Evaluating Employee Engagement

Engaged Employees Are More Likely to Contribute to Customer Satisfaction, Increased Revenues, & Profitability

Watch List

• Research suggests that 15 percent to 20 percent of employees who are disengaged cost the US economy as much as $350 billion per year. In addition, between 15 percent and 20 percent of employees are “actively disengaged” (Coco, 2009).

• Employee engagement has been linked to greater levels of customer satisfaction, employee productivity, and profitability.

Key Takeaways

• Engaged employees typically exhibit three behaviors: they have a strong desire to be part of their organizations, they are clear advocates for their companies, and they strive to provide superior results for both customers and colleagues.

• There are four phases related to the measurement of employee engagement: pre-survey activities, survey development and execution, review of results and action planning, and taking action.

• Employee engagement is especially important during an economic downturn because high levels of engagement can give a company a competitive edge and reduce the risk of high turnover once the economy recovers.

Executive Summary

In recent years, employee engagement has become a topic of great interest in corporations worldwide. Employees have become one of the major sources of competitive advantage for companies, and research has shown that there is a clear connection between employee engagement and business performance. The concept of employee engagement also appeals to both organizations and workers; it focuses on connecting people with work they do well and enjoy doing.

Of all the workplace factors related to engagement, the three most influential are whether one’s skills and abilities are being fully used, the perception that there is a connection between one’s work and the company’s objectives, and the belief that innovation is encouraged. Managers have a great deal of influence over these drivers because they can assign employees tasks that are well matched to their skills and abilities, encourage employees to innovate, and treat employees with respect.

Programs for measuring and improving employee engagement consist of four phases: presurvey activities, survey development and execution, review of results and action planning, and taking action.
What is Employee Engagement?

Employee engagement can be described as the emotional and intellectual involvement that individuals have with their employers. An engaged employee derives a sense of fulfillment from his or her job, and he or she may have higher levels of concentration and energy or even be visibly enthusiastic about the work.

New research on employee engagement has made it a topic of great interest to corporations worldwide. Just as organizations have increasingly realized that their employees can give them a major competitive advantage, research has also shown that employee engagement can drastically affect their profitability. For instance, one study showed that organizations with high employee engagement can have a 12 percent higher share price, produce $27,000 more sales per employee, generate $3,800 more profits per employee, and produce $200 million more in revenue per year (Lloyd, 2005). Another study found that organizations in the top quartile of employee engagement had 18 percent higher productivity, 16 percent higher profitability, and 49 percent fewer safety incidents than companies in the bottom quartile on engagement (Frauenheim, 2009). Disengaged employees, on the other hand, cost the US economy as much as $350 billion each year (Coco, 2009).

During economic downturns, keeping employees engaged is especially important. The Gallup Organization found that organizations with more than four engaged employees for every one actively disengaged employee saw 2.6 times more growth in earning per share than those companies with slightly less than one engaged worker for every one actively engaged employee (Robison, 2009). Moreover, once the economy recovers, companies with low employee engagement are likely to see higher than normal turnover rates as dissatisfied employees who were waiting out the downturn find new jobs (Kelleher, 2011).

Evaluating Employee Engagement

Of all the workplace factors related to engagement, the three most influential are whether one’s skills and abilities are being fully used, the perception that there is a connection between one’s work and the company’s objectives, and the belief that innovation is encouraged. Other factors include people, the work that an employee does, total rewards, career advancement, learning opportunities, company practices, and quality of life.

Many different metrics are used to quantify employee engagement. Organizations may measure things like absenteeism rates, quality rates, training hours per employee, the voluntary turnover rate, or the percentage of employees completing an individual development plan. New employee engagement can be measured through the percentage of employees completing the orientation process, the percentage of new hires who are coached by a mentor, or the first year voluntary turnover rate. Yet the most commonly used tools for evaluating employee engagement are questionnaires and surveys.

The Gallup Q12, a survey comprising 12 questions, is one of the most widely used tools. Because it asks the same questions of all participants, it is easy for a company to benchmark its results against the results from another company or an entire industry. The survey asks questions such as:
• Do you know what is expected of you at work?
• In the last seven days, have you received recognition or praise for doing good work?
• At work, do your opinions count?

Once the measurements have been taken, the management team can analyze the data. They may look first at the overall engagement composite scores, which present average responses across all employees as well as within different work units, departments, or divisions. They may also be interested in the responses to individual survey questions, which can help them find specific strengths and weaknesses related to engagement.

Phases Related to the Measurement of Employee Engagement

There are four phases related to the measurement of employee engagement: presurvey activities, survey development and execution, review of results and action planning, and taking action.

I. Pre-Survey Activities

The first step in this phase is to secure support from the senior management team. Without this, the effort will fail.

The next step is to develop a rollout strategy that specifies how the survey results will be disseminated as well as who will be able to see which results. For example, senior managers may be able to access some results that are unavailable to middle or frontline managers. It is also important to train managers to properly interpret the results.

Finally, create a communication strategy that explains why the program is being initiated, who will see the survey results and how they will be used, and how confidentiality will be handled.

II. Survey Development & Execution

The next step is to either develop a survey or select a standardized one, such as the Gallup Q12. Effective employee engagement surveys have four key characteristics.

1. Short. If a survey has more than 20 to 25 questions, employees may experience “survey fatigue.” They become frustrated with the process, rush through the questions, and provide low-quality answers.

2. Reliable. A reliable survey provides consistent and accurate results when given to random samples of the same population or when given to the same population over time. Reliability is usually a function of careful wording, format, content, and survey administration.

3. Limited flexibility. A survey with limited flexibility will ensure consistency and make it easier for an organization to compare its results against those of other companies.

4. Actionable. An actionable survey yields results that can easily be translated into actions that will improve employee engagement.

III. Review of Results & Action Planning

Once the survey has been completed, the results should be shared with employees. Present them in a way that everyone can understand, and include in this discussion the organizations’ strengths as well as the areas where improvement is needed.

It is crucial for the management team to plan a response to the survey. One of the fastest ways to destroy workplace morale is to ask employees for their views and then ignore them. To avoid becoming overwhelmed, select two or three key items to work on over the course of a year. Brainstorm about possible actions,
develop an improvement plan, and then revisit this plan regularly to evaluate progress.

IV. Taking Action

Organizations that are able to improve employee engagement succeed in four areas:

1. **Communication.** Engagement initiatives have clear ground rules, like mutual respect and open dialogue, and they gain momentum by celebrating success stories.

2. **Accountability.** There is a single owner for engagement initiatives, and objectives for increasing engagement are built into the company’s performance management system.

3. **Alignment.** Senior management supports engagement goals and takes them into account in their decision-making process.

4. **Measurement.** Engagement levels are measured once or twice a year, and employee survey scores are correlated with other data, like turnover, sales, and customer service quality.

In some cases, organizations may see an initial improvement in employee engagement scores flatten out over time. This can occur when managers and teams cannot overcome institutional barriers. For instance, first-line supervisors may be able to improve engagement by matching assignments with employees’ interests and skills, encouraging their ideas, or treating them with greater respect. However, other drivers of employee engagement, like job security, compensation, or benefits, are beyond a manager’s control. To continue to improve employee engagement, organizations must find ways to systematically identify and address these types of barriers.

**Further Reading**
