

# ENGAGEMENT IS THE KEYSTONE OF EMPLOYEE PRODUCTIVITY



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At this year's annual meeting of the World Economic Forum, political leaders and captains of industry discussed the global financial crisis. Aside from citing lax corporate governance as the reason and greater transparency as the cure, few could agree why the economy slipped so badly, with recovery being so elusive.

It's a complex issue, where the murkiness of cause-and-effect can risk even the most seasoned executives betting the farm on entirely wrong solutions because a superficial or incorrect diagnosis is made.

In times of prosperity, small or medium companies can take the wrong path and absorb the fallout from those mistakes. But in the current climate, there is little margin for error for companies of any size.

## SO WHAT IS THE KEY TO ENSURE LEADERS, TEAMS, AND INDIVIDUAL CONTRIBUTORS ALWAYS BRING THEIR "A-GAME" TO THE TABLE?

The critical element that must exist in any corporate environment to ensure success is the full engagement of its people.

# SOFT IS THE NEW HARD

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An engaged individual is one who is fully committed and enthusiastic about investing his or her full and best effort at work. Being fully engaged means we are physically energized, emotionally connected, mentally focused, and spiritually aligned with a purpose beyond our immediate self-interest.

An ongoing research study by the Human Performance Institute, Inc. (HPI) has captured feedback from more than 100,000 business people in North America since 2003. It brings to the forefront a startling discrepancy between the efforts most individuals actually put forth versus their potential for contribution. A shocking 65% of respondents revealed that they are disengaged from their work, 21% of them toxically. It's a sobering number that impacts the very core of productivity, customer service, innovation, creativity and staff retention.

Plainly stated, the engagement level of an organization's workforce is one telltale determiner of that organization's ability to weather a downturn – particularly in the face of a system-wide financial crisis, fierce competition, or any other serious or protracted business crisis.

The HPI study is especially important to leadership because it resides outside the typical financial and operational scorecards that focus on lagging indicators.

Experience has repeatedly shown that one of the most promising indicators of what's to come rises not from the factory floor, balance sheet or sales forecast, but from the level of engagement exhibited by one's workforce.

Gallup recently published a meta-analysis of the relationship between employee engagement and performance across 152 organizations. Included were 199 research studies in 44 industries, 26 countries with a total reach of 955,905 employees. Nine outcomes were studied including profitability, productivity and turnover. After extensive data analysis, Gallup concluded that "the relationship between engagement and performance at the business/work unit level is substantial and highly generalizable across organizations."<sup>1</sup>

Talent management consulting firm Towers Watson recently completed a regression analysis of financial results from 40 global companies. They found the most engaged workforces collectively increased operating income 19% and earnings per share 28% year to year. The least engaged workforces collectively decreased operating income 33% and earnings per share 11% in the same period.<sup>2</sup>

This quantification of the bottom-line value of employee engagement provides an important metric for leaders who want a window into the future of their business.

"It's impossible to overstate the importance of an engaged workforce on a company's bottom line," says Julie Gebauer, managing director and leader of Towers Watson's Workforce Effectiveness consulting practice (formerly Towers Perrin). "The global workforce study establishes a definitive link between levels of engagement and financial performance and, for the first time, begins to quantify that link. It demonstrates that, at a time when companies are looking for every source of competitive advantage, the workforce itself represents the largest reservoir of untapped potential."<sup>2</sup>

Full engagement is one of the few competitive advantages that you have – fueling the creation of new ideas, new connections and new business. When your employees are pushed to create an environment for themselves that is conducive to health and wellbeing, you create a self-awareness in them that allows for constructive adaptability and, ultimately, full engagement.

<sup>1</sup> Q12 meta-analysis: The Relationship Between Engagement at Work and Organizational Outcomes; J. Hartes, F. Schmidt, E. Killham, S. Agrawal, Aug. 2009

<sup>2</sup> Gabauer, J. and Lowman, D. Closing the Engagement Gap: How Great Companies Unlock Employee Potential for Superior Results, Portfolio Hardcover, December 26, 2008. Also see: Julie Gebauer, Towers Perrin, Global Workforce Study, 2007–2008. <http://www.towersperrin.com/tp/showhtml.jsp?url=global/publications/gws/index.htm&country=global>

Conversely, the mental, emotional, physical and even spiritual exhaustion that precedes workforce disengagement is your arch enemy. Personal energy is the most critical resource we have as human beings, and when reserves are chronically depleted, an inevitable outcome is disengagement.

A startling 54% of executives and professionals studied by HPI in 2009–2010 consider themselves disengaged even though they may wear a mask that paints them as a pillar of the corporate community.<sup>3</sup>

To illustrate a picture of how problematic this current situation is, look at ten of your top executives. Try to guess which five are about to burn out or jump ship. Now imagine you are wrong and it's the other five. Can your business sustain a hit like that?

This is not a disease of the entry-level worker. It is affecting employees at every level. A January of 2010 report by the Conference Board highlighted that US job satisfaction is at the lowest level in two decades. "While one in 10 Americans is now unemployed, their working compatriots of all ages and incomes continue to grow increasingly unhappy," says Lynn Franco, director of the Consumer Research Center of The Conference Board.<sup>4</sup>

### THIS MEANS CORPORATE STRUCTURES THAT DON'T IMPLEMENT AN ENGAGEMENT STRATEGY ARE AT SIGNIFICANT RISK OF LOSING KEY INDIVIDUALS AS THE ECONOMY LIFTS AND PEOPLE CONSIDER THEIR JOB OPTIONS.

Leaders the world over are beginning to awaken to the reality that the 'soft science' of human performance, engagement and resilience – too often dismissed as a 'touchy-feely' subject for junior HR managers – is actually a mission critical 'hard science'.

Greg Aitken, head of human capital strategy at a bank employing 150,000 people in 30 countries reports: "The translation of employee engagement into shareholder value is the missing piece in a lot of companies. Employee engagement is not just about employee satisfaction – it is about the discretionary effort that differentiates high-performing staff."<sup>5</sup>

It's this 'discretionary effort' – their willingness to invest their precious limited energy – that's key. Where it exists, employees go beyond the job description and take that personal step, making the difference between a job done and a job well done; they personally value their contribution and therefore achieve stronger results than in companies where the absence of mental buy-in causes people to fold, fail or flee.

The Harvard Business Review reported that "discretionary effort (that crucial willingness to go above and beyond) can be as much as 50% lower among highly disengaged employees than among their colleagues with average engagement."<sup>6</sup>

<sup>3</sup> Human Performance Institute National Survey of 358 senior executives across 190 organizations (respondents predominately Fortune 2000 – with over 1/3rd from Fortune 500). December 2009 – February 2010

<sup>4</sup> [http://www.conference-board.org/utilities/pressDetail.cfm?press\\_ID=3820](http://www.conference-board.org/utilities/pressDetail.cfm?press_ID=3820)

<sup>5</sup> *Personnel Today*, March 20, 2007

<sup>6</sup> Martin and Conrad Schmidt, *How to Keep Your Top Talent*, Harvard Business Review, May 2010. Page 56.

# THE ENGAGEMENT GAP

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Identifying the levels of employee engagement in your organization offers a chance to gain an overall perspective. There are three levels of engagement:

- 1. Fully engaged employees.** These people innovate, passionately identifying with their company mission. They carry your business.
- 2. Disengaged employees.** This majority sleepwalks through their workday, with no vested interest in the outcome. They stay in a job out of necessity, but have emotionally quit.
- 3. Toxic employees.** “Imagine what these people might say when speaking to customers, or what type of service he or she provides,” says Ted Marusarz, Global Leader for Engagement & Knowledge Management for HR consulting firm Hewitt Associates. “Beyond that, they take longer to complete their work, create additional burden for their managers and have a negative impact of the bottom line.”<sup>7</sup>

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As you look ahead at the next few years, is your company likely to try to grow, launch new products, improve customer satisfaction or undertake any other new initiative? To expect rubber to hit the road when employees are already disengaged (or when you don't know crucial engagement data) is like expecting a Formula One car to win the race without feedback regarding moment-to-moment fuel reserves.

This Engagement Gap, which is rearing its head in research data with an alarming frequency, comes into play when employee commitment is at direct odds with organizational needs.

If HPI's respondents are representative of all of corporate America, then, as of January 2010, more than half of corporate America feels disconnected from the task at hand, working on key projects while exhausted, distracted or burned out, with insufficient energy or drive to cope with the current work load.

Job cuts and budget freezes in 2009 have caused a reduced headcount to carry the workload and make do with aging infrastructure. Longer hours, rising stress and a sense that executives are out of touch sever them from the engagement they need for personal and corporate success.

Newsweek reported that an American Marketing Association survey finds 88% of companies that downsized report morale has declined.<sup>8</sup> That carries costs, now and in the future. When the Great Recession ends, the first thing many employees are going to do is to look for another job. In the face of management actions that signal the company doesn't value employees, virtually every HR consulting firm reports seeing workers with high levels of disengagement and a distrust of management.

The Gallup organization finds that toxic disengagement – defined as working to sabotage the performance of your employer – ranges from 16% to 19%. Employees who are unhappy and stressed out are more likely to steal from their employers – an especially large problem for retailers, where employee theft typically exceeds shoplifting losses.<sup>8</sup>

A Human Performance Institute, Inc., 2009/2010 survey of senior executives highlighted that a whopping 87% of respondents believe senior executives should play a significant or critical role in fixing the engagement problem. And this has heightened importance as 78% fear that they personally lack the capacity or interest to effectively manage the work demands in the coming year.

Take a moment to process this last metric, because it very likely represents your own workforce. 78% of employees are going in to this year with the express expectation that they can't give their best. That's a sobering statistic that should lead every executive to question the following:

1. What is the impact of disengagement to my organization?
2. What would the benefits be of a fully engaged staff?
3. How do I screen for any of this?
4. What can I do to improve engagement?

<sup>8</sup>Pfeffer, Jeffrey, professor of organizational behavior, Stanford University Graduate School of Business. *Lay Off the Layoffs: Our overreliance on downsizing is killing workers, the economy – and even the bottom line*, NEWSWEEK, February 5, 2010

# A CALL TO ACTION

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Government has issued a call to rebuild America's economy. To be equal to that task, every leader might choose to ponder how that goal is possible when so much of the nation's human capital is burned out, unplugged and switched off.

The development of physical, emotional, mental and spiritual wellbeing in the workforce therefore becomes mission-critical.

## BUT WHERE DO YOU START?

THE STEPS TO FOLLOW ARE DECEPTIVELY CLEAR. FIRST FIX THE BODY (PHYSICAL ENGAGEMENT), THEN HEAL THE SPIRIT (EMOTIONAL, MENTAL AND SPIRITUAL ENGAGEMENT).

This is referred to as inside-out training. Here the focus is on expanding workers' capacity for high performance so they can remain fully engaged despite high stress, intensely demanding working conditions. The objective is to strengthen the person, not the environment – to help each and every worker become more stress resistant and learn to thrive in unfavorable, even toxic, working conditions. From the inside-out perspective, the ultimate responsibility for achieving full engagement lies with the employee. The concept of inside-out training itself isn't new. In sports and military training, the focus for achieving maximum performance rests almost exclusively on inside-out training, where expanding each person's willingness and ability to remain fully engaged regardless of the potential brutality of one's environment is critical for completing the mission.

Another valid approach to the crisis of employee disengagement is called outside-in training. In this case, a concerted effort is made by leaders to remove or eliminate the perceived environmental causes of disengagement, thereby lowering the engagement bar for employees. The assumption is that the more engagement-friendly the external environment, the more engaged employees are likely to be. Targeted disengagers for intervention include employee issues such as lack of job clarity, inadequate recognition and praise for work well done, and misalignment of skills and job responsibilities. Because such disengagers are generally under the control of managers, manager behavior and practice become the focus of training interventions.

Huge buy-in for such programs already exists in many companies. The latest HPI 2009–2010 data shows that employees at all levels and across industries believe the payoff from a company-sponsored Engagement Program will be improved performance (78.0%), higher employee satisfaction with their job (72.6%), improved work/life balance (68.2%) and better overall health (66.4%).<sup>9</sup>

## END WORD

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America's leaders and workers will be challenged to deliver their employer's goals for growth in 2010–11. This is a direct result of a disengaged workforce suffering from physical, emotional, mental and spiritual energy deficit. Almost 80% of those surveyed believe they cannot meet the demands placed on them, and corporate expectations have soundly eroded work/life balance, in turn causing an alarming increase in chronic illness, depression and work-induced stress.<sup>9</sup>

America's corporate structure puts itself at significant risk for growth as long as employees remain disengaged and organizations do nothing to address it. Full engagement, however elusive, remains a distinct competitive advantage for most organizations.

A free assessment to benchmark your personal levels of engagement is available at: [http://corporateathlete.com/assessment\\_profile.html](http://corporateathlete.com/assessment_profile.html)

## ABOUT THE PUBLISHER

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The Human Performance Institute, Inc. (HPI) is the leader in delivering a unique science-based energy management training designed to help leaders and their organizations achieve and sustain high performance under pressure. HPI brings to the professional world 30 years of proprietary research and training with elite performers in high stress arenas in business, sport, medicine and military operations.

The Institute was co-founded by renowned performance psychologist Dr. Jim Loehr, author of 14 books including the national bestseller "The Power of Full Engagement," and internationally recognized authority on human performance, Dr. Jack Groppe, author of "The Corporate Athlete".

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