



Debunking the Myths Of Employee Engagement

By Liz Tascio
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Engaged employees – those who are passionate about their work and their company, who drive innovation, who inspire teamwork, and are brimming with ideas – are a great benefit to their employers. Makes sense, right?

But new research shows that companies with a deeper understanding of engagement can reap even greater benefits. Companies can have not just an engaged workforce, but a highly effective one, and can produce a return to shareholders nearly triple that of a typical S&P 500 company.

It starts with debunking commonly held misconceptions about engagement, and understanding the three factors that drive engagement: customer focus, trust and confidence in senior leadership, and effective reward systems.

New Data

The new research comes from a biannual study, WorkUSA, part of Watson Wyatt's Global WorkAttitudes series. In its ninth installment since 1987, the study looked at about 12,000 employees across the United States from companies with at least 1,000 employees each. It excluded government workers.

“It's one of the largest and most current statistically representative studies of workers in the United States,” said James Cortez, a consultant with Watson Wyatt who presented the study to the HR Roundtable in February.

Although the idea of employee engagement has been around for several years, the study uncovered some surprises, not least of which was that engagement has an enormous impact on a company's profits, Cortez said.

Amping up employee engagement by a significant amount – one standard deviation –increases productivity per employee by 1.9 percent.

“We found that in your average S&P 500 company, the productivity per employee is roughly \$250,000,” Cortez explained. “Now, if you move the dial with engagement, that equates to an increased revenue per employee of about \$4,600.”

That's roughly \$93 million in a company with 20,000 employees, a far better ROI than companies get from, for example, capital improvements, he said.

“Engaged employees are a company's hidden asset,” Cortez said.

Commit to the Cause

So, how can a company tap into this hidden source of productivity? It can start by clearing away some of the common misconceptions uncovered by the WorkUSA study.

The first two myths have to do with understanding the effects of engagement: First, that committed employees ensure success, and second, that financial success creates engaged employees.

“Commitment is great. You want motivated employees, people who are committed to the organization, but it’s not enough,” Cortez said. “They also need to know the actions to take in order to achieve success.”

In other words, committed employees become significantly more productive when they’re given a “clear line of sight,” meaning they know how their jobs impact the company’s overall performance and bottom line.

A typical S&P 500 firm has a return to shareholders of 12 percent, Cortez said. Committed employees produce a return of 18 percent, a great improvement. But the study found that a firm with employees with a high level of commitment and a clear line of sight post returns of 26 percent, more than double the typical company.

“This is what we define as engagement,” Cortez said.

The idea that financial success generates employee engagement seems logical, since successful companies can afford to spend more on employee programs. And to an extent, that does exist, Cortez said.

But the study found that engagement precedes financial success more often than the other way around, by 1.5 percent.

The Role of Supervisors in Engagement

The study also looked at the role of supervisors in engagement. First, it delved into the notion that people join a company, but quit their supervisor.

Employers said a bad supervisor is third top reason people quit, but employees ranked that 11th out of 14 choices, Cortez said. It was outranked by factors like compensation, benefits, and opportunities for advancement.

“Companies overestimate the importance of supervisors,” Cortez said. “People stay with a winning company that’s focused on customers, has clear direction, and rewards people fairly.”

That said, senior leaders do play a strong role in employee engagement, debunking the fourth myth: that no news is good news. In fact, frequent communication from senior management is a strong indicator that employees will be engaged. The study found that 56 percent of highly engaged employees said their senior managers communicated at least weekly or monthly, as opposed to only 30 percent of low-engaged employees.

“What communication does is create excitement with employees,” Cortez said. “It gives employees information about their future, about how they’re progressing against goals. ... You’re part of a winning organization, not just your own entity.”

Part of what employees want to hear is a sincere, consistent focus on customers. For the first time since in WorkUSA's history, the study found a drop in employees who believe their leaders make this a priority. That makes commitment to customer satisfaction one of the eight myths of engagement.

Senior leaders need to show employees that the company is making decisions that are best for customers, and give employees the support and decision-making ability to ensure high quality service, Cortez said.

Empowering employees to serve customers isn't the end of that story. Another myth: Empowered employees don't need hands-on supervision.

About 82 percent of highly engaged employees said they received feedback at least monthly, while 49 percent of low-engaged employees got feedback only quarterly or annually.

It's All About the Benefits

The study revealed that employees consider benefits packages to be far more important than their employers realize, exposing another myth. In fact, benefits are the fifth top reason employees would leave their company; employers thought it ranked about 10 out of 14 choices.

And for the first time in the study's history, there was a drop in how employees viewed their benefits packages, from the flexibility of their medical plans to whether their pensions will be frozen.

There were some differences by age, but employees in general are more concerned about benefits, Cortez said.

The last myth has to do with whether engaged employees increase a company's financial success.

That's true, Cortez said, but it's not the complete picture.

"What we're striving for here is employee effectiveness," he said. "We defined engagement as these top two things, commitment and line of sight. ... But what we're proposing is to fulfill the puzzle, if you will: enablement and integrity."

Engaged employees who are also enabled – with thorough training and supportive policies – to do their jobs, and who see they're part of an organization that demands integrity from its leaders and its workers, evolve into highly effective employees. And that boosts the bottom line significantly.

Companies with full employee effectiveness – not just engagement – can generate a return to shareholders of 33%, nearly triple the typical S&P 500.

"People are not going to commit to a company where their beliefs are not in line with what's happening in an organization," Cortez said. "People do want to have that fit."

Driving Employee Engagement

The study gauged the engagement level of respondents by asking about factors such as employees' tendency to take on new initiatives and to recommend their company.

"They're the ones who go above and beyond, they're motivated, they exert innovation, they have a lot of passion behind the work that they do," Cortez said. "They're the ones that reach out, help

team members. They also are willing to tell other people, ‘Hey, I work for a great organization.’ They really are the company’s cheerleaders, so to speak.”

So, how can companies develop engaged employees who will blossom into a fully effective workforce? The study found three drivers of engagement: Customer focus, trust and confidence in senior leadership, and effective reward systems.

“People are much more highly engaged when they feel that leadership makes customer satisfaction top priority,” Cortez said. They’re also more engaged if they feel empowered to meet customers’ needs, and if they feel they’re held accountable for customer satisfaction.

“Employees want to feel good about the product and service their company provides to customers,” Cortez said. They tie that to the financial health and future of the company, and to their own financial success and growth.

In fact, 95 percent of highly engaged employees reported that customer service was a top priority in their company, as opposed to just 32 percent of low-engaged employees.

Building employees’ confidence in senior leadership, the second driver, comes from good communication, Cortez said.

“Employees ... have confidence in the company’s long-term success if they believe that their senior leadership is making the right changes to stay competitive,” Cortez said. Even in hard times – especially in hard times – it’s important to communicate clearly and frequently with employees.

The study found 88 percent of highly engaged employees trust their senior management, as opposed to a mere 7 percent of low-engaged employees.

The third driver is a fair rewards system. Considering that employee satisfaction with benefits has declined, communication becomes key here, too.

“People will feel more favorable towards rewards if they know that they receive fair, competitive rewards, and they understand the value of the total rewards package,” Cortez said. “It’s up to a company to communicate that the value.”

It’s not about simply pouring money into employees.

“Ensure again that ... top performers are rewarded appropriately. And also communicate the link between pay and performance,” Cortez said. “It all speaks to being able to invest your total rewards dollars wisely.”

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