EMPLOYEE ENGAGEMENT

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Employee Engagement

Employee engagement is a key signifier of the health of your business. It's a measure of how engaged or disengaged your team is with regard to the company's mission. If your employees are highly engaged, you will see increased revenue and collaboration in the workplace. If your team is disengaged, it can be a struggle to get anything done.

There are a variety of ways to measure and evaluate employee engagement, and it is primarily the job of Human Resources departments to manage these initiatives. However, it's the responsibility of all leaders and managers to keep an eye on employee engagement levels. Failure to do so could result in declining productivity and distrustful staff.

Human capital is your most valuable resource, so it is absolutely critical to launch an employee engagement strategy that works for your SMB. From mentorship programs to employee surveys, your employee engagement program should include a suite of initiatives that cover regular assessment, re-engagement, and performance management.

This white paper will provide a full roadmap of the following:

- Defining employee engagement
- Overview of employee engagement
- Background of the development of employee engagement programs
- The importance of an employee engagement strategy
- Determining the need for an employee engagement initiative (program triggers)
- Variables that impact your choice of employee engagement program
- Steps for implementing a new employee engagement program
- Case studies on the effective use of employee engagement initiatives

CHALLENGES:

DEFINING EMPLOYEE ENGAGEMENT

Defining Employee Engagement

Gallup defines engaged employees as people "who are involved in, enthusiastic about, and committed to their work and workplace." An employee's level of engagement is a combination of their state of mind and their actions, which reflect their connection to the mission of the organization.

Measuring Employee Engagement

It is not a measure of someone's happiness and satisfaction at work, although these factors do influence their engagement. Job satisfaction statistics are related to whether the person is happy than whether they are actively contributing to advancing the company's vision. Engagement is a way to evaluate a person's productivity and connection to the company's vision.

Measuring and tracking employee engagement is a business strategy that prioritizes the healthy functioning of the company as a whole, where employee engagement is an input that affects the company's success. What you will learn from this whitepaper is that employee engagement can be measured using surveys to deliver quantifiable results. Components that contribute to high engagement may include information sharing, a common vision, trusting relationships with management, and social cohesion.

Who Is Responsible?

Typically it is the Human Resources departments that are tasked with overseeing employee engagement. But for SMBs, it's often smarter to partner with an outside organization. An external company can assess engagement levels and then recommend initiatives for your team to carry out. Most importantly, you should know that employee engagement can be improved by implementing the right programs.

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- Variables that impact your choice of business operating system
- The importance of an employee engagement strategy
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OVERVIEW OF EMPLOYEE ENGAGEMENT

> Employee engagement is intimately connected to the context of a company's culture. For instance, employee engagement programs can be fuel on the fire if other elements of a company's culture are broken. No amount of encouragement or goal-setting can effectively combat a harmful workplace culture.

A Company's Culture

The first step is to assess employees' engagement levels. Then, once you've uncovered the areas that need the most improvement, you can determine which key engagement drivers make the most sense to invest in. These could be organizational drivers, emotional and behavior drivers, or management drivers. Finally, you can launch highly targeted initiatives to increase employee engagement at your company. These should include both formal and informal opportunities to engage your team.

Step one is assessment, based on three possible categories of engagement. Either someone is actively engaged, not engaged, or actively disengaged. Highly engaged employees are passionate about the company's mission. They demonstrate this engagement by participating actively in the company. An engaged employee may voluntarily take on additional responsibilities. They show commitment to the company's goals and enthusiasm for accomplishing them.

Actively disengaged employees do the least amount of work possible. They show apathy towards company goals, do not take initiative and may withdraw socially from their colleagues. This type of disengagement is bad for productivity as well as morale.

Several key factors lead to strong employee engagement. They range from cognitive and behavioral to organizational and management drivers. Overall, strong employee engagement comes from what the employee is receiving (resources and clear expectations), what the employee is giving (their individual contribution towards the company's goals), if they fit into the organization (alignment with mission and co-workers), and if they are given a chance to grow (getting feedback and opportunities to learn).

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The Six Key Drivers

Quantum Workplace is a research firm that studies the best places to work, and they have articulated **six key drivers** of employee engagement:

1. Leaders are committed to making it a great place to work,
2. Employees trust the leaders to set the right course
3. Employees believe that the organization will be successful in the future
4. Employees understand how they fit into the organization's future plans
5. Leaders value people as their most important asset, (and)
6. The organization makes investments to help their employees become more successful.

The Gallup "Q12" corroborates these organizational elements, adding that for strong employee engagement, employees must also have additional management drivers:

A good relationship with their supervisor
The right equipment to do their job well
The freedom (and necessary authority) to make work decisions

What does this look like in practice? Engagement initiatives can be formal and informal. Many companies offer job enrichment programs, pay-for-performance initiatives, goal-setting, and regular surveys to strengthen employee engagement. Some companies have discovered that pay fairness actually beats higher pay when it comes to increasing employee engagement. Informal opportunities to boost engagement include mentoring, company social events, and coaching between employees and their managers.

Overall, successful employee engagement initiatives include both formal and informal opportunities, cover the key driving areas of engagement, and establish a system for regularly measuring and assessing engagement levels.

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BACKGROUND

Employee engagement is a relatively new term in the history of humanity, but the concept has existed for millennia. Ancient military leaders knew that they could increase their chances of winning a battle if their troops were highly engaged. These figures embodied the management advice that executives are taught in business school today: lead from the front, build camaraderie within your team, address grievances, and set forth with a clear vision.

A Service-Based Economy

After decades of product-based economies, the 1970s and 1980s saw a major transition to a service-based economy. This forced companies to focus on their employees like never before, and incentive-based initiatives sprung up to improve employee motivation, and thus, profit. However, this was not truly a measure of employee engagement as there was no evaluation of the person's connection to the company's mission. At this time, it was thought of as "employee satisfaction."

Decades of Development

In 1990, a landmark article was published by William Kahn in an academic journal that formally defined employee engagement as we know it today. This launched the beginning of a human-centered approach to employee engagement. Khan's work spurred decades of development about workplace engagement based on how an employee feels at work.

Approaches to Engagement

Gallup introduced the Q12 in 1999, a questionnaire that is still used today to evaluate employee engagement levels. In 2001, post 9/11 and observing serious burnout among corporate employees, researchers Maslach, Schaufeli, and Leiter created a burnout inventory using a developmental approach to engagement.

Then, in 2002, Harter, Schmidt, and Hayes published a groundbreaking study that made the connection between engagement and profitability. This informed the next two decades of employee engagement strategy, including Vance's guide to workplace engagement in 2006 and Czarnowsky's study in 2008 that proved how learning drives engagement.

Highly-Engaged Workplaces

In 2018, employee engagement was at its highest ever: 34% of employees were highly engaged. Now, engagement is seen as a key business factor and not only to Human Resources teams. It's now understood that employee engagement is deeply connected to retention, productivity, and profit—and it all depends upon the relationships, environment, and programs within the workplace.

THE IMPORTANCE OF EMPLOYEE ENGAGEMENT

Employee engagement is incredibly important. When people are engaged with their work, they provide better service. This means happier customers, higher retention rates, and better business outcomes. One study by Towers Perrin showed that net profit margins are 6% higher in companies with engaged workers. Shareholder returns are also higher (5x over five years) in companies with engaged employees. A report on the stock performance of Fortune's 100 Best Companies to Work For in America showed that companies that "registered profit growth had a 70.3% employee engagement score."

If you're not engaging your employees, then you're leaving money on the table. Unfortunately, many companies still have to learn this lesson.

Today, *52%* of employees say they are "just showing up" at work and *17%* say they are "actively disengaged."

As a result, companies have an enormous opportunity to engage their employees and thereby increase their profit margins.

As employee engagement increases in importance, additional factors challenge it. Remote work and the prevalence of technology mean less person-to-person interaction, and thus reduces opportunities to involve employees in informal engagement initiatives. This explains the global trend toward declining productivity. But businesses must adapt to benefit from a highly engaged workforce. Failure to maximize the potential of any employee is not a failure of the employee, but rather a defect in the organization. An employee engagement strategy can be the bedrock upon which you grow your business and increase your profits.

DETERMINING THE NEED FOR EMPLOYEE ENGAGEMENT

There are several key signifiers which indicate that your company could benefit from an improved employee engagement strategy. Here are some program triggers to keep an eye on:

☐ ***Reduced productivity***
Your employees are missing their deadlines. There is a decline in the quality of their work. They put in just enough hours to punch the clock, and they make little effort to meet due dates or deliver work.

☐ ***Failure to take initiative***
Employees do not volunteer to take on projects. They do not offer to work additional hours to meet goals. When they do participate, it is primarily reactive contributions as opposed to voluntary and enthusiastic offers. You could be met with silence and apathy when you send emails or lead meetings with disengaged employees.

☐ ***Attendance issues***
Disengaged employees tend to miss meetings or cruise in late with no apologies. They may skip out on optional briefings. They may try to pass off work to others or miss client calls with no explanation.

☐ ***A culture of entitlement***
Some employees may feel entitled to more pay, more seniority, or more time off. On the other hand, employees on the lower end of the pay scale may feel entitled to skimp on their responsibilities.

☐ ***Social withdrawal***
Office happy hours are empty. There's no friendly conversation in online chat channels. Employees don't share anything about their personal lives and they don't express interest in the lives of their colleagues, either.

☐ ***Indifference to the company's vision***
Either because they don't understand it or because they don't understand how their role is connected to it, employees feel indifferent toward the company's vision. They are unconcerned about alignment and don't care about expressing the company's values in their actions.

☐ ***No pride in the organization***
When employees speak to customers or industry colleagues, they feel no pride in their organization. They don't talk about the company's values, its opportunities, or how it feels to work there.

☐ ***Leadership feels disconnected from employees***
Leaders feel unsure whether employees are really listening, or if they even care. They doubt whether directives will be followed, and they have low confidence in their team's ability to execute. Leaders may also feel socially isolated from their employees, in the absence of friendly camaraderie and informal communications.

Talented employees keep leaving
☐ A major signal that your employee engagement strategy needs an update is when talented employees keep leaving. You recruit them, train them, and try to treat them well—but they keep quitting.

Poor team communication
☐ Employees report feeling like they can never get across the finish line. Unclear goals and vague communication is exhausting your employees and it makes them unmotivated and resentful.

RETURN ON INVESTMENT

With only three figures, you can calculate your likely return on investment for transforming disengaged staff into highly engaged employees with a strategic engagement program. Using industry-standard percentages, we can assume a 4x return on investment. This is due to increased productivity (increased profits), a decrease in absenteeism (fewer wasted resources), and greater retention (less money out the window on recruiting and onboarding new people.

High employee engagement leads to a 20% increase in productivity, according to Gallup. Companies with high engagement rates report a 41% drop in absenteeism. Finally, studies show a 43% correlation between engagement levels and turnover, too. When engagement goes down, turnover goes up. If engagement levels go up, turnover consequently goes down. Teams in the top 20% of engagement enjoy 59% less employee turnover.

ROI = [(Financial value - Project cost) / Project cost] x 100

To calculate your ROI:

- The number of employees in your company
- The average salary
- **The employee retention rate:** 100 x (L / (B+E) / 2), where L is the number of employees who left that year, B is the number of active employees at the beginning of the year, and E is the number of employees who left that year. Find the average number of employees by adding the beginning and ending workforce figures and dividing by two.
- **The employee absenteeism rate:** 100 x (E x A / E x H), where E is the number of employees, A is the number of absences, and H is the total number of work hours.

There are other benefits beyond revenue that your company will enjoy after implementing a robust employee engagement strategy.

Engaged employees are more likely to leave good reviews for your business on public platforms like Glassdoor. This helps build your reputation in the industry, both for customers and potential future employees. Engaged employees are also more likely to be willing to collaborate, meaning that they will bring up problems sooner and resolve them faster.

A study from SHRM in 2016 showed that the “sweet spot” for values-based rewards and recognition is 1% or more of payroll. If your company can make this level of investment, your employees will be almost three times more likely to rate your program as excellent versus companies that invest less.

Overall, there are myriad financial, social, and administrative benefits that companies can expect to see as a return on their investment in an employee engagement strategy. Engaged employees work harder, get more done, stay longer, and act as ambassadors for your company, all of which help recoup the cost of investing in employee engagement initiatives.

VARIABLES

Determining which business operating system is right for your organization can be difficult considering the scope and reach. There are a few key variables that can simplify the process.

- ☐ ***Size of organization***
  Lean and EOS are two methodologies that are designed for startups and early-stage businesses. EOS can be used by a company at any stage of development, but it works best for young companies. Both Employee Engagement emphasize a minimum viable product without bells and whistles. This helps small companies minimize waste while making the best use of limited resources and maximizing value for their customers. Once your company grows and establishes product-market fit, these methodologies may no longer be the best business operating system for your company. Six Sigma can be implemented at small businesses with great success.

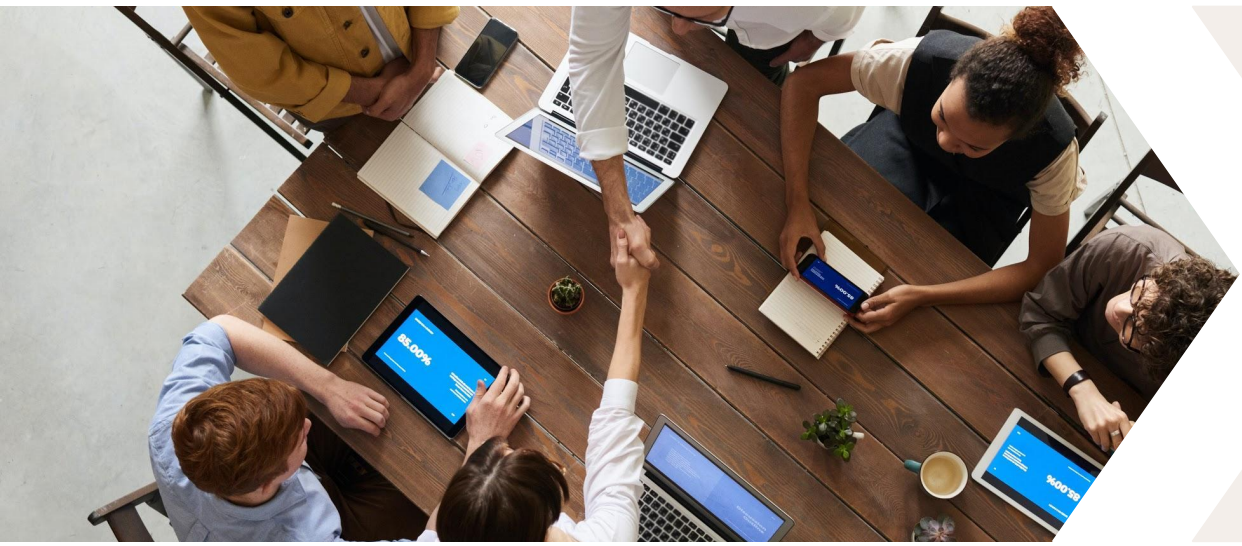
- ☐ ***Remote teams***
  Depending on how closely your team adheres to their job descriptions, your company can either be described as having a formal or informal working environment. If your company culture is built around adherence to rules and linear processes, then you should consider a Waterfall or Six Sigma business operating system. On the other hand, if your team is frequently shifting tasks and collaborating organically on projects, then Agile could be a better business operating system for you.

- ☐ ***Management style***
  In some companies, managers are involved at a very deep level in the daily operations of the business. In other places, this type of involvement would be considered inappropriate. When it comes to implementing the right employee engagement strategies with regard to managerial relationships, it's important to take into account the management style of your company.

- ☐ ***History of disengagement***
  In a chaotic industry business environment, your company is subject to frequent changes. This might look like disruptions in your supply chain or a demand for rapid pivots based on new data from clients. In these environments, the right business operating system will include the Agile methodology. This BOS can enable your team to respond confidently to changing demands while acting cohesively and staying within scope. In a staid business environment, you are less exposed to these kinds of frequent changes. As a result, your company should implement a business operating system that facilitates a more linear project management process.

- ☐ ***Industry & employee preferences***
  If a company chooses to implement a more complex business operating system like ISO 9000 or Agile, then it will require a much heavier commitment from everyone in the organization. This makes sense if the company is seeking a specific long-term ROI related to quality assurance or efficiency. On the other hand, a short-term ROI can be achieved by introducing something more basic like MBO. The time frame and desired outcomes should align with a BOS that can deliver it.

PROXXY PROCESS



How to Determine the Right Employee Engagement Strategy

Proxxy uses a three-phase process to assess, evaluate, and implement the correct employee engagement strategy. It's important to keep the focus on what's best for the business, and not necessarily what makes your employees the happiest. The entire process can take 4-6 weeks at most and will cost between $2,500 - $10,000, depending on the size and needs of the company.

Quick Overview:

Phase 1: Conduct a Survey

Create employee focus groups, measure workers' perceptions of the organization

Phase 2: Evaluate and formulate a strategy

Identify key action areas, address survey results, decide how the engagement strategy will be communicated, determine measurable outcomes, develop plan to sustain strategies

Phase 3: Roll-out & investments

Make investments in people and infrastructure, form mentorship relationships, implement recommendations

PHASE 1: CONDUCT A SURVEY

Complete Phase 1:

- ☐ Choose a reliable survey
- ☐ Prime the team
- ☐ Release the survey

Employee Surveys
Proxxy uses a 12-question employee survey based on industry-standard questions. An employee satisfaction survey measures workers' perceptions of the organization, whereas an employee engagement survey measures their alignment and commitment to the company and its mission.

The Proxxy survey asks employees questions related to the essential components of engagement: basic needs, individual foundational needs, teamwork, and growth. In other words, each respondent is asked to assess what they get, what they give, if they belong, and how they can grow at their company. Occasionally, a company will request additional open-ended questions about what they're doing well or what they could do better.

Priming the Team
Before the survey goes out, however, it is critical to prime the team correctly:

- Consider creating a survey committee that includes employees to gain buy-in
- Create focus groups to determine how important specific items are for the survey
- Management should communicate to employees that the survey is organizational, and not a public relations initiative

Survey Requirements
Good surveys include questions that could be asked every single year, or even more often. This allows the company to create a baseline to manage employee engagement levels. The language is neutral or positive and focuses on behaviors rather than beliefs. Questions are tailored for your specific organization.

Proxxy surveys are a reasonable length and focus on the most important topics to ensure accurate results. It can sometimes be appropriate to conduct multiple, separate surveys for specific segments of the team (i.e. different departments or geographic locations).

Administered in its entirety by Proxxy, the Phase 1 employee engagement survey results in metrics that allow the company to locate itself in comparison to industry benchmarks around employee engagement.

PHASE 2:
EVALUATE AND FORMULATE A STRATEGY

Complete Phase 2:

- ☐ Identify key action areas
- ☐ Address survey results
- ☐ Communicate the new engagement strategy
- ☐ Determine measurable outcomes
- ☐ Sustain the strategy over time

Analyze Survey Results

During this phase, survey results are analyzed. If necessary, the Proxxy team will conduct one-on-one interviews with employees to improve the descriptions of low-performing attributes. Proxxy groups comments by theme and categorized them at the working group level to ensure confidentiality. Then, the results are presented by Proxxy to the company's leadership and the evaluation phase begins. It is critical to thank employees for their time and their candor at this stage, to retain their buy-in while themes are evaluated.

Improvement Recommendations

The outcome of Phase 2 is recommendations for improvement. Proxxy makes specific suggestions, based on the results of the survey and expertise in the industry, for employee engagement strategies that would work best for the company. It is typical to involve the entire management team in the planning process to ensure that forthcoming changes are fully based on employee feedback.

Overall, Phase 2 includes these steps:

- Identifying key action areas
- Finding specific actions to address the survey results
- Deciding how the new engagement strategy will be communicated
- Determining what measurable outcomes will be used to evaluate progress
- Planning to sustain the engagement strategy over time

PHASE 3:
ROLL-OUT & INVESTMENTS

Complete Phase 3:

- ☐ Roll out the strategy
- ☐ Make investments
- ☐ Implement without assistance

Put It into Practice

During Phase 3, it's time to roll out the strategy. This means making investments in people, infrastructure, and other changes that will increase employee engagement. It's important to get key personnel on board during this delicate process.

Formal and informal opportunities for employee engagement will take longer to launch. Informal programs like mentorship relationships between management and staff could begin immediately. A professional development fund could take longer to build out.

Phase 3 concludes when the company is prepared to implement Proxxy's recommendations without assistance. Proxxy is available for ongoing support to sustain and develop employee engagement programs as needed.

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EXAMPLES & CASE STUDIES

Companies that have implemented the right employee engagement strategy have experienced higher profits, increased productivity, survived challenging economic times, and management succession. This is true across industries, from food & beverage manufacturers to software companies, and more.

Let's take a look at a few real-world examples of companies that found success by implementing the right employee engagement strategy!

Case Study 1: Tidelands Health

Tidelands Health is located in South Carolina. Their team of 2,500 employees serves patients, promotes wellness, and offers healthcare services. They previously used gift cards to recognize employee achievements, but new IRS guidelines meant that they needed a new solution.

To figure out the right solution, they launched a focus group with their employees. Tidelands Health discovered that branded gifts were favored. But input from the HR team revealed that the cost and administrative challenges of implementing this would be too burdensome.

To achieve their goal of increasing employee engagement by pivoting to a new system, Tidelands implemented an online platform for recognition. This new system offered ongoing opportunities to call out excellent service. They now offer awards and incentives, all driven through the online program.

Tidelands achieved success because its engagement program obtained employee buy-in early on. Plus, their solution was intimately tied to the core values of the organization. Overall, engagement increased by almost 10%, with a dramatic boost to engagement for night shift workers.

Findings

- Engagement increased by almost 10%
- Boost of engagement for night shift workers

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Case Study 2: Standard Chartered Bank

Standard Chartered Bank knew that employee engagement is connected to profitability. They began running Gallup's Q12 engagement survey every year. With the goal in mind to increase engagement and thus increase profits, they launched an online system for tracking and rewarding individual performance.

This new system was far more transparent than the old paper-based system. They also offered employees paid leave for volunteering, which solidified employee's perception of the company's core values and drove performance in the workplace.

As a result of their changes, Standard Chartered Bank discovered that bank branches with a statistically significant increase in employee engagement enjoyed a 16% higher profit margin. Their "Here for good" brand promise is aligning incentives and employee behavior to the company's core values.

Now, Standard Chartered Bank is on track to be a leader in world-class employee engagement.

Findings

- The branches with a statistically significant increase in employee engagement received a **16%** higher profit margin.
- On track to be one of the world-class employee engagement leaders.

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Case Study 3: Horizon Blue Cross Blue Shield New Jersey

Engaged employees go above and beyond, and that's exactly what HBCBCNJ experienced as a result of their new engagement strategy. This company had always been good about rewarding good work, but they also recognized that manual recognition programs were outdated and inefficient. So, they sought a modern approach.

HBCBCNJ wanted something that would appeal to tech-savvy employees and that could facilitate peer-to-peer interactions. The solution was an internal online program, Step It Up, which is visibly championed by leadership, who are highly active on the platform. It brought together employees split between four geographic locations and provided more equitable opportunities to recognize great service, rather than leaving managers in charge of recognition.

Their new software offers more opportunities to provide recognition to staff. As a result, HBCBCNJ has enjoyed a 14% increase in employee engagement levels with over 90% of their staff active on the platform.

Findings

- 14% increase in employee engagement levels
- Over 90% of their staff became active on the online platform.

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Here To Stay

Demographics are changing, and remote work is here to stay. Employee engagement needs to adapt to the times. Once you're confident in your core values and the company culture, you can implement an employee engagement strategy to keep your team aligned. You'll experience a boost in productivity as well as camaraderie in their workplace. When CEOs don't trust that their team is aligned behind the mission, it can be tricky to lead the company into new waters. Launch the right employee engagement program for your business and enjoy the benefits sooner rather than later.

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