

Continuous **engagement**

The key to unlocking the value of your
people during tough times

2008–2009

WorkEurope survey report



2008–2009

The key to unlocking the value of your people during tough times

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The employee attitudes for WorkEurope and other 2008-2009 WorkAttitudes reports were collected prior to the October financial crisis, from May to July of 2008. We believe that recent events in the financial markets reinforce our findings and conclusions. While it is always beneficial for employers to keep engagement levels high, during periods of turmoil – when the organisation is undertaking cost reduction measures, consolidations or other dramatic change events that will profoundly impact employees – maintaining or enhancing employee engagement can be critical to the organisation's return to profitability.

Executive summary

Companies today are challenged to 'do more with less'. They cannot achieve this goal by demanding more of their top performers, who are already operating at or near their peak.

The key to driving big **productivity**¹ gains is increasing **engagement** among the vast middle group of employees – the core contributors who represent about 60 per cent of the workforce.

Companies with highly engaged employees typically find it easier to attract top talent, enjoy greater levels of employee productivity and experience lower employee turnover. Consequently, these companies improve their opportunity to achieve better financial performance than companies with low engagement levels in the same country or industry.

The majority of companies allow engagement levels to decline over time. They do not take the right actions at the right moments, nor do they focus on programmes that continuously engage employees.

Managers at all levels can leverage key **engageable moments** in the employee relationship to strengthen both employee **commitment** and **line-of-sight**. By acting on specific programmes that constantly engage employees, senior leaders can create a **culture of continuous engagement**.

Leaders that link their **Employee Value Proposition (EVP)** to the actions and programmes that increase employee engagement can expect to be rewarded. Through these efforts, they are likely to create a better company – one that offers employees a better work experience, provides customers with higher quality products and services, and improves the return on investment to shareholders.

“ Managers at all levels can leverage key engageable moments in the employee relationship to strengthen both employee commitment and line-of-sight. ”

¹ Definitions of terms appear in the glossary of terms at the end of this report. Glossary terms are in bold the first time they appear in the text of the report.

Key findings

- There are striking differences between high- and low-engaged employees. The highly engaged are more than twice as likely to be top performers – almost 60 per cent of them exceed or far exceed expectations for performance. Moreover, the highly engaged miss 43 per cent fewer days of work due to illness. They are more resilient with respect to organisational change and identify more closely with the company, its products and its services.
- Typically, employee engagement starts high but declines with tenure. Companies can prevent this decline by clearly communicating the EVP during recruitment and induction, and effectively linking it to programmes and actions that will increase engagement during the employee life cycle. Employees that have a favourable and clear understanding of the EVP are 10 times as likely to be highly engaged and 40 per cent more likely to be top performers than those employees who feel the proposition has been miscommunicated or not delivered upon.
- Companies may improve long-term engagement by creating a culture of continuous engagement built upon strong strategic direction and leadership, customer focus and effective internal communication. Companies that excel in these areas are likely to enjoy increased individual and organisational performance and superior financial results.
- Employers need to break the downward spiral of disengagement by actively encouraging behaviours that build and reinforce engagement. This can be achieved through honest feedback, open discussion, proactively dealing with poor performance and encouraging employees to speak up and offer differing opinions or suggestions.

Engagement – a combination of commitment and line-of-sight. Committed employees are proud to work for their companies and motivated to help drive success. Line-of-sight is the focus and direction that guide employees in their day-to-day efforts, so they know what to do to contribute to business success.

Engageable moment – a critical juncture for maintaining and building engagement.

Continuous engagement – using situations, practices and programmes to drive engagement, which are well planned and regular.

Introduction: About the study

Watson Wyatt conducts an ongoing series of studies about employee attitudes around the globe. This report is based on the latest WorkEurope research, which was conducted in 2008.

WorkEurope is one of the largest and most current statistically representative surveys on the attitudes of workers in Europe. Scientific sampling techniques ensure that the margin of error is less than 1 per cent and that results can be generalised to the European workforce.

In the 2008-2009 study, Watson Wyatt surveyed 14,000 full-time workers in the UK, France, Italy, Germany, Spain, Sweden, Poland, Russia, Ireland, Belgium and the Netherlands. The survey was conducted across all job levels and in all major industry sectors, such as healthcare, retail, consumer products, financial services, telecommunications, high-tech and manufacturing. The surveyed employees work for non-governmental organisations with at least 1,000 workers.

We asked participants to answer nearly 300 items that focused on:

- commitment
- communication
- compensation and benefits
- customer focus
- diversity
- enablement
- hiring and advancement
- line-of-sight
- performance leadership
- process improvement and innovation
- strategic direction and leadership
- supervision
- training and development
- trust and ethics
- values
- work environment and team
- work/life balance.

A day in the life

After three years with the company, Mark and Kim are moving into new jobs: Kim has been promoted and Mark is leaving for a competitor. Mark's new company promises a better pay-for-performance package, a supportive manager and a social team environment – all things his old company had assured him of during his interview, but he felt were never delivered.

Mark and Kim started at the same time. They had similar backgrounds. They were offered similar jobs with similar compensation packages. The company had great expectations for Kim and Mark, and both had begun their careers at the company with a high level of enthusiasm and commitment. However, Kim and Mark had two completely different experiences working at the organisation.

Kim worked in a positive team and was supported by a manager who gave her a degree of autonomy within her role. They spoke often about her workload and how her contributions affected the company as a whole. Kim took the initiative to sign up for training courses and volunteer for various high profile projects, which she discussed with her manager beforehand.

In the last six months, Kim had spoken twice to the CEO during her department's quarterly meetings. Each year, she received a pay rise and bonus. Her manager explained how this reflected her investment of time and effort as well as the company's ability to meet their larger financial objectives.

Things were much different for Mark.

His manager travelled extensively and was very rarely available for guidance or advice. Mark received minimal training – the rest he learned by doing and making mistakes. He wanted to take a course to help him build his skill-set, but he did not know who to ask or what was available to him. Without the proper support or training, Mark often had to work long hours in order to meet his deadlines. When high visibility projects were launched or key positions opened up, other people – some of whom had been at the company for a much shorter time – were picked. Mark was hesitant to volunteer because he felt that he did not possess the relevant skill-set.

Unlike Kim, Mark never knew the company's direction. Although the company's CEO had spoken during the quarterly meeting of Mark's department, Mark was unable to attend due to a last minute project deadline. Mark had never set objectives with his manager, and thus did not understand how his rewards linked to his or the company's performance. When he received annual pay rises and bonuses, he was sure that his colleagues were getting more than him.

During the last year of his tenure, Mark had completely disengaged. He spent most of his time on the internet looking for jobs, called in sick constantly and complained about high stress levels, poor management, the commute, and the lack of opportunity. When he left, the company was not really sorry to see him go.

This scenario occurs within thousands of companies each year, costing millions in recruitment, induction, severance and lost productivity. But, does it have to be this way? Watson Wyatt believes the answer is no.

WorkEurope research suggests that there are engageable moments throughout an employee's tenure with a company. Companies that consciously take action at these critical junctures can break the cycle that diminishes engagement.

To increase engagement and maintain it at a high level, our research shows that organisations need to develop programmes that enhance strategic direction and leadership, customer focus and highly effective communication that encourages employees to offer alternative suggestions and viewpoints, and equitable rewards that align with business strategy. By doing so, companies will be able to create a culture of continuous engagement.

Watson Wyatt's WorkAttitudes research has consistently shown that engagement has been a leading indicator of financial performance. When employees are highly engaged, their companies are more likely to have greater employee productivity and a superior **market premium**.

In this 2008-2009 WorkEurope report, we examine the impact of engagement on individual and organisational performance. First, we begin with insights into how high- and low-engaged employees differ in their attitudes and day-to-day experience on the job. Subsequently, we examine how companies can leverage engageable moments to stop the decline in engagement that occurs in most organisations. Finally, we look at overall factors that drive employee engagement, providing insights that help companies continuously engage employees, thereby building a highly productive workforce.

“ ...our research shows that organisations need to develop programmes that enhance strategic direction and leadership, customer focus and highly effective communication that encourages employees to offer alternative suggestions and viewpoints... ”

Attitudes and experiences – differentiating the high engaged

Results from the WorkEurope study illustrate a striking difference between high-engaged and low-engaged employees. High-engaged employees are more than twice as likely to be top performers compared with employees with low engagement levels.

High-engaged employees demonstrate an understanding of what to do in order to make an organisation successful:

- 87 per cent of high-engaged employees are clear on how their performance goals are linked to the company's strategy and goals in comparison to 23 per cent of those with low engagement.
- High-engaged employees are more than three times as likely than employees with low engagement to understand the measures used to evaluate performance.
- Only 34 per cent of low-engaged employees believe their objectives to be realistic/achievable in comparison to 88 per cent for the highly engaged.

High-engaged employees are more willing to make their opinions known. They are three times as likely to be comfortable voicing their opinions within their work groups as well as expressing opinions that are different from others.

Optimistic about the opportunities ahead of them, high-engaged employees are eight times more likely than low-engaged employees to say that the company does a good job of providing them with opportunities to advance. They are also more likely to obtain information on career development from their line manager, co-workers, and other sources available within the company. By contrast, low-engaged employees seek career related information primarily from the internet and external sources.

Engagement: What does it cost when engagement drops with tenure?

Engagement declines with tenure. The engagement score for the typical new hire – on board for less than a year – is more than 6 per cent higher than for the typical employee with longer tenure.

What does this 6 per cent decline cost the organisation?

One way to value the decline is to compare the impact of employee engagement with the impact of an investment in physical or financial assets on employee productivity. Based on our analysis, a 6 per cent decline in the engagement score has the same expected impact on employee productivity (revenue per employee) as a decline of assets per employee of over 0.33 per cent.

The typical EURO 500 firm employs almost 40,000 people and has **336** thousand euro in assets per employee. To offset the impact on productivity, such a firm would have to invest more than **1,100** euro per employee – a total of over **44** million euro.

Similar regression analysis shows that after controlling for industry, firm size and capital intensity, this **6** per cent decline in engagement is associated with almost a **1** per cent reduction in market value. For the typical EURO 500 firm, with a market value of **10** billion euro, the reduction in engagement over time is thus associated with a **93** million euro reduction in expected market value.

The high engaged have a more positive perspective on how the company is managed during uncertain times. In companies that underwent change during the 12 months preceding the study, high-engaged employees were more than five times as likely to view the changes to be well implemented than employees with low engagement levels.

With the right recruiting and hiring practices, can organisations simply hire more high-engagement employees? Watson Wyatt research indicates that the difference between employees with high engagement and other employees is not the result of why they joined the company. New employees start with higher engagement levels that often decline over their tenure. It is how the company behaves at critical junctures that either builds strong engagement, as in the case of Kim, or pushes engagement into a downward spiral that results in the loss of a potential high performer, as in the case of Mark.

Engaged employees can quickly become disengaged when there is a 'disconnect' between the **EVP** as it is presented during recruitment versus the proposition in reality. Regardless of what motivates an employee to join a company, that employee can be engaged provided the company accurately communicates the proposition up front, sets realistic expectations during induction and lives up to the proposition by means of an effectively articulated **employment deal** throughout tenure.

Engagement: The EVP

All organisations have an EVP.

Top-performing companies create, develop and manage a compelling EVP that defines what employees can expect in return for delivering on the organisation's expectations. By contrast, low-performing companies often have conflicting propositions develop due to the fact that they are not proactively managing their EVP.

Essentially, an EVP specifies what offerings the organisation provides to attract and retain its employees. An organisation may have variations of their EVP for specific areas and segments within the business. For example, an EVP that attracts and retains a senior sales executive may differ from what would appeal to a receptionist.

The EVP is articulated through the employment deal, which consists of tangible tools that enable the delivery of the proposition. Although closely related to compensation and benefits, the employment deal encompasses monetary and non-monetary rewards, such as a sense of value and purpose, camaraderie and opportunities to develop as well as performance related rewards, a pension, benefits packages and other such long-term rewards.

Employee engagement is effected by an organisation's ability to live up to an employment deal that is well communicated and aligns individual performance to recognition and reward systems.

Figure 1 | High-engaged employees have more favourable attitudes about the employment deal

	High engagement	Low engagement
Company has a reputation for providing a good employment deal	83%	11%
Company lives up to the deal after an employee is hired	82%	12%
Company aligns the deal with what the organisation stands for in the marketplace	82%	8%

Figure 1 shows that high-engagement employees are far more likely than those with low engagement to say their company does a good job communicating the employment deal, feel that the company lives up to it, and believe that the company aligns the deal with what the organisation stands for in the marketplace.

The EVP should be constantly reinforced at all stages of an employee's tenure. Properly defining the EVP during recruitment and orientation establishes an employee's detailed understanding and a realistic set of expectations. During the first 6-12 months on the job, it is particularly important for the EVP to be continuously articulated as well as delivered via the employment deal.

Organisations do not deliver on their value proposition through their employment deal for a variety of reasons. Their performance management systems may be flawed or employee expectations may not have been properly managed, especially during the recruitment process. Whatever the case, employee engagement is damaged when the deal is perceived to be broken.

Given the current economic downturn, many organisations may be forced to re-evaluate their employment deals. When responding, companies need to ensure that their changes are sustainable over the long term rather than a knee-jerk reaction to a difficult market. Moreover, these changes should not invalidate a company's EVP. Instead, these changes should be explained in the context of the established and articulated proposition.

Opportunities for engageable moments

WorkEurope data shows that engagement levels for the majority of new joiners are high when they start at an organisation, but slowly decline during the early years of their tenure. Organisations have the opportunity to prevent the natural decline of engagement by recognising and acting upon key **engageable moments**. For example, 44 per cent of the high engaged employed for less than one year reported that their management provided them with **feedback** at least once a week. This number drops by more than half after the one year mark.

Informal and impromptu encounters represent engageable moments. An upbeat conversation between an employee and a senior executive at a company social event is one example. A simple and informal inquiry about an employee’s workload initiated by a manager is another engageable moment.

WorkEurope data shows that there are numerous engageable moments in relation to effective performance management, customer focus and change management that are likely to increase employee engagement.

Figure 2 identifies some of the main touch points between the company and the

Figure 2 | Programme design and implementation can create opportunities for engageable moments

Group/company-wide opportunities	Individual/personal opportunities
Recruitment	Goal setting
Induction	Ongoing performance feedback
Training	Coaching and mentoring
Major change (downsizing, mergers, acquisitions, leadership and benefits restructuring)	Annual performance reviews
Senior leadership communication	Career development
Advertising and public relations	Personalised communication (total rewards statements, anniversaries)
Company social events	Personal crises
Team meetings	Retirement
Benefits enrolment	Recognition programmes
Employee surveys	Formal and informal networking

employee. Each one represents an engageable moment, an opportunity to increase commitment and/or line-of-sight, which strengthens an employee's level of engagement.

Performance management

Organisations cannot have an effective EVP without performance management systems and processes in place that can deliver on its promise. Instead of relying on the annual performance review process, managers need to actively engage in the ongoing supervision of employee performance.

Effective performance management creates engageable moments for managers and supervisors to reinforce employees' understanding of how their performance links to their rewards whilst creating value for the company. This understanding is integral to building an organisation of engaged high performers.

Engageable moments within performance management may also include informal programmes, such as regular feedback and recognition, as well as more formal objective setting, evaluation and coaching activities conducted by a manager. These activities should establish realistic and achievable goals, link those goals to the business and track employee progress in order to increase the line-of-sight component of engagement.

Many managers believe that giving employees poor performance reviews will decrease engagement levels further amongst low performers. Our data shows that this does not have to be the case. Of poor performers provided with helpful discussions and coaching to improve their performance, only 4 per cent exhibited low engagement levels. By contrast, over 50 per cent of poor performers who did not receive any intervention had low engagement.

Managers have an opportunity to increase engagement by intervening and taking concerted action to identify and address poor performance. Managers may be reluctant to address poor performance because they are not sufficiently prepared to convey the necessary messages and take appropriate action. Our research highlights the importance of building managers' skills and confidence in effectively tackling poor performance head-on to help them to break the cycle of low engagement.

Differentiating performance should be part of every day best practice. Many companies only take steps to identify poor performance when economic times demand a reduction in staff numbers or a tight reign on rewards, such as pay increases and bonus payments. A company's EVP needs to clarify that employment is not guaranteed for life and employees will be held accountable for their performance in good times and in bad.

Diversity of thought

An organisation that creates a team environment where employees feel they can voice their opinions about the general direction and suggest alternative paths are likely to foster high engagement levels. Unlike the low engaged, whose contributions are more likely to be negative in nature, the highly engaged provide constructive contributions because they care about the organisation.

Healthy disagreements happen amongst the high engaged. By contrast, employees with low engagement levels are three times less likely to speak their minds and are much less inclined to believe that their input will be valued or acted upon. Encouraging the low engaged to share their ideas and opinions, and appropriately following up, is an extremely effective engageable moment.

Success through segmentation

Companies are not engaged – people are. As companies develop programmes, they need to keep in mind that not every person is motivated in the same way.

At the same time, companies with thousands of employees cannot develop an individual programme for each employee. The key is to understand that the employee population comprises many segments – high performers and low performers, sceptics and value creators, baby boomers and generations X and Y, new hires and those with many years on board. Employees can fall into many segments, depending on the way the organisation looks at them.

What is the best way to segment employees? The answer reflects the organisation and what it is trying to accomplish. If the goal is to increase the number of engineers or sales people – or employees in some other job category – segmentation by job type might be appropriate. If the goal is to recruit and retain employees who will be critical to the organisation's future success, it may be useful to segment employees based on the elements of the EVP that have the greatest impact on attracting and retaining them. This variation on classic marketing segmentation can help in refining the employment deal and attracting more of those types of employees through recruitment programmes.

A recent Watson Wyatt study indicates that employees fall into three basic groups aligned around job security, financial considerations or opportunity.

Security motivated: These employees tend to join an organisation for job security, choose a job based on its characteristics and are concerned with key lifestyle issues such as work/life balance, length of commute and relationships with co-workers.

Financially motivated: These people are driven primarily by financial considerations. The most frequently cited reason for them to join is base pay, followed by incentive pay opportunity and other current or short-term rewards.

Opportunity motivated: These employees are most likely to cite career development, base pay, promotion and incentive pay as their reasons for joining an organisation. They may be more focused on long-term rewards.

It is interesting to note that, while all three segments cite different reasons for joining a firm, they all give dissatisfaction with base pay, stress, career development and promotion opportunities as the top reasons for leaving. The order in which they rank them differs slightly.

The prevalence of these three groups varies significantly by country, level and job type. Developing an effective EVP requires determining the right offering to appeal to the critical-skill employees in the appropriate market. In addition, organisations should use their own employee opinion surveys to determine the key elements of the employee experience for their current employees and how effectively the organisation is living up to those aspects of the deal.

Career development

Engagement levels tend to be the highest within organisations that provide real career development opportunities. Employees who are already engaged are more likely to participate in activities that reinforce their high engagement levels. They become part of a virtuous cycle, which is constantly reinforced through engageable moments, such as when they speak to their managers about development and pursue official channels for career development.

By contrast, employees with low engagement are part of a cycle of self-fulfilling disengagement. They do not explore opportunities to train, rarely speak to their line managers about progression and seek outside advice and internet sources about their careers. When their engaged colleagues are promoted, their negative feelings are reinforced.

Employees with low engagement often do not experience the same career development opportunities due to lack of initiative and/or opportunity. 43 per cent of highly engaged employees receive more than five days of training annually. Conversely, 34 per cent of employees with low engagement receive no training at all. As a result, the divide between individuals with low and high engagement widens. Only through positive intervention can

the organisation re-introduce the low-engaged employee back into a virtuous cycle of engagement.

Many organisations encourage employees to take greater responsibility for their own development. Rather than abdicating all responsibility for development to the employee, companies should be willing and able to share the responsibility. This is especially important for employees with low engagement. By taking a more of a hands-on approach to the promotion of career development and giving line managers the right tools and knowledge, employee disengagement can be prevented.

During periods of economic downturn, many companies may feel the urgent need to provide their employees with promotion opportunities, regardless of resources to support them. WorkEurope data shows that companies need not lose engagement just because they do not have the resources to implement promotions. Career development also plays a significant role in engagement. 40 per cent of those that had not received a promotion but felt positive about their career development were highly engaged. In comparison, only 14 per cent of employees that had received a promotion and felt that their career development had not been effectively managed demonstrated high levels of engagement.

“ Career development also plays a significant role in engagement. ”

Figure 3 | High-engagement employees see more opportunities for advancement

	High engagement	Low engagement
Employee has a clear idea about possible career paths	80%	23%
Employee knows what to do to advance	86%	38%
Company does a good job of providing opportunities for advancement	70%	8%
Career development discussions with the immediate supervisor in the past year were effective in furthering development	71%	12%

Figure 4 | Few employees use company-provided resources and tools for career advice

Source of career advice	High engagement	Low engagement
Immediate supervisor	39%	23%
People in my work group	21%	17%
Company provided resources and tools	14%	9%
My own research on the Internet or other sources	12%	31%

Change management

As economic uncertainty affects many regions of the world, companies have increased their contingency planning and begun to focus on issues related to efficiency, restructuring and layoffs.

To better assess the impact of change, we examined data on attitudes toward downsizing, restructuring, growth and expansion, mergers and acquisitions, bankruptcy and outsourcing of jobs. Employees whose companies underwent a major change in the past 12 months were asked how well the changes were implemented. 72 per cent of high-engaged employees compared with 14 per cent of low-engaged employees responded favourably.

An economic environment of change is a test of an organisation's commitment to their employment deal. By not compromising

best practice over the long term and taking the right actions, employers have the opportunity to demonstrate the strength of their value proposition. As a result, trust and confidence amongst the employee population will be maintained, and even perhaps strengthened during tough times.

Employees look to leadership for a sense of direction. Effective communication from leaders is especially important during difficult economic times when rumours and uncertainty can negatively affect employee morale. The frequency of communication often diminishes when leadership is unsure about the future and do not have concrete and fully developed messages to convey. Even when leaders cannot give employees all the answers, they can communicate by simply acknowledging that leadership is "working on it".

Strategies for continuous engagement

Companies must focus on overall strategies that strengthen engagement throughout the employer-employee relationship. 2008-2009 WorkEurope data shows that an employee's level of engagement is dependent on how effectively the organisation:

- Develops a strategic direction and plan that is effectively communicated by leadership and reinforced by line management and supervisors.
- Formally and informally communicates and interacts with employees.
- Focuses on the customer.
- Compensates people based on performance and customer focus.

The combination of the above areas working together creates an environment for continuous engagement. By investing in programmes that strengthen these areas, organisations can potentially boost engagement and improve financial performance.

Leadership and strategic direction

Our data clearly illustrates a link between effective leadership and employee engagement. Leadership that is targeted, varied and open will help to create and sustain high-engaged employees. Superior leadership from both senior management and line management gives companies the opportunity to define and re-establish their value proposition.

Most employees have minimal interaction with senior management in comparison to their managers and supervisors. However, the behaviours and attitudes of senior management have a direct impact on the levels of engagement within an organisation. According to WorkEurope data, engagement is high when employees have trust in the

Strategies for enhancing strategic direction and leadership

- Ensure senior management and line management are consistent in the actions they take.
- Clarify the company's strategy and goals, and provide frequent updates on progress.
- Do not hesitate to make changes that will enable the company to compete effectively, and explain the rationale behind the changes.
- Clearly communicate goals to all employees and link individual goals to corporate goals.
- Continuously reinforce goal-related messages with frequent, candid communication, particularly during difficult times.

Strategies for effective communication

- Explain the reasons behind major decisions and increase the level of communication during organisational change.
- Have frequent work related discussions on a weekly basis with employees.
- Measure communication effectiveness using a mix of measures that report on activity, awareness and understanding, and behaviour change.
- Solicit employee feedback, particularly from employees who disagree with current practices and processes and act on feedback.

Strategies for effective rewards

- Communicate clearly the value of the employee's total compensation package and show how it compares with what other companies offer.
- Make the link between performance and pay clear as part of performance management.
- Communicate how performance is measured, and make adjustments to ensure that top performers are rewarded appropriately.
- Link rewards to the company's EVP.

direction being provided by senior management – particularly their ability to respond to difficult business issues and environments. Leaders should establish and effectively communicate an overall strategic direction and plan as well as define how employees will be rewarded for acting 'in sync' with the plan.

The success of the plan is dependent on a manager's ability to reinforce it at the employee level on a day-to-day basis. Should there appear to be a 'disconnect' between senior management and an employee's manager, it will be difficult to establish confidence and trust in the direction conveyed. Unpredictability and inconsistencies between senior management and line management will potentially undermine both parties and ultimately lower overall engagement.

Effective communication

A difficult economy raises the question: to what extent does faltering business performance impact employee engagement levels? Watson Wyatt research indicates that companies that go through tough times may have lower employee engagement on average. However, engagement levels may be improved if employees perceive the company to handle the changes well. Regularity of communication is a key determinant of how confident employees are in their leaders' ability to make the changes that are needed during times of business uncertainty. Indeed, such economic challenges can provide organisational leaders with an opportunity to demonstrate their leadership qualities.

Employees primarily interact with their manager in order to gain an understanding of how they add value to the organisation. The frequency of interaction between managers and employees can affect engagement levels considerably. Our data shows that engaged employees have frequent work related discussions with their immediate manager in comparison to their colleagues with medium to low engagement levels. 43 per cent of high-engaged employees receive feedback at least once a week compared to only 18 per cent of employees with low engagement.

Employee feedback is essential for evaluating leadership's strengths and weaknesses. Feedback may be solicited through an employee's annual review with their manager, a formal employee opinion survey or various other mediums. By obtaining employee opinions, organisations have the opportunity to gain insight into areas of potential improvement.

The power value of soliciting employee opinions is not in the feedback itself, but how it can be translated into action. Unfortunately many companies often pursue employee opinions, but fail to take the next steps to trigger change. According to data, employee

engagement is linked to leadership's approach to employee feedback – 66 per cent of high-engaged employees believe their company does a good job acting on the opinions of employees compared to a meagre 5 per cent of employees with low engagement.

Equitable rewards

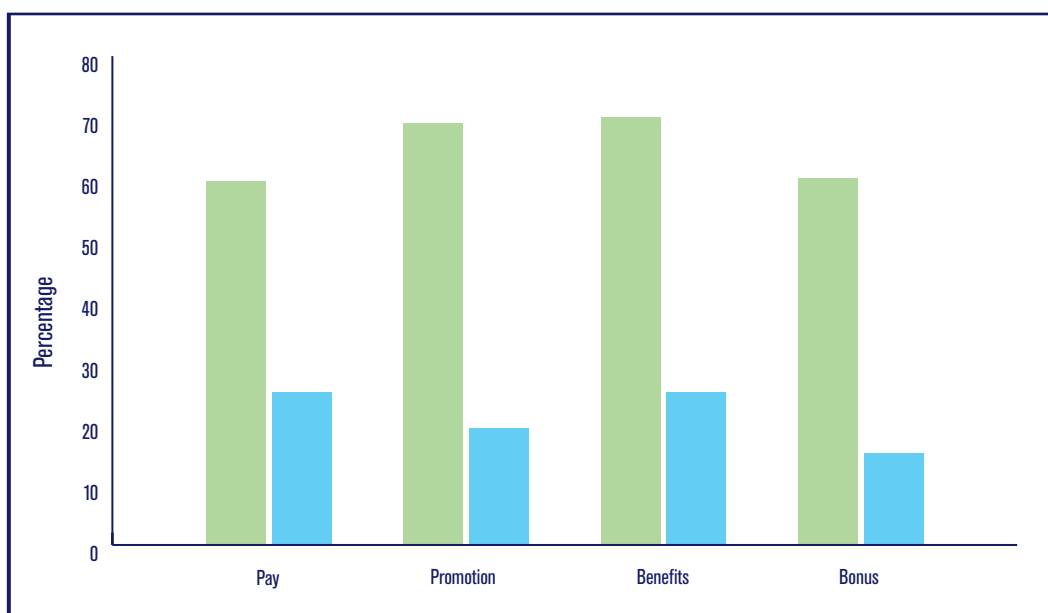
Not surprisingly, employees are more engaged when they believe they are rewarded fairly. WorkEurope data shows that less than half of employees believed they were paid fairly in comparison to people in other companies with similar jobs. However, this negative employee perception is often due to a lack of effective communication about the value of the rewards.

Although it is vital to have a competitive compensation and benefits offering, it is of equal importance to communicate the value

of the offering effectively. Employees need to be aware that the company links pay to performance for its top people, understand how pay decisions are made and what they need to do in order to be rewarded for their contribution.

Companies that are already paying market rates should ensure that they communicate the value of their total rewards package. The package should encompass compensation and benefits as well as work environment, culture, development opportunities and training. By providing employees with an expanded view of the rewards that they receive, companies can differentiate themselves in markets where salaries are rising rapidly. Moreover, this addresses the interest of high-performing employees in relation to benefits, such as career advancement, training and development.

Figure 5 | Employee perceptions of rewards are more favourable when the company does a good job of communicating the value of rewards



■ Yes* ■ No*

*Yes indicates that the company does a good job providing information on the pay package

*No indicates that employees are neutral or disagree that the company does a good job providing information on the pay package

Strategies for strengthening customer focus

- Make sure all employees know what the company stands for in the marketplace.
- Demonstrate to employees how what they do is critical to delivering on what the company stands for to its customers.
- Implement processes and tools that enable employees to deliver on what the company stands for in the marketplace.
- Give employees the decision-making authority to meet the needs of customers.
- Link reward to achieving customer service and satisfaction goals.
- Promote a spirit of collaboration and cooperation across teams to ensure customer-facing groups receive the support they need from others to deliver superior service.

Engagement: the foundation for employee effectiveness

Figure 6 shows the four factors that are essential to creating employee effectiveness. All four factors are critical, but it is the first two – commitment and line-of-sight – that lay the foundation for superior results.

Customer focus

Companies that put the customer first enjoy higher levels of customer satisfaction and loyalty. When they align the customer experience with the employee experience, they create employees who are passionate about what the company stands for. Passion and engagement go hand-in-hand.

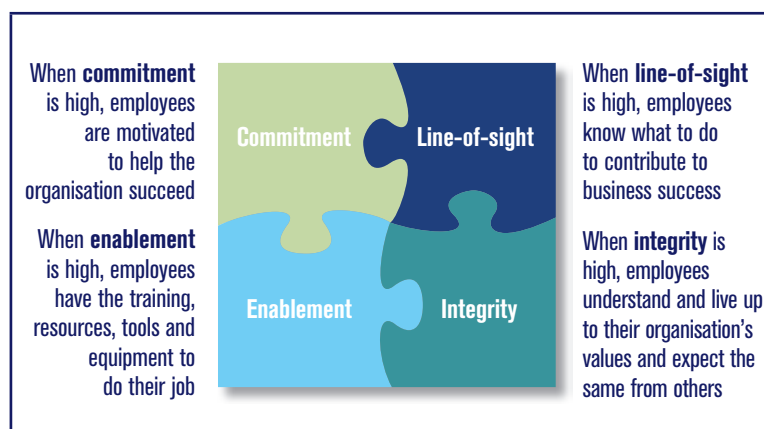
Employees with low engagement tend to have a negative perception of the company's approach to customer service. They are 62 per cent less likely to trust management to make customer needs a priority and are 72 per cent less likely to perceive the company to make decisions that are in-tune with customer needs.

High-engaged employees do not share the same negative views. 86 per cent believe company decisions are based on what is best for the customer and 87 per cent perceive management to consider the well-being of the customer when making important decisions.

Employees who believe both that what they do is critical to the customer, and feel enabled to deliver on what the organisation stands for are 10 times as likely to be highly engaged as employees who do not.

Overall line-of-sight appears to be high with respect to customer focus – most participants state that it is clear to them how the work they do affects customers. These scores indicate a degree of employee alignment with what the company stands for. However, less than half believe their company aligns their employment deal with their brand. By working to increase this alignment even more, companies can further increase engagement – and individual productivity along with it.

Figure 6 | Watson Wyatt's four-factor model of employee effectiveness



Conclusion

Let us return to the account of Kim and Mark described earlier. If Mark's manager had intervened and broken his cycle of disengagement, perhaps Mark's story would have unfolded differently...

A day in the life of engageable moments

During the first few weeks of Mark's employment, his manager travelled extensively and was very rarely available for guidance or advice. Recognising her inability to properly support him during this integral time, Mark's manager asked a senior member of the team to support Mark in her absence and an experienced member of her team to act as a mentor. She also called Mark every couple of days and regularly sent emails to ensure that he was handling his first few months ok.

After researching training opportunities on the company's intranet, Mark signed up for an upcoming seminar to further his understanding of the role. In addition, his mentor encouraged him to take a number of other courses over the next year.

Feeling confident in his capabilities, Mark volunteered for a number of high-profile projects. Moreover, his manager also took extra time to explain how Mark's pay rise and bonus were linked to the initiative he took in his role, his contributions and positive work ethic as well as the company's ability to meet its financial objectives.

During his department's quarterly team meeting, the CEO attended the last 20 minutes to answer questions pertaining to the company's strategy and direction. At this time, Mark had the opportunity to ask a question. He was surprised later that week when the CEO smiled at him in the corridor.

As Mark matured within his role, his manager's frequency of communication lessened while she was travelling. However, she always made it clear that she was available if he needed her support via email and the telephone. He felt proud that she trusted him with responsibility for key projects while she was away. Similar to Kim, Mark received a promotion after his third year of tenure and continues to excel within the company.

Taking steps to maximise employee engagement does not require massive cultural change or grandiose corporate level initiatives. As Mark's story shows, it is about nurturing people and relationships through engageable moments within an environment where shared objectives and expectations are clear to all parties. Improving employee engagement must involve a critical evaluation of the EVP, and the extent to which it is consistently articulated through the employment deal. Moreover, organisations need to assess the effectiveness of management competencies and behaviours as well as leadership's communication practices.

This is particularly important during times of economic difficulty when employee engagement levels are at their most vulnerable and organisations most need to maintain their competitive advantage in order to weather the storm.

Global WorkAttitudes

Over the past 15 years, Watson Wyatt Worldwide has been expanding the study's coverage to include employees around the world. Our research shows that employee engagement and effectiveness are concepts that apply worldwide. The normative benchmarks from these studies are used in our global employee surveys.

The data we have collected provide organisations with insight into employee concerns and perceptions within individual regions as well as on a global scale. As a result, these organisations can make informed decisions about programmes that drive employee engagement and effectiveness.

Watson Wyatt WorkAttitudes reports include WorkAsia, WorkCanada, WorkEurope, WorkLatinAmerica and WorkUSA.

Glossary of terms

Commitment	Motivation on the part of employees to help the organisation succeed and an intention to stay; the first factor in the Watson Wyatt four-factor model of employee effectiveness.
Continuous engagement	An environment/culture created through effective and ongoing application of superior employee communication, strong strategic direction, leadership and customer focus.
Employee Value Proposition (EVP)	The value an employee derives from his or her job and what is expected from them in return. The EVP is influenced by the organisation's brand, values, culture, leadership, environment, talent and reward programmes.
Employment deal	The articulation of the EVP through tangible tools that enable the delivery of the proposition, that is, pension plans, promotion structures, training, and so on.
Enablement	Giving employees the training, resources, tools and equipment they need to do their jobs; the third factor in the Watson Wyatt four-factor model of employee effectiveness.
Engageable moment	Critical juncture for maintaining and building engagement.
Engagement	The combination of commitment and line-of-sight.
Integrity	Creating an environment where the organisation demonstrates its values, and creates a culture of trust and ethical behaviour; the fourth factor in the Watson Wyatt four-factor model of employee effectiveness.
Leading indicator	When the change in one variable tends to precede a change in another variable, the first variable is said to be a leading indicator of the second.
Line-of-sight	Focus and direction that enable employees to understand what to do to help their organisations achieve their business goals; the second factor in the Watson Wyatt four-factor model of employee effectiveness.
Market premium	The extent to which the market value of a company exceeds the cost of its assets or the market's assessment of the company's ability to generate future profits from intangible assets, such as brand equity and human capital.
Productivity	Revenue per employee.

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watsonwyatt.com

21 Tothill Street, Westminster, London, SW1H 9LL UK

Telephone +44 (0) 20 7222 8033

Fax +44 (0) 20 7222 9182

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