



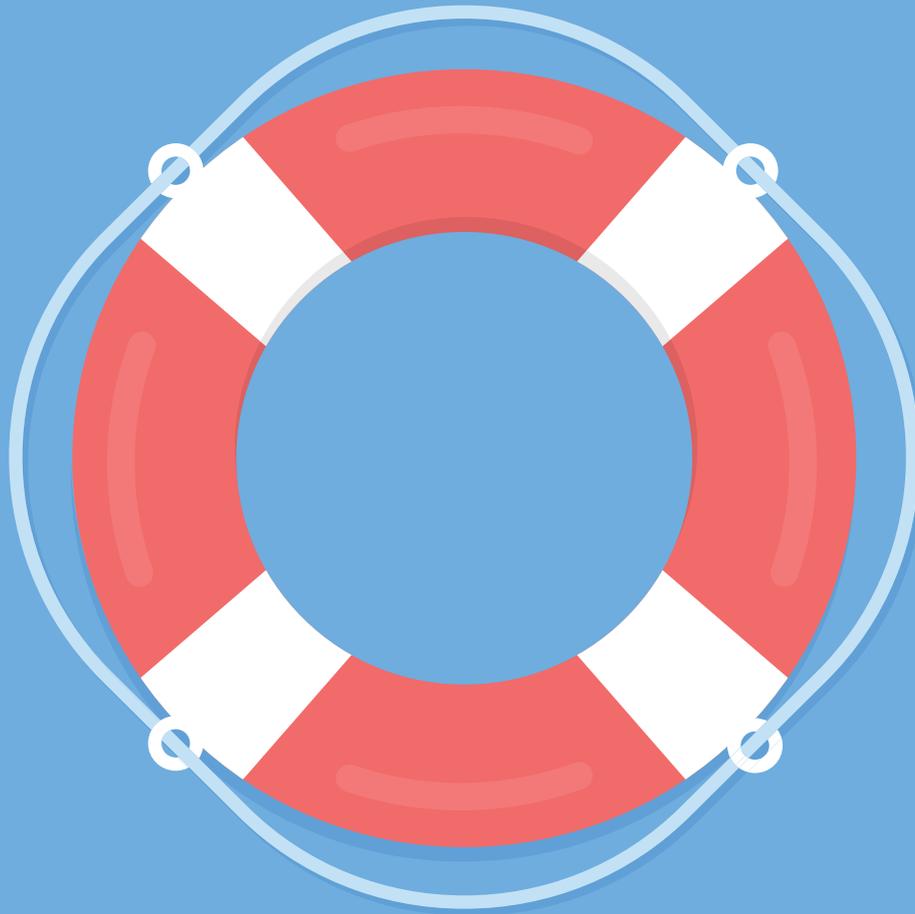
**BLOOMFIELD HR
CONSULTANCY**

Providing Specialist HR Support

The link between engagement and productivity



Employee Engagement to the rescue



Employee Engagement is big business.

No-one can know for sure but one plausible figure for the total addressable market is \$74 Bn a year and counting¹.

It's easy to see why - the vendors and other agencies that have hitched themselves to the engagement concept have put massive effort into connecting engagement with the promise of improved motivation, productivity and profit. Their client companies have measured engagement and, guess what, found it correlates positively with good business outcomes.

14%

BETTER SALES ON
BANKING PRODUCTS

“

Branches with high engagement score 14 percent better on sales of banking products, and score much better on risk, customer experience, employee turnover and absence levels².



16%

HIGHER PROFIT
GROWTH

“

Branches with high engagement achieve 16 per cent higher profit growth and have 46 per cent lower voluntary turnover².



£62 MILLION

MORE SALES DELIVERED

“

Over a four year period stores with improving engagement had, on average, delivered £62 million more sales to the business every year than stores with declining engagement².



3x

HIGHER OPERATING
MARGIN



Towers Watson claim that companies with sustainably high engagement have nearly three times more operating margin of companies with low engagement³.

TOWERS WATSON 

2.5x

THE REVENUE
GROWTH



Hay Group say top-quartile companies for engagement have two and a half times the revenue growth of bottom quartile organisations⁴.

HayGroup[®]

2.6x

THE EARNINGS PER
SHARE GROWTH



Gallup claim that companies where workers are mostly engaged have 2.6 times the earnings per share growth of units where workers are less engaged⁵.

GALLUP[®]

You might think that with numbers like that on offer the boardrooms would be falling over themselves to get engagement programmes in place but not so; the UK body Engage for Success (E4S) has found that many CEOs and CFOs don't 'get' engagement at all.

That's partly because we don't know that Employee Engagement actually causes any of these positive effects - it could just as easily be that people like working in companies where everything is working well, so successful companies have good engagement scores.

In fact, one thing you will never see in any respectable publication is that EE causes improved KPIs. This is partly because there isn't even an agreed definition for what engagement is - it's just an idea (actually, a collection of similar ideas that happen to have the same name).

In the E4S research one CEO is quoted as saying: "If you're looking for a snappy definition, I'd probably struggle", and another said: "Interestingly. I've never tried to articulate it"⁶. Successful executives are unlikely to spend money on something they can't even define. And anyway, ideas don't directly cause anything; it is actions that change things.

However, if your engagement survey shows that areas of the business are scoring low, take heart; that information is very valuable. It shows you where there are vital opportunities to improve the way staff feel about working for you.

Would wellbeing be a better cause to pursue?

The answer to that is an emphatic 'no'.

There's nothing wrong with wellbeing as a concept, and we are going to hear a lot more about it. It is getting more mentions each week in the media and on the net, and it may eclipse engagement as the most talked-about thing in the HR world very soon. However, that that doesn't mean it is the solution to anything - like Engagement, it is not a cause but an effect, a marker that tells you something about employees' lives.

The causes of motivation

The Hawthorne experiments are one of our first solid references for the original drivers of motivation and productivity. In 1924, a series of experiments were conducted at the Hawthorne Works in Chicago. The first tests involved a series of lighting changes⁷ - it was expected that raising light levels would, up to a point, stimulate productivity. The results were baffling; raising the light improved productivity, but so did lowering it.

Eventually the researchers concluded that all kinds of social effects were at work, and that motivation is more complex than they had assumed, but in essence:

- The workplace is a social system
- Workers are not motivated solely by pay
- Group work and behaviour are tied directly to efficiency
- High performance at work depends on workers' attitudes⁸

This work was conducted almost 100 years ago, and yet we are still discovering the same lesson. To paraphrase Winkler's 2012 research⁹:

...organisational commitment has a more persistent influence on performance than vice versa. This suggests that job attitudes may come first, so practitioners should aim to improve job attitudes in order to boost performance.

This makes intuitive sense, and you can confirm it by asking any number of people what were the characteristics of the best work they ever had. Almost without exception they will say similar things: being with people who share a common agenda, being acknowledged, being stretched but supported, doing things that are interesting and useful, and so on.

Notice that, even though Winkler is working right in the centre of the era of employee engagement, that phrase does not appear. His study is on the relationship between organisational commitment and productivity, but it is often used as an argument in favour of employee engagement, presumably by people who either do not know the difference themselves, or who hope that we won't.

Winkler's 'organisational commitment' and 'job attitudes' are surely precursors to better performance. Engagement, on the other hand, is often described in terms of 'discretionary effort', which actually is the performance, and so is a consequence of the 'organisational commitment' and 'job attitudes'.

This means that proponents of engagement are trying to have their cake and eat it; engagement cannot be a cause of itself, whatever it is. So, to be clear the link between engagement and productivity is a simple one: they are both results of getting other things right.

Sorting out the causes and effects

A huge variety of supposedly motivational ideas are on offer, from wall-climbing and fruit to benefits packages and fit-bits. It is time to classify which are genuinely likely to improve motivation and which are probably side-shows.

We know that attitudes affect work, and something must form people's attitudes, so the order of events has to be this:

- Various factors affect people's attitudes to their workplace and their work.
- These attitudes affect motivation to work
- Motivation affects work, and so productivity and eventually profit.

(There will be other things that affect also productivity, such as availability of information, training, materials and other resources, and these will all affect motivation as well. There will also be other loops of cause and effect, but we think this is the main chain of events.)

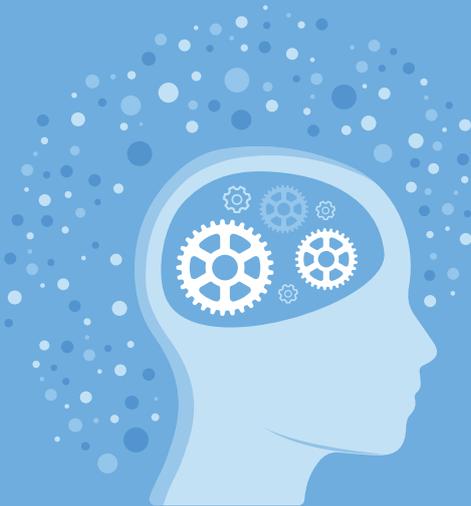
So now we can attempt a classification - not an exhaustive list, but a useful start:

Factors affecting people's attitudes to work	Indicators of those attitudes
Social conditions	Engagement score
Membership of a team	Job satisfaction score
Training	Productivity
Resources	Absence / sickness rate
Communications	Employee turnover
Acknowledgement	Rate of innovation
Purpose of the organisation	Quality of work
Sense of security	Customer satisfaction
Control / autonomy	Net Promoter Score
Meaningful work	Profit

It is highly unlikely that you could sustainably drive change by working on the items in the right-hand list. Taking sickness and absence as an example, sustainable improvements in these rates will depend on establishing their causes¹⁰. If frustrations are negatively affecting staff attitudes and the company tries to drive improvement without first understanding and relieving the causes of the frustrations, the problems will likely get worse in the long run.

Knowledge is power

First you have to understand employees' attitudes to work - what are they, and what is forming them.



An engagement or employee sentiment survey will do half the work, giving you an overview of how people are feeling, but WeThrive goes further, giving you the reasons why employees feel as they do.

What's more, it gives your managers prompts for coaching conversations, so that when they sit down in group or one-to-one meetings they have the inside information they need to make those conversations produce improvements.

Motivation is innate - but you have to unlock it

People naturally want to get together into groups and do things that help them get their biological, psychological and social needs met. This is essentially the underlying motivation for all human activity. Work is an ideal way to do this, so people are innately motivated to work.

However, the frustrations of work, which are often neither seen or understood but assumed to be a normal part of working life, have a corrosive effect on people¹¹. They wind staff up, and this stress compromises intellectual capacity, collaboration and creativity. It makes people more self-centred and more likely to go sick or leave the firm.

If you can get the difficulties out of the way, your staff will be free to use their whole intelligence, collaborate and be creative, and they will be more likely to stay and be good ambassadors.



Putting it into practice

So here's where you make the link between engagement and productivity.

First, assess how well the business is meeting staff's cognitive, practical, emotional and social needs at work. WeThrive will tell you all you need to know, and you can try it free of charge. Use the resulting action plans to guide the necessary changes, and repeat the exercise

periodically. Over time you will find that engagement scores improve, as will a raft of other measures, including productivity. This is simple to implement in practice, and brings a number of other benefits.



It focusses coaching or other development efforts where they are actually needed, as they are all guided by direct feedback from the staff.



Time and effort are saved by making employee experience the central measurement; the feedback loop goes directly from employee experience to managerial action.



Because any changes are driven by employee sentiment, the resulting improvements are sustainable.



Further feedback from the resulting KPIs shows the effect of stressing the staff and confirms / modifies the approaches taken by the organisation and by individual line managers.

Summary

Employee Engagement is important, but it is not a thing you can affect directly, it is a consequence of getting other things right.

A company's engagement score is a marker of how well the culture and environment meet the bio-psycho-social needs of the employees.

When these needs are met staff will be innately motivated to group together and do things that are interesting and useful. Otherwise they will feel stressed and be likely to behave in ways that are less helpful to the business, with intelligence, collaboration and creativity being particularly compromised.

WeThrive shows you what your employees think and feel about their work - i.e. what is forming the attitudes that will support productivity.

WeThrive not only shows you who needs what in order to do well, it gives your managers the tools and resources to intervene quickly and successfully.

References

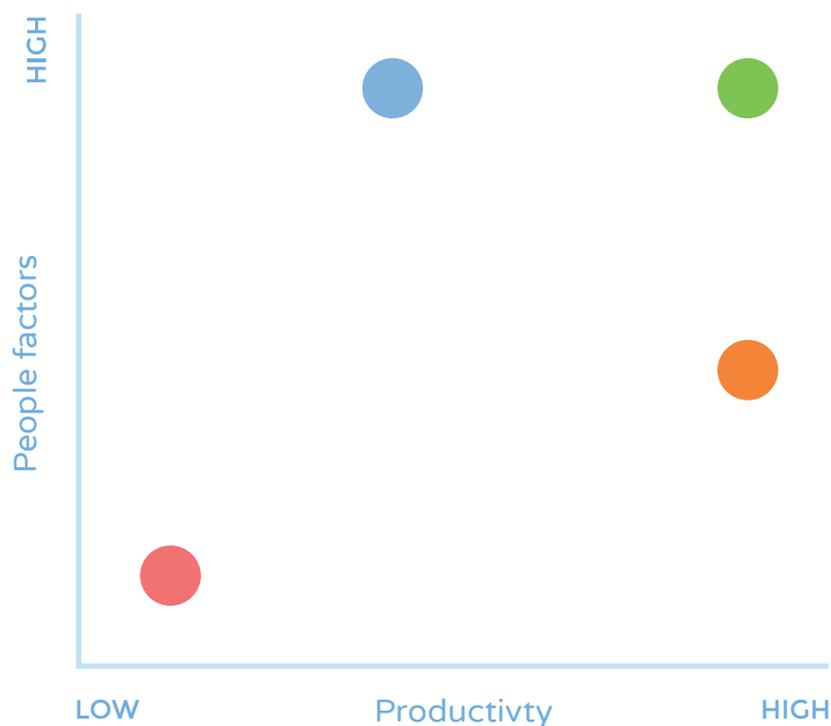
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Exercise

1. Take a look at the following chart, showing productivity on one axis and people factors on the other, with some examples of how the two might combine.
2. Mark where your company, and/or some of the teams in it, would fit on the chart. Then add three things that you would like to change.

wethrive tip

To make the exercise really worthwhile, add some hard people data by using WeThrive. Take the free trial to get a direct view of how a team is feeling, and see how that adds insight to the plans you make for improving the situation.



 High productivity – sustainable because employee experience is good

 High productivity but employee experience is less positive - unlikely to be sustainable

 Great employee experience but not reflected in productivity

 Much to do