



The HR Manager's Guide to Employee Engagement

The HR Manager’s Guide to Employee Engagement addresses the following areas:

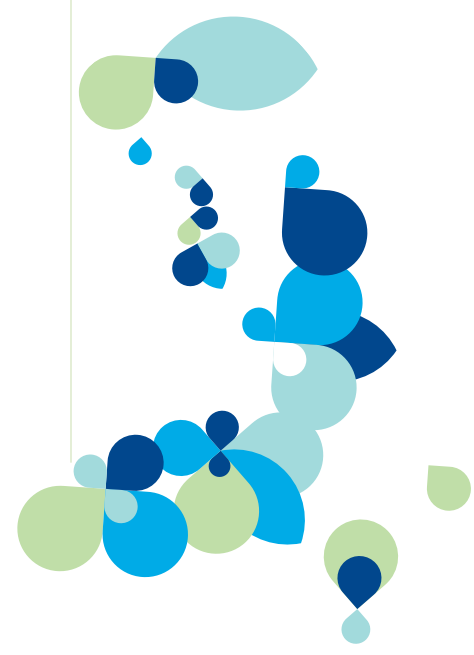
Introduction..... 1

What Is Employee Engagement? 1

The Link Between Employee Engagement and Financial Performance 2

Tips to Improve Employee Engagement..... 3

Conclusion 5



Introduction

Over the last few years, economic uncertainty forced many companies to make a variety of cutbacks to optimize productivity and maintain profitability. Many of these changes affected employees including salary and hiring freezes, reduced benefits, limited opportunities for promotion, and even the elimination of training dollars and employee perks. These cutbacks, coupled with the concern over layoffs and limited job opportunities, have taken a toll on employee morale and negatively affected levels of employee engagement.

As reports of economic recovery and hiring become more frequent, disengaged workers will have opportunities to find other employment. A survey released in January 2011 by the National Association of Business Economics reported that firms believe the U.S. economic recovery is gaining strength, and 42% of the economists surveyed forecasted an increase in hiring in the first half of 2011.¹ In order to prevent the loss of valuable employees, human resources departments need to find ways to overcome workers' feelings of pessimism about the workplace.

How can your company increase employee engagement and retain top performers? In this guide, we will examine some current statistics about employee engagement, show how employee engagement affects companies' financial performance, and provide tips to effectively increase employee engagement at your company.

Current state of employee engagement

According to the 2010 Gallup Management Journal's Employee Engagement Index:

- 29% Fully Engaged
- 54% Not Engaged
- 17% Knowingly Disengaged

What Is Employee Engagement

Employee engagement is a hot topic for human resources executives and CEOs alike. There are numerous articles and organizations that discuss the importance of maintaining actively engaged employees. But what is it? Employee engagement can be defined in many ways and should reflect the company's goals. Here are three definitions of employee engagement:

- "The term employee engagement relates to the level of an employee's commitment and connection to an organization."²
- "Employee engagement is the extent to which employees put discretionary effort into their work, beyond the required minimum to get the job done, in the form of extra time, brainpower, or energy."³
- "Employee engagement is a strategic approach supported by tactics for driving improvement and organization change."⁴

All of these definitions suggest that employee engagement is dynamic. In order to improve engagement across your organization, it is important for employees, managers, and HR staff to play active roles to make a positive impact.

¹ Wagner, Daniel, "Survey: Industry economists more optimistic about recovery; jobs outlook is best in 12 years," Associated Press, January 24, 2011.

² "Developing and Sustaining Employee Engagement," SHRM, December 30, 2010, www.shrm.org

³ Robert J. Vance, Employee Engagement and Commitment, SHRM, 2006, p.3. Accessed online at:

<http://www.shrm.org/about/foundation/research/Documents/1006EmployeeEngagementOnlineReport.pdf>

⁴ "Employee Engagement: What's Your Engagement Ratio?," Gallup, Inc.

Studies have shown that high levels of employee engagement help businesses retain talent and increase productivity and performance. As businesses emerge from the recession, it will be important to rebuild engagement levels in order to retain top talent. In fact, a 2009/2010 Towers Watson report showed that employee engagement had dropped nearly 25% for top-performing employees—which “poses a considerable risk to employers as more job opportunities become available in the recovering economy.”⁵

Other analysts have reported similar decreases in employee engagement from the 2008-2010 recession period. According to Hewitt Associates, 46% of the organizations surveyed saw a decrease in employee engagement levels, which represents the largest decline observed since research began in 1995.⁶

The Link Between Employee Engagement and Financial Performance

Why is employee engagement important to your organization? A 2006 Gallup poll showed that a highly engaged workforce resulted in less turnover, lower rates of absenteeism, and higher profits.⁷

When employees are excited about their work, colleagues take notice. Highly engaged employees are productive contributors to the workplace, and researchers have found that it can positively affect profitability and performance of the overall company. A 2006 report, prepared by Dr. Robert Vance for SHRM, highlighted many examples of measurable benefits that companies had achieved by improving employee engagement.⁸

- Caterpillar enjoyed a \$2 million increase in profit and increases in customer satisfaction.
- Coors Molson experienced \$1.7 million in savings from reduced safety costs among engaged employees. Engaged employees also improved sales more than \$2 million over non-engaged employees.
- With a change in management style, a state department of transportation unit increased employee engagement from 36% to 84% in just three years—and also enjoyed a bump in customer satisfaction levels over the same period.

Similar results were discovered in a study conducted by the Center for Human Resource Strategy at Rutgers University, which found that highly engaged business units were on average 3.4 times more effective financially than units who were less engaged. This paper also found that when disengaged, workers can cost the company in lost productivity and negatively affect customer relationships.⁹

Did you know?

When an organization “consistently communicates and delivers on an employment deal that is attractive and aligned with customer-facing messages,” employees are 50% more likely to be top performers.

Source: Towers Watson 2008/2009 WorkUSA study

5 Towers Watson 2009/2010 U.S. Strategic Rewards Report.

6 “Developing and Sustaining Employee Engagement,” SHRM, December 30, 2010, www.shrm.org

7 “Gallup Study: Engaged Employees Inspire Company Innovation,” Gallup Management Journal,

Accessed online at: <http://gmj.gallup.com/content/24880/Gallup-Study-Engaged-Employees-Inspire-Company.aspx>

8 Robert J. Vance, Employee Engagement and Commitment, SHRM, 2006, p.2, 23.

9 Castellano, William, “A New Framework of Employee Engagement,” Center for Human Resource Strategy at Rutgers University, found online at: http://www.chrs.rutgers.edu/pub_documents/EmployeeEngagementWhitePaperFinal.pdf# “Employee Engagement: What’s Your Engagement Ratio?,” Gallup, Inc.

Happy Employees are . . .

- **Productive.** Studies show that happy people are more productive, take fewer sick days, and get along with others better.
- **Loyal.** They won't be out looking in the job market. The cost associated with hiring an employee can be as high as 2.5 times their annual salary. If you're losing a staff member every six months, what is the effect on your bottom line?
- **Better with customers.** Engaged employees are invested in the job and want the company to succeed. They value customers as a critical asset to the business.

Tips to Improve Employee Engagement

As discussed earlier in this paper, effective employee engagement practices should be dynamic. Companies need to actively and continuously demonstrate commitment to their workforce—in ways that are meaningful to employees. Surprisingly, money is not a top driver for engagement; instead, empowerment, development, and self-direction are seen to be more important in the eyes of employees. Engagement based solely on financial rewards sets your business up for disengagement if economic conditions preclude raises and bonuses.¹⁰ If your organization would like to improve employee engagement, here are six tips to help you get started.

1. Start with good managers

The best way for an employee to stay engaged with the company and with a job is to work for a manager who is a good fit for his or her unique talents and work style. From a practical standpoint, engagement begins at the workgroup level. HR needs to understand each manager's managerial style and employee preferences and then hire people who will work well with those managers in order to create effective teams. If one manager is very freewheeling and confident and tolerates subordinates who may be smarter or more experienced, then hire independent self-starters to work on that team. Perhaps another manager is much more disciplined, well-organized, and tends toward micromanagement. Pair that style with workers who like more project definition and lots of direction. It takes all kinds of people to help a company meet its mission, but mismatched teams can create a huge source of frustration and unhappiness.

2. Commit to frequent, open, and honest communication

Employees need to know what the company goals and objectives are in order to work toward them effectively. Make it a priority to send out regular communications about your company's goals, financial picture, hiring and staffing strategies, as well as updates on your progress toward those goals.

Did you know?

It is worse to give employees no feedback at all than to provide negative feedback. The feeling of being ignored leads to employee disengagement.

Source: workforce.com

¹⁰ Fox, Adrienne, "Raising Engagement," HR Magazine, Vol 55., No. 5, May 1, 2010, accessed online at: <http://www.shrm.org/Publications/hrmagazine/EditorialContent/2010/0510/Pages/0510fox.aspx>

3. Provide employee recognition and rewards programs

Recognition is more than just a pat on the back—and surprisingly, more than just handing your employees some money. Instead, develop a solid recognition program at your company that motivates your employees to do a better job. Your program should demonstrate the company's commitment to rewarding excellence and fostering a positive work environment. Tailor the program to your company's goals and allow for nominations by colleagues or managers, as appropriate.

4. Listen to your employees

Seek input from your employees about what is important to them. It doesn't help anyone if your company is spending thousands of dollars on employee prizes, if the items are things that nobody finds desirable. Find out what your employees want and provide benefit plans with programs that your employees value.

Tip: “Employee engagement rises when people experience a combination of effective and caring leadership, appropriate development opportunities, and a feeling of empowerment that comes with the ability to control one's work situation.”

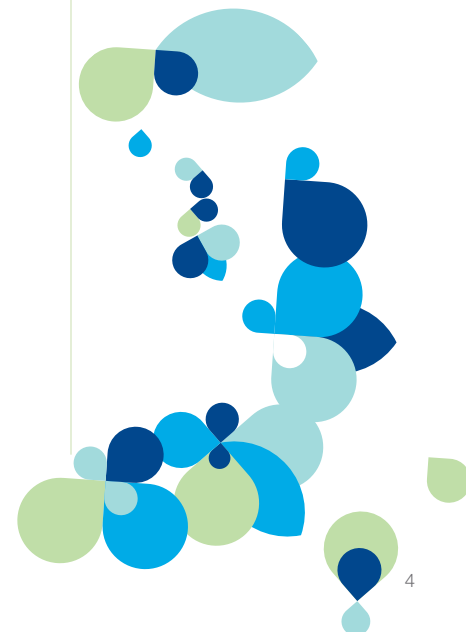
Source: Towers Watson Global Workforce Study

5. Foster a positive employer/employee relationship

Encourage managers throughout your organization to work with employees to utilize their talents and make them feel valued. And don't forget about your middle managers. This group makes up a critical part of your employee engagement strategy by reinforcing company values and goals. Take time to empower your middle managers and increase engagement—and watch it grow through your entire organization.

6. Build a dynamic, cohesive employee engagement plan

Whatever tactics you choose to increase employee engagement in your organization, make sure that everything works together and relates to the company's values and goals. In a white paper for Dale Carnegie, William Rothwell Ph.D., SPHR, asserts that “Every element of the organization needs to be reconsidered for how much it fosters engagement,” and suggests that areas such as recruitment, team assignments, feedback, rewards and recognition, and promotions should factor into a cohesive engagement strategy.

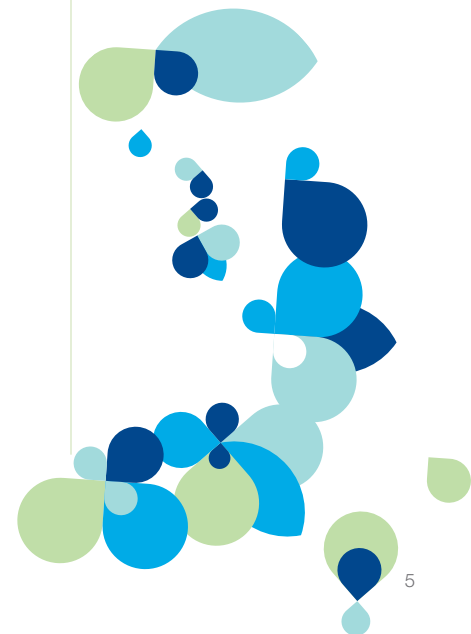


Conclusion

As businesses emerge from the recession, it will be more important than ever to increase employee engagement levels—or risk losing top-performing employees. In order to successfully increase employee engagement at your organization, you must build a dynamic employee engagement plan that can meet both the needs and wants of your employees and evolving company goals.

To improve employee engagement, first commit to consistent communication that keeps employees in the loop on what needs to be done and who is responsible, and keep them updated on progress. In addition, your business should offer a recognition program that encourages workers to go the extra mile and foster a positive work environment. If you listen to the needs and values of your employees, you'll ensure that you're providing the right incentives for a job well done.

With a team of highly engaged employees, your company can also benefit from increased productivity, lower turnover rates, and less absenteeism. Plus, when workers feel good about your company, they'll share that feeling with customers. And that can translate into increased profitability.





About Sage Abra HRMS

Sage is dedicated to providing solutions that will help organizations maximize their return on employee investment (ROEI). Built by HR professionals, Sage Abra HRMS addresses the challenges of human resource management, including HR, payroll, benefits, employee self-service, attendance, recruiting, training, and workforce analytics.

With Sage Abra, organizational leaders receive accurate information securely, when you want it, where you want it. From on-demand information sharing, to process automation and real-time business alerts, Sage Abra is designed to support executive analysis and decision making. Sage Abra helps HR ensure that the mission-critical needs of your organization are met with the employees and programs you need today—and in the future.

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888 Executive Center Dr. W., Suite 300 | St. Petersburg, FL 33702 | www.SageAbra.com