The keys to corporate responsibility employee engagement

At a glance

Disengaged employees drag down companies, costing billions of dollars in lost productivity and resulting in much higher turnover rates.

Are your corporate responsibility goals part of everyday work life? Can your employees connect their personal passions with the company's mission?

A three-step Connect-Embed-Improve method can create a culture of engagement at your firm and empower employees for personal and organizational success.

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Introduction

It is nearly impossible to tackle your company's big corporate responsibility challenges without also tackling the operational challenge of employee engagement –which is both a means to drive your CR efforts and the end result. If you're doing it right, employees become increasingly passionate about their work within the company and in the community. Our three-step model can help your firm achieve its employee engagement goals.

Connection, consistency, and continual improvement

Within the current framework of creating shared value that underlies much of corporate responsibility work today, employee engagement is singularly important. Harnessing the shared values of all employees, coupled with the values contained in the company's culture and mission, can lead not only to greater business success, but to inspired, productive, and highly impactful people.

Employee engagement is an evergreen topic for companies, a tool that can support their innovation goals, increase their bottom line, drive corporate responsibility efforts, and advance companies' broadest missions. In each of these cases, companies look to their employees to get it done and when they don't, the costs can be staggering.

PwC's own research shows that across industries, 10% to 15% of the global workforce can be categorized as *Disconnected*—with low levels of engagement and a high likelihood to exit the organization. What's more, only two in five employees express a strong intent to work for their current employer for at least another year.

In high-performing organizations that are focused on employee engagement, the rate of *Disconnected* employees can be cut by more than half. And when employees see positive, ongoing management of employee engagement, they are 20 percent more engaged than those with no focus.

A paper published by Wharton finance professor Alex Edmans in 2011 evaluated the stock performance of organizations named to *Fortune* magazine's annual list of the "Best Companies to Work For" and determined that companies making the list from 1984 to 2009 outperformed peers by 2-3 percent per year.[1]

And a 2010 study conducted by the Corporate Executive Board found that employees most committed to their organizations put in 57 percent more effort on the job—and are 87 percent less likely to resign—than employees who consider themselves disengaged.[2]

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1   Edmans, Alex (2011): Does the Stock Market Fully Value Intangibles? Employee Satisfaction and Equity Prices. Journal of Financial Economics 101(3), 621–640

2   Source: p. 21 "Millennials at work"

Given the importance of employee engagement, one might assume the secrets to success have all been revealed. But the roadmap for success in this area—engagement that leads to real shared value—remains elusive.

However, a model exists to help companies achieve greater engagement and drive individual, business, and societal value. This model revolves around three key aspects: connection, consistency, and continual improvement.
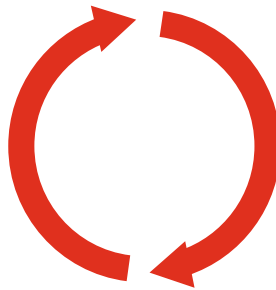
Figure 1: Corporate responsibility employee engagement model

Connection
Connecting the individual to the collective

How well is your company able to connect your business goals to the interests and passions of its employees? How do your programs create a sense of belonging or community?

Consistency
Embedding your change effort across the company

How consistent are your engagement programs with larger company goals as demonstrated by a clear alignment between words (corporate communications) and deeds (operations, policies, and work streams)?

Continuous improvement

Is your company's change effort seen as a tick box exercise or a long-term opportunity to continually improve and engage staff and stakeholders?

We will explore how **connection, consistency,** and **continual improvement**—and a bit of alchemy—are all needed from today's leaders if they seek to build a culture of engagement that supports the development of highly productive, efficient, and self-actualized workers who can deliver benefits in any number of ways.

Employees most committed to their organizations put in **57% more** *effort on the job—and are* **87% less** *likely to resign—than employees who consider themselves disengaged.*

What is employee engagement and why does it matter?

Employee engagement is defined as the commitment to and passion for one's work and role within a company. Engagement, as opposed to satisfaction, translates directly into discretionary effort—the willingness to do more than only meet job requirements and customer needs. Employee engagement is the extent to which employees are motivated to contribute to business success, and are willing to apply discretionary effort to accomplishing tasks important to the achievement of stated business goals.

An engaged workforce can have a significant effect on financial and operational results and in most cases without an engaged workforce, CR efforts will founder. Businesses with highly engaged employees see higher customer satisfaction, have lower turnover rates, and outperform in terms of CR impact and ROI, than businesses with lower levels of employee engagement.

One of the most interesting aspects of employee engagement is that it can serve as a barometer for the health of the company at large. Companies that engage and empower their workforce are better positioned to anticipate and adapt to changing market conditions. A company's engagement efforts are a tangible manifestation of its company culture and if that culture is one that is defensive, unbalanced, or inflexible, it spells long-term doom. Importantly, as cycle rates of change continue to become shorter and shorter, the ability to adapt, innovate, and continually improve is crucial.

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How do we measure employee engagement?

To help organizations use employee engagement to drive business goals, PwC has created the Employee Engagement Index (EEI). The EEI has shown through factor, regression and correlation analyses to link to operational and workforce metrics. Specifically, engagement is measured by asking employees the extent to which they agree with the EEI items in Figure 2.

However, measuring the state of engagement is just the critical first step in PwC's model. While the attributes that define engaged employees remain constant—Advocacy, Commitment, Effort, Pride, Achievement, Alignment—PwC's model is predicated upon the reality that, just as every organization is unique, so too are the factors that can influence employee engagement. Thus, our model is built to also measure the factors, or dimensions, of the employee experience (i.e. CR, ethics or diversity), and through statistical analysis, determine the top drivers of engagement unique to an organization. It is in this way that we are able to determine which factors are most important to focus on in order to improve engagement and economic, social and environmental performance.

Millennials and employee engagement

Many companies see members of the millennial generation as the key to their future success, and they are right. Not only are millennials a massive cohort, destined to make up half the global workforce by 2020, but as the first generation to come of age in the Internet age, their facility with all things digital can also help a company succeed.
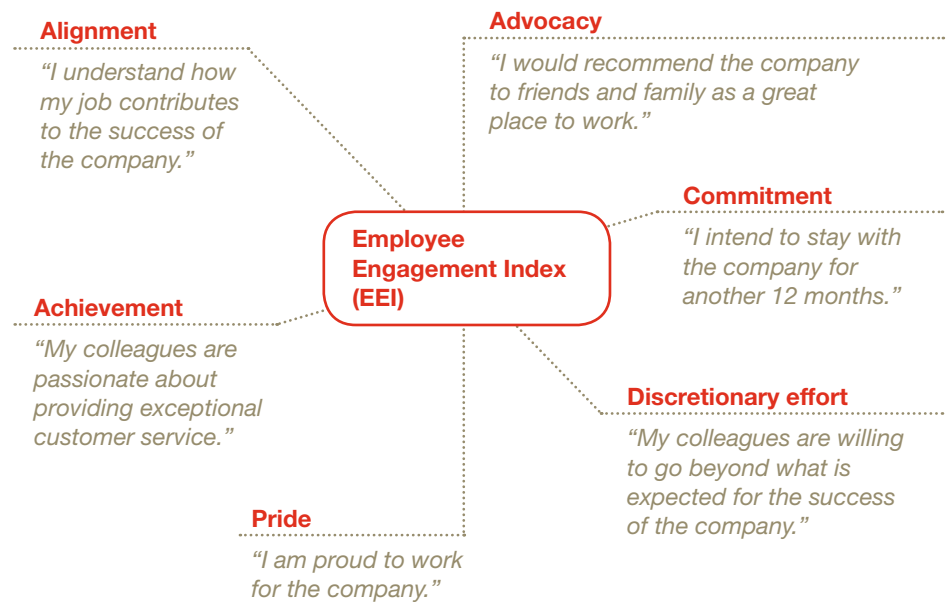
CEOs increasingly worry that they will soon be unable to find the talent that they will need to succeed, and are competing fiercely for the best available talent that will replace the retiring Boomer generation in the near future. Every year, more and more of that talent will be recruited from the ranks of millennials.

Millennials tend to have different career priorities than older employees, including a desire for flexible hours, frequent feedback on their work, and a dislike of traditional corporate structures, which can all prove challenging for employers. However, engagement strategies offer solutions that can help younger employees apply their whole range of abilities and passions, and strengthen their connection to the company as a whole. For such a critically important cadre of employees, and one that feels it has been required to compromise on work goals during the global economic downturn, employee engagement efforts are key to helping them, and the business, thrive.

For more on this topic, please read:
PwC's NextGen: A global generational study

Figure 2: Employee Engagement Index (EEI)

Alignment
"I understand how my job contributes to the success of the company."

Advocacy
"I would recommend the company to friends and family as a great place to work."

Commitment
"I intend to stay with the company for another 12 months."

Achievement
"My colleagues are passionate about providing exceptional customer service."

Employee Engagement Index (EEI)

Discretionary effort
"My colleagues are willing to go beyond what is expected for the success of the company."

Pride
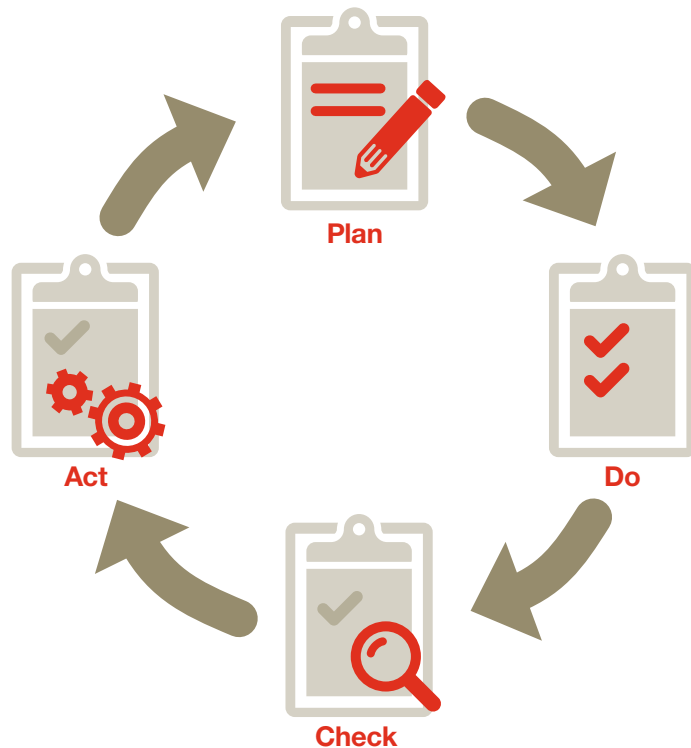*"I am proud to work for the company."*

The how of employee engagement

Many companies and consultancies have developed new models designed to achieve greater engagement, but we believe that almost all are derived from the Deming Cycle's Plan-Do-Check-Act method in some way.

Originally created as a tool of continual improvement in manufacturing and quality control, the Deming Cycle is a useful foundation for employee engagement because fundamentally, creating corporate culture is a process of construction and continual improvement.

A corporate culture that engages is one that is always listening, continually improving, and never satisfied — many of the same traits needed for success in using the Deming Cycle, or Kaizen or Six Sigma. Additionally, many companies are comfortable with the Deming Cycle given it is used in one way, shape or form in nearly every company. Last, we believe that models serve one purpose, to simplify challenges and focus actions, and the Deming Cycle does this very well.

PDCA (Plan-Do-Check-Act)

PDCA is an iterative four-step management method, also known as the Deming Cycle, used in business for the control and continuous improvement of processes and products (Wikipedia>PDCA).

However, it is often used in other types of change management and continual improvement processes where zero defects (i.e. zero violations of a code) or organizational alignment is the desired result.

Figure 3: PDCA method

The most successful strategies are almost never established from on high in ivory towers anymore, but rather come about as the result of widespread engagement inside and outside an organization.

Plan: What is our desired end state?

Shifting culture is not for the faint of heart nor is it the work of one person. Thus, the most successful strategies are almost never established from on high in ivory towers anymore, but come about as the result of widespread engagement inside and outside an organization. As part of this process, it is critical to think of your employees as a talent and opinion pool. As the famous saying goes, "Culture eats strategy for breakfast," so job number one is making sure that your strategy is seen as authentic within the culture of your organization. It should emerge and come together as a mosaic of employee ideas and values and be influenced by your marketplace and the communities in which you operate. Authenticity is critical in both strategy and how it is manifested within the companies day to day. For example, do the company leaders "walk the talk"—and if they do, are they in their tower or out among the staff so their behavior becomes a model? Leaders are only leading when followers can see them.

Planning, or strategy, has become an art and science, and this is the area where leaders—those who set the vision and explain the why and what—do their work. Planning and developing strategy are also the most critical step for employee engagement. As our leaders look across the operating environment and context for disruptive changes, opportunity, and performance gaps, they can create a strategic vision for the value employees really add to the company, its clients and the community—one that usually goes far beyond traditional definitions of employee value creation. These visions should be lofty, but once again, they need to resonate with staff and need to be consistent with the policies and practices of day-to-day life within the company—or those policies and practices need to be changed. This is the stuff of culture—*the set of shared attitudes, values, goals, and practices that characterizes an institution or organization*.[3]

Most importantly, the culture that is created needs not only to be consistent, but one that employees value being part of. This is a community the employee is proud to be part of, not paid to be part of.

Questions to consider:

- Where is the company right now in terms of engaging your staff?

- What goal or goals can be created to connect business, community, and individual value?

- People want to work for a successful, high-performing organization on projects that help them grow and in ways that connect them to something larger than themselves. Does your plan envision that?

- Take a simple test and ask yourself: If you were forced to cut salaries for a short period of time or forgo bonuses for a year, would your employees be supportive? Are they invested?

3   http://www.merriam-webster.com/dictionary/culture

Do: Pull the right levers

Doing—implementation or execution—is the responsibility of managers who translate the leaders' why and what into how, who, and when. The trick is to execute the plan in such a way that the varied pieces connect to form a holistic execution to avoid inconsistency and competing components. For example, do your incentive programs support the change you desire to make? Do the structures, policies and other enabling elements of your organization help or hinder your ability to make the changes you seek?

This is the stuff of authenticity, where the daily actions of how business is conducted either connect employees to the company's mission or undermine corporate strategy and communications as mere propaganda.

If there is consistency, it creates a harmony where individuals see shared value in the work that is being done, beyond simply earning compensation, and want to be part of the work. The better and more aligned this value is, the better the results for employees as well as for companies. This can be a delicate balance to find as one key to engagement is connecting to individual passions. By reducing your strategy to its most basic elements (youth education rather than financial literacy, or environmental conservation rather than climate change) you have the best change of capturing passions, but be careful as too broad a platform and the focus and impact of your efforts can be lost.

An understanding of your company culture is critical to this step. A good place to start is to ask; if the company were a person, how would you describe him or her? As collaborative, competitive, passionate, or complacent? Or defensive when asked to improve, or arrogant in a delusion that he or she is infallible? From there, identify ways to capitalize on that current state and think about what attributes you might want to change or disrupt. The point here is to determine a dominant set of traits upon which to focus, exploit and/or improve.

Questions to consider:

- How consistent are staff compensation plans with the CR goals?

- What are ways to start engagement before your staff even join your organization?

- To what extent do you offer work that engages staff's hearts and minds?

- To what extent is your internal structure promoting or inhibiting your success in meeting your goals?

- How well are the work processes supporting your plans to succeed?

- Often forgotten is the "who are we" question, which examines the entirety of your company. How happy are we with who we are? What parts of our culture do we want to keep; what parts do we want to change?

Working to win: Gamification for employee engagement

Challenge. Achievement. Camaraderie. Fun. Common words on basketball courts, in front of video games, even when swiping the screen of a mobile device. But what about in the workplace? Proponents of gamification not only believe that it belongs in the workplace, but that the emotional drivers behind gameplay can create a more engaged workforce and positively impact the bottom line.

It may evoke images of employees frittering away the day on the latest social network game, but gamification is less about games themselves than about taking the *building blocks* of those games—missions, competitions, achievements—and applying those engaging techniques to business processes. The real value, however, comes from combining those game mechanics with reputation management and social networking, not just recognizing employee progress with points or badges, but also exposing their experience, skill sets, and accomplishments across the enterprise. Finally, behavioral analytics go beyond measuring activity to capturing how and why employees are (or aren't) participating, providing real-time feedback, and enabling adjustments to optimize the experience.

It's the combination of these tools and techniques that make gamification a pragmatic and powerful vehicle for engaging employees in the tactical, cultural, and strategic imperatives of the enterprise.

For more on this topic, please read:
PwC's Solving business problems with game-based design

The trick is to execute the plan in such a way that the varied pieces connect to form a holistic execution to avoid inconsistency and competing components.

Perhaps most important, employees want to understand the impact they are making and the success of which they are a part.

Check: Conduct an honest assessment of your performance and what enables or impedes progress

Can you connect your CR program's performance to your company's more conventional business KPIs?

Identifying these correlative or causal relationships is critical to the long-term success of your CR program and to encourage consistency in program funding and support even amidst the ebbs and flows of marketplace changes. Leaders can't be certain that their successors will share the same view about the value of employee engagement; therefore, in order to make their programs sustainable, a forward-thinking leader has to work to deeply ingrain these programs. One way to do so is to embed the measurement of employee engagement into the company's measurement process. Simply put, you "manage what you measure."

Questions to consider:

- What KPIs can you create that connect business, community, and individual value?

- How can you connect metrics within your company's human resources and annual review process to the goals laid out in the plan stage? How congruent are they with the culture, process, and structure?

- How flexible can those metrics be made in order to allow staff to create their adventure and tell their story of success and impact?

- If performance is not what was hoped for, what is the root cause?

- How are you communicating your goals, progress, and performance? Can your staff hear you? Can leaders in the firm that might be closer to your staff—in terms of both proximity and relationships—repeat that message?

- What means might be used to "speak" to staff? Social media? Dashboards? Infographics?

Perhaps most important, employees want to understand the impact they are making and the success of which they are a part. Telling the story about how each individual matters and the collective force of the program is a key component of any successful program that inspires the passions of its people.

This step is not about only measuring, it is about communicating. Although leaders and managers are (rightly) hesitant to overload employees with communication, successful communication efforts are broad-based, with leaders using everything from performance evaluations to quarterly meetings to internal newsletters to consistently remind, discuss, and inspire the transformation at hand. It is a cliché, because it is so true—repeat, repeat, repeat.

Innovation, inside and out

Employee engagement can be a key means of creating innovation and innovation can provide a means of engagement. Take for example the now-legendary example of the Post-It Note. The ubiquitous sticky papers were invented by accident, and were implemented during an employee's sanctioned "bootlegging" time. (3M allowed employees to devote part of their workweek to personal projects, with the company reaping any rewards from the work.)

By giving employees the freedom to let their minds and creativity roam, 3M was able to take a "solution without a problem" and turn it into a profit center beyond anyone's wildest imagination. It's also important to note that, in return for the bootlegging policy — an implicit commitment to innovation on the part of every employee — 3M committed to engage the employee and his or her innovations. Without that two-way commitment, employees can find themselves stuck in a rut, and feel frustrated and undervalued as a result.

Act: Work to move from business mission to individual significance

Continually improving performance and scaling change is the final step of the process and the first step in going through the process again and again. Over time, the cycle rate becomes shorter, iteration a more natural part of the process and improvement speeds up. This is akin to getting the train to move, where it takes tremendous effort to get momentum started but the mass of change quickly starts to overcome any internal inertia. There are dozens of examples in which a company change effort seemed to take forever, followed by what seemed like overnight adoption of the change. During the long nights of building momentum, it is crucial to keep one's eye on the goals, measure and celebrate small wins, and continue to paint the vision of the end state alongside the current reality.

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Questions to consider:

- Where does continued incongruence lie?

- How can staff become part of the plan-do-check-act process itself?

- Do you have a trusted channel for staff to offer upward feedback about the firm and its mission?

- Are there aspects beyond your company's control or influence and therefore require that you engage other stakeholders?

- Can engaging other stakeholders provide a means of further engaging employees?

- How well do leaders in the organization exhibit the change behaviors? Are they part of the solution, or the problem?

Conclusion

Bringing your business strategy in line with your employees' passions is a win-win. Getting employees personally connected to the business success comes from connectivity, consistency, and continual improvement.

By harnessing well-worn models of continual improvement—models that are likely already at work in your company—and creating a strategy that is connective, collaborative, innovative, and draws out the best in your staff, you will earn even more than you invested. In return for these efforts, your business will create a differentiated approach to employee engagement that builds lasting value for your business and, in the case of corporate responsibility change efforts, will achieve the proverbial "doing well by doing good."

For more information

PwC's NextGen: A global generational study
Millennial Workers Want Greater Flexibility, Work/Life Balance, Global Opportunities

How should organizations adapt their companies to fit the demands of both millennial and non-millennial employees? Are stereotypes of millennials accurate? Do millennials and non-millennials have anything in common?

Our study explores these questions and more. Discover what PwC employees and partners across the globe—including people from different generations, career states, and cultural backgrounds—shared about their attitudes in the workplace, and how millennials in particular factor into the big picture.
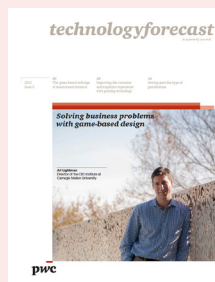
Solving business problems with game-based design

This issue of the *Technology Forecast* examines the wide range of game design techniques that can be used in non-game environments for business benefit. These techniques are turning out to be pivotal in motivating customers, employees, and other stakeholders, and the most compelling use cases underscore the degree to which success depends on a thoughtful reassessment of the user experience.

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