



HayGroup®

Brighter skies ahead:

how employee engagement and enablement can improve performance during the economic storm and beyond

By working toward high levels of employee engagement as well as enablement, organisations can weather the economic storm and emerge with even higher levels of performance and success.

Amid periods of economic uncertainty, employers need to ensure that every employee is working in line with the organisation's overall goals. Having an engaged workforce is more important than ever. But in challenging economic times, organisations may feel as though their options are limited: tightened belts often result in organisational retrenchment, reduced staffing levels, increased workloads, and constrained compensation budgets.

But there is opportunity amidst the challenge. Hay Group's research with Fortune magazine during the 2001-2002 downturn revealed that Fortune's Most Admired® Companies emerged from the recession with higher levels of engagement and retention than their peers. How did they manage to succeed in such economic turmoil? By ensuring that their employees were not only engaged, but also *enabled*, these companies were able to weather the economic storm and lay the foundation for future growth.

Companies today can draw lessons from the past, and apply the same strategy to the current economic situation. By paying careful

attention to positioning individuals and teams to succeed, organisations can survive the short-term downturn and emerge with a competitive advantage for the upturn. In fact, our research on hundreds of companies shows just how central employee engagement and enablement can be to an organisation's success:

- Organisations in the top quartile on engagement demonstrate revenue growth 2.5 times more than that of organisations in the bottom quartile. Further, companies in the top quartile on both engagement and enablement achieve revenue growth 4.5 times greater.
- Companies with engaged and enabled staff have turnover rates 54 percent lower. Hay Group studies estimate the cost of replacing employees is up to 1.5 times salary.
- Companies that both engage and enable employees exceed their industry average for five-year ROI, ROE, and ROA by 40 to 60 percent.

The bottom line: highly engaged and enabled workers create better business outputs, more loyal customers, and better financial performance during good times and bad.

Seeing the opportunity in a challenge

Companies may be tempted to focus solely on weathering the economic storm and forget about the big picture. Of course there is an immediate challenge during a downturn to minimise the disruptive aspects of organisational transitions on employees and customers. But savvy organisations can perceive the downturn as an opportunity to make long-term changes that will ultimately strengthen the organisation. In disruptive periods, like the economic downturn, there is a unique opening to restructure working relationships in more productive ways, before

managers and employees once again settle into stable, but ineffective, patterns.

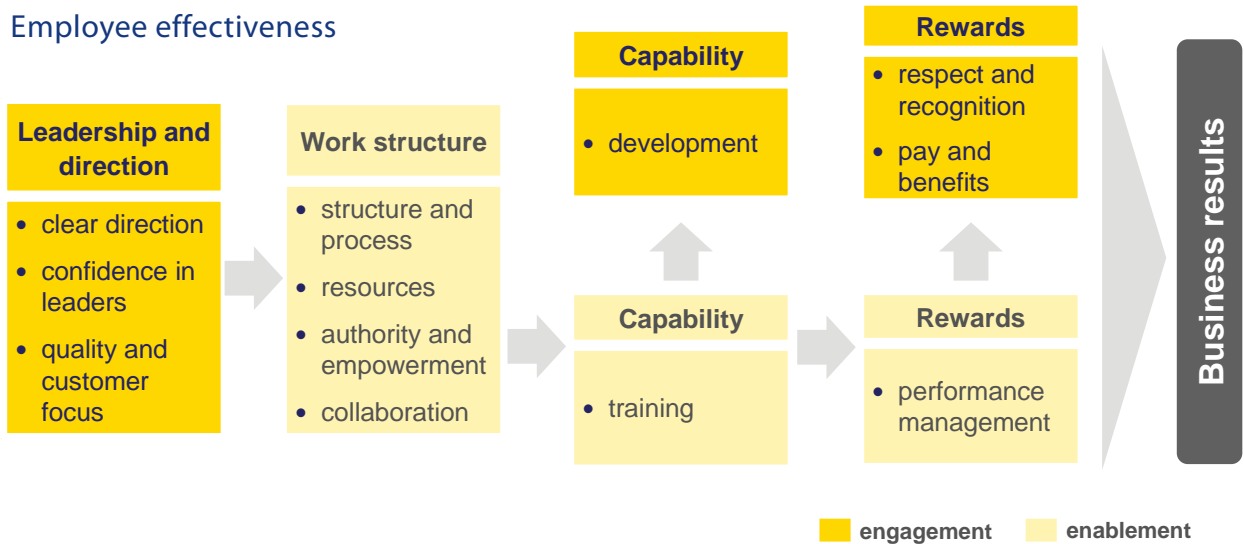
Looking back to our research with the Fortune magazine during the 2001-2002 downturn, the Most Admired Companies generally reported that their organisations were in a better position post-recession than pre-recession! They also reported enhanced levels of employee loyalty and reduced concern about losing key talent. For peer companies, in contrast, the downturn was perceived to have had a net negative effect in each of these areas.

A path to performance

Even in hard times, organisations can start working toward patterns of effectiveness by following the ‘path to performance’ that promotes engagement and enablement. Our

research and experience suggest that four components lead to success: leadership and direction, work structure, capability, and rewards.

Employee effectiveness



Leadership and direction: During times of uncertainty, communicating a coherent strategy with credible messages is key to winning over employees’ trust and confidence. Decisions to make sacrifices should be transparent and purposeful. Leaders should enlist the support of middle managers and first-line supervisors to help all employees understand they have a role to play in helping the organisation carry out its plans.

Work structure: To promote efficient execution of key tasks, solicit broad input by encouraging employees to come forward with innovative suggestions to improve work processes, prioritise value-added tasks and align local and organisational goals.

Capability: Faced with a difficult economy, some organisations may be tempted to shift their focus away from training and career development activities. But doing so is a big mistake. Although you may need to reduce some of the investment, prioritise those activities that best support the current business objectives.

Rewards: When compensation budgets are tight, organisations can leverage tangible and intangible rewards by thinking more broadly about the ‘value propositions’ offered to employees—that is, the totality of financial and non-financial returns employees can expect for their efforts.

Conclusion

In the present economy, there will certainly be winners and losers—as there are in any period. But while some organisations may fare better than others, outcomes will be consistent in at least one respect: all companies will emerge

from the downturn changed organisations. Those who follow the path to performance and promote engagement and enablement in their workforce will be the ones who emerge from the economic storm with a clear advantage.

Hay Group is a global management consulting firm that works with leaders to transform strategy into reality. We develop talent, organise people to be more effective and motivate them to perform at their best. Our focus is on making change happen and helping people and organisations realise their potential.

We have over 2600 employees working in 86 offices in 47 countries. Our clients are from the private, public and not-for profit sectors, across every major industry. To organise an initial consultation or for more information, please contact **Sam Dawson** on +61 (3) 9667 2692 or email sam_dawson@haygroup.com.

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