



Talent Management &
Engagement: *enabling
employees to offer more
capability and potential*

part of our White Paper series

Talent **Cloud**®. Breakthrough **software**. Raise **expectations**.



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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.

If you would like read the full White Paper, please request it [here](#).

References and further reading

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

CBI-AXA (2007): Annual Absence and Labour Turnover Survey

Institute for Employment Study Report (2007): Engagement: The Continuing Story.

Gallup Organization (2006) – Report: Engagement predicts earnings per share.

Gallup Organization (2006) – Report: Feeling Good Matters in the Workplace.

Globoforce Workforce Mood Tracker (Summer 2013 Report): Empowering Employees to Improve Employee Performance

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

Rock (2008): SCARF: a brain-based model for collaborating with and influencing others. Neuroleadership Journal vol 1, 2008

The Gallup Q12® and details of the Gallup research taken from Buckingham and Coffman (1999): First Break All The Rules.

Simon and Schuster, ISBN-10: 1-4165-0266-1.

Towers Perrin-ISR (2006): ISR Employment Engagement Report.

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 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 software tools designed for those who expect the maximum return from talent management processes. Our training and consulting services uniquely complement our breakthrough software 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.

What if...

you could build a feedback-friendly culture?

What if...

you could fill more positions internally?

What if...

you could reduce employee turnover without increasing pay?

What if...

you could increase productivity?

What if...

you could spend less on training and still develop potential?

What if...

you could determine who to develop into leaders for the future?