Engagement and Culture: Engaging Talent in Turbulent Times

When businesses confront an external environment characterized by challenge and confusion, why should they be interested in human capital management? The answer is simple. In times of uncertainty and change, it is crucial to have a clear sense of direction. The lack of engaged and committed employees, efficient processes and systems and a culture to support a productive workforce could lead to a potential collapse. Recession or not, it is imperative to understand and implement effective and proven human capital management practices. In this Position brief, we present a summary of how engagement and culture can work together to create a successful and resilient workforce that can drive performance in turbulent times.

In tough times, increased cost pressures and uncertainty cause anxiety among employees, resulting in a greater need for process efficiency and alignment. How can companies continue to engage employees and encourage positive performance? To understand the relationship further, we examined employee engagement and culture in 900 organizations across 8 markets. The study compared the scores of companies that were leading performers with mid-tier and bottom organizations. The results of this study are highlighted in this position brief and help

What Are Engagement and Culture?

For the purpose of this brief, our definitions of engagement and culture are:

**Engagement**—Engagement is the emotional and intellectual commitment of an individual or group to build and sustain strong business performance. Hewitt’s engagement process goes beyond employee happiness or satisfaction by focusing on behaviors that produce results. It also focuses on the entire employee population of an organization—not only on how to engage employees, but also on how to maintain engagement among those already engaged and contributing.

**Culture**—The behaviors and belief characteristics of an organization as exhibited by the stated and unstated rules and expectations, prevailing values, norms, behaviors and systems that define an organization. Culture is created and maintained by leadership actions, operating systems, and processes that influence employee and organizational behaviors. It is often deeply embedded and slow to change, as it involves fundamental human values. Barrett’s research shows that employees are at their most productive when their personal values are closely aligned with their employer’s values.
in better understanding how the interplay of engagement and culture can lead to positive performance outcomes and greater financial success.

**Engagement and Cultural Alignment—Working Together**

Hewitt’s research demonstrates that both cultural alignment and engagement have a proven relationship with a company’s financial performance. Together, the two forces have a more positive impact on revenue than when working independently. One without the other poses a grave risk for the organization. A culture that focuses on high performance can attract and engage high-potential talent who bring their strong capabilities and are also energized by the company’s core values. The top engagement driver of high potential talent in a recent Hewitt study emerged as “job fulfillment and challenge.” High performance cultures create a stimulating work environment and processes where top talent are inspired and have the support to provide extra effort. Among other practices, they set stretch goals, assign high-impact, high-visibility projects and manage career paths of their high potentials to keep those individuals totally engaged.

To understand cultural alignment, we utilize the Barrett Seven Levels of Business Functioning model. Using the model, illustrated in Figure 1, we can understand employees’ personal values and how they align with the organization’s current culture values, and what leaders and employees aspire to in their desired culture values. The results show how the organization functions now and how it needs to function to be more

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**Figure 1: Seven Levels of Business Functioning Model**

Current and Desired Cultures Are Profiled Using:
successful. Importantly, it identifies alignment and misalignment among personal and organizational values. In general terms, cultural alignment can be understood by assessing the:

1. Degree of overlap between employees’ personal values and behaviors and their view of the organization’s current values and behaviors
2. Overlap between current and desired values and behaviors

Hewitt’s study of 900 organizations offers clear evidence that engagement and cultural alignment have a synergistic effect. Comparison of scores of the leading, mid-tier, and the bottom 20 organizations on the list revealed significant differences in the level of employee engagement and cultural alignment between the two categories as shown in below in Figure 2.

Alignment between personal and current values indicates that work is a positive experience for employees in the leading performers and mid-tier organizations but at the bottom companies, work is at best a neutral or even negative experience. In addition, there is a decline in alignment between current and desired values. This is reflected in the engagement data where engagement drops off from 86 in the top companies to 31 in the bottom organizations.

In half of these organizations, the alignment scores for personal and current values are 0 or 1—indicating employees have a hard time coming to work and if they do show up, they are not completely present or motivated to perform.

**Engagement and Entropy**

Cultural entropy represents the degree of dysfunction in a culture. It is the measure of energy devoted to or consumed by unproductive work. We find a strong inverse relationship between entropy and engagement. Entropy is created by an inconsistency or misalignment in stated values and behaviors, resulting in systems and structures that do not support efficient operations and the organization’s goals.

There are several causes of cultural entropy—misalignment of personal values and behaviors with the organization, misalignment of processes and structure, and a lack of mission alignment. Our research revealed that leading performers with 6 percent entropy show strong signs of healthy functioning, leading to productive work, while the bottom organizations with entropy of 21 percent need to improve their systems and alignment to be productive. Time spent in this state destroys employee engagement and value for an organization. Figure 3 gives the impact of different levels of cultural entropy on the organization.

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**Figure 2: Engagement and Cultural Alignment Scores**

<table>
<thead>
<tr>
<th></th>
<th>Leading Performers</th>
<th>Mid-Tier</th>
<th>Bottom 20 Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement</td>
<td>86%</td>
<td>51%</td>
<td>31%</td>
</tr>
<tr>
<td>Alignment of Personal &amp; Current Values</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Alignment of Current &amp; Desired Values</td>
<td>9</td>
<td>7</td>
<td>6</td>
</tr>
</tbody>
</table>
**Engagement and Shared Values**

Values are often manifested in organizational and employee behaviors. Values are deeply rooted ideals and beliefs that have a major influence on how individuals approach work and make decisions. Individual values are expressed through personal behavior, while corporations reflect their values through systems and processes. Values shape corporate culture, which defines an organization’s competitive advantage in terms of being resilient and adaptive; in attracting and keeping talented people; and in building and sustaining high performance. Interestingly, the perceived difference in an organization’s espoused and executed values also has an impact on individual values and employee engagement. Values can be those that are espoused, or those that management communicates both orally and in writing and are executed, or those values which actually drive daily decisions. When values of the organization are aligned with values of the individual, it guarantees superior levels of involvement and results in greater levels of accountability, trust, innovation, and performance.

Behaviors, systems and processes can be positive or potentially limiting. For example, the positive value or behavior of “achievement” can push individuals to give every ounce of effort to meet and exceed company and personal goals. On the other hand, a potentially limiting system of “bureaucracy” or behavior of “control” can undermine achievement. Bureaucracy can cause rigidity and red tape, thereby stifling innovation, accountability, and high achievement. The impact of values on engagement can be best understood by examining the shared positive values, shared limiting values, and value jumps.

**Shared Positive Values**

We examined the personal values, current culture values and desired culture values of employees across the leading performers and bottom organizations. Our analysis shows that employees in both these groups share the same top personal values and 8 of the top 10 desired values, indicating that there is a strong alignment between values individuals support and the culture they seek when they join an organization. Employees share six current values or perceptions of their current organization, but there are some sharp differences.
What Are Employees Looking For?

If we examine the difference in the values and behaviors employees see in the current culture and what they desire, we can have another view of organizational health. Across the top, mid-tier and bottom organizations, the gap between what employees see currently and what they desire is significantly smaller in the leading performers compared to the mid-tier and the bottom performers. In addition, employees are looking for very different types of changes across the three groups. While all three groups want more employee fulfillment, adaptability, and leadership development, we also see some significant differences in what is missing. Among leading performers, employees want more strategic alliances, innovation, and quality. In the rest, the focus shifts to more recognition, continuous improvement, and accountability and in the worst we see the additional desire for increases in coaching and mentoring. It’s not surprising to see the shift to improvement and accountability, as we often see it lacking across all but the leading organizations.

Putting Concepts into Context

Hewitt’s Engagement and Culture Assessment is a unique approach that evaluates an organization on the three elements—culture, entropy, and shared values—and their critical role in employee engagement.

During this analysis, the company’s engagement results are examined within the context of the Barrett Values Centre cultural alignment framework. Engagement data is used to identify levers of culture and vice versa. By conducting analyses such as those illustrated in Figures 5 through 7, engagement and culture indicators and opportunity areas are identified.
The analysis also helps in prioritizing investment in initiatives that will boost engagement, reduce entropy, and minimize the gap between current and desired culture values. For example, the development actions in Figure 5 identify steps for increasing achievement orientation or career opportunities by combining data from culture and engagement diagnostics.

Figure 5: Engagement and Culture Assessment
### Figure 6: Engagement and Culture Indicators—Average Performer

<table>
<thead>
<tr>
<th>Organization Score</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement</td>
<td>46%</td>
</tr>
<tr>
<td>Entropy</td>
<td>22%</td>
</tr>
<tr>
<td>Alignment of Personal &amp; Current Values</td>
<td>1</td>
</tr>
<tr>
<td>Alignments of Current &amp; Desired</td>
<td>2</td>
</tr>
<tr>
<td>Engagement Improvement Drivers</td>
<td>Leadership Recognition</td>
</tr>
<tr>
<td>Engagement Maintenance Drivers</td>
<td>Colleagues Work</td>
</tr>
<tr>
<td>Culture Focus Areas</td>
<td>Employee Fulfillment Empowerment</td>
</tr>
</tbody>
</table>

- **Engagement Score**: 46%
  - **Assessment**: Indifference Zone—percent of engaged and disengaged employees is similar, indicating that opportunity to create value is limited. Organizations in this range perform on par with competition.

- **Entropy Score**: 22%
  - **Assessment**: Organization is typified by caution and control with decision making restricted to certain levels in the organization.

- **Alignment of Personal & Current Values**: 1
  - **Assessment**: Employee personal values are not well aligned with the organization’s values, which makes them less productive and likely to consider other options.

- **Alignments of Current & Desired**: 2
  - **Assessment**: Low alignment—only areas of value/behavior match are in collaboration and client focus.

- **Engagement Improvement Drivers**
  - Leadership
  - Recognition

- **Engagement Maintenance Drivers**
  - Colleagues
  - Work

- **Culture Focus Areas**
  - Employee Fulfillment
  - Empowerment

- **Engagement Improvement**
  - Employees looking for more direction and communication from leaders on how they view employee contribution and future of the organization. Recognition is inconsistently applied across the organization.

- **Engagement Maintenance**
  - Employees experience a strong sense of teamwork and accountability within their immediate team. Work is a positive and employees enjoy the variety and challenge.

- **Culture Focus Areas**
  - Employees find the work interesting but not achieve a sense of fulfillment due to lack of recognition and leadership support. There is also a perceived lack of ability to make and implement decisions.
### Figure 7: Culture Improvement Indicators

<table>
<thead>
<tr>
<th>Organization Score</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement</td>
<td>68% High-Performance Zone—approximately 2 engaged employees for each disengaged, indicating positive impact on KPIs.</td>
</tr>
<tr>
<td>Entropy</td>
<td>12% Need some improvements in processes as bureaucracy creating some inefficiencies and lack of sharing information across organization.</td>
</tr>
<tr>
<td>Alignment of Personal &amp; Current Values</td>
<td>3 Employees are comfortable in the workplace and see some alignment in key areas of accountability and employee fulfillment.</td>
</tr>
<tr>
<td>Alignment of Current &amp; Desired</td>
<td>6 Moderate alignment as employees have not identified any significant misalignment areas.</td>
</tr>
<tr>
<td>Engagement Improvement Drivers</td>
<td>Career Opportunities Performance Management Employees are looking for more clarity around process for career opportunities as opportunities beyond promotion are not clear.</td>
</tr>
<tr>
<td>Engagement Maintenance Drivers</td>
<td>Recognition Employees receive sufficient and timely recognition. Manager supports employees and holds them accountable for strong performance, which is aligned with their personal values.</td>
</tr>
<tr>
<td>Culture Focus Areas</td>
<td>Reduce Bureaucracy Efficiency Work and some processes need to be streamlined to create additional efficiencies and better info sharing.</td>
</tr>
</tbody>
</table>
Getting It Right
Producing superior results involves creating a culture that is aligned and engaging. Most organizations know that a misalignment between the values of the organization and those of the individual lead to poor engagement and in turn adversely affect performance. But “knowing” is not the same as “doing.” Only a few are able to create a culture that is aligned and has low entropy. Those who do, discover that higher engagement is not the only benefit—a stronger sense of employee commitment can also dramatically shift an organizational culture into greater alignment.

In the end, it’s about focus and getting it right. Having a long list of initiatives to improve engagement is simply a wasted effort. Hewitt’s Engagement and Culture Assessment provides an approach for examining and integrating the two variables to come up with a specific, actionable and tailored course of action that can accelerate cultural alignment, reduce entropy and build a values-driven organization. The ultimate result is a high-performance organization with a highly engaged workforce.

More Information
Hewitt Associates’ Engagement practice works with clients to measure, enhance, and sustain employee engagement through targeted people practices. If you’d like to learn more about our capabilities and experience, please contact an expert now:

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