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Why are organisations interested in employee engagement? Telescopic lens 23/11/2009

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Employee engagement is currently a hot topic, partly 'helped' (to use the wrong word) by an economic downturn where organisational leanness and occupational insecurity lurk like wolves at the door. Although the economy has focused attention, it has always been important for a simple reason. Employers want engaged employees because they deliver improved business performance - increased sales, profits and productivity, and reduced attrition.



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Avoiding a history of broken engagements

Try looking at the issue from the other end of the telescope: what would be the benefits of having a disengaged workforce? What are the advantages of a workforce of clockwatchers who resent every working moment? Few that I can see - and it's a situation that can be avoided, with a bit of effort all round.

One key point in employee engagement lies in that 'all round'. Research has repeatedly demonstrated the links between the way people are managed, employee attitudes and business performance. And 'the way that people are managed' is more - and more subtle - than statements of terms and conditions and contractual rewards. The psychological contract - and maximising its positivity - plays an important part in driving engagement.

To quote Julie Gebauer, MD of Towers Perrin, who provided a commentary on the company's 2007-8 Global Workforce Survey:

... engagement has little to do with employee programs per se. It's all about what we might call the interpersonal or relationship side of the work experience. Employees care about what kind of leaders they have and leadership's focus and commitment. They care about what their company stands for, and their ability to build skills and advance in their careers. These are the things that matter [...] and they're remarkably consistent around the world.

The concept of engagement can be compared with that of 'flow' - used by the American Psychological Association to describe the state of mind in which people become so engrossed that they lose track of time. Like engagement, opportunities for flow increase where employees have support and coaching, task variety and responsibility, and job autonomy, and where they get constructive feedback and opportunities to develop and learn.

The psychological contract

A psychological contract - like any other kind, written or tacit - requires two parties. Unlike formal employment contracts, where the employee's choice is essentially to accept or not, the psychological contract is more fluid. Where companies seek to maximise employees' positive "discretionary behaviour" (constructive suggestions, effective team working, behaviour that enables self and others - anything that falls under 'going the extra mile'), they must acknowledge that employees also have expectations.

While the employment contract provides a legal skeleton, the psychological contract relates to the reality of the situation as the parties see it, and has more impact on how we behave from day to day. It may be unwritten, but it describes and delimits how employers and employees respectively understand 'their side of the bargain'.

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The psychological contract was traditionally essentially about employees exchanging loyalty and commitment for a career, a 'job for life' - which the global socio-economic changes of recent decades have eroded employers' ability (or willingness) to provide. Interestingly, labour market data shows no great drop-off in the average time employees stay in a job. The reasons they leave - lack of recognition or opportunity to progress, poor working relationships - may also be surprisingly consistent, but times have changed, and expectations and aspirations change with them.

The contract has, if anything, become more psychological. Key deciding factors are now more likely to be opportunities for learning, a sense of fairness, and an open culture: basing the 'bargain' simply on pay and perks is to misunderstand it. As employees now longer expect a job for life, that's not what they seek. What they are increasingly looking for - trust, respect, appreciation, recognition for good ideas and contributions, opportunities to learn and develop, a pleasant and supportive working environment - are also some of the very factors that, acknowledged and worked towards, employers can provide to increase engagement.

'You only get what you give'

The Great Place to Work Institute's annual surveys identify workplaces rated most highly by employees. Its 2009 UK's Best Workplaces rankings survey winner is Danone Ltd, led by Dutch-born Mamix Eikenboom, and the Institute's press release makes for informative reading:

It is no accident that Danone Ltd topped our 2009 UK's Best Workplaces ranking. A ground-breaking health programme, dedicated employee training and volunteering programme, among many other features, helped secure its edge over other contenders. But what really marked Danone out was the style and tone of its leadership. [...] a new style of leader is emerging, and one who is strongly out-performing those who still adhere to old-style imperial forms of authority. What we are seeing is the type of leadership of Mahatma Gandhi, or even Barack Obama, where the leader shares and derives power from those around him or her. It is not a soft option, but rather one that imposes stricter accountability on those who work for you."

The Institute believes that 'a great workplace is measured by the quality of the three, interconnected relationships that exist there': between employees and management, between employees and their jobs/company, and between employees and other employees. While those factors that drive employee engagement - respect, pleasant working environments, opportunities to voice their own ideas - may also appear to be 'soft options', the evolving 'contract' doesn't just impose stricter accountability on employees. If the new style of leader derives power from those around them, employee engagement becomes critical. The employers' side of the psychological contract therefore becomes more strictly accountable for ensuring that engagement enhancing actions are taken.

Getting it right, and doing the right thing

Although the answers may seem obvious, many organisations have 'room for improvement' (to quote the school-report's favourite demoralising phrase). The Kexena Research Institute Work Trends Annual Report measures the Employee Engagement Index (EEI) in 14 countries: in the 2009 Survey, the UK country-level EEI score is only 54% - 9th of 14 countries, and below global average. As Jack Wiley, executive director, commented:

"The factors that impede engagement are an employee's sense of the lack of a promising future in the organisation, their work contributions going unrecognised and being surrounded by unmotivated co-workers. Without engagement, the manager's job is much harder because it involves pulling the team along, rather than guiding individuals. To improve their engagement levels, UK organisations should develop the skills of their managers and put more emphasis on talent management and creating defined career paths."

Employee Engagement surveys will provide pointers, however, they are not a 'one-shot' solution. There is no short-cut: it is, like the other facets of good people management, an on-going activity and responsibility. Building and sustaining an engaged workforce must build on skilful people management, effective development policies, and the active support of line managers.

Neither is there a definitive all-purpose list of engagement 'drivers', although employment studies and CIPD research have identified common themes across many organisations:

- having opportunities to feed your views upwards
- feeling well-informed about what is happening in the organisation
- believing your manager is committed to your organisation
- perceived managerial fairness in problem-handling
- involvement in decision-making
- freedom to voice ideas - and be listened to
- feeling enabled to perform better
- having opportunities to develop the job
- feeling employees' health and well-being matters to the organisation.

Of course, your own organisation's engagement drivers will be specific. One organisation that has evolved a complex model - that also directly links engagement with business performance - is RBS. As The Employee Factor reported in a case study on its work, the drivers where most work is needed, where more care is needed, and where effort is paying dividends are always variable. To quote Greig Aitken, RBS' Head of Human Capital Strategy: "One of the main things that our work has highlighted so far is that three businesses with the same engagement score don't necessarily have the same three reasons to improve". To help them drive improvements, senior staff have access to a Human Capital Toolkit and online forum.

Going with the flow

Engagement is not so much about driving employees to work harder, but about creating the conditions that will inspire or encourage them to work more effectively. If an analogy helps, consider zoos encouraging pandas to mate in captivity: it's not that they won't, but threatening them into it won't help. It's about creating the conditions where they're willing to try. Encouraging mating may not be your desired workplace activity, but effective behaviour is more likely to result from encouragement than from the threat of sanctions.

The phrase 'psychological contract' gives another clue: you cannot enter a contract, psychologically, with a document. The relationship is with a person, albeit one contracted to fulfil a role. Encouraging engagement is therefore entirely consistent with emphasising well-being: indeed, it is probably essential. Well-being is influenced by factors such as work-life balance, feeling valued, being recognised, undertaking interesting tasks (if only as a 'break' from dull but essential ones): it may be tempting to dismiss these as trivial, but ultimately – as the cliché runs – little things mean a lot.



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