cipd

Discussion paper

An HR director's guide to employee engagement

What is employee engagement?

What motivates people to do a good job? How can organisations get the best out of their people? These questions are not new, but today many employers are answering them with a fresh conviction and sense of purpose. These employers are confident they have a practical framework that helps them build and maintain positive relations with their workforce. That framework is called 'employee engagement'.

'Engagement is about creating opportunities for employees to connect with their colleagues, managers and wider organisation. It is also about creating an environment where employees are motivated to want to connect with their work and really care about doing a good job … It is a concept that places flexibility, change and continuous improvement at the heart of what it means to be an employee and an employer in a twenty-first-century workplace.' (CIPD 2009)

Engagement is more than simply satisfaction or even commitment. Satisfied employees may be happy but make little contribution to the organisation, yet committed employees may be focusing on the wrong objectives. Producing a satisfied and committed workforce is a worthwhile aim but on its own it is not enough.

This discussion paper is aimed at senior HR professionals and others who are considering an employee engagement framework as part of their effective people management policies.

The paper:

- outlines key elements of the business case that can help persuade top management of the contribution engaged employees make to organisational performance
- identifies the key factors driving employee engagement, as well as the possible barriers
- highlights responsibilities in workplaces for promoting employee engagement and suggests what employers and government should do to create an engaged workforce.

Why should organisations take employee engagement seriously?

Employee engagement is not a management fad. While every organisation wants committed and enthusiastic people working for it, the evidence suggests there is a serious shortfall in levels of motivation in UK workplaces. Research for the CIPD by Kingston Business School (CIPD 2006) found that only about a third of UK employees are engaged with their work; Gallup identifies a figure of 29% for the United States.

More recent research (CIPD 2009) suggests that UK employers are adopting engagement strategies to achieve a range of business objectives, including:

- setting a new strategic direction for the organisation
- improving organisational performance through positive contributions of employees
- maintaining maximum flexibility and openness to change in an uncertain market climate.

Many organisations know they need to find ways to maintain employee engagement in the recession to protect their ability to respond in the upturn.

What is the business case for employee engagement?
Evidence for the impact of employee engagement on business performance comes from consultancy studies. For example:

- Research by the Corporate Leadership Council () found that engagement accounts for 40% of observed performance improvements, while highly committed employees try 57% harder, perform 80% better and are 87% less likely to leave than their disengaged colleagues.
- A survey by Towers Perrin (2005) of over 85,000 employees working for large and mid-sized organisations in 16 countries found that companies with high employee engagement levels also experienced a higher operating margin (up to 19%), net profit margin, revenue growth and earnings per share (up to 28%) than companies with low employee engagement.
- A Watson Wyatt (2006, 2008) study of 115 companies asserts that a company with highly engaged employees typically achieves a financial performance four times greater than a company with poor employee attitudes.

CIPD (2006) research shows engaged employees perform better than others, are more likely to recommend their organisation to others, take less sick leave, and are less likely to quit. They experience increased job satisfaction and more positive attitudes and emotions towards their work. This suggests that enhanced levels of engagement benefit both individual and employer.

Most employers that measure and manage employee engagement believe it has significant performance benefits for them. For example, figures at Visa Europe show customer satisfaction increasing over the last five years in parallel with levels of employee engagement. In the Department for Work and Pensions, perceptions of customer service are influenced by differences in the level of engagement between individual employees.

The experience of employers like these shows that employee engagement can reinforce people management strategies by:

- focusing on the core issues of trust and involvement that are central to high performance
- offering a framework for identifying and addressing issues that can undermine positive employment relations
- supporting an effective performance management process.

Engaged employees can be defined as those displaying 'discretionary effort', which they can volunteer or withhold. The CIPD 'people and performance' model (2003), developed at Bath University and drawing on extensive casework, shows that discretionary employee behaviour is associated with higher business performance. There has been no serious challenge to the research on which this model is based, or to the proposition that engaged employees outperform those who are not engaged.

Do employees benefit from employee engagement?

Undoubtedly they do: engaged employees will have a greater sense of well-being than those who are less engaged. They are more likely to be satisfied with their work, less likely to be sick and less likely to leave the organisation. This is unsurprising since good management is critical to employee engagement. Employee engagement is not a synonym for work intensity: on the contrary, high engagement levels are associated with flexible working patterns. Surveys also show that engaged employees see their work as more meaningful and fulfilling.

The idea of engagement also comes as near as any practical management philosophy is likely to do to incorporating the concept of 'pluralism', which underpinned classical academic thinking about industrial relations.

In other words, employee engagement focuses on the employment relationship as being at the heart of sustainable high performance. And it recognises that both employer and employee have to make a genuine contribution. That level of performance cannot be achieved by a top-down, or 'unitarist', style of management.

Looking at more recent ideas about what drives high performance, the concept of 'flow' is a product of the US school of positive psychology. Csíkszentmihályi (2008) identifies a number of factors as accompanying an experience of flow, including:

- clear goals
- concentration on a limited field of attention
- absence of self-consciousness
- direct and immediate feedback
- balance between ability level and challenge
- a sense of personal control over the situation or activity.

The idea of flow has wide application – for example, to leisure activities such as playing a musical instrument – and is not limited in its application to the workplace. It would, moreover, be unrealistic to suggest it as a target for the experience of work in all circumstances. However, it highlights the potential pay-off for employees who are fully engaged with their work.

What are the drivers of employee engagement?

Surveys show that organisations have their own particular issues, and there is no standard template for deciding which specific policies and practices will have most impact on performance. Different groups of employees are influenced by different combinations of factors, and organisations need to consider carefully what is most important to their own staff. However, CIPD (2006) suggests that key drivers of employee engagement are:

* employees having opportunities to feed views upwards
* feeling well informed about what is happening in the organisation
* thinking that their manager is committed to the organisation.

These findings reinforce the importance of internal communications. They also underline that organisations need to shift from a traditional 'command and control' management style towards a more consultative and participative style. Managerial fairness in dealing with problems, and treating employees with respect, also has an important influence on outcomes.

CIPD (2004) research into the 'psychological contract' underlines the importance for morale of employees feeling they can trust the employer and believing they are treated fairly. This has fed into current thinking about the 'employer brand', which is where marketing and HR functions meet. Organisations can use their employer brand to identify the positive elements of the deal on offer that help to recruit and retain employees.

Having a clear organisational purpose and values are also critical to gaining effective employee commitment. Having a clear 'line of sight' means that employees' energies will not be directed towards irrelevant or low priority targets, but to meeting business priorities. People want to work for organisations that do good and are respected. Employers such as Marks & Spencer adopt policies to protect the environment as much to engage their workforce as to appeal to customers ('because there is no plan B').

People on flexible employment contracts tend to be more emotionally engaged, more satisfied with their work, more likely to speak positively about their organisation and less likely to quit than those not on such contracts.

Isn't employee engagement simply another term for good people management?

The drive for an engaged workforce needs to build on good people management and development policies as well as the active support of line managers. People management strategies and policies need to be aligned with those of the wider business. Employees need to understand how their work contributes to organisational outcomes. There is no shortcut to building and maintaining employee engagement, but the time, effort and resource required will be amply repaid by the performance benefits.

Employee engagement is essentially an outcome of high-performance working or good people management. But organisations that adopt strategies aimed at increasing employee engagement are aiming to identify priorities for leveraging performance – engagement offers a tool for doing this. It is also a term that resonates with senior managers, which means that it needn't be difficult to get support for engagement strategies across the organisation.

Most if not all employee engagement initiatives start with the use of employee attitude surveys to measure attitudes and establish areas that need attention. But surveys need to be followed by effective action to address issues identified or they will have a negative impact on attitudes. Survey findings can be of particular value where they support benchmarking of performance, whether over time or between work units or with other organisations.

Fundamental to managing engagement as a process is ensuring that action is taken on the findings of employee attitude surveys. Failure to follow through generally has a damaging effect on attitudes and on the rate of response to subsequent surveys.

What are the barriers to successful employee engagement?

Key barriers identified by Kingston Business School (CIPD 2009) include:

- reactive decision-making that does not pick up problems before it is too late
- inconsistent management style based on the attitudes of individual managers, which leads to perceptions of unfairness
- low levels of advocacy, which carry the risk of creating a downward spiral of employee resentment and disengagement
- lack of fluidity in communications and knowledge-sharing due to rigid communication channels or cultural norms
- poor work–life balance due to a long-hours culture
- low perceptions of senior management visibility and quality of downward communication.

Attitudes to senior managers are often quite negative. The evidence is that only a third of employees have confidence in or trust their senior management team while only two in five say that directors and senior managers treat employees with respect. Just under half of all employees say they see their work as 'just a job' or are interested but not looking to be more involved. If organisations want to build an engagement agenda on secure foundations, they need to be looking to create a management culture based on mutual trust and respect.

Line management

The key to engaging employees is line management effectiveness. It is said that people don't leave their jobs; they leave individual managers. Survey evidence shows that people are generally unhappy with the way they are managed: employees see their line managers as being poor at many of the basic things needed to support positive attitudes.

Responding to surveys, employees say their managers don't discuss their training and development needs, don't give feedback on how they are performing and don't make them feel their work counts. Those employees with positive views about their managers and senior managers are most engaged with their work, perform better and are less likely to quit.

Building employee engagement into appraisal of managers' performance

Organisations that have adopted employee engagement strategies for some years do not necessarily spend their time trying to raise engagement levels across the board. Where engagement scores feed into the appraisal process for managers, low scores in individual units can provide as much useful information as higher scores. Identifying line managers whose poor leadership skills are leaching value from the organisation can be a worthwhile target. This is not about penalising individuals with low engagement scores. It is about using department or team results to identify managers who need help, so as to offer them appropriate coaching and development.

Managing through the recession

Maintaining employee engagement in a recession can be a challenge. Anxieties about job security can distract employees and undermine their enthusiasm. The problems are heightened if redundancies take place: research shows that changing employment conditions, particularly where jobs are lost, are very damaging to the psychological contract. This applies to those employees who are not themselves made redundant but who reflect 'that could have been me'. More employees will suffer from stress as a result.

Stress at work and mental health problems, like anxiety and depression, are likely to become a growing challenge for individuals and employers during the recession. Research shows that the longer someone is off sick the less likely they are to make a successful return to work. Employers need to address these issues,

for example by giving employees access to counselling support, to maintain a positive workplace climate.

Tackling 'survivor' syndrome is crucial to protecting the organisation's ability to bounce back when economic conditions improve. Basic elements of a strategy to maintain motivation in difficult times include:

- keeping employees in the picture even when there is no concrete news
- using all available media to beat the rumour mill
- briefing line managers in full on developments so they can talk to their teams – face-to-face communications are best
- thinking about creative, non-financial ways of motivating employees, such as recognition schemes and team-building days.

If it becomes necessary to reduce labour costs, adopting alternatives to compulsory redundancy can help to maintain employees' commitment, for example by:

- taking advantage of natural wastage and/or offering voluntary redundancy terms
- cutting back recruitment and reviewing the use of temporary staff
- retraining employees whose skills are no longer in demand and redeploying employees to other parts of the organisation where possible
- reducing or eliminating overtime working
- considering short-time working or temporary lay-offs or sabbaticals.

Conflict

Another important engagement blocker is conflict. Bullying or lack of respect will undermine employee engagement, pointing to the importance of policies on diversity and conflict management. The key is encouraging line managers to spot problems at an early stage and take action to resolve them. Training or coaching managers in handling 'difficult conversations', or giving them mediation skills, can be a valuable investment in developing a positive organisational culture. This will not only reduce the time and energy spent in dealing with conflict but will contribute to improving relationships across the organisation and helping employees feel valued.

Pay

Dissatisfaction with pay will often lead people to quit. A sound pay policy, including benchmarking surveys, is therefore critical to retention of top performers. However, the real issue for performance is whether or not the content of the job is meaningful to the individual. The quality of management is more important than pay and conditions in this respect. Managers should also consider how jobs are structured, job content and the working environment to create meaningful work for everyone.

Managing employee engagement

How do organisations know if employees are engaged?

Kingston Business School has identified three dimensions of employee engagement (CIPD 2006): emotional, intellectual and social. There is no standard list of the constituents of employee engagement. However, there is widespread agreement that surveys should measure a number of factors, including employee commitment, organisational citizenship, satisfaction, attitudes to management, work–life balance and intention to leave.

The Q12 'elements of great managing' identified by Gallup (2006), based on extensive research correlating employee responses with a range of business outcomes, offer a useful summary of what engagement looks and feels like. They include 'I know what is expected of me at work', 'In the last seven days, I have received recognition or praise for doing good work' and 'At work, my opinions seem to count'. Other organisations, including the CIPD and the Institute of Employment Studies, have published lists of up to 100 survey questions that can be used to measure employee engagement.

Whose job is it to manage employee engagement?

Employee engagement has to be the responsibility of both senior management and line managers. In terms of the Gallup tool Q12, for example, senior management is responsible for setting a culture within which 'the mission/purpose of my company makes me feel my job is important', while the line manager needs to ensure that 'I have had opportunities at work to learn and grow'. There are obvious links with organisational leadership.

For employee engagement initiatives to be effective, they need to be owned by the top management team. But the CIPD believes that the key focus for organisations should be on line management capability. It is often remarked that people join organisations but leave individual managers. The influence of the line manager on people's perceptions of their work is profound.

HR departments have a key role to play in implementing engagement initiatives. This will generally include designing and carrying out employee surveys, testing the findings through focus groups and advising senior managers on their significance. HR professionals will also have the job of helping line managers to raise their game. HR may need to liaise with marketing to develop the 'employer brand' or incorporate the findings of employee surveys within performance management processes. Several major employers, including retailer B&Q, use team engagement scores to distinguish good and weak performance by line managers.

How can trade unions help with employee engagement?

Given the importance of two-way dialogue in driving employee engagement, a genuinely consultative climate will clearly contribute to raising levels of employee engagement. Where the relationship between management and trade unions is seen as a 'partnership', union support for engagement strategies may be valuable in raising their profile.

However, HR directors in the private sector tend to see at best a limited relationship between machinery for negotiation or consultation and employee engagement. Some union officials may be suspicious of employee surveys and may (wrongly) see employee engagement as a union avoidance strategy. Employers may also need to address worries about the confidentiality of survey data.

How does employee engagement fit into a 'human capital' approach?

A human capital model can link HR information such as attitudes, recruitment and turnover from across a range of business units in a consistent way, so that it can then be analysed with key business indicators. The credibility of the model depends on the ability to demonstrate how engagement helps employees add value. Analysis of performance data can show how productivity varies in relation to engagement levels and can identify the levers management can pull to make a difference to levels of discretionary effort by employees.

Where do we go from here?

What should employers do to create an engaged workforce?

If organisations are looking to achieve sustainable high performance, there is a substantial deficit to make up in employee engagement levels. HR professionals need to recognise that engagement is a strategic issue that cannot simply be left to manage itself. Organisations should review their communications and particularly their arrangements for listening to employee opinions. Line managers need support in designing challenging jobs and managing effective teams.

Getting to grips with employee engagement is not brain surgery: it's about top management taking a lead in creating the right culture, and line managers doing their job properly. The development of a robust employee proposition or 'employer brand' can also support a positive psychological contract between employer and employees. Engaged employees are more likely to act as organisational advocates than disengaged employees and can play a powerful role in promoting their organisation as an employer of choice.

Difficult economic circumstances do not have to put employee engagement strategies on the back burner. Recent survey evidence suggests that, despite the impact of recession, levels of engagement are holding up well. This seems to reflect a sense by employees that 'we are all in this together', and possibly concerns that any lack of commitment may increase individuals' risk of losing their job. But anecdotal evidence suggests that many employers have registered the need to maintain the confidence of their workforce by treating them fairly and ensuring that line managers give them consistent messages about the future.

It is obvious to say that, for any major organisational initiative to succeed, top management buy-in is crucial. But the idea of 'engaging leadership' goes further in asserting that, to achieve a shift in culture, a different 'style' of leadership is needed (CIPD 2008). In place of the heroic or charismatic model, engaging leaders display a range of behaviours, including being accessible, showing genuine concern and building a shared vision. They also have personal qualities and core values of acting with integrity and being honest and consistent. In short, they are authentic: they are who they say they are and do what they say they will.

What should government do to support employee engagement?

In September 2008, the Department for Business, Enterprise and Regulatory Reform appointed David MacLeod and Nita Clarke to examine the barriers that are preventing businesses engaging with their employees and consider non-regulatory solutions that can be offered to help businesses overcome such obstacles. The review is expected to report in June and offer the Government specific recommendations for action to promote employee engagement.

One way that government can influence employer practice is to lead by example. It is encouraging that National Health Service trusts, local authorities and central government employers are taking employee engagement initiatives seriously. There appear, however, to be particular issues affecting employee attitudes in the public sector. For example, public sector employees are more likely not to feel their senior managers have a clear vision for the organisation and to have less trust and confidence in their senior managers. They are also less likely to believe organisational communications. This suggests that there is a lot of ground to make up before public sector employees are fully engaged.

More widely, the Government should encourage the business and voluntary sectors to focus more on engagement as a key driver of productivity. The CIPD has made the case to establish a Workplace Commission to raise the standard of people management and improve the return on human capital in UK workplaces. We also believe there should be better recognition of the importance of management and leadership, and more government funding allocated specifically for training in this area.

The long-standing focus on 'skills' as key to increasing productivity is too limited. The 'people and performance' model identifies the three requirements for releasing employees' discretionary effort as ability, motivation and opportunity. The skills agenda addresses only the first of these – employee engagement addresses all three. There is an historic opportunity for the Government to demonstrate that it understands the drivers of economic performance.

The Government could show leadership by identifying employee engagement as a key theme underpinning its economic and industrial policies. It needs also to review the balance of public funding allocated to the acquisition and management of skills, in view of overwhelming evidence about the importance of management and leadership.

Such funding might be used, for example, to support the development and sharing of knowledge through employer networks and consortia targeting solutions to practical workplace issues. This is the core of the approach that the CIPD is adopting to raising standards of people management and development through its current Shaping the Future project.

If you have any comments on the issues raised in this paper, please contact Mike Emmott, CIPD Adviser, Employee Relations, at **m.emmott@cipd.co.uk**

References

CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT. (2003) *Understanding the people and performance link: unlocking the black box*. London: CIPD.

CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT. (2004) *Employee well-being and the psychological contract*. London: CIPD.

CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT. (2006) *How engaged are British employees*. London: CIPD.

CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT. (2008) *Engaging leadership: creating organisations that maximise the potential of their people*. London: CIPD.

CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT. (2009) *Employee engagement in context*. London: CIPD.

CORPORATE LEADERSHIP COUNCIL (2004) *Employee engagement survey*. Washington, DC., Corporate Executive Board.

CSIKZENTMIHALYI, M. (1990) *Flow: the psychology of optimal experience*. New York, Harper and Row.

GALLUP. (2006) *The elements of great managing*.

TOWERS PERRIN. (2005) *Reconnecting with employees: quantifying the value of engaging your workforce*. London: Towers Perrin.

WATSON WYATT. (2006) *Effective communication: a leading indicator of financial performance*. Executive summary available at: http://www.watsonwyatt.com/research/reports.asp

WATSON WYATT. (2008) *Secrets of top performers: how companies with highly effective employee communication differentiate themselves*. Executive summary available at: http://www.watsonwyatt.com/research/reports.asp

We explore leading-edge people management and development issues through our research. Our aim is to share knowledge, increase learning and understanding, and help our members make informed decisions about improving practice in their organisations.

We produce many resources on organisational issues including guides, books, practical tools, surveys and research reports. We also organise a number of conferences, events and training courses. Please visit www.cipd.co.uk to find out more.