Ray Baumruk, Hewitt Associates
An interview by Bob Gorman Jr., Robert E. Gorman Communication

Why managers are crucial to increasing engagement

Identifying steps managers can take to engage their workforce

Working with organizations around the world to calculate the top drivers of employee engagement, Hewitt's Ray Baumruk knows how businesses can harness such knowledge to become more successful. Here, he explains to Bob Gorman why the manager is critical to increasing engagement and improving performance and profitability.

ENGAGEMENT IS A WAY to increase the productivity of your talent pool. Managers need to create the environment where employees feel more passionate about their work and exhibit the behaviors that organizations need to drive better results, not only for the organizations, but also for employees as individuals.

Bob Gorman, principal of Robert E. Gorman Communication, speaks to Ray Baumruk of Hewitt Associates, a global HR outsourcing and consulting firm, about Hewitt's experiences working with thousands of organizations worldwide. The focus: to gauge the key areas in which HR should work on improvements to help the function and the business operate more effectively. Traditionally, employee research has concentrated primarily on gauging employee satisfaction. But over the past decade or so, the focus has changed to measuring employee engagement.

Bob Gorman: Why the switch from employee satisfaction to engagement?
Ray Baumruk: We reviewed data from the late 80s and early 90s and discovered that, in many cases, employee satisfaction was really a measure of "how people like it here" as opposed to measuring behaviors that will help organizations become more successful for employees, shareholders and customers. So, we turned to identifying the types of behavior that would actually have an impact on results. This was the genesis of our work on engagement.

BG: What does your research show about the effects of engagement on an organization's results?
RB: Hewitt has worked with nearly 2,000 companies representing about four million employees and has established that companies with higher engagement scores have higher total shareholder returns. For example, companies in which 60 percent (or more) of the workforce is engaged have average five-year total returns to shareholders (TSR) of more than 20 percent. That compares to companies where only 40 to 60 percent of the employees are engaged, which have an average TSR of about six percent (see Figure 1, right). Organizations with higher engagement levels also tend to have lower employee turnover.

BG: What kind of employee behaviors improve results?
RB: Engaged employees consistently demonstrate three general behaviors.

1. Say: the employee advocates for the organization to co-workers, and refers potential employees and customers.
2. Stay: the employee has an intense desire to be a member of the organization despite opportunities to work elsewhere.
3. Strive: the employee exerts extra time, effort and initiative to contribute to the success of the business.

We found that there was a strong relationship between these types of behaviors and unit performance. Responses to certain survey questions were able to predict those behaviors and the relationship between engagement and organizational results was double that of the relationship between satisfaction and results.

BG: Are there certain behaviors or actions managers can take to increase engagement?
RB: According to Hewitt's research, the key drivers of engagement (such as relationships, total rewards, opportunities, quality of work-life, people practices and the actual work itself), can all be affected by the immediate manager. For example, how a manager positions pay and talks about it with an employee affects how well that employee understands the pay process and what they can do to influence it. There are a number of core areas that a manager can focus on in order to improve their employees' engagement. These include:

1. Accelerated coaching and career support
This is important especially to younger employees. The challenge for managers is to be open, straightforward and attentive to potential career paths for the people who report to them. They must be clear about the opportunities within the organization, the skills they need to develop in order to advance and how to build the cadre of skills that are valued within the organization. Managers should seek out opportunities for their employees to work on projects and be assigned to teams that will broaden their experience.

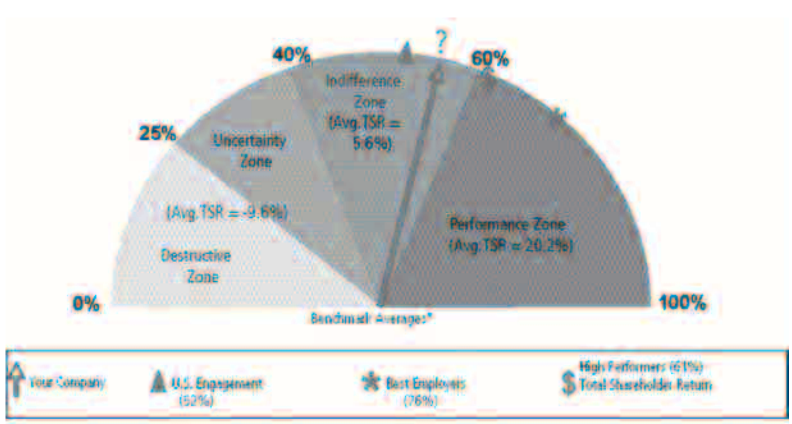
Managers don't necessarily have to be the teacher or the mentor, but they must seek out experts who can help and ensure that employees get the right training. If managers take those actions, it increases employees' perception of opportunities and has a direct effect on their engagement levels and capabilities.

2. Recognition
It's important for managers to consistently and frequently recognize their employees for their good work. This can be a simple thank you or congratulations, all the way up to allocating organizational awards and bonuses. Recognition has a huge impact on engagement.

3. Accountability
Employees are more engaged when their managers effectively hold them or their teams accountable for results. An individual employee may be doing great work, but some others on the team could be lagging behind. If a manager doesn't do something to rectify that situation, it disengages team members.

Managers should be clear about expectations and be sure that employees understand and accept these expectations. They need to be consistent in the delivery

Figure 1. The Hewitt Associates analysis of employee engagement covering 2,000 companies



*Source: Hewitt Associates employee engagement and best employer database (2000-2004).

of consequences for meeting and exceeding expectations – or for *not* meeting them. We see much higher levels of engagement when managers are clear about expectations and deliver appropriate consequences for meeting or not meeting them.

BG: Is performance feedback part of accountability?
RB: Accountability is more connected with clarity of expectations and agreement to meet them, but feedback from both managers and employees helps deliver on expectations. During a recent study with a client, we discovered that one of the top drivers of engagement was managers' ability to *receive* feedback from employees, not just provide it. Managers need to be open to employee ideas and listen to constructive feedback on their performance as managers.

BG: Any other top engagement drivers for managers?
RB: Involvement is important. This is the feeling employees have about being "in the loop." Employees who feel "out of the loop" suffer in terms of engagement. This is about a manager's ability to involve employees in decision making, execution and day-to-day change initiatives.

The most effective managers identify, for each of their direct reports, the things that are most important to them. Then they focus attention on delivering those things. For example, all the engagement drivers we've mentioned so far would be helpful for increasing engagement. But, for one particular employee, flexibility in work schedule might be especially important. An effective manager would identify that this is important and find ways to build a flexible work schedule for that employee. Listening to and understanding what's most important for individual employees will increase engagement far more effectively

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CASE STUDY 1: INTERNATIONAL AIRLINE

During 2002-2003, Hewitt worked with an international passenger airline to identify ways in which it could improve its financial performance.

Background: In recent years, airlines have struggled to meet their financial goals due to many external factors (such as 9/11 and SARS). This airline has also suffered some fatal accidents and operates in a region with political tensions, resulting in a 10 percent decline in air passenger traffic.

Goal: To bolster employee retention and perceptions of the company, and also improve customer perceptions around service levels and safety.

Approach: To establish a new management team that ensures efforts are focused on employees and customers.

Employee actions: Increased emphasis on clearly defined employee career paths. Increased training hours from 125 to 320 hours per employee per year. Improved recognition policy to support team performance and celebrate employee anniversaries.

Customer actions: Cut overall costs. Improved service and safety levels.

Results: Large increase in employee engagement (55 percent to 77 percent). Increased positive perceptions among customers.

Bottom line: Nine percent sales growth and 12.3 percent net income growth over a two-year period.

CASE STUDY 2: MARKETER AND DISTRIBUTOR

Background: International processor and distributor of agricultural, food, financial and industrial products with diverse population of over 100,000 in 60 countries.

Goal: Corporate transformation from a supplier of ingredients to a provider of solutions through human capital measurement, satisfied customers, enriched community impact and profitable growth.

Approach: Hewitt's engagement survey with online reporting tool. Analysis of key performance measures of safety, productivity and ROGI. Strong commitment from leadership to human capital measurement.

Actions: Development of action plans to improve engagement at all levels, for example:
- **Establish individuals recognition system.**
- **Changes in day-to-day work activities.**
- **Enhanced career development programs.**
- **Improved communication between leadership and employees.**
- **Quantify link between human capital and business results.**

Results: Business units with high engagement had higher retention, resulting in more experience and higher performing workforce.

Bottom line: Units with high engagement had higher productivity, better safety records, more satisfied customers and higher ROGI.

than applying a blanket approach in which everyone gets the same things.

BG: How important is a manager's ability to communicate with his or her staff members?
RB: Very important. Communication must be frequent, scheduled and interactive – there must be an exchange of information. When distance management is involved, e-mail is fine for certain communications, but there at least needs to be a telephone interchange every week. Managers need to know what's going on and what progress is being made.

BG: Sometimes managers have so much work to do that they don't have much time to actually manage.
RB: As long as organizations define managers' work as being individually accountable for producing specific outputs themselves, there'll be problems. The definition of managers' work needs to include the development and performance levels of their staff. Organizations need to say that managers will be assessed on how their people grow, perform and advance in their careers. But they can't just *say* that, they must *reward* for it. However, this must be handled carefully – if a manager is rewarded for producing a specific output rather than for what his team produce, he'll focus on his specific output rather than managing his people.

Organizations need to align their performance management and assessment systems to support this definition of a manager's work. Then they need to be specific about what behaviors are expected from managers. Systems need to be in place to measure whether or not managers actually behave in the ways that are expected of them. If managers are assessed and rewarded that way, it will reinforce the message that management is valued and managers are expected to support their people.

> **"The definition of managers' work needs to include the development and performance levels of their staff "**

BG: What can HR professionals do to help managers become better managers? How can they help their organizations develop and keep good managers?
RB: I sometimes hear managers say that they would like to recognize their employees, but the paperwork is too time-consuming. HR can help by streamlining awards and benefits administration. Putting developmental tools and training online and building in more flexibility into policies and procedures, can also help to meet employee needs. Organizations that

can deliver such choice have a competitive advantage.

HR can also help by ensuring that expectations of a manager's performance and behaviors are as clear as possible. Managers need to understand what they should do more of, do less of, or what needs doing differently.

Sometimes, organizations have elegant "manager competency" models, but managers still don't understand what they actually need to do to meet expectations. There is now more public recognition of good managers – some companies encourage employees to nominate managers for awards, which sends the message that being a good manager is appreciated and valued.

Finally, HR can help by ensuring there are career advancement paths that lie outside the management track. This means people can advance and play valuable roles without becoming a manager. Some people may not want to be managers – they wouldn't be very good managers if you made them one. We need to give good contributors alternative ways to grow and advance.

BG: How much of being a good manager and generating higher engagement levels with employees is about effective listening?
RB: Just listening and not acknowledging, responding, or acting on what is being heard can damage credibility and engagement. Managers cannot, and probably should not, act on everything; but their ability to respond and explain reasons behind actions is still very important to engagement.

BG: What's the future for HR managers?
RB: The role of HR managers will continue to evolve. They will need to continue to find effective ways to connect with their employees. By increasing engagement levels, they can not only decrease employee turnover, they can also help their organizations achieve better financial performance.

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KEY POINTS

- **Organizations with higher engagement levels have lower employee turnover, higher productivity and better results.**
- **Managers are in a critical position to increase or decrease engagement because they touch key drivers such as accountability, work processes, compensation, recognition and career opportunities.**
- **Employees are more engaged when their managers are clear about expectations, get agreement about those expectations and provide consequences for meeting or not meeting expectations.**
- **Managers need to understand what they are expected to do more of, less of, and what they need to do differently.**
- **Managers need to be assessed and rewarded for the development and performance levels of their employees.**

FIVE STEPS TO INCREASING ENGAGEMENT

Managers can generate engagement with their employees in the following practical ways:

1. Coaching and career support
Be attentive to potential career paths, skills needed for development and advancement. Look for opportunities for training and for assignments that will broaden employees' experience.

2. Recognition
Provide consistent and frequent acknowledgement of good work. Provide informal and formal rewards.

3. Accountability
Be clear about performance expectations. Hold employees accountable for results. Provide appropriate consequences for meeting or not meeting expected results.

4. Involvement
Involve employees in decision making and execution. Ask them what they think. Find out what's most important to them and help deliver it.

5. Communication
Ensure frequent and scheduled interaction and sharing of information, feedback and ideas. Listen, understand and respond appropriately.