ENTERPRISE ENGAGEMENT ALLIANCE

ENTERPRISE ENGAGEMENT ALLIANCE CURRICULUM SERIES:

BEST PRACTICES IN ASSESSING EMPLOYEE ENGAGEMENT

JUNE 2012

Sponsored by

AVATAR
HR SOLUTIONS

TABLE OF CONTENTS

PART ONE: THE REASONS ORGANIZATIONS ASSESS EMPLOYEE ENGAGEMENT

"RESEARCH HAS CLEARLY AND CONSISTENTLY PROVED THE DIRECT LINK BETWEEN EMPLOYEE ENGAGEMENT, CUSTOMER SATISFACTION AND REVENUE GROWTH."

~ Harvard Business Review, 2000

If there ever was a true debate around the linkage between employee engagement and organizational success, that debate has long since ceased. The correlation between employee engagement and every measure of organizational success is so well-established and so universally accepted that it requires no further attention in this paper.

The focus in organizations today must now be on action: how to drive better employee engagement, rather than on whether employee engagement is worth measuring and encouraging. Once an organization believes that a more engaged workforce is better for customer loyalty, revenues and profits, the next logical step is in measuring current engagement to set a benchmark, and then regularly (at least annually) re-measuring engagement to chart progress.

The challenge lies in getting the measurement right. Organizations must bear in mind that the tools they choose to assess engagement in year one will be the foundation upon which future data is set. If the data collected is not right or is missing important elements, it will have to be revised or even discarded. Doing so is potentially time consuming and expensive.

Choosing the right instruments is also important from a user perspective. Too many questions, for example, might lower participation rates while too few questions will limit the usefulness of the data. An employee engagement assessment must be balanced against the other surveys employees are asked to complete. An organization that uses an employee satisfaction survey for example, might consider discontinuing it once it begins assessing employee engagement.

For decades or longer, good managers have intuitively understood that employee engagement generates powerful returns. More recently, research results that quantify those returns have been available to leaders. Naturally, knowing that employee

engagement is a strong determinant of organizational success, executives want to understand the level of engagement of their employees. As such, employee engagement surveys have mushroomed such that there are today, thousands to choose from.

Many valid tools exist to measure employee engagement but the careful selection of the right tool for a particular organization is often bypassed. All employee engagement instruments are not the same, nor should they all be administered and interpreted the same. Finally, organizations must start with the premise that they are going to analyze and then do something with the data an employee engagement assessment provides. Knowing resource limitations and objectives up front will also aid in the selection of the right engagement assessment instrument.

THE KEY ELEMENTS IN ASSESSING EMPLOYEE ENGAGEMENT

Organizations must first understand the foundational differences between employee satisfaction surveys and employee engagement surveys. Satisfaction surveys can tell an employer just that – how satisfied employees are. Employees are generally satisfied when their pay and benefits are competitive and their working conditions (hours, environment, etc.) are clean, fair and reasonable. This has very little bearing on their engagement, however.

Engaged employees are committed to the organization. They are invested in its success, they are proactive in sharing their ideas, in promoting the organization inside and out and they exert discretionary effort – effort that is above and beyond what it takes to earn their pay and stay employed. In short, engaged employees "Say, Stay and Strive," that is, they say good things about the organization, they stay with the organization and they strive to succeed personally and help the organization succeed. It isn't surprising then that, on the whole, engaged and highly engaged workers outperform disengaged workers by a significant degree across every position and every industry.

Understanding the Key Drivers of Engagement

There are literally thousands of unique questions in use throughout organizations to determine engagement levels. Survey construction is both art and science. The best assessment instrument must be succinct, yet capture meaningful and reliable data upon which decisions can be made with confidence. The question is: which drivers have the biggest impact on employee engagement?   Assessment specialists, including I/O

Copyrighted by

AVATAR
HR SOLUTIONS

For more information, contact: 914-591-7600, ext. 230 or info@theeea.org

Visit us at: Enterpriseengagement.org

ENTERPRISE
ENGAGEMENT ALLIANCE

psychologists and statisticians conduct ongoing key driver analysis - statistical tools that determine which survey items are most closely linked to overall engagement (or any other survey topic) and they assist organizations in prioritizing their assessment and action planning efforts. Researchers have found the following top five key drivers of engagement for North American workers:

I.   **Recognition** – An employee's feelings about the recognition he/she receives accounts for 56 percent of the variance in his/her level of engagement. These results illuminate that even as adults, people still want to feel appreciated for a job well done

II. **Career Development** – Career development opportunities are an essential part of employee engagement. If peoples' desire to advance in their own career is not fulfilled, they will begin looking for work elsewhere

III. **Direct Supervisor/Manager Leadership** Abilities – Even though this is the third driver, it is essentially the most important because supervisors/managers are in charge of coaching and recognizing people. They should be having regular discussions about career development with their direct reports

IV. **Strategy and Mission** – especially the freedom and autonomy to succeed and contribute to an organization's success – in addition to the need for employees to understand why their individual tasks are instrumental in the big picture, it is essential for them to understand exactly what the big picture entails. Senior leaders must not only develop this vision, but they must also effectively communicate it to staff

V.   **Job Content** – the ability to do what I do best. Job content is an area where many employees do not feel as though they have a say in their own experience. Since many tasks simply have to be done, oftentimes, there is not an option to remove those tasks which are less interesting or pleasant, or detractors of engagement. Although every organization is different, there should always be some leeway in regards to adjusting job content to make a more enjoyable situation for employees. As best-selling author and management scientist Jim Collins said, "It's not just about who's on the bus; it's about what seat they're in."

The Benefits of Employee Engagement Surveys

- Give employees a voice

- Uncover employee engagement levels

- Capitalize on opportunities for improvement

- Identify organization strengths

- Retain high performers

- Prioritize workplace efforts

- Discover and implement cost-saving opportunities

- Predict the potential for union activity

- Align employees with organizational strategy and mission

- Benchmark results to national, regional, global, and industry-specific data

- The only leading indicator of future financial performance

"Employee engagement should be a key component in an organization's talent management strategy. Given all the benefits of an engaged, productive, and loyal workforce, organizations have a lot to gain by embracing the power of engagement. The careful choice of the right survey is a critical first step in the process of driving a more engaged workforce."

- Kevin Sheridan, Senior Vice President – HR Optimization, Avatar HR Solutions

AVATAR
HR SOLUTIONS

For more information, contact: 914-591-7600, ext. 230 or info@theeea.org

Visit us at: Enterpriseengagement.org

Copyrighted by

ENTERPRISE
ENGAGEMENT ALLIANCE

PART TWO: BEST PRACTICES IN ASSESSING EMPLOYEE ENGAGEMENT

1. CHOOSE THE RIGHT SURVEY TOOL

Most engagement survey solutions available today take a one-size-fits-all approach. While they accommodate and measure elements of engagement that are part of a key driver analysis, there is no careful tailored prescription for the workforce in question. Therefore, while the organization might be measuring engagement, it might not be measuring the things that are important to its own diverse populations.

For example, numerous studies have shown that 'Millennials' (those, who in 2012 are in their twenties or mid-thirties) like to be recognized frequently; even several times each day. To some tenured employees, including supervisors, managers and executives, such frequent, positive re-enforcement might be viewed as an indulgent and unrealistic expectation. But American culture has shifted dramatically over the years, causing workforce culture to change as well. For instance, Millennials have grown up in an era where thirteenth-place ribbons actually exist. To attract and engage this new generation, company recognition efforts must keep up with the times. The first driver of engagement for Millennials is job content – the ability to do what I do best. The second driver of engagement for that generation is senior management's relationship with employees. The third driver of engagement for Millennials is working for a green, eco-friendly company as well as for an organization that gives back to its community. The variances between Millennials and the general workforce are real, as are the differences between other demographic cohorts, and even between employees in one industry or geography versus another. Most employee engagement surveys are not tailored to measure these variances.

2. EMBRACE THE BENEFITS OF JOINT OWNERSHIP OF ENGAGEMENT

Many organizations continue to ignore the need to empower both managers and employees and often fail to effectively drive engagement from both sides of the fence. Research has found that most organizations are focused on only one side of the engagement equation while the other half, employee ownership, is not being measured and therefore not being managed. The responsibility for improving employee engagement should not fall solely on management. Rather, the driving force of workplace engagement should be shared between managers and employees.

To address and correct this imbalance, measure employee engagement from an enterprise-wide perspective but also from the individual perspective. Employees should know and understand the broad drivers of employee engagement but also understand their personal drivers. Those drivers may be the same but are likely to be prioritized differently. Choose survey and assessment tools that provide both types of reports and data. For the employee, a fully-confidential report that highlights their level of engagement (Actively Engaged, Ambivalent, or Actively Disengaged) and also makes useful subject-specific suggestions on how they can enhance their own engagement in the workplace is recommended.

3. MAXIMIZE THE POTENTIAL OF OBTAINING EMPIRICAL DATA RATHER THAN SUBJECTIVE DATA

Organizations should use a third-party vendor to administer their surveys. Third party vendors are neutral and have no stake in the results, their findings are not likely to be influenced, consciously or not, by organizational forces. Vendors should be selected for their process rigor and survey construct validity, for example, the use of scientifically-structured surveying scales (e.g., a Likert scale) to retrieve accurate results. According to Wikipedia, construct validity refers to whether a scale measures or correlates with the theorized psychological scientific construct (e.g., "fluid intelligence") that it purports to measure. In other words, it is the extent to which what was to be measured actually was measured. Unfortunately, many organizations that administer their surveys in-house have never conducted a construct validity analysis and as such are probably dealing with a fairly errant survey with statistical error rates that are above the norm.

Even where an organization has the in-house expertise to devise a valid survey, then conduct, collect and analyze the data, it may not have external data against which to compare the results. Normative databases allow organizations to compare their survey results against companies in their industry and across industries and against Best-in-Class organizations. Third-party vendors, on the other hand, are likely to have up-to-date benchmarking data. Moreover, some third party vendors offer online action planning systems which provide access to a comprehensive and continually-updated knowledge library of field-tested best practices for increasing engagement and retention

Copyrighted by

AVATAR
HR SOLUTIONS

For more information, contact: 914-591-7600, ext. 230 or info@theeea.org

Visit us at: Enterpriseengagement.org

ENTERPRISE
ENGAGEMENT ALLIANCE

4. TRACK METRICS TO DEMONSTRATE PERFORMANCE IMPROVEMENTS CORRELATED TO IMPROVED EMPLOYEE ENGAGEMENT

Since the concept of employee engagement took root more than a decade ago, researchers have conclusively shown that engagement is positively correlated to operational budget, revenue, and even stock performance. In other words, organizations that maximize employee engagement outperform their competitors on the financial metrics that matter; it is for this very reason that engagement has seized the attention of C-level executives.

Despite the available evidence, organizations should track the same performance metrics for their own efforts. This will make continuous improvement possible, including the ongoing adjustments and fine-tuning that are required to keep an engagement program relevant year after year.

The following metrics are readily available or obtainable in most organizations and can be linked closely to engagement. Bear in mind that individual engagement survey results should be strictly confidential. However, that does not prevent organizations from tracking the following metrics:

- *Retention:* Map the retention rates of Actively Engaged, Ambivalent, or Actively Disengaged employees to retention (or attrition) rates.
- *Performance:* Map the performance rates (based on performance reviews or actual performance in the case of sales and other employees) to Actively Engaged, Ambivalent, or Actively Disengaged employees
- *Employee Referral Rates:* Engaged employees are more likely to recommend/speak positively of their organization to friends and family (i.e., referrals for job candidates and potential clients). Track employee referral rates against Actively Engaged, Ambivalent, or Actively Disengaged employees
- *Absenteeism:* Engaged employees are absent less often. Track rates of absenteeism against Actively Engaged, Ambivalent, or Actively Disengaged employees.
- *Customer Engagement:* Engaged employees are linked to satisfied customers/patients at a correlation coefficient of .85 (i.e., customer/patient satisfaction). Chart organizational engagement scores against customer engagement scores (or satisfaction scores as the case may be).
- *Financial Performance*: Engaged employees create engaged customers who drive revenue and profits. Track engagement scores against revenue and

profit as well. Attempt to allow for outside factors and influences. Just as improvements in revenue that follow improvements in engagement should not be attributed entirely to engagement, the reverse is also true.

5. TRANSLATE DATA INTO ACTION

- Openly communicate the results of the engagement survey to highlight the strengths and link the areas in need of improvement with specific action plans
- Encourage department heads to meet with supervisors in their department to discuss/clarify the survey results and design a plan for action
- As the implementation process unfolds and changes take place, send periodic updates to employees regarding the status of the action plan items
- Incorporate branded stamps on post-survey actions to demonstrate the organization's commitment to acting on employee feedback
- Make managers accountable for action planning
- Explain to employees that they play an active role in developing action plans
- Measure the results of the action plan
  - No more than three months after the action plans have been implemented, the organization should measure the results and then repeat at regular intervals

6. OTHER WAYS TO IMPROVEMENT ENGAGEMENT

Organizations should promote the importance of confidentiality in their employee surveys so workers will feel comfortable about being open and honest with what they would like to see improved throughout their organization. This doesn't mean that the data can't be used to gather important insights. Where reports will be made generally available, organizations should report on the data at a high enough level that individuals cannot be identified or even guessed. Where individual engagement data is used by the organization (i.e., to map engagement to performance) it should be kept confidential.

- Feedback sessions hold the key in further uncovering why employees responded a certain way in their employee survey.

Copyrighted by

AVATAR
HR SOLUTIONS

For more information, contact: 914-591-7600, ext. 230 or info@theeea.org

Visit us at: Enterpriseengagement.org

ENTERPRISE
ENGAGEMENT ALLIANCE

- Regular action planning meetings between managers and their direct reports ensure that a clear, concise plan can be established for acting on the survey results and improving engagement levels. The crux of employee engagement is at the front-line, immediate supervisor level. Supervisors and front-line managers should be encouraged to drive employee engagement, and be recognized and rewarded for improvements or held accountable when engagement slips.

Sidebar: Why Feedback Sessions are the Most Important Step in any Employee Survey

During feedback sessions, a consultant meets with employees on a departmental basis to review their survey results with them. Employees are shown how they scored (in confidence) and how their work group compared to the total organization. Employees are then asked for their impressions/feedback regarding the survey results, thus providing the qualitative information needed to fully understand the statistical survey results. Feedback sessions guard against misrepresentation and prejudgment of the quantitative data. These sessions are the most important step of any employee engagement survey because they accomplish five key objectives:

- Capture the qualitative reasons from the employees as to why the quantitative results showed up as they did (i.e., root-cause identification)
- Become alerted to any organizational / departmental changes since the survey was administered
- Include all levels of staff in the conclusion-making and action-planning processes
- Determine the level of significance of specific items mentioned in the survey
- Offer the key to prioritizing action planning

CONCLUSIONS

The reasons organizations are concerned about employee engagement are clear. Given the stakes, it is not surprising that most organizations today attempt to measure engagement. Yet with the myriad employee engagement survey instruments and rating scales available, choosing the right tool can be difficult.

No one engagement survey can fit the needs of all organizations. At the same time, survey tools that are so customized as to be one of a kind, will yield little ability to benchmark against other organizations.

It is vital that organizations get the first steps right in measuring employee engagement if they are to correctly diagnose their workforce and make positive changes. Selecting the right survey tool, administering it properly and then interpreting the results correctly are pre-requisites to knowing what interventions to make in order to drive engagement.

Organizations should follow the steps in this paper to successfully survey their workforce and effectively improve their engagement levels.