Enterprise Engagement: The Textbook

A Roadmap to Achieving Organizational Results Through People

Edited by Bruce Bolger, Richard Kern and Allan Schweyer, with contributions and insights from dozens of leading academics, corporate practitioners and engagement solution providers

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Enterprise Engagement: The Textbook

Essential Guide to an Emerging New Field

The power has shifted to the people. The Internet and social media have given consumers and employees unprecedented power to rapidly enhance or undermine an organization's brand, sales and reputation. Research proves that organizations that foster the proactive involvement of their people outperform those that don't over time.

Engagement isn't just about hiring a social media consultant or creating an exciting event or mobile app; it's a strategic approach that depends upon an organization's ability to manage all of the factors that foster customer and distribution partner loyalty, and employee, vendor and community engagement, across the organization.

Enterprise Engagement: the Textbook provides conclusive research on the connection between customer loyalty, employee engagement and financial results, as well as a practical, actionable framework for implementing an Enterprise Engagement strategy in any size organization to achieve concrete sales, marketing, and human resources goals. It's a strategy good for business and society because it provides a virtuous circle of prosperity.

Enterprise Engagement starts at the highest level of management, because it generates the best results when it redefines the brand and culture to touch and connect everyone involved with a business internally and externally, creating a level of alignment across organizations traditionally hampered by silos. It requires a redefinition of the brand to encompass everyone who touches the organization.

A number of great business minds over the past three decades have written and spoken about many of the subjects covered in this book, including Peter Drucker, Tom Peters, Don Peppers and Martha Rogers, Alfie Kohn, Fred Reichheld, Curt Coffman, Marcus Buckingham, and more recently John Smythe, Zenep Ton, John Fisher, Rajat Paharia, Kevin Sheridan and others.

Despite this impressive lineup, surprisingly few companies are following their advice. We believe the reason lies not only in the time it takes for industry to change, in this case from a process- to a people-focused management orientation, or because engagement isn't always critical to short-term success; it is also because none of the many experts in this area worked together, as did their counterparts in advertising, to create a cohesive field taught in schools with a formal framework and set of implementation principles that people generally agree with.

No two advertising agencies are alike, but they all begin with a general understanding of what they do and how they do it. Every organization we have encountered that has embarked on an engagement strategy describes the process as an arduous journey.

Enterprise Engagement: the Textbook is the first book to focus on the emerging new business of Enterprise Engagement that gathers together the collective research and wisdom of people who have researched and written about this concept and put its tenets into practice. Engagement is a new field that responds to the growing outcry for a more humane form of capitalism, while remaining true to capitalism's goal of maximizing profits, because it demonstrates that the two are not only compatible, but are actually better for shareholders over the long term.

This book contains information critical to CEOs and board members seeking to understand how the field of Enterprise Engagement can not only enhance their profitability, but also create a better society. Enterprise Engagement: the Textbook provides a practical guide for top management in marketing, sales, channel management, human resources, finance, community relations and other related areas who seek to understand how engagement is transforming business and how they can apply it to their organizations, their jobs and their careers. These principles apply equally to government and not-for-profit organizations.

We understand that many readers will be experts in one or more areas of engagement, and that some chapters will read like basic information to them. The idea is not to make everyone experts on every aspect of engagement through this book, but to define the general tactical components of this new field and the essential information on how they inter-relate in a way that can dramatically improve results and lower costs, but which is still radically different from the way many businesses operate today.

The goal of Enterprise Engagement: the Textbook is to provide organizations and people with the skills and expertise required to achieve organizational goals through the engagement of people critical to success, offering a clear framework and tactical roadmap for translating that vision into a measurable and profitable process. It will be continually updated with new chapters and revisions of current chapters to remain up to date.

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Part I
Economics of Engagement

An Introduction to Enterprise Engagement

It's not every year that a new profession bursts on to the business scene. The rise of the new field of Enterprise Engagement is the result of profound changes in business that have forced organizations to rethink the way they define their brands and their cultures, and how they manage their relationships with customers, employees, distribution partners and even their vendors and communities.

Years of research demonstrate that organizations able to build greater loyalty and engagement with their communities outperform those that don't, and social networking has given organizations even more reason to focus on engagement now that consumers and employees can so easily affect an organization's brand image and reputation. As a result, more organizations are putting top management in charge of engagement initiatives for customers, distribution partners and employees, as well as developing formal strategies to translate engagement principles into organizational success. The challenge is that no formal framework or roadmap exists, so organizations waste countless hours finding their way.

Enterprise Engagement is to the 21st century what advertising was to the 20th century. It promises to transform the way we do business and means that management, agencies and consultants will need to acquire an entirely new combination of skills. It requires an understanding of branding and culture from an enterprise-wide perspective, knowledge of an organization's many audiences – not just customers – and an approach that links the external marketing message to all constituencies to ensure that the brand promise gets fulfilled and delivered.

For the purposes of this book, engagement is defined as fostering the proactive of involvement of people to achieve an organization's goals. According to a 2006 Conference Board report, engaged customers have "a heightened emotional connection that a customer feels for his/her brand, that influences him/her to exert greater discretionary effort to buy or promote."

According to the 2008 *State of Employee Engagement* global research study, engaged employees aren't just committed. They aren't just passionate or proud. They have a line-of-sight on their own future and on the organization's mission and goals. They are "enthused" and "in gear," using their talents and discretionary effort to make a difference in their employer's quest for sustainable business success.

Chapter 1

Principles of Enterprise Engagement

Disengagement costs American industry hundreds of billions of dollars per year in lost productivity and reduced sales. At the same time, extensive research proves that organizations with proactively involved customers, distribution partners, employees and suppliers consistently outperform their competitors in earnings and growth. Until recently, only a few major companies have had engagement strategies or anyone specifically in charge of engagement.

This is changing rapidly. Over the past several years, hundreds of leading companies have put top management in charge of customer and employee engagement strategies designed to find ways to increase customer loyalty and employee quality and productivity. More and more of these executives have the word “engagement” in their titles; for others it’s internal branding or customer experience or employee engagement. Organizations are spending more and more on outside experts, some now known as engagement agencies or consultants, who understand and/or can implement all of the elements that go into engaging any audience.

Enterprise Engagement is about achieving goals by fostering the proactive involvement of each and every customer, distribution partner, employee, vendor, or community member whose actions can affect results. Enterprise Engagement reflects the shift in emphasis from mass marketing to one-to-one-marketing. Driving the change is the growing ability of organizations to measure the impact of engagement through customer relationship management (CRM) and social networking, and the increasing recognition by top management that engagement can provide a competitive advantage. The Internet, combined with the ability for almost any organization to manufacture offshore, has reduced the traditional cost and service differentials between organizations. Today, even a little company can find a niche amidst the giants.

A MORE HUMANE CAPITALISM

The Occupy Wall Street movement and the popular television series *Undercover Boss* reflected other social undercurrents driving the emergence of Enterprise Engagement. The world is asking for a more humane form of capitalism that values people. Many Americans enjoy watching episodes of *Undercover Boss* that show top management being awakened to the importance of – and personal needs of – customers and employees. One of the world's most popular companies, Apple Computer, faced an outcry when it became clear its iPad was being built by hundreds of thousands of Chinese working in conditions almost no Americans would tolerate. It subsequently changed its business practices.

For decades, it was easy to ignore the issue of engagement because engagement was hard to define and almost impossible to measure. But for a growing number of organizations, the question now isn't if engagement matters, but how to make it happen. The business of measuring customer and employee engagement has become a billion-dollar business, yet organizations are often left grappling with ever-changing engagement issues with no single resource to call upon.

For organizations dedicated to engagement, which include the likes of McDonalds, the New York Stock Exchange, Whole Foods, the Container Store, Southwest Airlines, Stew Leonard's and many others, it's more of a journey than a science because business books and media provide so little guidance on how to proceed, and so few traditional agencies and consultants take a holistic approach to helping organizations do whatever's necessary to direct everyone's energies to those tasks that yield organizational success.

THE LEADERSHIP/ENGAGEMENT CONNECTION

It's easy to confuse leadership with engagement. Leadership, of course, is essential to engagement. It describes the personal skills required of people who manage at any level, including the ability to create a culture based on providing clear direction, support, learning opportunities, enthusiasm, a sense of mission, constructive feedback, ability to recruit, etc. Yet leadership is only the first element of Enterprise Engagement.

The larger the organization – the more consumers, distribution partners, employees, volunteers, vendors and others are involved – the more complex it becomes to engage. The process requires more than leadership and a general goal. It requires informing people of the mission and how they can contribute or benefit. It requires providing people with the capability or skills to contribute and foster an emotional connection that makes them want to become involved, share and collaborate. It's about translating leadership into results through an appropriate framework of tools and tactics based on the specific organization, culture and marketplace. It requires not only making promises, but also delivering on them every step of the way.

Engagement is to the 21st century what advertising was to the 20th. It's a new field based on a new set of skills that integrate an understanding of leadership; an organization's different audiences; the tactics that can affect engagement (communication, learning, collaboration, rewards and recognition, etc.); and measuring the impact of these activities on the bottom line.

Enterprise Engagement involves many issues foreign to the typical advertising executive. Advertising focuses on selling; engagement requires a willingness to stop selling and instead focus on helping and enabling. This means marketing that informs instead of hypes. Advertisers routinely distort; engagement requires total sincerity, a commitment to fulfilling marketing promises. Few people believe advertising, and yet it continues to thrive; engagement cannot work unless it's 100% sincere, because otherwise people see through it.

Engagement requires an understanding not just of customers, but of the link between all organizational audiences, external and internal. Engagement requires an understanding of the tactics and tools necessary for learning, collaboration, rewards and recognition, all alien to traditional advertising experts. Enterprise Engagement requires the ability to align strategies across organizational and tactical silos so all functions and constituencies mesh with an organization's people and goals.

THE ORGANIZATIONAL CHALLENGE

The emergence of Enterprise Engagement is evidenced by the emergence of new titles that incorporate the concept of engagement, including people in charge of customer engagement or experience, as well as employee engagement. The concept is still so new that organizations aren't quite sure of the skill sets required and are putting people with diverse backgrounds into such positions.

Implementing engagement at any level is a journey, not only because there are no textbooks (until now), but because traditional business consultants, no matter how prestigious, don't provide all the answers. The typical consulting practice is broken up into different silos that reflect those of their clients – benefits, compensation, assessment, organizational design, organizational development, talent management, process management, recruitment, etc. But by focusing on the needs of customers and all of the people required to serve customers, Enterprise Engagement challenges organizations to break the old management style that focuses more on processes than people.

Chapter 2

Economics of Enterprise Engagement

The research is clear: Engagement provides a long-term competitive advantage. In 2005, a milestone book, *The Enthusiastic Employee: How Companies Profit by Giving Workers What They Want,* by Dr David Sirota made headlines across corporate America. Sirota gathered never-before-published case studies, more than 30 years of employee attitude research, and data from 920,000 employees from 28 multinational companies. This data showed that the share prices of firms with highly engaged employees increased an average of 16% in 2004, compared with an industry average of 6%. Stock prices of companies with high morale outperformed similar companies in the same industries by more than 2½-to-1 during 2004, while the stock prices of companies with low morale lagged behind their industry competitors by almost 5-to-1.

A Towers Perrin study in August 2005 looked at 85,000 people employed in large and midsize companies in 16 countries on four continents. It showed there is a vast reserve of untapped "employee performance potential" that can drive better financial results if companies can successfully tap into this reserve. The study also showed that highly engaged workers believe they contribute more directly to business results than less engaged employees. For instance:

- 84% of highly engaged employees believe they can positively impact the quality of their company's products, compared with 31% of disengaged workers.
- 72% of the highly engaged believe they can positively affect customer service, vs. only 27% of the disengaged.
- 68% of the highly engaged believe they can positively impact costs in their job or unit, vs. just 19% of the disengaged.

Watson Wyatt researchers quantified this relationship by performing an analysis to explain current financial performance (measured as the market premium) as a function of various factors. They found a significant relationship between current financial performance and past engagement, even after controlling for past financial performance, industry and other considerations, to wit: A significant (one standard deviation) increase in the level of past employee engagement is associated with a 1.5% increase in current market premium, all other factors including past market premium constant. For the typical company in the sample with a market value of $14 billion, that represents an increase in market value of 1.7%, or more than $230 million.

Employee engagement data is today broadly accepted as a leading indicator of near-term future financial performance. Thus, applied correctly, engagement data can act as an early warning system, allowing organizations to right the ship before the conditions causing a decline in employee engagement translate into a hit on revenue and profits.

THE EVIDENCE IS MOUNTING

In 2008, the Human Capital Institute and IBM partnered in a global research study into the adoption and impact of Integrated Talent Management practices. In part one of the study, the three-year financial track records (2004-2007) of 287 publicly-traded U.S. companies were examined (a subset of the 1,900 organizations surveyed in the study).

Across the board, those that invested more in talent management performed better financially. However, researchers found that those who were able to do two things in particular – focus on measuring and addressing employee engagement and aligning incentives to business goals – were more likely to outperform other organizations in their industry than by pursuing any other talent management initiatives.

> Research has clearly and consistently proved the direct link between employee engagement, customer satisfaction and revenue growth.
>
> – Harvard Business Review

THE PEOPLE CONNECTION

In 1996, Theresa Welbourne and Alice Andrews published the results of research they had been conducting into the success of start-ups over the previous eight years. They analyzed the five-year survival rates of 136 companies that had made initial public offerings in 1988, finding that companies which emphasized the importance of their people and shared rewards broadly survived at a much higher rate than those that didn't.

Similarly, Bilmes, Struven and Wetzker of the Boston Consulting Group conducted research over an eight-year span to understand the characteristics of top performing companies (48 in Germany and 36 in the U.S.). In every case, each of the high performing companies had unusually progressive policies toward their employees.

In 1999, Stanford Business School professors Michael T. Hannan and James N. Baron published research they had done on the success rates of Silicon Valley start-ups in the 1990s. In their research, they discovered five models of human resource management (normally driven by the start-up's founder and/or CEO). They labeled them: Star, Commitment, Engineering, Autocracy and Bureaucracy. The Star model centers on recruitment – get the best people "on the bus" and they'll take you where you need to go. The Commitment model emphasizes engagement and a family-like work environment characterized by caring and trust. The Engineering model emphasizes performance, challenging work, self-motivation and teamwork. The Autocracy model emphasizes top-down command and control, and the Bureaucracy model emphasizes process, procedure and rigor.

Hannan & Baron found that the Commitment model resulted in start-ups that were most likely/fastest to go public. All other things being equal, the Commitment firms were also significantly less likely to fail. And while Star firms have the largest post-IPO increases in market cap, they're followed closely by Commitment firms. Not surprisingly, Autocracy firms perform the worst, followed by firms without a clear model.

FUNDAMENTAL CONDITIONS

There are some fundamental conditions that must be in place in order to make employee engagement possible. Whether the engagement diagnostic is from Gallup, Towers Perrin or other sources, questions about the quality of the employee's relationship with the organization, supervisors and colleagues are invariably included. From its 2008 global engagement study of 90,000+ workers worldwide, Towers Perrin concluded that, while the impact of the immediate boss on employee engagement is large, the top single driver of discretionary effort is "senior management's sincere interest in employee well being." In other words, does senior management consistently demonstrate that it truly cares about front-line employees? The Great Place to Work Institute (GPTWI), a San Francisco-based organization that produces *Fortune* magazine's "100 Best places To Work" list each year, boils this down to the following:

…a great workplace is measured by the quality of three, interconnected relationships that exist there:

- The relationship between employees and management
- The relationship between employees and their jobs/company
- The relationship between employees and other employees.

In determining who makes *Fortune*'s annual 100 Best Places to Work list, GPTWI surveys at least 400 individuals from every company nominated each year. The employees rate the organization on elements of trust and workplace relationships, and their assessments lead to the final selection of the top 100.

Since 1998, the first year of the *Fortune* 100 Best Places to Work List, the publicly-traded organizations on the list have significantly outperformed the average S&P 500 company and the Russell 3000 index. Indeed, if an investor bought stock only in companies that made the top 100 list from 1998 to 2006, his investment would have been worth more than double an identical investment in the S&P 500 or Russell 3000 companies.

Employee engagement in the top 100 companies is high, leading to better performance, sales and customer retention. But it's also reflected in turnover data. Over an eight year period, turnover in GPTWI Top 100 companies is much lower than the industry average across a range of sectors. Given the enormous cost of turnover, this is another of the key reasons for better financial performance among the top 100 organizations on *Fortune*'s annual list.

THE COSTCO ADVANTAGE
As in the GPTWI example above, the fundamentals are pretty basic. Organizations that can establish trust between the workforce and management, and between co-workers, stand to gain an engaged workforce and the benefits that go along with it. But how does one build that trust? In large part, trust is established by treating employees well and consistently through good times and bad.

In the big-box retail sector, competition is fierce and margins are thin, yet Costco Co-founder and former CEO Jim Sinegal bucked the low-wage, high-turnover approach to the workforce and showed that it pays off in numerous ways. At Costco, employees have learned to trust that the following will be true, regardless of the business cycle:

- At least $10/hour starting wage (avg. $17/hour – 42% more than Wal-Mart)
- After 4 years, cashiers earn roughly $44,000, including bonuses
- 94% of healthcare costs are covered by Costco
- Generous & compassionate family leave policies
- CEO pay is 10 times that of the average employee vs. a national average of 531 times.

The results are eye-popping:
- 23% turnover vs. 66.1% industry average
- 7% labor costs vs. industry average of about 16%
- Sales (2003 through Aug.) on 312 U.S. stores: $34.4 B vs. Sam's Club $32.9 B with 532 U.S. stores, as well as higher productivity and higher profitability
- On average, Costco stores generate nearly double the revenue of Sam's Club stores ($112 million vs. $63 million) and more per sq. ft.
- Reduced employee theft: 0.2% vs. an industry average of 2%.

As Patricia Edwards, Managing Director of Wentworth Hauser and Violich (a San Francisco investment firm that owns 785,000 shares of Costco) says, "These guys have bucked Wall Street as far as taking care of their employees, yet their return last year was pretty darn good." Indeed, in 2003, Costco's sales topped sales at Sam's Club by 21%, even though Sam's had 28% more stores. Costco stock was up 34% for calendar 2004; Wal-Mart's stayed about even.

RETURN ON ENGAGEMENT
Much evidence exists that demonstrates the importance of employee engagement to the success of modern organizations. The examples above are just a few of a vast and growing body of case studies and research that make the point convincingly and consistently across all industries and countries. But engagement-related initiatives need to be all-encompassing – and they aren't cheap.

The initial capital outlay to begin pursuing such initiatives may be modest, but to change or improve an organization's culture so employees better trust their leaders, so that leaders are instilled with a talent mindset and commit themselves to the daily practices of coaching, rewarding, managing performance and talent planning, requires patience, perseverance and investment of both time and money.

As such, convincing senior leaders in an organization to make engagement a priority is sometimes difficult. Those in charge of planning and implementing an Enterprise Engagement strategy must demonstrate the expected Return on Investment (ROI) in a convincing and credible manner. Fortunately, tools and expertise are available to make the business case for engagement using bottom-line language that CEOs and CFOs understand. Here are some examples of how firms are measuring "Return on Engagement."

SEARS

Though the organization has faltered in recent years, Sears was a trailblazer in measuring Return on Engagement. During the recession of the early 1990s, Sears – at that time the world's largest retailer – was losing billions of dollars a year. But losses didn't make the company unique. Competitors, as well as firms in almost every other industry, were also suffering from the recession, and mass layoffs were the order of the day. Despite such losses, Sears chose not to downsize. Instead, executives decided to invest more in their workforce, particularly in measures aimed at employee engagement. Sears hypothesized that better employee engagement would lead to better customer engagement, leading to more sales, revenue and profits. The result:

> By enabling employees to see the implications of their actions, it changed the way everyone at Sears thought and acted. The bottom line reflected this changed behavior. The merchandising group, for example, went from a loss of nearly $3 billion in 1992 to a net income of $752 million in 1993.
>
> – Harvard Business Review

On the face of it, Sears' dramatic financial turnaround correlates strongly with their employee engagement initiatives. But Sears went much further. In fact, they came as close to proving the link between employee engagement, customer satisfaction/engagement and profits as any study before or since.

Within two years of the launch of the program, Sears was able to use employee engagement data as an almost perfect "leading indicator" of financial performance in its stores. For example, a store manager whose engagement scores increased by 5 units could expect a 1.3 unit increase in customer impression (satisfaction), followed by a .5% increase in revenue growth.

GALLUP DIAGNOSTICS

The work done at Sears has led to similar use and refinements of their toolset in other organizations and became a precursor to research done by Gallup more than a decade later. In HR circles, Gallup is best known for its "Q12" employee engagement diagnostic. Derived from millions of interviews and extensive data sets, Gallup researchers have boiled the measurement of employee engagement down to just 12 questions. The Q12 is likely the most utilized index of its kind in the world.

More recently, Gallup introduced a new tool, the "CE11," designed to test customer engagement. Taken together, the Q12 and the CE11 form the basis for what Gallup researchers call "Human Sigma," a measurement of the employee/customer encounter and the subject of a 2007 book by the same name, authored by Gallup researchers John H. Fleming and Jim Apslund.

On page 35, the authors state: "In our own research, we have observed that building a critical mass of engaged employees contributes significantly to the bottom line. In a recent study of 89 companies, we found that the companies that build this critical mass of engagement grew earnings per share (EPS) at 2.6 times the rate of companies who do not."[7]

Gallup research has regularly added to the evidence linking employee engagement to organizational performance, revenue and profits. Its most recent work provides evidence of the importance of customer engagement and the link between the two types of engagement.

Gallup has shown that "rationally satisfied" customers – those that have no or few complaints – behave no differently toward their providers than dissatisfied customers. Even if a company satisfies a customer with good pricing, quality on-time delivery, etc., he or she is no more likely to reward them with loyalty or increased business than a customer who feels let down and disappointed.

On the other hand, Gallup's research points out that "emotionally engaged" customers aren't only more loyal and spend more, they're far more tolerant of mistakes and minor disappointments than either dissatisfied or rationally satisfied customers.

Each of the 10 companies and 1,979 business units Gallup studied as part of its initial Human Sigma research undertook initiatives to strengthen the employee/customer encounter. The result? These companies outperformed their five largest competitors in 2003 by 26% in gross margin and 85% in sales. Again, Gallup found that in order for companies to realize outstanding financial benefits, they had to be better than average in *both* employee and customer engagement.

Gallup's Fleming and Apslund argue that engagement, whether employee or customer, is highly local. In other words, variation from store to store (in the case of a retailer, for example) is such that an employer might be a "Best Place to Work" in Phoenix and a miserable employer in Boston. Customers might be engaged and loyal in Denver but fleeing in droves in Chicago. Not surprisingly, they argue that both forms of engagement must be locally driven and managers held accountable at the most local levels possible.

Gallup has introduced a formula to calculate what it calls an organization's "Human Sigma" (HS) score. The formula takes each business unit's mean scores on the G12 and CE11 and turns them into percentages. Gallup then uses the results to place their clients in one of six HS bands. At the higher ends, HS5 and HS6, business units within organizations have managed to optimize employee engagement and customer engagement, leading to "financial results that are about 3.5 times as good as HS1 and HS2 unit's results."

With Human Sigma, Gallup has shed more light on the critical links between employee and customer engagement, demonstrating that initiatives designed only to drive high employee engagement can be too inwardly focused; despite happy employees, they can still fail to engage customers. On the other hand, organizations that focus only on their customers may succeed temporarily, but the results won't be sustainable unless employees are also engaged.

CENTER FOR TALENT SOLUTIONS

The Center for Talent Solutions (formerly the Center for Talent Retention) has added to the quantification of engagement in a different and equally important manner. For most of the past decade, CTS has been working with firms around the world to increase the engagement levels of their employees. In this time it has amassed a lot of valuable data on the measures of engagement and, more importantly, the costs versus the benefits of improved employee engagement.

Over the years, CTS has found that employees it terms "fully engaged" deliver, on average, 22% better performance than so-called "normally engaged" employees. Employees who are "somewhat engaged" are, on average, only about 75% as productive as normally engaged employees, and those it terms "disengaged employees" perform at only about half the value of normally engaged employees.

As an illustration, let's look at an organization before specific engagement-related activities are undertaken. In this case, let's say 10% of the company's employees are fully engaged and 65% are normally engaged, leaving 20% only somewhat engaged and 5% disengaged.

Based on this organization's performance management data, fully engaged workers are estimated to deliver 25% higher levels of productivity than engaged workers. The somewhat engaged and disengaged are at minus 25% and minus 50%, respectively. CTS estimates that this organization is losing over $112 million annually due to its less-than-engaged workers.

The organization's next step was to determine specific actions that would lead to better engagement. An employee questionnaire was used to better understand where solutions and/or improvements were most necessary.

Based on this information, the organization then undertook the actions, assigning clear responsibility and scheduling weekly meetings to discuss the actions taken and outcomes to date. Managers were held accountable and were expected to have something to report at weekly meetings.

Within seven months, the size of the fully engaged group doubled to 20%, the normally engaged group grew from 65% to 70%, the somewhat engaged were reduced by 50% (to 10%) and the disengaged were eliminated entirely. As a result, the organization was able to turn its $112 million loss into a $56 million gain.

> Research has shown that engaged employees are more productive employees. Research also proves that engaged employees are more profitable, more customer-focused, safer and more likely to with-stand temptations to leave. Many have long suspected the connection between an employee's level of engagement and the level and quality of his or her performance. Our research has laid the matter to rest.
>
> – Gallup, 2009

Intuitively, good managers have understood the Return on Engagement for decades. More recently, research that quantifies those returns has been available to leaders and managers. Today, valid tools exist to measure and predict the ROI in engagement related initiatives. Yet, as Gallup and others point out in their studies year after year, the American workforce remains a place where less than one-third of employees can be truly described as "engaged."

SUMMARY

The cost of disengagement is enormous – hundreds of billions of dollars are lost in the U.S. economy alone each year. So why don't more organizations do something about it – particularly now, when every dollar counts?

Employee engagement and customer engagement are both driven by the fundamentals in organizations. For both levels to be high and stay high, an organization needs a solid culture and value system that supports the ingredients necessary for engagement. Senior leaders have to drive the process, "walk the walk" to demonstrate their commitment to engagement. Managers must be selected and developed with employee (and customer) engagement in mind, and they need to be held accountable through a total rewards and performance management strategy that aligns their desired behaviors, goals and outcomes with those of the organization. Most importantly, employees must be made partners in the effort.

In most organizations, both the challenges of engagement and the remedies to improve it are daunting. But the payoff is enormous, and beyond the bottom line it's clear that in the near future an engaged workforce will be a necessity for survival. Ask yourself: Who would continue to drag themselves into work every day for a paycheck when they can have the paycheck *and* be highly engaged in their work at the same time.

One key reason many organizations may overlook engagement as a strategic management tool is because it takes time to deliver results. The Enterprise Engagement Alliance Good Company Stock Index has found that organizations with low engagement can outperform their competitors in the stock market for up to a three-year time frame, after which companies with high engagement have the advantage.