A powerful

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and engaging new business weapon

When you ask **Paul Osgood** to share his views on employee engagement, his passion and energy are infectious. And his message is a potent one.

In an interview with *Boardroom*, he explained that, if you have human assets, then you have the ability to measure the 'people quotient' as well as sales and productivity. For the first time, HR directors measuring engagement are bringing business performance data to the boardroom table that can have a real impact on the bottom line.

Why is employee engagement so important to businesses?

With engagement, you can attract and retain the right people and they will work more productively and efficiently. If you haven't got it, the company is at risk and enormous damage can be done. Employee turnover is high if people are not engaged and those who don't leave the company start to destroy value.

It is important that managers know where in their organisation any potential to destroy value lies and take appropriate action. HR directors can become risk managers, because they now have the tools to run risk management assessments from a human perspective.

What exactly do you mean by engagement?

The dictionary definition of engagement is a state of intellectual and emotional commitment to an organisation. You could say it's what makes people want to get out of bed in the morning and come to work.

I often say to people, you know it when you see it. For example, when visiting a client's factory recently, I drove to a gatehouse and the man on the security desk realised I was at the wrong factory. He had no idea who I was, but he was so helpful, and so keen to create a good impression, that he presented a very strong picture of that organisation and a sense that he really was part of a team.

When I arrived at my destination at the correct factory, I was able to say to the people I met there: "I can tell you that this person is engaged —and that first interaction with your company is very important in creating an impression of the organisation."

How can you measure engagement?

Hewitt measures engagement by looking at three primary factors that indicate how emotionally and intellectually committed an individual is to an organisation:

- SAY – The employee consistently speaks positively about the organisation to co-workers, potential employees and customers
- STAY – The employee has an intense desire to be a member of the organisation despite opportunities to work elsewhere.
- STRIVE – The employee exerts extra effort and behaves in a way that contributes to business success.

How does this link to business performance?

We have studied the connection between engagement and business performance by trying to measure employees' propensity to behave in certain ways, and how people need to behave to contribute to business performance.

Hewitt has conducted studies at over 1,000 companies representing more than 1 million employees. Findings indicate that engagement is highly correlated to key business measures including productivity, retention, customer satisfaction, total shareholder return and sales growth.

It's important to remember that engagement itself is not the objective; business results are what matter. If we measure an organisation, and 50% of its people are engaged, we know that this 50% are better placed to contribute to business performance. Our data shows that each additional engaged person will bring a $3,800 increase in profit each year—so the impact on the bottom line is huge.

What is it that makes people feel engaged?

We measure this by assessing the drivers of engagement. These can be the way the business operates, the way it treats people, the way it develops its employees, or how much they are paid.

Surprisingly, pay is very rarely the main driver. Career opportunity, on the other hand **is** a key driver. This is because it gives employees a way of measuring their own worth by benchmarking themselves against theircareer development. So they don't necessarily want more money—but they do want more opportunity.▸

Resources are important too—human resources, information infrastructure and technology. People are more motivated if they have the right tools to do their jobs and don't constantly have to be thinking: "Will my desk fall over or my PC break down?"

What is the different impact of high and low levels of engagement?

Imagine an organisation where eight out of the ten people in a work group are engaged. The two who are not engaged are not having a good time because the others in their group are being so positive, and this could become so unbearable that they don't stay.

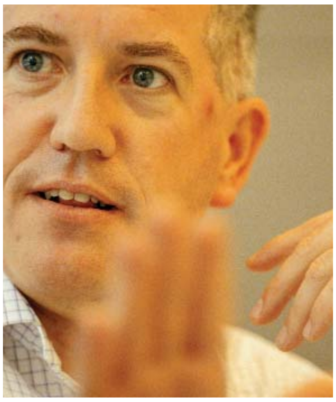
If the figures are the other way around, with just two of the ten people engaged, it is very tough for these two people to sustain their engagement, because people on all sides are reminding them that they are not happy.

The figures show clearly that employees who are engaged have the ability to create value, while, at the other end of the scale, people who are not engaged destroy it. This is not done deliberately, but things like not answering the phone or just taking a break if machinery breaks down, all have an impact on value and productivity.

What can be done to improve engagement?

Once you can see what drives engagement, you can take actions and develop programmes to increase it. We have been doing some work with Coca Cola Enterprises to help them achieve a dual objective of enhancing business performance and becoming an employer of choice. We carried out an engagement study that could be used as an effective business measurement tool. This study looked at all the elements that make up the employment experience and identified which of those elements motivates employees to go above and beyond the basic requirements of their jobs.

The people dialogue within Coca Cola Enterprises is now much more business-focused. It has shifted from "How satisfied is everybody with this part of the work?" to being more focused on the issues that emerge and how to resolve them.



Implementing appropriate change once data has been collected and analysed is the critical point. Some organisations have done this very well and had more success than they ever imagined possible. But, if it is not done well, the effects can be negative, too.

"The results are phenomenal. By investing $2-3 million, this company has seen a 12-points increase in employee engagement, and a 10% decrease in employee turnover, which has brought cost savings of $12million."

Can you share any success stories?

Yes, one large credit card company has done this with phenomenal results. Their staff turnover was excessive, and this was having a significant impact on costs, profitability, customer satisfaction and productivity.

We carried out an engagement survey and quantified the cost to the business as an incredible $26,500 per person. Problem areas that we identified included a perceived lack of compensation reward sharing, ineffective career development discussions and a lack of motivation due to the repetitive, stressful, boring work.

We worked closely with senior management and stakeholders, creating team-oriented structures and rewards, improved manager training and management selection processes and developed 'personal' work spaces. We did not increase pay.

The results speak for themselves. By investing $2-3 million, this company has seen a 12 points increase in employee engagement, and a 10% decrease in employee turnover which has brought cost savings of $12m.

Another client, a large property investment company, has been working on engagement for two years and seen a 15% improvement. Staff turnover is down by nearly 20% in key positions. Their residents are significantly more satisfied with the company, and regions with the highest engagement had 13% higher satisfaction for service and problem resolution and 16% higher satisfaction for appearance. ▸

So has this brought a tangible change to the bottom line of the organisation?

Yes, and this is particularly exciting, because with results like this, HR becomes a very powerful part of the business, particularly as it is omnipotent. The HR director can say to other board members: "My human assets are in your area, and I can help you to really improve your performance". This creates a strategic momentum that everyone can benefit from.■

Paul Osgood
is a UK-based talent and organisation consultant at Hewitt specialising in employee engagement, and is responsible for Hewitt's European Engagement business. He has particular expertise in helping companies to take the temperature of their organisation at times of major change, and helping businesses to connect with their people, articulate, present and develop their employment proposition and attract and retain talent.

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