

# The Engagement Difference

Sustaining high performance in an economic downturn

By Dr. Jane Yang\* and Linda Yan



**W**ATSON WYATT research shows engagement is a leading indicator of financial performance. Engagement consists of commitment and line of sight, which are also two of the four factors in the Watson Wyatt Four-factor Model of Employee Effectiveness (See Figure 1). Committed employees are proud to work for their companies and motivated to help the company to succeed, and employees who work with a clear sense of focus and direction are high on line-of-sight. The WorkAsia™ 2008/9 survey took a close look at engagement and its relationships with other workplace factors.

**Summary of findings in Hong Kong:**

- Overall employee engagement has declined by 17 percent in Hong Kong since the 2007 study. Specifically, the commitment score has declined 19 percent, and the line of sight score has declined 14 percent. The sharp decline of these scores indicates employers in Hong Kong have to focus on motivating employees and strengthening the sense of focus and direction to enhance their engagement levels.
- There are noticeable differences between high-engagement and low-engagement employees in Hong Kong. High-engagement employees are almost twice as likely to be top performers, and they miss fewer days of work. They are also more likely to turn to supervisors, work group members, and company resources for career advice, compared with low-engagement employees. Nevertheless, high-engagement employees may leave the company due to stress levels. More stress management training is advised for these high-engagement employees.
- Leveraging 'engageable moments' is important for stopping the decline of engagement. Due to rapid growth in the Asia-Pacific region, many companies have supervisors and managers with limited experience. Hong Kong is no exception. To make the best use of engageable moments, companies must provide proper and adequate training to equip managers with performance management and coaching skills.

■ Beyond the engageable moments, companies in Hong Kong must create a culture of:

- continuous engagement built on effective internal communication,
- intense customer focus,
- clear advancement paths, and
- transparent rewards packages.

Companies that excel in these areas can improve individual and organizational performance and may deliver superior results.

■ Employees are far more likely to be engaged when the company creates a compelling employment deal, lives up to the deal after the employee is hired and communicates it effectively throughout the employee relationship.

**Key findings**

**1) Engagement trends**

**Table 1: Engagement, commitment and line of sight trends between 2007 and 2008**

	Engagement	Commitment	Line of Sight
Hong Kong	-17%	-19%	-14%
Asia Pacific	-4%	-3%	-6%

Table 1 above shows the decline in engagement, commitment and line-of-sight for Hong Kong as well as Asia-Pacific over the past year. Hong Kong experienced the deepest drop in engagement scores in the Asia-Pacific region. This significant decrease was attributed to both deteriorating commitment (19 percent drop) and weakened line of sight (14 percent drop).

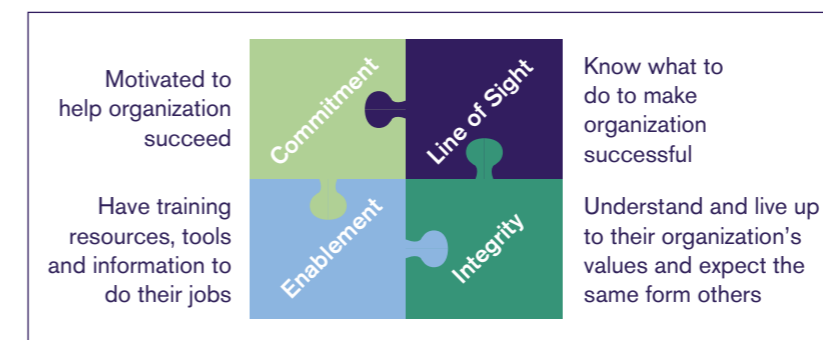
The survey data was collected a few months before the October financial crisis. The Hong Kong economy had been growing at above-trend pace since the upturn in mid-2003. This positive economic environment, however, did not lift the people's commitment and loyalty in Hong Kong. Inevitably, the declining commitment trend caused high turnover rates in Hong Kong. With the looming economic downturn, employers in Hong Kong can seize this opportunity to help people through the uncertain times, thereby regaining their hearts and uplifting the engagement levels.

**2) High versus low engaged employees**

Table 2 p.7 shows that high-engaged employees are more likely to be top performers, less often to miss the work, more willing to share

*\* Dr. Jane Yang contributed to the analysis and writing of the WorkAsia country reports.*

**Figure 1: Watson Wyatt's four-factor model of Employee Effectiveness**



# Engageable Moments occur during onboarding, performance management and career development

knowledge and more willing to accept change compared to the low-engaged employees.

**Table 2: Performance, absenteeism and knowledge-sharing between high and low-engaged employees**

	High Engagement	Low Engagement
Exceeded/ Far exceeded expectations	45%	30%
No. of days absent from work	3.5	4.4
Willingness to share knowledge	86%	36%

Noticeably, 86 percent of the highly-engaged employees in Hong Kong are open to knowledge sharing. This indicates a positive relationship between engagement levels and strong trends of knowledge sharing in organizations. Nowadays, given the increasingly competitive environment in Hong Kong, more and more organizations recognize the importance of innovation and knowledge sharing. Watson Wyatt's research findings suggest employers should take actions to strengthen employee engagement to build a culture of open knowledge sharing in Hong Kong.

Table 3 compares the reasons for joining and learning, for high-and low-engagement employees in Hong Kong. Parallel to the Asia-Pacific results, the Hong Kong results indicate that base pay remains consistently as one of the top factors affecting employee decisions of joining and leaving companies. Helping high-engagement employees cope with stress as well as advance professionally are effective ways of retaining them.

### 3) Engageable Moments

WorkAsia data shows that engagement levels start high for all employees and then taper off during the early years on the job. High-engagement is the result of numerous positive interactions and events that translate into a positive employee experience. Each one represents an engageable moment – an opportunity to increase commitment, line of sight or both. Missing that opportunity diminishes engagement. Engageable moments occur as a result of formal HR programs such as onboarding, performance management and career development. They can also take place during mergers and acquisitions, restructuring, downsizing and other major changes. Well-designed HR programs backed by managerial and HR support help managers and supervisors strengthen engagement.

**Table 3: Why people join and leave in Hong Kong**

Top 3 Reasons to Join	
High Engagement	Low Engagement
Base pay	Base pay
Health care benefits	Nature of work
Incentive pay opportunity	Health care benefits

Top 3 Reasons to Leave	
High Engagement	Low Engagement
Stress levels	Base pay
Base pay	Promotion opportunity
Promotion opportunity	Stress levels

### Onboarding and the early years

During onboarding, new employees participate in orientation and training courses that help them ramp up to full productivity. During the first year, they also typically receive one-on-one coaching from supervisors and managers.

Engagement is highest during the first year, and then begins to drop. Table 4 on p.8 shows the frequency of supervisors providing feedback on performance and employee perceptions with respect to coaching over time. For Hong Kong employees, typically less than 50 percent of respondents indicate receiving weekly performance feedback. It appears that those with 5 to 10 years of tenure receive relatively more performance feedback from their supervisors than any other period of their tenure. To tackle the high turnover rate and decreasing engagement levels in Hong Kong, employers may need to give more attention to the employees falling into the less than 5-year tenure and greater than 10-year groups. Through weekly communication, employers can identify the potential top performers and engage these employees.

Attitudes with respect to trust and confidence may decline with tenure. Low-engagement employees may be more susceptible to negative influences that drag down their engagement levels even further.

Table 5 on p.8 reveals that employees belonging to the tenure group of 10 to 20 years have less trust and confidence in management, and are less likely to perceive fairness in the organization. Employees who have been with the company for more than 10 years tend to be skillful and experienced, so they can contribute to the company a great deal. However, their relatively cynical attitudes can hinder the company's sustainability and growth. In view of this, it seems important for Hong Kong employers to find ways to boost the morale and gain the trust of all employees, especially those with 10 to 20 years tenure.

**Table 4: Feedback on performance and the amount of coaching by tenure**

	< 1 year	1<5 years	5<10 years	10<20 years	20+ years
Supervisor provides feedback on performance at least weekly	17%	27%	41%	23%	22%
Supervisor coaches employee to improve performance	49%	56%	49%	40%	39%

**Table 5: Trust and confidence by tenure**

	< 1 year	1<5 years	5<10 years	10<20 years	20+ years
Trust and confidence in the job being done by senior management	51%	55%	53%	40%	47%
Perception that the immediate supervisor applies policies and procedures fairly	51%	57%	55%	44%	39%
Confidence in the information received from management	47%	59%	57%	42%	50%

### Performance Management

Annual performance reviews provide a valuable opportunity for assessing progress against the previous year's goals and for setting new goals for the year ahead. Effective performance management, however, encompasses far more than just these annual meetings. It creates numerous engageable moments during which managers and supervisors have the employee's full attention as they interact to:

- Establish realistic and achievable goals
- Link goals to the business to increase line of sight
- Track progress toward goals
- Discuss strategies for improving performance

Performance management processes that help employees set realistic and achievable goals and link

understand the foundation of effective performance management and teach them how to conduct reviews – even negative ones – can maintain and even increase engagement levels. WorkAsia data shows that among employees who are rated as exceeding expectations in their performance reviews, 29 percent are highly engaged. Interestingly 47 percent of employees who received low performance ratings but perceived the review as helpful and say the manager coached them to improve, are highly engaged.

### Career development

Table 7 indicates that high-engagement employees perceive that the company offers more opportunities for advancement. They are having more career discussions with their supervisors

those goals to the business can increase the line-of-sight component of engagement.

Watson Wyatt research shows that both frequency of performance discussions and the quality of those discussions affect engagement levels. High-engagement employees are more than twice as likely as their low-engagement colleagues to receive this feedback daily or weekly, see Table 6 below. Companies can create more opportunities for engageable moments by ensuring that supervisors and managers have more frequent performance discussions with their direct reports.

Companies that help their managers and supervisors

**Table 6: Impact of effective performance management on engagement**

	High Engagement	Low Engagement
My performance goals are realistic/ achievable.	90%	24%
My immediate supervisor coaches me to improve my performance.	84%	18%
There is a clear link between my job performance and my pay.	79%	8%
My company does a good job of dealing appropriately with employees whose performance fails to improve.	78%	6%
It is clear to me how my performance goals are linked to my company's strategy and goals.	87%	10%
My performance reviews have helped me improve my performance.	84%	18%

and they consider those discussions to be beneficial. They know what career paths are open to them and know what they need to do to advance. This longer-term perspective indicates a commitment to stay, making them valuable employees who will continue to deliver high individual performance.

Clearly, communication is vital. The question is where that communication occurs. The Hong Kong results of the WorkAsia

# “ Communication, customer satisfaction and transparency of career opportunities and rewards are the keys to Continuous Engagement ”

Survey indicate that for high-engagement employees, communication takes place with the supervisor and with the employee's network within the company. For low-engagement employees, it takes place on the Internet and with other sources outside the company.

**Table 7: High-engagement employees see more opportunities for advancement**

	High Engagement	Low Engagement
Employee has a clear idea about possible career paths	91%	19%
Employee knows what to do to advance	96%	49%
Company does a good job of providing opportunities for advancement	89%	8%

Indeed, self-service career development tools can enhance career development efforts. Employees can use these tools to explore career paths and opportunities on their own and gain insight into the competencies required. However, these tools are not substitutes for the high-touch, personalized interactions between employees and their co-workers, managers and mentors.

## Continuous Engagement

Increasing engagement levels is vital to winning the war for talent. Companies with highly engaged workforces have lower turnover, which keeps recruiting and training costs in check. They also enjoy lower absenteeism and their employees are more productive.

In addition to seizing the opportunities offered by engageable moments, companies must also focus on overall strategies that strengthen engagement throughout the employer/employee relationship. The 2008/2009 data shows that in Hong Kong, how engaged (or disengaged) employees are depends on how effective the organization is in: (see side-bar)

1. Communicating openly and effectively
2. Focusing employees at all levels on customer satisfaction
3. Providing career advancement opportunities
4. Motivating employees with the total rewards package

Companies that excel in these areas have high engagement, high productivity, low turnover and superior



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financial performance. Investing in programs that strengthen these areas can potentially boost engagement and improve financial performance.


## Employment deal

Watson Wyatt research suggests companies that are open and honest about what they are offering and link their employment deal to the central message of the business will likely find that it is easier to attract and retain people.

During the first year and beyond, it is important to continue to articulate the deal and focus on creating an employee experience that is consistent with the customer brand promise. By doing so, companies can build understanding and set expectations. As a result, employee attitudes remain positive and engagement stays at a higher level.

## Conclusion

Watson Wyatt's WorkHongKong 2008/9 study is a key diagnostic tool that helps businesses in two important ways. Firstly, it analyses the top drivers of employee engagement. Engagement levels have been repeatedly linked to important organizational outcomes, so this information can enable the organization to take targeted action to increase its competitiveness in the marketplace. Secondly, it analyses key categories of workplace culture and employee perceptions in Hong Kong, so that the organization can develop an employer brand that is compelling and competitive in Hong Kong's labour market.

This generalized model of employee engagement is useful. However, drivers of employee engagement vary from one industry to another, from one company to another and even from one employee group to another. Forward-looking companies look internally to gain insight into what drives engagement within their unique environments. There is no substitute for using internal employee research data in conjunction with the organization's unique business performance measures. This combination enables the organization to build an individualized employee engagement model that identifies areas for action and provides the greatest possible benefits to the business. 

– With contributions by Deirdre Lander, Human Capital Group and Daphne Teo, ARIC.

## Key Drivers of an engaged workforce

### 1 - Open and Effective Communication

Watson Wyatt research demonstrates that high-engagement employees are more likely to make their opinions known, and they feel more comfortable voicing opinions within their work groups and comfortable expressing opinions that are different from others. Not surprisingly, Hong Kong employees rate open and effective communication as a top driver of engagement. Companies can encourage all employees to voice out by implementing tools and channels through which employees can contribute their positive inputs as well as offer suggestions about improvements.

### 2 - Commitment to Customer Focus

Consistent with the Asia Pacific data results, the Hong Kong data indicates that employees are most likely to be engaged when employers make customer satisfaction a top priority and make decisions on what is best for the customer. Given the increasingly dynamic business environment in Asia Pacific in general and in Hong Kong in particular, it comes as no surprise that management's

customer-focused strategic decisions make employees most willing to commit to the organization and to align their work efforts with this customer focus.

### 3 - Career Advancement Opportunities

Within the Greater China region, Hong Kong people place greater emphasis on career advancement opportunities than

their counterparts in China and Taiwan. Their engagement levels have much to do with whether they have a clear idea about possible career paths available to them in the company and whether they know what they need to do to advance in the company. In view of these strong career goals, employers may find it helpful to attract and retain high-engagement employees by making advancement opportunities available and by clarifying potential career paths.

### 4 - Motivation and the Rewards Package

People are more motivated when they have a clear idea concerning how the rewards package is determined based on their performance goals. This general principle applies well to the Hong Kong workplace. Employees rate the transparency of performance goals as well as the transparency of bonus criteria as significant drivers of their engagement. With this in mind, employers in Hong Kong can improve the transparency in these areas, which ultimately, motivates employees to be more engaged.



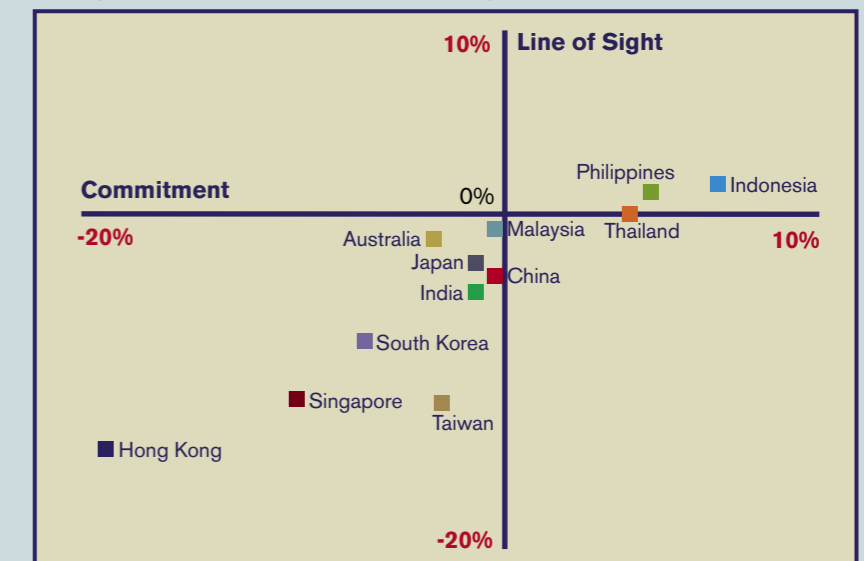
## Engagement: the trends in Asia-Pacific

Overall engagement scores in the Asia-Pacific region have declined, dropping from 65 per cent in 2007 to 61 per cent in 2008. In Indonesia, the Philippines and Thailand, overall engagement scores are up, primarily due to increases in the level of commitment. Engagement scores for Australia, China, Japan, and Malaysia remained about the same.

The overall engagement score masks significant declines in several countries:  
 - 17 percentage point drop in Hong Kong  
 - 10 percentage point drop in Singapore  
 - 7 percentage point drop in South Korea  
 - 6 percentage point drop in Taiwan.

With declines such as these, the challenges related to attracting and retaining talent can only get worse. Companies must find ways to increase engagement or they will continue to suffer from high turnover and low productivity. Companies cannot hire their way out of the problem because disengagement is contagious. New employees may start a job with high levels of enthusiasm – working in an environment characterised by low engagement, however, will quickly dampen that enthusiasm.

### Changes in commitment and line of sight from 2007 to 2008



To obtain the WorkAsia survey publication, or any of the country reports, please contact Watson Wyatt at (852) 2820 0028, email: [hk.marketing@watsonwyatt.com](mailto:hk.marketing@watsonwyatt.com)