

How Great Leaders Drive Results Through Employee Engagement



There are only three measurements that tell you nearly everything you need to know about your organization's overall performance: employee engagement, customer satisfaction, and cash flow. It goes without saying that no company, small or large, can win over the long run without energized employees who believe in the mission and understand how to achieve it.

— Jack Welch, former CEO of General Electric

When a respected CEO like Jack Welch puts employee engagement in the top three factors for business success, you know it is a topic whose time has come. That employee engagement is a viable business issue getting attention in the C-suite was more broadly confirmed recently in a Harvard study of companies with aggressive growth strategies. Leaders were asked to identify the factors most important to the success of their growth strategy, and again, employee engagement made it to the top three with 71 per cent citing employee engagement as critical.¹

Employee Engagement Matters

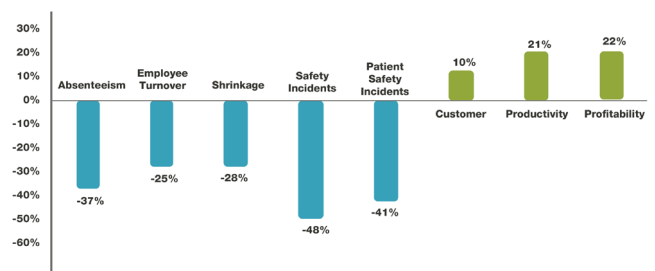
What's causing the C-suite to sit up and take notice of the importance of employee engagement? One factor we can point to is the growing body of research that shows the direct impact of engagement on business performance. Three studies in particular show especially powerful results.

A Gallup study in 2013² showed companies with high engagement had *lower* levels of many of the negative or unproductive factors that affect a business—things like absenteeism, employee turnover, and safety problems—and conversely, they had *higher* levels of the things you want in an organisation or the factors that drive success—things like customer satisfaction, productivity, and profitability.

Picking up on the profitability factor, a recent Aon Hewitt study³ quantified the incremental impact of increases in engagement to the bottom line, and the results were impressive. In the companies they studied, they found a 1

per cent increase in engagement resulted in a \$20 million increase to the bottom line, a 5 per cent increase brought \$102 million to the bottom line, and a 10 per cent increase brought in \$204 million in incremental profit.

An Engaged Workforce Is a Market Advantage



Difference between organisations with high versus low employee engagement
Source: "The State of the Global Workplace," Gallup Consulting, 2013

We have found similar results in our customers as well. One retailer found an improvement of just one tenth of one per cent resulted in \$100,000 increase in store sales, and a global travel company found a 5 per cent increase in engagement resulted in about a \$47 million increase in sales.

Data like these are contributing to the recognition that employee engagement is mission-critical for business success. Couple this with the widely held view that as much as 80⁴-87⁵ per cent of the workforce around the globe is not highly engaged in their work, and you have a picture of a huge opportunity for business. It is no wonder business leaders are now asking, "Employee engagement ... How do I truly impact it?"

Our answer to that question is, you get employee engagement through leadership—employee engagement results from leaders who lead in ways that engage employees. We will share Forum’s point of view on how leaders can do this by looking at:

- The Definition of Employee Engagement
- The Factors and Best Practices That Contribute to a Highly Engaged Workforce

The Definition of Employee Engagement

Forum’s three-part definition of employee engagement comes from our global study of engagement in organisations.

High employee engagement is:

1. A deep sense of ownership for the organisation and strong feelings of involvement, commitment, and absorption in one’s work, which is motivating
2. In an organisation it looks like a strong contribution of discretionary energy, which translates into productivity
3. It results in improved personal and business performance

This definition is similar to many definitions of engagement, with one key difference—the notion of *discretionary energy*. We found that highly engaged employees willingly give personal effort, time, and mindshare to the organisation, above and beyond what is expected. This discretionary energy is a behavioural outcome of true engagement—you can see it when it’s there—and the business result is strong individual and corporate performance.

The Factors and Best Practices That Contribute to a Highly Engaged Workforce

Many people are unmotivated, not because they have a great reason to be, but rather because they have not been given a great reason to be motivated and engaged.

—Ian Hutchinson, Chief Engagement Officer,
Life by Design, author of *People Glue*

What differentiates a highly engaged organisation from other companies? In a highly engaged company, engagement is part of the fabric of the organisation and embedded into the rhythm of the business; it’s not an afterthought, not a once-and-done annual survey, not just employee events organised by HR. When engagement is

working, it is simply “who we are” and “how we work.”

Forum’s more than 40 years of research and work in leadership tells us leaders stand at the heart of engagement. Leaders at all levels in the organisation have the power to create an engaged workplace.

Our leadership research has found the best leaders affect employee engagement by doing three things:

1. Build a positive **team climate**
2. Act in ways that show they are **trustworthy**
3. Understand and respond to individual **employee engagement needs**

Team Climate

The concept of climate comes from research done by George Litwin and Robert Stringer at Harvard. Their research sought to answer the question: How important are employees’ perceptions of what it feels like to work in an organisation—or what they called the climate of the organisation—to the performance of the business?



Climate drives performance because it is tied directly to motivation—that is, to the energy people put into their work.

—Robert Stringer, *Leadership and Organizational Climate*

Their findings were groundbreaking for a couple of reasons. First, their employee-focused approach defined climate through the eyes of the employee. More importantly, it was one of the earliest studies to show

Leaders are the difference between a highly engaged workforce and a disengaged workforce.

a direct link between employees' perceptions of the workplace and business performance.

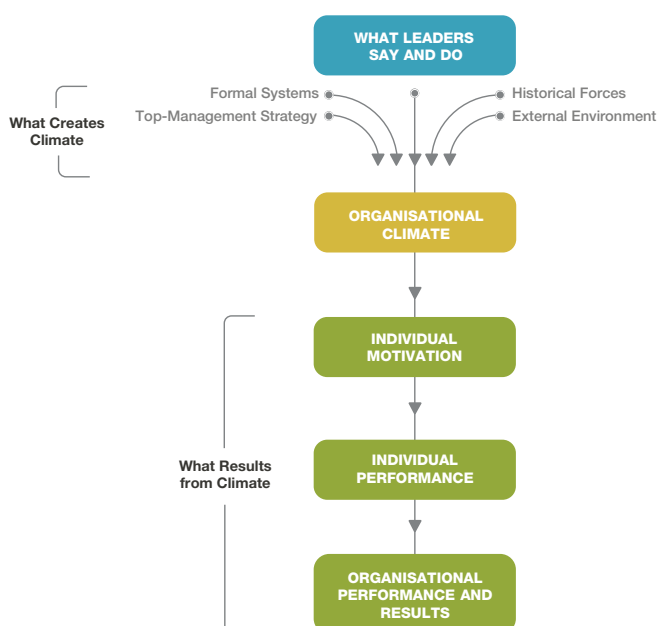
To understand the connections between climate and performance, we have to look at how climate works. Climate—or what it feels like to work here—is created through a number of factors, everything from the broad macro-economic environment like history, politics, and the economy, to the company's operating systems, HR systems and policies, its strategy, and what leaders do every day to manage their people.

Litwin and Stringer found that the factor that has the *most significant* impact on climate, by a large margin, is *how leaders manage their people*. Seventy per cent of what it feels like to work in a company is the result of what leaders do in their business units, with their teams, and with their individual employees every day.

We found similar results at one of our clients who implemented a Climate Survey in their organisation. Their results showed:

- **71%** of the leaders who had the strongest positive climates in their departments were achieving above-average business results
- **82%** of the leaders who did not build strong positive climates were performing below average

This is strong evidence that what leaders do in the workplace creates the climate, and a strong positive climate results in engaged, motivated employees who, in turn, perform at high levels individually, and whose *collective* high performance drives business results.



Dimensions of Climate

What exactly do leaders do to build a strong positive climate? They pay attention to several important aspects of the workplace called “climate dimensions.”

- **CLARITY** is about the employees' understanding of the company's overall goals and policies, and also clarity on the requirements of their own jobs.
- **COMMITMENT** is about visible dedication—by everyone—to goal achievement.
- **STANDARDS** is about setting the bar high and holding employees accountable to perform to those standards.
- **RESPONSIBILITY** is about the level of ownership employees feel towards their work.
- **RECOGNITION** is just that, strong performance acknowledged and rewarded.
- **TEAMWORK** is about employees feeling they are part of a cohesive, supportive group.

Micro-Climates

There's one more finding from the climate research that's important to note—positive climate is situational. That is, there is no single right answer to how strong each of these dimensions should be in the workplace. We know each of these dimensions is important, but the relative strength of each that's required for a strong positive climate varies depending on two things: 1) the type of work a team does, and 2) individual needs of the employees on the team. The implication of this finding is that a strong positive climate will look different from one department to another in an organisation. In other words, an organisation is made up of many micro-climates, as many, in fact, as managers in the company.

To find out what's important in a particular department, you have to ask the employees. When clients use Forum's Climate Survey, each leader receives a picture of how important each of these dimensions is to the employees in their department. Leaders can see the gaps between the ideal climate and the perceived current state for each of the dimension. Data like this is invaluable for a leader; it gives them something tangible to work with to start to improve climate and engagement.

Leadership Best Practices for a Strong, Positive Climate

What can a leader do to close their climate gaps? Through our work with leaders around the globe, we have defined a number of leadership actions that support each of these dimensions. Here are just a few for each of the dimensions.

Climate Dimension	Examples of Leadership Actions
Clarity	<ul style="list-style-type: none"> Establish clear and specific performance goals for people. Clearly communicate the link between the team's work and the organisation's strategy. (See sidebar, One Manager's Quest for Clarity.)
Commitment	<ul style="list-style-type: none"> Regularly review employee's performance. Demonstrate consistent courage and persistence in addressing organisational challenges.
Standards	<ul style="list-style-type: none"> Establish and clearly communicate high standards for the team. Provide feedback and coaching to enable people to meet standards.
Responsibility	<ul style="list-style-type: none"> Encourage people to exercise their own judgement in resolving business issues. Encourage people to initiate tasks or projects they believe are important.
Recognition	<ul style="list-style-type: none"> Use recognition and praise to reinforce excellent performance. Reward excellence with stretch assignments or promotions.
Teamwork	<ul style="list-style-type: none"> Recognise and reward the team for meeting team goals. Encourage team members to collaborate on tasks or to solve problems.

One Manager's Quest for Clarity

We are working with a financial services organisation that has shifted its strategy fairly dramatically, and about 18 months ago they communicated a very aggressive growth strategy. One leader in the sales organisation was finding his team members fairly cynical about the new direction and anxious about how they could meet their new sales goals. In thinking about his role in all of this, this manager realised he had done a good job of communicating the companywide strategy, but he hadn't added his own voice to the message. He decided he needed to share his vision of how the new strategy would positively affect his team. He did that in a team meeting, but he didn't stop there. He looked for every opportunity to send his message again and again, in one-on-ones, in his hallway conversations, and in his e-mail communication, the message was everywhere. And he stayed on-message until he felt like he was over-communicating, but he wasn't. After a while he started to hear a new, more positive conversation about the new strategy, and people began truly supporting it because they could see the benefit to themselves and to their team. That's a great example of a leader taking real ownership for the climate in his team. He didn't do what we see many leaders do, which is point fingers at the decisions made at the executive level. Instead, he took real responsibility and asked, "What is my role in getting my team engaged in the strategy?"

Trust

Trust is the second aspect of the workplace where leaders have a direct impact on engagement. We recently did a [study on trust in the workplace](#) surveying nearly 1,000 people around the globe, both managers and employees, to find out:

1. How do leaders and employees view trust in the workplace?
2. What is the link between trust and engagement?
3. What can leaders do to enhance trust?

Our research found that trust in leaders around the globe is relatively low. On average, only 37 per cent of employees said they trusted the leaders in their company to a “great” or “very great” extent, and an average of 25 per cent said “not at all” or “to some degree.”

This trust gap is critical because of the links we found between trust and engagement: high trust breeds engagement, which we know, in turn, drives business results.

Trust Factors

When we asked employees and managers to identify the *most important* factors that affect trust and engagement in the workplace, across the globe, both groups consistently agreed on these three:

- **Listening and Understanding:** Really pay attention to employees and show their concerns matter to you.
- **Walking the Talk:** Act with integrity, show consistency in what you say and do, and do what you say you’ll do.
- **Encouraging Ideas and Suggestions:** Give employees a voice in how work gets done.

Leadership Best Practices for Building Trust

Through our work on trust, we have defined a number of leadership actions that support each of these factors. Here are just a few:

Trust Factor	Examples of Leadership Actions
Listening and Understanding	<ul style="list-style-type: none"> • Conduct skilful conversations, both formal and informal, and use questioning strategies to encourage employees to talk. • Demonstrate empathy for employees’ concerns.
Walking the Talk	<ul style="list-style-type: none"> • Make decisions that are consistent with your stated vision, strategy, and goals. • Hold yourself accountable: do what you say you will do; admit your mistakes and learn from them.
Encouraging Ideas and Suggestions	<ul style="list-style-type: none"> • Provide forums, both formal and informal, for idea-sharing or problem-solving. • Take action to implement strong, viable employee ideas.

Individual Employee Engagement Needs

The third aspect of the workplace where leaders have a direct impact on engagement is derived from our [employee engagement research](#). We surveyed more than one thousand people at all levels in organisations around the globe.

To find out what motivates individuals to contribute their personal discretionary energy to the organisation, we studied 25 different potential causes or contributors to engagement, looking to find out which were *most important* to an engaged workforce. Here are a few examples of those 25:

1. Working with people who respect, trust, and help each other
2. Feeling that I make a unique contribution
3. Working with people who share my high standards, take initiative, and accept accountability
4. Having friends among the people with whom I work
5. Knowing my manager appreciates the work I do

Interestingly, we found that all 25 of these aspects of engagement were important; however, we also found that the 25 tended to cluster into five engagement types, or as we call them, engagement needs. For example, someone who said it was important to them to “feel I make a unique contribution” also tended to rate “knowing my manager appreciates the work I do” as important as well. Here are the five engagement needs we uncovered:

- **Accomplishment.** People who are strong in this need are most engaged in a workplace that allows them to see the results of their work every day. These employees can be frustrated with ambiguity, because they want to be clear that what they are doing is going to be productive. They may resent systems and processes that they feel get in the way of getting their work done.
- **Recognition.** Recognition is about the employee knowing that they are appreciated for the work they do and that their contributions matter. These are the people who light up when they receive praise, and on the flip side, they can start to feel insecure or even resentful if they feel they have gone above and beyond, and they don’t receive any recognition for that discretionary energy.

- **Enjoyment.** Employees with a high need for enjoyment take real pleasure in the work they do and the people they work with. These people believe the workplace can be a lively, upbeat place, and they often want to help make it so. They are not necessarily funny people, but they do have the perspective that work can and should be fun, and they can get really discouraged by rules that imply fun has no place in the workplace.
- **Belonging.** This need is about doing satisfying, meaningful work with people who are like oneself. People who are high on this need want to work in a place where people appreciate working together and respect, trust, and help each other get things done. These types of employees tend to strive to be liked and accepted, they make an effort to ensure relationships are positive and working well, and they tend to become discouraged in a workplace with lots of conflict.
- **Advancement.** This need is about the employee feeling as though they are being challenged and are moving ahead in their careers. These employees are the ones who ask for stretch assignments or even promotions. They very likely have clear personal and career goals, and they can become discouraged by mundane tasks that don’t advance their personal goals.

Our study found that most of us have a mix of these needs; however, more often than not, one or two needs emerge as strongest for an individual. In addition, engagement needs are employee-specific; that is, no two people are exactly alike. As a result, to be effective, leaders need to be able to recognise all of these engagement needs, and understand how to manage each individual employee in just the right way to motivate him or her to contribute his or her personal discretionary energy.

As with climate, the best way to understand employees’ engagement needs is to observe them and talk with them to find out. Great leaders know how to look for the behavioural cues to determine an employee’s engagement needs, and they also can recognise when engagement might be waning; for example: a sudden decline in performance, absenteeism, coming in late or leaving early, not following through on commitments, or missing deadlines.

Leadership Best Practices for Appealing to Employee Engagement Needs

It takes a skilled, trained leader to be able to recognise each of the engagement needs and adapt their leadership actions accordingly. Here are just a few of the leadership best practices specific to engagement needs.

Engagement Need	Examples of Leadership Actions
Accomplishment	<ul style="list-style-type: none"> Clearly communicate the link between the individual's work and the organisation's strategy. Provide challenging work assignments that are aligned with the individual's strengths, yet provide realistic stretch.
Recognition	<ul style="list-style-type: none"> Express appreciation for efforts as well as results. Recognise and reward individual's contributions, both formally and informally.
Enjoyment	<ul style="list-style-type: none"> Approach work with an optimistic attitude; your demeanour sets the one in your workplace. Encourage the individual to organise team social events.
Belonging	<ul style="list-style-type: none"> See and express value for each individual's unique personalities, interests, and contributions. Promote teamwork by creating opportunities for people to help each other in the workplace.
Advancement	<ul style="list-style-type: none"> Hold regular career conversations and know the individual's aspirations. Provide access to more senior leaders and influencers inside and outside the organisation.

A question we hear a lot from leaders in our workshops is: If all engagement needs are different, how do I tend to the needs of the individuals on my team and my team as a whole?

On the surface, doing both seems contradictory; however, through the use of climate and engagement needs, a leader can attend to the macro level of the team and the micro level of each individual. When we work with clients on engagement, we recommend developing leaders to focus on the climate dimensions at the team level—that is, make sure they are paying attention to those dimensions in how they structure the team's work, their team-wide communications, and things like that. And we recommend leaders learn to recognise and attend to engagement needs at the individual level—that is, one-on-one conversations, individual goals, performance conversations, job assignments, and the like, should appeal to the individual's engagement needs. It's a lot to attend to, but in our experience, it pays off strongly in overall engagement.

Summary

From our research and those conducted by others, we know several things about employee engagement. We know:

1. Employee engagement has a direct impact on business performance.
2. Leadership is at the heart of engagement.
3. Great leaders drive employee engagement by focusing on:
 - **Their TEAM:** Know what it takes to build a *strong positive climate* in the workplace.
 - **THEMSELVES:** Show through their actions that they are *trustworthy and as a result are trusted*.
 - **INDIVIDUAL EMPLOYEES:** Understand and be able to address engagement needs.

Employee engagement results from what leaders do every day in all parts of the organisation—the decisions they make, what they prioritise, their formal and informal communications—all of their actions have the power to engage people. When leaders leverage that power, engagement becomes part of the fabric of the organisation, the natural rhythm of the business—engagement becomes simply who the employees are and how they work.

Endnotes

- ¹ “The Impact of Employee Engagement on Performance,” *Harvard Business Review*, 2013.
- ² “The State of the Global Workplace,” Gallup Consulting, 2013.
- ³ “2013 Trends in Global Employee Engagement,” Aon Hewitt, 2013
- ⁴ “2013 Trends in Global Employee Engagement,” Aon Hewitt, 2013
- ⁵ “The State of the Global Workplace,” Gallup Consulting, 2013.

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