EFMD Special Interest Group

An Engaging Place to Work
Strategies for Winning the Hearts and Minds of your Employees
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EFMD Special Interest Group Report
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Introduction

The Special Interest Group (SIG) “An Engaging Place to Work – Strategies for Winning the Hearts and Minds of your Employees” explored strategies to build an excellent place to work. Our focus was on making the business case for engagement, managing engagement processes smartly and identifying drivers to make organizations better places to work and live. Our goal was to advance the critical field of employee engagement in concrete terms, by creating a menu of “best practices” and jointly developing “next practices” to drive positive change.

SIG Objectives

• Create a platform for sharing and learning from member’s engagement practices
• Review the state of applied engagement research, based on practical member questions
• Deep-dive into critical sub-topics, based on member interests
• Connect the dots and co-create workable, pragmatic strategies and solutions

SIG Member Companies

A group of highly reputed companies with presence around world decided to join the SIG. Participant companies were: Alstom, Allianz, Baloise, Mazars, Merck/MSD, Pirelli, Raiffeisen Bank International, Repsol, Swiss Re, UBS and Unicredit.

The group was facilitated by Siegfried Hoenle, Founder and Managing Director of Talent & Leadership Solutions, and Simon Stoepfgeshoff, Director of Corporate Programs, University of St. Gallen.

SIG Collaboration Approach

After an initial round of interviews to define the agenda we met for a first time in Zurich, hosted by UBS, in November 2014. The meeting helped us to create an overview and to identify critical topics to deepen further. Some of these critical topics we covered by several webinars with leading experts. Our second meeting took place in Madrid, hosted by Repsol in April 2015. The last day of this meeting was dedicated to a Corporate Advisory Seminar (CAS) which was attended by some 30 participants from 18 different companies.

For most of our time together we worked on concrete member challenges, either in the form of case work (in plenum) or in sub-groups (applying speed coaching methodology). In terms of case work we discussed presentations of Merck/MSD, Pirelli, Baloise and Repsol.
addition, for our Madrid meeting, we invited Amadeus as a guest company to share their transformation and engagement story with us.

SIG Expert Inputs
We also invited leading researchers, thinkers and consultants to challenge and provoke us. The following experts enriched our perspectives:

Florian Pollner, McKinsey: “Putting Organizational Health & Excellence on the CEO’s Agenda”
Jacob Andelius, Universum: “Engaging the Global Future Workforce”
Andrew Marritt, OrganizationView: “How to Measure Engagement”
Gareth Jones, London Business School: “The Organization of your Dreams”

What you will find in this report
SIG members have received copies of all the presentation materials mentioned above. Our goal for this Report is therefore not to give a summary of each individual input or subsequent discussion. Instead, we would like to provide the reader with an integrated view of what we collectively learned from our collaborative process in this SIG, i.e.:

• What engagement challenges companies are currently dealing with and the importance the topic has today and in the future
• What engagement leaders can do to:
  • Make engagement a business priority
  • Manage engagement processes smartly
• Drive up engagement
• How we see the future of employee engagement

The Engagement Challenge Today – and why it Matters

Across industries and geographies the question how a company can become and stay an engaging place to work is being discussed with increasing intensity. Among the many reasons why engagement matters two factors seem to be getting specific attention:

First, with Generation Y, or Millennials, entering the labor market a distinctively different set of expectations has taken the stage. Millennials show less willingness to fit into the rigid rules of classic corporate hierarchy, they want to be part of a community and expect to spend time in harmony with their values and private lives. This asks for a new employee value proposition if companies aspire to continuously attract the best people in their field.
Even more importantly, the experienced work reality needs to live up to the promises made in the marketing campaigns. Adaptations in companies need to start now since Millennials make up a quarter of the current workforce. By 2025, it will be three quarters. Jacob Andelius’ Webinar on the needs and expectations of the future workforce reiterated the magnitude of this engagement challenge.

Second, creating an engaging workplace is an imperative that goes beyond talent acquisition and management. It is fundamentally connected to companies’ strategic challenges and operating models. The most critical code to crack today is no longer standardization or achieving efficiency. Not even acquiring knowledge. In a world shaped by change at exponential speed, today’s key differentiator has more to do with a company’s ability to adapt and anticipate quicker than the competition. Innovation can no longer be a task at the top of the firm or in the research department, it has to take place everywhere in the organization. But it only happens where employees take their hearts and minds to work and act like entrepreneurs. While strategy gurus like Gary Hamel (2007) and others have done pioneer research in this area, this has now also been picked up by the leading management consultancies. Industry leader McKinsey, for example, have enriched their classic focus on performance and efficiency enhancement by the concept of Organizational Health, which – among others - identifies “softer” variables like “Leadership”, “Motivation” and “Culture & Climate” as critical for an organization “to align, execute and renew itself to sustain exceptional performance over time”.

What is Employee Engagement?

There are many definitions to employee engagement. What unifies most of them, however, is that engagement is characterized by two essential qualities:

1. A positive and energized work-related psychological state (reflected in words like enthusiasm, energy, passion and vigor)
2. A genuine willingness to contribute to work role and organizational success (which is the expression of a state of intrinsic motivation)

These are different to related concepts like Job Satisfaction and Organizational Commitment by activated, high-arousal and positive feelings at work (unlike contentment and comfort). (Albrecht, 2010)

Does it matter?

Does engagement really play a key role in delivering to the companies’ bottom line? Do we know it matters? Yes, we do and yes, it does. A number of sources deliver clear evidence that employee engagement correlates positively with company performance:
From their data of more than 400 companies and 300'000 respondents, McKinsey concluded that companies in the top third of Organizational Health scores are twice as likely to achieve above median profitability or book value growth as those in the bottom third.

In a 2009 Meta-Analysis, Gallup found an 18% advantage in productivity and a 16% advantage in profitability for companies in the top quartile of employee engagement vs. those in the bottom quartile. These top employers put a strengthened focus on intangibles like culture, leadership, values, learning, sharing and entrepreneurship.

The connection is also documented in a number of academic studies: in two independent longitudinal studies working with diary entries Xanthopoulou (2009) showed a significant link between daily engagement and financial returns while Amabile & Kramer (2011) document a significant correlation to work performance in creative problem solving. Another study (Salanova et al., 2005) shows a significant positive impact on service climate, employee performance and customer loyalty.

Even though the performance impact of employee engagement remains a topic of ongoing research the results so far seem to underpin the intuitive wisdom that “…people do better work when they are happy, have positive views of their organization and its people, and are motivated primarily by the work itself” (Amabile & Kramer, 2011, p. 47). Therefore, creating an engaging place to work is not only the right thing to do from a human and organizational climate perspective, it also presents a prime opportunity for leading companies to differentiate themselves lastingly from their competition.

Insights and Recommendations

The very first step of our SIG collaboration was to explore the area of greatest interest for the participating companies. This was done in a series of in-depth interviews with the representatives of the five founding SIG members (Alstom, Baloise, MSD, Pirelli and UBS). These themes were then validated with each joining SIG member. These key themes of interest were:

**How to make Engagement a Business Priority**
- What does engagement mean and what answers does it deliver to business?
- How to make the concept accessible and the process practical?
- How to “give it teeth”?

**How to manage Engagement smartly**
- Worldwide process steering: centralized or decentralized?
- Tracking and facilitation of follow-up actions: top-down or bottom up?
- How to communicate with impact?
How to drive up Engagement

• What are the engagement drivers that really count?
• What is the role of leaders in developing engagement?
• Engaging for engagement: how to encourage employees to take responsibility for engagement?

We embarked on a joint discovery process on these themes. By debating these questions in depth, we developed 9 insights which are summarized in the following main part of our report. These insights don’t claim to be scientific nor do they want to be “a new model for engagement” as it would be marketed by a consultancy. They are “9 lessons learned” by practitioners of leading organizations, generated in a collaborative SIG experience.

How to make Engagement a Business Priority

#1. Be clear on what you mean with it!

Engagement is still a young concept and there is more diversity in the understanding of what it means than there is communality. This is often seen as a tempting opportunity to subsume all kinds of organizational activities and services under this heading. In some companies engagement is the melting pot for everything that could affect employee motivation, from flexible work hours to quality of the company crèche to the number of parking spaces available. This, however, leads to engagement surveys with intolerable number of questions and – more damagingly - a blurred understanding of what engagement really is and why it is important.

Companies who are serious about engagement don’t let this happen. They focus on what engagement is really about. In essence, it is characterized by two qualities: a) a positive and energized work-related psychological state (reflected in words like enthusiasm, energy, passion and vigor), and b) a genuine willingness to contribute to work role and organizational success (which is the expression of a state of intrinsic motivation). Engaged employees are energized by work and, in return, demonstrate the will to walk the extra-mile for their company. This is a different concept from related constructs like Job Satisfaction and Organizational Commitment which are more passive and comfort-zone oriented.

The roots of the engagement construct can be found in two streams of research:

Intrinsic Motivation: a well-known field of research shaped by the likes of Deci, Herzberg, Maslow, McGregor, a.o., going back to the 1950ies. More recently, Daniel Pink summarized their insights in his bestseller “Drive” (2009), in which he describes the power of the three factors that are at the center of intrinsic motivation: autonomy, mastery and purpose.
**Positive Psychology**: over the last twenty years, this new branch of psychology has been focusing on the architecture of happiness and human flourishing, in contrast to the first 50 years of psychology which focused on healing mental illness and alleviating pain. Engagement is one of positive psychology’s main concepts, central the phenomenon of Flow, as researched by Mihály Csíkszentmihályi (1990).

In our working group, we saw different levels of focus and stringency. In some companies the focus on engagement has emerged from more traditional concepts like satisfaction or commitment and, as a consequence, often covers a very broad selection of topics in their surveys. On the other hand, we found that engagement had the highest profile and impact where the focus was clear and sharp as described above.

#2. Be explicit about how it connects to the success of your business!

In order to land the engagement topic high on the C-level agenda its value must be made very clear. Engagement leaders articulate how employee engagement is critical to solving some of the organization’s main problems or reach critical strategic objectives. In this context, having scientific proof that engagement influences corporate success in general is helpful but usually not sufficient. It is more critical to demonstrate in what way enhancing engagement will be the key to improving organizational success. Strategic HR leaders manage to do this convincingly and therefore claim the C-level’s attention.

In our working group we had several cases where this was done in an exemplary way, very much depending on the specific context of the corporation:

MSD positions the need for engaged employees as one element of four that are critical to achieving enhanced company performance under increasingly difficult circumstances, defined by evolving customer needs, regulatory change and growing competition. The four elements are: Strategy, Leadership, Culture and Engagement. MSD emphasizes the fact that strategies remain theoretical if they are not aligned with the organization’s culture and not implemented by focused and credible leaders and an engaged workforce. At MSD, engagement is put into the middle of a required adaptation and transformation process which is core to the organization’s mission.

For Amadeus, putting emphasis on engagement was critical after their IPO in 2010. A new identity as a publicly listed company had to be found, defined by a culture employees wanted to commit to. As an innovation driven technology provider, full employee engagement is central to Amadeus’ sustained success. But innovation is only created by employees who bring their hearts and minds to work. This realization led Amadeus’ board to launch a very successful multi-year, leader-driven initiative to continuously build engagement across all their business lines and geographies.
#3. Give it teeth!
Organizations with a strong engagement tradition have integrated respective key performance indicators in the way they manage their businesses. This means that engagement “counts” rather than it being associated with an administrative HR process. Some organizations go as far as making engagement survey results a part of their top management’s balanced score card, others explicitly do not want to go that far. While such companies take engagement seriously they don’t want to make it a “numbers game”. Whatever way an organization chooses, the important thing is that it invests a currency in engagement that demonstrates value and relevance. Such currency can be “time on C-level agendas”, “involvement of senior and middle managers in training”, “mentioning in CEO communications”, “budget to enhance engagement”, etc. These investments show that engagement is actively and strategically managed and not delegated to HR to “get processed and operated”.

In our working group, we saw both examples: while some members actively work with engagement survey numbers by making them transparent among country CEOs (Pirelli) or by including them in HR score cards (MSD) other companies like Baloise or Amadeus emphasized the topic’s importance through strong time investment by their leaders through communication, dialogue and training.

How to manage Engagement smartly

#4. Keep it simple, make it fast!
Clarity (see point 1) is the first step to simplicity – but not the last. Once it is clearly defined what the organization’s understanding of engagement is the next step is to find a simple way of measuring and managing it. There are only few organizations who don’t use a survey to periodically feel the pulse of their workforce. The most frequently mentioned problem with this periodic measurement approach is that the process takes too long from the moment of launching it to when the results are in at the appropriate level. New methodologies, supported by more advanced technological solutions allow for a more flexible, customized and faster survey strategy. In the more advanced corporations today worldwide surveys are limited to a minimum while short, customized and area-specific surveys allow for a laser sharp deep dive in certain fields of interest. Such pulse surveys generate just-in-time results that permit immediate action by management.

Our experts emphasized the importance of speed and flexibility in different ways;

Andrew Marritt from OrganizationView highlighted that smaller-scale “Pulse Surveys” enable companies to go deeper in certain topical areas without having to run annual global surveys which usually bind considerable amounts of resources.
Florian Pollner of McKinsey emphasized the importance of flexible surveys when working with specific business areas within an organization and dive deep into their specific topical areas. Smaller, more focused surveys enable quicker return times and immediate action while the results are still fresh and up to date.

Several member companies as well as Amadeus are planning to enhance their survey practice by such a more flexible approach.

#5. Go beyond “the survey” - use a multitude of methods!
All too often, the employee engagement subject in companies is reduced to “running the survey” and interpreting the results. To some extent, this is also the case in many of the SIG’s participating companies. In reality, it should not be about the survey but about how engaged a company’s employees go about their work, how much and how creatively they push for making company objectives a reality. If this should be management’s understanding then HR specialists must break out of the “single-method-cage”. For example, there is a wealth of data that can provide clues about the level of engagement in organizations: turnover-data, exit-interviews, training attendance, customer satisfaction feedback, performance evaluations, etc. Sophisticated “Big Data analysis” technology can help derive meaning from already existing information and turn it into intelligence. In addition, there are more ways to go out and deliberately collect engagement data. The most interesting ones are probable those approaches that, impact engagement positively while collecting data. Such methods usually build on a dialogue between management and employees and employees among each other.

In our SIG, one interesting example to this respect was presented by MSD. In order to involve a broad set of employees in the company’s change program they were invited to participate in a so-called “Transformation Jam”. Over 74 hours all MSD employees were invited to log into the Intranet and contribute to an ongoing dialogue about the company’s future. Over 28’000 employees, or a third of the total work force, participated and more than 16’000 posts were made. Not only was it a helpful check into employees’ viewpoints on various aspects of the change process, it also contributed new ideas and created positive energy for the change effort across the firm.

#6. Let the Business drive it!
Organizations that are leaders in employee engagement have taken the topic off the HR agenda. Empowering and enabling employees to do their best possible work is right at the center of what competent managers and leaders do. Companies who delegate employee engagement to HR have lost the battle already.
In our SIG, companies like Pirelli therefore rotate responsibility for employee surveys: one year it is covered by HR, then next by Marketing, etc. Other firms, like Amadeus, define HR’s role as the enabler of management but let leaders go out and communicate and train people.

The most advanced companies have turned employee engagement into their competitive advantage: for them, it is management’s primary task to inspire employee engagement. Everything else, like innovation, productivity, customer satisfaction and, finally, profits automatically unfolds from there. Examples of such engagement leaders are HCL, Gore, Morningstar, Google (see Hamel, 2007). In these companies, engagement is not generated by singular measures or isolated drivers, but emerges from a radical and comprehensive management model based on factors of intrinsic motivation.

How to drive up Engagement

#7. It’s the leadership, stupid!
Leaders have a disproportionately high impact on the quality of the environment employees work in. It is to a large part up to the leaders if a workplace is energizing or draining, emotionally safe or threatening, empowering or disenfranchising. They can focus on the strengths or on weaknesses of their employees, offer meaning and purpose or solely care for the numbers (or don’t care altogether); they can be genuine human beings or hide behind the masks of status and power, they can walk the talk or act disingenuously. The leadership behavior they chose makes a huge difference for their employees’ engagement level. Therefore, engagement cannot be influenced without focusing on leadership and leadership development.

Strong evidence for this finding was presented by Gareth Jones who presented his latest research results at the CAS event in Madrid. Authentic organizations, he argues, are organizations in which leaders tell employees what’s really going on, magnify their strengths, offer meaning, abolish stupid rules, give recognition and create an environment that allows employees to be themselves.

Pirelli and Repsol are two of our member companies that identified managers as key to their engagement levels. Repsol have started several interventions to strengthen a leadership style which inspires non-hierarchical collaboration, self-managed improvement and high performance teamwork. They clarified expectations from Repsol managers, e.g. by establishing clear promotion criteria, and provided managers with the necessary tools, processes and training.
#8. It's not “one-size-fits-all”!

The weakness of many employee engagement enhancement programs are rooted in the fact that what engages one person does not necessarily also engage the next one. So while the survey results for one particular business area may indicate a medium level of empowerment the picture may not turn out to be homogeneous across different groups, e.g. men and women, different geographies/cultures or job groups. It may be that women feel less empowered on average but still more empowered than men in certain locations and dramatically less so in other geographies.

In our SIG, we have discussed the latest research on generational differences, presented by Jacob Andelius of Universum. The research fully confirms the recommendation above: for example, while Millennials in general, value work-life balance over money and status, this does not apply to certain regions, i.e. Central and Eastern Europe.

When working with global engagement results, it is therefore worthwhile to dig deep before taking action. This is common practice in most of the participating global companies. While there may be some global actions defined, the majority of the work happens at a more granular level. Pirelli, for example, define their action plans at a country level which allows them to take measures which are both, concrete and fully in line with local engagement results.

#9. Involve and communicate: make positive change everyone’s reality!

When actions are taken to increase engagement usually only a part of the positive impact comes from the action itself. The other part of the positive impact comes from the sheer fact that the issue is being addressed. The message sent to employees by taking action and changing things for the better (hopefuly!) is: “we listen to you and take you seriously.” Caring for employee feedback goes a long way, however complicated it may be to address some of the problems highlighted. This means that communication is critical, before, during and after taking action. But this takes the will to listen, not only once, when reading survey reports, but again and again while the root cause is analyzed and the right actions are designed and tested.

In our SIG, Baloise in particular presented an innovative practice to this respect. Here, the main purpose of the periodic engagement survey is not to drive centrally governed action planning but to trigger what they call a series of local “Leadership Dialogues”. In these discussion rounds leaders sit down with their employees to interpret the results and discuss improvement measures. This task cannot be delegated to staff functions, consultants or HR professionals, it is a firm duty of each leader. The dialogue is understood as “an interaction in which employees and line managers take responsibility for improving leadership”. In effect, the dialogue serves three purposes at the same time: a) it develops collaborative
leadership skills, b) increases employee engagement through involvement and c) leads to improvement measures which develop the organization.

Outlook: Where does Engagement go from here?

In our SIG, we touched upon several future trends along various dimensions:

Emancipation: Employee engagement will increasingly go beyond the survey practice. Given its importance for the business and for attracting the right talent it will claim its own space. HR’s relevance and success will increasingly be connected with its contribution to creating engaging places to work.

Ownership: Corporate HR will reclaim the survey space, in collaboration with internal OD, customer service and Big Data functions. Given its importance and interconnectivity with other functions companies cannot afford to delegate the conceptual part of the topic to external survey providers.

Technology: Bit Data technology will enable companies to make increasingly more sense from already existing data. At one point in the future, the classic survey may therefore be completely replaced by much shorter pulse surveys which allow to dig deeper into insights gained through Big Data analysis. New IT capabilities, like aggregating and analyzing open text data, visualization or automated pattern spotting, will make surveys “leaner”, quicker and cheaper to execute.

Radically new Management Models: Hierarchy and bureaucracy are at the center of literally every modern company’s organizational structure and management model. Invented at the end of the 19th century, they seem to be inevitable parts of today’s management recipe. They are also engagement killers. The future will therefore bring more and more alternative models how companies are being governed. A natural selection process will make some of these management innovations disappear; others, however, may prevail and enrich or even replace the traditional model.
Literature


EFMD is an international not-for-profit association (AISBL)