Engaging Employees to Impact Performance

Michael E. Echols, Ph.D.

Business operates on numbers. Earnings per share drive stock prices, balance sheets quantify the economic value of assets, and sales reports measure gains and losses in revenue. Without measurement, it is nearly impossible to determine if any dimension of a business is doing better or worse. Employee engagement is no exception.

The modern rules of accounting are virtually devoid of employee measurement. The balance sheet has no line for human assets, even though most senior executives routinely use the phrase, "Our employees are our most important assets." There is an entire body of literature titled "Human Capital," implying that organizations actually have strategy for investing in employees with a level of precision and analysis associated with capital investments in plants and equipment. The entire investment concept boils over around return on investment (ROI), an accounting concept hotly contested among learning professionals. It is particularly relevant to CLOs because they are pressured to provide ROI estimates for learning and development expenditures. It is little wonder that in the absence of measurement, the concept of engaged employees is just that—a concept.

The first challenge is to measure employee engagement. The devil is in the details. Measure what? What is the measurement standard? Who should measure? Who should get the results of measurement? Fortunately, The Gallup Organization has conducted a large amount of empirical research on employee engagement. Since 1997, Gallup has studied the responses of 3 million employees who have participated in the Q12 survey, Gallup's 12-question assessment of employee engagement levels.

Based on the traditional measurements of performance as defined by business accounting rules, combined with powerful statistical meta-analysis, Gallup has been able to delineate between engaged, not engaged and actively disengaged employees. These classifications are extremely important because further Gallup research shows that the overwhelming contribution to the organization's success is produced by engaged employees and that actively disengaged employees actually reduce the performance of the organization in aggregate.

Based on this extensive measurement and analysis, Gallup has been able to determine that 29 percent of the U.S. workforce is engaged, 55 percent is not engaged and 16 percent is actively disengaged. It's a statistical benchmark that many CEOs and CLOs find surprising. When these leaders are asked to hazard the percent of their workforce that is engaged, most estimates range much higher than 29 percent. In fact, if more than 29 percent of your workforce is engaged in your organization, its mission and work, your company is likely among the most productive in its class.

This benchmark gives us the ability to measure whether a given organization is doing better or worse in employee engagement than other companies in the U.S. economy. Indeed, the

metrics around Q12 have been so refined that it is possible to determine what values it takes to be in the top strata of organizations with highly engaged employees. The measurement is not insignificant.

Gallup research shows that well-managed workgroups are more profitable (44 percent higher), more productive (50 percent higher) and have higher degrees of customer loyalty (50 percent higher). The importance of the impacted parameters is obvious when examined in light of standard accounting measurements. All three are foundation metrics for ROI. Imagine the impact of a chief learning officer who could credibly convince the president of the organization that employee-directed programs could produce earnings of $1.44 per share, instead of the otherwise expected $1 per share. Only the chief financial officer stands between that CLO and that most desirable of CEO outcomes—growth in earnings per share.

While measurement of employee engagement is necessary to performance improvement, it is not sufficient to achieve productivity improvement by itself. Managers play a key role. Gallup research shows that while people join companies, they leave managers and supervisors. Elements of the Q12 instrument are closely linked to manager performance:

- "I know what is expected of me at work."
- "I have the materials and equipment I need to do my work right."
- "At work I have the opportunity to do what I do best every day."
- "My supervisor, or someone at work, seems to care about me as a person."
- "There is someone at work who encourages my development."

These questions from the full list of 12 have been created and analyzed based upon their power to delineate high-performance

in practice:

United Stationers: Teaming Up to Impact Performance

Kellye Whitney

TEAM—together everyone achieves more. For United Stationers Inc., a broad-line wholesale distributor of business products and marketing and a logistics services provider, the word "team" forms the foundation of organizational vision—a vision to create a high-performance organization.

"Our primary philosophy is embodied in our number-one key strategic initiative, and that is to create a high-performance organization," said George Sanders, vice president of compensation, benefits and development for United Stationers Inc. "Within that context, we've identified some very specific training goals. One of them is to create teams, and to create teams, we've got two programs: our high-performance-team training, which is a three-day live workshop, and something called DELTA, which is 'developing effective leadership teamwork and accountability.' It's a two-and-a-half-day training program for our management team."

With a training department of only four people, United Stationers had to come up with a strategy that would allow them to touch each of some 6,000 associates. CyberU Inc. was able to provide a Web-based learning regimen with the customized content modules United Stationers needed to provide the right training at the right time to enable the company to meet its annual performance goals and capture the succession planning process it planned to implement. United Stationers' succession planning process would ensure that the organization could quickly and efficiently fill voids left when people moved into other positions or left the company, by identifying and assessing talent and competencies in the employee population.

Both the DELTA course and the high-performance team training for United Stationers' 340 different teams are instructor-led. There is also a robust safety curriculum that gets a large part of learning hours each year. "We have a course called MLET, 'Managerial, Leadership and Effectiveness Training,' which is another type of team-building course," Sanders said. "That's a five-day dive into team dynamics."

CyberU's Web-based courses provide in-depth support for United Stationers' traditional classroom learning in three course categories: technical or desktop applications, customer service and personal effectiveness, which address subjects such as advanced negotiation, establishing performance plans, problem-solving teams and effective business communication. "Because we have 63 distribution centers spread throughout the United States, Canada and Mexico, it's very hard for us to have enough people at any point in time to hold a class at any one particular distribution center. It just isn't practical," Sanders said. "The Web-based courses allow us to get the material to the associate when they need it, and it has proven to be a very effective strategy for us."

Implementing the CyberU system has helped to engage U.S. employees, impact their performance and affect the company's bottom line. "If we were going to create a team culture, a number of things had to happen," Sanders said. "First, we had to identify what kinds of teams we were going to create in the organization. We have an executive leadership team, regional and local business teams, local project teams, category management teams and customer relationship teams. That really is the essence of our organization now. We're trying to create a high-performance organization where teams of five to 15 people get together either on an ongoing or project basis to accomplish certain goals."

One of those specific business goals, titled "War On Waste," saved United Stationers millions of dollars in 2003 and 2004. Sanders said 2005 should see several more million dollars in savings for the company. "In rough numbers, we are trying to take $100 million of cost out of our business over a three-year period, partially through using these high-performance teams," Sanders said. "In 2003 and 2004, we made considerable progress toward accomplishing our goal. The marriage of online with instructor-led courses for the high-performance teams allowed us to achieve those 'War On Waste' goals," Sanders said. "We're about a $4 billion company. These are very hard goals. We have to prove that these are costs that are permanently taken out of our business either through process efficiency, through successful negotiations with vendors and suppliers, our entire supply chain."

Next, United Stationers will integrate development plans with their CyberU offerings. "CyberU has a wonderful capacity of being able to identify training interventions based on developmental needs," Sanders said. "We're having our manager of talent development work on a core set of what we're anticipating to be development needs in the organization. We took a look at our 2004 succession planning material and looked at the strengths and weaknesses of about 300 of our top managers. We're focusing on those 300 top managers, and we're going to create a library, a database of common developmental needs."

Kellye Whitney is associate editor for Chief Learning Officer magazine. She can be reached at kellyew@clomedia.com.

employee groups from low-performance groups. All of these relate directly or indirectly to the performance of the manager of the group, whether that group is a sales department, a production unit or a division of a major corporation.

There is a set of principles a manager can use to impact the level of engagement in the organization. The first step begins with the basic premise that employee performance is directly related to skills, knowledge and talent. The related insight is that skills and knowledge can be taught, but that talent can only be selected (hired). A related corollary says that not only do high-performance employees have talent—all employees have talent. Again, the first challenge is to measure talent.

The landmark publications "First, Break All the Rules" by Marcus Buckingham and Curt Coffman, and "Now, Discover Your Strengths" by Buckingham and Donald O. Clifton, present the case for talent along with the online instrument (SF34) to assess every employee's talents and provide that measurement feedback to the employee and the manager. Talent feedback is critical to engaged employees.

By identifying employee strengths–the top-ranked talents in the SF34 assessment–the manager and the employee are equipped to build a foundation for engaged employment. Employees' awareness of their own strengths is a major asset in setting personal and professional expectations. It is important for both the employee and the manager to understand that talents vary widely among human beings and that understanding those individual talents and assigning employees to jobs and responsibilities that align with their strengths is a critical first step to employee engagement. People naturally feel more positive about succeeding, and they are more likely to succeed, if their responsibilities align with their strengths. On the downside, assigning employees to tasks that are misaligned with their individual talents flies directly in the face of the employee engagement principle: "At work, I have the opportunity to do what I do best every day."

The implications for the CLO are profound. In the world of skills, knowledge and talent, training and learning programs have the potential to impact organizational performance when targeted at skills and knowledge development, but cannot improve performance related to the talent dimension. Talent is defined as recurring patterns of thought, feeling or behavior—and most people's talents are formed when they are very young.

It has taken Gallup 25 years of research and interviews with more than a million employees to come to the central factor impacting the level of employee engagement and, through measured impact, the performance of organizations.

"We have discovered the manager—not pay, benefits, perks or a charismatic corporate leader—was the critical player in building a strong workforce," Buckingham and Coffman write in "First, Break All the Rules." The question becomes, how does one become what Gallup calls "The Great Manager"—

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Michael E. Echols, Ph.D., is vice president of strategic initiatives at Bellevue University. Prior to joining Bellevue University in 2000, Echols worked for General Electric Corp., General Dynamics Corp. and Inolex Chemical Company. He also founded his own computer services company and worked in university settings. He can be reached at mechols@clomedia.com.

the manager capable of recruiting, motivating and retaining engaged employees?

The "great manager" is more than a concept—it is a real person. Gallup has studied hundreds of them. Historically, organizations have used recruiting strategies to acquire managers, great and otherwise. The universal characteristics of the recruiting strategy are captured in the standard classified ad containing the phrase: "minimum bachelor degree required and 10 years of experience," etc. Several major trends suggest this recruiting strategy is ineffective—and irrelevant.

The talent pool of available great managers from which to recruit is actually shrinking. Between the years 1998 and 2008, the size of the total workforce will grow 12 percent. However, the prime pool for potential great managers, those who are 25 to 45 years of age, is actually declining by a full 6 percent over the 10-year period, according to "The War for Talent," by Ed Michaels, Helen Handfield-Jones and Beth Axelrod.

The second major trend that negatively impacts the recruiting of great managers is also demographic in form. It is the well-documented retirement of the baby-boomer generation. The reality of the departure of many of the current great managers is on the doorstep of virtually every successful U.S. corporation.

Lastly, dynamic global markets are increasingly populated by large, geographically dispersed competitors with operations in a multitude of locations around the world. These competitors tend to hire large numbers of entry-level employees with limited formal education. Over a period of time, the successful entry-level employees become acculturated to the company's values and business model while simultaneously demonstrating capability, commitment and potential—all of which are important assets the organization values and seeks to retain. Compounding the challenge is the fact that many of these organizations have an explicit policy to promote from within. United Parcel Service (UPS) and Best Buy are prime examples of such a strategy.

The bottom line is that the onus for producing a stable of great managers shifts from recruiting to internal learning and development, and falls squarely on the shoulders of the CLO. A "great manager" curriculum combines the assessment and measurement instruments, spawned by 25 years of Gallup research, integrated with the management topics critical to successful competition in today's global economy. The operative question is, "What are some of the management topics important to a great manager learning strategy?"

Management issues for consideration cover topics such as ethics, human resources, economics, finance, marketing, operations, organizational behavior and strategy. The challenge is to integrate the research findings and measurement instruments of Gallup into a learning strategy that includes these topics.

In the area of human behavior in organizations, the learning objectives need to cover the application of cognitive, behavioral and social learning frameworks for organizational behavior with an emphasis on strengths-based management. The focus of the learning should be on how personality, cognition and environmental forces determine behavior in organizations.

Closely related to organizational behavior is the recruiting and selection of talent. A basic set of skills and knowledge is required to ensure that the recruiting investment has the potential to select potential great managers. It has been previously established that fit between the talents of the manager and the job position is important to employee engagement, both at the level of the individual employee and at the manager level. Operational dimensions include job definition, hiring criteria and screening mechanisms. Conducting an interview, testing for knowledge, skills and abilities, and hiring for talent are practical considerations in the building of a team.

Finally, the increasingly important area of marketing lends itself to development in the portfolio of a great manager. Here, Gallup research makes an additional contribution to the traditional "4Ps" of marketing–product, price, promotion, place–by adding people to the mix. In the combination of engaged employees, Gallup brings engaged customers to form the concept of "Human Sigma." Topical areas for consideration in this curriculum area include degrees of customer engagement, loyalty and emotional attachment, customer engagement hierarchy, customer engagement scores, and developing a culture of engagement and customer focus. While not every manager needs to be positioned to manage the marketing department, every great manager should fully understand the important link between engaged employees and the ultimate asset of every successful competitor—engaged customers.

One last level of engagement rests squarely on the plate of the CLO, and that is the concept of the engaged learner. The question here is, "What are the elements of a learning system that are required to engage an adult learner?" Data on the impact of learning approaches states that learners retain only about 10 percent of what they see and about 20 percent of what they hear. In stark contrast, retention is as high as 80 percent of what learners use and do in real life. The learning-delivery system is greatly enhanced by engaging the learner in the context of real problems that force the learner to acquire the knowledge through the application of know-how in their own work setting. ■