

HC

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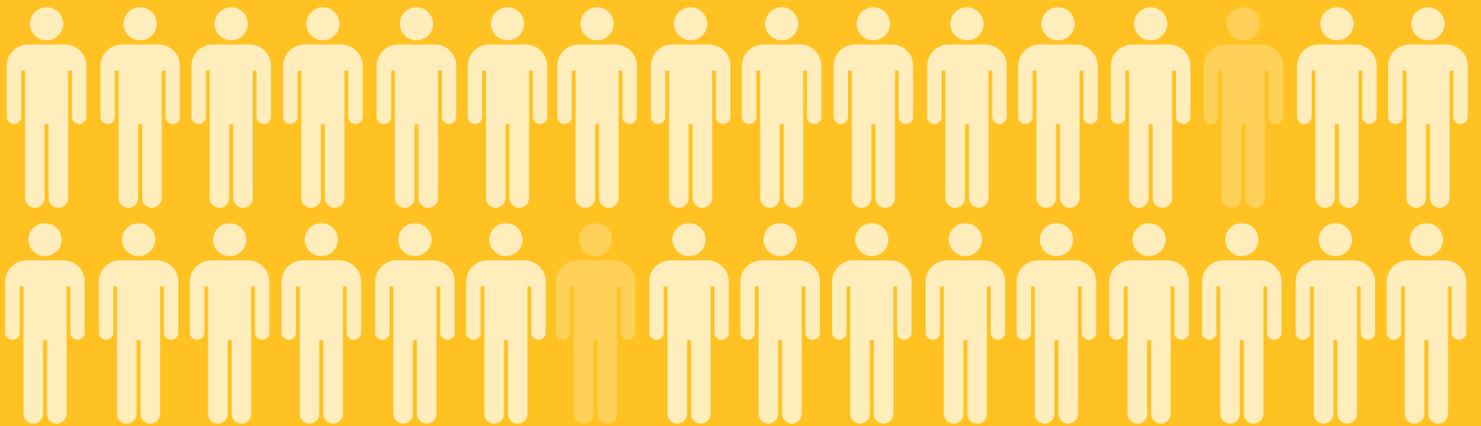
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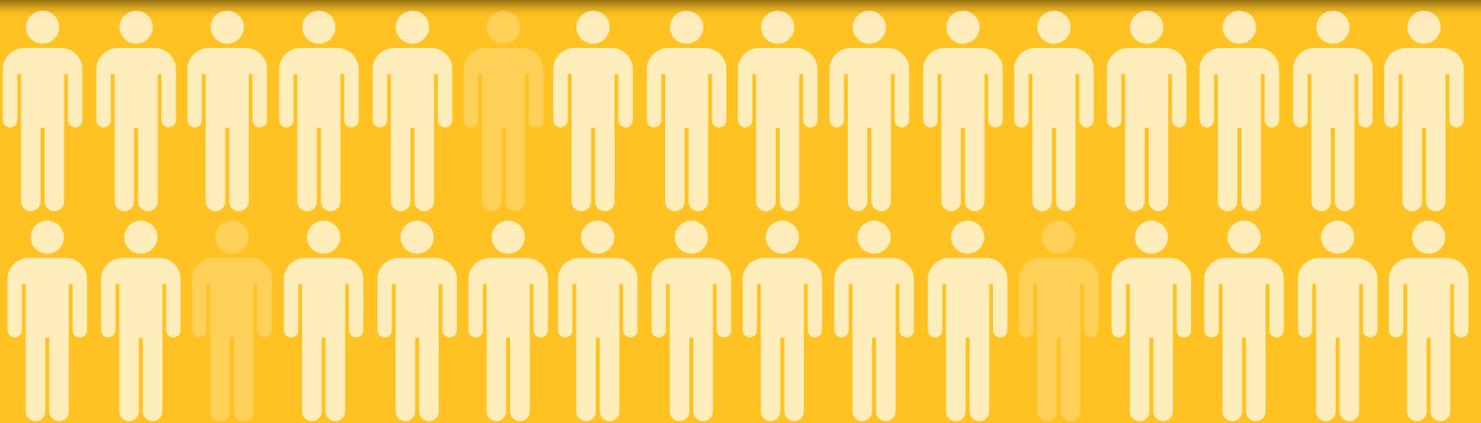
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SPECIAL REPORT

RETENTION

YOUR GUIDE TO EASING STAFF TURNOVER



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Focusing on key drivers

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Enhancing existing skills

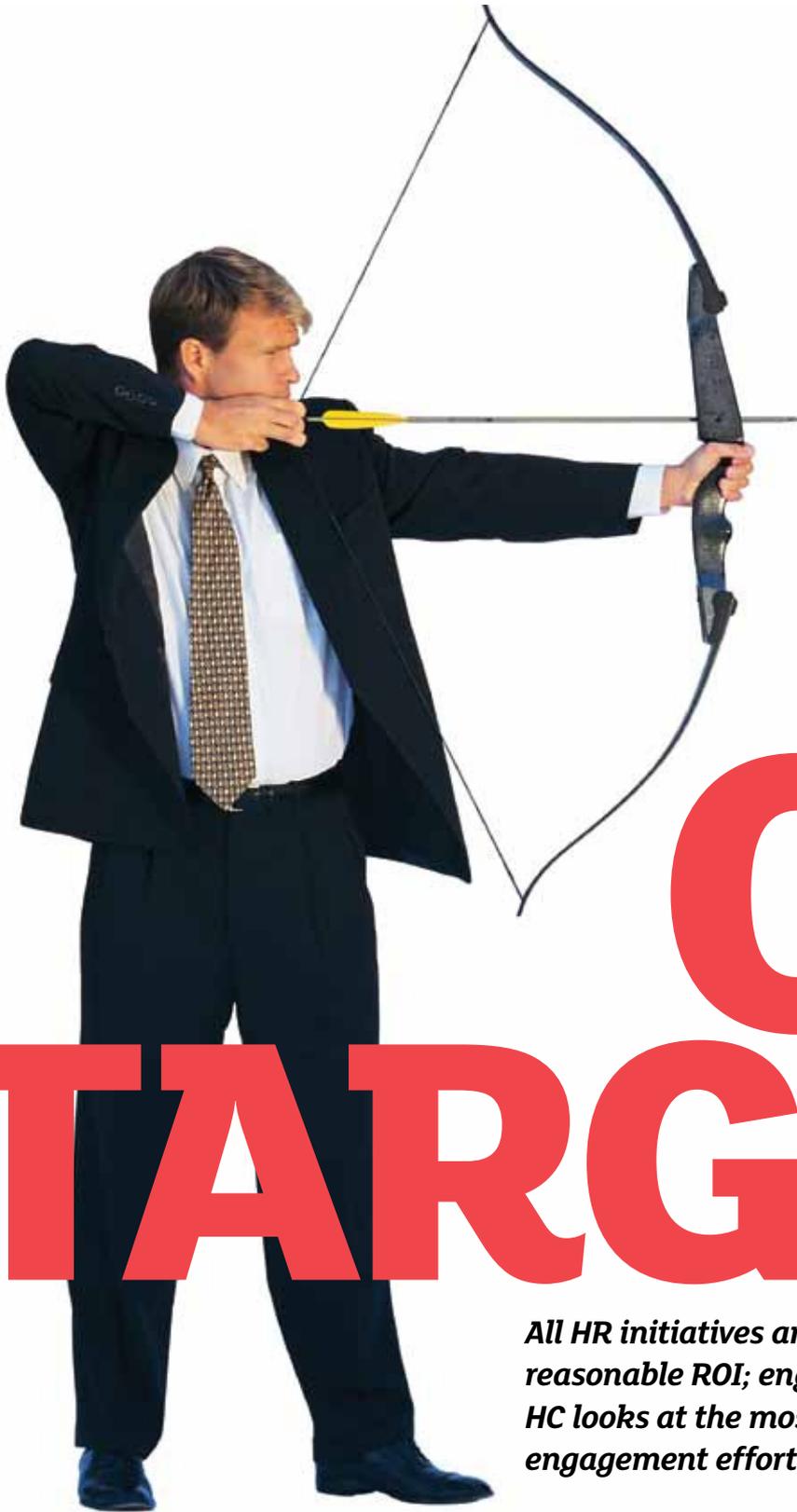
REWARD & RECOGNITION

Maximising what's on offer

CORPORATE CULTURE

Identifying hidden symbols

Special Report - Engagement



ON TARGET

All HR initiatives are now expected to show reasonable ROI; engagement is no different. HC looks at the most effective ways to target engagement efforts for optimal retention

OVER THE PAST DECADE ORGANISATIONS like Hewitt, Watson Wyatt and Gallup have done a solid job of building awareness of the concept of engagement in business. Most HR professionals and a growing number of other business leaders now know that engagement is the emotional and intellectual commitment of an individual towards the entity in which they are employed.

However, while general awareness of the concept of engagement has increased, it's possible we've lost sight of the sub-elements of engagement. If 'engagement' is considered an umbrella term tracking employee perceptions that develop, form and change throughout the course of their employment lifecycle, it makes sense to measure and then manage these sub-phases of engagement separately.

Anthony Sork, managing director of Sork HC, outlines the following key phases of engagement, all of which should be measured and managed:

- **Attraction** – looking at employer brand in the marketplace
- **Attachment** – looking at core perceptions of security, trust, value, acceptance and belonging over the first 120 days that drive risk of attrition, discretionary effort and performance over the first 18 months of employment
- **Alignment** – following the first 120 days, alignment between an employee's desired state and their actual state, and identification of pull factors: the more closely aligned an employee is, the higher their engagement will be. Ideally organisations would see these 'pull factors' consistently across their workforce so they can measure it from a zero to 100.
- **Detachment** – those alignment pull factors drop below zero and start operating as push factors. Detachment is when the push factors influence the employee to be looking at another working environment over the existing one.
- **Post-employment/transitioning** – what will keep the employee connected to the organisation, either as a future resource as an employee or as a referral advocate.

For Sork, the crucial phase is the second. His company has developed the Employee Attachment Inventory (EAI) to focus specifically on the critical bonding period at the beginning of the employment relationship. Most of the time that focuses on new employees coming into an organisation (the first 120 days); however, attachment perceptions are forming all around us all the time in different social structures.

"Where it comes into play within an organisation is

where you have structural realignment of an individual, so where they are changing teams and have a new direct report relationship. Where the direct reporting relationship changes for an existing employee you also have a resetting of attachment perceptions as well," Sork says.

When attachment is looked at as a phenomenon across any social structure – workplace or otherwise – it is apparent that this is the critical period of time in which the core perceptions of security, trust, value, acceptance and belonging are formed. The strength of those perceptions then drive key behaviours: firstly the likelihood an employee will stay or go (the risk of attrition); and secondly, discretionary effort, and through that, the performance of the employee.

PRIMARY CARER ABILITY

The key here is the skills of the direct manager, or the 'primary carer' as Sork refers to them. "In the first 120 days it's vital that the primary carer is aware of their impact on these attachment perceptions. They are the primary influencer of these perceptions."

Sork believes organisations have the right intentions but they tend to focus on only one half of the equation, which is, "Can the employee do the job, and will they fit in?" They haven't traditionally been focusing on employee perceptions, which in fact drive the behaviours of whether they'll stay and how much effort they'll put in, he says.

There are two sides of the same coin an employer must assess. From the employer centric perspective they need to be able to assess whether the person can do the job, and whether they can align with the organisation's vision and values. The one way to assess that, Sork notes, is by looking at competency, value alignment and performance: essentially, are they prepared to perform to the level needed in order to reach minimum performance criteria in this role.

From an employee perspective it's all about the 20 drivers they are assessing (consciously or unconsciously) during their first 120 days, and how these are influenced most significantly by the primary carer. These 20 drivers include pre-employment, orientation, accuracy of job representation, vision and career path, work-life balance, co-workers, climate/culture, systems and processes.

Ninety days into tenure the attachment level of the new employee is assessed via survey. There are 100 questions that require a response based on a five-point rating scale from strongly agree to strongly disagree. The EAI Feedback Report goes to direct managers and provides an overall measure of attachment based on the

WHAT DOES HIGH ENGAGEMENT COST?

73% of organisations achieving employee engagement scores in excess of 80% invest at least \$2,000 per employee/per year on their engagement programs. 64% of organisations with engagement scores of between 40–60% invest less than \$1,000. It is three times more likely for an 80%+ organisation to invest more than \$2,000 on engagement activities than those with an engagement score less than 60%.

WHAT DOES HIGH ENGAGEMENT DELIVER?

On average highly engaged organisations were up to 20 times as likely to see improvements in customer satisfaction, attraction of key talent, a decrease in sick days, and higher productivity, customer loyalty, and profit than those with an engagement score of less than 60%.

Source: RedBalloon/Altus Q Engagement Capabilities Report 2012

Special Report - Engagement



DID YOU KNOW?

In February 2012 AON Hewitt released new evidence illustrating that organisations with an engagement score of 65% or more achieve profit growth at a rate four times greater than that of other organisations. The same report also highlighted a drop in overall levels of engagement in the Asia-Pacific region of four points to 56% in 2011.

average of the 20 driver scores, and individual attachment scores per driver (20 drivers in total).

If attachment levels are lower than desired at 90 days on any of the 20 drivers there is an action plan put in place – a window of opportunity – for the manager to work on improvements for the next 30 days.

WHY BOTHER?

There are two key benefits of working on attachment. Firstly, a reduction in the risk of losing good talent. “If you lose that person not only have you not been able to break even at the 18-month mark but you’re likely going to have to go back and repeat the investment, so you’ll have to add the loss onto the next investment – it can be a really compounding, quite crippling impact on business,” Sork says.

The second benefit is that by increasing attachment discretionary effort is also increased, which means ROI will be achieved faster, and the employee is retained at a higher performance level. “It’s actually a double shift in terms of the ROI,” says Sork. “You go from a loss scenario to a gain.”

As a conservative estimate, Sork says it can cost up to \$100,000 to find, recruit, upskill and onboard a new employee. He says it’s telling to then determine retention of that talent based on average profit contribution per employee.

“We recommend that is a weekly calculation – last year’s profit divided by last year’s headcount, divided by 52 gives you a weekly average profit contribution per employee. From the three month mark, given you are negative \$100,000 at that point, how long do you need to retain them in order to pay back that \$100,000? Look at attrition rates relative to tenure to see how many people are leaving prior to 18 months – that will give an indication of how much loss they are incurring through poor attachment levels. Then the business case would be if we can change even X proportion of this, what’s this going to do in terms of bottom line performance of the business?”

WHERE TO FOCUS ENGAGEMENT EFFORTS

Research by RedBalloon and AltusQ has revealed what

employers should be concentrating their engagement efforts on, and what they should be moving away from. The Employee Engagement Capability Report identified a framework of 20 core organisational capabilities (see table below) that organisations measure themselves against according to the level of depth, understanding and mastery within their organisation. Gaps are then identified between the desired and the reality.

The report aims to provide clarity for investment decisions around particular skills or organisational capabilities that will provide the biggest uplift in an organisation’s engagement score.

AltusQ partner Oliver Christen explained: “For example, we found that the biggest gaps between the skills of the most engaged organisations and those scoring below 40% engagement – and in turn the biggest opportunities for improvement – are in the areas of brand, expectation management, coaching, rewards & recognition and effective meetings.

“So straight off the bat we have a prescription for improving the employee engagement reality for those organisations and can help them start to close the gap.”

In assessing the reported engagement outcomes of the organisations that took part in the survey, it was demonstrated that whilst the level of investment and type of activity do play a part, it’s not as simple as investing big or delivering a whole list of programs and initiatives.

In fact, the data suggests that it’s probably better to do fewer things in the engagement space and do them really well, rather create an engagement solution that is trying to be all things to all people.

The report surmised: “The evidence gathered confirms our hypothesis that an organisation’s depth of capability or skill in specific areas past implementation or ‘manager awareness’ to a mastery level where mentoring and leverage can occur ... or ‘employee owned and loved’ is the biggest determinant on engagement outcome within a specific cultural context.”

THE CORE INGREDIENTS

According to the report, the core ingredients for engagement success are flexible working arrangements, recognition programs, non-cash rewards/incentives,

The 20 core organisational capabilities

Purpose, intent, cause	Managing capacity and workload	Coaching	Onboarding
Culture	Functional structure/resource allocation	Managing expectations	Performance management
Commercial vision	KPI	Work-life balance	Developing people
Innovation	Rewards & recognition program	Compensation & benefits	Decision making
Brand energy	Communication	Recruitment	Effective meetings

training and development programs, paid parental leave and time off for study.

“These are the basics required to deliver on expectations and start to engage a workforce. They are the base of the pyramid, so if you don’t get them right, the whole structure will topple,” says James Wright, RedBalloon’s corporate engagement specialist.

“These findings are backed up by studies showing that non-monetary incentives have a higher perceived value and are 24% more powerful at boosting performance than cash incentives, while rewards and recognition are key to creating and maintaining an engaged workforce.”

HEAVY HITTERS

According to the report data, the activities that have the greatest impact – once you have the basics in place – are coaching, time off for volunteering, buddy programs and company lunches/nights out.

“Coaching has been identified as a key lever in effecting employee engagement levels within the 911 organisations surveyed. We know there are great ROI outcomes to be realised from a focused, well structured coaching program, so it’s great to see this reality reflected in the data,” Christen said.

“And according to the data, a combination of coaching and buddying specifically in an organisation results in an 82% chance of achieving an engagement score of 80% plus.”

MISSING THE MARK

Not all engagement efforts are so successful; in fact, some activities traditionally thought of as being contributors to engagement are missing the mark. “What was once a generous extra for an employee quickly becomes an expectation and stops to deliver ever increasing engagement returns that perhaps the investment requires,” the report notes.

Among the list are perennials like training & development programs, paid parental leave, time off for study and flexible working arrangements: all these are now employee expectations, not extras as they once were. The business case for increasing investment in these areas is weak if looking for increased engagement as an outcome.

Christen warns that it’s not about how much you spend but how you spend what you have.

“You have to question the cultural environment of your organisation and what capabilities in your team will deliver the greatest uplift in engagement from the budget available. It’s not about having huge budgets, but learning how to use what you have – in terms of spending and existing capabilities – wisely.

“Increasing the dollars invested in engagement activities only delivers up to a point. The report shows that spending more than \$3,000 a year gives only a 29% chance of achieving a high engagement score.”



If you lose that person not only have you not been able to **break** even at the 18-month mark but you’re likely going to have to go back and repeat the **investment**

– ANTHONY SORK

TO-DO LIST

- What gets measured gets managed. Undertake an engagement climate survey to get some sense of where you’re currently placed with engagement. Data can also be gleaned from exit interviews
- Get the core elements of engagement right: flexible working arrangements, recognition programs, non-cash rewards/incentives, training and development programs, paid parental leave and time off for study
- Concentrate on the first 120 days of employment; this bonding period is when core employee perceptions of the employer are formed. Ensure the direct manager, or ‘primary carer’ is aware of their influence on these perceptions
- Concentrate extra effort into these acknowledged ‘engagement boosters’: coaching & buddy programs, company lunches and nights out and time off for volunteering
- Get your business case right for failing to invest in engagement: average profit contribution per employee compared with cost-to-hire is one way of doing this (see main story)