Employee Engagement: Heading in the Right Direction

With ongoing economic volatility, employee engagement becomes even more crucial, as organisations ask fewer people to do more. The behaviours of employees are at the centre of business success (or failure). Ensuring that employees adopt the right behaviours will be critical in delivering the business results needed in challenging conditions.

Research from Aon Hewitt shows a disappointing reality across the globe: more than four out of ten employees are disengaged. For a company with 30,000 employees, that means 12,000 employees do not say positive things about the company, might leave, and do not provide extra effort. Assuming an average salary of £26,000 a year, these 12,000 disengaged employees translate into £315 million in sub-optimised, or worst, destroyed value.

So how are employee engagement levels holding up?

Aon Hewitt’s 2012 Global Engagement study, which analysed the employee engagement trends of more than 3,100 organisations representing 9.7 million employees worldwide, reports some key trends:

- Engagement levels are stabilising globally. After years of declining employee engagement levels around the world, there has been a positive global shift in employee engagement, albeit by a modest two percentage points (0.8% up from 56% in 2010).
- Differences exist by region. While overall engagement levels increased, Aon Hewitt’s study found significant variations by region. Europe showed a slight upward shift, while Latin America, the region with the highest engagement levels, experienced a slight decline. Employee engagement scores in North America remained unchanged. Improvements in Asia Pacific engagement scores contributed to the overall upward movement of global engagement.
- Career opportunities, recognition, and organisation reputation are consistently top engagement drivers: companies should focus their efforts on improving these areas in order to have the most immediate positive impact on overall engagement scores.
- Improvements are not being made in the areas that matter most. Aon Hewitt found noteworthy improvements in employee perceptions of business unit leadership, HR practices and brand alignment (fulfilling the employment proposition). But none of these areas showed up consistently as a top driver of engagement and, with only a modest change in the global engagement score, one has to ask whether employers are focusing on the things that matter most to employees.

Are economic conditions influencing employee engagement?

Aon Hewitt found that employee engagement lags economic indicators. Aon Hewitt’s research showed that, engagement levels appear to have fallen a year after the economic crisis in 2009 and had a slight recovery a year after economic indicators showed relative improvements from 2009 to 2010 – a pattern that was repeated across all regions. As most employees, and even economists, were not certain of the presence or severity of the recession until subsequent quarters, the lagged engagement relationship seems more likely.

This raises a further intriguing question: “If engagement lags economic indicators, why focus on employee engagement, especially during a recession?” Aon Hewitt’s research again offers insight. While the overall global engagement score has stabilised, the experiences of individual organisations are polarised. The majority are struggling to maintain employee engagement levels and, a minority have been able to improve employee engagement even during the worst of the downturn.

So while it may be tempting to think engagement is just a function of the economy, the way organisations react to economic cycles indicates how well they succeed or survive. During turbulent times and uncertain forecasts, many organisations have been less focused on how to manage their talent and engage their employees, and so we look to the experience of those organisations which have increased engagement levels.

So, what are these leading organisations doing differently?

- There is a significant gap between common practice and best practice. Leading organisations position employee engagement as an ongoing process that goes beyond a plan, a project, or a survey. By:
  - They make employee engagement a priority: Leaders are serious about engagement—it is about measuring and having a positive impact on employees’ perceptions of the HR programmes and people practices linked to strategic business priorities.
  - They create a “culture of engagement” through multiple levers, including leadership ownership and sponsorship, employee involvement in action planning, communication programmes, ongoing engagement measurement, and holding people accountable for engagement results.
  - They focus on what matters most. Aon Hewitt saw little or no improvement in the top three engagement drivers across the globe. Organisations will get the highest return on investment in employee engagement efforts by focusing on the drivers that have the highest impact on their employees.
  - They avoid a one-size-fits-all strategy. Results and insights are cascaded further into organisations, and critical employee groups are segmented, so that companies can implement targeted actions that will have the most impact on the engagement levels of discrete groups of employees.
  - They focus on collecting data earlier in the recruitment process. These organisations canvass the perspectives of potential employees and new hires, seeking to understand the employee experience and to take action to address aspects of the experience that are not aligned with the employer promise.
  - They link employee feedback and business outcomes. Organisations are making links to financial outcomes, such as revenue and profitability and leadership behaviours. As a result they have greater commitment to action from senior leaders.

Sustaining engagement

- It is encouraging that organisations have been able to stabilise employee engagement levels. Developing a sustainable employee engagement plan is more critical than ever. If engagement is low, business performance is below par. Yet there are many things within the control of management that can improve and sustain engagement in times of economic health as well as crisis.

- There is an opportunity for forward-looking organisations to utilise employees’ views; provide the opportunities, feedback and communication they desire; and pave the way for improved business performance.

To move from average to “Best”, companies must take employee engagement seriously (and not just the engagement survey). Organisations that rise to this challenge, and focus on the key drivers that matter most to their employees, will ride out the storm and sustain business performance in the future.