

How does a business—large or small, national or global—increase its competitive advantage in today's continuous cycle of improvement? Through service delivery, process improvement and customer knowledge? An area often overlooked is increased people capability and engaged employees who are willing to go that extra mile, according to leading HR expert Kim Reid.

Increased performance through employee engagement

Today, if you talk to financial analysts across the globe they will tell you they have been placing more and more importance on the people aspects of a business and the percentage of value that can be derived from enhanced people capability. This can therefore be seen as a differentiator in a company's competitive advantage, and one that can be as much as 40%.

Today's modern people practitioners have moved from being Personnel administrators to Human Resource managers working with business to create more value by developing people policies that are directly aligned to the business strategy. Employee engagement is one of the key people practices that can be proved to deliver extra value for a company and is an area that over the last five years has grown in importance, moving from satisfied employees to truly engaged ones willing to go that extra mile.

The 'how'

Research demonstrates that employee engagement can lead to significant improvements in employee absenteeism and turnover, service delivery, customer satisfaction and, ultimately, financial performance. Further, an engaged workforce also allows an organisation to more effectively manage change and implement its strategy.

An increasing number of organisations

have come to regard employee engagement as a key performance indicator and an important organisational asset. Simply put, organisations with higher levels of engagement outperform organisations with lower ones.

The drivers of employee engagement will vary by industry sector and organisational context. Therefore, to effectively manage and develop engagement, it is critical to measure the views of employees and this can be done through an employee opinion survey.

Is it proven?

In the early 1990s, Sears, Roebuck and Company, a major US retailer, investigated the relationship between employee satisfaction and company performance. They found that increasing employee satisfaction by 5 points led to an increase in customer satisfaction of 1.3 points and that this in turn led to an increase of 0.5% in revenue growth. The implications for Sears were dramatic and spread across the entire retail chain led to

an increase of millions of dollars in profitability. This approach to management of people is now generally referred to as the 'Service-Profit Chain' and is supported by a growing body of evidence.

In similar research conducted with 400 branches of a leading retail bank, it was found that increasing employee engagement led to significant declines in employee absenteeism and staff turnover. Raising the levels of engagement for the bottom scoring branches was estimated to lead to an annual saving in employment costs of over \$7 million. Furthermore, branches with higher levels of engagement were also found to have greater growth in customers and superior sales performance.

One of the leading global consultants, Mercer Human Resource Consulting, conducted research with a leading automobile retailer to investigate the key drivers of staff turnover and sales performance. They found that improving survey scores in the area of job information, training and career goals

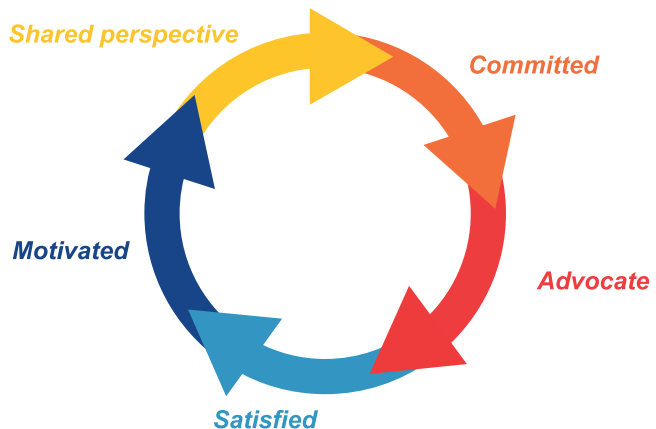


Table 1 Employee stage	Employee profile	Management focus to optimise engagement
SATISFIED	Enjoys job Not dissatisfied with terms & conditions Content to work alone Does not go 'above and beyond' Not necessarily a team player Often internally focused	Work, tools, resources and equipment Work environment Reward (level & understanding of rationale for reward change) Recognise work efforts

Table 2 Employee stage	Employee profile	Management focus to optimise engagement
ADVOCATE	Contributes discretionary effort Proactively seeks opportunities to serve the organisation Speaks positively about the organisation's goods and services Recommends the organisation as an employer Willing to withhold criticism and/or be constructively critical for the good of the company	Communicate organisation's progress and challenges Relate business results to team and individual roles Endorse strong customer focus Share understanding of customer needs with team Encourage innovation and commitment to quality and excellence

led to significant improvements in employee engagement. Improving employee engagement by 6.1 points in turn decreased employee turnover by 3%, which then transformed into a direct return on investment of over \$3 million through improved sales performance.

In a broad summary of research conducted across 36 companies, it was found that business units that were in the top quartile of employee engagement produced 1-4% points greater profitability and significantly greater levels of productivity. The researchers concluded that employee satisfaction and engagement are related to meaningful business outcomes at a magnitude that is important to many organisations and that these correlations generalise across companies. They also noted that impact of engagement for the organisation as a whole can be significant, particularly when the improved financial performance of business units is aggregated.

The above cases and research demonstrate that employee engagement can lead to significant improvements in employee absenteeism and turnover, service delivery, customer satisfaction and, ultimately, financial performance. As a result, an increasing number of organisations have come to regard employee engagement as a key performance indicator and an important organisational asset.

Recognising the difference

As we have already seen, engagement is the result of how employees feel about the work experience, their employer, their leaders, the environment and the work itself. So, what are the signs of an engaged employee compared with a simply satisfied employee and how does that really make the difference?

Mercer has an employee engagement model (See title image) that moves through five stages, from an employee being simply satisfied to an advocate of the organisation. The characteristics of two of those stages and the management focus to optimise engagement at various levels can be seen in *Tables 1 and 2*.

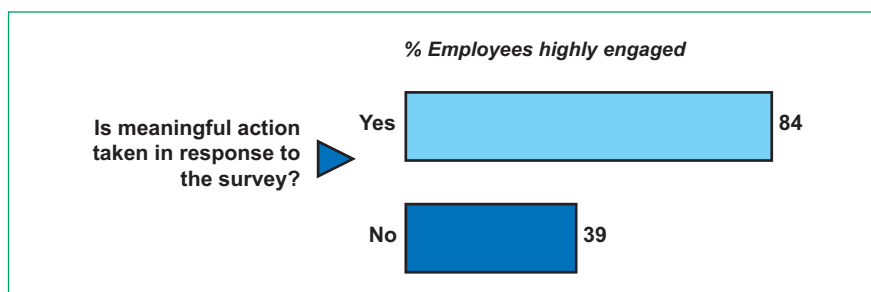
become more sophisticated and can be used to measure how deeply committed an employee is to working in the organisation. The survey uses questions related to the company's business strategy, vision and values to test how involved the employee feels with the business.

However, an employee opinion survey will do more damage than good if the follow up and feedback process is ignored or is not sufficiently robust.

Given the impact of employee engagement on organisational performance, any reported high levels of employee engagement for an organisation represent a significant asset for the organisation. This is an asset that should be protected and further developed. It is for this reason that the survey follow-up process is so important.

In Mercer's What's Working research it was found that only four out of ten organisations that conduct employee surveys take follow-up action on the basis of survey results. The implications are profound, as a poorly designed and implemented survey is not only a waste of organisational resources but, more importantly, can significantly reduce levels of employee engagement. Mercer's research is clear on this point and, for organisations that conduct a survey but fail to implement follow-up actions, fewer than four in ten report high levels of engagement.

In contrast, for organisations that conduct a survey and implement follow-up actions, more than eight in ten employees report high levels of engagement.



How do you find out?

Employee Opinion Surveys have been around now for a number of years. They originally focused on measuring employee satisfaction by using questions that tested whether employees were happy with their general terms and conditions. Over the years they have

Simply put, failed surveys can destroy employee engagement. This 45-percentage-point gap in levels of engagement can be a source of competitive advantage and the make-or-break of future success. 

Details courtesy of Mercer Human Resource Consulting