

**FALAK** *CONSULTING*



# Happy and Engaged Employees

- The key to a high performance culture!

## BACKGROUND

This document contains importance of employee happiness and engagement and the evidence that shows a direct relationship between higher engagement levels and higher performance levels.

## PURPOSE

The purpose is to share the body of work that highlights the benefits of building a culture of happiness in the organization and engage the people within to ensure that they perform to the highest levels. It also highlights the possible steps that need to be taken to increase engagement levels and how Falak can help.

## CONTEXT

The context is specific to the region from a cultural standpoint:

- Intended readers - Leadership and Top Management of Medium and Large Enterprises
- Intended outcome - For the readers to understand and appreciate the importance and discover potential ways to bring about organizational change.



# TABLE OF CONTENTS

1. Introduction	4
2. Why engaging employees is an imperative	6
3. The positive impact of engagement	8
4. All employees do not engage the same	10
5. What drives employees to engage	12
6. What stops employees from engaging	14
7. What Falak could help with	15





## INTRODUCTION

Various studies have pointed to the fact that engaged employees (an index that measures the ability of the employees to bring their best self to work) is now a business imperative. It can directly be linked to turnover, performance outcomes, customer satisfaction levels and overall profitability.

Engagement can effect employees turnover, attitudes and absence. Individual performance is closely linked to overall performance of the company. Building a culture that enables employees to engage with their work, ensures that the staff are willing to go an extra mile and achieve better performance.

Even so, only one in eight employees worldwide feels psychologically connected to their jobs and are likely to make a positive contribution to their workplace. This translates to approximately 87% of employees worldwide not being engaged or being actively disengaged (source: State of the Global Workplace - Gallup 2013 survey). This is certainly alarming and companies worldwide have understood that they have to actively work at ensuring employee satisfaction and happiness at the workplace. However, only 52% companies are doing anything about it and a large majority find it an overwhelming challenge (source: Hemsley Fraser, 2008 cited in The HR Director, 2008). A major reason for this is thought to be the uncertainty faced by companies on how to enable conditions that encourage employees to be engaged.

*“We find that human happiness has large and positive causal effects on productivity. Positive emotions appear to invigorate human beings, while negative emotions have the opposite effect.” - Andrew Oswald, Professor at Warwick Business School*

### A CASE FOR ENGAGED EMPLOYEES

One of the biggest challenges faced by businesses has been the inability to translate board room visions into front line actions. Businesses that have done this well have one commonality - an engaged team.





## INTRODUCTION

A few years back, a little girl visiting the Disney theme park managed to drop her favorite doll over the fence, into a mud puddle. When a member of the park retrieved the doll, it was a mess. The team then proceeded to clean the doll, make it a new outfit, give a new hairstyle and then took photos with other Disney toys before returning it to the owner. Now Disney's USP obviously its ability to make everything seem magical. It is its core differentiator. Employees at Disney not only are aware of this, but are able to think freely to be able to add to this. No one in the park thought of referring to a lost and found manual to understand what steps should be followed, or needed approvals from the higher management to make a decision. In this small but very real crisis for one of its customers, Disney employees knew exactly what needed to be done. This understanding stems from a systematic cultural emphasis that Disney imbibes.

*Millennials are entering the workforce in very large numbers and will change the shape the way we work for years to come. Their knowledge of new technologies, attitude towards their work and aspirations will define the culture of a future workplace.*

### CURRENT CONTEXT - THE MILLENNIALS <sup>1</sup>

The recent years have seen a significant change in the relationship between employee and employer.

Additionally, attracting and retaining millennials will be critical to any future businesses. This generation is different from the others in many ways. They are loyalty-lite, care more about work-life and development over financial rewards, very conscious of employer brand and have a strong appetite for working overseas. Things that they value the most include career progression, good work life balance, personal learning and working with like minded individuals.

Millennials are expected to change the workplace and the workforce very dramatically. The concept of work will be more flexible, the skills needed will be less of IQ and more about EQ. Businesses will need more intensive talent strategy to be able to attract the millennials and keep them engaged.

<sup>1</sup> Millennials - a person reaching young adulthood in the early 21<sup>st</sup> century





# WHY ENGAGING EMPLOYEES IS AN IMPERITIVE

Before we understand the importance of engaging employees, it is imperative that we understand the definition of engagement. There have been numerous and inconsistent definitions of engagement over time - it has been defined as an affective state, an attitude or a performance contract. However, lack of definition leads to considerable variation on what is being measured and produces contradictory and non-replicable studies . (Source- Rotter, 1990)

## DEFINING ENGAGEMENT

Companies in the private and public sector tend to define engagement differently. The definition also differs between companies and the academicians. However, the one thing they all have in common is the fact that employee engagement is an outcome given by the employee. Definitions focus on the employees attachment, commitment and loyalty to the organization. It is largely a psychological state in the employee that enables them to understand and work for the values the company represents.

The definitions also consider the role the organization plays in enabling engagement. There is a need to align individual or team performance with companies success so that employees know that they are contributing to something meaningful. There is also indication for a need to create cultures that value, encourage and respect their staff and that listen to and understand their needs.

*Employee engagement is about building a relationship with the staff and the business, so that they care about its success, its customers and its profitability. When employees are engaged they adopt the values and the purpose of the organization they work for.*

## SIGNS OF DISENGAGED EMPLOYEES

Disengaged employees are employees that do not feel the need to put in extra effort for success. Gallup has broken down disengaged employees into two types:

- **Not engaged** - They are essentially checked out of work with no energy and no passion for what they do.
- **Actively disengaged** - Employees are not just unhappy, but act out their unhappiness. They undermine everything the business does.





# WHY ENGAGING EMPLOYEES IS AN IMPERITIVE

## CHARATERISTICS AND SIGNS OF DISENGAGED EMPLOYEES



### THEY ARE NEGATIVE

Disengaged employees are forever complaining and do not appreciate the organization or management efforts



### THEY FALL BEHIND THEIR PEERS

These employees fall behind in performance, make excuses for their lack of interest and do not take responsibility for their actions and do not work hard to progress in their jobs



### THEY DO NOT GET ALONG

Disengaged employees do not get along with their peers and superiors. They do not help others or work as a team



### THEY EXPERIENCE HIGH STRESS LEVELS

They do not enjoy work and are constantly stressed. They seem a lot busier than their counterparts



### THEY LACK DISCIPLINE

Disengaged employees miss deadlines constantly, are late for work and take various sick days



### THEY JUMP JOBS

They do not stick to one job for too long and move around a lot, they show that they do not care and are not interested in organizational goals or success



### THEY ARE RESISTANT TO CHANGE

Even though they complain about the current systems, they are extremely resistant to change, they do not like to do anything outside of their comfort zone



# THE POSITIVE IMPACT OF ENGAGEMENT

The outcomes of engagement can be studied from two perspectives, one from the perspective of the organization itself and the other from the perspective of the employees.

## ORGANIZATIONAL IMPACT



### Happy employees are 20% more productive

Research suggests that happy and engaged employees outperform their peers (who are not at a high level of engagement) by 20%. Wellins and Concelman consider engagement to be an illusive force that motivates employees to achieve higher levels of performance. (Corporate Leadership Council, 2004)

### Higher engagement leads to 14% higher Net Profit

There exists a direct relationship between employee engagement and customer satisfaction, productivity as well as profit and an inverse relationship between engagement and employee turnover (James K Harter et. All, 2002). Towers Perrin-ISR's (2007), on investigating the Operating Income of 50 financial institutions in UK found that in companies where the employee engagement levels were higher than 70% showed income improvements of 19.1% and companies with below 70% engagement levels, income declined by 32.7% for the same period. Net income impacts were +13.7% and -3.8% respectively.



### Higher engagement leads to 37% more sales

Higher the employee engagement higher is the customer engagement. In workplaces where the sales team is engaged the customer loyalty, repeat purchases, and recommendations to friends are nearly twice that of companies with average engagement levels (E. Levinson, 2007).

### Engaged employees are Organizational Advocates

Organizations with higher engagement experience consistently higher employee satisfaction results and internal NPS scores (Scottish Executive Social Research, 2007). Managers of engaged employees are also more effective and better at problem solving than their peers (Luthans and Petterson, 2002)





# THE POSITIVE IMPACT OF ENGAGEMENT

## IMPACT ON EMPLOYEES



### Engaged employees partner in change

Engagement plays an important role in adopting organizational change, the employees are more receptive, turn around quicker and accept and implement change faster. It is also suggested that organizations with higher levels of engagement are able to limit downside risks during market crisis (George B Graen, 2008).

### Happy employees take 12 times lesser sick days

There exists a direct relationship between employee engagement and happiness with the number of sick days taken. 62% of engaged employees report health benefits from work (Steve Crabtree, 2005). Employees feel motivated, less stressed and better equipped to handle work-life balance. This gives them a positive outlook towards work and lessens their need to avoid work.





# ALL EMPLOYEES DO NOT ENGAGE THE SAME

For an individual employee, the experience of engagement can vary over time and sometimes even from day to day. Additionally, certain people are more likely to engage than others. Differences in engagement at work can occur due to age, ethnicities, personality traits, education, seniority, occupation etc. Below are some of the various categories in which to understand employee engagement:

## THE DEMOGRAPHIC CONTEXT

- GENDER - Women are slightly more inclined to be engaged than men.
- ETHNICITY - Expatriates tend to engage more when compared to the local employee population.
- AGE - Engagement is found to be the highest with employees below the age of 20 and then with those above the age of 60. The employees between the ages of 20-39 are the least engaged.
- RESPONSIBILITIES - Employees with adult caring responsibilities are least engaged while the ones with both adults and children to care for are the most engaged.

## THE GENERATIONAL CONTEXT

At least a quarter of the Millennial (Generation Y) employees are disengaged globally (BlessingWhite, 2008). It has been found that the younger managers are not as positive as their older counterparts. This can be linked to lack of experience of the millennials, but can also be linked to them having grown up in a recession free era of full employment and unprecedented economic growth. This has led to complacency and confidence that might come to an end with the 2008 crisis. However, the Millennials are very clear on what they needs from the employee and to engage them, employers have respond with agility.

## THE PERSONALITY CONTEXT

It has been found that employees with certain personality traits are more likely to engage than others. Personalities that are proactive and autotelic usually benefit from engagement while personalities that are highly neurotic are more likely to burn out and disengage. Understanding personality types could prove helpful to business to be able to formulate employee engagement strategy





# ALL EMPLOYEES DO NOT ENGAGE THE SAME

## THE ROLE CONTEXT

- It has been found that the more senior the role in the organization, the more likely it is that the employee would engage (Towers Perin survey, 2003). In the survey conducted by BlessingWhite (2008) it has been found that 71% of the vice-presidents were engaged.
- Senior managers, managers and operational hands-on people have been seen to have highest level of engagement in the business. The back-end staff are the least likely to engage (Robinson Et Al, 2007).
- However, engagement levels tend to decline with increasing length of stay. This reverses when very high length of stay has been achieved (Robinson Et Al, 2007).

*Engagement starts with the employee understanding and believing that the company is worth investing themselves in, the choice lies with the employee and not the company.*

There has been no evidence to suggest that the sector or industry of operation makes a difference to engagement levels. There is also no difference in how the concept of engagement is applied to private or public sector.





# WHAT DRIVES EMPLOYEES TO ENGAGE

Levels of engagement differ widely according to companies, the individual and job itself and the employee groups. Hence, it impossible to list all drivers that can be attributed to employee engagement. Howeverm, employee engagement is likely to be influenced by a combination of factors and not just one driver.

*“There is no easy answer as far as engagement is concerned - no simple pulling of one or two levers to raise engagement levels” - IES research, 2004*

A study conducted by the Conference Board (2006) identified 26 key drivers to engagement. The most commonly reported of them was the nature of the job; ability to see direct correlation between individual performance and company performance ; growth opportunity; relation with the team members; trust and integrity and a personal relationship with line manager. However, there is a large variety of studies on employee engagement drivers. Below is a summary of some of the most commonly occurring drivers:



## WORKPLACE CULTURE AND ENVIRONMENT

All studies and surveys have found a deep relationship between a positive and appreciative culture and employee motivation. Various cultural traits like having a clear and effective communication, reputation and integrity and having a culture of innovation are critical to engage the employee. (Lloyd Morgan, 2004). Companies in which employees feel respected and valued are likely to enjoy higher levels of engagement than their counterparts.



## GROWTH AND DEVELOPMENT OPPORTUNITIES

Researchers have found a direct link between employee development and higher engagement levels. It has been established that employees that are aware of and satisfied with their developmental opportunities have very high levels of engagement. In fact, it has been observed that several elements of performance management and development process can positively impact engagement. Receiving appraisals, performance development plans, trainings, coaching can all lead to higher engagement levels.



# WHAT DRIVES EMPLOYEES TO ENGAGE



## DIRECT LINE SITE BETWEEN INDIVIDUAL PERFORMANCE AND COMPANY PERFORMANCE

One the most important lever for enabling engagement is connection between employees job, companies strategy/ success and employees ability to understand how important their job is in the context of the company.



## DEMONSTRATING COMMITMENT TO EMPLOYEE WELLBEING

When the employees believe that the company is committed to their wellbeing and focused on improving their involvement, there tends to be better engagement. When organizations demonstrate a commitment to 'improving the human or environmental condition, it creates meaning and value for employees, customers, and shareholders alike' and is most likely to encourage engagement in employees when they understand how this commitment is making a difference (E. Levinson, 2007).



## THE NATURE OF THE WORK

The nature of the work itself influences the level of engagement with employees. There is clear need to have a challenging work culture which utilizes old and new skills. The work needs to be creative and exciting to the employees.



## RECOGNITION AND REWARDS

Receiving timely recognition and reward is imperative for engagement. The amount of formality is determined by the circumstances. Salary is important but acts as a dis-engager as opposed to an engager. Employees have a need to feel valued.



## EFFECTIVE AND ASSERTIVE RELATIONSHIPS

A good relationship between co-workers, especially with managers, is important to build engagement with employees. This relationship between manager and employee is improved by rewarding achievement, and demonstrating trust by allowing autonomy. Additionally, having effective leadership that communicates actively also has a positive effect on engagement.





## WHAT STOPS EMPLOYEES FROM ENGAGING

Most of the research has been focused on drivers of engagement. However in the recent past there has been a drive to understand those factors that inhibit the employees ability to engage. The biggest inhibitors are heavy workload and bureaucratic environments. Other barriers include poor management poor corporate communication. Below are the list of factors that inhibit or damage engagement:



### JOB INSECURITY

Fear of loosing the job, especially during recession and economic downturn



### UNFAIRNESS

Unfair treatment, especially with regards to rewards & pay systems



### JOB STRESS

Operating in highly stressful environment with little flexibility or autonomy



### NO CHALLENGE

Jobs with repetitive and non creative work such as at call centers or back office



### LONG WORK HOURS

Working long hours or inflexible hours without breaks



### POOR LINE MANAGEMENT

Bullying or poor behavior from line managers



## WHAT FALAK COULD HELP WITH

At Falak, we understand not just the importance of employee engagement, but also the theory and practice behind it. We could assist you in:

- Understanding the current levels of engagement of your team including what drives them on the basis of their profiles. We would also identify what are the barriers to their current ability to engage, enabling you to understand your workforce better.
- Benchmark your employee engagement levels against your peers or industry averages either in same region or globally. This will also enable you to identify leading practices that can be followed to enable better engagement
- Develop a service-profit chain framework for your company that establishes a clear relationship between profitability, customer loyalty and employee satisfaction, loyalty and productivity. This would help the management better understand the cost benefit of employee engagement and quantify the impact of engagement.
- Basis our understanding of your company, we could develop a plan to improve your engagement levels by identifying initiatives, their roll-out, accountability and measurement methods. This plan would include changes to communication, performance management, culture etc. We could also assist in the implementation management of these initiatives.
- Finally, we could undertake training for top and mid-level management to provide them with the tools and understanding of employee engagement. Additionally, we could conduct workshops for your employees to make them better understand the vision, values and purpose of your organization.

