

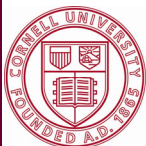
WHEN IT COMES TO EMPLOYEE ENGAGEMENT, ONE SIZE DOES NOT FIT ALL

Key Findings

- Engagement is powerful but complicated
- Stop worrying about benchmarking and determine key employee engagement components for your organization based on your unique business strategy and employee roles
- Identify other key drivers of performance
- Build capability to do these analyses internally or find strong partnerships
- Create generalists who are good consumers of analytics – understand results/ask good questions

Topic: Targeting Specific Forms of Engagement by Industry, Company Strategy and Employee Role can Enhance Impact on Performance

In 1993, Albrecht Schmidt defined engagement as "an employee's involvement with, commitment to, and satisfaction with work. Employee engagement is a part of employee retention." Today, engagement is one of the most commonly discussed concepts among HR professionals and HR functions spend a great deal of money and time assessing and trying to effectively manage employee engagement. Despite the great interest in engagement, there are a few issues that HR researchers, consultants, and practitioners must address to manage engagement more effectively. Most importantly, we need to develop better definitions and measurements of engagement.



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Since the initial definition was introduced, the number of definitions of employee engagement used by HR Consultants have proliferated, ranging from “passion for the company” to “psychological presence” to “intentions to stay with the company” to “satisfaction.” Importantly, as the range of definitions of engagement expanded, it has become more difficult to pinpoint what engagement is and if it impacts all employees and all companies the same way. While consulting companies have been trying to simplify the measurement of engagement, the wide-array of definitions would suggest that engagement is more complex and greater clarity is needed if companies are going to manage engagement more effectively.

Along the same lines, engagement has typically been challenging to measure. For example, many of the existing measures of engagement have blurred together engagement drivers (advancement opportunities, good leadership) with engagement with outcomes of engagement (lower turnover, extra effort). The lack of valid and consistent measures, much like the lack of clear definitions, makes it difficult for research to demonstrate the power of engagement and for companies to effectively manage the engagement of their workforce.

The research findings behind this CAHRS ResearchLink was drawn from three studies: Engagement Across Industries, Engagement Within an Industry, and Engagement Within a Company. In an attempt to better understand the complexity of employee engagement, researchers asked “what is engagement?” and “does it matter in the same way for every company or, for that matter, for every employee within a company?”

Definition of Engagement

Based on extensive background research and surveys to clarify the concept of engagement, the researchers consistently identified four distinct aspects of employee engagement. That is, they found that employees engage with their employer in four distinct ways:

1. **Company** – employees feel personal attachment, affiliation, passion toward the company as a whole
2. **Job** - employees value and feel personal involvement with their work and the tasks associated with their specific jobs
3. **Supervisor/Leader** – employees feel personal attachment, commitment, and affiliation with their direct supervisors and higher level leaders

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4. **Colleagues/coworkers** – employees value relationships and feel emotional attachment to the other members of their team or to colleagues that they work with directly.

Initial survey research and results suggest that employees can clearly distinguish between the four components of employee engagement. Further, individual employees differ in their levels of engagement across the four components and rarely are high or low on all four. These initial findings suggest that engagement is complex and there may be different components of engagement that are more important for driving performance across employees and led to the next set of research studies to examine how the different components impact employee engagement across industries, business strategies, and employee roles.

Study 1: Employee Engagement Across Industries

In the first study, the researchers surveyed 287 medium sized businesses/units across industries, with an impressive 70% response rate of employees across the organizations. Industries included manufacturing, professional services, retail, and software/engineering. The analyses of the data when looking at all of the companies regardless of industry produced a relatively homogenous picture of the impact of company-, job-, supervisor- and colleague engagement on employee and financial outcomes such as extra effort put into the job, customer service orientation, helping teammates, and meeting company goals. That is, each of the components seemed to be important for driving both employee and financial outcomes.

The real power of looking at the separate components of employee engagement came when the researchers looked at differences across industries. When they looked at the influence of engagement on a unit's success in achieving financial goals, the results showed that different components of engagement mattered more across different industries. For example, engagement with the company and supervisor were the most important drivers of financial goal achievement in manufacturing firms, whereas engagement with the job and colleagues were the most important drivers of financial goal achievement for engineering firms.

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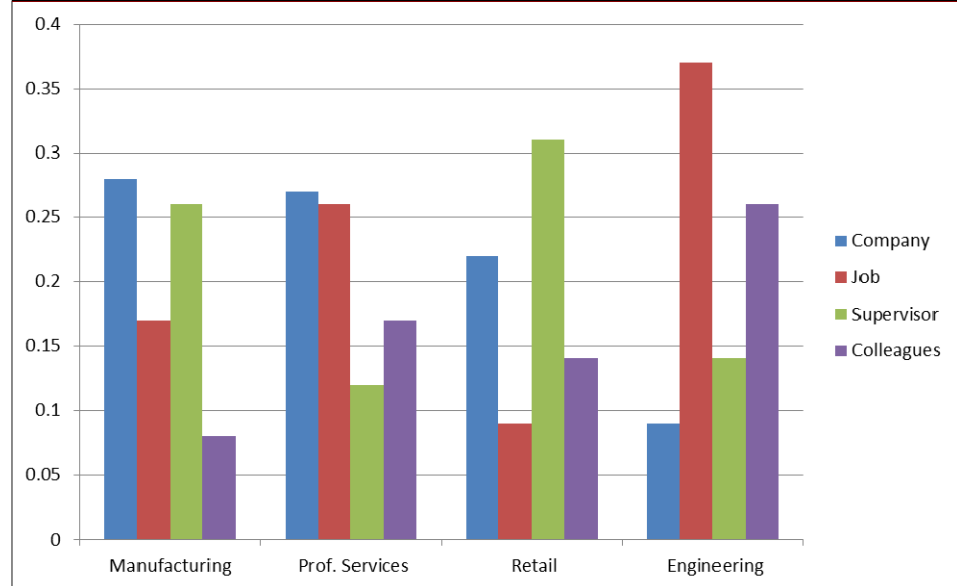
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Predicting Achievement of Financial Goals



Likewise, when predicting employee outcomes such as exerting extra effort at work, customer service orientation, helping teammates, and employee turnover, the researchers again found wide variations in the impact of the four components of employee engagement on employee outcomes across industries.

When looking across industries, the data suggest that the four components of employee engagement are not equivalent. That is, depending on industry, companies might gain better returns for focusing on building some components of engagement over others. Depending on the industry, there appear to be different drivers for achieving financial goals and impacting employee extra effort, turnover, helping behaviors, and customer-service attitudes.

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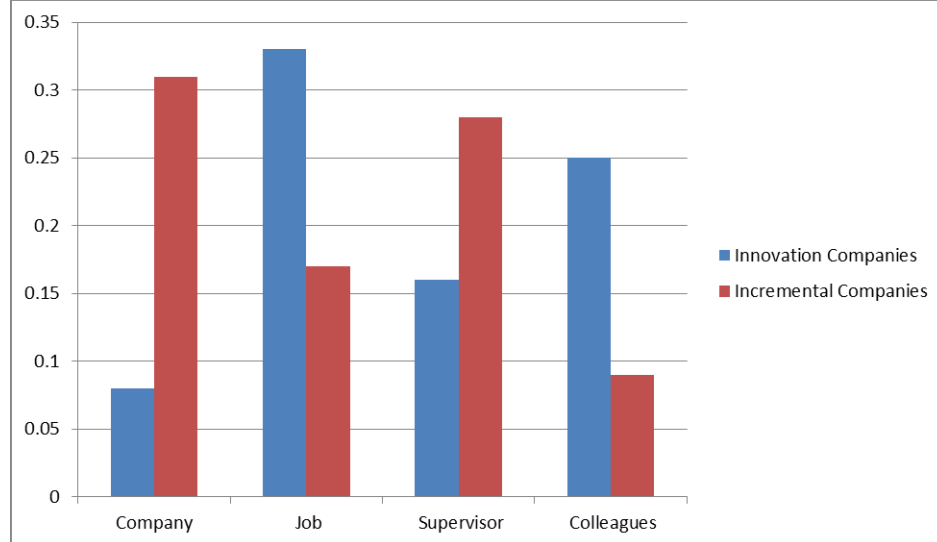
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Study 2: Engagement Within an Industry

In their second study, the researchers pushed these initial findings even further by testing for engagement differences in companies within the same industry. The research team surveyed engineers and programmers at 223 software firms. Based on interviews with senior business leaders at each firm, the companies were split into those primarily pursuing a strategy of “innovation and new product introduction” versus those primarily focusing on a strategy of “incremental improvement of current products.”

When they examined the impact of employee engagement across the two strategies, the researchers found that the four components did not have a universal impact on sales growth across software firms. Instead, the performance of software firms pursuing an innovation strategy was disproportionately impacted by job- and colleague-engagement, whereas the performance of companies pursuing an incremental improvement strategy was impacted by company- and supervisor-engagement.

Predicting Sales Growth



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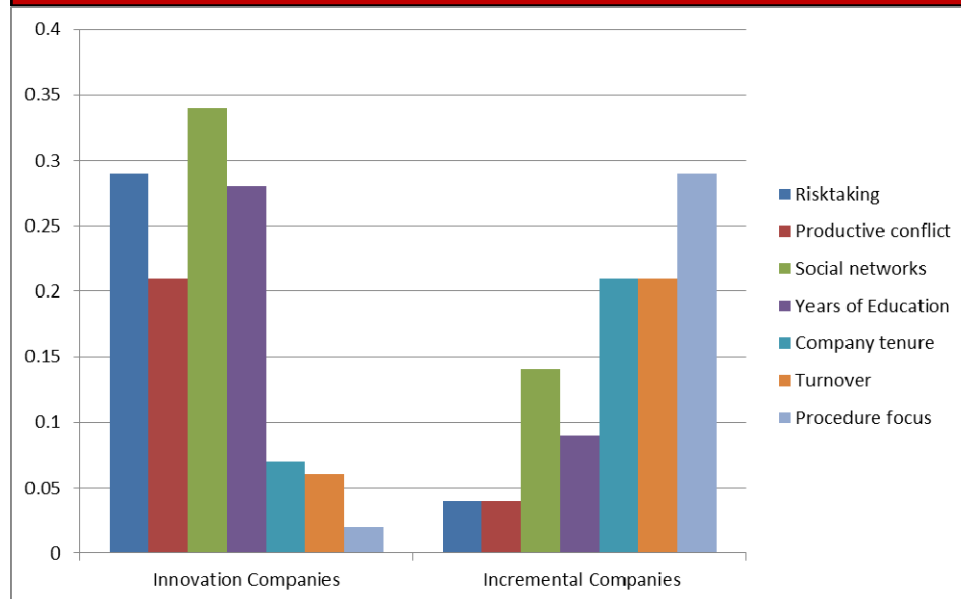
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Importantly, in understanding why the components of engagement have differing effects across strategies, the researchers found different employees' outcomes were required to support specific strategies. Further, different employee engagement components support these employee outcomes. For example, firms pursuing innovation, job- and colleague-engagement help to drive the motivation required to create the levels of risk-taking, productive conflict, social networks, and education required to support the development of new-to-the-world products. In contrast, company- and supervisor-engagement support the development of company tenure, lower turnover, and procedure and process focus required to support effective and sustainable incremental improvement of existing products.

Employee Requirements by Strategy



Thus, it is important for HR practitioners to keep in mind that, even in the same industry, the impact of the four employee engagement components vary by strategy and required talent focus. The best practice for practitioners is to start with company strategy and work backwards to identify the key employee outcomes.

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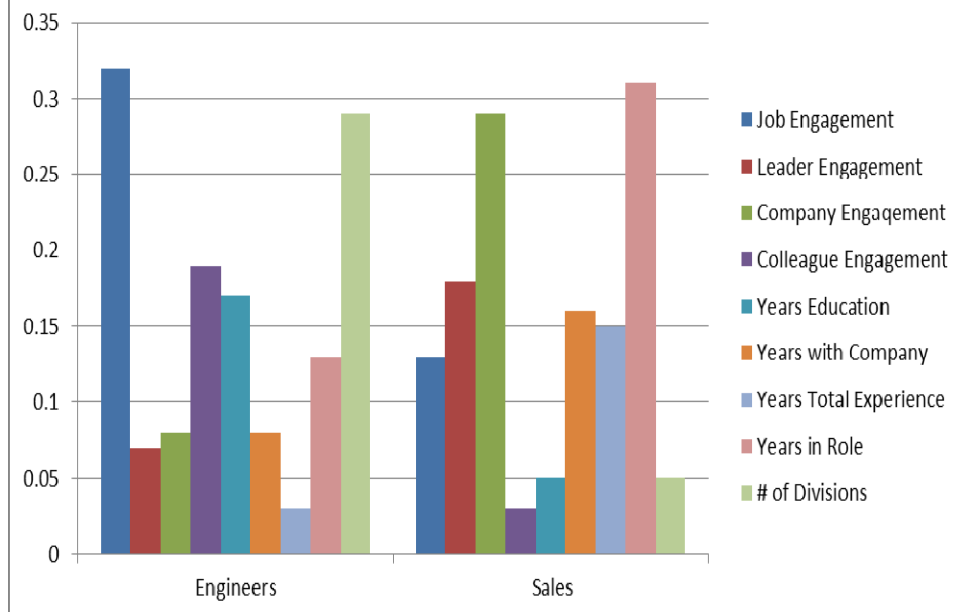
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Study 3: Engagement Within a Company

The differences within an industry prompted further investigation on the researchers' part to examine if the impact of the four engagement factors hold across employee roles within the same company. A CAHRS Partner company in the manufacturing industry worked with the researchers to survey its engineers, sales, logistics/supply chain, managers, and frontline. The study was meant to determine what types of engagement affected performance, specifically which aspects of engagement were related to the work unit achieving its budget numbers. In addition, the researchers also examined the impact of human capital drivers on achieving budget goals. As with the industry and strategy studies, the data showed very distinct engagement factors affecting Performance Against Budget across employee roles. As an example, the researchers found that unit performance was higher when engineers had higher job and colleague engagement and when sales personnel had higher leader and company engagement. In addition, the researchers also found variability of the impact of human capital on unit performance. For example, units had higher performance when engineers had higher levels of education and had worked across more internal units and when sales personnel had more years of work experience with the company, total years of work experience, and years of experience in their current role.

Predicting Performance Against Budget



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The study findings suggest that, even within the same company/division, the impact of engagement differs across employees. Moreover, focusing on the combination of specific human capital and engagement components for a specific role or set of jobs can greatly enhance performance. Finally, don't set just one goal for engagement and human capital: localize HR strategy to each individual business unit.

Takeaways

Past definitions and measures of Employee Engagement have varied widely, potentially negatively impacting the ability of HR practitioners to effectively manage the workforce to drive higher organizational performance. The findings from this set of studies suggest that:

- Employee engagement seems to have at least four major components and employees may engage at different levels with their company, job, supervisor/leader, and colleagues.
- The impact of the four components of employee engagement on employee outcomes (e.g., turnover, extra effort, customer service orientation, helping behaviors) and financial performance seem to differ by industry, business strategy, and job roles.
- HR practitioners should be thinking about the broader picture of the organization that they support. That is, they should start with the strategy and underlying employee requirements and then work backwards to understand which components of employee engagement and what types of human capital to focus on to enhance performance.

The research design and findings of this set of studies, in effect, capture the essence of HR Analytics – using HR, employee, and organizational data to understand where HR interventions can have the greatest impact on the organization. Specifically, in the context of employee engagement, HR practitioners need to better understand what and how to measure employee engagement and how engagement and human capital attributes support the employee outcomes that drive business strategy execution and higher performance. Practitioners should keep in mind the variety of sources available, including educational organizations, that can help them measure and statistically examine these relationships. Teaming up with HR researchers can prove to be a win-win scenario – at no cost to the practitioner, with great rewards for both sides. Of greater importance than where the research is conducted, however, is HR generalists' understanding of their own business contexts and their ability to interpret the results and findings of the data that they have collected.

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