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Workforce Engagement: Why it Matters, What it is, and What Drives it

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Agenda

- Why workforce engagement matters
- What employee engagement is
- What workforce engagement is
- What drives workforce engagement
- Toward a culture of engagement
- Case study: 3M
- Q & A
Does Workforce Engagement Matter?

- Project at CEB in 102 companies from diverse industries
- Workforce engagement survey data from an average of 44 people per company early 2013
- Three financial indicators of company performance end of 2013 and end of 2014 all corrected for industry differences:
  - ROA
  - Net margin
  - Tobin’s q
- Two customer indicators of company performance:
  - American Customer Satisfaction Index (ACSI)
  - Harris Reputation Quotient (Harris)

Pride--from working in and being a part of an organization (2 items)
Energy--emerging from the work itself and being a part of the larger organization (two items)
Optimism--feelings of positive anticipations for the future of the organization (two items)
Workforce Engagement and Financial Metrics
Workforce Engagement and Customer Metrics

2014 ACSI by 2013 Engagement Quartile

2014 Harris by 2013 Engagement Quartile
What is employee engagement?

- Vigor, dedication and absorption from and in the work itself
- Pride, energy and optimism from and in the organization
- Employee engagement exists in both behavior and attitude (state)
  - Behavioral engagement—physical demonstrations of energy
  - State engagement—feelings of pride, of being energetic, of being absorbed
  - There is also evidence of trait engagement—the inclination to be engaged
- Individual employee state engagement is significantly related to:
  - Individual job performance
  - Individual turnover
  - OCB
- And we now know that aggregate engagement—company workforce engagement—gets reflected in financial and customer metrics
What is Workforce Engagement?

- Got to think about the whole company, not individual employees
- State workforce engagement: The aggregate of the individual experiences of engagement in a company
- Behavioral engagement: How the company looks and feels when you visit it or live in it
  - OCB
  - Cooperation
  - Involvement
  - Turnover/retention
  - Peoples’ adaptation and willingness vis a vis change
Drivers of Engagement: Data

- Survey data about how people saw their organization, the work they did, and their supervisor:
  - **Most Important**: Perceptions of the organization having clear goals and objectives and having in place fair feedback and rewards policies as well as attention to balancing work and family life
  - **Second most Important**: Work that provides for opportunities to autonomously make decisions, that gives feelings of personal accomplishment, and that makes good use of skills and abilities
  - **Less Important but still significant**: Supervisors who treat people with respect and fairness and who encourage an environment where a diversity of people are respected and valued
The Engaging Organizational Culture

- Culture is all about the policies, practices and procedures of companies that tell people what the company believes in and values.
- People interpret what they experience for the meaning it has for them:
  - They share those interpretations with others
  - Get shared images of what the company stands for
  - Get shared engagement—workforce engagement
- FACT: there is good agreement across employees in companies about the kind of place it is and how engaged they are.
- **CRITICAL POINT 1:** An engaging culture provides a firm foundation on which companies can in turn build strategic initiatives—people are more receptive to change and initiatives:
  - Service
  - Innovation
  - Safety
- **CRITICAL POINT 2:** Administering surveys do not change culture.
The Engagement Culture Model

**STRATEGIC EMPHASIS**

- Service
- Innovation
- Safety
- Workforce Engagement
- Organizational Drivers
- Work Itself Drivers
- Supervisor Drivers
3M Case study: In The Company We Trust*

- Problem in 2006: How to balance need for innovation, employee engagement and the recent emphasis on production efficiency
- No silver bullet: Total corporate initiative via “full court press”
  - Provide education and training for supervisors on trust and engagement
  - Promote employees’ understanding and involvement in 3M programs targeted at improving the environment, the communities where 3M does business, and individuals’ health and well-being
  - Ensure that compensation is seen as fair and equitable
  - Stoke the innovation engine by opening channels of communication
- And then the recession hit

CEO Buckley maintained the initiative and he (and his TMT) publicly (Internally) committed to the following so 3M would be ready for the upturn:

- Maintain a firm commitment to R&D by preserving R&D spending; key on innovation
- Freeze merit increases for all to preserve as many jobs as possible; key on fairness
- Use furloughs rather than layoffs wherever possible; key on trust
  - In 2009 3M offered early retirements to staff and laid off only 3 percent of its workforce
- Closely monitor and manage cash flow; key on market value

Engagement and trust-in-manager survey data rose over time

By mid-2010, Morningstar reported: “3M continued to impress on the bottom line, boosting operating margins above already-solid first-quarter 2010 levels.”

Conclusion: Full court press is the key to culture; it is in all the nooks and crannies
Conclusions

- Workforce engagement is a property of organizations just like the building
- Workforce engagement predicts future financial and customer metrics; workforce engagement is a competitive advantage
- Workforce engagement can be enhanced via a full court press on the variety of experiences companies create for their people—especially trust
- Workforce engagement can serve as a firm foundation on which companies can build strategic initiatives
- Engagement surveys do not produce change; what you do with the results can and does
Q & A