How Using Passive Measure Can Improve Employee Engagement

EXECUTIVE SUMMARY

Everyone wants a high-performing and motivated workforce, but this goal often proves elusive. How can a company effectively engage its employees? How can it measure success of employee engagement programs? And, most importantly, what are the outcomes for the company?

By examining passive measures of employee engagement, 9Lenses data demonstrates that there is a connection between how an employer responds to employee feedback and overall employee engagement. When a company translates employee feedback into corporate initiatives, it empowers employees.

Researchers have discovered that engagement is both employer-driven (incentives, environment, meaningful work, leadership, etc.) and employee-driven (driving corporate energy, forming meaningful connections, informing personal priorities, etc.). Historically, however, companies have struggled to measure the success of employer-driven efforts. Ironically, while employee engagement is a major consideration at most companies, most employees are not fully engaged in their workplace. The cost of this disengagement is staggering – it leads to more than $450 billion in lost profits in the U.S. annually. [1] The drawbacks of disengagement are significant enough to merit more attention to this issue.

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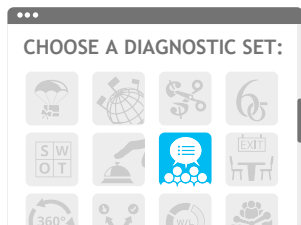
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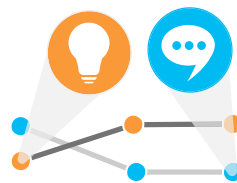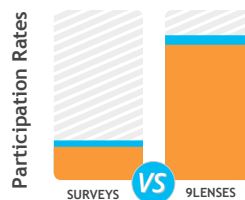
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DEFINING ENGAGEMENT

Factors of engagement include both an employer's willingness to provide the right kind of work environment with adequate resources and an employee's personal disposition. Most studies divide employees into three categories: Engaged, Unengaged, and Actively Disengaged. [2] These categories serve as a means of classifying employee behaviors effectively so that companies can plan strategic engagement initiatives accordingly. Because employee engagement is somewhat difficult to define, it follows that quantifying engagement can be challenging. For a more complete discussion of how to define and measure employee engagement, see Appendix A.

COMPANY   MISSION   EMPLOYEE   MISSION   COMPANY

THE SIZE OF YOUR COMPANY MATTERS

Studies have consistently revealed that larger organizations struggle with employee engagement. The highest employee engagement, in fact, occurs in companies employing less than ten people. [3] The same relative increase in engagement holds true for teams. Small teams have high engagement, whereas extremely large teams see a marked decrease in engagement. In his study of employee attitudes, John Gibbons also notes that companies with less than 5,000 people tend to experience more company pride, have greater productivity, less anxiety about career paths, and more managers willing to lead by example. [4]

THE IMPACT OF ENGAGEMENT ON COMPANY PERFORMANCE

**High Engagement Improves the Company's Bottom Line**

Research has repeatedly demonstrated that organizations with high employee engagement have considerably higher earnings than organizations with low employee engagement. Kenexa – an employee solutions provider company - discovered that organizations that ranked in the top 25% of the employee engagement rankings had almost double the income of organizations that were in the bottom 25% of the employee engagement rankings. [5] Gallup's research demonstrated that in 2010-2011 organizations that had approximately 9 engaged employees for every unengaged employee experienced 147% higher EPS (Earnings Per Share) than their competition. [6] Additionally, Gallup found that such highly engaged organizations were able to recover quickly from setbacks during the recession. Likewise, Hewitt Associates concluded that companies with double digit growth had over 20% higher employee engagement than companies that saw only single-digit growth. [7]

Disengagement is Costly

In 2012, Gallup estimated that 52% of the American workforce was disengaged and 18% was actively disengaged. [8]
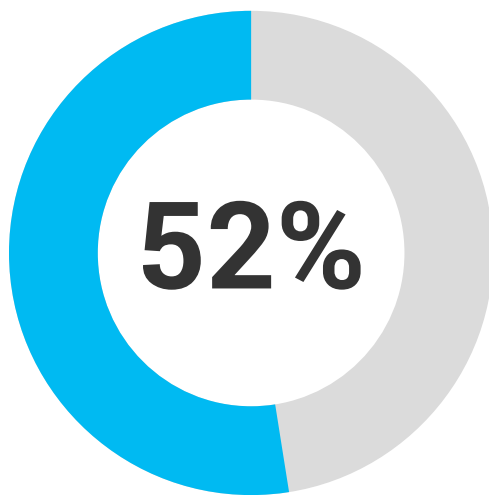
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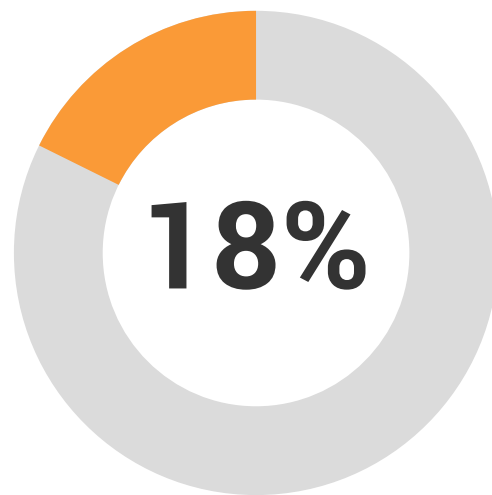
ACTIVELY DISENGAGED

Other studies have determined that employee engagement in the United States ranges from 21-52%. [9] Actively disengaged employees cost employers around $450-550 billion annually in lost productivity. [10] The economic realities of the modern economy have forced organizations to dramatically increase their output with increasingly limited resources (both material and human). In light of these and other studies, employee engagement is widely considered a critical success factor for high performing businesses. [11]

Q^{12®} Meta-Analysis: Outcomes

Differences between top and bottom engagement quartiles

Turnover

Abstenteeism -37%
High-Turnover Orgs. -25%
Low-Turnover Orgs. -65%
Shrinkage -28%
Safety Incidents -48%
Patient Safety Incidents -41%
Quality (Defects) -41%
Customer 10%
Productivity 21%
Profitability 22%
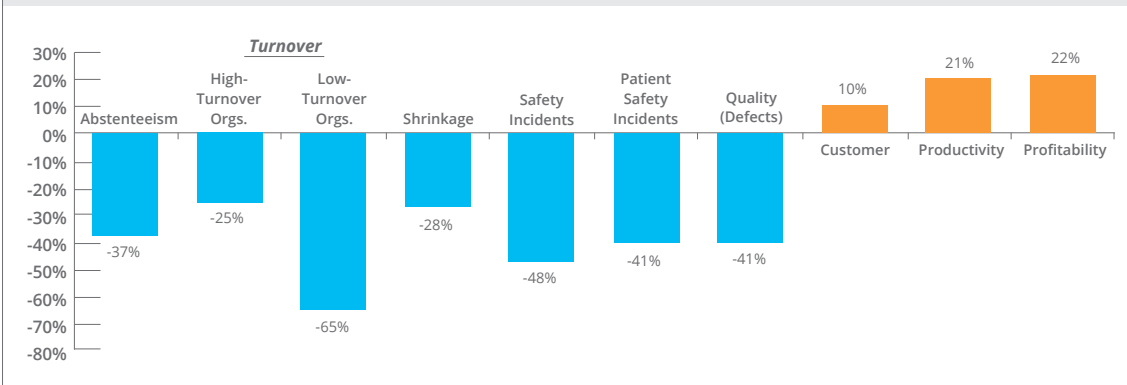
Highly Engaged Organizations See Universal Performance Improvements

Findings from the Gallup national meta-analysis study on employee engagement suggest that organizations with high engagement see increased performance in ten categories (as shown in the figure above). [12]

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PASSIVE MEASURES SHOULD BE UTILIZED

Passive Measurements Help Generate Insights into Key Behaviors

Rather than only using active metrics that focus directly on determining whether employees feel engaged in their work, using passive measurements can capture employee perspectives on target issues that employees understand and allow employees to provide valuable insights. With passive measurements, perspectives on specific business issues are collected through an automated insight collection methodology. Companies have found this insight collection exercise useful because, in addition to having a wealth of data collected directly from employees closest to relevant business problems, they can now use six measurements to determine engagement around specific issues.

Current Industry Practices for Measuring Engagement Have Limits

When most companies discuss employee engagement, they typically do not think of passive measures. Current industry standard methods (called active metrics) involve direct measurements of employee engagement. Surveys, performance reviews, and engagement reports all directly target specific behaviors around engagement in order to measure employee sentiments and behaviors. Although these tools are all useful for measuring engagement, they are functionally limited. The problem with active metrics is that fixing engagement issues is never a matter of binary manipulations, but instead requires a multi-dimensional approach. It is difficult to improve massive organizational and cultural issues when there is only a finite amount of time and resources to attend

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to these matters. Companies have discovered that attempting to control employee engagement is frequently counter-productive because little can be done to manipulate motivation. [13] Research indicates that trust is one of the major components of an engaged culture. [14] For example, if companies undermine employees' trust by overusing employee surveys, then employee engagement may suffer.

Connecting Initiatives to Employee Feedback

By connecting insights to specific problems, companies can use passive measures to monitor employee engagement. As companies consistently collect and act on feedback, they can see marked improvement in employee engagement. For example, a Fortune 500 company ran an employee feedback session ahead of a strategic offsite and tracked passive measures during the initial feedback session. While the company observed that participation was high, a key segment of the population did not participate in the initial feedback session. The company's leaders wanted to improve the passive measure of low participation, so they made sure to communicate to the participants how the employees' feedback was going to drive important company initiatives. When the non-participants saw how their feedback was going to be used, they not only consented to adding their feedback, they wanted to have their voices heard. As the company ran more feedback sessions, passive measures indicated that participation, and thus engagement, had increased dramatically.

Passive measurements are by no means a replacement for active metrics, but they do afford companies a useful augmentation for current engagement initiatives in two ways:

Directly Engage Employees.

Rather than only querying employees when it comes time to measure engagement, gathering employee input on strategic issues in addition signals that the company actually values the input that its employees provide. A culture committed to collecting data is a culture that provides the necessary framework to solve problems.

Act on the Data, Encourage Employees.

Feedback sessions should be specifically designed to maximize the output of actionable data on business problems. The question after a feedback session should not be, "what do we do now?" but instead, "what should we do first?" With data-rich action items, companies can immediately begin improving. If the company properly communicates the results of the session, employees will be encouraged, perhaps even excited, seeing how their input is used to effect change.

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IMPROVE EMPLOYEE ENGAGEMENT

**Engagement Requires Intentional Efforts by the Employer**

In terms of practical first steps for using employee engagement data, there is no single method for improving engagement, but there are several suggestions that industry experts recognize typically push organizations in the right direction.

Engagement Starts at the Top

Unless executive leadership buys into engagement strategy, it will be just another "HR idea", or a "corporate fad." Actually acting on engagement data by changing the organization is a critical Disengaged Employees Cost Companies $450-550 Billion Annually success factor. [15] In order to be engaged, employees need a culture to be engaged in. Managers should therefore focus on building a work ethos around what makes the company successful and how the team can continue to build on that success.

Select the Right People

Selecting the right people includes both hiring the correct employees and selecting the right managers. The process of ensuring that employees are engaged begins even before they walk in the door. Hiring practices should focus on hiring employees who are commitment-minded and able to inspire others. Likewise, selecting the right mangers is essential for improving employee engagement. Too often, organizations will promote individuals who have enormous talent, but poor management skills. Managers need to display genuine care about people as well as about performance. Additionally, managers must be able to invest in developing both the team and individual talents. [16]
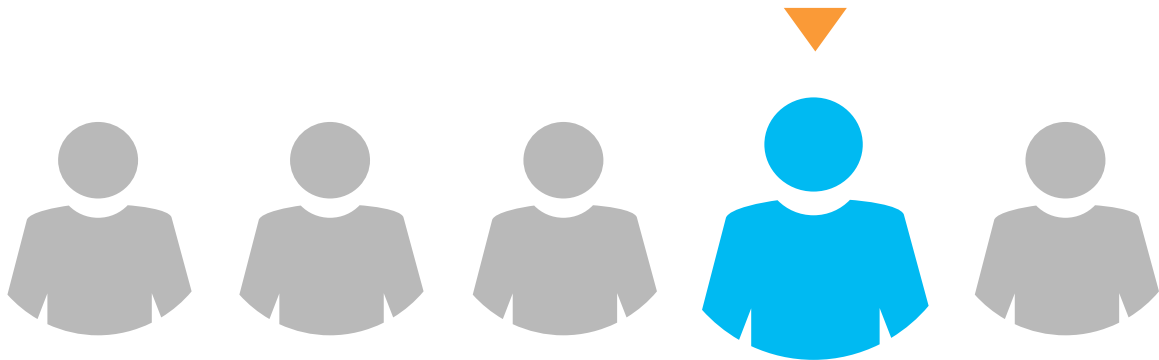
Develop Employee Strengths

Encouraging employees to develop their natural talents instead of micromanaging employees helps boost individual commitments. [17] Organizations should focus on identifying employee strengths and cultivating those talents. This means providing necessary training and proper resources. [18] Managers should emphasize their employees' strengths by engaging employees in dialogue about how they can improve, which has been cited as one of the best ways to improve the employee-manager relationship. [19] One of the important elements of developing employee strengths is providing strong feedback systems to ensure employees and managers have robust dialogue. [20]

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Enhance Employee Wellbeing

Gallup noted that employees who are thriving in their lives outside of work are twice as likely to be engaged in their work than employees who are struggling. [21] While the wellbeing of an employee is a matter of personal lifestyle choices, company interactions with employees do influence the overall condition of employees. Some companies choose to actively regulate workplace stress, others emphasize health and fitness plans. Different strategies work for different companies, but every strategy should work toward actively encouraging employees to take responsibility for their own wellbeing by developing an environment in which they can thrive. Improving wellbeing can be as simple as focusing on employee strengths and establishing meaningful connections between tasks and the purpose of the organization. [22]

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INTEGRATING ENGAGEMENT THEORY WITH PRACTICES

Engagement is a two-way street. In order for employees to be excited to further the organization's mission, the organization must first engage the employees. Gathering employee perspectives on business problems proves one reliable method of engaging the employees. Insight collection helps individuals build consistent, reliable means of communicating their needs, perspectives, and thoughts on critical issues. Problems are solved using the collective knowledge of the group, and actions are taken because the strategic insights simultaneously boost engagement. Using both active metrics and passive measures shifts the employer/employee interaction from one of static top-down communication to a dynamic, collaborative two way channel. Building that strong, collaborative environment helps drive the culture needed to promote effective engagement.
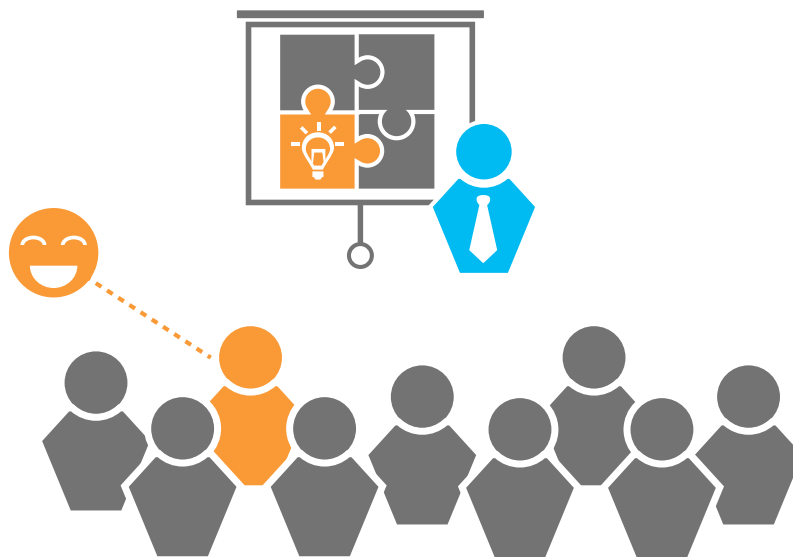
Higher Engagement Means:

1) More Earnings
2) More Resilience
3) More Growth

Engaging employees is a matter of working with constrained resources while providing useful insights for businesses. 9Lenses can help organizations better service individual concerns they deal with on a strategic and operational level. The best method for maximizing engagement is measuring engagement in a way that can provide proactive solutions to problems before they occur. Using passive measures works because employees see the value of providing input, employers gain insights from their workforce, and the organization as a whole improves.

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APPENDIX A:

Various Understandings of Engagement

Research on employee engagement has become rather a nuanced practice with multiple studies seeking to provide general conceptual explanations for how to define employee engagement. While most of the studies stop short of establishing a consistent definition, most agree that engagement involves some level of employee commitment and employer incentives. Each of the following studies below provides a helpful model for understanding the different dynamics of employee/employer interactions.

Gallup Provided the Industry Standard

Gallup's employee engagement survey uses a twelve-question statement ranking. Average participation on the survey for specific companies is 86%. [23] Gallup defines engagement using three categories for employees: engaged, not engaged, and actively disengaged. [24]

- **Engaged Employees** are motivated, cooperative, enthusiastic, and involved. They take personal ownership of their work and help create new customers.
- **Unengaged Employees** are the apathetic employees who are there, will do work, but will not actively contribute or take ownership of their work. They do not take pride in their work and have a lower psychological commitment to the organization.
- **Actively Disengaged Employees** are those that in one form or another damage the company. They are careless, tend to miss more days, and hinder progress. This does not mean they are necessarily malicious, but their presence harms the overall organization.

Alan Sak's Engagement as Social Exchange Theory (2005)

Sak focuses on the psychological aspects of engagement. In his summary of other research, he identifies that engagement involves:

- Self-expression of skills in roles
- Attention to the role an employee is performing
- Absorption in a role through intense focus
- Energy in performing tasks
- Involvement by actively improving the business
- Efficacy within the role in terms of value-additive behavior. [25]

Sak constructs his model of engagement on social exchange theory. The theory suggests that parties interact with each other and through those interactions create complementary interdependences. [26] These "rules of exchange" result in reciprocal obligations between the organization and the employee. He concludes that employees who (1) perceive higher organizational support (2) are given jobs with strong characteristics, and (3) see a higher level of "procedural justice" have the highest potential for reciprocal employer investments. [27]

Macey and Schneider Use Three Categories to Define Engagement (2008) [28]

These authors explain that the diversity of theories regarding engagement can be divided into three components they call a compound identification model.

- **Engagement as a Trait.** These are the studies that identify engagement as a dispositive function of personality. Any characteristics that associate engagement with a positive view of life and work would fall into this category. Trait positive affects would be a measure entirely of employee characteristics completely devoid of external environmental considerations. Thus, it is not a commonly defended classification. However, most engagement studies either implicitly or explicitly includes personality as a component of engagement.
- **Engagement as a State.** This would include studies that characterize engagement as a psychological state. The topic contains some relation to ideas of absorption, attachment, and enthusiasm. The authors include job satisfaction, organizational commitment, psychological empowerment, and job involvement in the psychological state category. As such, they see engagement as a recombination of previous business constructs.
- **Engagement as a Behavior.** This category contains any classification of engagement as an active effort of an employee to go beyond his or her own role. Since the authors establish a framework for every behavior in the workforce, they recognize the need to differentiate it from more familiar performance metric tests. They suggest that engagement is a matter of exerting extra efforts on the job by going beyond what is ordinarily expected of the employee while expanding the influence of their role.

Markos and Sridevi Emphasize Employee Connection with Work (2010)

While shying away from a unitary definition of employee engagement, Markos and Sridevi indicate that the following characteristics are elements of employee engagement:

- Positive attitudes toward the employer
- Willingness and ability to help employers succeed
- Involvement and enthusiasm for work
- Willingness to invest oneself and expand discretionary efforts [29]

They explain that engagement has a two-part dynamic between the employee and employer. Consequently, "the full engagement equation is obtained by aligning maximum job satisfaction and maximum job contribution." [30] They identify five drivers of employee engagement:

- **Benefits.** Pay and benefits should be generous to attract top talent and retain them.
- **Advancement.** Possibility for advancement and leadership will give employees an external incentive to perform well.
- **Leadership.** Employees need strong leadership that is willing to invest in developing employee skills.
- **Authority.** Employees should have some decision-making authority in order to operate in some autonomous fashion. Rather than requiring approval for everything, employees should be able to take initiative often.
- **Meaningful Connection.** Engaged employees need to connected to the overall goal of the organization and they should be able to see how they are involved promoting those goals. [31]

Stander and Rothmann Highlight Psychological Empowerment (2012)

Studies have correlated negative job security with employee performance. [32] Stander and Rothmann seek to establish a meaningful correlation between psychological empowerment, employee engagement, and job security. They say that psychological empowerment is a sense of control over ones own work life. This is reflected in four cognitive categories: meaningfulness of the work,

competence in performing tasks, self-determination of work decisions, and impact on the organization. Job security and psychological empowerment are inversely related.

They discovered that high job insecurity substantially decreased employee engagement at work. However, they also discovered that the more meaningful work employees completed, the more competent they felt. The more competent they felt, the less insecure they felt about their job. They conclude their study by recommending that managers create environments wherein employees can find meaningful work and influence key decisions. [33]

AbuKhalifeh & Mat Som Point to Pre-Engagement Requirements (2013)

The researchers identify employee engagement as both an emotional and rational conception. They review previous research while avoiding providing a definitive conceptual framework. They also classify employees as Engaged, Not Engaged, and Actively Disengaged. [34] For their conceptual framework they have four elements.

- **Employee Communication.** Information is a primary necessity of any employee. If they do not have access to the information, then they cannot perform. The researchers explained that when employees are well-informed and have clear goals, they are more likely to perform well.
- **Rewards and Recognition.** In addition to formal recognition and reward programs, research indicates that informal acknowledgment is a vital element of employee engagement. Absence of recognition was identified as a major threat to employee retention.
- **Employee Development.** Employees need a continuing investment from managers in developing their skills. With more skills, the employees both feel more invested and have more value they can add to the company.
- **Extended Employee Care.** Here the researchers reference the psychological conditions for engagement: safety, meaningfulness, and availability. Organizations that engage their employees on all three conditions will increase the psychological investment of their employees and thereby strengthen their engagement.

John Gibbons Uses Cognitive, Emotional, and Behavioral Explanations (2006)

Gibbons formally defines employee engagement as "a heightened emotional and intellectual connection that an employee has for his/her job, organization, manager, or co-workers that, in turn, influences him/her to apply additional discretionary effort to his/her work." [35] He notes that employee engagement has three components: cognitive connections, emotional attachments, and behavioral outcomes. Researchers tend to emphasize one of these three distinctions. He identifies eight major drivers of employee engagement based on his meta-analysis of 12 major studies.

- **Trust and Integrity** - specifically concerned with how management interacts with the employees by showing concern for employee well being and thoughts, being honest, and leading by example
- **Nature of the Job** – the day-to-day requirements of the job in terms of how much cognitive stimulation they receive along with how much autonomy individuals have in their positions
- **Individual Performance and Company Performance** – how well employees understand company goals, the performance of the company, and how individual contributions add value to the performance of the organization
- **Career Growth Opportunities** – the degree to which there are future opportunities for advancement

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- **Pride About the Company** – Net Promoter Score recommendations, how much prestige they attach to the company
- **Coworkers/Team Members** – including how well they interact with co-workers and how connected they are through collaborative efforts
- **Employee Development** – refers to the investment that the company and managers have put into cultivating specific skills in the employee.
- **Personal Relationships with Managers** – measuring the amount of personal connection the employee has with their manager excluding exclusively professional aspects of their interactions.

Towers Watson Expands Concept to Sustainable Engagement (2012)

In an effort to expand the boundaries of engagement, the Tower's Watson study, proposes a model of sustainable engagement. Sustainable engagement is concerned with both personal work experiences (background) and interpersonal interactions within the organization. Accordingly, sustainable engagement is based on three core elements

(1) voluntary commitment (2) environmental enablement, and (3) psycho-social well-being. [36]

While most employee engagement models focus on voluntary commitment, they add the final two components as a means of identifying whether employee engagement is actually supported. Enablement is concerned with employee autonomy and freedom from obstacles in their work environment as well as the availability of resources to meet work challenges. Well-being or Energy refers to a supportive social environment and subjective ideas about their own enthusiasm.

The study neatly categorizes people in four categories

- The **Highly Engaged** score high in all three elements
- The **Unsupported** meet the criteria for commitment as traditional employee engagement would define it but fall short with the latter two elements
- The **Detached** employees, alternatively, score high in enablement and energy but fail to score high in the traditional commitment areas.
- Finally, **Disengaged** employees are the employees that would score low.

Additionally, the study names five drivers that are meant to promote sustainable engagement. [37]

- **Leadership** includes how leaders are able to give proper context for the organization's goals. It is also important to ensure that leadership skills are cultivated in employees to continue business growth.
- **Stress, balance, and workload** concerns healthy work-life balance, providing flexible work arrangements, and managing stress from work.
- **Goals and objectives** include making sure that employees understand business goals and how to operationalize those goals.
- Finally, **Disengaged** employees are the employees that would score low.

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