



EMPLOYEE ENGAGEMENT: THE KEY TO REALIZING COMPETITIVE ADVANTAGE

A Monograph by:

Richard S. Wellins, Ph.D., Senior Vice President

Paul Bernthal, Ph.D., Director, Testing and Assessment Design

Mark Phelps

Introduction

Woody Allen, comedian, screenwriter, and director, once said: “Eighty percent of success is showing up.” If this was ever true, it certainly isn’t anymore. Success today requires a good bit more than good attendance. Yet, multiple studies in different countries and across industries show that employees who are passionate about their jobs and the organizations in which they work are in the minority. DDI’s own research reveals that only 19 percent of employees are highly engaged. The Corporate Executive Board, looking at levels of engagement across 50,000 employees around the world, placed only 11 percent in what they dubbed the “true believer” category.¹ Towers Perrin’s recent “Talent Report” is slightly more optimistic, finding just 17 percent of the 35,000 employees surveyed to be highly engaged.²

So, what about the rest? Depending on which study you read, anywhere from 40 to 70 percent of employees can be classified as neutral, middle of the road, or agnostic. Worse yet, an alarming 10 to 20 percent of employees are actively “disengaged”—just putting in their time or, worse yet, undermining or badmouthing their organizations and bosses. The economic impact of low engagement can be staggering. For example, Gallup estimates that unengaged workers in the United Kingdom cost their companies \$64.8 billion (U.S.) dollars a year.³ And, the United Kingdom is far from the worst. In Japan, where only 9 percent of the workforce is engaged, lost productivity is estimated to be \$232 billion each year.

What makes these numbers especially discouraging is that, supposedly, we have evolved from the dark ages of “personnel management.” On one hand, for the past two decades we have been trying to realize the benefits of empowerment, teamwork, recognition, people development, performance management, and new leadership styles. As one skeptical senior manager commented at a recent session where he was receiving feedback on the results of his division’s annual climate survey: “It’s not as if we have not been working on this stuff.” Evidently, there is a big difference between putting in place initiatives that have the overall goal of increasing employee engagement and truly seeing the payoffs. And, on the other hand, one might easily attribute low engagement to persistent downsizing, which leads to an erosion of loyalty and commitment.

DEFINING EMPLOYEE ENGAGEMENT

DDI defines engagement as “the extent to which people enjoy and believe in what they do and feel valued for doing it.”

Let’s take a closer look:

- **Enjoyment**—People tend to receive more pleasure and satisfaction from what they do if they are in jobs or roles that match both their interests and their skills. Look, for example, at the high failure rate of sales managers who were promoted because they were excellent salespeople. Some fail because they do not have the skills to manage, but we find a greater number stumbling because they discover that they derive more enjoyment from selling than they do from coaching others to sell. And it’s not just the functional tasks that add to or detract from enjoyment. Some individuals thrive in a team environment versus one in which they work more independently. Some people like jobs that require travel, while some prefer not to travel at all. Others like a high-risk/high-reward bonus plan, where others prefer a more stable, predictable salary.
- **Belief**—If people feel they are making meaningful contributions to their jobs, their organizations, and society as a whole, they tend to be more engaged. The connection between what people do every day and the goals and mission of the organization is crucial to engagement. Walk into any children’s hospital, and you will find caregivers who passionately believe in their roles and the mission of the hospital. You also will find high disdain for anything that gets in the way of providing quality care. Likewise good trainers believe in what they do and like having opportunities to see others grow and develop. A CFO might derive satisfaction from safeguarding the organization’s financial integrity or from helping the organization grow by maximizing its investments.
- **Value**—People want to be recognized and rewarded for their contributions. Rewards and recognition come in many forms, including competitive compensation packages, a healthy work/life balance, and V.I.P. sales trips. But perhaps more important is the heightened sense of worth employees feel when their leaders take just a few minutes to let them know that they are doing a great job and that their contributions are valued and appreciated.

There are many other working definitions of engagement. All are largely defined in terms of how a person “feels inside.” However, when we ask people if the level of engagement in their workplace would be readily apparent to a visitor from the outside, their answers are invariably “yes.” Job enjoyment, belief in what one is doing, and feeling valued all contribute to observable behavior. You can observe levels of excitement and energy, you can witness people going the extra length to solve customer issues, and you can see an ethic of quality and continuous improvement. Similarly, workplace behaviors indicative of low engagement—whining, low energy, passive-aggressive behavior, lack of teamwork—can be equally visible.

The “right feelings” lead to the “right behaviors,” and these “right behaviors” fuel higher levels of business performance.

Other Definitions of Engagement

- “The extent to which employees commit to something or someone in the organization, and how long they stay as a result of that commitment.”⁴
- “Loyal employees (versus satisfied employees) stay because they want to. They go above and beyond the call of duty to further their company’s interests.”⁵
- “Engagement is the state in which individuals are emotionally and intellectually committed to the organization as measured by three primary behaviors: Say, Stay and Strive.”⁶
- “The extent to which employees put discretionary effort into their work in the form of brainpower, extra time, and energy.”⁷

Why You Should Care

The general principles of employee engagement have been around for decades. In fact, William C. Byham, DDI’s founder and CEO, first published a bestselling book, *Zapp! The Lightning Of Empowerment*, in 1988. The book, in the form of a fable, struck a chord with many readers by showing the sharp contrast between a high-empowerment organization (Zapp) versus one that constantly robs employees of their passion and energy (Sapp).

During the past five years, though, there has been a surge in the popularity of employee engagement. Why the sudden interest? Why are some companies making engagement a key ingredient in their overall strategy? We believe there are four primary drivers.

1. People have become the primary source of competitive advantage. The Brookings Institute (2003) recently examined the primary source of market value in today’s organizations and how it has changed over time. In 1982, 62 percent of an organization’s market value came from tangible assets and 38 percent from intangible assets.⁸ Tangible assets include things like machinery, products, facilities, etc. Intangible assets, on the other hand, include factors such as brand, intellectual property, and, most important, the quality of the workforce. By 2002, 20 years later, the source of value had almost totally flipped. Almost 80 percent of market value today comes from the intangible with a scant 20 percent coming from tangible assets. As we all have heard before, products can easily be copied, a technological edge can prove fleeting, and more facilities can be built, but the quality of an organization’s talent, its passion and commitment, is nearly impossible to replicate. Engagement is the fuel that drives the value of intangible assets.

2. Retention and the war for talent. The landmark 1998 McKinsey study, *The War for Talent*,⁹ was among the first to talk about the potential for workforce shortages due to the aging population. The study’s authors called upon organizations to be more serious in their efforts to attract and retain talent, to assure that they would be able to survive and thrive in the future. In the late 1990s and early 2000s, the slump in the global economy quickly took the spotlight off of the anticipated talent shortage. And some predict that a portion of today’s aging workers will delay their retirements out of necessity, attenuating the expected talent shortage. Since 2003 the picture is once again changing, albeit not as quickly as expected. For example, the Society for Human Resources Management reported that 48 percent of the employees it polled are actively seeking new jobs.¹⁰ Alan Weber, the editor of *Fast Company*, predicted: “The beneath-the-surface issue isn’t jobs, it’s work. Specifically, it’s the growing recognition by workers that corporate leaders have so abused them during the recession, that when a job-producing recovery really kicks in, companies will suffer a wave of employee deflation.” Additionally, the workforce is getting older, with many of the baby boomers hitting 60 in 2006 and ready to retire. Over

and above the workforce cost of increased retirements, companies are beginning to take heed of the enormous financial costs of turnover (in the United States the estimate is in the billions) and increasingly viewing employee engagement as an imperative for keeping their key employees—and attracting new ones—as the war for talent heats up once again.

3. Popular appeal. Remember the re-engineering wave? Even those who used it as more than just a guise for massive layoffs found it painful. Six Sigma implementations are invaluable to business performance, but most companies are finding them too complex to implement well. Engagement is a different matter altogether. While it still takes patience to implement, engagement gets to the “hard stuff” by focusing on the “softer stuff.” As one manager said: “It’s about appealing to the head and the heart.” Engagement is about creating passion, it’s about focusing on what people do well, and it’s about development and recognition. Some have called employee engagement a form of positive psychology which, on the whole, is an easy pill for organizations and their employees to swallow.

4. Overwhelming impact. The human resources function has been under pressure for decades to prove that it makes a difference. While CEOs may espouse the importance of their work forces in their annual reports, when times get tough, HR is among the first to get the budget axe due to a lack of convincing evidence on the value of HR initiatives. HR professionals are scrambling, according to a recent Conference Board report, to prove that their activities and investments are both efficient and positively influential to business strategy.¹¹ The positive relationship between engagement and performance (documented in hundreds of studies, with the evidence mounting every day) provides a way for HR to prove its contribution. It’s a fact: The higher the level of engagement, the higher the performance of the business. The research is not inconclusive, not limited to one country or industry, and not contained to a few hundred people—it’s overwhelming.

BUILDING THE BUSINESS CASE

Move the needle on engagement and you move the needle on business performance. The proof can be found in dozens of studies across hundreds of organizations, involving hundreds of thousands of employees.

Before quickly reviewing some of this data, it might be worthwhile to review how the engagement/ business-impact relationship is actually measured. Employee engagement is assessed through what is commonly called an “attitude” or “organizational climate” survey. Typically, employees and their managers complete the survey. Their scores are then aggregated into team, department, and organizational engagement “scores.” These scores are then correlated with various business metrics, including turnover, productivity, sales, etc. The research shows that the higher the employee engagement scores, the better the performance of the organization.

Let’s take a quick “tour” of some of the research conducted by various organizations over the past five years.

- DDI has compiled an engagement database of thousands of employees across 200 organizations. Analysis of this database has shown that those employees with higher engagement scores are more satisfied with their jobs, less likely to leave their companies, and more capable of achieving their performance goals. We estimate that in an organization of 10,000 employees, moving a workforce from low to high engagement can have an impact of over \$42 million. For example, in a Fortune 100 manufacturing company, turnover in low-engagement teams averaged 14.5 percent, and absenteeism hovered around 8 percent. For highly engaged teams, absenteeism was only 4.8 percent, and turnover came down to 4.1 percent. Quality errors (as measured by external and internal parts per million) stood at 5,658 for the low-engagement group and only 52 for the high-engagement group. That’s right—52! In a services organization, there is a strong relationship between sales performance and employee engagement. Highly engaged employees achieved an average of 99 percent of their sales goals, while disengaged sales reps averaged 91 percent.

- Michael Treacy, author of *Double-Digit Growth—How Great Companies Achieve It No Matter What*, worked with Hewitt Associates to demonstrate the relationship between double-digit growth companies and engagement. Employee engagement scores were 21 percent higher in double-digit versus single-digit growth companies. Hewitt showed similar results with its Employee Engagement and Best Employer Database of 1,500 companies. In companies where 60 to 70 percent of employees were engaged, average total shareholder's return (TSR) stood at 24.2 percent. In companies with only 49 to 60 percent of their employees engaged, TSR fell to 9.1 percent. Companies with engagement below 25 percent suffered negative TSR.¹²
- Towers Perrin, looking at over 35,000 employees across dozens of companies, showed a positive relationship between employee engagement and sales growth, lower cost of goods sold, customer focus, and reduced turnover. For example, highly engaged employees are almost three times more likely to feel that their company really cares about customers and has the ability to serve them better than their competitors. Companies with highly engaged employees beat average revenue growth in their sector by 1 percent while companies with low engagement were behind their sector's revenue growth by an average of 2 percent.¹³
- The Corporate Executive Board surveyed 50,000 employees in 59 organizations worldwide. Employees with lower engagement are four times more likely to leave their jobs than those who are highly engaged. Even more important, moving from low to high engagement can result in a 21 percent increase in performance.¹⁴
- The Gallup Organization has done the most work on measuring employee engagement, having shown relationships between engagement and a range of measures, such as turnover, sales growth, customer service, revenue, etc. In a landmark study across multiple companies, it showed that business units that reported employee engagement above the median had a 70 percent higher likelihood of success than those below the median. Success was a composite measure combining customer loyalty, turnover, and financial metrics.¹⁵
- ISR has one of the largest databases on employee engagement: 41 companies across 10 geographical markets. Looking over three years of data, change in operating margin in low engagement companies was 2.1 percent and net profit margin was a dismal -1.38 percent. Compare this to their high-engagement counterparts, where operating margin was up to a positive 3.75 percent and net profit margin up 2.06 percent.¹⁶
- Instead of correlating levels of engagement with organizational performance, Melcrum, a U.K. research organization, completed 40 in-depth case histories along with a survey of over 1,000 HR practitioners. More than 50 percent of the survey respondents and case studies report improvement in customer retention and satisfaction as a result of engagement initiatives, and over one-third report improvements in productivity.¹⁷

DDI'S BELIEFS ABOUT EMPLOYEE ENGAGEMENT

DDI's approach to building higher levels of engagement is based on a number of fundamental beliefs, many of which were formed by our more than four decades of research and experience.

- 1. Engagement is the primary enabler of successful execution of any business strategy.** An engaged workforce is your only true competitive advantage. It is almost impossible to copy and, without it, execution of most corporate initiatives becomes difficult, if not impossible.
- 2. Engagement is not a short-term initiative.** Because engagement is simple in concept but difficult in execution, it is never achieved or finished—only improved. It might take years of steady progress to build high levels of employee engagement, and without the proper care and feeding, these gains can wither and fall away surprisingly quickly.
- 3. Engagement must be driven from the top.** Engagement is a business imperative, *not* an HR initiative, though HR should be a key player in driving higher levels of engagement. Support from the top also means senior leaders must be highly engaged themselves. Believe it or not, only one in four senior leaders—and only one in six frontline leaders—is highly engaged. It's hard to imagine highly engaged employees without highly engaged leaders.

- 4. One of the best ways to have highly engaged employees is to hire them!** Certain people have a set of characteristics or attributes that increase their propensity for engagement (for example, some employees are more likely to have higher levels of engagement than others, regardless of the jobs they choose or assignments they receive). Companies should pay close attention to these characteristics in their hiring process.
- 5. Engagement is all about fit.** People are more likely to be engaged if their jobs and the culture of the organization match both their abilities and skills, and their motivation and values. Most organizations hire or promote only for the ability and skill match, ignoring the motivation and value match.
- 6. No one impacts the state of engagement more than an employee's immediate leader.** While this might be a slight exaggeration, we believe most people do not leave their jobs; they leave their bosses. Show us a highly engaged team, and there's a strong likelihood we can show you a leader who is coaching for success, setting clear goals, empowering others, providing open and honest feedback, and making the winners feel valued.
- 7. Measuring engagement and demonstrating its business impact is crucial, but it's only a small part of winning the battle.** Far too many organizations pour hundreds of thousands of dollars into measuring and remeasuring engagement, leaving little energy or budget for actually improving engagement levels. Keep your engagement measures simple and cost effective. Instead, spend your resources and energy moving the needle in the right direction!
- 8. Engagement means reaching the heart.** Highly engaged employees give that extra effort because inside they care. And, they care because they feel someone is caring for them. A vice president for customer service, for example, insists that his managers really get to know the individuals on their teams as people, not just employees. He wants to know about their aspirations, interests, and families. The recognition of the "whole person" sends a powerful message to employees that the organization understands and appreciates that they have a life outside work.

MEASURING ENGAGEMENT

The Conference Board published a report dealing with the increasing importance of HR metrics.¹⁸ Metrics around engagement have risen to the top of the list as proof of HR's impact and its justification for new expenditures.

The popularity of engagement as a metric comes as no surprise to us. For decades, HR professionals have been searching for a formula to demonstrate their function's worth. Engagement measures seem to have filled the void. Some of our clients have even begun to refer to engagement measurement as HR's holy grail. While many of the principles of engagement have been around for decades, reliably measuring engagement is a relatively new phenomenon.

Why the sudden measurement craze? We cite three drivers:

1. Measuring engagement is relatively simple, reliable, and, in most cases, takes no more than 10 to 15 minutes per employee. Also, it does not need to be expensive.
2. As we mentioned before, there is a powerful connection between levels of engagement and business performance. Moving the level of engagement up means improving the performance of the company or work team.
3. For the most part, those items that measure engagement are actionable and controllable. If a senior executive team truly believes in the power of engagement, it *can* do things that *will* make a difference.

What Do We Mean by Measuring Engagement?

Engagement data is generally collected via employee responses to a survey, usually delivered online. Employees indicate the extent to which they agree or disagree with the items in the survey. Results can be tabulated and presented in a number of different ways. Most organizations look at an overall engagement *composite* score, which averages responses across *all* survey items and is often presented at the work unit, department, division, and corporate levels. Generally, when we talk about organizations with high or low engagement scores, we usually are referring to their overall composite scores.

Most organizations also pay attention to the responses to individual items, at the work unit, department, division, or organizational level. This allows the organization to zero in on specific strengths and weaknesses relative to engagement from an organizational perspective down to individual work units and leaders. In addition, it is also common for organizations to seek comparisons, at a composite or item level, to internal or external norms. For example, a company might want to see how each division is doing relative to the entire organization. Or it might want to look at how well the organization is doing relative to a broad-based external norm.

We often are asked if there are differences between a cultural or attitude survey and an engagement survey. The answer is both “yes” and “no.” Unlike well-constructed engagement surveys, most attitude surveys have less research behind them in terms of predicting organizational performance. They also tend to cover a broader range of factors and items than most engagement surveys.

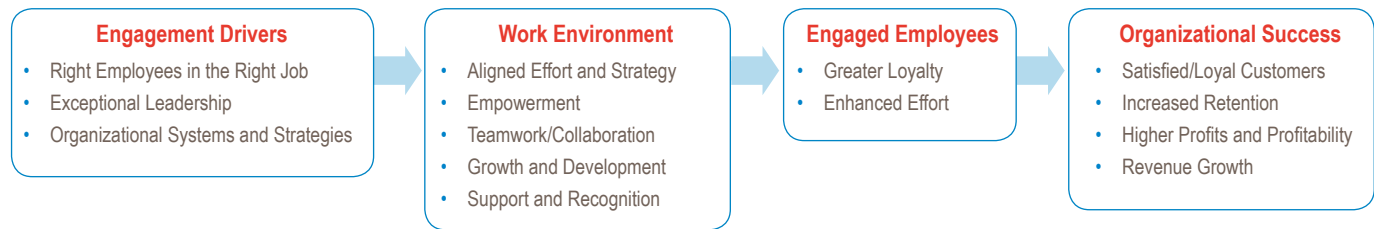
There is often a high degree of overlap between items contained in typical cultural or attitude surveys and the items in many engagement surveys. If you currently are using an employee attitude survey, we recommend that you select those items in your survey that match items that research has shown are most predictive of engagement and organizational performance. Then, use those items to develop a separate composite employee engagement index focusing on this subset of items. If you are missing engagement items that research shows are predictive of organizational performance, they can be added to your current attitude survey.

ENGAGEMENT: DDI'S VALUE PROPOSITION

A popular American radio program featured a story about a software developer who lost his job yet continued to come into work to develop a particular piece of software.¹⁹ He snuck in the front door, worked in empty offices, and put in long hours on a project the company had already cancelled. In time, he had developed what many considered to be a perfect piece of software. This software was so good that the company eventually installed it on all the computers it sold and, of course, rehired the employee. Although unusual, this story illustrates the power of motivation and a high level of fit with one's job. Engaged employees have this type of motivation, which drives them to do their very best.

Figure 1 shows DDI's engagement value proposition, which includes four sequential components. Top of the model, engagement drivers are the levers that organizations can use to build a more engaging work environment. Engagement does not just materialize. Organizations must hire employees who fit the job requirements, develop leaders with the right skills, and provide support through strong systems and strategies. Together, these three drivers lead to the formation of an engaging work environment. Once created, the engaging work environment has a positive impact on employee behaviors and attitudes. In particular, an engaging environment builds loyalty in employees by meeting their personal and practical needs, thus encouraging them to stay with the organization. In addition, an engaging work environment taps into employees' motivation to try harder and put forth the extra effort that differentiates organizations from their competitors. Finally, when organizations have engaged employees, the long-term benefits appear in the bottom line. Organizations have more satisfied and loyal customers, increased profits, better-quality products or services, and greater growth potential.

Figure 1: DDI's Engagement Value Proposition



ENGAGEMENT DRIVERS

Organizations drive engagement by proactively leveraging three sources of influence for change: employees, leaders, and organizational systems and strategies. These three drivers work in concert to build an engaging work environment. Although engagement has multiple drivers, the ultimate ownership of engagement rests within the individual employee. Organizations hoping to drive engagement must tap into employees' passion, commitment, and identification with the organization. This is accomplished by having the *right employees* working in the *right jobs*, which is our first engagement driver. When we say the "right" employees we mean that individuals have the skills to do the job ("can do") and that their jobs tap into their personal motivators ("will do"). Organizations can ensure high job fit by effectively deploying employees' talents when making selection, placement, and promotion decisions. Research has repeatedly shown that when job fit is high, an employee performs better and is more likely to stay with the organization.

In addition to having a motivational match, some employees are more likely than others to be inherently engaged in their work. This has implications for driving engagement levels because organizations can benefit from hiring employees with a greater tendency for engagement before they even begin to work.

DDI has been conducting groundbreaking research on what we call engagement propensity. We have found that some people have a set of personal characteristics—regardless of their jobs—that correlate with higher levels of engagement. DDI conducted 10 studies across six client organizations and seven job families correlating a number of our proprietary test items with employee engagement survey scores. We found that engagement was significantly correlated to these six factors:

- Attachment to the job
- Agreeableness
- Emotional stability
- Openness to experience
- Achievement orientation
- Self-efficacy

Motivational Fit: Selecting for Engagement

Many factors within a job and an organization are satisfying or dissatisfying to people. Consider the number of roles a candidate might assume in an organization and the tasks and projects associated with each role. Add the organization's values and practices. Then consider what a candidate prefers in the job and work environment. The result is a vast network of possible combinations that makes it anyone's guess whether the candidate will be happy working in the target job and the organization. That's why it's critical to interview for motivational fit.

DDI's process has made people familiar with the Job Fit Analysis and Organization Fit Analysis Questionnaires for identifying the critical facets for the job and organization. Critical facets are those that people have many and few/no opportunities to experience. Interview questions relate directly to these critical facets to uncover matches and discrepancies between what the job or organization offers and what the candidate likes and dislikes.

These findings show that, in addition to assessing motivational job fit when hiring new employees, organizations can use cost-effective tests to identify employees who are more likely to be engaged on the job.

The second engagement driver is *exceptional leadership*. Many of the work environment factors of our model are directly affected by the quality of leadership. Leaders have the influence and power to serve as catalysts for higher levels of engagement, not only in one or two areas, but in all aspects of leadership (See below, Profile of Engaged Leaders). Even more compelling, our own assessment and testing research shows that:

- More engaged managers have more engaged direct reports.
- The direct reports of engaged managers are less likely to leave the organization.
- Higher-performing managers have direct reports who are more highly engaged.

Additional DDI studies show that changes in leader behaviors can have a real impact on employee engagement. For example, a study of pre- and post-training engagement scores showed that when leaders improved their skills through training, employees became more engaged in their work.²⁰

Engaging leaders understand that their role is not to take charge of all the decisions, but to be more like cheerleaders. It's about recognition for a job well done; it's about giving people the room and encouragement to grow. It's also about being tough when necessary, holding people accountable for their performance.

Finally, organizations need strong *systems and strategies* that support and foster engagement. Examples of systems are hiring, promotion, performance management, recognition, compensation, training, and career development. We will provide more specific recommendations related to organizational systems in the Alignment section of Moving the Engagement Needle.

Together, these systems provide a firm foundation upon which to accelerate engagement. A shaky or incomplete foundation will make your efforts to build engagement more difficult, if not impossible.

Profile of Engaged Leaders

Coach and Develop for Results

Effective leaders know that team members are more engaged when they can “get it right” the first time. They spend more time coaching for success (proactively) than coaching for improvement (reactively) for short-term coaching opportunities. For long-term development, leaders need to know how to position high payoff development activities that benefit the individual, and at the same time, address the team's and organization's goals and needs.

Drive Performance

We've all had that experience—one person on the team is not doing a fair share, and the leader is not holding the person accountable. It's disengaging, right? Engagement is higher when leaders set clear goals and they hold people accountable.

Inspire Loyalty and Trust

Engaging leaders understand that they need to proactively build an environment where employees are motivated, engaged, and retained. Effective leaders don't wait to get the resignation to know that an employee is dissatisfied.

Manage Work

Leaders who do a good job of managing work understand the difference between delegation and dumping. Effective leaders distribute work appropriately, and they make it meaningful. They are also effective at making decisions, planning and organizing, and following up.

Partner Within and Across Teams

People are more engaged in an environment that is collaborative and not adversarial. Effective leaders have mastered not only the intrateam skills to get people engaged, but also the interteam skills.

Influence Through Personal Power

Leaders who use influence (or their personal power) versus position power are clearly more engaging and have learned how to build sufficient commitment to move good ideas through their organization.

Select Talent

It is best to start with people who have a better chance of being engaged and people who not only can do the job, but also *want to do* the job. Leaders who have the skills and knowledge to select highly engaged employees can make a great contribution in both the present and the future.

An Engaging Work Environment

The second component of our model, an engaging work environment, consists of five key elements:

1. Aligning effort with strategy—Engagement begins with employees' clear understanding of what they should be doing on the job. Each employee needs a solid job description and a clear set of performance expectations. Even more critical is their understanding that their individual goals are connected directly to the organization's goals. Unfortunately, less than half of employees (47 percent) are satisfied with their organization's system for managing their performance. Some organizations do an especially good job of creating alignment early in an employee's tenure with the organization. For example, new team members at Toyota are given a thorough orientation that clearly defines how their roles and the decisions they make tie into Toyota's overall approach and manufacturing philosophy. To attain this alignment, leaders need to help all employees see the bigger picture and understand their roles relative to it. They also need to show how an individual employee's actions affect other departments and external customers.

Building a strong sense of alignment with strategy requires a good communication system and strong accountability. Employees should be kept well informed about the changes that affect their work groups so that they aren't confused or surprised when those changes are introduced. Additionally, when organizations provide a clear sense of direction and keep employees well informed, employees are able to make the best use of their time, resources, and budgets, and, therefore, don't get off track when setting priorities or "spin their wheels" when taking action.

Effective performance management is the backbone of employee engagement. It drives accountability, serves as the basis for individual development, and shows everyone that the organization has a clear focus and direction. It also enables leaders to pinpoint and address poor performance. Few things are more frustrating to a high-performing team than a leader who refuses to handle the occasional member who is not measuring up. And many managers don't have the confidence to address poor performance.

2. Empowerment—William C. Byham's 1988 book, *Zapp! The Lightning of Empowerment*, was one of the first to examine the nature of employee empowerment. Empowerment is a feeling of job ownership and commitment brought about through the ability to make decisions, be responsible, be measured by results, and be recognized as a thoughtful, contributing human being rather than a pair of hands doing what others say. It implies having the authority to make decisions, follow through, and get things done.

Organizations build empowerment by choosing employees who take personal pleasure in the work they do and by giving employees the ability to make important decisions about their work. Employees feel empowered when a task appears to have a specific goal or purpose that is of value to the individual. Employees working in health care and nonprofit organizations often point to the rewarding qualities of their work and the alignment between their personal beliefs and the goals of the organization in spite of lower pay or stressful work tasks. In other industries, the value of employees' work may be less apparent, and it is more difficult to develop a sense of purpose or see the impact of one's efforts.

Using good measures of motivational fit and job fit during the employee hiring process can ensure that organizations are selecting the kind of people who find meaning in their work. Organizations also foster empowerment when employees have the perception that their actions are self-determined rather than directed by others. Leaders play a key role in developing a sense of empowerment in their direct reports. Empowering leaders trust their employees and give them the opportunity to make decisions without micromanaging or taking over tasks when the going gets tough.

3. Teamwork/Collaboration—“Even the Lone Ranger had a partner” is a truism in today’s business environment. Few employees can do their work without the support and input of others. When employees have the support and cooperation of their coworkers, they are able to accomplish more and share ideas to come up with creative solutions.

In the context of engagement, teamwork and collaboration require good relationships both within the work group and across work groups. Many organizations have strong teams with members who work well with each other. However, these teams or work groups must also work effectively with other teams or work groups in the organization. Many organizations have “silos” or competing work groups that fail to recognize the need to unite their efforts toward a common goal. When work groups become insulated from other groups, they can develop an “Us vs. Them” mentality that ends up hurting the organization in small ways each and every day, and in big ways in the long run.

Studies have shown that *teamwork* and *collaboration* within and between groups can predict an organization’s shareholder value and long-term team productivity and effectiveness.²¹ Additionally, the level of support and teamwork plays an important role in determining whether employees choose to leave or stay with an organization in the long term. In spite of the importance of teamwork, DDI’s 2003–2004 *Leadership Forecast* showed that, according to employees, only 41 percent of leaders have strong team-building skills.²²

A key ingredient in developing and maintaining high levels of cooperation and teamwork is a work environment built on trust. Trust means employees have confidence that others’ actions are consistent with their words, that leadership is concerned about their welfare and interests apart from what they can do for the organization, that the skills they have developed are respected and valued, and that each employee uniquely matters in the workplace.²³ Many studies have indicated that trust is a critical success factor in organizations and plays a key role in fostering high levels of teamwork and collaboration.²⁴

4. Growth and development—DDI’s 2004 *Selection Forecast*²⁵ study found that many employees leave their jobs for better growth and development opportunities, often offered by other organizations. Most employees want to keep their jobs fresh and interesting by learning new approaches and building new skills. Organizations can create engagement in their workforce by building a learning culture and creating individual development plans for every employee.

Promoting employee growth and development requires focused attention in several areas of the organization. First, organizations need to select employees who have a willingness to learn and can adapt their behaviors to a changing work environment.²⁶ This willingness to grow and learn promotes innovation and creativity in the workforce. Second, leaders need to work with employees to understand strengths and development needs, and provide opportunities to leverage or build skills and knowledge. Most employees want to use their best skills and will feel engaged when organizations recognize and capitalize on their unique strengths, rather than placing emphasis on fixing weaknesses. Third, organizations also need to provide meaningful development plans and opportunities that include programs such as training, succession management, special projects and assignments, and mentoring. The key to a successful development program is to ensure that all employees have a plan for development and clear accountabilities for making progress on their plans. The value of investing in a strong and diverse development program is clear. For example, studies have found that investments in development programs are significantly related to financial success in the organization.²⁷

5. Support and recognition—Employees who feel they are listened to, supported, and recognized for their contributions are likely to be more engaged. People like to be recognized for their unique contributions. In the Walker Information study *Halfway Out the Door*,²⁸ care and concern for employees emerged as one of the most important factors influencing employee commitment to their employers. The U.S. Department of Labor confirms that lack of employee appreciation plays a critical role in employees' decisions to leave their organizations.

Support and recognition can mean several things in the context of creating an engaging work environment. In one sense, support means that employees are appreciated for their ideas and efforts. Instead of treating employees as pawns, engaging organizations support contributions from employees by listening to them and responding to their ideas and concerns.

Although many organizations provide formal rewards and recognition programs for employee ideas and contributions, many employees are hungry for more day-to-day informal recognition. Employees who are unaccustomed to recognition for their work often remember a single pat on the back from a coworker or boss for weeks or even months. Support and recognition in an engaging environment is a daily occurrence that builds employee self-esteem and creates strong partnerships.

Each employee has unique skills and perspectives that add to the organization's ability to generate and analyze ideas. These ideas, in turn, yield a positive benefit for the organization's bottom line. The high-involvement movement of the early 1990s emphasized the importance of sharing employee ideas and involving employees in decision making. These practices were and continue to be linked to overall company performance. For example, Watson Wyatt found that when employees have input into how work gets done and can share ideas with senior leaders, there is a corresponding increase in a company's market value.²⁹

Support and recognition also mean that employees receive regular feedback about how well they are doing. DDI's *Selection Forecast* study found that only a little more than half (58 percent) of employees feel that they get enough feedback about how well they are doing. Employees need and expect feedback as a way of supporting their work and recognizing their progress. Ongoing feedback serves as a motivator for action by creating focus and shaping action.

Unfortunately, some leaders and employees see the opportunity to provide feedback as an open invitation for criticism, often delivered after the work is done. They have a hard time providing feedback that is specific, timely, and balanced. While leaders should work to address problems, they often forget that employees need encouragement and reinforcement for a job well done. Still, many leaders continue to struggle with providing honest and open feedback on performance. Engagement requires good feedback skills among employees and between employees and leaders. This open flow of information ensures that employee behaviors stay focused on the right priorities.

Engaged Employees

The right work environment should, of course, lead to a heightened sense of employee motivation, which, in turn, leads to *enhanced or discretionary effort*. Enhanced effort is not just putting in the extra time; it's also getting things right the first time and going out of one's way for the customer. The motivational aspect of engagement is well supported by more than four decades of research. In his book, *The Motivation to Work*,³⁰ published in 1959, Frederick Herzberg originated some of the most lasting and well-researched theories about work motivation. The factors determining satisfaction in Herzberg's work are surprisingly similar to the elements of employee engagement. According to Herzberg, the true motivators at work include achievement, recognition, work itself, responsibility, advancement, and personal growth.

The same things that drive motivation and enhanced effort also increase employee *loyalty* to the organization. Many studies have shown that employees base their decisions to stay or leave on factors related to employee engagement. It is not uncommon for employees to leave high-paying or high-status jobs because they don't feel fulfilled. DDI's *Leadership Forecast* study found that about one-quarter of leaders have considered dropping out of their leadership positions, largely because they want to pursue other personal or career goals.³¹ Building an engaging work environment is key to making sure that employees find fulfillment in their current jobs. Organizations that lose employees by failing to create engagement will pay the price. Past studies have shown that in an organization of 10,000 employees, the cost of a single percentage point of turnover can exceed \$366,000.³²

Organizational Success

The power of employee engagement is that it is closely connected to business results. Earlier, we summarized some of the many studies demonstrating the relationship between engagement and organizational outcomes. The results are overwhelming, and it's clear that employee engagement plays a strong role in business success. In particular, engagement can find support in the Service Profit Chain³³ and the Balanced Scorecard.³⁴ Both of these conceptual models demonstrate the power and impact of people practices and human capital on company performance. For employee engagement, we classify the primary business outcomes into four categories.

When employees work in an environment in which they can focus their attention on their work and have a drive to do their best, organizations experience higher levels of *productivity and profitability*. Engaged employees look for better ways to do their work, spend less time on wasted activities, and make effective use of resources. In the end, companies deliver better products or services and have more resources left to invest in further improvements.

Although it is an important consideration, high financial compensation is not the only driver of increased employee *retention*. As addressed previously, employees decide to stay with organizations for other reasons, such as growth and development opportunities, strong leadership, and meaningful work. Turnover costs organizations millions of dollars each year, and engagement has a proven relationship to employee retention.

No one likes going into a store where the sales clerks are sullen, absent, or uncooperative. It's easy to see why customers notice engaged employees and are more satisfied and willing to purchase again. Organizations with engaged employees have more satisfied customers, but it's not just because employees have better interactions with customers. Engaged employees are more likely to improve other critical factors affecting customer satisfaction, such as responsiveness, product quality, thought leadership, innovation, etc.

Finally, higher engagement translates into *higher and faster revenue growth*. Engaged employees are more innovative and place more emphasis on meeting customer needs. The "what can I do better or differently" attitude of engaged employees versus the "it's not in my job description" attitude of the unengaged simply leads to better financial performance.

MOVING THE ENGAGEMENT NEEDLE

Organizations serious about increasing employee engagement drive it from the top with extensive input and involvement from HR. At the 30,000- foot level, the initiative can seem straightforward: Gain support, agree on an employee engagement survey instrument, ask employees to fill it out, and analyze and distribute the results so that appropriate groups and departments see their results. From the feedback should come a set of initiatives to improve engagement. The program is then monitored including readministration of the engagement instrument.

Unfortunately, things are rarely this cut and dried.

When leaders follow the process described above, they can succeed at *installing* a process to measure employee engagement, but they will almost always fall short of realizing the benefits of increased employee engagement. *Installation* is introducing a new solution or process into the organization, whereas *realization* is when an organization achieves the business outcome they originally anticipated. Table 1 describes the differences between *Installation* and *Realization* in more detail.

Table 1: Installation and Realization

Features	Installation is the end state	Realization is the end state
“Stated” goal	Achieving desired business results	Achieving desired business results
Critical success factors	Inserting solution into the status quo	Change process guides installation
Focus of attention	Logistics, scheduling, training, budgets, plans	Impact, change, and results
Indicators of success	Meeting critical milestones, usage, figures, getting things done	Sustainable changes in workforce performance that can ultimately lead to improved organizational performance
Quality of outcome	Short term and of insufficient value	Long term and of substantial value
Management support	Weak or inconsistent	Strong and sustained
Cost of monitoring and enforcing use	High—leader and workforce commitment is low	Low—leader and workforce commitment is high
User motivation	Compliance: “I have to do this”	Engagement: “I want to do this because I know it’s important to the organization”
User resistance	Addressed after the fact	Preventive measures taken up front

Let's take a look at the main phases of an employee engagement initiative and the key elements of each.

Phase 1—Activities Prior to Launch of Employee Engagement Survey

Any significant employee engagement initiative must have strong support and buy-in from senior leaders. Not only do senior leaders need to understand and accept the intellectual business case as to why engagement is important, but they also must have an inner belief or passion that employee engagement is crucial to business success. And they must be willing to accept their roles and responsibilities throughout the process. Further, it is important to convey to senior leaders that increasing engagement across the organization is likely to involve some personal behavior change on *their* part.

Another activity that cannot be overlooked is the *rollout strategy*, which describes how to distribute survey results, formulate action plans, and determine *who* will see *what*. Will breakout reports be available at department or facility levels only, or will breakout reports cascade down to the smallest group or unit possible? We recommend, to maintain confidentiality, that breakout reports be provided to groups with at least 8 to 10 respondents. The rollout strategy also needs to address a number of important aspects including:

- How results will be presented to senior, middle, and frontline leaders (for example, large group sessions, webinars, department meetings).
- How leaders will be trained to interpret results and facilitate the action-planning process.
- What types of developmental resources will be available to leaders and staff to facilitate the completion of action plans.

All employee engagement initiatives require a *comprehensive communication strategy* that begins well before the survey is launched. If employees don't have enough information, no one should expect them to provide honest and valuable responses. In all cases, the communication strategy should include:

- Why the employee engagement initiative is being conducted—what the ultimate purpose is.
- Who will see the results, and how they will be used.
- How actions to improve engagement will be taken.
- How confidentiality will be handled so that individual responses will be kept anonymous.

Table 2: Survey Readiness Factors

Level of trust —Do most employees trust that a survey will be confidential when management says it will be?
Likelihood of action —Will management take action based on the results, or will it be “business as usual”?
Receptivity to feedback —Have leaders at all levels been receptive to feedback in the past?
Ease of completion —Is the survey being administered in a way that makes all employees feel comfortable participating?
Success of past surveys —Have past surveys lived up to expectations in the minds of most employees?

As in any good marketing campaign, the communication message should be delivered in ways that will reach all employees. In some organizations, a letter or e-mail from the CEO is a great way to kick off the employee engagement initiative. Regardless of how the employee engagement initiative is promoted, it is important for senior- and middle-level leaders to know enough about the employee engagement initiative to respond to employee questions and to be fully supportive of its goals and objectives.

Phase 2—Survey Development and Execution

Survey Development

There is no lack of survey instruments in use today that profess to measure employee engagement. When you add to this array the mountain of employee opinion and employee satisfaction survey instruments that have been used during the last 30 years, just the selection of the right survey instrument for your organization can be a frustrating and unsatisfying process.

To help you cut through the marketing hype that you will encounter in your search for the best instrument, we offer five characteristics of a topnotch employee engagement instrument:

Characteristic #1: Short

By “short” we mean that the employee engagement instrument shouldn’t also be trying to measure satisfaction with current benefits, impressions of a recent program or initiative, or how well a new strategic direction has been communicated. Survey fatigue can result if the instrument extends beyond 20 or 25 questions. Employees can become frustrated with the survey process itself, and as they rush through the questions, the quality of their responses suffers.

Characteristic #2: Valid

Common questions asked about the validity of an engagement survey instrument are:

- Do the survey questions *appear* to be credible aspects of employee engagement, or does the survey leave respondents wondering how the answers to these questions will prove insightful?
- Do the survey items and rating scales actually measure what the survey instrument purports to measure (that is, employee engagement), or are the questions just a laundry list of common employee satisfaction questions?
- Do the levels of engagement indicated by the survey results correlate to important business measures, such as productivity, revenue, turnover, safety, and other measures of success?

Characteristic #3: Reliable

The reliability of an engagement survey is the ability of the instrument to deliver accurate results when administered to random samples of the same population, or (more common in engagement surveys) to the same population over time. There are many ways in which a survey can be unreliable, and some surveys are not intended to be reliable over time. Good survey reliability is often a function of careful wording, format, content, and administration. Normally, reliability can be established by showing internal consistency among survey items (that is, Chronbach’s alpha) or by showing high correlations between two administrations of the same test with a group of individuals.

Characteristic #4: Limited Flexibility

Inflexibility. . . a *good* quality? While flexibility might be a positive attribute of many HR initiatives, it can hamper the effectiveness of measuring engagement. Nearly every organization wants to compare or “benchmark” its engagement results with results from other organizations. The most accurate benchmarking occurs when the same survey items are used. Unless the survey asks the same questions, uses the same rating scale, and employs the same basic survey approach, there will be little value in comparing an organization’s engagement results to those of other organizations. Also, the better engagement instruments are built on a foundation of research. Adding or changing items haphazardly will reduce the accuracy of the instrument in measuring engagement and subsequently will affect organizational performance.

Characteristic #5: Actionable

Even if the first four characteristics are satisfied, an engagement survey can fail miserably if survey item results cannot easily translate into actions to improve the level of employee engagement in the organization. A high-quality engagement instrument should lead to clear and understandable solutions—both tactical and strategic—that individual leaders and organizations can leverage to drive employee engagement to higher levels. Leaders should always be able to answer the following question: If a particular item is rated low, is there something we can do about it in our organization? In fact, an engagement expert should be able to help the organization map specific solutions to each survey item prior to Phase 1 activities so that there are no surprises as results are interpreted and strategies determined.

In addition, survey results will have diminished value if the key findings are embedded in reams of detailed analyses. If the leader at each level can't understand the meaning of the results, it is more than useless—the survey will have soured the leader against other measurement activities and it will turn off the survey respondents if they see no results in response to their survey answers.

Survey Execution

Once you have selected a top-notch engagement survey instrument, the next step is to plan the execution of the survey itself. Two important aspects of survey execution are the survey population and the method(s) of survey distribution.

For decades, pollsters have predicted election results and identified market trends by surveying only a fraction of the entire population. If your sole goal is to measure employee engagement at a macro level, then you could use some of these same sampling techniques. However, most organizations want to “slice and dice” their results so that even relatively small departments or work units can see how their group responded. This level of refinement requires that all employees be surveyed. Also, by surveying all employees you create broader awareness of, and buy-in for, the mission of increasing employee engagement. This is especially important if the results are to serve as a catalyst for significant cultural change.

With today's technologies and widespread access to the Internet, most organizations deliver engagement surveys online to as many employees as possible, in whatever languages are most appropriate. For employees without easy access to the Internet, scannable surveys provide an adequate distribution platform. Regardless of the distribution method, consider logistical issues carefully before the survey launch, to avoid glitches and minimize participant frustration.

Phase 3—Review of Results and Action Planning

In this phase, most organizations conduct a top-down sharing of engagement results followed by widespread action planning at a number of leadership levels. We believe that in addition to this type of activity and involvement, it is a best practice for senior leadership to examine the results from a strategic perspective and decide what actions could and should occur at the organization level to create a more engaging environment or culture.

In this section we will focus on the sharing of overall and subgroup/departamental results and action planning activities; in Phase 4—Execute/Take Action we will provide more insights into the responsibilities and actions at the senior leader level.

Engagement can be tracked and measured over time, and the common reference point, or baseline, creates accountability for managers and offers a universally valued measure of progress. Top-down sharing of results and widespread action planning can be an implementation nightmare:

- Begin with a good amount of anxiety about the sharing of employee engagement results.
Each leader might wonder:
 - Will my business unit or department look much better or worse than others?
 - Will my group's scores be different than I expect?
 - Will I be held accountable for the current or future level of engagement of my group?
- Add to that the likelihood that there will be little time or budget for mid-level and frontline leaders to receive in-depth training in how to share results, get their groups involved in the process, and formulate viable action plans.
- End with a lack of clarity about the priority of these action plans and the extent to which leaders will be held accountable for completing their action plans amid other group and organizational goals and objectives.

At DDI, we believe organizations are best served when they develop an approach for leaders to share results and create a meaningful action plan that is consistent and easy to execute without involving time-consuming training. To accomplish this objective, leaders need clear and detailed instructions and guidelines. For example, we use a four-step action planning process:

STEP 1: EXAMINE Engagement Scores

- Understand engagement scores before sharing them with others.
- Consider the impact that you (the leader) have had in the level of engagement.
- Look at the scores from the perspective of the staff.

STEP 2: EXPLAIN/SHARE Results

- Ensure staff has a clear understanding of the purpose and importance of increasing employee engagement.
- Present results so that everyone will understand what the scores mean.
- Encourage balanced discussion of strengths and opportunities for improvement.

STEP 3: EXPLORE Possibilities

- Get input on individual action plans that you are considering.
- Lead brainstorming of actions that the group can undertake.
- Consider impact and effort of various ways to increase engagement.

STEP 4: EXCEED—To Go Beyond

- Create meaningful action plans that require the group to “stretch” and grow.
- Include short- and long-term action plans.
- Anticipate obstacles or barriers to success.

We incorporate these steps into an Engagement Action Planner that serves as each leader's inspiration guide, action planning process map, and documentation guide for the entire action planning process. Action planning should be tightly linked to the development resources that each organization offers. By this we mean that for every survey item being measured in the engagement survey, leaders should have resources available to support them and their staffs. Resources can be classroom or web-based training courses, electronic performance

support tools, mentors, executive coaches, self-directed learning activities, and other developmental experiences. If leaders do not have access to development options for each survey item, the survey results could create more frustration than improvement. One client had some sage advice for all organizations about lining up resources to support leaders' action plans: "If you open the door, you'd better be willing to walk through it."

One more activity associated with the action planning process is the collection and tracking of action plans to report progress and assure compliance. Each organization will develop its own approach to ensure execution of action plans. To this end, we offer a number of suggestions and strategies in the next section.

It is also important not to view employee engagement results in a vacuum. No matter how clear a picture the results seem to paint, make sure that the conclusions being drawn are consistent with other sources of organizational information, such as previous employee satisfaction or culture surveys, turnover-related data (for example, exit interviews), productivity measures, performance appraisal data, grievances, etc. In addition, make sure the discussion (at all levels of the organization) includes asking why the results are what they are. Ask for examples and personal stories to make the results even more meaningful and compelling.

Phase 4—Execute/Take Action

An employee engagement initiative is simply an exercise in futility if there isn't a true commitment to taking positive action to improve employee engagement. Changing organizational culture, addressing a major HR system deficiency, or raising the bar on leadership behavior doesn't happen overnight, and it doesn't happen by focusing on only one factor of engagement.

Executing your engagement strategy is likely to be more difficult than the employee engagement initiative's first three phases combined because it *requires* that employees at all levels of the organization change their behavior. To help you develop a high-engagement work environment and realize bottom-line results, we present a number of suggestions organized around the five components of realization: communication, accountability, skills, alignment, and measurement.³⁵

Communication

- Generate more interest in the engagement process by shining a spotlight on it. As action plans are made and groups begin to take employee engagement seriously, provide encouragement and support through internal communications. For example, you can use your company newsletter to talk about engagement and its progress throughout the organization.
- Collect and publish engagement success stories as they happen.
- Use engagement success stories to demonstrate examples of out-of-the-box thinking or any other desirable attribute that the organization wishes to increase and promote.
- Keep senior leaders updated regarding the employee engagement initiative and its impact so that they don't lose sight of the importance of the initiative.
- Schedule and conduct manager and employee informational sessions of engagement programs.

Accountability

- Ensure that there is a single *owner* for your employee engagement initiative. While engagement is everyone's responsibility, driving the process is a senior-level responsibility.
- Challenge senior leaders to take a personal interest in increasing employee engagement. The senior leadership team first needs to work together to set cascading organizational goals and objectives to increase engagement on an enterprise level. Second, they should create action plans with both their direct reports and their entire business unit or group.

- Ensure that accountability (what needs to be done, by whom, by when) for engagement actions is clear.
- Incorporate expectations for increasing engagement into the performance management system.
The clearer you can be in advance regarding team and individual accountability, the stronger the results.
- Provide ongoing progress reports to senior management, so that they can calibrate programs against goals and close any gaps.

Skills

- Project leaders and senior-level champions need to become articulate advocates of the value of employee engagement. They can become strong advocates by being knowledgeable on the topic of employee engagement and its relationship to business performance.
- Do not underestimate the value of providing leaders with the skills and proper motivation they need to conduct high-energy, enthusiastic action planning sessions with their staffs.
- Make sure leaders at all levels have the change management skills they need to do things differently. Changing levels of engagement often mean significant cultural changes that will need to be managed by leaders at all levels.

Alignment

- Conduct sessions with senior management to make sure they continue to be aligned with and fully support the changes needed to achieve a high-engagement environment.
- Create a high-level working group, including senior HR and operational leaders, to review each major area of human resource management and to support a high-engagement environment. Major areas include selection and recruiting, leadership and workforce development, rewards and recognition, compensation and incentives, performance management, and succession management. The group should develop a realignment strategy to recommend to senior leaders. The following examples list some possible actions:

Selection and Recruiting:

- Consider the match between a prospective employee's motivations and values and those offered by the job or organization when making selection and promotion decisions.
- Test for engagement propensity.
- Make decisions about promotions to leadership positions based, in part, on the ability of the candidate to build highly engaged teams.

Leadership and Workforce Development:

- Use your engagement survey score to target leadership areas (and leaders) most in need of development. The engagement survey can often act as a leadership training needs analysis.
- Remember that an emphasis on training and development is, in itself, a strong determinant of engagement.

Performance Management:

- Involve all employees in setting goals (the whats) and targeting competencies (the hows) in relation to departmental and company priorities and the organization's value system.
- Hold people accountable for performance; reward the winners and act on those that don't meet expectations.

Rewards and Recognition:

- Help leaders understand the difference between reward (some type of financial or nonfinancial compensation) and recognition (public or private appreciation for a job well done).
- Increase the frequency of *recognition* and *feedback*. They are powerful motivators of engagement and often cost nothing.
- Set up special awards for leaders or teams that embody engagement.

Measurement

- Create lead indicators (or measures) throughout the employee engagement initiative to ensure that the actions being taken are achieving the results desired. This might seem redundant, but it's critical to the success of the initiative. Lead measures in Phase 4 include successful completion of short-term action items, compilation of initial success stories, and positive “buzz” around the changes that are happening because of the employee engagement initiative.
- Monitor engagement once or twice a year.
- Connect/Correlate engagement scores to critical outcome measures (for example, turnover, sales, customer service) and report findings.

CONCLUSION

We began this monograph with a Woody Allen quote. With all due respect to Woody—*engaged* employees do a lot more than just “show up.” They fuel higher levels of business performance, enable the successful execution of business strategies, and improve performance. Time and time again, studies have shown that moving the needle on engagement moves the needle on performance.

But engagement is not a simple matter. If you are considering just jumping on the bandwagon, forget it. And nothing is more dangerous than measuring engagement without making the commitment to act on the feedback.

Engagement has to be a leadership-driven initiative from the most senior level all the way to the front line. No one affects an employee's engagement as much as his or her immediate leader. Engaged leaders coach proactively for success, inspire loyalty and trust, and build an environment in which employees are motivated and engaged.

To foster an environment of engagement, organizations need strong systems and strategies that promote and support engagement. Hiring and selection systems that measure motivation and the propensity for engagement, leadership training in certain skills (coaching, influencing others, managing change), performance management and accountability systems that provide direction, support, and objective assessments—all work together to provide a foundation and environment in which engagement can flourish.

Ultimately, engagement lies in the heart of the employee. Measuring motivational and job fit during the hiring process ensures that you select people who can and want to find meaning in their work. Some people have personal characteristics that correlate with higher levels of engagement, and those characteristics can be screened for during the hiring process. Once you've hired the right people, engagement can be either fueled or hampered by the work environment and quality of leadership.

Building an engaged workforce is a long-term, ongoing initiative. Because it requires a coordinated, consistent effort from leaders, organizational systems, and individuals, it must be aligned and linked with the most important organizational business drivers, or it will get pushed aside by the daily press of work, and languish.

In the end, the rewards are many. A fully engaged workforce is a loyal workforce—expect turnover to drop. In addition, an engaged workforce will give the extra effort your organization needs to remain competitive.

 **LEARN MORE**
[Employee Engagement](#)

 **CONTACT US**
World Headquarters: +1 412.257.0600 | info@ddiworld.com www.ddiworld.com/employ-

REFERENCES

- ¹ Corporate Executive Board. Driving performance and retention through employee engagement. (2004). Washington, DC.
- ² Understanding what drives employee engagement. (2003). The 2003 Towers Perrin Talent Report.
- ³ Gallup Journal, (2003, December 11).
- ⁴ Corporate Executive Board. Driving performance and retention through employee engagement. (2004). Washington, DC.
- ⁵ Walker loyalty report. (2003, September). Indianapolis, IN: Walker Information.
- ⁶ Employee engagement at double-digit growth companies. (2004). Hewitt Research Brief.
- ⁷ Understanding what drives employee engagement. (2003). The 2003 Towers Perrin Talent Report.
- ⁸ Brookings Institute, www.brook.edu (2003).
- ⁹ Chambers, E.G., Foulan, M., Handfield-Jones, H., et.al. (1998). War for talent. The McKinsey Quarterly, 3, 44-57.
- ¹⁰ Burke, M.E., & Collision, J. (2004, November). U.S. job recovery and retention. Society for Human Resource Management.
- ¹¹ Linking people measures to strategy. (2004). New York: The Conference Board.
- ¹² Employee engagement at double-digit growth companies. (2004). Hewitt Research Brief.
- ¹³ Understanding what drives employee engagement. (2003). The 2003 Towers Perrin Talent Report.
- ¹⁴ Corporate Executive Board. Driving performance and retention through employee engagement. (2004). Washington, DC.
- ¹⁵ Gallup Journal, (2003, December 11).
- ¹⁶ Engaged employees drive the bottom line.(2004). ISR Report.
- ¹⁷ CLO, 2(19), (2005, May 9).
- ¹⁸ Gladers, S. (2004). Measuring more than efficiency: The new role of human capital metrics. New York: The Conference Board.
- ¹⁹ This American Life: Should I stay or should I go? (2005). [Radio episode 284]. Chicago, IL: WBEZ.
- ²⁰ Community Credit Union. (2003). DDI Research Results. Pittsburgh, PA: Development Dimensions International.
- ²¹ Hoegl, M., Weinkauff, K., & Gemuenden, H.G. (2004). Interteam coordination, project commitment, and teamwork in multiteam R&D projects: A longitudinal study. *Organization Science*, 15(1), 38-55.
- ²² Bernthal, P.R., & Wellins, R.S. (2003). Leadership Forecast: A benchmarking study. Pittsburgh, PA: Development Dimensions International.
- ²³ Rogers, R.W. (1994). The psychological contract of trust. Pittsburgh, PA: Development Dimensions International.
- ²⁴ Erdem, F., Ozen, J., & Atsan, N. (2003). The relationship between trust and team performance. *Work Study: A Journal of Productivity Science*, 52(6-7), 337-340.
- ²⁵ Bernthal, P.R., & Erker, S. (2004). Selection forecast: Recruiting and hiring talent. Pittsburgh, PA: Development Dimensions International.
- ²⁶ Eichinger, R. W., & Lombardo, M.M. (2005). High learners as high performers. *Lominger in Focus*, Minneapolis, MN: Lominger Limited, Inc.
- ²⁷ Bernthal, P.R., & Wellins, R.S. (2003). Leadership Forecast: A benchmarking study. Pittsburgh, PA: Development Dimensions International.
- ²⁸ Walker Information. (2000). Halfway out the door: The Walker Information and Hudson Institute national employee relationship report. Indianapolis, IN: Walker Information, Inc .
- ²⁹ Watson Wyatt. (2001/2002). Human capital index: Human capital as a lead indicator of shareholder value. Washington, DC: Watson Wyatt Worldwide.
- ³⁰ Herzberg, F. Mausner, B., & Snyderman, B. (1959). The motivation to work. New York: John Wiley & Sons.
- ³¹ Bernthal, P.R., & Wellins, R.S. (2005). Leadership forecast 2005-2006: Best practices for tomorrow's global leaders. Pittsburgh, PA: Development Dimensions International.
- ³² Bernthal, P.R., & Erker, S. (2004). Selection forecast: Recruiting and hiring talent. Pittsburgh, PA: Development Dimensions International.
- ³³ Heskett, J.L., Jones, T.O., Loveman, G.W., Sasser, Jr., W.E., & Schlesinger, L.A. (1994, March-April). Putting the service-profit chain to work. *Harvard Business Review*, 164-174.
- ³⁴ Kaplan, R.S., & Norton, D.P. (1996). The balanced scorecard: Translating strategy into action. Boston: Harvard Business School Press.
- ³⁵ Rogers, R.W., Wellins, R.S., & Conner, D. (2004). The power of realization. Pittsburgh, PA: Development Dimensions International.

ABOUT THE AUTHORS

Richard S. Wellins, Ph.D., is a DDI Senior Vice President and is responsible for launching DDI's new products and services, leading DDI's Center for Analytics and Behavioral Research (CABER) and its major research projects and executing DDI's global marketing strategy. An expert on leadership development, employee engagement and talent management, Rich is a frequent presenter at conferences and events around the world and is a judge for CNBC's Asian Business Leaders Award.

Paul Bernthal, Ph.D., leads cross-functional teams and partners with stakeholders to create innovative, practical assessment technologies that enable clients to identify, select, and develop exceptional talent. By managing the R&D life cycle, Dr. Bernthal designs and implements the underlying architecture (content, systems, and processes) that enables global assessment delivery and achieves the highest levels of technology integrity.

About Development Dimensions International

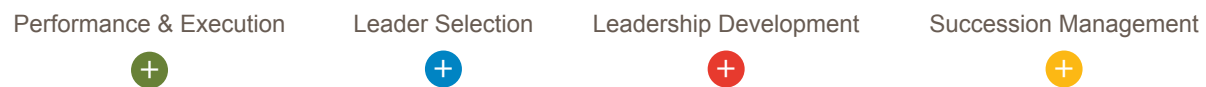
Only 2 in 10 companies today have the leaders to meet tomorrow's business challenges. The good news? When they do, they are 3 times more likely to destroy the competition.

What if you could:

- Build the capability of leaders to beat the odds against failed business strategies?
- Make leadership selection and promotion decisions with pinpoint accuracy?
- Architect learning experiences that ignite the passion of your leaders to grow and learn every day?
- Secure your future with succession plans that build a strong leadership bench strength, bottom-up and top-down?

DDI can make it happen. Obsessed with the science of leadership. Four decades of experience and results. Across thousands of organizations in 93 countries. One million better leaders. Let us show you the art of leadership possibilities.

Helping you meet your business goals by ensuring a ready-now supply of leaders.



EMAIL: info@ddiworld.com

VISIT: www.ddiworld.com

THE AMERICAS

WORLD HEADQUARTERS
PITTSBURGH
+1 (412) 257-0600

MEXICO CITY
+52 (55)1253-9000

TORONTO
+1 (416) 644-8370

EMEA

DÜSSELDORF
+49(0)21 59/91 68-0

LONDON
+44 203 741 7800

PARIS
+33.1.84.88.53.80

ASIA-PACIFIC

MUMBAI
+91 22 6191 1100

SHANGHAI
+8621.2329.5000

SINGAPORE
+65.6226.5335

SYDNEY
+61 (2) 9466-0300