures that support the business strategy and then measure employee engagement at least once a year. Using your engagement survey results, identify top levers of engagement and drivers of measurable results for each business unit. For example, if your company’s strategy calls for increasing customer loyalty, you might discover that longstanding employees establish enduring relationships with customers and provide higher-quality service. Based on this finding, you could set a goal to raise employee retention in all customer-facing departments.

Determine which aspects of engagement are most important for business success, and then work with unit managers to create an Employee engagement action plan for each unit. Determine ownership and accountability for each action item in these plans. “Owners” may include organizational policy and executive decision-makers, unit managers and team supervisors. Also identify the resources—personnel, time, funding, space, equipment—that you will need to put each plan into action.

Follow up and ensure that all units execute their engagement action plans. Monitor progress on engagement-improvement efforts and adjust your strategies and plans

How to Measure Employee Engagement

- Select a survey consulting firm to adapt an engagement survey to your organization.
- Include actionable survey items, over which management has some control.
- Link survey items to organization performance measures such as profitability, quality, employee retention, customer loyalty, etc.
- Use survey results to identify the key levers of engagement in your organization.
- Customize performance measures for each business unit.
- Develop an employee engagement action plan for each unit.
- Measure engagement once a year to monitor progress.

Bright Horizons Mission Statement

The Bright Horizons Family Solutions mission is to provide innovative programs that help children, families, and employers work together to be their very best. We are committed to providing the highest-quality child care, early education, and work/life solutions in the world.

We strive to:

- Nurture each child's unique qualities and potential
- Support families through strong partnerships
- Collaborate with employers to build family-friendly workplaces
- Create a work environment that encourages professionalism, growth, and diversity
- Grow a financially strong organization

We aspire to do this so successfully that we make a difference in the lives of children and families and in the communities where we live and work.

Source: <http://www.brighthorizons.com/about/mission.aspx>, June 1, 2012.

as needed. Equally important, be sure to recognize and celebrate progress and results.

Creating a Culture of Engagement

Establish a receptive foundation for your engagement initiatives by creating an “engagement culture.” Communicate the value of employee engagement and instill a sense of purpose through your company mission statement and other executive communications. For example, the Bright Horizons mission statement (see sidebar) helps employees feel they are doing something important: making a difference in the lives of children and families. This mission statement helps them to believe in their work and to take pride in their organization, therefore fostering engagement.

Conclusion

Fostering a more engaged workforce will help your organization achieve its mission, execute its strategy and generate positive business results. The specific ways in which you choose to define and invest in engagement, however, will vary depending on your company's strategy, objectives and workforce. Carefully crafted HR practices—such as job design, recruitment and training—can be key drivers to increase employee engagement and commitment.

Additional Resources

For more information, please visit www.shrmfoundation.org to download these complimentary SHRM Foundation Effective Practice Guidelines reports:

- *Employee Engagement and Commitment*
- *Building a High-Performance Culture*
- *Recruiting and Attracting Talent*
- *Onboarding New Employees*
- *Human Resource Strategy*

The SHRM Foundation's Executive Briefing series makes research-based knowledge more accessible to business leaders. These briefings summarize relevant human capital research and expert opinion to provide a concise overview of each topic.



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