

# Engagement in Turbulent Times

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## Executive Summary

Part 1 of this paper presents an overview of some of the growing body of survey research that supports the business case for organisations to focus on employee engagement as a strategic imperative. This is particularly relevant in the current downturn where uncertainty, restructuring and downsizing, are significantly impacting employee morale and engagement.

In a Global Engagement Report in 2008 (in good times before the Credit Crunch) Towers Perrin, with research partner ISR (1), found less than 1 in 5 employees declare themselves as fully engaged. Close to 4 out of 10 (38%) are what is called disenchanted or disengaged. This is translated to the impact on the bottom line - high engagement firms experience an Earnings Per Share (EPS) growth rate of 28% compared to an 11.2% decline for low engagement firms. Towers Perrin concludes that one disturbing fact emerges: The global workforce is *not engaged* – at least *not to the extent* that employers need their employees to be in order to *drive results*.

Similar Meta analysis from Gallup's research (2) indicates that public organisations ranking in the top quartile of employee engagement had EPS growth of 2.6 times the rate of those that were below average.

This evidence now needs to be reappraised and adapted in light of current economic conditions where retention of key individuals and re-engagement of remaining employees comes to the fore. Recent research in smaller surveys by Towers Perrin (3), (4) at the end of 2008 highlights that this shift is taking place.

Part 2 critiques the current dominant approaches of HR practice to performance and engagement during favourable economic times. An additional approach to the “engagement factor” is presented.

Part 3 shifts attention to the downturn in economic fortunes and explores what can be done by companies to help employees cope with the dramatic forces of change and how they can be restored to engagement or “re-engaged”.

For many years now, companies have been declaring ‘our employees are our most valuable asset’. This rhetoric has been so often repeated that it has become a tired cliché. At times of restructuring and headcount reductions this is put into quite a different focus. It is time to revisit that statement afresh - particularly now when employees are worried about their future employment and wary of company policies and actions. On the company side of the equation companies need the people that they do retain to be as engaged as possible.

The motivation and morale (engagement) of the workforce becomes critical when organisations are faced with severe economic downturn conditions. Within this there is also opportunity. Towers Perrin summarise it simply,

“There are significant opportunities to engage the workforce around a sharper sense of organisational priorities, and significant risks for failing to attend to engagement head on.” (4)

## Part 1

### Getting the “people” part of the equation

$$\underline{P} + P = BP$$

People + Processes = Business Performance

What are the factors that most influence company performance? An Institute of Personnel and Development (IPD) Report (5) in the late nineties drew on data gathered from an ongoing ten year study of over a hundred small and medium-sized manufacturing enterprises in the United Kingdom. The data provided a clear picture of the links between various managerial practices and company performance.

The report stated,

“Most of the analyses that we have conducted indicate very strong relationships between employee attitudes, organisational culture, HRM practices and company performance”.

A clear finding in this report was a comparison with other business strategies outside of “people” factors,

“Compared with these four domains (R&D, technology, quality and strategy) HRM Practices, which explain 18 per cent of the variation in productivity and 19 per cent of the variation in profitability in companies, are the *more powerful predictors* of change in company performance”. (My emphasis)

Let’s linger a moment. The more powerful predictors were HR (people) related activity. Yes, research and development, technological innovation, attention to quality and strategy etc all made a difference - but not as significantly as the HR Practices.

The authors go on to state,

“Overall, these results very clearly indicate the importance of people management practices in predicting company performance. The results are unique, since no similar study has been conducted which compares the influence of different managerial practices upon performance. The results suggest that, if managers wish to influence the performance of their companies, the most important area they should emphasise is the management of people. *This is ironic, given that our research has also demonstrated that emphasis on HRM is one of the most neglected areas of managerial practice within organisations.* (My emphasis)

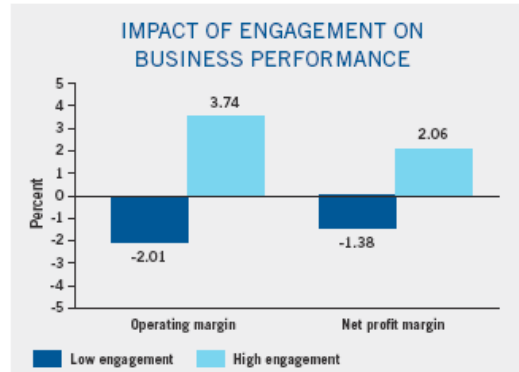
Leaping ahead 10 years to 2008 can we see whether organisations have plugged the gap and are doing well at managing the “people” dimension? Alas the evidence suggests that there is still a long way to go.

Towers Perrin, working with ISR (1), the international research consultancy, has been initiating major international surveys into the nature and causes of employee engagement and how companies can improve engagement to enhance business performance. The data in these surveys is impressive and covers major international economies and draws on responses from 100s of thousands of employees. This is not an occasional small and local survey of HR professionals.

The results show quite unequivocally that higher levels of employee engagement can improve a company’s bottom line. The data shows that companies with high levels of employee engagement achieved significant increases in both operating

margin and net profit margin. Organisations with lower levels of engagement saw those financial indicators decline over the same time period.

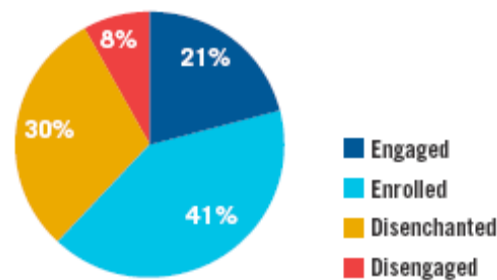
Comparing high-engagement to low-engagement companies over this three-year period, the differences were substantial:



The Global Report refers to another ISR study where they looked at 50 global companies over a one-year period, correlating their employee engagement levels with financial results. The companies with high employee engagement had a 19% increase in operating income and almost a 28% growth in earnings per share. Conversely, companies with low levels of engagement saw operating income drop more than 32% and earnings per share decline over 11%.

With regard to engagement ISR data is stating that only 1 out of every 5 (21%) workers today is giving full discretionary effort on the job. More disturbing still, close to four out of 10 (38%) are what is called disenchanted or disengaged.

### The Global Engagement Gap



The Global Report goes on,

“Put another way, almost 4 out of 5 workers are not living up to their full potential or doing what it takes to help their organizations succeed. More disturbing still, almost two out of five (the disenchanted and disengaged) have already “checked out” to some extent. For employers, the implication is clear: They are not harnessing the full power of their workforce and achieving the performance lift that high engagement delivers”.

Is this extensive ISR data analysis corroborated by data from other sources? Research commissioned in 2007 in North America and Europe by Blessing White (5), a global HR Consultancy, gives slightly better, but no less shocking, key findings on levels of engagement. They state that although North American employees are

among the most engaged worldwide, fewer than 1 in 3 employees (29%) are fully engaged and 19% are actually disengaged. They find in the UK and Ireland that fewer than 1 in 4 (23%) report full engagement. (In contrast ISR data suggested only 14% are fully engaged in the UK).

On the bottom line, where at the end of the day it really counts, Blessing White quote experiences from companies in their data pool. They give a typical example from Apparel and Home Furnishing Retailer JC Penney in the USA, who found that,

“Stores with top quartile engagement scores generate about 10% more in sales per square foot than average and 36% more operating income than similar sized stores in the lower quartile”.

Such figures really make a compelling business case for what all senior teams need to pay attention to - the issue of engagement.

The data in these global surveys was gathered before the meltdown of banks and financial markets and the follow on slide into recession if not economic depression. There will now be another layer of factors influencing employee engagement. Many jobs are disappearing and perception may be that all other jobs are now uncertain.

So if we are to ask the simple question, “How can we best improve business performance in good times?” the answer is “engagement”. If we re-ask the question in deeply uncertain times the answer is “re-engagement” (for those employees that remain).

Blessing White summarise engagement in this way,

“Engaged employees are not just committed. They are just not passionate and proud. They have a line-of-sight on their own future and of the organisation’s mission and goals. They are enthused and in gear, using their talents and discretionary effort to make a difference in their employer’s quest for *sustainable business success*”. (My emphasis)

“Sustainable business success” can now be replaced by “business survival”.

The silver lining to this cloud is that research suggests that organisational attributes like leadership, career and professional development, and the kind of work culture and reputation a company creates play a significant role in shaping employees’ level of engagement and behaviour. This should apply to good and bad economic times.

In good times engaged employees *are* more loyal and the greater the number of more engaged and loyal employees, the lower the costs of recruiting, hiring, training, and developing, not to mention the positive effects on productivity. Engaged employees are also more willing to give extra effort when the organisation needs it. Engaged employees in customer-facing roles are more likely to treat customers in ways that positively influence customer satisfaction. They will also cope with and adapt to change more positively.

In bad times companies need this loyalty and discretionary effort to be maintained. This will require a process of re-engagement to take into account changed circumstances. Employees will need to be positively focused on what the business needs to do to make it through the downturn and to be ready when any upturn begins. Many business practices will need to be re-thought through, recalibrated,

repositioned and rebuilt. If companies don't get their people re-engaged in the current climate they will likely fall behind those that achieve this factor. The more disengaged your workforce the harder it will be to motivate discretionary effort beyond personal survival.

So is it as simple a matter as ensuring best practice HR systems and processes are in place to solve the engagement question? Blessing White's view is that,

“Employee engagement is a complex equation that reflects each individual's unique, personal relationship with work. As such, there are limits to what organizations can do with broad-brush workforce processes or communication programs. At a macro level, you need to provide resources, tools, and the overall workplace environment that supports engagement. Ultimately, at a micro level, employees, with their managers' help, need to establish a thriving personal connection with their work and carve out a satisfying future in the organization”.

It is this complex micro level and the unique element of each individual in the equation that will be explored in Parts 2 and 3.

## **Part 2**

### **A critique of HR Approaches to Engagement**

HR sets out to achieve the best possible levels of motivation, job design, job satisfaction, reward structures, performance management, career management, training etc in their workforce. They measure, consult and commission organisational surveys to take the organisational “pulse” so they can adapt the ongoing strategy.

The organisation is neatly divided into charts that represent the reporting lines and levels. Underpinning the charts there will be micro analysis of the job levels, job families and job designs. For each level and job there will be defined sets of competencies and behaviours that match and inform managers and employees of what is expected of them according to their responsibility and capability.

These competency frameworks then populate the employee life cycle of recruitment, interview processes, assessment centres, individual performance and capability reviews and succession plan decision making.

This is all done with the intent (and hope?) that the best people (all measured and assessed) will be placed in the best roles perfectly designed job roles). In all this, HR will operate with more or less strategic support from the senior management team.

Logically it all makes sense that this would surely be the best way to manage performance and engagement. However, the surveys and research clearly show that levels of engagement are falling short of what is possible in terms of human contribution even when there is a favourable economic climate.

At Creative Metier we propose that there is a disconnect between the rational model presented above with the reality of the complexity in organisations and the complexity of human lives in work and life in general. HR needs to move to models where organisations and employees are seen in more fluid and non mechanistic ways. Organisations are far more complex and dynamic environments than charts and tables can capture. Getting things done for example is often a matter of working across the boundaries of the charts not within the reporting lines. When

Hewlett Packard completed a large reorganisation after merging with Compaq, a senior manager commented that it would take several months for her to recreate her sphere of influence of informal networks and relationships. Reality is more of a web of relationships rather than straight coherent lines.

It is common for organisations to profess that people are their greatest asset. However, the current paradigm may in fact only allow a subset of each individual to show up at the workplace. The atomistic approach of diligently crafting competency sets that define ideal skills and behaviours is rather like designing a set of perfect components in isolation, laying them all out on the floor of a workshop, and then imagining that it will then be easy to put together a high performance piece of technology. Human beings are far more complex and unpredictable than machines and yet there is a mechanistic assumption that the competency sets (and all the associated activity described above) will miraculously transfer into high performing and motivated employees.

At a World HR conference, reported in People Management (6), leadership gurus Rob Goffee and Gareth Jones from London Business School, questioned the impact of competency modelling. They declared that having multiple competencies was something that impeded creativity and that measuring people against the same competencies didn't allow space for varying skill sets and knowledge. Gareth Jones went further and stated,

“Very often competency models are turned into grids into which people are squashed, kicking and screaming. HR departments are so busy measuring people that they kill diversity.”

A parallel and broader conclusion about characteristics, traits, skills, or styles is presented in a best selling book, “True North”, by Harvard Professor, Bill George (7). One of the findings from the book's research with a wide range of leaders, from across different age groups, in corporate and not for profit sectors was,

“After interviewing these leaders, we believe we understand why the thousands of studies have not produced the profile of the ideal leader. Analysing 3,000 pages of transcripts, we were startled to see that these leaders did not identify any characteristics, traits, skills, or styles that led to their success. Rather their success emerged from their life stories. By constantly testing themselves through real-world experiences and by reframing their life stories to understand who they are, these leaders unleashed their passions and the purpose of their leadership. Without exception, the leaders we interviewed believe that being authentic makes them more effective and successful”.

At Creative Metier we would say that many people probably feel this way but it is not often expressed as the rational models dominating HR practices have become such a part of the furniture that they are not often challenged.

The paradigm shift for HR practice will need to take into account the complexity of human behaviour and endeavour. It will need to take a fresh look at whole systems and to take the whole individual into account. It will need to focus not just on the skills and behaviours but also the depth of passions, aspirations and capabilities of each individual. There will need to be a place for reflection over the long term rather than an emphasis on action in the short term.

### **Creative Metier Recommendations**

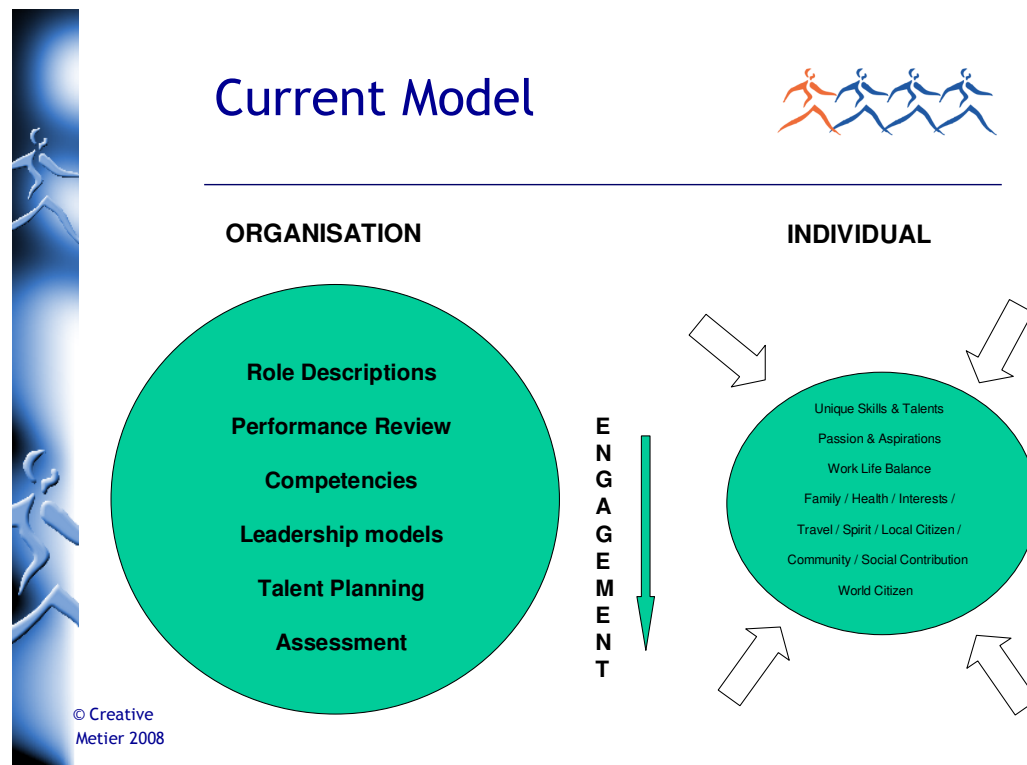
Our mentoring work at Creative Metier with people in career development and career transition leads us to conclude that individuals are concerned about many

things over and above their job position, salary and prospects. These include: Unique Skills and Talents; Passion and Aspirations; Work Life Balance; Family; Health; Hobbies; Travel; Spirit; Local Citizen; Community; Social Contribution; World Citizen etc.

We have developed tools and processes for exploring all these topics and linking them into pragmatic reflection on a personal career and life journey over the long term. In our experience when people are given a space to reflect in this manner their motivation, energy and drive increases. It may seem counter intuitive but we find that more people stay than leave their roles if such support is offered within an organisation. All our research on this topic points to the fact that when you pay attention to the full person, not just sub sets of competencies and how they fit into succession plans, then the outcomes are very positive on both sides.

Our view is that the current dominant HR paradigm leads to a diminished prospect of full engagement by employees as a result of too high a focus on HR processes. The full person finds it difficult to be present.

This is represented in the Model 1 below:



Model 1

By paying attention to the full person this imbalance can be mitigated against. The types of activity are not rocket science. They may well be present but only in pockets of the organisation and under particular leaders who understand and acknowledge the importance of these questions.

The issues that cause people to get “out of kilter”, who are less than fully engaged, who are underperforming, perhaps thinking of leaving or who are not going for promotion are varied. The Career Innovation Group (8) found they may be work related, personal or a combination of the two. We believe that it is

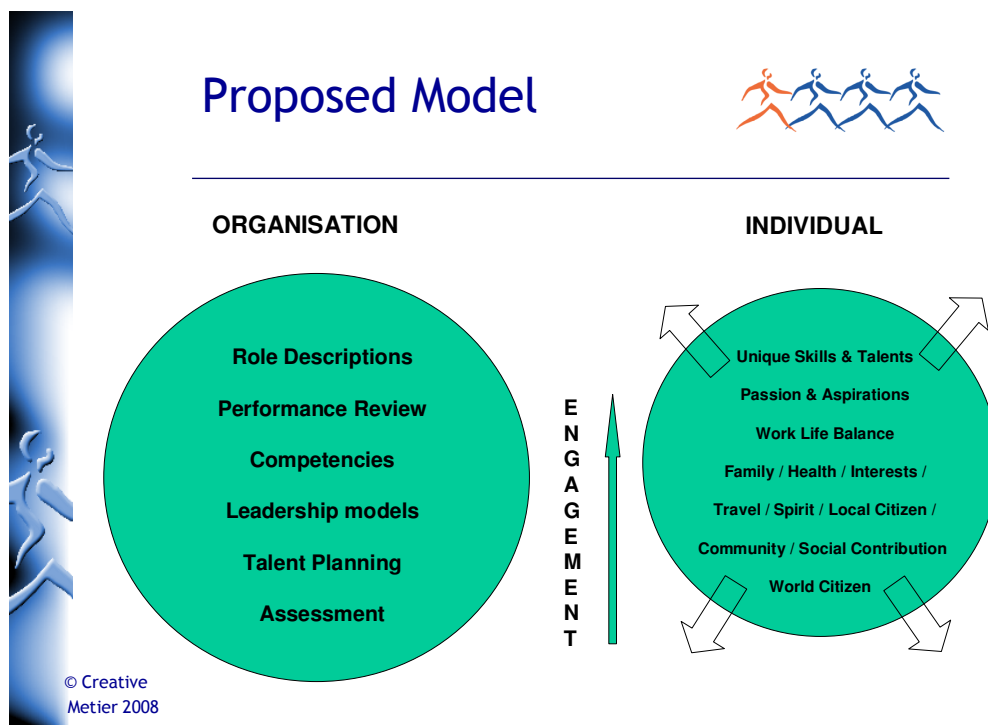
essential that these issues need to be addressed from the perspective of the “whole person”.

Our strongest recommendation is that an “offline” service be available when issues arise for members of key populations. Individuals need access to a confidential space to discuss their full aspirations and career journey. This type of service gives the individual the opportunity to think things through from their own perspective. It is essential that it is separate from their department or division. The service can be internally or externally delivered by career coaching professionals. Such conversations need to take into account:

- Career journey
- The whole person
- Balance of Values
- Unique skills and & talents from where the person is at
- Aspirations
- Desire for broader contribution

We also believe it is not enough to rely on remote succession planning processes to get the right people in the right places. Also it is not sufficient to rely on Performance Review processes to get the job done. Typically the career discussions section is a poor third rate cousin of the objective setting and development action section. In our experience, managers are extremely ill equipped to review career options and individuals are reticent about opening up.

Paying attention to the whole person allows the space for engagement to be nurtured (see Model 2):



**Model 2**

## Conclusion

Paying attention to recent global surveys and to the true sources of people engagement will contribute to business growth and success when economic conditions are favourable for growth.

Clearly the factors change when there is a significant downturn in the economy and we are faced with recession. This is where we turn our attention next.

## Part 3

The financial crisis has spawned a great sense of urgency for companies across all sectors whether large or small to respond to changing conditions. A recent White Paper by Towers Perrin states (4),

“In short, while the primary focus right now may be on the bottom line and the balance sheet, it’s equally critical to address your long term people and HR agenda”

It is inevitable that the focus of HR changes from the model presented on pages 6 - 8 of this paper. The list of HR activity (Job Design; Job Roles; Competencies; Assessment; Performance Review; Training etc) does not go away but there is a definite shift into new areas.

In the process of restructuring, to reduce costs or adapt to new conditions, there is a change in the organisational charts and reporting lines. The potential impact, contribution and potential of pivotal roles (those critical to delivering business strategy) therefore need to be reassessed. New sets of competencies may need to be formulated. Existing job roles may well be redefined and some roles may go altogether. People out of role will need to be redeployed or let go. Criteria for assessing existing staff will need to be implemented and consultations with unions and individuals will have to be implemented. There will be new pay reviews and bonuses will have to be revisited to take into account the new environment. Internal communications up, down and across the organisation will need to be enhanced and increased. Leaders may need their skills of communication, active listening and managing change sharpened. See articles (10), (11), (12).

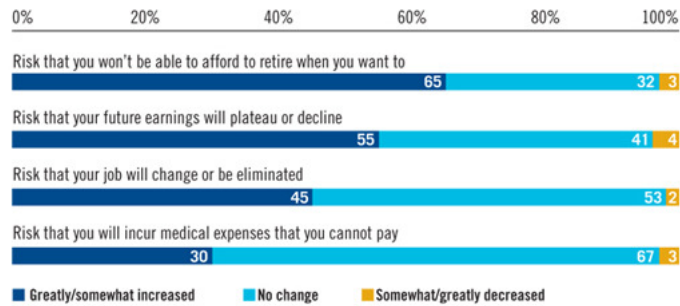
In an economic cycle that we can categorise as “bad times” the employee proposition changes from that of “good times”. Individual perceptions about their job and financial security change in the short and long term. The following chart illustrates some of the shifting (financial) concerns.



# Changing Perceptions



## Changes in Level of Financial Risk Employees Face



US Towers Perrin Survey late 2008

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At Creative Metier we would also argue that all the factors that make up the whole person, represented in the circle on the right in Model 3 below are now more tightly squeezed as people become uncertain of their future and livelihoods. In Part 2 we argued that these factors needed attention for attainment of increased levels of engagement.



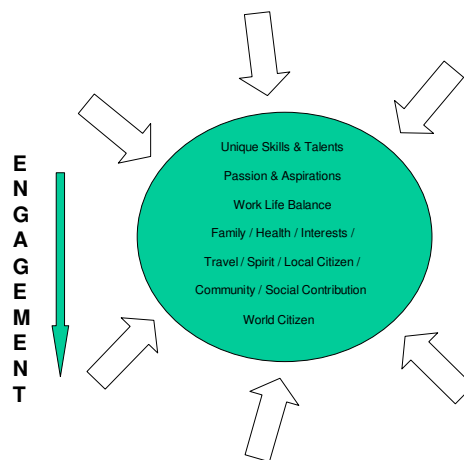
# Squeeze on Engagement



## ORGANISATIONAL FOCUS



## INDIVIDUAL



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### Model 3

What can be done to address the engagement issue in this scenario?

At a macro level, the organisation needs to stabilise and not forgo the provision of resources, tools, training and a workplace environment that will support re-engagement. As well as increased communication at every level staff need the opportunity to be consulted and heard either in large and/or small groups (9). Workshops can be delivered on coping with and navigating change (10). Training should not be axed due to financial pressure but it will need to be correctly targeted to key areas. Best practice would also indicate that an Employee Assistance Service may need to be invigorated or introduced and outplacement support put in place for those leaving.

Ultimately, at a micro level, with the organisation's and their managers' help, employees need to re-establish a personal connection with their work. This is broader than just receiving a cascade of new objectives. From a personal perspective it should include opportunities for the following:

- What is expected of them and setting new plans and targets
- Regaining confidence - who they are and what they can best contribute
- Reaffirming skills, talents, knowledge and experience - seeing where they fit
- Establishing new support networks in changed circumstances
- Regaining work / life balance
- Re-orientating g themselves in a changed world

### **Benefits**

The benefits to the organisation are an enhanced capacity to deliver in changed market conditions, the capability of the workforce is refreshed and refocused, opportunities for growth are not lost and revenue streams are protected as well as possible.

The benefits to individuals are that they get back on track and can refocus on new priorities. They are helped to adapt to the new environment and new challenges where they can once again deliver against targets and contribute creatively to the future. In addition they will be re-energised and able to promote a positive perception of the business to internal and external stakeholders. Above all it enables individuals to carve out a satisfying role as best they can in this part of the company's history and their personal career journey.

To address this critical area of re-engagement Creative Metier has developed some new programmes, **Vivocco100** and **Vivocco365**, to cover these issues of re-engagement and performance either over the next quarter (100 days) or the next 12 months (365 days). The programmes include access to our innovative online v-interactive workbooks and coaching support. This enables individuals to:

- Review their career journey and experiences to date
- Reappraise their unique skills and talents that they can now contribute to the company

- Reappraise all the areas of importance to be attended to in the new environment
- Reaffirm their values that they bring to work and how they want to be seen
- Review their network and who needs to support them going forward
- Refresh their personal vision in line with the company
- Clarify their goals and objectives for delivery
- Re-engage with management for optimum performance
- Reaffirm their aspirations and career path

## Conclusion

Motivating individuals and teams in times of turbulent times is one of the most critical things an organisation needs to get right. Giving key individuals access to the holistic support described in this paper will deliver the increased engagement and commitment required.

## Andy Rankin

Andy is a founder Director of Creative Metier Limited, a consultancy specialising in working with people through change. Through its **Vivocco** Programmes the company is a leading edge player in career development, leadership and workforce engagement.

Creative Metier specialises in Remote International Coaching Delivery (RICD) systems using their innovative **v-interactive** and **v-interactive100** online resources which give their high impact programmes global coverage.

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