

## CFO Insights

# Unlocking the secrets of employee engagement

After decades of corporate discourse about the war for talent, it appears that the battle is over, and talent has won. Employees today tend to have increased bargaining power, the job market is highly transparent, and attracting top-skilled workers is a highly competitive activity. Many companies are now investing in analytics tools to help figure out why people leave, and the topics of purpose, engagement, and culture seem to weigh on the minds of business leaders everywhere.

Recent research conducted by Bersin by Deloitte suggests that the issues of “retention and engagement” have risen to the number-two spot in the minds of many business leaders, second only to the challenge of building global leadership.<sup>1</sup> Those concerns are grounded in disconcerting data:

- Gallup’s 2014 research shows that only 13% of employees surveyed are “highly engaged,” and 26% are “actively disengaged.”<sup>2</sup>
- Glassdoor, a company that allows employees to rate their employers, reports that only 54% of employees using its site recommend their company as a place to work.<sup>3</sup>
- In the high-technology industry, two-thirds of all workers surveyed believe they could find a better job in less than 60 days if they only took the time to look.<sup>4</sup>
- Eighty percent of respondent organizations believe their employees are overwhelmed with information and activity at work (21% cite the issue as urgent), yet fewer than 8% have programs to deal with the issue.<sup>5</sup>

- More than 70% of Millennials surveyed expect their employers to focus on societal or mission-driven problems; 70% want to be creative at work; and more than two-thirds believe it is management’s job to provide them with accelerated development opportunities in order for them to stay.<sup>6</sup>

In short, in many cases, the balance of power has shifted from employer to employee, pushing business leaders to learn how to build an organization that engages employees as sensitive, passionate, creative contributors. The shift taking place is moving from improving employee engagement to a focus on building an irresistible organization. In this issue of *CFO Insights*, we’ll discuss how the traditional employee-work contract has changed and why companies should embrace the shift needed to become irresistible.

### Time for a change

Let’s start with the employee engagement survey. While such measures of engagement have been used for years, most organizations say they aren’t providing modern, actionable solutions.

Consider the typical process: companies deploy annual surveys to benchmark the level of employee satisfaction from year to year. Most use vendor-provided surveys that claim to be statistically validated ways of measuring engagement.

The marketplace of survey providers, which is around \$1 billion in size, is largely staffed by industrial psychologists who have built statistical models that correlate turnover with various employment variables. The pioneer in this market, Gallup, promotes a survey of 12 simple factors that statistically predict retention.<sup>7</sup> Other vendors have their own models, many focused on the characteristics of leadership, management, career opportunities, and other elements of the work environment.



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While none of these models are “wrong,” companies generally say the surveys don’t prescribe actionable results. In a recent survey among 80 of the most advanced users of engagement surveys, only half believe their executives know how to build a culture of engagement.<sup>8</sup> Among the broader population, the percentage is far lower.

Consider the radical changes that have taken place at work: employees typically operate in a transparent job market where in-demand staff may find new positions in their inboxes. Organizations are often flattened, giving people less time with their direct managers.<sup>9</sup> Younger employees have helped increase the demand for rapid job rotation, accelerated leadership, and continuous feedback. Finally, the work environment is highly complex—where employees may have once worked with a team in an office, they now work 24/7 with email, instant messages, conference calls, and mobile devices that have significantly reduced the barriers between work and personal lives.

These changes to the workplace have altered the engagement equation, causing many organizations to rethink it. For example, a well-known pharmaceutical company found that its executives and scientists in China were leaving the company at an alarming rate. The annual engagement survey provided no information to help diagnose this problem. By running a statistical analysis on all the variables among these departing high-potential workers, the company realized that in China, compared with other parts of the world, their people were expecting very high rates of compensation increase every year. The job market there was highly competitive, so people were being poached based on salary progression alone.

Today, more and more companies are deploying analytics solutions to help predict retention and correlate factors such as compensation, travel schedule, manager, and demographics to understand why certain people are less engaged than others.<sup>10</sup> But the answers can be hard to find: high-technology companies, for example, often throw benefits at employees to see which ones stick—unlimited vacation, free food, health clubs, parties, stock options, and fun offices are common. Do these all result in high engagement? Most companies can’t really tell.

So what matters today? How can management create an organization in today’s work environment that is magnetic and attractive, creates a high level of performance and passion, and continuously monitors problems that need to be fixed?

### **Making work irresistible**

The research suggests that organizations should rethink the problem. There are three typical issues to address:

- Companies should expand their thinking about what “engagement” means today, giving managers and leaders specific practices they can adopt, and holding line leaders accountable.
- Companies should use tools and methods that measure and capture employee feedback and sentiment on a real-time, local basis so they can continuously adjust management practices and the work environment at a local level. These tools include employee feedback systems as well as data-analytics systems that help identify and predict factors that may create low engagement and retention problems.
- Leaders in business and HR should raise employee engagement from an HR program to a core business strategy.



### Engaging employees in team meetings

Food for thought: In 2013, the percentage of Americans who believed there was at least a small chance of a zombie apocalypse was greater than the percentage of individuals worldwide who said they were engaged in their work.<sup>1</sup>

Many sound approaches are being offered to address this growing employee engagement problem, and it's widely agreed that a different leadership focus is an important first step. But what if the issue is even more fundamental? What if the very existence of a leader-follower dynamic is at the root of the abysmal engagement numbers?

In *Rebels at work: A handbook for leading change from within*, co-authors Carmen Medina, former Specialist Leader, Deloitte Consulting LLP, and Lois Kelly offer three ways that can enhance employee engagement in team meetings that address this dynamic head on:

**Reduce your share of air time at staff meetings.** In a typical staff meeting, the boss sets the agenda, talks about recent developments, and explains new edicts from on-high, and then, at the end, goes around the room and asks for comments or questions. Many employees assume that this last agenda item is largely pro forma, and by leaving employee input for last, the manager may, in fact, be signaling that it's a lower priority, even if he or she didn't do so purposefully. So, lose the pulpit. Let someone else lead the meeting. In fact, make a schedule that rotates responsibility for meeting leadership among your employees. Hearing from the employees you're trying to engage tends to have a way of improving employee engagement.<sup>2</sup>

### Make it safe for employees to disagree with you.

Returning to the scenario above, most employees assume that when the manager asks for comments, he or she doesn't actually want to hear any. It's a pro-forma, verbal tic. This may actually be unfair to the leader, who can be frustrated that people won't tell him what they're thinking. One approach is for the leader to ask better, more direct questions. Instead of merely inviting comments, ask your team, point blank, "What did I get wrong?" Or even more to the point, ask an employee "What's the worst part of my proposal?" When was the last time you heard that question in a meeting? There's a chance, in fact, that team members may be dumbstruck by such unaccustomed levels of frankness, so let someone on the team know the question is coming so he or she can set the tone for the rest of the staff.<sup>3</sup>

**Stop advising people to be more corporate.** Agreeing with the boss can't compromise an employee's career prospects, right? But this mind-set can also invite employees to disengage, to care less about a workplace they can't save. There is a tendency for some organizations to view dissent as a symptom of disengagement. Often, however, these employees may be among the most engaged staff; they care so much about a mission that they were willing to risk their careers to improve it. Instead of telling them to button up, help them figure out how to advance their ideas within your organizational landscape. Don't tell them to be quiet; help them to be more effective.<sup>4</sup>

In short, the best way to improve employee engagement may very well be to engage employees.

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#### Footnotes

<sup>1</sup> "The Zombie Apocalypse," YouGov, June 14, 2013, <https://today.yougov.com/news/2013/06/14/zombie-apocalypse/>.

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<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

### A refreshed model for engagement

After two years of research and discussions with hundreds of companies, Bersin by Deloitte uncovered five major elements—and 20 underlying strategies—that can work together to help make organizations “irresistible.” (See Figure 1.) These 20 factors fit together into a whole system of engagement in an organization, one that is held together through culture.

**1. Make work meaningful.** Perhaps the most important part of employee engagement is job-person fit. We need to make sure jobs are meaningful, people have the right tools and *autonomy* to succeed, and that we select the *right people for the right job*. Despite the rise of technology and pressures for increased productivity, research shows that when we enrich jobs, giving people more decision-making power, time, and support, the company tends to make more money.<sup>11</sup> Beyond that, research also shows that meaningful work often takes place in *small teams*—and engaged people need time to *think, create, and rest*.<sup>12</sup>

**2. Foster great management.** The word management is used here—not leadership—to refer to the daily, weekly, and monthly activity managers use to guide, support, and align their people. Specifically, high-performing managers typically *create simple goals*, make sure they are clear and transparent, and revisit them regularly. In addition, a *coaching culture* is a practice that is highly correlated with business performance, employee engagement, and overall retention.<sup>13</sup> Generally, high-impact organizations also spend 1.5–3 times more on *management development* than do their low-impact peers.<sup>14</sup> In addition, most recognize the need to simplify the *annual performance review*, given that it can sometimes be one of the most damaging and disheartening processes employees face each year.

**Figure 1. The simply irresistible organization®**

What we have learned: Five elements drive engagement

 Meaningful work	 Hands-on management	 Positive work environment	 Growth opportunity	 Trust in leadership
Autonomy	Clear, transparent goals	Flexible work environment	Training and support on the job	Mission and purpose
Select to fit	Coaching	Humanistic workplace	Facilitated talent mobility	Continuous investment in people
Small, empowered teams	Invest in management development	Culture of recognition	Self-directed, dynamic learning	Transparency and honesty
Time for slack	Modern performance management	Inclusive, diverse work environment	High-impact learning culture	Inspiration
<b>A focus on simplicity</b>				

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**3. Establish a flexible, humane, inclusive workforce.**

Given the nature of work today, if leaders want employees to engage with their organizations, they should give them a *flexible and supportive work environment*. In addition to benefits that help make work fit our lives and employee wellness programs, research also shows that open, flexible workspaces can have a major impact on engagement.<sup>15</sup> Another driver is the need for *continuous and ongoing recognition*. The key to effectiveness here is to create a social environment where recognition can flow from peer to peer, freeing managers from being the judge and jury of employee recognition. Finally, highly engaged workplaces are typically *inclusive and diverse*. And the inclusion usually comes from the top: leaders should overcome their unconscious biases and make every effort to listen, create open forums for discussion, and promote people of varied backgrounds (gender, nationality, race, age) who embrace listening and inclusive values.

**4. Create ample opportunities for growth.** Building opportunities for growth can be a complex and systemic challenge. First, there should be *developmental opportunities*, both formal and informal, that let people learn on the job, take developmental assignments, and find support when they need help. Companies should also support and honor *facilitated talent mobility*. That means supporting internal mobility, giving people the freedom to try something new and move from a role where they are highly productive to one where they may be a trainee again. Finally, organizations should look at their management and leadership behaviors to make sure they foster a *learning culture*. Most leaders are rewarded for “making the numbers.” While this is certainly important, leaders should also be rewarded for developing people, moving them into the most effective roles, and keeping retention high.

**5. Establish vision, purpose, and transparency in leadership.**

There are four leadership practices that we’ve found most directly impacts employee engagement. The first is to develop and communicate a *strong sense of purpose*. Our research shows that “mission-driven” companies surveyed have 30% higher levels of innovation and 40% higher levels of retention, and they tend to be first or second in their market segment. The second important element is transparency. In fact, new research shows that among Millennials, *transparency* among leadership rates among the most important drivers of company loyalty.<sup>16</sup> Third, leaders should continually *invest in people*. Our research on “high-impact organizations,” conducted in 2005, 2008, and 2011, found that investing in people matters in good times and in bad.<sup>17</sup> Finally, our research shows that leaders should continually focus on inspiration. Through their words, communications, and actions, it is often the top executives who ultimately engage everyone in the organization.

While 90% of executives surveyed understand the importance of employee engagement, fewer than 50% understand how to address this issue.<sup>18</sup> Today’s technology-flooded world of work has become complex, demanding, and integrated into our lives. Even though 79% of respondent companies today find it daunting and difficult, they can plot their path to the future and design organizations that will thrive with passion, performance, and engagement by focusing on the elements of irresistible organizations.

## Endnotes

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- <sup>9</sup> The average span of control among first-line managers is now over 11, up from around 9 five years ago. Source: Bersin by Deloitte, *Leadership development factbook 2014*, <<http://marketing.bersin.com/leadership-development-factbook-2014.html>>.
- <sup>10</sup> Josh Bersin, "The datafication of HR," *Deloitte Review* Issue 14, January 17, 2014, <<http://dupress.com/articles/dr14-datafication-of-hr/>>.
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- <sup>15</sup> "Becoming Irresistible: A New Model for Employee Engagement," *Deloitte Review*, Issue 16, January 2015.
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