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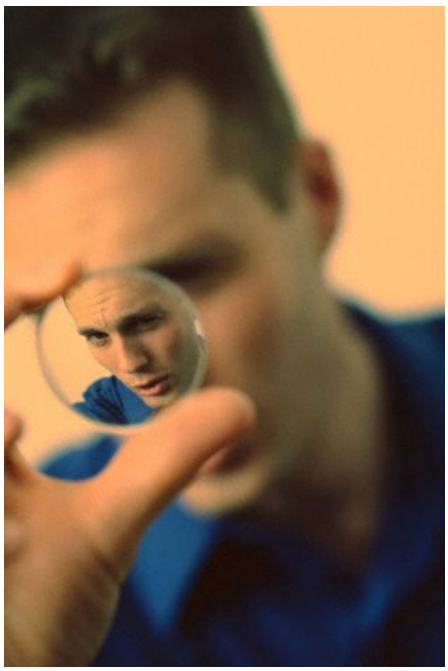
Thought leadership



Employee Engagement:

The secret of highly performing organisations

By Graeme Cohen & Nicholas J Higgins

This article sets out how organisations from public, private and not-for-profit sectors can evaluate and enhance the degree to which their employees are engaged. Employees who are highly engaged (i.e. aligned with corporate values and objectives, and display appropriate commitment to the organisation) display a greater propensity for productivity and individual performance/output than those whose engagement levels are below optimum.

In seeking to optimise their productivity, organisations should address two core questions: How many of our people are highly engaged? How many of these highly engaged people are in core positions? Through measuring the underlying factors of engagement at organisational, departmental and employee level with use of specific measurement and supporting modelling analytics approaches, organisations can ensure appropriate coverage of 'highly engaged' staff and address 'partial engagement' and its negative impact on productivity.

Measuring people contribution

Whilst there has been increasing attention to the question of how people and their performance contribute to organisation performance and differentiation within a sector, debate on the question of how employees support organisation performance has to some extent been thrown 'off course' by the application of research and concepts borrowed from intangible value and the extent to which these have been implementable from a practical perspective.

Following the publication nearly a decade ago of the 'Sears model', linking employees, customers and profits[1], various attempts have been made into linking employee performance with broader outcomes (such as share price/market value). In our view, and coming from the perspective of HR Director/senior manager application, this is to a large extent a difficult if not futile exercise, in light of both the current state of knowledge and the impact knowledge of this nature is likely to have within an organisation.

Too many factors determine share price/market value for this to be simply correlated with employee performance. For example, a company's shares will typically rise on rumours of a takeover bid, on exceeding analyst expectations or within the context of a bull market. It is not clear how employee performance or engagement supports these factors without developing multi-factor approaches and sophisticated intangible modelling.

Furthermore, such frameworks relating employee performance to shareholder, market or financial outcomes have not lent themselves to easy application to the public or not-for-profit sectors, where performance is typically measured in outcomes other than revenues, profit or share price. Such evaluation regimes include for example best value performance indicators, star ratings, ranking tables and similar, each with their own drivers of performance.

Additionally, constraints exist in the extent to which the Sears model is directly applicable across business models. At a macro level at time of study, Sears operated a particular business model (retail B2C), where direct contact existed between staff and customers. Additionally, the range of potential customer interaction was typically relatively limited and transactional in comparison with other operating models: contrast for example the range of interactions possible when a customer calls an IT support number or bank contact centre, where additional individual skills are likely to be involved, such as problem-solving, questioning and product-specific knowledge.

This is not to decry the importance of employee contribution within Sears or other retailers or to undermine the attempts to link workforce performance with organisational outcomes, as these efforts have suggested willingness amongst organisations to equate employee outcomes/ contribution with overall organisational performance.

We would advocate, however, that additional dimensions to measuring and understanding employee contribution will assist organisations in evaluating the propensity of their workforce to act in a productive manner. Furthermore, any such dimensions should be equally applicable across sectors, job roles and levels of hierarchy in organisations.

'..the evidence from an applied and research perspective, however, suggests that the two dimensions of employee commitment and alignment are core to any understanding and subsequent evaluation of employee engagement..'

By use of an appropriate underlying framework, organisations should equally have the ability to identify factors that contribute to or degrade from high levels of employee productivity. This allows them to target interventions around particular areas that might have as much to do with organisational approaches (such as recruitment processes) as the motivation of individuals.

A number of such approaches exist in the market: the evidence from an applied and research perspective, however, suggests that the two dimensions of employee commitment and alignment are core to any understanding and subsequent evaluation of *employee engagement*[2].

Commitment: the intention to deliver

As set out above, the twin concepts of alignment and commitment underpin employee engagement.

As 'commitment' is more established and researched from a psychological perspective

[1] Rucci, A.J., Kirn, S.P. and Quinn, R.T. (1998). "The Employee-Customer-Profit chain at Sears", *Harvard Business Review 76 no.1 pp82-97*

[2] This underpins the engagement construct '20Q' as developed by VaLUENTiS.

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(including aspects of loyalty and motivation) we treat it first. A committed workforce brings a number of indisputable benefits to organisations. All things being equal, a committed or loyal workforce with benefit from relatively low levels of turnover (however these are defined relative to the sector).

These in turn result in greater retained experience in 'the way we do things', reduced loss of core skill sets and reduced costs through not having to recruit and induct relatively large numbers of staff with the concomitant costs and management attention: all these aspects contribute to minimising costs of replacing and training new staff, and to minimising lost productivity through vacant posts.

From the perspective of people's contribution and the effect this has on the organisation in terms of productivity, however, the picture is not so straightforward. Three types of commitment have been identified in the psychological literature[3], each with particular implications for organisations.

Continuance commitment:	Belief that leaving the organisation would be costly	"I stay because I *have* to"
Normative commitment:	Belief that staying is "the right thing to do"	"I stay because I *ought* to"
Affective commitment:	Belief that staying because of emotional attachment	"I stay because I *want* to"

Research has suggested some linkage between different types of commitment and turnover intention[4], with affective commitment additionally having a positive link to performance and continuance commitment having a negative link demonstrated in this aspect[5].

Employees exhibiting predominantly continuance commitment will have an increased propensity to remain with the organisation predominantly as the costs of changing roles are perceived as too high. This will potentially result in a transactional approach towards performance, where the employee does enough to 'get by' but is unwilling to expend discretionary effort without additional reward or acknowledgement.

We observe that company pension provision can have the unintended consequence of increasing continuance commitment, particularly amongst a longer-serving workforce, or those employees approaching retirement age.

From the perspective of tapping into discretionary effort, most organisations (and customers) would prefer their workforce to display "affective commitment", where employees relate strongly to the organisation for whatever combination of reasons resulting from organisational approaches (e.g. compelling employee value proposition, exciting work, highly effective recruitment) and individual motivations (i.e. nature of the role, high self-actualisation).

The literature therefore suggests that commitment plays a key role in determining the degree to which an employee or the workforce is engaged. Commitment and its underlying factors account for the propensity to display discretionary effort: from the perspective of productivity a further dimension, alignment, is required to ensure that the right things are being done, even given the intent to perform.

Alignment – knowing what to deliver

Without an understanding of what they are to deliver and how it contributes to organisational success, even the most committed employee will face challenges in operating productively. This alignment with organisational objectives and values allows the organisation to 'channel' employee effort into desired behaviours and outcomes.

Where this alignment (for whatever reason) is lower than required, the employee can spend time on activities that are ultimately not related to productive outputs, resulting in likely frustration for the individual and degrading their productivity and performance.

Equally, where alignment is sub-optimal employees can fail to recognise the implications of a important task or activity that they personally find tedious or not relevant to their role.

For example, we have worked with sales forces where field teams have found the 'administrative' aspect of logging details of sales meetings to be time-consuming and frustrating, taking them away from what they perceived to be the 'real' job of meeting prospective clients to generate sales.

Their organisation placed high importance on the intelligence provided through this activity to drive marketing decisions, even though the individuals did not place a high value on capturing and recording the information.

[3] See, for example, Allen, N.J. & Grisaffe, D.B. (2001) "Employee commitment to the organization and customer reactions – mapping the linkages." Human Resource Management Review 11, pp209-236.
[4] Meyer, J.P. & Allen, N.J. (1997) *Commitment in the workplace: theory, research and application*. Thousand Oaks, CA: Sage.
[5] Shore, L.M. & Wayne, S.J. (1993). Commitment and employee behaviour: comparison of affective and continuance commitment with perceived organizational support. *Journal of Applied Psychology*, *78*, 774-780.

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Through management paying attention to explaining the importance of this information and demonstrating how the organisation benefited from effective customer data, individual sales representatives were better able to appreciate the relevance of this activity and how it was core to their overall sales efforts.

In order to enhance this alignment between the individual employee and organisational goals (however defined), organisations have focused heavily over the past decade in enhancing what is referred to as the 'line of sight' between the individual and the organisation. IT systems to clarify and measure employee performance have been introduced, with increasingly sophisticated measurement frameworks. Feedback and 360 degree evaluation is becoming as much a feature of public sector management as it is within the private sector, reflecting increasing focus on outcomes.

Alignment is not created simply through the creation of particular performance processes, as any manager is likely to understand from their own team experiences. It stems as much from knowing 'how to do things', the latitude employees have towards achieving an outcome and individual buy-in to and demonstration of organisational values.

As an illustration of this, consider the difference between an interim member of staff and an equivalent employee performing an identical role, with identical experience and capability. Both might be paid in line with their expectations and have equal motivation to perform effectively (i.e. display appropriate levels of commitment). Fundamentally, however, their alignment will differ.

All things being equal, the employee is more likely to understand the context behind overall objectives, the constraints around certain approaches given organisational values and the impact of achieving the objectives. The interim staff member is more likely to display alignment to enhancing their own portfolio of roles, or towards a personal objective of, for example, the offer of a permanent role. From the perspective of their organisation, this suggests that certain trade-offs relating to engagement and hence productivity are inherent in a high use of temporary, interim or agency staff.

Although the concepts of 'alignment' and 'line of sight' have not heavily featured in the literature (perhaps resulting from the relative recency of the concepts), academic researchers are supporting pragmatic observation that linkage exists between an employee understanding what should be done, and being motivated/committed to execute (with a positive impact on performance).

Researchers are identifying linkages between high line of sight and high performance, as well as multiple aspects of engagement, job satisfaction and loyalty (an aspect of commitment).[6]

Employee engagement and its benefits

We have seen that considerable evidence exists to show that employee commitment (or at least one of its manifestations) coupled with alignment results in positive outcomes for the organisation through enhanced productivity and its benefits

References cited within this paper are a representation of some of the key Journal articles that we uncovered in our in-depth social science research of over 60 years duration[7]. Our derivation of the concept of employee engagement and its subsequent definition owes much to the wide range of disciplines of which it encompasses, including:

- High performance work organisations,
- Organisation behaviour,
- Business/managerial psychology,
- Organisational citizenship behaviour,
- Individual work motivation and commitment,
- Self-efficacy,
- Expectancy theories,
- Organisation and job design,
- Organisation/team performance
- Labour economics.

Given its multi-faceted nature, it is not perhaps surprising that it has taken some time for a consistent definition of employee engagement to appear. To clarify the debate, the International School of Human Capital Management released the following definition in 2006:

"Employee engagement is an 'outcome-based' concept. It is the term which is used to describe the degree to which employees can be ascribed as 'aligned' and 'committed' to their organisation such that they are at their most productive."

This definition contains certain core concepts that require expansion for full appreciation of how organisations can evaluate/measure and seek to enhance engagement within their workforce:

'Outcome-based'. This acknowledges that an individual's engagement is driven by a combination of the individual's intrinsic skills, motivation and work-ethic. However, these are all influenced and affected by the organisational

[6] Boswell, W.R. & Boudreau, J.W (2001) "Employee line of sight to the organization's strategic objectives – what it is, how it can be enhanced, and what makes it happen." CAHRS/Cornell University Working Paper, 01-06.

[7] Expanded further in the ISHCM publication "Employee engagement: a treatise for organisational application" Nicholas J Higgins & G Cohen, forthcoming

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context within which the individual finds him/herself – this is why it is important to evaluate how the employee perceives the organisation to be supporting or degrading his or her individual engagement/productivity.

'The degree to which'. We note that certain third-party definitions of engagement include the category of 'disengaged employees', and would caution against such a label. Engagement is a relative concept rather than an absolute one that can be influenced through a variety of factors. In other words, this suggests that employees are engaged up to a particular point, rather than being 'engaged' or 'not engaged'. At best, organisations should differentiate between employees who are engaged, highly engaged or only partially engaged.

'Aligned' and 'Committed' have been explained in the preceding text.

'Most productive'. Whilst the specific definition of productivity will have certain sector-specific attributes depending on job role, from the perspective of engagement certain features emerge as core.

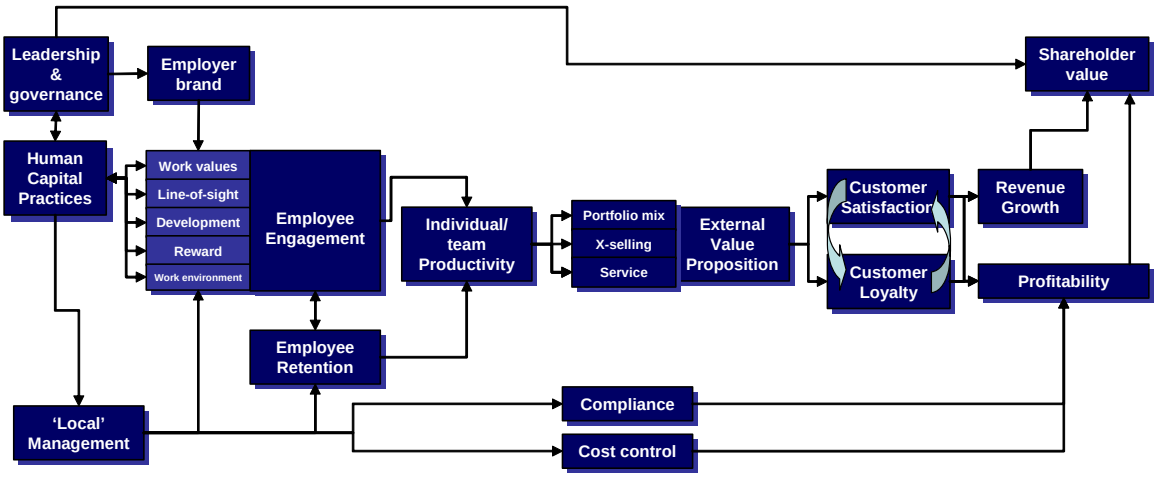
Review of related research combined with practical observation and experience of management suggests that engaged employees are:

- More likely to give discretionary effort above contractual obligations (i.e. work additional time, 'go the extra mile' in terms of delivery or customer service)
- More likely to achieve goals set
- More likely to produce a higher grade or quality of work with fewer errors
- More likely to be flexible to organisation needs (if these are seen as equitable)
- More likely to 'own' their development/career progression
- More inclined to share knowledge
- Less inclined to take days off
- Less likely to suffer stress (but more likely to suffer burn-out)
- Less likely to commit fraud or sabotage.

The use of detailed modelling analytic approaches provides potential 'drill down' into these factors to provide various organisational probabilities around these outcomes, linked to productivity and organisation performance.

The following graphic illustrates one such approach, developed for the retail banking sector. The graphic shows how employee engagement can be correlated with various HC practices and performance to revenues and profitability, given sufficient interpretation of variables and probabilities.

The VB-HR™ HC Analytics methodology: Retail Banking Model Example



It is possible to view an increased propensity for productivity as an outcome from higher levels of engagement (with the corollary that lower levels of engagement result in an increased propensity for low productivity).

This representative model shows why linking employee engagement directly to shareholder value is misguided and open to challenge. The link between employee engagement and shareholder value must take into account these factors to be considered reliable and requires some fairly sophisticated modelling approaches.

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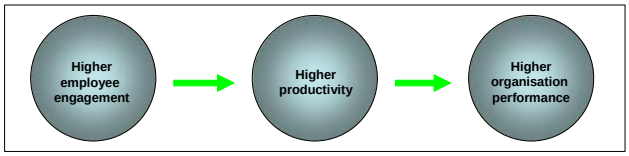
Employee and organisation performance

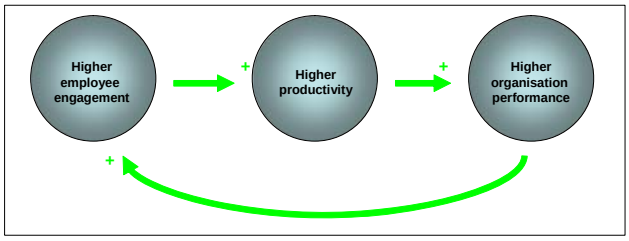
Previous efforts to link employee and organisation performance have viewed the interaction as follows, where high employee engagement results in high organisational performance, through enhanced employee productivity.



In reality, the interaction is more complicated. Practical observation suggests that high-performing organisations tend to have a 'cachet' that attracts more ambitious candidates who are more likely to work more productively (as suggested by the volume of applications to, for example, the top-tier investment banks, 'magic circle' law firms and 'Big 4' auditors relative to other organisations in their sector).

Equally, an organisation with relative performance issues is more likely to experience higher-performing staff 'jumping ship'. From the individual perspective, association with a low-performing organisation may be seen to weaken their own opportunities in the job market, just as association with a highly-perceived organisation would be seen to give them an edge.

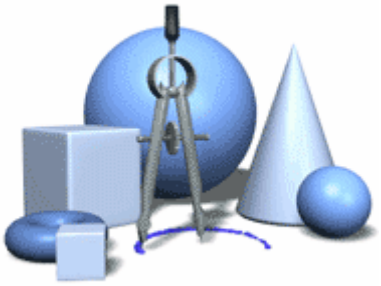
Given this dual-interaction, the graphic below presents a perspective that captures this 'self-reinforcing' loop.



This implies, as explained, that increasing organisational performance is supportive of increased employee engagement.

The converse is also true in that negative (or perceived negative) performance has a 'knock-on' and detrimental effect on employee engagement also.

Thus the derivation of sophisticated models of employee engagement need to take into account this 'performance factor' for true parity in terms of effect to be represented, and thus replicated.



Implications for organisations: How many of our people are highly engaged?

Judging from recent press coverage, relating to public sector output and skills concerns in certain private sector roles, the theme of improving and sustaining levels of productivity in organisations has never been more critical or on the agenda.

Organisations should therefore take seriously the inference that the degree of engagement in the workforce will impact on productivity, suggesting that this is a major cause of organisational advantage (or disadvantage)[8].

As a simple illustration, consider two theoretical organisations with identical business models, identical products and prices, identical systems and identical customers. The only difference between the two organisations is their managers and employees. One organisation has a large proportion of engaged staff, the other has a low proportion of engaged staff.

Given the definition of engagement and its twin dimensions of alignment and commitment, from an intuitive perspective, which of these two organisations is more likely to be more productive, generate greater customer satisfaction, and benefit from higher revenues/profits?

An appreciation of employee engagement therefore suggests that attaining consistently high levels of productivity requires an organisation to possess highly engaged employees.

To help in understanding the varying degrees of performance, it is useful to refer to a 3x3 grid construct (matrix) as in Figure 1 overleaf. This representation illustrates the typical implications of optimal and sub-optimal levels of alignment and commitment (and therefore overall engagement). In practice the construct is more complex taking into account a variety of factors and variables. However, it does provide managers with a workable reference.

[8] Refer to lead article 'Competitive Advantage through Strategic Human Capital Management' in this journal

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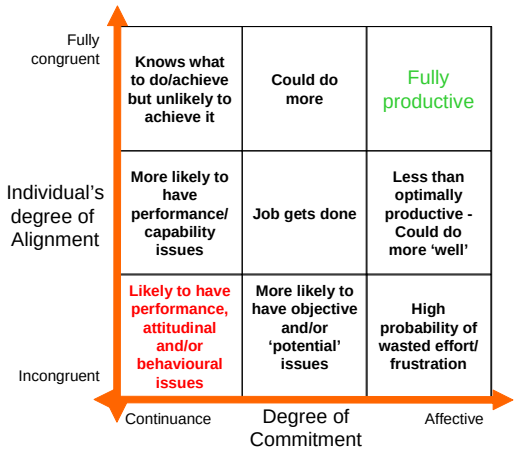
Figure 1
Employee Engagement matrix (Alignment *versus* Commitment)



This matrix contains profound implications for organisations seeking to optimise their productivity:

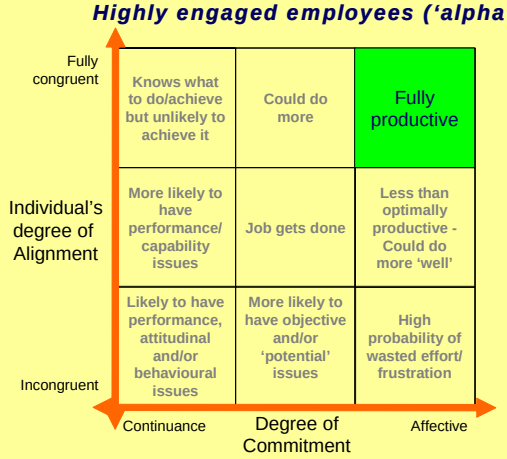
1. Only 'highly engaged' people are likely to be fully productive (illustrated by the top right-hand box only)
2. Organisations' baseline requirement is for all people to be at least 'engaged' to ensure that jobs are done to a threshold standard (the middle three boxes, forming an L-shape around the 'fully productive' box), though there is potential to do more
3. Unfortunately employees who can be defined as being only 'partially engaged' can occupy the remaining five boxes (Big 'L') in the matrix. Here productivity is less than required due to a variety of reasons which has implications for management time and attention (thus creating a 'double whammy' in terms of their impact on productivity).

Therefore fundamental questions for organisations should be 'How many of our staff are highly engaged? How many are engaged? And how many are just partially engaged?' The following page explores this in more detail, through delineating four typical roles at the three levels of engagement.

The table to the right shows the potential implications of 'highly engaged', 'engaged' and 'partially engaged' employees and the respective outcomes that ensue.

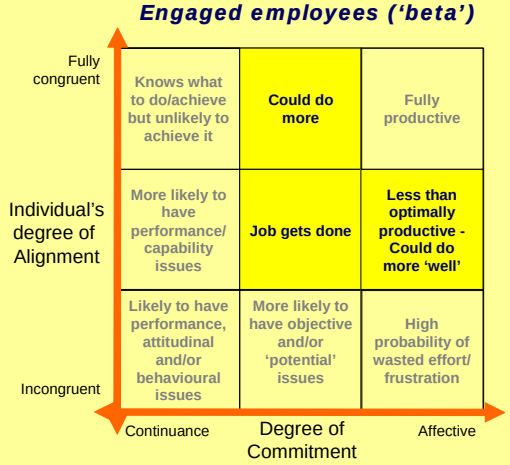
To provide illustration of the way in which the differing degrees of 'engagement' may translate into actual organisational situations we have described four organisational roles, starting with what 'highly engaged' employees might look like in each of these roles.

Highly engaged employees ('alpha')



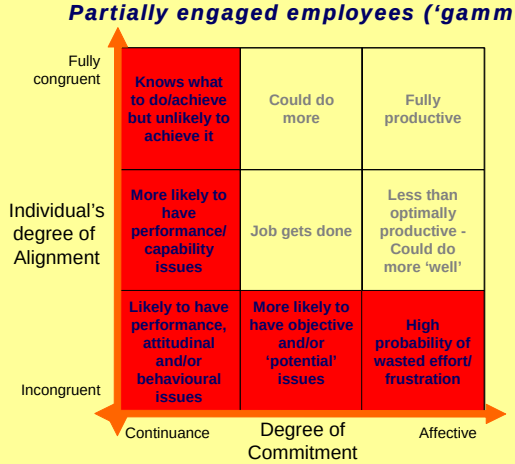
Highly engaged employees occupy one 'box' within the matrix and are fully productive (i.e. operating at an optimal level).

Engaged employees ('beta')



Engaged employees occupy three 'boxes' within the matrix. They generally perform the job to at least a 'threshold' level but barriers exist around capability and/or understanding that probably prevent them from acting in a fully productive manner.

Partially engaged employees ('gamma')



Partially engaged employees occupy five 'boxes' within the matrix. They exhibit issues relating to capability and/or understanding of what is required that result in performance/outcome issues at an individual level, which can degrade the productivity of those around them.

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	Highly engaged	Engaged	Partially engaged
People manager	• Able to ensure that his/her team is highly engaged • Exemplifies organisational values within and outside the organisation • Goes 'above and beyond' what is required to meet and exceed customer expectations whilst ensuring commerciality • Consistently performs to a high standard from an individual and team perspective	• Able to ensure that his/her team is generally engaged but struggles to make them fully productive • Generally exhibits organisational values within the organisation but not seen as a 'role model' • Generally does what is required to meet customer expectations • Performs to a standard that is generally acceptable	• Does not create any degree of consistent engagement within his/her team and suffers from poor relative team performance • Generally demonstrates few behaviours congruent with organisational values • Does not understand or cannot deliver what is required to meet customer expectations • Generally does not perform to an acceptable standard
Call centre operator (inbound)	• Highly effective at handling customer issues and resolving 'hostile' calls • Exemplifies organisational values within and outside the organisation • Takes accountability for outcomes to ensure customer needs are met/exceeded whilst the organisation is able to benefit from the feedback (e.g. through flagging potential issues with line manager) • Consistently performs to a high standard	• Generally effective at handling customer issues and resolving all standard call types • Generally exhibits organisational values within the organisation but not seen as a 'role model' • Takes some accountability for outcomes to ensure customer needs are met but does not make 'heroic efforts' • Performs to a standard that is generally acceptable	• Erratic or ineffective at handling customer issues potentially complicating issues and/or leading to a high requirement for colleague intervention • Generally demonstrates few behaviours congruent with organisational values • At best, aims to hit call response metrics with limited focus on quality of outcomes • Generally does not perform to an acceptable standard
Sales representative	• Seen as highly effective at selling the right products to meet or exceed where possible identified customer needs • Exemplifies organisational values within and outside the organisation • Generates sales and contribution from new and existing customers/clients that are significantly higher than 'average' • Consistently performs to a high standard from an individual perspective and supports other sales colleagues from a team perspective	• Seen as effective at meeting sales targets • Generally exhibits organisational values within the organisation but not seen as a 'role model' • Generates sales and contribution from new and existing customers/clients that are at or slightly above 'average' levels • Performs to a standard that is generally acceptable, providing support to the sales team where required and expedient	• Does not meet sales targets with consistency • Generally demonstrates few behaviours congruent with organisational values • Generates sales and contribution from new and existing customers/clients that are below 'average' levels • Generally does not perform to an acceptable standard as an individual or 'pull own weight' within a team
HR Business Partner	• Able to ensure that HR colleagues are highly engaged and influence line managers to support high engagement within the organisation • Exemplifies organisational values within and outside the organisation • Goes 'above and beyond' what is required to enhance productivity through championing effective and consistent human capital management practice within the organisation • Consistently performs to a high standard from an individual and team perspective in supporting organisational productivity and engagement	• Able to ensure that HR colleagues are generally engaged and influence line managers in support of engagement within the organisation • Generally exhibits organisational values within the organisation but not seen as a 'role model' • Consistent in applying the principles of effective human capital management practice and their application, but unlikely to champion them without encouragement • Performs to a standard that is generally acceptable in support of organisational productivity and engagement	• Does not create any degree of consistent engagement within his/her HR team and fails to support engagement within the organisation • Generally demonstrates few behaviours congruent with organisational values • Inconsistent in applying the principles of effective human capital management practice and their application, preferring to resolve situations from a perspective that places (at best) the individual above the organisation • Generally does not perform to an acceptable standard as an individual or 'pull own weight' within a team

The challenge for organisations with ***'highly engaged'*** employees is how to keep them highly engaged and support their career progression throughout the organisation.

The challenge for organisations with ***'engaged'*** employees is how to either support them in becoming 'highly engaged' or to ensure that the individual is given appropriate roles where their level of engagement does not degrade that of colleagues (e.g. not over-promoted or given excessive responsibility).

The challenge for organisations with ***'partially engaged'*** employees is how to either overcome barriers relating to capability and understanding (e.g. through additional training or management attention) or how to redeploy or even exit the employee from the organisation.

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Where engagement matters: The matching of highly engaged people to core positions

The factors driving engagement relate equally to all employees. It is possible to be a highly engaged post-room worker or a partially engaged CEO, given the emotional and intellectual linkage with the organisation felt by the individual (resulting in alignment with organisational values and goals and commitment to stay and perform).

Having said that all employees have the potential to be highly engaged, the issue for any organisation is identifying where to focus interventions: it might be desirable to have all employees in a 'highly engaged' state, but the effort required to sustain this would be disproportionately high. Therefore an organisation should ensure that its core positions are filled by highly engaged or 'alpha' employees.

Following the question "How many people are highly engaged?" the secondary question is "How many of our highly engaged people are in core positions?"

Note that each organisation will categorise specific roles differently dependent on their particular organisational model, perspective and priorities; the categorisation is intended to differentiate the extent to which the role is critical to organisational performance and productivity.

Irrespective of organisation, it is likely that people managers will form a key constituency within this. As shown above in the illustration of 'highly engaged' vs. 'engaged' staff, people managers are crucial within organisations given their ability to influence (for good and bad) engagement levels within their team. The manager therefore acts as a 'limiter' of team level engagement: in the absence of a 'highly engaged' manager, it is extremely unlikely that a team will exhibit levels of high engagement on a sustained basis[9].

Equally, an organisation might identify its high performing staff as those where it would expect to see high levels of engagement. Without high levels of engagement in these 'core' positions (which can occur within any role, function or department depending on definition), any

People managers are crucial within organisations given their ability to influence (for good and bad) engagement levels within their team.

Accordingly, organisations should identify where specific 'engagement deficits' exist. An engagement deficit arises where a role that is seen to be core to the organisation and its intended outcomes contains a low proportion of 'highly engaged' and 'engaged' employees.

Within every organisation, certain job roles or levels of hierarchy are capable of contributing disproportionately to organisational performance outcomes. For example, a senior management team has the ability to significantly change organisational performance through their decisions and ability to have the organisation execute against them. Core roles are not limited to a senior management cadre. Within a financial services organisation, for example, product pricing roles and individual sales staff holding individual relationships with major accounts might be seen as 'core'.

Organisations therefore should seek to maximise engagement amongst those staff that are seen as core ('highly engaged'), whilst potentially tolerating a threshold level of engagement amongst remaining staff ('engaged') and minimising the proportion of staff who rate as 'partially engaged'.

attempts at 'talent management' are potentially expensive or misguided.

Consider a practical example. For a university, the key drivers of performance and income will typically result from the work of academics. If an engagement survey identifies that this group of staff contains a relatively high proportion of 'partially engaged' employees, this suggests implications around productivity that could have significant impact on overall organisational performance.

In this example, partial engagement will have implications for the university's costs and for its ability to attract grants and research income. Should any commitment stem from staff regarding the 'costs' of moving role to be too difficult (i.e. displaying continuance commitment), the University faces the prospect of employing people who perform their roles only to the extent normally required, with limited concern for going above and beyond this in terms of discretionary effort.

From the perspectives of productivity and the university's ability to attract funding/research

[9] This explanation provides the rationale for why employee surveys, even those that are not explicitly based on a rigorous engagement construct, contain questions relating to 'my manager'. This concept is expanded by VaLUENTiS into the distinct concept of 'management engagement'.

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grants, this will put it at a disadvantage against universities able to benefit from greater levels of engagement from key academic staff.

Measuring engagement

As engagement is an outcome of the alignment and commitment of individuals, and organisations are staffed by individuals, it becomes possible to talk of the degree of 'overall engagement' from the perspective of the organisation. Accordingly it becomes possible to aggregate responses from individuals to obtain an organisational perspective on the extent to which employees are engaged. With the use of smaller populations (such as functions, departments, teams etc.), it becomes possible to identify broad differentials (to the extent seen as relevant) within the same organisation through internal benchmarking[10] as well as answering the question of where highly engaged staff exist within the organisation.

A number of constructs within the market seek to measure responses to 'outcome-based' questions, such as 'I am committed to the organisation', 'I am satisfied with my job' as a means of calculated employee engagement. We would advocate that the nature of these questions has some limited application in measuring employee attitudes, although surveys containing questions of this nature provide only questionable insight to human capital management professionals[11].

To illustrate this, a question sometimes incorporated in employee surveys measures intent to leave (e.g. "I am more likely to stay with the company than I was 12 months ago"). Whilst tracking this response over time provides some interesting potential trends (particularly if linked to actual turnover in a modelling analytics approach), it has limited application from the perspective of human capital management.

To expand on this, it would be unclear what a human capital management professional could or should do to influence or counteract a low score in this area, as turnover intent is, at best, an outcome of other factors. We have seen organisations struggle with issues of this nature, when limited differentiation is made in employee surveys between 'input factor based' and 'outcome-based' questions.

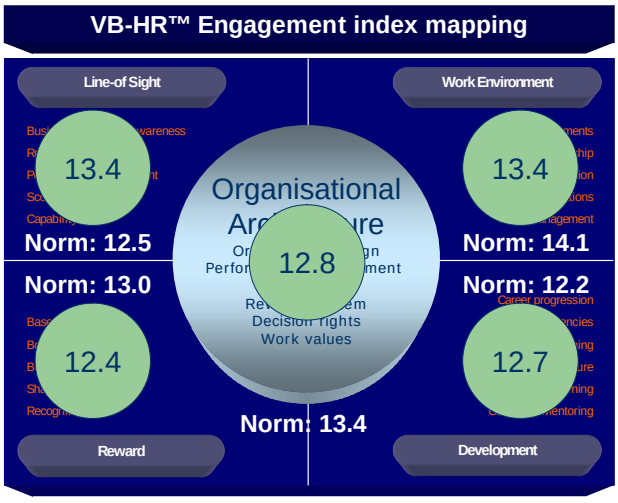
In the cases where manager remuneration is linked to particular outcome scores (such as employee engagement), an inadequate survey design becomes additionally problematic as it has the potential to incentivise behaviours that do not necessarily contribute to organisational performance.

One of the most advanced approaches[12] towards measuring employee engagement therefore utilises questions that relate to 'inputs' or drivers of engagement that can be influenced by the organisation. These questions relate to specific aspects of alignment or commitment (as outlined previously). Questions are then further grouped within five 'domains' relating to specific components of alignment and commitment. The five domains are:

- Line of Sight (including performance management, role fit etc.)
- Work environment (including line manager, communication, resources etc.)
- Development (including training & development, competencies, mentoring etc.)
- Reward (including internal and external pay equity, total reward package etc.)
- Organisational Architecture (including work values, trust etc.)

By clustering engagement inputs under these five domains, specific questions can be mapped onto the five areas. This has two primary advantages: (i) the ability to investigate at a 'shallow' or 'deep' level from standardised sets of 20 question, 30 question, 40 question and 50 question variants[13] of the engagement survey and (ii) the ability to 'recut' data from existing employee survey constructs for the purposes of evaluating question balance and generating 'proxy' engagement scores.

The possibility of evaluating employee engagement with a core set starting at 20 questions generates a number of options for client organisations. With the 'traditional' approach



towards employee surveys typically involving

[10] When evaluating engagement, external benchmarking has limited application, as each organisation even drawn from the same sector will have differences in workforce composition, HR policies, employer brand, values, management calibre and approaches etc.
[11] This theme is expanded in the section 'Potential pitfalls'.

[12] Developed by VaLUENTiS and validated through the International School of Human Capital Management.
[13] Sets up to 120Q, in steps of ten, from a base battery of 500 question-statements

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upwards of 70 questions distributed to all staff via paper, this has the benefits of easy implementation and integration of core engagement questions within existing organisational surveys.

A key additional feature is an equal weighting placed on each of the five domains. It is not unusual to review survey questions for clients to find a disproportionate number of questions in one of the five domains, leading to 'skewing' in the findings generated. For example, if half a survey's questions relate to 'my manager', the likelihood is higher that the survey will identify an issue with 'my manager', even though this is only one factor contributed to employee engagement.

Evaluating engagement

HR professionals and their suppliers (stemming perhaps from historical approaches towards utilising employee opinion or attitude surveys), have tended to view responses to each survey question in isolation, leading to the risk of 'splitting hairs' around particular benchmark definitions and comparisons at this level.

An evolution towards survey reporting has led to the clustering of particular questions under a theme such as, for example, 'My manager', 'Learning and Development', 'Communications', where an overall score or index calculation is generated across a number of discrete questions. This allows for a more complex means of trend analysis and comparison than at the level of the individual question, as well as enhancing feed-back options.

One leading approach is to utilise index scores at the level of overall engagement and within specific engagement domains to identify particular strengths and core areas for actionable enhancement. Three levels of analysis/comparison are standard:

- Organisational level
- Population level
  (i.e. department or function)
- Employee level.

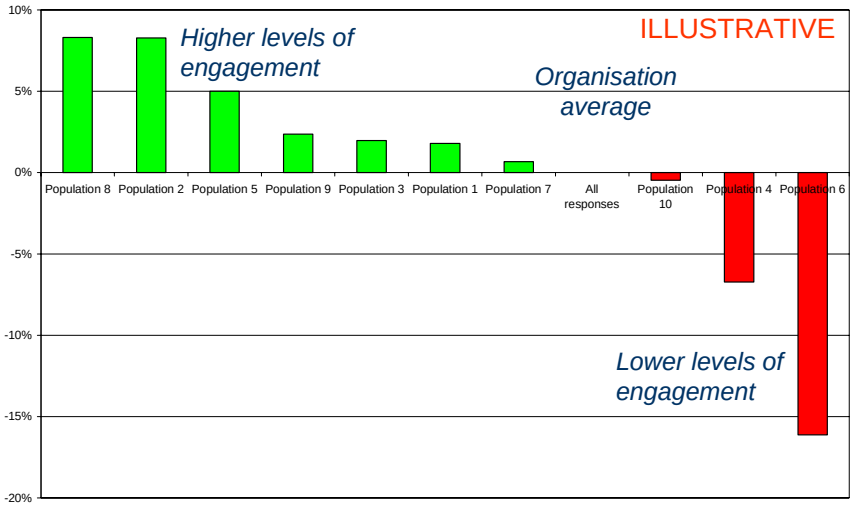
The VB-HR™ Engagement index graphic (on page opposite) illustrates *organisational level* reporting[14], illustrating overall engagement scores within an organisation. With each domain scoring between 4 and 20, 12 represents a neutral point, with scores above 12 indicating a degree of positivity overall.

Within this illustration, overall engagement (the product of all five domains) equals 64.2 against a norm sectoral score of 65.2. Presentation of index scores in this format immediately highlights two aspects relevant to interpretation and actioning:

- Some domains score above and some below the norm score
- There are differentials across the five domains (i.e. they do not receive the same score).

Comparison of levels of engagement across populations (as defined by the organisation, typically reflecting functions or departments) is enabled through review at the *population level*. Figure 2 shows how comparison against an organisational norm (i.e. the aggregate score across the entire organisation) swiftly illustrates where particular populations exhibit elevated or degraded levels of engagement.

Figure 2



[14] With thanks to VaLUENTiS for licensed use of the VB-HR™ Engagement construct.

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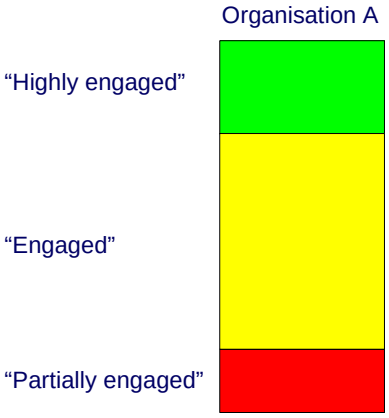
This can be linked, as noted, with specific drill-down analysis or modelling analytics approaches to develop further insight into the causes and impact of factors degrading performance.

Finally, analysis and reporting is performed at the *employee level*. Through reviewing individual, anonymised datasets, a calculation of the proportionate level of engagement is carried out, to differentiate between employees who are 'Highly engaged', 'Engaged' and 'Partially engaged' (also referred to as 'alpha', 'beta' and 'gamma' from an engagement perspective) – an example is set out in the diagram below, where the organisation benefits from a high proportion of 'Highly engaged' and 'Engaged' employees.



As noted above, this particular analysis takes on relevance when mapped against roles defined as core (to the extent possible given confidentiality requirements). When supported with appropriate modelling analytics frameworks, organisations can start to review probabilities around particular outcomes.

Certain constructs within the market identify the category of 'disengaged' employees. In our experience, this label is unhelpful, as it implies that an employee with strong negative perceptions is not engaged.

In reality, it can be the case that strong negative perceptions mask frustration with aspects of the status quo that prevent the individual being fully engaged. For example, an employee strongly disagreeing with the statement that 'My organisation provides the resources necessary for me to work effectively' could be flagging concern that they are not able to be as productive as they believe they are capable. In this case, to label such an employee as 'disengaged' is likely to provide an inaccurate perspective.

Equally, where employees are 'Partially engaged', this indicates issues stemming from a number of potential causes: review of specific questions within the engagement construct is the initial means of identifying/clarifying specific causes and developing the means to rectify these.

To assist organisations further in identifying and addressing issues of this nature, frameworks and related toolkits exist that have linked employee engagement with the broader concept of management and organisational engagement[15].

Potential pitfalls

As the concept of 'employee engagement' is a relatively recent one, there has been limited previous clarity in the marketplace about its nature and how to evaluate it. The following 'pitfalls' have been observed where organisations have not sufficiently clarified the 'why', and the 'what' for conducting a survey.

Unclear or mixed rationale for conducting a survey

Prevailing attitudes towards employee surveys have traditionally regarded them potentially as a compliance exercise or as a means of evaluating employee 'opinion', in the same way that organisations would evaluate customer opinion (belying the marketing roots of certain approaches and constructs).

Whilst obtaining information from employees may or may not be sufficient justification for a survey, organisations who conduct a survey at best every eighteen months should be clear on precisely what they are evaluating and why: failure to do so will typically result in an unwieldy survey construct that yields limited insight.

A typical symptom of an unclear survey rationale is a long list of questions, potentially focusing on only one or two of the engagement domains. This suggests the likelihood of a diffuse survey construct and rationale, with the danger that questions are included as they are seen to be relevant (for whatever rationale), rather than for the purpose of evaluating a specific aspect of human capital management.

We have had the fortune to work with organisations conducting quarterly 'pulse' surveys with a focused question-set across a slice of their overall population, in recognition that trend data of this nature provides a means of evaluating the impact of HR interventions and determining how best to enhance productivity within the organisation. These organisations have typically regarded the survey as an effective management tool that enhances their internal communication and focuses management action.

[15] For example, VaLUENTiS' VB-HR™ Rating evaluation that places employees within the context of seven additional organisational performance drivers, including management; human capital management architecture; workforce intelligence and HR functional capability.

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At the minimum, an organisation should aim to conduct a survey of its employees every 12 months, or run the risk of degrading the comparability of its data and the credibility of any trend analysis or comparisons generated.

'Satisfaction'

'Satisfaction', again a term originating from the marketing function, is not a safe construct to apply with employees. Whilst organisations might reasonably aim to delight their customers (as these are the consumers who justify the organisation's existence), this concept is not appropriate for employees. Employees are hired to perform a role in support of the organisation's objectives, not as consumers of the product.

With no body of evidence effectively linking employee satisfaction with productivity, empirical observation suggests this to be clear. For example, an employee could be satisfied if he/she is highly paid and not required to deliver quality outcomes: this approach is hardly sustainable from the organisational perspective, however.

The 'benchmarking fallacy'

Organisations can be misled by benchmarks in two ways. The first concerns the natural 'comfort level' provided if a particularly poor score appears, on comparison with other organisations, no worse than anybody else's. If a score to a particular question-statement is lower than others, it sends a signal to the organisation that some aspect is sub-optimised from a human capital perspective (assuming an effective underlying construct) and thus that productivity is degraded.

Benchmarks can be utilised to good effect, but only when these are internal to the organisation. For example, comparison of engagement levels in different areas of the organisation (e.g. on a demographic, job family, ethnicity basis) can yield valuable insight into the factors underlying sub-optimised engagement, potentially linking to the development or clarification of internal employee value propositions and approaches towards engaging a diverse workforce.

The second fallacy concerns the question 'what should we be scoring on this?' This should be a conscious decision by the organisation, in line with how it aims to attract, retain and develop its workforce. To set targets based on the scores of other organisations, who are unlikely to be directly comparable, questions management understanding relating to the governance of their own organisation.

For example, a low score on 'I am satisfied with my physical work environment' does suggest certain issues, but is not necessarily sufficient justification for a premises upgrade, unless this is seen as a priority for the organisation (e.g. causing health & safety issues, impacting the external and internal employer brands, resulting in unacceptable or damaging levels of absenteeism etc).

Unsafe constructs

It may be the case that an organisation has identified 'employee engagement' as a core topic and has determined to conduct a survey to evaluate this. Like any emerging phenomenon, however, not all definitions of 'employee engagement' are equal.

As noted above, the International School of Human Capital Management defines employee engagement as "*the term which is used to describe the degree to which employees can be ascribed as 'aligned' and 'committed' to their organisation such that they are at their most productive".* Alternative definitions and survey constructs exist, however, leading to employee survey questions that provide only limited insight or do not allow the organisation to take action to enhance outcomes.

Similarly, not all engagement survey constructs utilise a balanced question set, demonstrating potential 'selection bias' in the themes presented. Where this is the case, findings can be skewed towards these particular themes[16]. Whilst this is insufficient from a measurement perspective, it increases the risk for the organisation to take inappropriate action if scores are used as a business case for subsequent activity.

We therefore urge organisations to conduct due diligence in their choice of engagement construct and how the organisation can act on its outcomes.

Conclusion

Organisations seeking to maximise the productivity of their workforce now have access to the powerful concept of 'engagement', a multi-factor approach including employee alignment and commitment to the organisation. With use of a robust survey construct (which can involve no more than 20 questions given an appropriate underlying construct) supported by appropriate modelling/reporting approaches, organisations can identify the extent of engagement within their workforce.

Specific questions can be linked to organisational 'input factors' whose effective

[16] We find common examples where questions relating to the 'Work environment' domain are over-represented to the detriment of the other four domains. This can lead to false or misleading conclusions for any ensuing interventions.

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presence supports individual alignment and commitment. By evaluating and reporting across these, an overall index of engagement within the organisation can be developed with extension to functions and 'core' job roles.

Review of engagement across different populations and/or roles within the organisation will lead to the identification of specific issues degrading engagement and hence productivity that can be addressed through intervention.

Through ensuring that highly engaged and engaged employees hold core roles ('alpha' and 'beta'), organisations can seek to optimise the productivity of their existing staff and ensure effective operation of core organisational roles. Where employees are identified as 'partially engaged' (or 'gamma'), the organisation should identify the causes of this and seek to rectify them, or equally ensure that individuals in this state are not in core positions. *("How many of these highly engaged people are in core roles?")*

As organisations seek ways of enhancing and differentiating their performance, no matter which sector they operate within, productivity through employee engagement will undoubtedly feature as a key approach. For this reason, evaluation and action based on a robust measurement approach will increasingly become core for HR functions and managers to optimise productivity within their organisation.

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