Measurable

How Employee Engagement Can

by **JIM SHAFFER**

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Savvy business leaders are going back to basics in search of ways to boost employee performance. They're building the capability of their workforce through informed, involved people who understand how they influence the business and are excited about contributing to a greater good. In short, they're creating businesses where the people think and act like business owners.

Their efforts to increase engagement are grounded in the belief that all assets are inert until something is done with them. What happens with those assets is the difference between winning and losing. So, getting the right people to do the right things at the right times with otherwise inert assets can represent a huge source of competitive advantage. When the same number of people willingly take performance to a much higher level, the capability of the workforce has improved.

It's paying off in huge ways for business leaders.

"We are absolutely convinced there's a competitive edge to be gained by engaging our people through better managed communication," says Dave Brown, CEO of Owens Corning in Toledo, Ohio, USA. "We've seen it pay off already in measurable improvements in costs and productivity."

Several Owens Corning plants have attacked the engagement issue head-on and have results to prove its worth. After building engagement among its employees, an upstate New York plant improved production volume by 12 million pounds, while cutting costs by US$2 million and substantially reducing injuries.

After a spate of serious injuries and a death at their largest plant in Newark, Ohio, the company brought in David Rabuano to turn the situation around. Rabuano's first order of business was to reinvest in the people of the business—to engage them in the massive turnaround that was needed. "There is a huge performance lift that can be gained simply by turning to the people who do the work every day, helping them see how they can make a difference, giving them the resources to do so, helping them see how it's in their best interests to improve and then getting out of their way," Rabuano explains. "The people of this plant have turned it around. Our entire effort has been grounded in wide open, carefully managed communication to build trust and to improve operating and financial performance."

The effort has produced impressive numbers. Volume is up US$15 million over last year, and there's been a 76 percent decline in accidents. And, as Rabuano says, "We see a lot more smiles on faces."

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Payoff

Boost Performance and Profits

An isolated phenomenon? Not if you look at the research. Independent data from the Gallup Organization, the U.S. Department of Labor, the American Compensation Association, Towers Perrin and Rutgers University reveal a new trend in this direction. What's happening at Owens Corning represents a general pattern that can happen for any organization willing to work hard to increase engagement and build the capability of its workforce. Research shows that engaged people are more likely to have lower turnover, absenteeism and accidents, and higher customer loyalty, profitability, sales per employee, market value and gross return on capital than those who aren't engaged.

And the opportunity to improve seems to be huge, based on Gallup Organization research into employee engagement. Among employees in 11 countries surveyed by Gallup, no country's engagement level exceeded 27 percent. Those employees categorized as "not engaged" and "actively disengaged" ranged from 73 to 94 percent of the workforce (*see Exhibit A.*)

The demand for engagement is coming from customers. We're demanding better, faster, cheaper products and services. In response, companies are to boost quality and speed while keeping costs low.

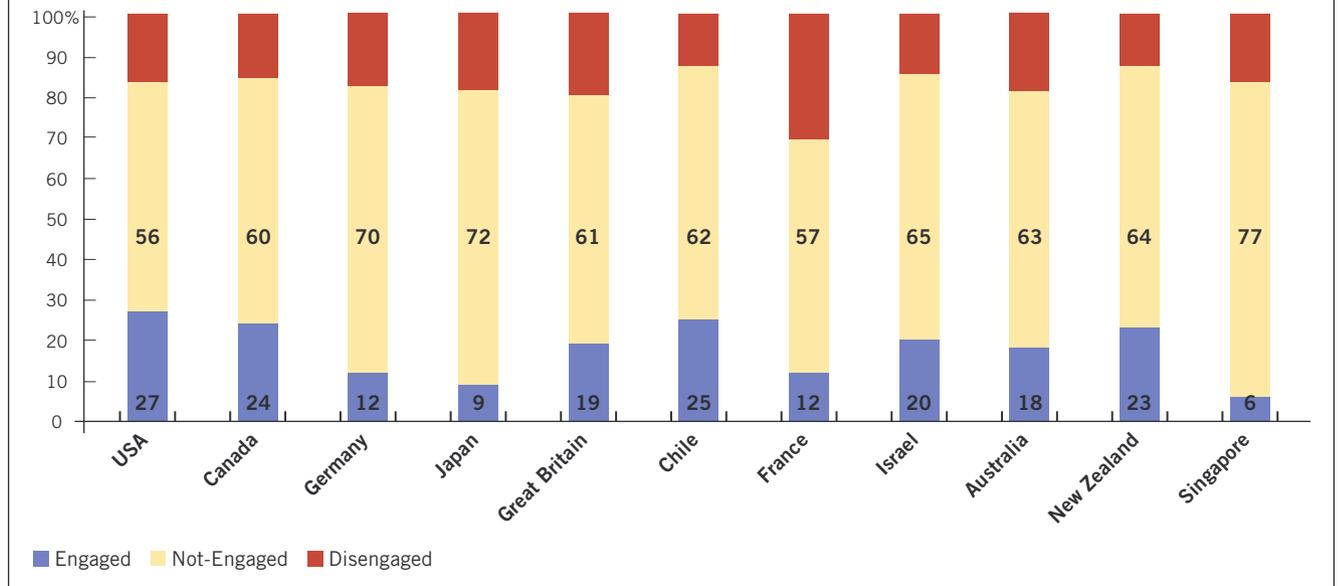Creating the communication-engagement-performance linkage depends on the following four factors.

1. CREATE A HIGH-PERFORMANCE COMMUNICATION SYSTEM

If communication is thought of as all the ways we send, receive and process information, then it's a powerful process that wends its way in and out of any organization. "It's not a speech...or a videotape," Jack Welch, former chairman of General Electric, once said. "It's not a plant newspaper. Real communication is an attitude, an environment. It requires countless hours of eyeball-to-eyeball back and forth. It's a constant, interactive process aimed at creating consensus."

Communication is a process—a system—to be managed, just as sourcing, manufacturing, engineering, development, sales and marketing

Exhibit A: Engagement levels in 11 countries, as reported by Gallup Organization

Country	Engaged	Not-Engaged	Disengaged
USA	27	56	
Canada	24	60	
Germany	12	70	
Japan	9	72	
Great Britain	19	61	
Chile	25	62	
France	12	57	
Israel	20	65	
Australia	18	63	
New Zealand	23	64	
Singapore	6	77	

■ Engaged   ■ Not-Engaged   ■ Disengaged

« A high-performance communication system begins with the business strategy and its drivers, the causes of under-performance and the flaws within the communication system that, once removed, will cause performance around the business drivers to accelerate. »

are processes. Yet, the communication processes flow in and out of all the other systems. They're everywhere. You can't *not* communicate.

At the heart of it, a high-performance communication system engages people in a way that improves performance. Here are four ways to link engagement with high performance:
1. Build a line of sight where people can see the direct link between what they do and how it influences the organization.
2. Increase involvement, which improves information exchanges, gives people a means to influence the organization and increases ownership.
3. Facilitate the sharing of accurate decision-making information at "twitch" speed.
4. Enhance intrinsic and extrinsic reward and recognition, thereby helping people understand "what's in it for me" when they act to improve performance.

An increasing number of companies are shifting from low-performance communication systems, where the desired end is information distribution, to high-performing communication systems where the desired end is improving performance.

This role shift also requires rethinking a function's needed capabilities, skills, knowledge, structure and working methods. It's paying off in much higher value-to-cost ratios than the traditional model.

2. SELECT THE RIGHT PERFORMANCE TARGETS
The Traditional Model. Many traditional communication practitioners follow a hierarchy of communication effectiveness. This hierarchy ascends from communication that builds awareness, to understanding, to acceptance, to commitment and, finally, to action. It's useful in determining how effective a communication activity is at a given point in time, but few companies can demonstrate any real cause and effect. In fact, causation between an activity and action is rarely even addressed.

The High-Performance Model. A high-performance communication system begins with the business strategy and its drivers, the causes of under-performance and the flaws within the communication system that, once removed, will cause performance around the business drivers to accelerate. In this way, process-oriented goals associated with the hierarchy are replaced by results-oriented goals associated with the business strategy.

The process often begins by asking the question: *Where are the best opportunities to improve performance that matters by better managing communication, information and knowledge?*

The emphasis is on "performance that matters," because some performance areas are not as important to achieving an organization's strategic goals as others.

For instance, one point of differentiation may be on quality. But many factors can drive a customer's perception of quality. Increasingly, customers define quality based on their total experience with a supplier of products or services. But some encounters within the customer-supplier relationship are more important than others in their ability to drive customer satisfaction and loyalty.

Knowing which encounters are the most important enables us to build engagement and performance-improvement efforts around them—where they will have the biggest impact.

One food-processing company's strategy was to differentiate in the marketplace on quality. Research showed that customers believed that the company produced higher-quality food than its competitors. None of the companies scored particularly high on "easy to do business with," yet this was critically important to the customers. By focusing an engagement effort around ease of doing business, the company was able to break out from the competitive pack.

A manufacturer was competing on cost, when a Pareto chart analysis revealed that one of the single biggest contributors to cost was downtime caused by preventive maintenance during an oven clean-out process. The company then focused an engagement effort around the people who regularly perform the oven clean-out. In the first two re-designed oven clean-outs, the engaged team knocked US$230,000 off the annual cost of performing the preventive maintenance procedure.

Because performance-improvement projects focus on engaging people to improve performance where it matters, they must be selected based on employees' ability to influence the outcome.

3. NARROW THE FOCUS FOR MORE LEVERAGE
The most suitable performance measure for a high-performance communication system is the relationship between what a company spends to manage communication and the value it creates with the investment. It's called value to cost. Therefore, efforts to engage people and improve performance need to be carefully directed.

The idea of creating a 100 percent engaged workforce sounds idyllic on the surface, but it may not be good business. It may be more important to engage in selected areas of an organization, where processes and groups of people can affect performance results more than others. The reason is that although we know a relationship exists between engagement and performance levels, the relationship may reach a point of diminishing returns. Getting to 100 percent engaged may require an investment for which there's no return.

For instance, while all jobs inside an organization may be important, some may have a much greater impact on the business strategy than others. Williams-Sonoma, a successful U.S. retailer of kitchen and home accessories, has calculated that people in only five job categories determine 80 percent of the company's strategic priorities. By focusing on the critical few people—often less than 10 percent of the entire workforce, companies can make significant performance improvements.

Fast-food restaurants may deliberately accept a certain level of turnover within their restaurants simply because the cost of reducing turnover by engaging people in the business would be greater than the performance return it would create.

A technology company identified turnover as a major contributor to costs. Two-thirds of its turnover costs came from the software engineering department. Using various statistical tools, the company was able to identify two critical engagement-related issues that were contributing to 80 percent of the turnover: engineers felt they did not have an impact on the organization and did not perceive that they were valued. Turnover was dramatically reduced by focusing engagement efforts on these two issues. *(See Exhibit B.)*

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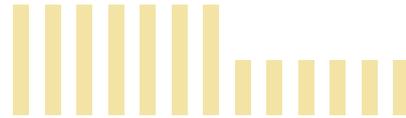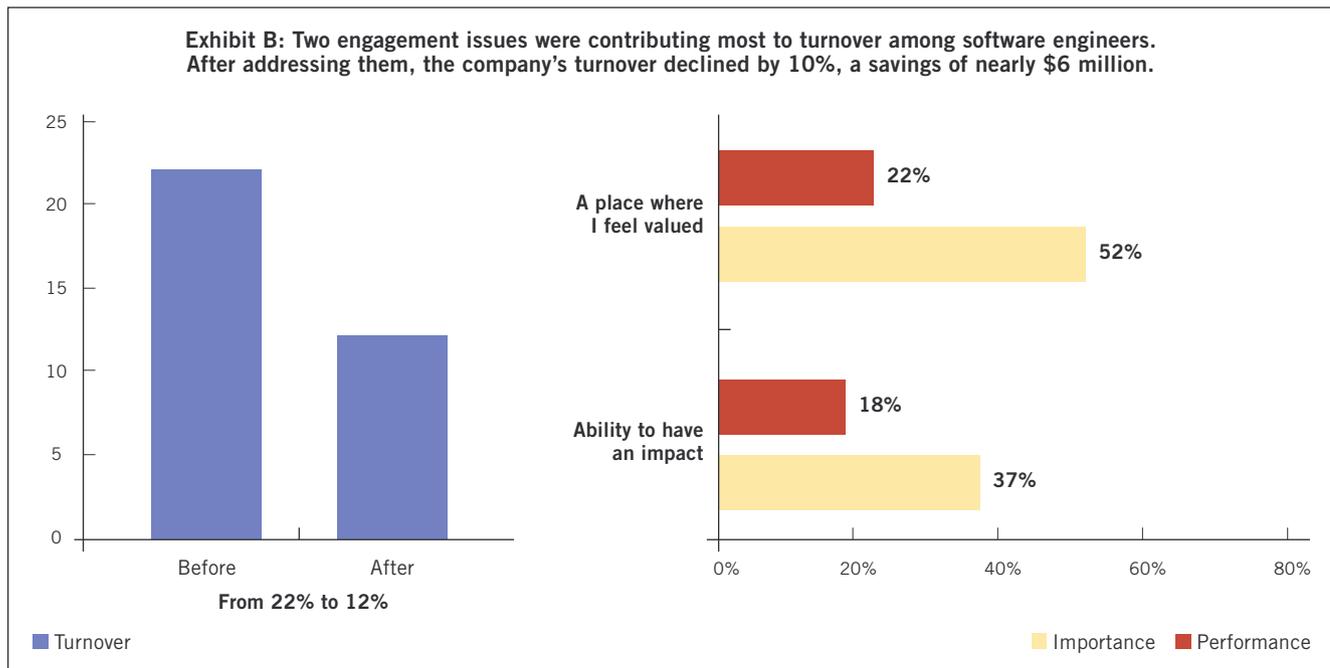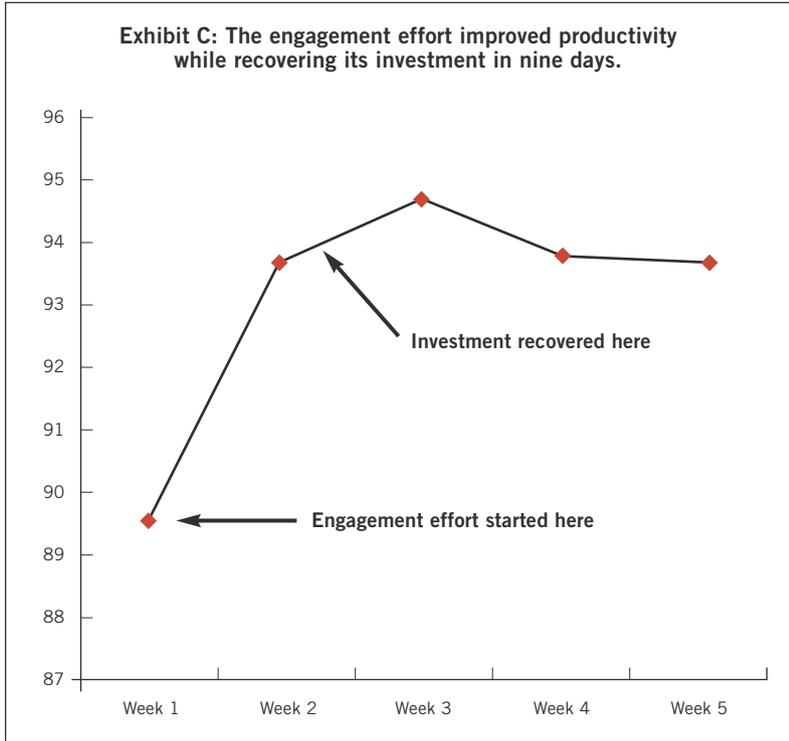
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Exhibit B: Two engagement issues were contributing most to turnover among software engineers. After addressing them, the company's turnover declined by 10%, a savings of nearly $6 million.

Turnover (Before: ~22, After: ~12) — From 22% to 12%

- A place where I feel valued: Performance 22%, Importance 52%
- Ability to have an impact: Performance 18%, Importance 37%

Legend: Turnover | Importance | Performance

Exhibit C: The engagement effort improved productivity while recovering its investment in nine days.

Investment recovered here

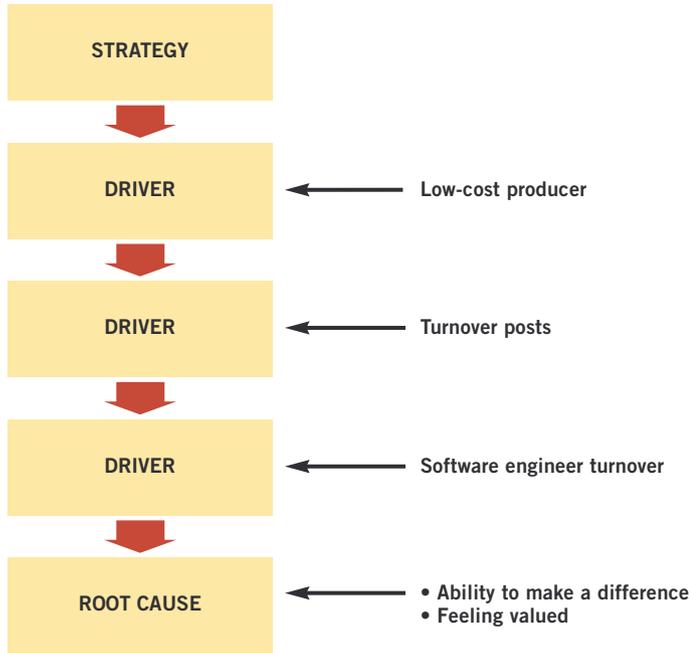Engagement effort started here

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4. FIX, TRACK AND REPEAT

Every effort to improve business performance through increased engagement needs to be tightly focused on those areas of the business with a high value-to-cost ratio. Here are 10 tips for creating and implementing successful engagement and performance improvement efforts.

1. The people whose performance needs to improve should help design, implement and track the effort. They, more than anyone else, know what frustrates them in their efforts to do a better job.

2. Begin by explaining the business case for the improvement sought. It needs to answer important questions such as why improvement is needed and what's in it for the company and for employees when it happens.

3. Involve people in problem discovery. Employees who have discovered the problem are more apt to own the problem and strive to create a workable solution.

4. Provide support to the team. Make technical and subject matter experts, performance data, best

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Exhibit D: Engagement projects need to be tightly focused on business drivers and root causes.

STRATEGY

DRIVER — Low-cost producer

DRIVER — Turnover posts

DRIVER — Software engineer turnover

ROOT CAUSE — • Ability to make a difference
• Feeling valued

High-Performance Communication System → Increases Engagement → Builds Workforce Capability → Improves Performance → Achieves Business Strategy

Properly managed, the communication system should increase engagement, which builds workforce capability, which makes it easier to achieve the business strategy.

practices information, problem-solving tools and meeting facilitation available to the group. Engagement projects also make excellent Six Sigma projects. Blending the two processes can give performance a lift that neither of the two acting alone can do.

5. Start measurement early. Mere attention to an issue can cause performance to improve, so set the baseline early and track progress continuously. Data can depict where a project is creating success and can also illustrate where it may be stalling and in need of a course change or added resources. *(See Exhibit C which tracks performance gains and variation.)*

6. Throughout the project, assess how well you're doing on the four ways to link engagement with high performance.

7. Focus laser-like attention on a problem's root cause. Eliminating root causes makes the problem go away, presumably forever. Attacking symptoms doesn't. (*See Exhibit D.*)

**8.** The team should set its own performance goals. They should be stretch goals but achievable. The team should also identify how it should be rewarded or recognized for meeting its goals. Typical cost for rewards/recognition is 5 to 10 percent of the gain.

9. Once the gain has been made, evaluate what was done well and what could be improved. Continuously improve the performance and lock in the gain with control mechanisms.

10. Move the process to the next biggest area of opportunity while simultaneously demonstrating that the performance improvement model you just used can be applied to the entire business.

THE JURY'S NO LONGER OUT
Informed, involved people perform at higher levels than those who aren't. When a business informs and involves its people through a high-performance communication system, it can take performance to unprecedented levels. When you build the capability of the entire workforce, your company is creating a new competitive advantage that's hard to top. **CW**
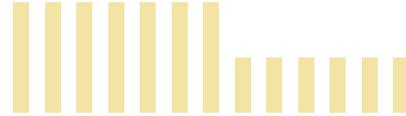
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