



**Head
Light**

Talent Management & Engagement: Enabling Employees to Offer More Capability and Potential

part of our White Paper series

The Talent Cloud Platform

Developing Skills. Encouraging Performance. Boosting Recognition.



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What is employee engagement, and why should we still be interested in it?

Employee engagement has seen a resurgence in debate and discussion in the HR and business on-and off-line media. But why should this be?

The impact on business performance: the research

Engaging for success: enhancing performance through employee engagement – MacLeod and Clarke (2009).

In 2008, at the start of what became the deepest recession since the war, the then Secretary of State commissioned David MacLeod to take an in-depth look at employee engagement. Along with Nita Clarke, he was tasked with researching and reporting on engagement, its potential benefits and whether it could impact positively on the performance of UK businesses.

Their subsequent report to Government in 2009 - Engaging for success: enhancing performance through employee engagement – presented compelling evidence to show that engagement had empirical links to better business performance. MacLeod and Clarke outlined a number of case studies from organisations that reported a transformation in their performance and profitability through a focus on increasing employee engagement. They also cited research which showed a clear correlation between engagement and performance – and most importantly between improving engagement and improving performance.

Some examples of these study findings include:

- Gallup (2006) examined 23,910 business units and ran a comparison between areas that achieved financial performance in the top 25% with those whose performance fell into the bottom 25%. They correlated financial performance with engagement scores as provided by employees and found that:
- Lower engagement-score business units have higher turnover, greater inventory shrinkage and more accidents. Those with engagement scores in the bottom 25% averaged 31-51% higher employee turnover levels, 51% more inventory shrinkage and 62% more accidents.
- Higher engagement aligns with higher customer advocacy, higher productivity and higher profitability. Those with engagement scores in the top 25% averaged 12% higher customer advocacy, 18% higher productivity and 12% higher profitability.
- Engaged employees in the UK take less sick days. The engaged worker takes an average of 2.69 sick days per year; the disengaged take 6.19 days. The CBI (2007) reported that sickness absence costs the UK economy £13.4bn a year.
- High engagement correlates with stronger financial performance. In a 2006 Tower Perrins-ISR global survey, data was gathered from opinion surveys of over 664,000 employees from over 50 companies, representing a range of industries and sizes. Comparisons were made between the financial performance of those organisations where employees reported high levels of engagement to those with a less-engaged workforce, over a 12 month period. The results indicated a significant difference in bottom-line results between the two groups, with high engagement being correlated with stronger financial performance and an improvement in operating income rather than a decline.

MacLeod and Clarke concluded that:

“there is no single study that has proved beyond doubt that engagement explains higher performance, or improving engagement causes improved productivity and performance; it is difficult to imagine comparators where all factors are the same, which is what would be required to prove causality”.

This is a common challenge in most areas of organisational research, but taking all of the evidence together, considering the picture painted by the numerous case studies available and applying common sense, there is a very compelling case for keeping employee engagement high on the agenda.

Employee Engagement Research Update: Beyond the numbers: A practical approach for individuals, managers, and executives - BlessingWhite (2013).

More recent research from BlessingWhite (2013) tells us that whilst some parts of the globe have started to recover their engagement ‘mojo’, the UK still lags behind North America and India and reported levels of engagement are flat. Even China, who are the only region to report a smaller percentage of truly engaged workers than the UK, has seen a fairly significant hike in levels of reported engagement compared to 2011.

The BlessingWhite research lists the following as its key recommendations in response to the survey findings.

1. Organisations gain a firm grasp on how engagement can drive their business results in very specific terms, and adopt a common definition of engagement which makes it something tangible to business outcomes.
2. Senior leaders renew efforts to provide alignment to business strategy by increasing communication and clarity, as well as providing an inspiring vision for the future.
3. Engagement initiatives focus on equipping every level of the workforce, clarifying who is accountable for what and how best to contribute to a culture of employee engagement.
4. Development efforts focus on ‘career’ as a way of aligning long-term employee aspirations with the organisation’s talent needs of tomorrow.
5. That managers address disengagement decisively without letting the disengaged monopolise their efforts.

Head Light has always viewed the relationship between engagement and talent management as being two-way and mutually supportive; in order to see the return on investment in talent management activities, the workforce needs to be engaged with them and with the organisation, but equally, good talent management practices can help to drive up the levels of engagement.

The BlessingWhite research supports this view and highlights the importance of effective talent management to the engagement picture.

- The 3rd and 4th recommendations from this report both rest on having good talent management processes in place.
- The 2nd and 5th highlight the importance of having skilled managers as a conduit for organisational efforts: development of your managers and leaders is also part of the talent management landscape.

The problems of definition

So the research strongly suggests that organisations need to pay careful attention to engagement levels of their staff, but what do we actually mean by engagement, how do we measure it and what influences it? As with many such concepts, there is no one single definition of engagement, but MacLeod describes it as:



“a workplace approach designed to ensure that employees are committed to their organisation’s goals and values, motivated to contribute to organisational success, and are able at the same time to enhance their own sense of well-being”

Research ‘employee engagement’ on the internet and you will find a lot of useful information about how the concept has evolved and how organisations have assessed it. You will find that writers from different specialisms take different angles when talking about engagement. For example, Marketing experts will perhaps focus more on brand strength and the links between employer brand and product branding. Internal communications experts will look at the role that communication has to play in ensuring that the workforce is engaged with the values, strategy and ethos of the company.

There seems to be less of a focus in the literature on the specific actions organisations have taken in response to the issues uncovered by employee surveys, and how they have sought to build engagement, which is arguably the biggest challenge.

Engagement is a complex and multi-dimensional concept which goes further than motivation, commitment, empowerment, the psychological contract and employee satisfaction, but encompasses elements of all of these. What perhaps distinguishes engagement from many of these concepts is that engagement is a two-way process; it is the interaction between the individual and the organisation that creates the conditions for engagement. Engagement definitions suggest that, in measuring engagement, we have to take this interaction into consideration, and examine the support processes provided by the organisation as well the individual’s response to these.

Engagement diagnostics

Determining how 'engaged' people are is often achieved by means of an employee survey, perhaps using the existing employee opinion survey (EOS) with a few more questions added in, but do these go far enough? Do they just assess immediate reactions and thoughts regarding role, the organisation and the relationship between employer and employee? Or do they go beyond thoughts and reactions and tap into longer-term patterns of attachment, or assess the behavioural indicators of an engaged workforce?

An engagement diagnostic should gather structured feedback, both qualitative and quantitative, covering a range of issues and factors which influence the levels of engagement. In language and terms that are unambiguous and universally understood.

Going beyond the employee survey

Employee surveys are an entry point, but if you are serious about measuring engagement then it is likely that you will need to look carefully at the questions included in your survey, or even start from scratch. This is where it is worth involving experts in both survey design and behavioural analysis. You need to ensure that you are tapping into the wide array of organisational issues and concepts which contribute to engagement, and that you are assessing cognitive, behavioural and emotional responses. What do engaged employees think? How do they feel? And what is it that the truly engaged do, that differentiates them from the disengaged?

The process of driving up engagement could therefore be viewed as one that is not dissimilar to the approach you might take to assessing and developing individual competency – measuring current 'performance' by observing and recording the expression of behaviours that are representative of key competencies, identifying strengths, gaps and potential areas for development and then acting on this information through focused, well-designed projects or programmes. In the case of engagement, these would be aimed at the organisation and culture, as well as at line managers and individual contributors.

Engagement as part of Talent Management

MacLeod and Clarke also offered in their report a further insight into the value and impact of engagement: *"This is about how we create the conditions in which employees offer more of their capability and potential."* Is this not what all organisations and businesses are striving for from their talent management activities: to have their people offer more of their skills, discretionary effort and achieve their potential? Isn't this the basis of driving performance, succession planning and career development?

Many organisations find themselves addressing the issue of engagement as a by-product of other activities, such as leadership development, culture-change programmes and performance management, so it's worth thinking about the work that's already being done around the organisation and building on that. For example, a professional services firm who were addressing issues around high turnover, recruitment difficulties and performance management commissioned a competency development project. This led to the identification of a number of areas in which their employees felt less engaged and less motivated compared to others which in turn sparked a management development programme. Using Gallup's well-established and extremely useful Q12® managers identified potential areas for development within their own teams, such as more regular and focused downwards communication regarding current strategy and financial performance and setting up forums in which employees could present ideas for improving work processes and client opportunities. The survey that emerged from this process is now used on an annual basis to gauge improvement in key areas and to identify further opportunities for development.

In any event, it is not sufficient to simply measure engagement through surveys or other means, the greater focus should perhaps be on acting on this information and implementing plans and

programmes. Many engagement 'tools' do little more than check the oil levels; Head Light offers diagnostic software which looks at the overall health of your engine.

The link between Engagement and Talent Management

Developing The Gallup Q12®

In a seminal piece of research, Gallup sought to answer the question "How do the world's best managers find, focus and keep talented employees?" They conducted research by interviewing over 80,000 people, at varying levels in a number of industries and sectors. They asked employees and managers hundreds of different questions on every aspect of their role, experiences and corporate life. Using a complex combination of statistical regressions and analyses and a range of organisational performance figures (turnover/retention, absenteeism, customer satisfaction, employee satisfaction, operating profits, cost control, productivity, share performance, market position, etc.) they reduced the list of questions to just 12.

Most people are familiar with the results of this research: 'The Gallup Q12®' has now become the simplest way of measuring engagement and the strength of a workplace.

1. Do I know what is expected of me at work?
2. Do I have the materials and equipment I need to do my work right?
3. At work, do I have the opportunity to do what I do best every day?
4. In the last seven days, have I received recognition or praise for good work?
5. Does my supervisor, or someone at work, seem to care about me as a person?
6. Is there someone at work who encourages my development?
7. At work, do my opinions seem to count?
8. Does the mission/purpose of my company make me feel like my work is important?
9. Are my co-workers committed to doing quality work?
10. Do I have a best friend at work?
11. In the last six months, have I talked with someone about my progress?
12. At work, have I had the opportunity to learn and grow?

At the time, there were more than a few surprises in this list.

Questions about pay and reward were cut from the list because they had little bearing on the performance of companies. Common sense, perhaps innocuous questions, such as 'Do I know what is expected of me at work?' made it to the final cut because they had a genuinely significant impact on the way individuals, and therefore organisations, performed.

For instance, in retail organisations, the companies whose employees rated them in the 25% against the questions above were bringing in, on average, about £55m in sales per year more than those companies whose employees had rated them in the bottom 25%. Turnover costs were on average £14m higher among those companies in the bottom 25% compared to those in the top 25%. There are clear and proven links between the way people respond to these questions and the performance of a company.

If we look at this list again, we can pick out some interesting themes.

- **Questions 1, 2, 4, 9 and 11** are related to **effective performance management**.



- **Questions 3, 6 and 12** are about **growth and progression**. You would expect organisations which are conscientious about providing people with opportunities to learn, grow, develop and progress and which have performance management arrangements which are clear, transparent and fit for purpose to have a higher number of employees who would answer 'yes' to most of the questions above.

Of course, there are other factors that influence the degree to which an individual feels engaged (and we've already established that engagement is a two-way process and is as much influenced by the individual themselves as by the organisation or line manager), but ensuring that your key talent management processes are working effectively should, logically, result in greater employee engagement. The recent BlessingWhite research backs this up.

The Head Light focus

At Head Light, our focus is on supporting our clients in creating and implementing talent management activities that have a real impact on the bottom line, the long-term health of the organisation and the performance of its people. We see engagement as being both an outcome of talent management and an influence on how talent management works.

Our product suite includes a number of tools which are designed to help clients manage their talent in a more coherent, efficient and holistic way; our tools can operate independently, or interlink, to make it easier to assess, develop, track and move your talent. Ensuring that your talent management processes are all aligned and providing you with up-to-date, comprehensive data on your talent gaps, challenges and strengths is one way in which you can drive higher levels of engagement within your organisation.

The following sections take a look at some of the key talent management processes and consider how strengthening these processes might impact on engagement levels.

Performance management and Engagement

According to the Institute for Employment Studies, there is a clear positive correlation between those who have participated in an (effective) appraisal and those that exhibit higher levels of engagement (see 'Engagement – The Continuing Story', 2007). A transparent, robust and effective performance management process signals to the employee that their training needs and their development are being taken seriously by the organisation and also ensures that people are clear on how their day to day work impacts on the bigger picture; it makes the link between individual effort and organisational performance.

However, more recently, Globoforce's 2013 Summer Report looked at attitudes and perspectives on recognition, engagement and performance amongst employees in the US, and found that feelings towards performance management continue to be less than positive. They conclude that performance reviews are at a "pivotal moment in their evolution", and that they are seen as an outdated process that has not been refreshed and modernised to keep in line with technological advancements and changes in ways of working.

Two of the key suggestions for refreshing the performance management process – as offered by those surveyed – were to:

- 1. incorporate multiple perspectives (more on this later) and**
- 2. focus on real-time input.**

Of those surveyed, some of the key concerns about performance reviews were that:

- they were not a true representation of actual performance;
- they relied on a single point of view (that of the line manager);
- they made them feel undervalued;
- they took a short-term view of performance;
- they were demeaning.

We are sure you can level a whole raft of other accusations at performance reviews, but it remains an important practice for organisations as it is:

- the main process by which strategy is operationalised;
- a key indicator of whether individual and higher-level objectives are being achieved and
- is used by many to inform remuneration decisions.

So, it is essential that this process is seen to be fair; trust, transparency and fairness in decision making all have a part to play in how engaged people will feel, both with the process and with the organisation more generally. With performance reviews traditionally relying on the judgement of the line manager, and with this person being subject to all the biases and cognitive flaws that are inherent to being human, it's not surprising that the company appraisal does not typically feature on people's list of 'what makes me feel really engaged round here?'.

Head Light offers assessment tools within its Talent® suite which can help to make the review process fairer, more meaningful, more transparent and easier to manage. Talent Performance®-based reviews produce a personal report that draws attention to areas of strength and development as they relate to the role, enabling a more purposeful and open dialogue between employee and manager. It enables individuals to get real-time feedback from people across and outside the organisation and facilitates the 'cascading down' of objectives, ensuring that people understand the context within which they are operating and see the link between organisational imperatives and individual contributions. It is also worth considering how multi-rater feedback can play a more significant role in performance reviews and how this, in turn, can increase engagement.

Personal development, career planning and Engagement

The degree to which employees can develop their personal skills and plan their career is also likely to have an impact on how engaged they feel. Recent findings in neuroscience tell us that most of our social behaviour is driven by a number of interpersonal needs, in much the same way that we are driven by more basic needs such as those for food, safety and water.

David Rock's (2008) SCARF model of neuroleadership provides a useful structure for thinking about what we need to provide in the workplace in order to maximise levels of contribution, collaboration, performance and engagement; at least three of the SCARF factors are linked directly to personal and career development. The remaining two – Relatedness and Fairness – are less relevant in this area.

Status (S) is about how important we feel, our relative position within a community or organisation. We are naturally drawn towards situations and people who make us feel more important and valued, and we will move away from those who threaten our position. Often managers feel compelled to reward employees by promoting them or by paying them more. The former may have the unfortunate side effect of promoting people beyond the point of their competence, and the latter is not always possible when bonus pots are stretched to capacity. Status can be enhanced in more sustainable ways, such as providing people with the opportunity to learn and develop their skills and by providing feedback or recognition that reinforces the improvement. Giving people the opportunity to think critically about their strengths, talents, interests and potential and allowing more autonomy and choice in their career path is another way in which you can drive up engagement levels.

Certainty (C) is about knowing what is going to happen in the future. OK, so no one has a crystal ball, but our brains are pattern-recognition machines that are constantly trying to predict what's going to happen next. If everything that happened was new, or unpredictable, our brains simply could not cope with what was being thrown at them, and when we do come across something unexpected, the pre-frontal cortex is immediately focused on working out what's different and how we should respond to it. In organisations, certainty can be increased when managers do what they say they're going to do. When people act and treat each other in accordance with company values and policies. When people can see the next career move and make small steps towards getting it. Having a degree of certainty around growth, development and progression can have a clear impact on your feelings toward work and your employer.

Autonomy (A) is the perception of being able to exert control over one's environment; it's about having choices. Providing significant autonomy in an organisation can be difficult but there are a myriad of ways in which feelings of autonomy can be enhanced. For instance, delegating authority for making decisions down the line, involving people in the planning of their own work and setting their objectives, allowing flexible working patterns, providing self-directed learning portals, where employees get to construct their own development plans and select their career paths, and self-serve human resource systems. All of this needs to be done, of course, within clear parameters and policies, but will serve to increase levels of motivation and engagement.

Again, Head Light provides two software tools which can help organisations maximise feelings of autonomy, certainty and status among employees. Talent Advance is a powerful, customisable on-line personal development and action planning tool. It creates an environment for planned personal development that provides a basis for continuous reflection and tracking progress against improvement activities and places the ownership and responsibility for personal development firmly with the individual. Users can request feedback from anyone on a development goal at any given time – it's like gathering feedback Twitter-style, but better! Talent Navigator provides an employee-centric portal for career planning and mapping, giving them ownership of directing career goals and finding their future within the organisation. The at-a-glance dashboards produce key talent management information for organisations to identify those with essential skills for future roles, the current levels of engagement, major skills gaps, and the 'most in demand' development options. Talent Navigator allows users to conduct 'what-if' scenarios with their careers in a safe, confidential environment and shows them how their careers, skills and knowledge could develop over time.

Succession Planning and Engagement

The organisational flip-side of personal development and career planning is succession planning. When employees can see organisations filling key roles internally, identifying and promoting talented people and investing in the long-term growth and development of their staff, this sends a strong signal regarding the company's commitment to its people, which has to have a knock-on effect on reciprocal behaviours and engagement levels.

Again, good Talent Management software, such as Head Light's Talent Successor®, will help you in your efforts here. Talent Successor helps you to identify successors for key posts, build 'bench-strength' for key roles and improve employee retention. It enables managers and HR Business Partners to create 'Talent Pools' for 'at risk' posts or vacancies, specific role profiles, and high potential groups and see, at a glance, those employees who would be a good fit. For employees, they'll have the ability to identify for themselves future potential roles, assess their strengths and gaps and also signal to the organisation their interests in progression, willingness to re-locate and so on. It also gives people a more realistic 'view from the front' of what it takes to carry out a specific role by creating role profiles which include the skills, activities, qualifications and work-style preferences which lead to role success.

And as with all Head Light tools, Talent Successor integrates with other apps such as Talent Navigator and Talent Advance so that development activities which have been identified as 'critical' are progressed, thereby delivering on the succession plan.

Talent 360 is a powerful, sophisticated multi-rater feedback tool, designed specifically to encourage and increase individual ownership and accountability for feedback. Talent 360 also features a 'high potential' functionality; this enables an organisation to highlight those behaviours which would indicate potential for more complex or more senior roles and provides an overall 'potential index'. Having more channels through which high potential talent can emerge gives you greater opportunity to develop and nurture that talent, and promote from within, which is also likely to have an impact on engagement levels. Finally, a good 360 will allow you to track and monitor those behaviours that would indicate that employees are engaged (or disengaged) and the resulting data can be used to evaluate the ROI and impact of engagement or development programmes over the longer term.

Getting better at Engagement

As we've suggested, you can look at engagement from three perspectives:

- 1. what the organisation does;**
- 2. what line managers do, and**
- 3. what individuals do and feel in response.**

If low engagement seems to be a problem within your organisation, it may be valuable to look at all three levels to determine where the potential blockers are. A powerful diagnostic, such as Head Light's Talent En-Gauge can help analyse exactly where the opportunities for change and improvement are and provides practical suggestions as to how you might address some of the issues.

We've developed ten suggestions for you to consider which may help drive up levels of employee engagement – and these can be found in the supporting Guide – *Ten Actions to Take to Increase Employee Engagement*. To request your copy of this, please go to our website www.head-light.co.uk.

By taking action, you'll be creating, as MacLeod suggests, "the conditions in which employees offer more of their capability and potential."

References and further reading

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Next steps

If you would like to take a closer look at how employee engagement impacts your Talent Management strategy, please get in touch.

About Head Light

Head Light is an award-winning talent management and talent retention software and consulting firm that works with clients to define and implement impactful talent management strategies.

Talent Cloud® is our cloud-based portfolio of integrated talent management platform tools designed for those who expect the maximum return from talent management processes. Our training and consulting services uniquely complement our platform that engages employees, managers and senior leaders in the selection, development and progression of people in their businesses.

Companies in the FTSE 350, public sector, large and small, from retailers to high tech innovators have all benefitted from our tools, techniques and expertise. Founded in 2004, we are headquartered in the UK.

Head Light has attained the ISO27001 standard for Information Security. Certificate No 217613.





How do I...

transition to Continuous Performance Management

How do I...

introduce robust Succession Planning

How do I...

spot High Potentials and Future Leaders

How do I...

boost Recognition

How do I...

drive Engagement through Career Conversations and Development

How do I...

embed new values and improve culture

How do I...

develop Skills of the Future