

Engaging and Enabling Employees for Company Success

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QUICK LOOK

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- ⇒ To foster high levels of engagement, companies must make greater use of nonmonetary rewards, such as career growth opportunities, meaningful job designs and recognition programs.
- ⇒ For an organization producing \$10 billion in product, increasing productivity by 30 percent by creating a superior work climate would increase output by \$3 billion.

Retaining top talent is a key concern in good times and bad, given the importance of these employees to a company's success and competitive edge. Unfortunately, many organizations rely too heavily on compensation as the answer — a risky endeavor as dissatisfaction with pay is generally not what leads employees to begin exploring alternatives, although the prospect of better compensation elsewhere may solidify the decision to leave. Instead of zeroing in on compensation, organizations should focus on two key areas to keep and motivate their talent: increasing employee engagement and developing systems that provide better support for employees' success.

Increasing Employee Engagement

Maintaining a focus on engagement is especially critical in difficult times. Engagement refers to the commitment employees feel toward the organization (e.g., their willingness to recommend it to friends and family, their pride in working for it and their intentions to remain a part of it). But it's also about employees' discretionary effort — their willingness to go the extra mile for the organization. Right now, as organizations need to do more with less and strive for greater efficiency, tapping into the discretionary effort of employees is all the more essential.

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career growth opportunities, meaningful job designs and recognition programs. For these measures to be effective, there must be a clear link between performance and rewards in the minds of employees. The best way to create this link is to make sure there is real differentiation in performance ratings among employees. These performance differences should be reflected

in meaningful differences in pay, recognition, and prospects for advancement and development opportunities.

In the high workload environments characteristic of today's organizations, employees are highly sensitized to compensation issues. Acutely aware of all that they are contributing, they are generally inclined to pressure their organizations to balance rewards and

contributions. In this context, it is more important than ever for organizations to ensure that compensation and performance management systems are perceived to recognize employee efforts adequately. Acknowledging the challenges organizations face in linking compensation to contributions, we offer the following suggestions for more effectively aligning rewards and performance.

Differentiate Rewards, Not Just Performance Ratings. Many organizations invest an agonizing amount of energy ensuring that managers comply with a targeted distribution curve for performance ratings. But there is little value in the effort if the highest performer still receives only marginally more rewards — whether it is merit pay, incentive pay or advancement opportunities — than the average performer or poor performer.

Money Talks, So Secure Funding. Good managers can clarify goals, create a culture of dialogue and evaluate performance. However, if funding is not in place, they will not be able to differentiate rewards significantly enough to recognize outstanding performers. Organizations that set aside funds to differentiate rewards will realize a significant return on their investment.

Clarify Expectations and Accountabilities. Job design is a key consideration when establishing pay-for-performance standards. Organizations must ensure that employees understand what they are being asked to do to earn their rewards — and that their individual goals are connected to what the organization needs to succeed in the future. Organizations that build better “line of sight” between business results and job accountabilities tend to have higher levels of organizational clarity and employee engagement.

Communicate, Communicate, Communicate. Organizations need

Retention Case Study

Hay Group recently partnered with a leading wireless communications technology firm, employing approximately 15,000 people worldwide, to inform and enhance its retention efforts. The organization had observed a significant spike in employee turnover for employees with one to two years of service with the company and, in particular, sought to minimize departures of these employees.

First, a former-employee survey was conducted involving telephone interviews with individuals who voluntarily left the organization during the preceding 18 months. The interviews were designed to gather feedback on former employees' work experiences while a part of the organization, their reasons for leaving, and their current situations and attitudes toward the company. Then they carried out a retention-related linkage study involving a variety of analyses intended to draw together results from recent employee surveys, former employee survey results and data on turnover trends to provide an integrated set of recommendations regarding primary retention factors within the organization.

The linkage study identified six major drivers of retention that have now been identified as core aspects of the organization's employer brand, reflecting key considerations for engaging and enabling employees: development opportunities, total rewards, a supportive work environment, quality management and leadership, performance management, and alignment with organizational objectives. With a clear road map for managing retention factors, the organization launched a number of initiatives aimed at keeping more of its valued employees. These efforts included:

- A development-planning initiative to prepare managers to have career-focused conversations with their employees on an ongoing basis — and to equip employees to take greater responsibility for effectively managing their own careers within the organization
- An employee “trade show” designed to connect employees with innovative projects and products across the organization's divisions and lines of business
- A “52 Weeks in Our Company” program intended to foster greater understanding of the values of the company's founders and what makes the organization's culture unique.

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to have a game plan for communicating program design attributes and key principles. They should provide managers with tools and talking points to explain what “superior” performance looks like, how performance management and reward systems link to the business strategy, and how to deal with tough questions from employees.

Deal with the Hard Issues. Considering the impact that failing to address poor performance has on the morale and motivation of employees, allowing even one poor performer to slide by is highly significant. Managers should be encouraged to engage in an ongoing dialogue with employees regarding their performance to increase the likelihood that poor performance will be identified early (before it has a chance to become habitual) and that management intervention will be successful in changing employee behavior. In addition, all employees must be made aware of the processes in place to address poor performance. The more employees understand these processes, and the accompanying need for confidentiality, the less likely employees will be to fear a lack of action by management in particular cases.

Hay Group research shows, however, that employee engagement alone does not guarantee an organization’s effectiveness. Studies conducted in the past five years involving hundreds of companies in diverse industries worldwide confirm that many companies enjoy high levels of engagement, yet

still struggle with performance. What’s missing is real “employee enablement” to position motivated employees to succeed. In an enabled workforce, employees are effectively matched to positions, such that their skills and abilities are put to optimal use. Likewise, employees have the essential resources — information, technology, tools and equipment, and financial support — to get the job done. They are able to focus on their key responsibilities without wasting time navigating obstacles such as procedural restrictions or nonessential tasks in the work environment. A 2009 Hay Group cross-industry analysis involving more than 400 companies suggests that while organizations in the top quartile on engagement demonstrate revenue growth 2.5 times that of organizations in the bottom quartile, companies in the top quartile on engagement and enablement achieve revenue growth 4.5 times greater.

Minimizing Frustration

To get the most from engaged employees, organizations must position them to channel their extra efforts productively. That is, motivation to contribute has to be matched with the ability to contribute. Unfortunately, most organizations employ a sizable number of “frustrated” workers — individuals who are highly engaged but are not sufficiently enabled to be fully effective and successful. Frustration is a significant problem for

organizations and employees, especially in a challenging economic environment. Organizations trying to squeeze out every drop of productivity can’t afford to squander the energy of motivated employees. And employees who are being asked to work harder and to do more with less understandably want to work in smart and efficient ways. In the short term, these motivated but poorly enabled employees may suffer in silence. But over time many can be expected to turn off and disengage — or tune out and leave.

Systems to Support Success

How do you ensure you’re doing the best possible job of enabling your employees? The first step is to make sure you’re putting the right people in the right jobs, as employees in the wrong role can quickly become disillusioned and unproductive. In deploying talent, leaders must consider the requirements of the job and the employee’s ability to meet them. They also have to think about the extent to which the job will draw upon the employee’s distinctive competencies and make the most of them. Finally, it’s crucial to root out bad business practices — such as unnecessary or duplicated work, procedural restrictions or insufficient resources — to ensure that work environments are supportive of high levels of productivity.

Along with these steps, organizations also have to understand and manage the work climate. The benefits of a positive work climate are often

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underestimated, but research shows that business results can vary by as much as 30 percent purely due to differences in the climate created by a manager, according to *The Manager's Guide to Rewards*. For an organization producing \$10 billion in product, increasing productivity by 30 percent by creating a superior work climate would increase output by \$3 billion. To create a positive work climate, leaders must have the right competencies to engage and enable employees. They have to understand how to give employees the authority to act where decisions are best made at a local level, encourage collaboration to ensure that

employees have adequate support from co-workers, and manage performance to focus employees on the aspects of their roles that contribute most meaningfully to organizational performance.

Challenges

Amid periods of economic uncertainty, engaging and retaining valued employees is particularly critical if organizations are to maintain quality in their products and services and lay a foundation for future growth. Yet while challenging economic environments make employee engagement more critical, they also make it more difficult to achieve. Belt-tightening often results

in organizational retrenching, reduced staffing levels, increased workloads and constrained compensation budgets.

By paying careful attention to positioning individuals and teams to succeed, organizations can survive the downturn and emerge with a competitive advantage for the upturn. Indeed, employers that have remained focused on employee engagement in the current downturn and pressed forward with engagement-focused employee survey programs have succeeded in maintaining and even increasing motivation levels. We analyzed data from 34 client projects, comparing the results of surveys conducted in late 2008 or early 2009 with the results of surveys these same clients conducted prior to the downturn. Despite current economic conditions, more than 75 percent of them realized improvements in survey scores.

To focus improvement efforts, we offer a “path to performance” for generating business results through enhanced levels of employee engagement and enablement.

Organizations first need to clarify strategic objectives to promote understanding and line of sight at all levels. They need to instill confidence in leaders, ensure appropriate market positioning, and focus on customers and quality.

Next, organizations need to align structures with strategy and ensure that resources, decision-making authority and support from co-workers

Six Common Sense Steps to Better Engagement and Enablement

In order to succeed in engaging and enabling employees, organizations should:

- 1 Ensure that there is a clearly communicated link between performance and rewards within the organization.
- 2 Ensure that there is proper differentiation in performance ratings among employees.
- 3 Root out bad business practices, such as unnecessary work and duplication, that can adversely affect employee enablement.
- 4 Put the right people in the right jobs by focusing on job sizing and the extent to which roles leverage employees' distinctive abilities.
- 5 Monitor and improve the work climate within the organization by ensuring that leaders have the right competencies and management styles to motivate and enable employees.
- 6 Focus on nonmonetary rewards, such as career growth opportunities and recognition programs.


are adequate to put employees in a position to succeed.

With the structure in place, organizations then need to attend to getting the right people “on the bus,” providing training to enhance employee skills today and development opportunities to build capability for the future.

Finally, organizations need to motivate high levels of employee performance through appropriate performance management systems, along with compensation and recognition approaches that reward employee contributions.

Conclusion

If organizations succeed in putting the measures described above in place (see “Six Common Sense Steps to Better Engagement and Enablement” on page 42), they will reap the rewards

of highly engaged employees willing to go the extra mile to make the organization a success. Further, harnessing this discretionary effort through enabling work environments will provide companies with a competitive edge that will prove invaluable in helping them ride out the stormy economic conditions created by the global downturn. And it will also ensure that they are well positioned when the upturn eventually arrives. 

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