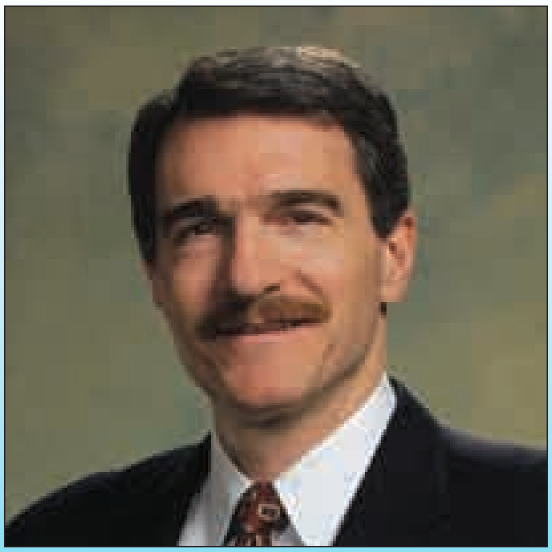
TOWERS PERRIN

Engaging your "Willing but Wary" Employees: The CEO's Crucial Role

An Interview with Mark V. Mactas, Chairman and Chief Executive Officer, Towers Perrin, Stamford, Connecticut



Mark V. Mactas

EDITORS' NOTE *Mark V. Mactas, who holds a BA in mathematics and economics from Lehigh University, joined Towers Perrin in 1980 and assumed his present post 21 years later. A fellow of the Society of Actuaries and the Conference of Consulting Actuaries, he is also a member of both the American Academy of Actuaries and the International Actuarial Association.*

COMPANY BRIEF *Founded in 1934, Stamford, Connecticut-based Towers Perrin is a global professional services firm that helps organizations around the world optimize performance through effective people, risk, and financial management. The firm provides innovative solutions to client issues in the areas of human resource strategy, design and management; actuarial and management consulting to the financial services industry; and reinsurance intermediary services.*

How do you define employee engagement?

It's the extent to which employees put discretionary effort into their work, beyond the required minimum to get the job done, in the form of extra time, brainpower, or energy. So an engaged employee is one who is willing and able to contribute to a company's success.

Why is engagement important?

As companies struggle to compete in today's challenging global marketplace, an engaged workforce may be more important than ever. In 2005, we conducted a study of more than 85,000 employees in 16 countries around the world. According to data from that study, high engagement has a positive impact on several key business areas. One is retention. The strong link we've found between engagement and retention is significant. As you would expect, highly engaged employees are far less likely to be looking to leave their employers than are moderately engaged or disengaged workers.

Already certain industries, including those calling for skilled scientists, mathematicians, and skilled health care workers, are facing severe shortages. Organizations in those industries that can engage their employees are more likely to keep them. But the issue also affects other industries. As companies have shifted in the last couple of years from cost-cutting to more robust growth goals, they face an increasing need to find and retain people who can help develop new products and provide outstanding customer service.

High engagement also affects employees' view of their ability to contribute to organizational success. For example, 84 percent of engaged survey respondents said they can positively impact quality, compared to 31 percent of disengaged employees, and 72 percent of them said they could positively impact customer service, compared to 27 percent of disengaged employees.

Finally – and this is key – our research has repeatedly confirmed that higher employee engagement has a measurable impact on business performance. Through a statistical approach we refer to as "linkage analysis," we can establish a relationship between employee behavior, customer behavior, and financial results. And what our data shows, over a multi-year period, is that higher levels of engagement correlate to a stronger customer focus and, in turn, better financial results on a range of metrics.

How engaged are employees today?

In our 2005 survey, we found that globally, only 14 percent of employees were what we call highly engaged. Fully one-quarter were disengaged. The remainder – 62 percent across all the countries we studied – were somewhere in the middle. We describe that 62 percent of employees in the middle as "willing but wary." They're not just marking time on the job, and many of them are working very hard, if hours worked and stress levels are any indicator. But there is a big difference between "willing" and "engaged," and employers need to address that difference if they want to get performance lift from their people. Willing employees get the job done, period. Engaged employees redefine the job to improve efficiency, effectiveness, and results.

I think of engaged employees as being alert to ways in which they can help the organization and learn something in the process. I see examples all the time among Towers Perrin employees at every level of the organization. For example, there is a young man in our marketing and sales area who saw an opportunity to create a fairly simple and easy-to-use database that would immediately make the jobs of 14 people easier. So he just did it. That's an example of engagement at one point in time. But this employee has also redefined his job over the years. He used to be primarily involved in maintaining our client databases, which is a fairly repetitive and tactical job. As we've begun managing client relationships on a more integrated basis, he's helped us rethink and reconfigure our databases, and now he trains consultants on how best to use them to meet client needs most effectively. His job is much different than it was five years ago, more interesting for him, and far more valuable to our firm.

Evidence of engagement among our consultants abounds as well. Probably the most common manifestation is when younger consultants hear about a project that they know will stretch them and improve their skills, so they approach the project manager and ask to be put on the team. Another example is when more experienced consultants take on mentoring or coaching roles, not because they have to, but because they want to. They see the value for the organization through knowledge transfer, career growth for the person being mentored, and an opportunity for growth and personal satisfaction for themselves.

What makes employees engaged in the workplace?

The employees in our global study, and in research we do for specific companies, are very clear about what engages them, and it typically isn't more money or better benefits. Make no mistake; those remain critical to people, especially in attracting the best and brightest. But once employees are on the job and feel their pay and benefits are fair and competitive, they're looking for a different kind of connection to the company and management. They want to feel that they're part of a team, they want to understand the goals of the organization and their role in helping achieve those goals and, perhaps most importantly, they want to know that what they do is valued.

Our 2005 global workforce study shows that overwhelmingly, in every area of the world, the top organizational attribute that drives higher engagement is employees' belief that senior management has a sincere interest in their well-being. Employees want to feel a connection to the organization's leadership, to understand where the organization is going and the role they play in helping get there. It also means that they want recognition for helping the organization succeed.

The research uncovered some other interesting drivers of engagement as well, which closely connect to this desire to add value and make a difference. One is having learning and development opportunities and the chance to improve one's skills. Another is a company's reputation, which plays out on many levels, including its mission, its commitment to the community or society at large, its stability and track record as an innovator and exciting place to work. These findings indicate a real desire on the part of employees to be part of something worthwhile and to grow in their jobs. There is a vast amount of interest and energy waiting to be tapped for the mutual benefit of the employee and the organization.

How can organizations increase the engagement levels of the "willing but wary" group?

If senior management behavior helps drive employees' willingness to put forth discretionary effort for the organization, it stands to reason that executives should invest a portion of their time and energy communicating to employees, being accessible and visible, and generally showing employees that they are an important part of the organization.

Senior leaders can use the tools available to them to communicate frequently. By that I mean a combination of high-tech and high-touch: the Web, video, and Podcasts, combined with small face-to-face meetings in locations around the world, which encourages two-way communication and dialogue. But senior leaders can't do it all. Given the scope of their responsibilities for the business as a whole, it's neither practical nor desirable for them to focus on day-to-day people issues, for example. That is the manager's job. But it is up to leadership to establish the strategic people vision, set the tone and emphasis, and then ensure the organization's processes, programs, and practices are working to deliver against that vision in meaningful ways.

This means that supervisors and managers must carry the company messages and serve as the day-to-day voice of the organization. Because if senior leaders are telling employees that "customer service is our most important job," but supervisors aren't defining what that means for their employees, and aren't modeling and rewarding that behavior, then employees aren't going to believe that message or behave in ways that make customer service their top priority. So you have to have managers and supervisors on board, and that means investing in manager training and communication. These are not skills that come naturally to many people, especially managers who came into the role because of their technical or professional expertise, not their people skills. It takes time to learn these skills, but there is significant return for companies who make that investment and stick with it over time.

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Another key for senior leadership is to make certain that employees have learning and development opportunities and use them. Learning and development is a top engagement driver around the world, and it's a win-win: the organization gets employees with better skills and new ideas, and employees get access to personal growth and development.

Does driving employee engagement really make as much difference to an organization's success as something like developing a new product for the market?

They aren't separate concepts. Who develops new products? Who successfully takes them to market and sells them? Who ensures that they're profitable? My point is that employees who feel some emotional connection to the organization and their job will develop better products, be better salespeople – even have a better sense of how and where to cut costs, if that's what needs to be done.

Isn't all of this just good workforce management?

It's a part of workforce management, certainly. But it's fair to say that doing it well – and giving it significant time and attention – has never been more important, especially given the challenges companies face from globalization, an aging population, new competitors, and ongoing cost-management pressures. The right environment and climate, driven by the right behaviors and actions from top leaders and managers, create the foundation that allows an organization to effectively source, deploy, and manage talent and performance – from the moment an employee joins the organization until he or she leaves. Those organizations that can develop and implement a clear, workable talent management strategy – and place it within the context of a larger workforce management strategy – stand the greatest chance of attracting, retaining, and engaging a group of people who can contribute immeasurably to the current and future success of the organization. And that, in turn, will give them a decided advantage in achieving their growth goals in today's ever-tougher business environment.

What about companies in crisis or in flux? Isn't it more important for those CEOs to focus more on the operational and financial issues?

That's an interesting question. We've done some research on the effect of mergers and acquisitions on employee engagement – and an acquisition often puts an organization in a state of flux.

Our research shows that employees who work for companies that have undergone significant restructuring of some kind had lower levels of employee engagement than employees at other companies. In particular, these transactions can erode employees' relationship with their employers.

Not only do deteriorating employee engagement levels lead to potential operational difficulties for the merger or acquisition itself, but lower engagement can become an ongoing and endemic problem for the new entity, negatively affecting both its operational and financial success.

In general, troubled companies or companies that are in flux for reasons such as a change in leadership, a merger, acquisition, or divestiture – even a decision to outsource some of their operations – actually need to pay more attention, not less, to their employees. That means being as honest and open as possible about the situation, giving as much information as possible about plans and actions that are being taken, and giving employees a clear understanding about what they can do to help.

What qualities do good leaders and engaged employees exhibit?

There are many, but I think a good leader defines the big picture for the organization, and is open with employees about the goals of the organization and why certain decisions have been made. A good leader also uses all the communication tools available to build employee understanding, empathy, and buy-in for the organization's goals. Certainly it's not all roses. Good leaders also have to make tough decisions about resource allocation and communicate those decisions effectively.

At the same time, employees need to recognize that organizations are in a constant state of change as they respond to both anticipated and unanticipated marketplace forces. Within that context, employees should take accountability for their own performance results in areas they can influence. There's an enormous amount of professional and personal growth and development to be found in many organizations, and the employees who take advantage of those opportunities can derive a great deal of personal satisfaction in their jobs and contribute to the success of the organization at the same time. ●