

## Employee engagement and organisational performance

“To build sustainable business performance, you need engaged and inspired employees. It may be hard work, but it’s not rocket science.”

**Dr. Tim Miller, Director, Property, Research & Assurance, Standard Chartered Bank**

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## EMPLOYEE ENGAGEMENT AND ORGANISATIONAL PERFORMANCE

# Executive Summary

It is ten years since research groups popularised the term employee engagement, and twenty years since the seminal article by Dr. William Kahn of Boston University. What have organisations learnt in this time, are employees significantly more engaged, and their organisations performing better? And what challenges has the recession posed, now and for the future?

- 1 Employee engagement has long been established as a core ingredient in becoming a high performing organisation. Numerous research studies in the past ten years provide evidence of the linkage between engagement and organisational performance – from profitability to quality, customer service and overall reputation – and to success in managing change, although note that its effect is often indirect.
- 2 To compete on costs, value and ideas, organisations increasingly need to shift towards more partnership working and collaborative behaviour, internally and externally. Engagement is an essential glue to achieve willing alignment and productive outcomes across networks and projects. Rigid hierarchies and controlling behaviour by contrast usually reduce economic efficiency, over time, as they suppress agility, productivity, knowledge-sharing, innovation and commitment.
- 3 Regular surveys indicate persistently low levels of employee engagement. Of UK and US employees, less than a quarter are fully engaged, a significant number are disengaged, and a minority trust organisational leaders. However, the range is large, with certain organisations, such as some featured in this report, achieving far better scores. That said, normative levels and interpretation of engagement vary across the world – comparison is not straightforward.
- 4 One explanation for the low levels is that, while many major businesses have ‘engagement’ on the agenda, some are only just getting to grips with what it really means and what difference it can make. They can only start to achieve the potential benefits in terms of enhanced performance when they do.
- 5 Well publicised definitions of ‘engagement’ have existed for many years, yet often organisations could do better in translating these into practical goals and requirements. We explain how to interpret employee engagement as both a ‘process’ and an ‘outcome’.
  - As an outcome, engagement is not is mere satisfaction, but inspiring employees to align with organisational goals, make discretionary effort, and be an enthusiastic advocate for the organisation.
  - As a process, engagement is not just about surveying opinion, but a structured way to understand, measure and then manage the level of employee’s attachment to the organisation and its objectives.
- 6 Achieving high levels of employee engagement requires fundamental shifts in traditional leadership behaviour, at all levels of management. Motivation depends on creating positive emotions and involvement requires a sharing of ‘power’, something many cerebrally ‘strategic’ – or task-focused, or status-bound – leaders struggle with. Mutual trust and an adult-to-adult relationship are essential pre-requisites for both engagement and better collective performance.
- 7 More businesses now see engagement as a part of managing performance, and not just an initiative to address relationships with employees. Specifically it helps to improve the focus on both results

Trust between leader and led is an essential pre-requisite for both engagement and collective performance.

- and the duty of 'care' towards individuals and teams. Without a balanced approach, first trust and then performance will deteriorate.
- 8 Organisations learn over time that chasing engagement survey scores is not what it's about – it's everyday managerial behaviour, from the front line to the top. Mature organisations discuss engagement measures and actions as part of regular business agendas and metrics, not as an extrinsic initiative, and examine how engagement correlates with financial and operational results. Importantly, they focus on involving employees in 'the business' in multiple ways, thus building a sense of ownership.
  - 9 The principles of good practice in measuring employee opinions and engagement, and in planning and taking follow-up action, have changed little since articulated in the 1980s. However software and systems advances make processes considerably easier, quicker and more user-friendly, and more capable of driving learning and improvement – provided that management is willing and prepared to take advantage of these features.
  - 10 Engagement results during the 2008-9 recession have often stayed steady or improved in many companies, reflecting in these instances more mature and sensitive management of people and change than in previous downturns. Organisations are also more attuned to retain knowledge and skills, although it remains to be seen how well they will hold on to talent during any economic upswing.
  - 11 HR functions are gradually learning that, to be successful, line management must own engagement, not HR. At the same time, HR can make a critical difference to their organisations by demonstrating expertise in enabling strategies to succeed, through getting the best out of people.
  - 12 HR's role is primarily to help embed responsibility and skills in management at the micro level, i.e. teams, and at the macro level – leadership and culture – for which HR itself needs the requisite organisation development and influencing skills. HR typically must work collaboratively with a suitably skilled internal communication function, and ensure clarity about respective roles.
  - 13 Priorities in enhancing employee engagement are *leadership* – clear direction and role modelling behaviours; making *managers* responsible – eg part of their performance review; building *rounded performance management* skills, with situational appreciation; *two-way communication* and *involvement*; creating an *organisational culture* that combines performance and integrity.
  - 14 Engagement principles work across all cultures. However they need some tailoring to be effective in different contexts.



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