

MEASURING EMPLOYEE ENGAGEMENT

THE WHY?

&

THE HOW?

THE
WHAT?



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Nicholas J Higgins
Recent (& current) publications

Publications due in 2007

- The Human Capital Management Manifesto
- Employee Engagement: A treatise for organisational application (co-authored with G Cohen)
- A Guide to The Human Capital Reporting Standards (GHCRS2006)
- Organisation Performance Through A Human Capital Lens: *How the VB-HR™ Rating and HCCI are leading the revolution in human capital management*
- The Role of the Chief Human Capital Officer

Recent publications

- HR Effectiveness – myths, monsters and fables (2007) Personnel Today
- Cracking The Human Capital Code (2006)
- Missing the human element (2006) Accountancy Age
- The OFR: A human capital perspective (2006) ACCA (accaglobal.com)
- People Power 'feature' (2006) CFOEurope
- liP: An emperor with no clothes (2006)
- liP: An evaluative study (2006)
- HR – Taking the red pill or the blue pill (2006) (published in Personnel Today under the title 'When compliance is king.....')
- HC Measurement: Why its needed (2005) Personnel Today
- HC Measurement: Whom are we kidding? (2005)
- VB-HR™ Rating HCM100 report (2005)

'Innovation is seeing what everybody has seen but thinking what nobody has thought'

Human Capital Management

Organisation Performance

Human Capital Measurement

HR Functional ROI



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VaLUENTiS & ISHCM

Contribution to industry and the HR profession

2003

- VaLUENTiS launches concept of Value Based HR

2004

- VaLUENTiS issues first standardised definition of Employee Engagement and launches the '5-Domain' Employee Engagement construct
- VaLUENTiS Introduces the HR Global Profiler (a.k.a. the HR 'periodic table') which for the first time maps the entirety of human capital management activities & metrics

2005

- VaLUENTiS launches the VB-HR™ Rating – 'a new generation of assessment and reporting tool with regard to human capital management'
- Release of the groundbreaking VB-HR™ Rating HCM100 Report

2006

- International School of Human Capital Management opens its doors with dedicated short course programme – the first global Business School dedicated to human capital management
- Introduce The Global Human Capital Reporting Standards (GHCRS2006)
- Human Capital Management Institute (affiliated to The School) set up
- Global HCMI Standard launched – the first evaluative people management practice Standard
- Introduce concept of LeanHR© and course programme
- Release 'Cracking The Human Capital Code' Report and simultaneous launch of The Human Capital Composite Index (HCCI)

2007 (so far)

- ISHCM launches the HCMI Qualification for senior HR professionals
- VB-HR Rating adds 2nd generation operational HCM indicators
- New quarterly journal – The Journal of Applied Human Capital Management

Content

① Employee Engagement:

Understanding and defining the concept

② From definition to measurement:

Providing performance insight & impact

③ From measurement to application:

Moving from the interventionist approach to
embedded practice

④ Summary & questions



1. Employee Engagement

Understanding
and defining the
concept



Content from forthcoming book

Employee
Engagement:
*A treatise for
organisational
application*

2007

ISHCM publications

Employee Engagement
*A treatise for organisational
application*



Nicholas J Higgins & Graeme Cohen

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Employee engagement: The term

- The term employee engagement can mean many different things depending whom you ask
- The term is often used as a catch-all phrase (not unusual in HR)
- The danger is that it can become meaningless unless certain rigour is applied

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Employee engagement: Going mainstream

[Job advert 21.01.07 Sunday Telegraph]

Head of Employee Engagement

..The newly created senior executive role of....reports to the HR Director and is one of the most senior roles.....Leading a team of 30 people, you will be responsible for defining the employee proposition and taking it to the next level, building the right environment for employees to maximise their contribution.....

Specific areas of responsibility are to:

- Define the employee proposition to create an environment that provides a tangible competitive difference
- Create a positive employee relations environment with clear employment policies and frameworks that support employees and deliver value to the business
- Build a reward and recognition infrastructure that delivers high performance and aligns with organisation strategy and values
- Define and drive the strategy for employee engagement, creating an agenda for change and communicating with employees in a compelling and meaningful way.....

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Employee engagement: What do we mean?

- A common interpretation is a cluster term re application within organisations, i.e. the act of 'engaging' employees by certain means
- It has also been used in a conceptual manner when talking of organisation performance
- There are a number of published definitions, each with a particular focus:

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EE definitions in use 1

[Reference slide]

Employee engagement is an individual's personal attachment to his or her work on both an intellectual and emotional level. In other words, it relates to what employees think and feel about their job, their leaders and the work environment. That environment can include physical facilities, work-based benefits, pride in the company's products and services, and life/community-related programs. [Boeing]

The extent to which an employee feels a sense of attachment to the organisation he or she works for, believes in its goals and supports its values. [Barclays]

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EE definitions in use II

[Reference slide]

A positive attitude held by the employee towards the organisation and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organisation. The organisation must work to develop and nurture engagement, which requires a two-way relationship between employer and employee. [IES]

The extent to which employees commit to something or someone in their organisation, how hard they work, and how long they stay as a result of that commitment. [CLC]

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EE definitions in use III

[Reference slide]

It can be seen as a combination of commitment to the organisation and its values plus a willingness to help out colleagues (organisational citizenship). It goes beyond job satisfaction and is not simply motivation. Engagement is something the employee has to offer: it cannot be 'required' as part of the employment contract. [CIPD]

The extent that an employee believes in the mission, purpose and values of an organisation and demonstrates that commitment through their actions as an employee and their attitude towards the employer and customers. [Stockley]

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VaLUENTiS/ISHCM research due diligence

- Over 60+ years of social science research
- 1500+ assorted journal papers and publications

Areas such as:

- High performance work environments
- Organisation behaviour
- Business/managerial psychology
- Organisation citizenship behaviour
- Individual work motivation and commitment
- Self-efficacy
- Expectancy theories
- Organisation design
- Organisation and team performance
- Labour economics

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Employee Engagement Definition

Employee engagement is an 'outcome-based' concept. It is the term used to describe the degree to which employees can be ascribed as 'aligned' and 'committed' to an organisation such that they are at their most productive.

VaLUENTiS International School of HCM 2006

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Key terms within the definition (requiring further sub-definition)

...an 'outcome-based' concept...
...the degree to which...
...'aligned'...
...'committed'...
...most productive...

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Key terms within the definition (requiring further sub-definition)

- Employee engagement as an 'outcome-based' concept i.e. a variable outcome which is dependent upon a number of 'input' factors (see 5D model shortly)...
- Employee engagement is a relative measure not absolute (it is still a proxy but the best we have), i.e. you don't attain 'it', only degrees to which...
- 'aligned'... based on degree of congruency of the individual to organisation requirements (this as much values and behaviours as objective 'line-of-sight')...
- 'committed'...based on degree of continuous through affective commitment in the classical sense...
- See also 3x3 matrix on next but one slide
- most productive...see next slide

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Most productive meaning... Individuals are:

- More likely to give discretionary effort above contractual obligations
- More likely to achieve goals set
- More likely to produce higher grade/quality of work (less errors)
- More likely to be flexible to organisation needs (if equitable)
- More likely to 'own' their development
- More inclined to input into ideas/innovation
- More inclined to share knowledge
- Less inclined to take days off
- Less likely to suffer stress (but more likely to suffer burn-out)
- Less likely to move employer
- Less likely to commit fraud/sabotage

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Alignment/Commitment matrix (quick guide)

Individual's degree of Alignment	Fully congruent	Knows what to do/achieve but unlikely to achieve it	Could do more	Fully productive
		More likely to have performance/capability issues	Job gets done	Less than optimally productive - Could do more 'well'
	Incongruent	Likely to have performance, attitudinal and/or behavioural issues	More likely to have objective and/or 'potential' issues	High probability of wasted effort/frustration
		Continuance	Degree of Commitment	Affective

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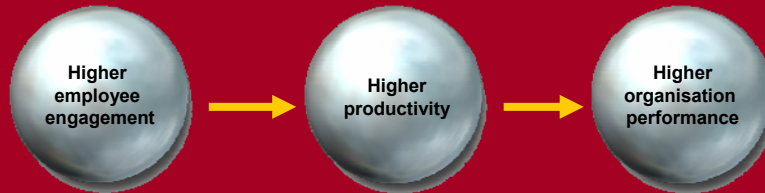


Alignment and Commitment

- In simpler terms, the alignment continuum can be seen as an individual 'doing the right things, the right way for the right reason' at the top of the vertical axis (as opposed to doing a combination of the wrong things/wrong ways/wrong reasons – assumed bottom of axis)
- Similarly, the commitment continuum can be viewed as from left to right, individuals 'having to stay', 'feeling they ought to stay' to 'wanting to stay'.
- The 3x3 matrix illuminates the challenge for line management and organisation management as the objective is to get as many of an organisation's employees into the top-right hand box on a daily basis as possible
- One thing to remember is that new hires may well occupy the bottom left-hand box like anybody else
- Also, remember that those that can be described as satisfied with their jobs (the old measure) may also occupy the bottom left-hand corner

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The traditional view of employee engagement contributing to improved organisational performance



However, it is also true that organisational performance effects employee engagement



Or, conversely



Thus, being a system it is important to note the potential reciprocal performance effect on employee engagement both positively and negatively



Improving productivity: Ten common factors.....

- Increased knowledge and experience in the current job role
- Access to resources to do job, e.g. functioning technology, information etc
- Good working environment with colleagues and line manager
- Clear job role line-of-sight
- Having realistic performance expectations
- Access to requisite learning and development
- Good communications (both formal and informal)
- In receipt of appropriate feedback
- Performance related reward (in terms of equity)
- An affinity with the organisation's values (as perceived)

thus.....any 'engagement' improvement interventions need to incorporate an integrated approach (pulling the usual one-lever trick won't do it, or at the most will have only a limited impact)



2. From definition to measurement

Providing performance insight and impact



A tribute to Kurt Lewin and his famous quote

"If you want truly to understand something, try to **change** it."

But if he was alive today he would probably say:

"If you want truly to understand something, try to **measure** it."



The twin focus of measurement (prior to application)

1. Measuring of employee engagement per se whether through individual question or domain or index
2. Using employee engagement data in modelling analytics, i.e. linking with individual/team/unit/organisation performance, absenteeism, turnover etc

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VB-HR™ ('5D' Domain) Engagement Framework

The VB-HR™ Employee Engagement Framework



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Line of sight domain [Reference slide]

Line of sight
provides the link between the actions of the individual employee and their fit with overall organisational objectives.

Research has shown that when individuals are able to understand how their actions directly link into a broader divisional or corporate strategy, their engagement levels and performance increase.

The components that define this quadrant include the individual's awareness of wider, business objectives and the ability of the performance management system to encourage required behaviours through feedback.

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Work Environment Domain [Reference slide]

Work environment
reflects the day-to-day environment that set the backdrop against which employees carry out their job. It is influential in engagement through the way in which it allows the bonding of the individual with the organisation through tasks and experiences.

Key components include: the environmental aspects that link to culture, i.e. nature of colleague interactions, physical location, access to resources, implicit ways of doing things; style of local leadership and how it relates to employees; communication, i.e. within the team and on a broader organisational scale.

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Reward Domain [Reference slide]

Reward

reflects the financial and non-financial benefits that an employee can expect to receive as compensation for effort expended in a value-adding way. The structure of this can significantly influence individual motivation, behaviour and engagement.

Key components include the perception of equity with regard to reward both internally and externally as this has shown to be a key component of engagement as has the receiving of non-financial recognition or acknowledgement. Components of remuneration are also key.

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Development Domain [Reference slide]

Development

indicates to an employee the degree to which an organisation will be supportive of future needs as well as current ones.

Key components include: career progression, giving employees a sense of growth within one organisation; competencies, which provide structured guidance; succession planning, which allows pro-active management of individual development plans; and training/learning,

demonstrating the organisation's investment in the employee's development and opportunities to apply new skills.

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Organisation Architecture Domain [Reference slide]

Organisational architecture

provides the structural support required
to successfully develop engagement.

The components of this include: organisation design, key to the creation or stifling of employee's opportunities; performance management system, which provides the linkages between other human capital management processes; reward system, providing a context for each employee's personal reward; work values, an implicit embodiment of the corporate brand for employee acquisition and retention

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VB-HR™ 5D model of Employee Engagement

- VaLUENTiS has a database of some 500+ employee engagement question-statements
- There are about 180 core QS, with over 400 variations
- Means that organisations have more than enough coverage from an engagement perspective

[NOTE]

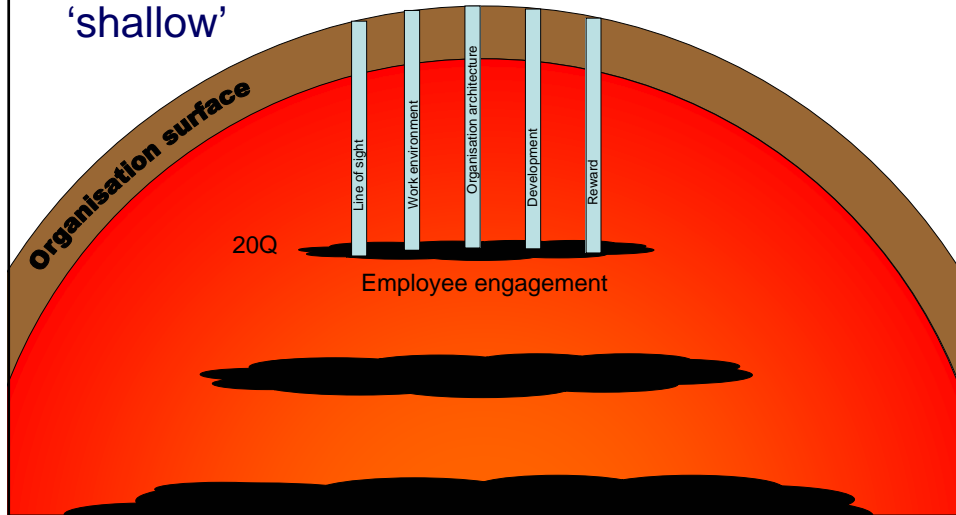
The advantage this framework has over others is its ability to recut existing client survey data through the domain segmentation reducing switching costs

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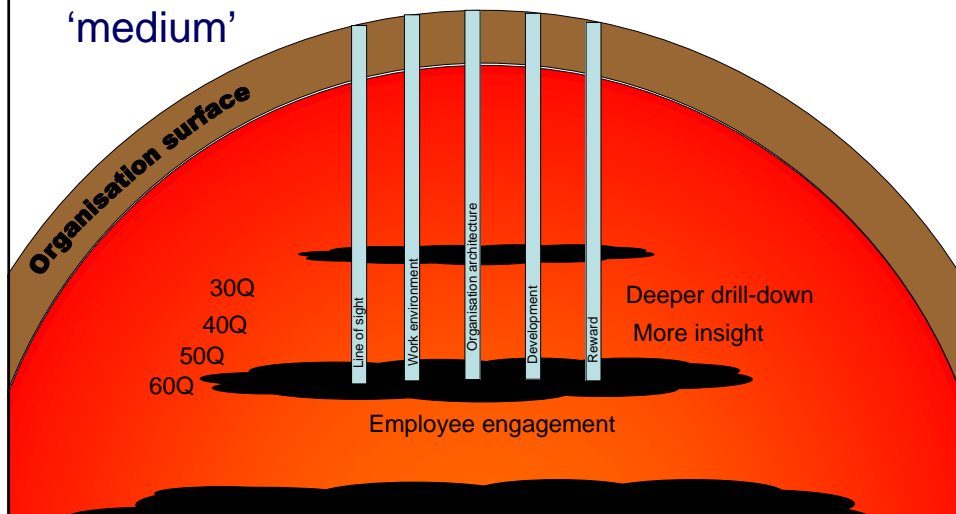
Employee engagement measurement 1

'shallow'



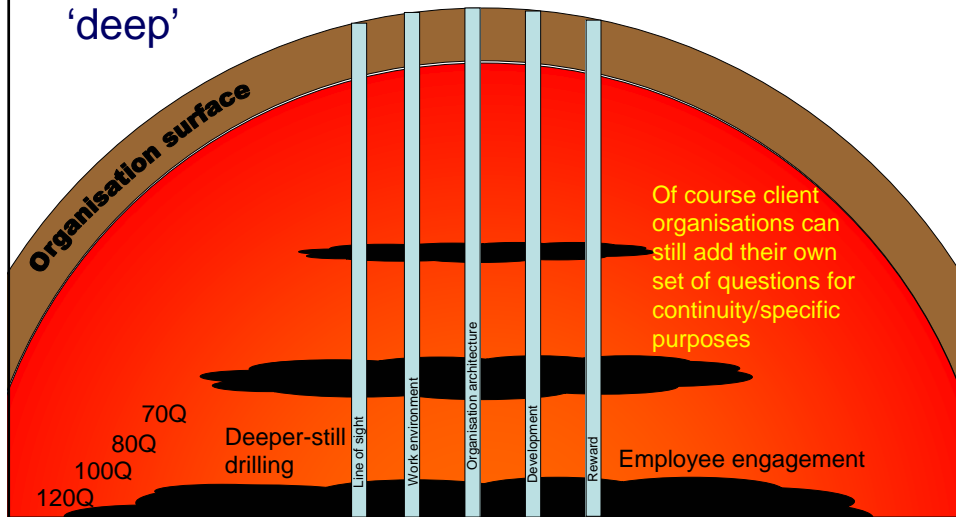
Employee engagement measurement 2

'medium'





Employee engagement measurement 3



VB-HR™ Engagement Framework [as an index]

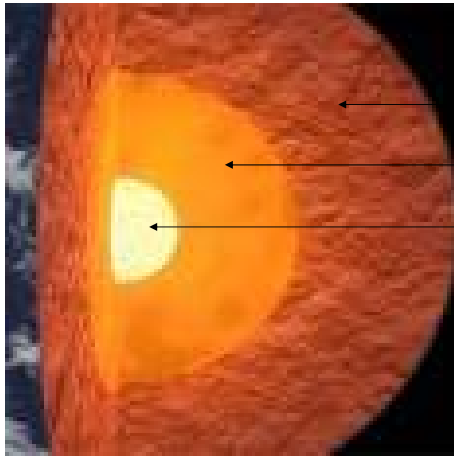
As well as individual question analysis, the domain structure provides two more layers of analysis, by domain and by overall index to evaluate or benchmark.

The VB-HR™ Employee Engagement Framework





Three 'types' of engagement



Organisational engagement

Management engagement

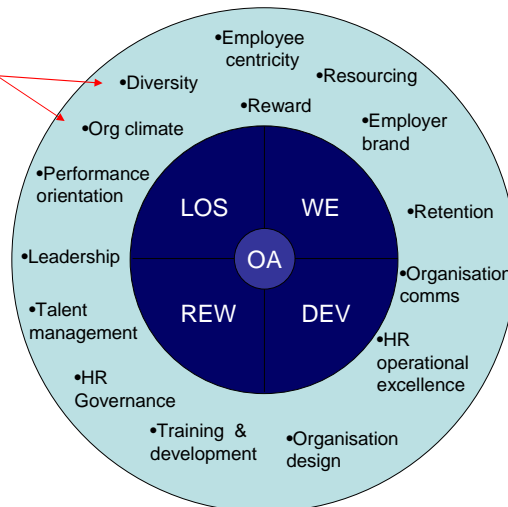
Employee engagement

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Organisational engagement

There are 15 organisational engagement indicators



The organisational engagement indicators are derived from qualitative and quantitative data provided through the HCM evaluator exercise (VB-HR™ Rating data construct)

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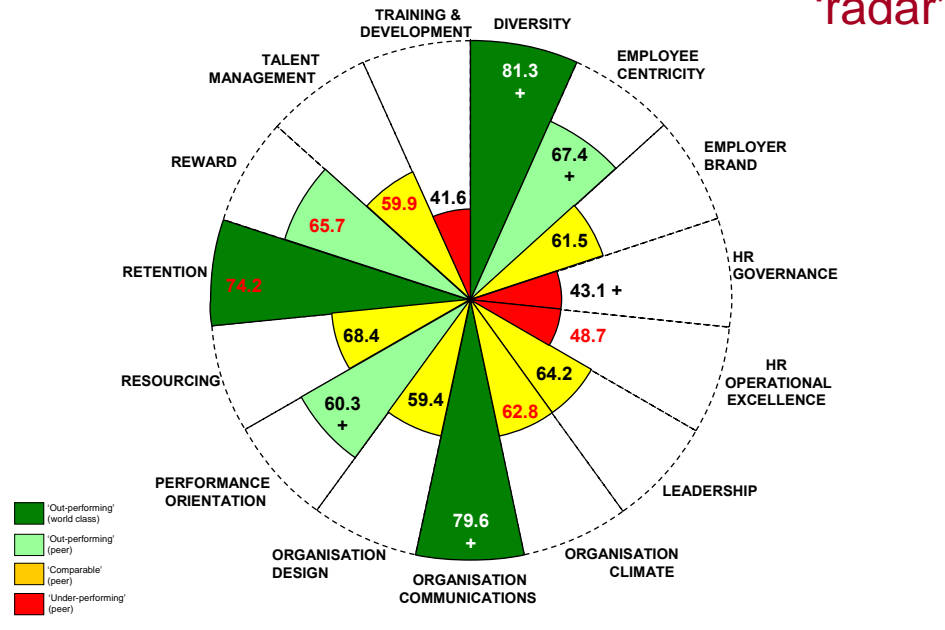


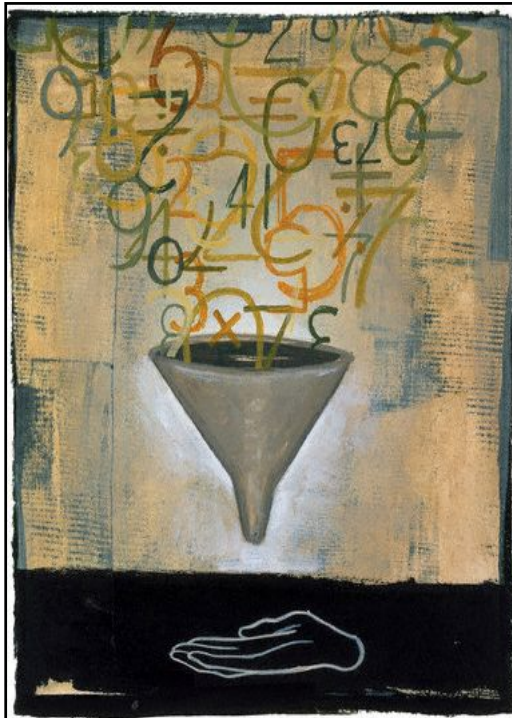
Organisation engagement definitions [Reference slide]

Diversity The focus and effectiveness of diversity and diversity policies within the organisation	Organisation Communications The current effectiveness of communications in the organisation as perceived by managers and employees
Employee Centricity The degree to which the organisation has 'employee-centric' policies in place and delivers on them in terms of effectiveness	Organisation Design The degree to which the overall organisation architecture, e.g. management structure, job/role design is effective
Employee Engagement The degree to which employees are currently engaged with the organisation (see level 2 main report)	Performance Orientation The degree to which the organisation is viewed as effective in terms of focus and actions re performance related areas
Employer Brand The degree to which the organisation has an identifiable brand and its contribution/ effectiveness in related organisational areas	Resourcing The effectiveness of current resourcing policies and processes/activities in terms of organisation requirements
HR Governance The overarching management of HR as a function governance of Human Capital Management within the organisation.	Retention The effectiveness of current organisational retention approaches and efforts
HR Operational Excellence The degree to which the HR function possesses the requisite competence and executes its delivery objectives in terms of quality and effectiveness	Reward The effectiveness of current reward policy/strategy
Leadership The perceived effectiveness of overall management within the organisation	Talent Management The effectiveness of current organisational approaches to talent, its scope and its management
Organisation Climate The degree to which the current operating environment within the organisation is seen to be a positive/negative factor	Training & Development The degree to which current approaches and application of training, learning and development are effective

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Organisational engagement 'radar'





3. From measurement to application

Moving from the interventionist approach to embedded practice



The twin focus of measurement

1. Measuring of employee/organisational engagement per se whether through individual question or domain or index
2. Using employee/organisational engagement data in modelling analytics, i.e. linking with individual/team/unit/organisation performance, absenteeism, turnover etc

Illustrative example

Overall mean Engagement Index score = 68.1

The VB-HR™ Employee Engagement Framework

A score of 12 in each domain (equivalent to 60 overall) would indicate a middle or 'neutrality' rating.

Each domain score has a range of between 4 and 20.

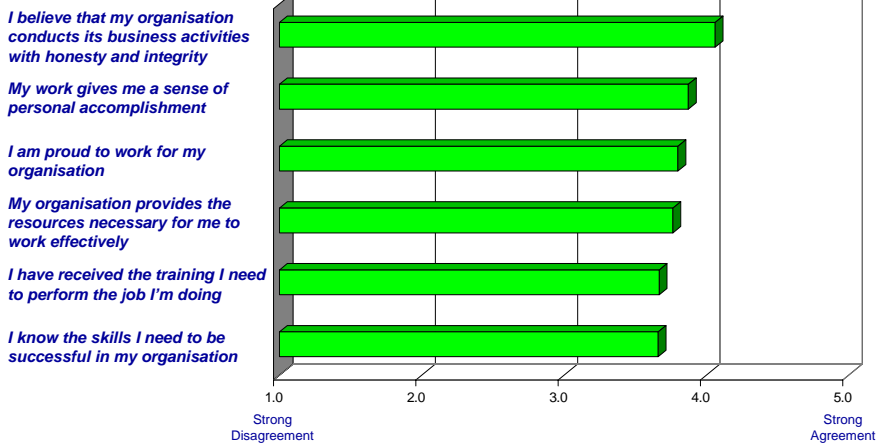


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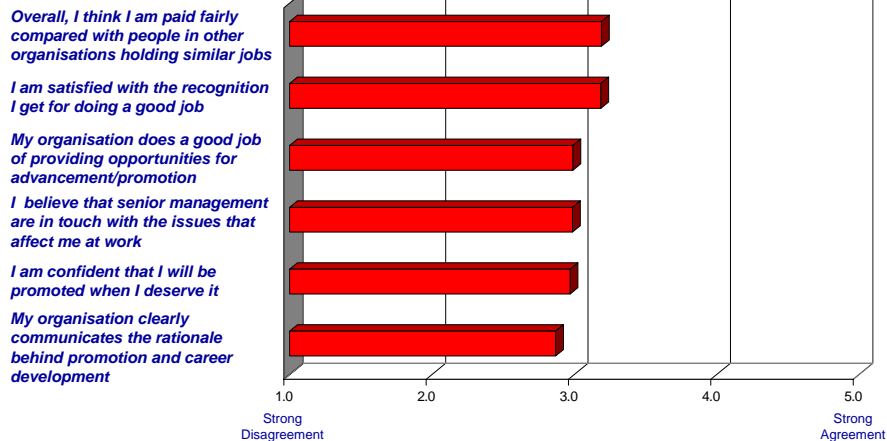
**VB-HR™ EE database:
Top scoring question-statements**



Based on 217 client survey data, total base of 186 different question-statements used



VB-HR™ EE database: Bottom scoring question-statements



Based on 217 client survey data, total base of 186 different question-statements used

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Case study highlights: UK manufacturer

- Utilising engagement findings to increase focus on quality/reduce costs of returns
- Engagement survey provided staff with a confidential way of putting forward their views
- Use of internal and external benchmarks provided the business case for increasing management capability and rolling out enhanced performance management approaches

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Case study highlights: UK higher education

- Utilising engagement surveys to measure the impact of values rollout and embed work on culture/communications
- Conducting on-line 'pulse' surveys every four months with a sample of employees
- Internal benchmarking led to the identification of significant differences within the workforce, allowing the HR function to 'target' approaches

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Case study highlights: S&P500 pharmaceutical firm

- Utilising employee engagement to realign culture and enhance business performance through 'employer of choice' initiative
- Senior managers feeding back findings of internal benchmarking to their own departments
- Linking employee engagement with broader evaluation of organisational engagement/productivity
- Conducting modelling analytics relating to engagement and employee retention

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Case study highlights: UK local government consortium

- Linking employee engagement with broader evaluation of organisational engagement to assess current people management practice
- 'Recutting' existing survey data within the engagement construct to minimise duplication in Year 1
- Evaluating the impact of sector-wide human capital strategies (with benchmarking and assurance)

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VB-HR™ Employee Engagement coverage

Private

- Biotechnology
- Business services
- Chemicals
- Construction
- Distribution
- Food Production
- Financial services
 - Insurance
 - Investment banking
 - Retail banking
 - Other
- FMCG
- Leisure
- Manufacturing/Mining
- Oil & Gas

Private (continued)

- Pharmaceutical
- Professional service firms
- Retail
- Telecommunications
- Utilities

Public

- Government
 - Agency
 - Central
 - Local
- Health
- Higher Education
- Police

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VB-HR™ Organisation and employee engagement: Uses

- Employer of choice/Employer branding exercises
- Culture change programmes
- Talent management/leadership initiatives
- M&A integration
- HR strategy development/clarification exercises
- Evaluation of T&D/mgt development programmes
- Education/communication exercise with line management
- Employee segmentation and employee & management engagement profiling
- HR scorecard development/Human capital reporting
- Benchmarking

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The twin focus of measurement

1. Measuring of employee/ organisational engagement per se whether through individual question or domain or index
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EE modelling analytics: Illustration I

**The VB-HR™ HC Analytics methodology:
Bank retail operations model example**

Under License

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EE modelling analytics: Illustration II

**The VB-HR™ HC Analytics methodology:
Generic media-based model (subscriber-based) example**

Under License

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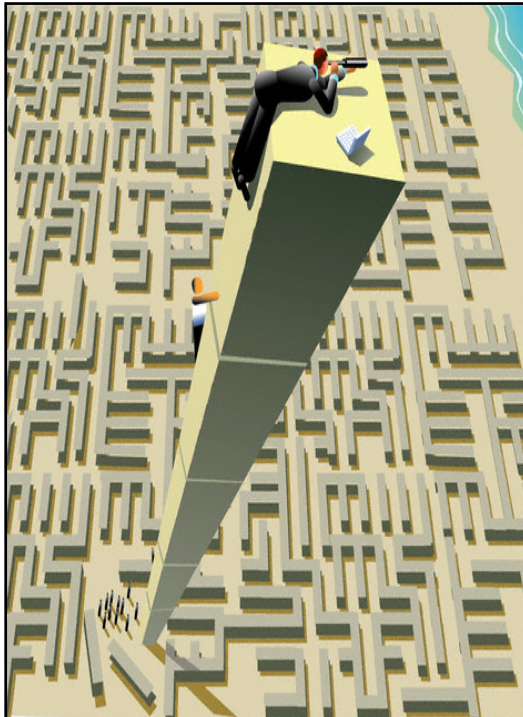


EE modelling analytics: Illustration III

The VB-HR™ HC Analytics methodology:
Generic R&D based model example

Under License

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4. Summary



Main points

1. Understanding and defining employee engagement is important from both communication and application perspectives
2. Measuring employee engagement provides the necessary rigour to further define its 'properties'
3. Measuring focus can be twofold: engagement itself or using it within modelling analytics to provide operational insight from an organisational performance perspective or a more singular HR focus
4. Engagement from an organisational perspective can be seen as three layers, employee, management and organisational
5. Engagement data/indices, derived from both qualitative and quantitative sources, can be applied in a variety of ways that help to ground some of the more esoteric HR initiatives, for example, employer of choice, employer brand, leadership, talent management etc
6. Focus and measurement of employee engagement has to be viewed as ongoing embedded practice **not** a one-off exercise of seeing where employees are at

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Website references

- www.valuentis.com
- www.ishcm.com
- www.vbhr.com
- www.hccindex.com
- www.hcmiglobal.org

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Questions

