



The Engagement Imperative

Defining the construct of Total Engagement and its undeniable importance in leveraging organisational performance

In the current climate, the traditional mix of product, price, place and promotion is no longer a sufficient catch-all to drive sustained growth and secure competitive advantage. There is a fifth 'p' - people - which makes the key difference when it comes to customer loyalty. It is people - your employees - that provide the impetus and energy to drive success in your organisation, and their passion, effort and emotional connection to your brand is what customers will embrace and truly value.

There is much debate over what 'engagement' is about, but we do know without a doubt that it involves how much 'head, hands and heart' people will put into their work. Many practitioners struggle to clearly define engagement or else display a limited understanding of how it is actually constructed. This paper offers some clarity on what engagement is really all about, how it fits into your organisational profile and how it can help you leverage organisational performance.

JANUARY 2015

Copyright 2015 GravitAs Analytics Ltd

All Rights Reserved. No part of this work covered by the copyright hereon may be reproduced or used in any form or by any means; graphic, electronic, or mechanical, including photocopying, recording, taping, or any information storage and retrieval system without written permission from GravitAs Analytics (www.gravitasanalytics.com).

Liability Notice

This article is presented as is, without warranty of any kind, either express or implied, respecting the contents of this article, including but not limited to implied warranties for the article's quality, performance, or fitness for any particular purpose. GravitAs Analytics shall not be liable to the reader of this article or any other person or entity with respect to liability, loss, or damage caused by, or alleged to have been caused directly or indirectly by this article.

Introduction

It is estimated that only one third of the UK workforce (c. 10 million people) are engaged and aligned with the organisations in which they work. The cost of the resulting disengagement is in the region of €25 billion in GDP. This leaves the UK ranked in the lower quartile for engagement among the world's largest economies. Furthermore, the UK has a clear productivity deficit with its output per worker running at 19 percentage points below the average for the rest of the major G7 industrialised economies, the widest productivity gap since 1992 - not a good result. There is rich and plentiful evidence from global case studies demonstrating the clear correlation between employee engagement and organisational performance across all segments of the economy. You can see why leaders in both the public and private sectors are now giving top priority to employee engagement in their strategic road maps.

The first step to realising the benefits of engagement is securing clarity on what it is actually all about. In simple terms, engagement is often defined as the level of 'discretionary effort' your employees are willing to give to help you achieve your organisational goals - their passion for the job and their willingness to drip blood, sweat and tears on your behalf. Although these sentiments are highly relevant, there is more to engagement than just discretionary effort. Through in-depth academic and scientific research, Gravitas Analytics has developed a market-leading construct of engagement - GATE® Gravitas Analytics Total Engagement which clearly maps the theoretical basis of engagement, loyalty and alignment. This paper outlines what's required for Total Engagement, how it fits into your organisation and why it is so important in the current economic climate.

Author
Chris Casson
Founder
Gravitas Analytics

Engagement Paradigm

HEAD, HANDS AND HEART

Amid a plethora of different, loose and carelessly worded definitions of engagement, there remains an underlying general concept symbolised by the head, hands and heart model shown in Fig. 1. This simple model demonstrates engagement through employees' intellectual alignment with their role and your organisation, their emotional buy-in and the amount of effort they put into their work.

Firstly, it is important to respect that we are all different, with different outlooks, aspirations, expectations and different levels of optimism - is your glass half full or half empty? People's natural in-built positivity, before they even arrive at their place of work, is known as their **trait engagement**. Although you are unlikely to be able to change this natural disposition, the workplace environment can very quickly enhance or suppress baseline positivity. People who are naturally positive are generally proactive, so creating and influencing the work environment. They are also autotelic and self-motivating. They do not work with the expectation of some future benefit, but simply because the 'doing' itself is the reward. It is important, therefore, to recognise and harness the value of this natural positivity as it walks through your door.

Positive affectivity associated with the job and the workplace means having feelings of energy, resilience, enthusiasm, absorption, pride and passion. These feelings show what is called **state engagement**, which is central to the whole notion of engagement. In addition to offering high levels of job involvement and task focus, employees with state engagement will gain multi-dimensional empowerment, experiencing a sense of purpose, competence, feelings of self-determination and control and impact (making a difference). This 'make it happen' attitude exemplifies the perspective of state engagement and enables employees to ultimately shape their own work roles and future.

A natural spin-off from emotional buy-in is **behavioural engagement**, which includes innovative behaviour, demonstrations of initiative, proactively seeking opportunities to contribute and going beyond what is typically expected. Qualifying whether this additional effort is discretionary or not is largely unimportant as it is the principle of expanding beyond the role that is key. Having emotionally and physically engaged employees is a huge benefit; however, it will be of little value to you unless they are cognitively vigilant and contextually aware of their roles and goals within the organisation. So, a final and important part of the engagement matrix is **strategic alignment**, which ensures that any engagement effort is allied to your organisation's objectives for maximum benefit.

This paradigm of head, hands and heart underpins the concept of psychological engagement, which is mapped into the construct of Total Engagement in the next section.

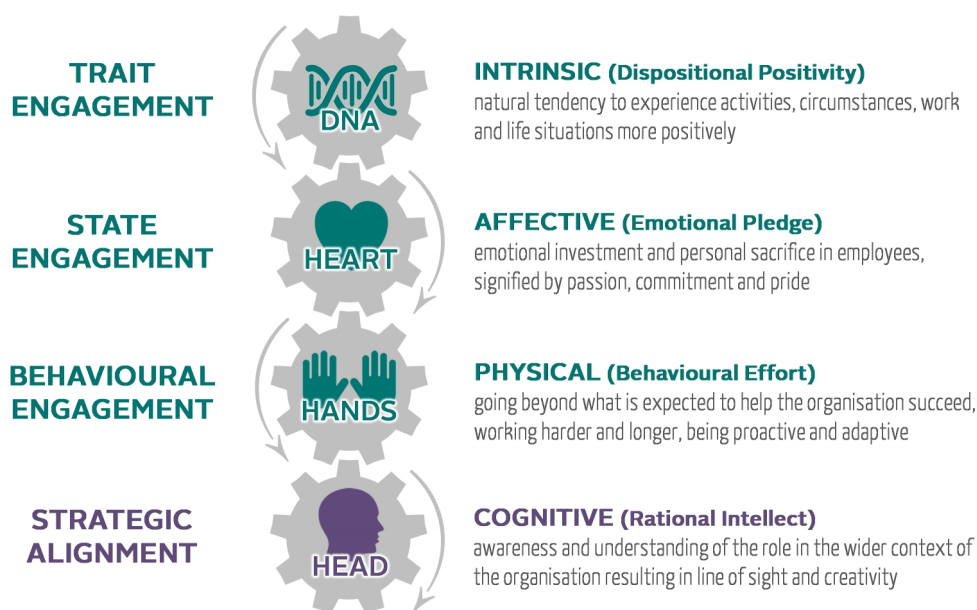


Fig. 1

Construct of Total Engagement

DEFINITIONS & GEARING

The definitions of GATE® Gravitas Analytics Total Engagement and its three sub-components can be seen in Fig. 2.

All elements of Total Engagement need to be strategically focused in service of your organisational objectives. It will be demonstrated by:

- ⚙️ A willingness to exert considerable effort on behalf of your organisation.
- ⚙️ A strong belief in, acceptance of and alignment to your organisation's goals.
- ⚙️ A pride and identity that fosters a desire to stay within your organisation.



TOTAL ENGAGEMENT is a multi-dimensional construct combining the psychological engagement, corporate loyalty and strategic alignment of your employees.



PSYCHOLOGICAL ENGAGEMENT represents the levels of emotional investment and personal sacrifice among employees, signified by their energy, focus and commitment.



CORPORATE LOYALTY is the emotional attachment and allegiance employees have towards your organisation, manifested through advocacy and continued membership.



STRATEGIC ALIGNMENT denotes the cognitive awareness of employees and their understanding of their roles in the context of the organisation's objectives, fostering identity and purpose.

Fig. 2

Totally engaged employees offer role expansion (going beyond expectations) and adaptive behaviour in order to protect the status quo in light of threats to your organisation and deliver change to realise opportunities and secure future success. For any organisation, securing total engagement in employees is a real prize, but in order to achieve this, the sub-components must first be measured. Analysing total engagement will identify not only the emotional and physical commitment of your employees, but also their levels of cognitive awareness, which is critical in ensuring that the additional effort being pledged is correctly aligned to benefit both organisation and individual. Fig. 3 shows the structural gearing of Total Engagement - how it all fits together and the emotional and behavioural characteristics present in engaged employees.

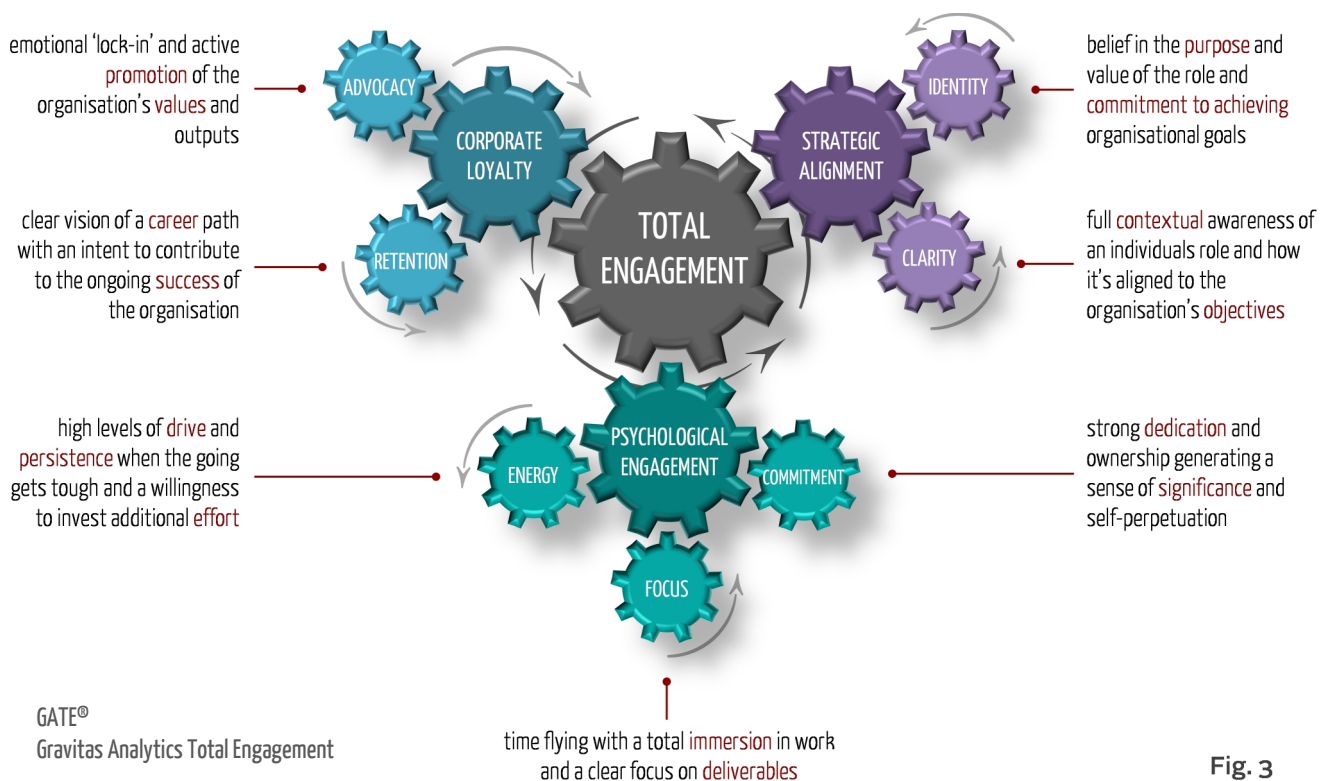


Fig. 3

The Engagement Fit

ENGAGING YOUR WAY TO SUCCESS

In recent times, organisations have suffered significant cost pressures in the difficult and turbulent fiscal climate. Corporate downsizing and a reliance upon leaner organisational structures have had a major impact upon human resources. Employees are being asked to do more with less, resulting in unparalleled levels of work stress, dissatisfaction and disengagement. Concurrently, cost pressures have sharpened employers' focus on human capital as a means to increase output and enhance the return on human investment. Typically, an organisation's outlay on wages, recruitment and training will amount to 35-40% of total operating costs, so it is completely logical that enterprises are increasingly examining this area of expenditure to ensure that it is efficient. This has put human resources spending under the microscope, with the increasing expectation that it must demonstrate a return on investment and provide a competitive advantage that can't be gained elsewhere. While engagement is by no means the panacea for organisational efficiency and financial performance, it can undoubtedly offer significant leverage when nurtured and harnessed effectively.

As noted earlier, true engagement is not something that can simply be switched on through a team briefing or by 'cracking the whip'; it must be cultivated. Fig. 4 shows the top-line organisational precursors for engagement and where it fits in delivering value back to your enterprise. As you would expect, it starts at the top with the senior executives communicating clear and achievable strategic objectives so that all employees have clear line of sight and can calibrate themselves accordingly. Your organisation must also establish a dynamic infrastructure so it can meet change head on, optimise its systems and processes, and ensure it has the capability and capacity to meet, and hopefully exceed, customer expectations. The next, and somewhat critical, element is the need for effective transformational leadership at the front-line to inspire and empower your workforce. Ultimately, an optimised organisation with inspirational leadership and an engaged workforce will drive the cultural 'persona' of your business. Assuming that you actually deliver the products or services that your customers expect, it's your persona that will make the big difference to the customer experience you are offering. It's your behaviours, values, care and empathy that will deliver full customer satisfaction, secure customer loyalty and the subsequent profitability and growth.

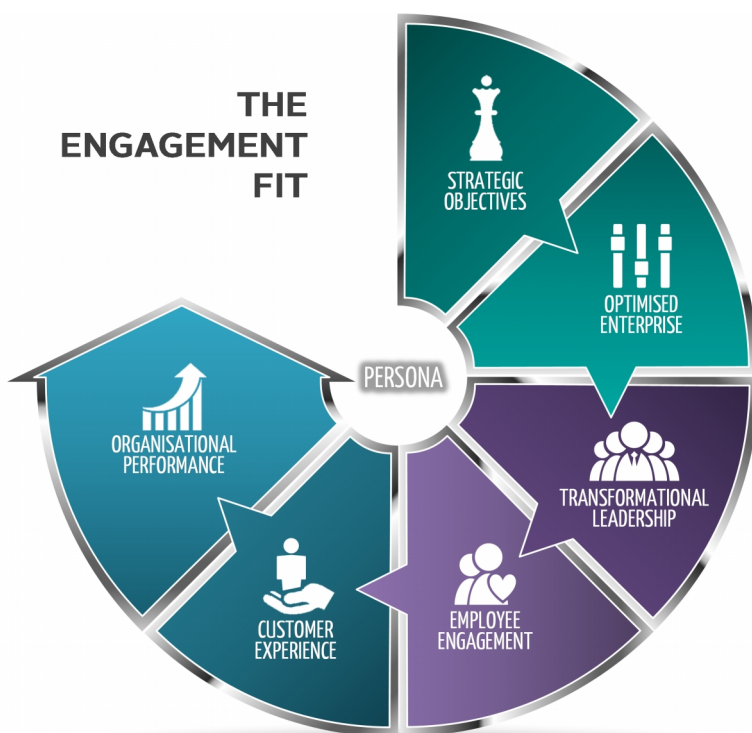


Fig. 4

The Business Case

THE (COMPELLING) EVIDENCE

The findings presented in this section have been drawn from extensive academic studies, research houses and consulting organisations to illustrate to you the benefits of embracing employee engagement. The meta-analytic evidence exploits the power of drawing together numerous independent samples. Together with evidence from individual case studies, these provide significant weight to the argument for investing in an employee engagement programme.

META-ANALYSIS FINDINGS

FINANCIAL GROWTH & RETURN

- Across 5 million survey respondents, organisations with engagement levels above 65% posted shareholder returns on average 50% higher compared with those where engagement was below 45% (Aon Hewitt 2010).
- Companies with high engagement levels had an operating margin that was almost three times higher than those with low engagement (Towers Watson 2012).

PERFORMANCE & PRODUCTIVITY

- 94% of the world's most admired companies believe engaged employees create competitive advantage (Engage for Success 2012).
- 85% of the world's most admired companies believe efforts to engage employees have reduced employee performance problems (Hay 2010).
- Results from 23,000 business units demonstrated that those with upper quartile engagement averaged 18% higher productivity than those in the lower quartile (Gallup 2006).

CUSTOMER EXPERIENCE

- Analysis of 2,000 business units showed that those scoring above the median on both employee and customer engagement were 3.4 times more effective financially (revenue, margin and growth) than units in the bottom half of both measures (Harvard Business Review 2005).
- 70% of engaged employees have a clear understanding of customer needs, compared with only 17% of disengaged employees (PWC).
- 78% of engaged employees in the public sector feel they can have a positive impact on public service delivery, but only 29% of the disengaged feel the same way (Towers Watson 2007).

CREATIVITY & INNOVATION

- 59% of engaged employees say that 'work brings out their most creative ideas', but only 3% of the disengaged report the same (Gallup 2007).

ABSENCE & WELL-BEING

- Engaged employees take an average of 2.7 sick days per year, with the disengaged taking 6.2 days - significantly contributing to the €17 billion annual cost of UK sickness absence (CBI 2007, 2010).
- Employees in companies with high engagement report significantly less workplace stress than those with lower engagement: 28% vs 39% (Aon Hewitt 2012).

ADVOCACY & RETENTION

- Highly engaged organisations can reduce staff turnover by 87%; disengaged staff are four times more likely to leave than the average employee (CLC 2008).
- When studying companies with a high turnover (over 60%), those with a lower quartile engagement had a 31% higher turnover than those in the upper quartile (Gallup 2006).
- Organisations with high levels of engagement show turnover rates 40% lower than those with weak engagement (Hay Group).
- 67% of engaged employees advocate on behalf of their organisations; only 3% of the disengaged do (Gallup 2006).

HEALTH, SAFETY & ENVIRONMENT

- Organisations with lower quartile engagement average 62% more accidents than those in the top quartile (Gallup 2006).
- 54% of the disengaged say work has a negative effect on their physical health vs 12% of the engaged (Gallup 2006).

CASE STUDY FINDINGS

FINANCIAL GROWTH & RETURN

- Over a four-year period, Marks & Spencer stores with improving engagement delivered on average €62 million more sales to the business every year than stores with declining engagement.
- Sainsbury's has established a clear link between engagement and sales performance, with engagement contributing up to 15% of a store's year-on-year growth.
- Retail branch networks of four banking organisations showed that increased engagement generates increased sales, with a 1 standard deviation increase in engagement being linked to a 6% improvement in branch sales.

PERFORMANCE & PRODUCTIVITY

- A Fortune 100 manufacturing company reported that quality errors were significantly higher in poorly engaged teams (DDI 2005).
- MORE THAN units with higher levels of employee engagement had 35% less downtime between calls - the equivalent of one 'free-of-charge' employee being added to every eight engaged employees.
- Dorothy Perkins has recorded 12% higher sales, 10% lower operating costs and 35% lower stock losses in its high-engagement environments.
- When the home improvement sector was hit hard in the economic recession, Everest commissioned 32 engagement champions to spearhead its engagement programme, saving €2m costs in the first nine months and additionally securing €1m worth of voluntary salary reductions from 84% of staff.
- Serco measured and understood the impact of engaging and aligning employees and created a values-based business culture. Improved employee engagement increased customer satisfaction by 12% and secured significant business growth over a three-year period.
- Through enablement and allowing staff to reshape working practices, Pinnacle PSG reorganised its street-cleaning teams, which improved the cleaning frequency from monthly to every 12 days and enhanced the street cleansing standard by 10%.

CUSTOMER EXPERIENCE

- Serco analysed 274 client contracts and found the contracts serviced by employees whose engagement had improved over the year had net promoter scores (customer loyalty) 24% higher than those contracts serviced by employees with declining engagement.
- Patient satisfaction is significantly higher in NHS trusts with higher levels of employee engagement, and patient mortality rates are 2.5% lower in trusts with high vs medium engagement.

CREATIVITY & INNOVATION

- BAE found that, by implementing an employee feedback and engagement programme in 2009, the shop floor identified €26m of improvement opportunities in year 1 and reduced the time taken to build fighter planes (Typhoon) by 25% in year 2.

ABSENCE & WELL-BEING

- Nampak introduced an engagement programme and recorded a 5% improvement in employee engagement and a simultaneous reduction in absence levels by 26%.
- To improve health and well-being and engage staff, Gateshead College rolled out a Fit for Life programme, which resulted in short-term absence falling from 1.5% in 2009 to 1.3% in 2011.

ADVOCACY & RETENTION

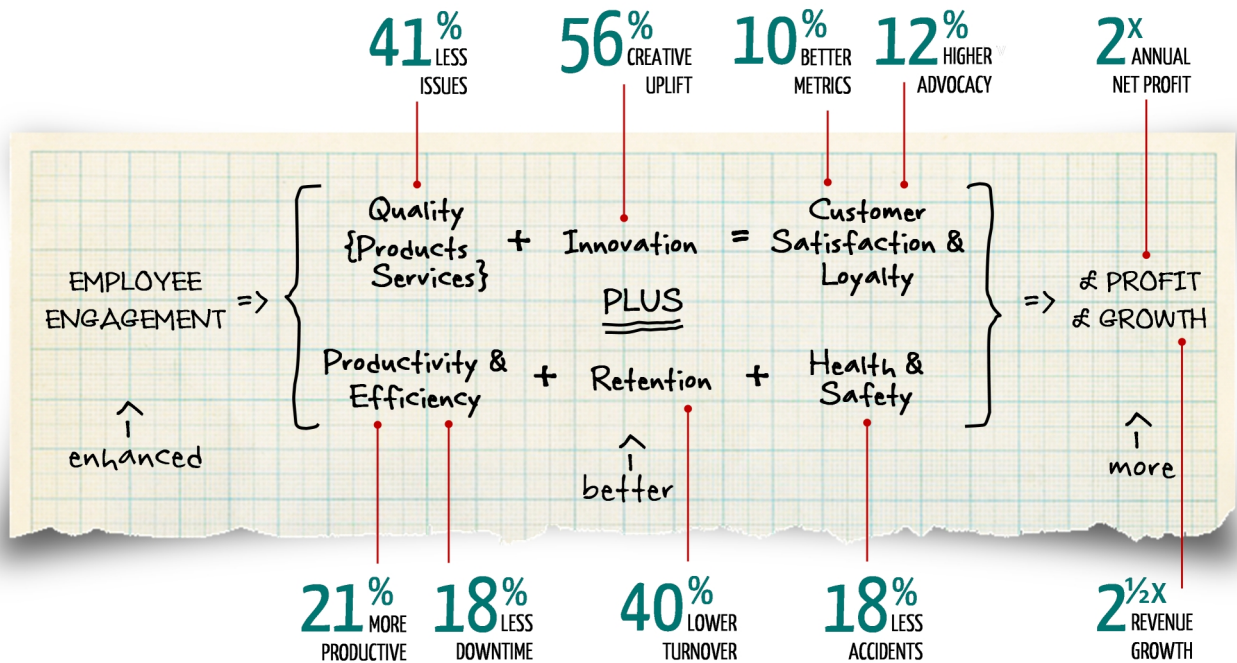
- Rentokil Initial has shown that a 1% improvement in engagement supports 0.4% improved retention, and teams showing the most improved engagement saw retention increase by 7%, securing an estimated €7m saving.
- In response to high staff turnover, Harrods implemented a human resource management programme in 2010, fuelled by an annual engagement survey, and by 2014 had halved staff turnover and boasted 91% organisational advocacy.

HEALTH, SAFETY & ENVIRONMENT

- Through deploying engagement strategies in 2011, the Olympic Delivery Authority had an accident frequency rate of 0.17 per 100,000 hours worked, which was less than half the construction industry average.
- 600+ McDonald's employees across 1,200 UK restaurants are voluntary Planet Champions, empowered to come up with green ideas. In three years, several initiatives have been implemented reducing water and energy usage, saving 65,000 tonnes of CO₂ while servicing a concurrent 20% uplift in sales.
- The Co-operative Group has reduced energy consumption in its food business by 41% by actively engaging staff to save energy. The team effort to save energy in store has resulted in €50m of cost savings annually.

THE BUSINESS CASE EQUATION

As seen from the evidence, there are many business benefits of employee engagement. Fig. 5 summarises the value of these benefits evidenced in the global meta-analysis statistics and case studies. Percentages shown quantify the average benefits enjoyed by organisations with upper quartile engagement scores versus those with lower quartile scores.



"Let passion be the reason for your existence and success the product of your persistence"

Conclusion

There is bountiful and quantifiable evidence to substantiate the relationship between engagement and organisational efficiency. Increased performance is secured not only through the greater focus and effort of engaged employees, but also from their organisational citizenship and extended behaviours. Engaged employees are adaptive, proactive, innovative, persistent and self-motivating. They will actively seek opportunities to contribute and will go beyond the scope of their role in pursuit of both personal and organisational success.

It is for this reason that senior leaders in both the private and public sectors are now embracing workplace engagement to improve performance. The CBI Employment Trends Survey 2013 reported that 54% of companies across UK industry cited employee engagement as top of their future priority list to facilitate economic recovery. In comparison, while tough competitive conditions require an inevitable focus on labour costs, containing these costs was cited as a top priority by only 31%. In the UK Civil Service Reform Plan 2012, the Prime Minister and the Head of the Civil Service clearly drive home the need to nurture talent and encourage innovation to effect cultural change, stating that “it is vital to engage and empower staff”.

Understanding how to effectively manage and enhance engagement is now a critical issue facing all sectors, but like all areas of business performance, *you can't manage it if you don't measure it*; and if you're going to measure it, measure it accurately.



high-end employee engagement metrics for the discerning organisation

gravitasanalytics.com

References

- Alfes, K., Truss, C., Soane, E., Rees, C. & Gatenby, M. (2010) Creating an Engaged Workforce: Findings from the Kingston Employee Engagement Consortium Project, CIPD.
- AON Hewitt (2011) Managers: Your Strongest (or Weakest) Link in Driving Employee Engagement?
- Bates, S. (2004) Getting Engaged, HR Magazine, 49(2).
- CBI (2011) Transformation Through Employee Engagement: Meeting the Public Services Challenge.
- CBI (2013) On The Up: CBI/Accenture Employment Trends Survey 2013.
- Corporate Leadership Council (2004) Driving Performance and Retention Through Employee Engagement: A Quantitative Analysis of Effective Engagement Strategies, teleconference report.
- Department for Work and Pensions (2013) Health, Work and Wellbeing Case Studies: Gateshead College Employee Engagement.
- Earley, K. (2013) 'The Co-operative: food employees are energy-saving heroes', Sustainable Business: Sustainability Case Studies, The Guardian, 16 May.
- Fox, N. (2012) 'McDonald's: flush with success', Sustainable Business Best Practice Exchange, The Guardian, 30 May.
- Gelade, G. & Young, S. (2005) 'Test of a Service Profit Chain Model in the Retail Banking Sector', Journal of Occupational and Organizational Psychology, 78(1), 1-22.
- Harter, J., Schmidt, F., Killham E., Asplund, J. (2006) Q12 Meta-Analysis, Gallup Consulting.
- HM Government (2012) The Civil Service Reform Plan.
- Kenexa Research Institute (2008) The Impact of Employee Engagement.
- Macey, W. & Schneider, B. (2008) 'The Meaning of Employee Engagement', Industrial and Organizational Psychology, 1(1), 3-30.
- MacLeod, D. & Clarke, N. (2009) Engaging for Success: Enhancing Performance Through Employee Engagement, BIS.
- Office for National Statistics (2014) 'International Comparisons of Productivity - Final Estimates, 2012'.
- People Lab (2008) 'Case Study: Engaging Employees in Tough Trading Conditions', <http://peoplelab.co.uk>.
- Rayton, B., Dodge, T & D'Analeze, G. (2012) The Evidence: Employee Engagement Task Force 'Nailing the Evidence' Workgroup, Engage for Success.
- Rucci, A., Kirn, S. & Quinn, R. (1998) 'The Employee-Customer-Profit Chain at Sears', Harvard Business Review, Jan-Feb, 82-97.
- The Times 100 Business Case Studies (2014) Increasing Employee Engagement Through HRM: A Harrods Case Study.
- Towers Perrin (2003) Working Today: Understanding What Drives Employee Engagement, The 2003 Towers Perrin Talent Report.
- Towers Perrin (2005) Reconnecting With Employees - Quantifying the Value of Engaging Your Workforce