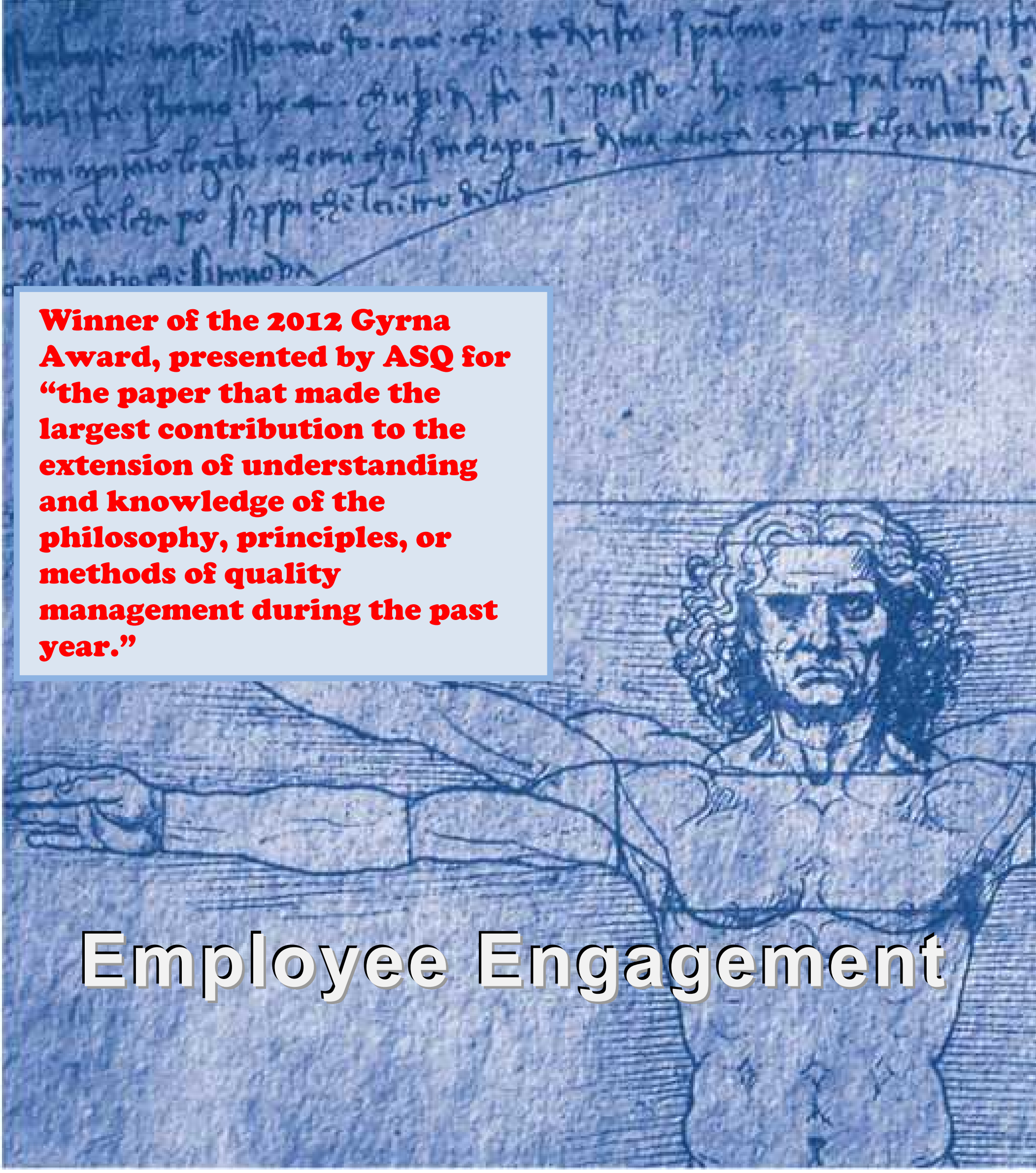

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Employee Engagement

Understanding the Business Case and Providing Tools for Increasing Engagement in the Workplace

ASQ
Human Development & Leadership Division

Employee Engagement:
Understanding the Business Case and Providing Tools for Increasing Engagement in the Workplace

Michelle M. Deutsch

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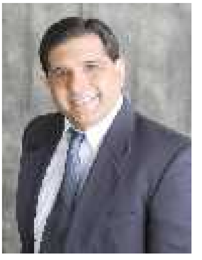

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Adil F. Dalal, Chair, HD&L Division, ASQ

An Engaging Opportunity

Stop by any book store or shop on Amazon and you can find hundreds of books about what makes one organization more successful than another. If you take a deep dive into some of these you will find that success has many critical aspects - vision, strategic planning, quality management, customer service – but the one that is given the least attention, yet is the most costly, is people. The cultural and behavioral aspects of organizations are intimately linked to both short-term performance and long-term survival.

With the tie between behavior and performance, it makes sense that leaders should be concerned with the impact on their companies. Studying the human element has been approached over the years in a variety of fashions – for example, looking at employee satisfaction, motivation and job design. Today, the phrase "employee engagement" is also commonly used when discussing the human side of business.

> Understanding exactly what engagement is can be challenging and complex.

Understanding exactly what engagement is can be challenging and complex. The term has been referred to as "widely used, but remarkably ill defined." Employee engagement is defined in many ways, including the vague statement, "we know it when we see it." Consulting firms including Gallup, the Hay Group, Watson Wyatt and BlessingWhite dedicate extensive resources to study trends in this area. Each firm defines engagement in a slightly different manner, contributing to the confusion.

While the definitions of engagement may vary, the common denominator is people and how they view themselves and others in the organization. The book, *First Break All the Rules* (1999), discussed the relevance of inter-personal relationships, particularly manager-employee relationships. The relationship between the employee and his or her direct supervisor or manager was identified as the number one influence on how long an employee stays with an organization and their level of productivity.. The 2005 book *People Leave Managers...Not Organizations!* asserted that the manager sets the tone and is the major influence on the employee in the work environment.

A lack of awareness and understanding of the importance of the employee/manager relationship can be a factor driving disengagement. Evidence of this has been demonstrated. In a Global Workforce Study by Towers Perin, several aspects of the employee/manager relationship were analyzed. In that study, only 59% of workers believed that their immediate manager recognized and appreciated good work. Only 43% thought their supervisors understood and motivated them.

Does this matter? Should organizations be cognizant of the implications of employee engagement and disengagement and what causes it? Research indicates that both engagement and disengagement are tied to the bottom line of an organization. Hewitt and Associates report that organizations with high engagement are 78% more productive and 40% more profitable than those organizations with low levels of engagement. However, only four out of every five workers worldwide are delivering their full potential to help their organizations succeed. Leaders, who are responsible for bottom line results, should be

Organizations with high engagement are 78% more productive and 40% more profitable than those organizations with low levels of engagement.
(Hewitt and Associates)

vigilant about understanding the construct of employee engagement, its causes and what they can do to impact it.

This primer focuses on a few aspects of employee engagement. It presents a study on the relationship between employees and their managers, and the impact of this relationship on engagement. Finally, suggestions are offered on improving these relationships and thereby achieving improved business results.

Evolution of Studying Employee Engagement

Although studies of employees and work have evolved over time, the term "employee engagement" was not used until early in the 21st century. Today the term describes a bundle of characteristics associated with higher performance.

The concept of engagement points to a more holistic approach to managing people in business, recognizing that it takes more than individual tactics, such as recognition and incentives, to create a performance-based culture. In the late 1990s, as the business environment was becoming increasingly global and more competitive, corporate leaders began studying the attitudes of their employees with the belief that this would lend insight into workplace motivators and ultimately improve overall productivity.

Defining Employee Engagement

Although the phrase employee engagement has been popularly used, there is no consensus definition. A sampling of definitions from research firms and practitioners include the following:

- Gallup (1999) suggests that engagement is not only about how people think but also about how they feel. The labels "actively engaged, non-engaged, and actively disengaged" describe workplace performance and how workplace results are related to these thoughts and feelings.
- The Hay Group (2001) reports that engaged performance is a result achieved by stimulating employees' enthusiasm for their work and directing it toward organizational success. This result can only be achieved when employers offer an implicit contract to their employees that elicits specific positive behaviors aligned with the organization's goals.
- Harter, Hayes and Schmidt (2002) define employee engagement as "the individual's involvement and satisfaction with as well as enthusiasm for work".
- Towers Perrin (2003) conveys a definition of engagement that involves both emotional and rational factors relating to work and the overall work experience. The emotional factors tie to people's personal satisfaction and the sense of inspiration and affirmation they get from their work and from being part of their organization.
- Vazirani (2007) states employee engagement is the level of commitment and involvement an employee has towards their organization and its values.
- DecisionWise (2008) says engagement occurs when Satisfaction, Motivation, and Effectiveness intersect
- Scarlett Surveys International (2011) defines employee engagement as an individual's degree of positive or negative emotional attachment to their organization, their job and their colleagues.

- BlessingWhite (2011) focuses on an individual's contribution to the company success and the personal satisfaction in his/her role.

Of course, given the complexity of defining exactly what engagement is, it is not surprising that there are different approaches to measuring it. The Gallup organization developed a 12-item Worker Engagement survey referred to as the "Q12" to assess an employee's level of engagement. Another prominent tool is the Utrecht Work Engagement Scale (UWES). The UWES measures three areas of work engagement representing behavioral, emotional and cognitive dimensions. Despite the variations in defining employee engagement and how to measure it, there is a general consensus that it is important and organizations should have a way to gauge engagement.

Employee Engagement and the Bottom Line

There is a strong connection between the ability to drive higher levels of engagement and the economic results achieved. In a 2006/2007 WorkUSA Survey Report by Watson Wyatt, a significant improvement (one standard deviation) in employee engagement is associated with a 1.9 percent increase in revenue per employee. To put this in perspective, using the data from their sample, the typical employee works at a firm where productivity equals about $250,000 per employee. That means a significant improvement in engagement is associated with an increase in revenue per employee (productivity) of $4,675. For the typical S&P 500 organization, employing 20,000 people, this represents an increase in revenue of $93.5 million.

Harter et al. (2002) examined the relationship at the business unit level between employee satisfaction and engagement and the outcomes of customer satisfaction, productivity, profit, employee turnover and accidents. They determined that employee satisfaction and engagement are related to meaningful business outcomes at a magnitude that is important to many organizations and that these correlations generalize across companies.

Understanding that there is a relationship between engagement and the bottom line may beg the question – what does engagement cost? Growing engagement in an organization is the result of multiple efforts – some actions (which will be addressed later such as "walking the talk") does not have a cost in and of itself, but there may be an associated cost to coaching managers and growing skill sets to enable this.

We do know there is a cost to having disengaged employees. Disengaged workers are often absent (even when they are at work). In addition to high rates of absenteeism they tend to negatively influence those around them, including potential customers and new hires. This costs organizations money in many ways. Gallup estimates that the lower productivity of "actively disengaged" workforce costs the U.S. economy about $300 billion a year.

Disengaged workers are often absent (even when they are at work).

With the evidence that employee engagement is important from a bottom-line standpoint, many stakeholders are affected by how an organization chooses to address or ignore levels of engagement within their organization. From the management and employees in an organization, to the customers they serve, the vendors they buy from, and the shareholders of the company, everyone is affected by this decision. In addition, from the standpoint that engagement is tied to emotions, even families of those working in an organization could be affected, as workplace dissatisfaction may be carried into the home environment.

Progressive organizations do not need to be convinced that engagement is a business driver. A 2011 BlessingWhite employee engagement report quoted a Senior VP for Human Resources in a Fortune 500 firm as stating that "we simply accept the premise that an engaged workforce is essential for the success of the company."

Drivers of Employee Engagement

The consensus that engagement is tied to business results inclines organizations to want to understand exactly what drives engagement. Just as definition of "what" employee engagement is can vary; determining the factors that can drive engagement can also vary. In "Employee Engagement, A Review of Current Research and Its Implications," The Conference Board reviewed twelve studies conducted between 2002 and 2006 by the top research firms including Gallup, Towers Perrin, BlessingWhite, and the Corporate Leadership Council. In the analysis, 26 different drivers of engagement were counted. By analyzing the similarities and differences, at least four of the studies agreed on eight key drivers. Table 1 lists these drivers.

26 different drivers of engagement were counted

Table 1 – Drivers of Employee Engagement
Trust and integrity - Do managers communicate well and 'walk the talk'?
Nature of the job –Is it mentally stimulating day-to-day?
Line of sight between employee performance and company performance – Does the employee understand how their work contributes to the company's performance?
Career Growth opportunities –Are there future opportunities for growth?
Pride about the company – How much self-esteem does the employee feel by being associated with their company?
Coworkers/team members – They can significantly influence one's level of engagement
Employee development – Is the company making an effort to develop the employee's skills?
Relationship with one's manager – Does the employee value his or her relationship with his or her manager?

This study also established a blended definition pulled from the multiple reports. The blended definition states that employee engagement is "a heightened emotional connection that an employee feels for his or her organization, that influences him or her to exert greater discretionary effort to his or her work." This blended definition, along with the drivers, demonstrates that employee engagement is tied to emotions – what an employee feels about their work, their relationships at work and the organization. However, understanding what drives one employee to be engaged vs. another adds yet another layer of complexity for leaders to navigate.

Employee Engagement is tied to emotions

Employee Engagement and Emotions

Organizations are social systems. People's interactions with others in the organization comprise much of their experience at work. The fact that interactions and relationships are so embedded in the work experience means that the emotional tone and impact of these interactions is vital to an understanding of people's work experience.

For many years, employee satisfaction was measured with the belief that satisfied employees were better employees. Some studies and literature have challenged this belief saying that satisfaction depends very much on the personality of the individual and therefore may not be a reliable and valid measure. This is where the concept of employee engagement enters – it has been described as "psychological ownership" – involving a broader emotional connection including commitment, loyalty, pride in the organization, a willingness to advocate for the organization and a sense of personal responsibility. Employee engagement has to do not only with how people think, but also how they feel.

Relationships in the Workplace Matter

Negative workplace relationships may be a big part of why so many American employees are not engaged with their jobs. Despite efforts to keep the personal and professional realms separate, it's becoming increasingly apparent that workplace relationships are personal and that negative relationship dynamics have far-reaching and long-term consequences for organizations.

A 2006 Florida State University study found that employees stuck in an abusive relationship at work experienced more exhaustion, job tension, nervousness, depressed mood and mistrust. "Abusive" was the term used to represent management behaviors such as the silent treatment, negative comments, and blaming others. These employees were less likely to take on additional tasks, such as working longer or on weekends, and were generally less satisfied with their job. Also, employees were more likely to leave if involved in an abusive relationship than if dissatisfied with pay. The Saratoga Institute reported one research study in which 80% of turnover was directly related to unsatisfactory relationships with one's boss.

Unhappy employees leave. When employees leave, organizations must spend money to attract and train new employees. In research conducted through anonymous exit interviews with 19,000 people leaving organizations, the Saratoga Institute found that people leave organizations for a variety of reasons closely related to leadership competencies including:

Unhappy employees leave

- Lack of respect from or support by supervisor (13%)
- Supervisor's lack of leadership skills (9%)
- Poor employee relations with a supervisor (4%)
- Lack of recognition (4%)
- Supervisor incompetence (2%)

Interestingly, the very people who most need to see this connection - line managers in every organization who are charged with engaging and keeping valued employees - are failing to make the connection. One study cited that 89 percent of managers believed that most employees are pulled away by better pay.

Our Research

This failure of managers to understand the impact of their behavior is something that has intrigued me for years. I set out to investigate the relationship between an individual's level of engagement and the opinion they held of their manager. Based on my review of the literature, I expected a strong relationship between these variables. I also set out to investigate if there was a relationship between level of personal engagement and frustration with any of the elements that drive engagement, again, expecting that these are related.

Data were collected via an online survey. An initial request was made via email to a network of professional contacts. We also posted an invitation to participate on LinkedIn group sites. Using a snowball approach, participants were invited to share the survey with their networks and contacts. 483 business professionals participated representing a variety of age ranges, organization sizes, and positions. Five questions assessed the participant's level of personal engagement. The questions were rated on a five-point Likert scale ranging from Strongly Agree to Strongly Disagree. An overall engagement score was calculated by averaging the rating on the following questions:

- I am able to be creative in my job
- I am able to use my best gifts and abilities in my job
- I am working at a high level of productivity
- I enjoy working in this organization
- My job is important to the success of this organization

The second section of the survey listed the eight drivers of engagement based on The Conference Board report. Participants were given eight "chips" and asked to assign them as they wished across the drivers they found frustrating. If one driver was particularly frustrating, they could place all eight chips there, or spread them evenly.

The third section of the survey applied another five-point Likert scale to a series of questions pertaining to the relationship with their current manager.

Employee Engagement and Manager Relationship

There are strong, statistically significant positive correlations between level of personal engagement and positive opinions about the relationship with their manager.

The study found strong, statistically significant positive correlations between level of personal engagement and positive opinions on each of the eight questions about the relationship with the manager. These correlations are depicted in Table 2 on the next page. The correlations were all significant beyond the .0001 level.

Table 2 - Correlations between overall level of engagement and manager relationship		
Opinion of the relationship with the manager….	**overall employee engagement**	
	r	*P*
My manager enables me to perform at my best	0.553	< 0.0001
My manager treats me with respect	0.453	< 0.0001
My manager actively listens to my suggestions	0.442	< 0.0001
My manager acknowledges when I do my work well	0.409	< 0.0001
My manager promotes an atmosphere of teamwork	0.421	< 0.0001
My manager treats me fairly	0.382	< 0.0001
Overall, my manager does a good job	0.404	< 0.0001
When I have questions or concerns, my manager is able to address them	0.413	< 0.0001
It is clear to me what my manager expects of me regarding my job performance	0.405	< 0.0001
My manager provides me with actionable suggestions on what I can do to improve	0.332	< 0.0001

One caveat to these findings - correlations do not establish the direction of cause and effect. Thus, while it seems more plausible that opinions about the manager drive employee engagement, these correlations might mean that increased engagement improves one's opinion of the manager. We continue with the assumption that the driver is the opinions about the manager.

To better understand the constructs that were driving the relationship, an exploratory factor analysis was performed. This is statistical process that groups the questions into sets that seem to be measuring the same thing. Three factors were derived. Factor 1 was the strongest and relates to the manager's interpersonal skills. Factor 2 reflects the details of work and factor 3 is recognition (Table 3).

Table 3 - Factor Analysis – Elements of Manager Relationship	
Factor 1 *Interpersonal skills*	Overall, my manager does a good job My manager treats me with respect My manager treats me fairly My manager actively listens to my suggestions My manager enables me to perform at my best When I have questions or concerns, my manager is able to address them My manager promotes an atmosphere of teamwork
Factor 2 *Communication on detail of work*	My manager provides me with actionable suggestions on what I can do to improve It is clear to me what my manager expects of me regarding my job performance
Factor 3 *Recognition*	My manager acknowledges when I do my work well

Relationship Between Circumstances that Cause Frustration and Level of Engagement

The correlation analysis looking at circumstances that cause frustration and overall engagement identified several significant relationships. The hypothesis was that a higher level of frustration would lead to a lower level of engagement.

The correlations between causes of frustration and employee engagement are depicted in Table 4 below. Note that while the correlations are statistically significant, they are much lower than the correlations between the level of engagement and opinion about their manager. The strongest correlation in Table 4 accounts for only about 6 percent of the variance. The strongest correlation between engagement and the

Table 4 - Correlations between frustration and employee engagement		
Circumstances causing the most frustration:	**overall employee engagement**	
	r	*p*
Level of trust and integrity in my organization	-0.160	0.00041
Nature of my job - how stimulating is it day-to-day	-0.153	0.00073
Career growth opportunities	0.090	0.04832
Line of sight between my performance and company performance	0.104	0.02192
My coworkers/team members	0.192	0.00002

relationship with the manager, on the other hand, accounts for more than 30% of the variance, suggesting that frustration is a much weaker driver of engagement than the relationship with the manager. Frustration with the level of trust and integrity in the organization and frustration with the nature of their job were negatively correlated indicating that as frustration rises with these circumstances, the level of overall engagement decreases.

Three other elements were significantly related - but in a positive manner - suggesting that a higher level of frustration with that element does not have a negative effect on engagement, but just the opposite. While employees may be frustrated with coworkers, career growth opportunities and having line of sight between their work and company goals, their personal level of engagement is not impacted. Since correlations do not determine the direction of causation, perhaps it is in the opposite direction. Being engaged increases the frustration caused by a lack of career growth opportunities, an inability to see one's impact on company performance, and/or a poor relationship with co-workers. These conditions should be much more frustrating to someone who loves his or her job and wants to keep it than they would be for a disengaged employee.

Now What?

Our own findings provide strong confirmation that the relationship between managers and their subordinates is a strong driver of engagement/disengagement. Our factor analysis indicates that the interpersonal skills of the manager are particularly important. Based on our findings and our review of the literature, we have the following recommendations for organizations:

Make Engagement Strategic

At the organization level, improving the level of employee engagement should be viewed as part of an overall strategy for improvement. Models for high-performing organizations with a focus on quality and excellence incorporate the value of human capital.

Be clear on why this is important to your organization. This is a conversation that must happen among the senior leadership of an organization. Change efforts of any kind are subject resistance at all levels. A clear benefits statement will serve as a grounding element when resistance arises. Commitment to pursuing employee engagement must start from the top – the senior leadership must fully support efforts. If improvement efforts are begun but not carried out, employees may view that as managers not "walking the talk." Failure to walk the talk affects levels of engagement negatively, according to our research. Repeated, half-hearted efforts at change build cynicism and make future change efforts even more difficult.

Establish a Plan

Once an organization has committed to developing their human capital and in so, growing levels of engagement in the workforce, the DMAIC (define, measure, analyze, improve, control) model offers a structured way to take action.

Define what Engagement means in your organization. The unique vision and mission of your organization may shed light on what engagement means in your workplace.

Measure engagement. Progress cannot be determined, and improvement areas identified unless there is a tangible way to measure progress. There are many consulting firms with the ability to perform assessments measuring engagement in an organization. You may have the expertise in house to do this, but it must be done properly.

Analyze the data. Data are only valuable when used properly. If your organization has identified a definition of engagement, investigate where you are hitting the mark and where improvement can be made.

Take action to **improve**. Identifying areas for improvement and not taking action is an indicator of not "walking the talk." The following sections will dig deeper into actions we can take.

Work to establish **control**. Please don't read this wrong, this aspect of control is all about keeping focused on the results you want to achieve. The findings in this research illuminate the importance of management behaviors, especially the ability to establish positive relationships with employees. Sooner or later, managers who do not develop these skills will have a problem advancing or even remaining in the organization.

When Donald Peterson was engaged in the transformation of Ford, following the engagement of Dr. Deming in the 1980's he said that there was one condition that would disqualify a plant manager. He would tour the plant with the manager. If the manager did not know the workers, he/she could not stay in his/her position.

Growing engagement in your organization is a process, not an event. As with any performance improvement process, it is not a onetime effort. Putting structures in place to measure, monitor and enhance employee engagement is a demonstration of "walking the talk."

Support and Develop Managers

The study suggests managers need to understand the impact of their behavior on levels of employee engagement. However, simply telling managers that their behavior matters is not enough. An organization cannot achieve its full potential simply through mandates. While there are plenty of books and videos that can tell you what to do, they are not a substitute for actually doing it.

Help managers raise their own awareness levels. The concept of emotional intelligence was crafted by Daniel Goleman, generating awareness of the importance managers' social competence. Defined as "the ability to manage ourselves and our relationships effectively" improving emotional intelligence can benefit relationships in all areas of our life. One study from an analysis of a 360° leadership behavior survey completed by 929 managers indicated that emotional intelligence has a significant effect on collaborative behaviors at work, and collaborative behaviors directly affect the inspirational side of leadership performance.

Support learning and growth. Depending on organization size, there may be in-house trainers to work with staff or subject matter experts can be brought in to educate and advise. It is recommended that any effort is supported with some level of coaching, as learning and practicing new behaviors can be challenging and need to be supported and encouraged.

Take a Look in the Mirror

The final recommendation is for each employee, manager and leader to look within. An individual can look at the behaviors that correlate to engagement and ask themselves the extent to which they practice them in their work life. Do I empower my team to do their best, or am I controlling? Do I treat my staff fairly and with respect? Do I listen to my employees? Do I not only hear the spoken word, but pick up on non-verbal cues? Do I take the time and make the effort to acknowledge those around me? Am I engaged in my own life? One dead battery cannot charge another.

The most powerful way to approach this is by providing each manager with data from his/her subordinates. This must be done with the explanation of the scientific findings that support the assertion that these behaviors drive engagement and that engagement improves business results. One of the possible reactions of a manager confronted with data that contradict his/her self-evaluation, is that, "the employees are wrong about my behavior." The answer is that it does not matter what is true. The employees who *believe* they are disrespected will behave accordingly.

Conclusion

My wish is that the information presented in this primer helps to reduce the gray area of employee engagement. Organizations that view their employees as a strategic asset and create a culture to let them contribute their best effort are more profitable and more productive. In addition, they are more humane. The work life of disengaged employees is certainly not fulfilling. The background information in this paper provides research, statistics and evidence from recent decades demonstrating that employee engagement should matter to an organization. The research performed in this particular analysis demonstrates that interpersonal relationship between a manager and subordinates is a strong factor driving the employee's level of engagement.

However, playing an active role in creating that culture (whether you are a senior leader or a front-line employee) is a highly subjective and personal decision. When leaders focus on creating relationships that complement and increase levels of engagement with employees, the potential to capture and harvest human potential is increased. For organizations that embark on a journey to foster an engaged workforce the benefits are many.

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Acknowledgement: The author would like to acknowledge Dr. Daryl Smith for his guidance on the original research. Special thanks also goes to Dr. Brooks Carder for his consistent support and insights on turning a thesis into a primer.

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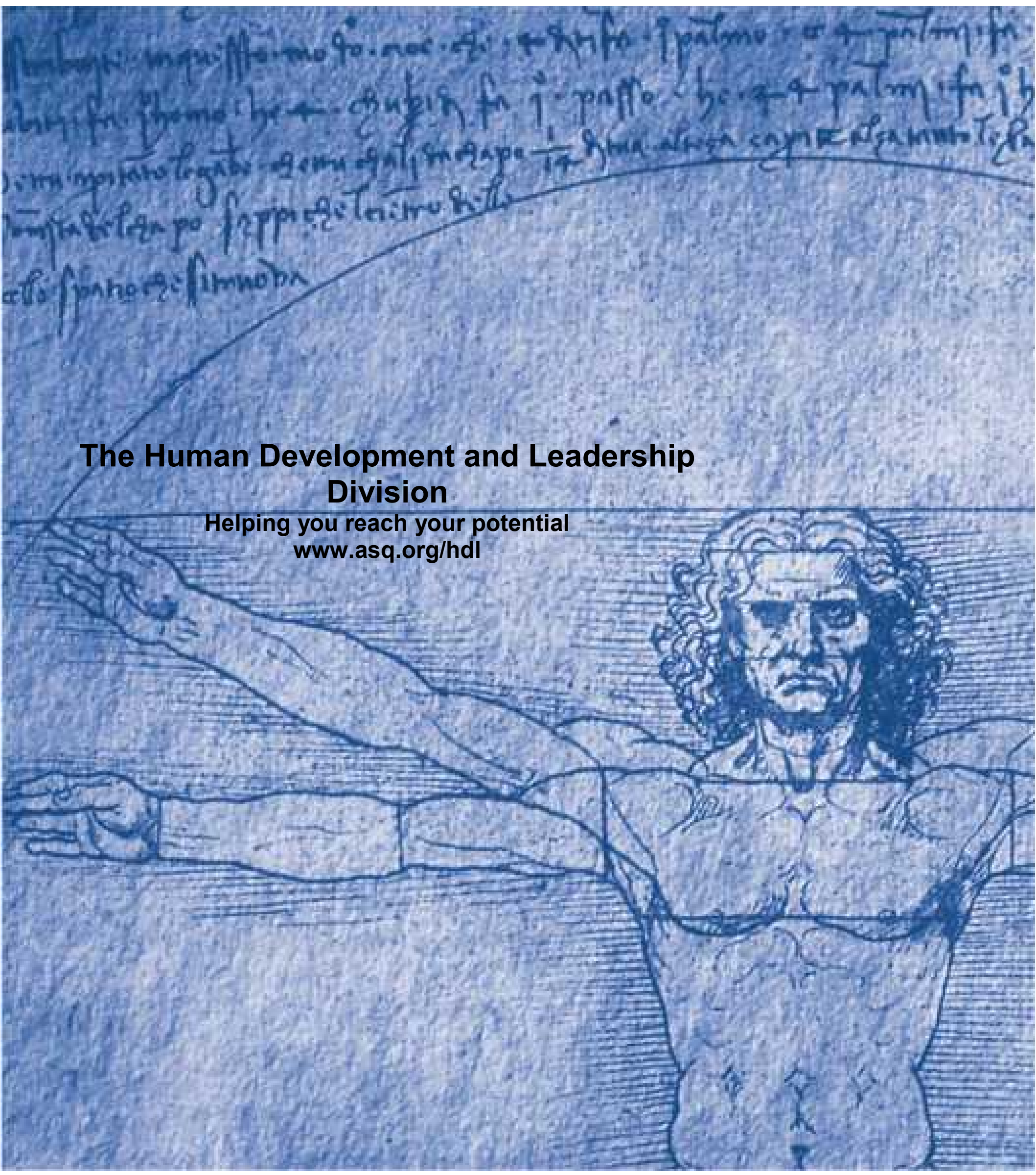

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