

The Business of Engagement:

Improving Productivity Through People



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Alex Edmans

Professor of Finance at London Business School

Alex Edmans is Professor of Finance at London Business School. Alex has a BA from Oxford and a PhD from MIT as a Fulbright Scholar, and was previously a tenured professor at Wharton and an investment banker at Morgan Stanley.

Alex specialises in corporate governance, executive compensation, corporate social responsibility, and practical investment strategies. Alex has spoken at the World Economic Forum in Davos and testified in the UK Parliament. In 2015 he gave a TEDx talk entitled "The Social Responsibility of Business" (<http://bit.ly/csrtedx>) on the benefits of employee engagement, and in May 2017 will give a TEDx talk entitled "Finding Truth in a Post-Truth World". He has presented to the Bank of England, Federal Reserve, Goldman Sachs, HM Treasury, IMF, McKinsey, Morgan Stanley, No. 10 Policy Unit, OECD, and SEC, appeared on Bloomberg, BBC, CNBC, CNN, ESPN, ITV, Reuters, Sky News,

and Sky Sports, and writes for Harvard Business Review, Huffington Post, and CityAM. Alex serves on the Steering Group of The Purposeful Company, which proposes policy reforms to encourage companies to pursue long-run purpose over short-run profit, and on Royal London Asset Management's Responsible Investment Advisory Committee.

Alex is Managing Editor of the Review of Finance, the leading peer-reviewed academic finance journal in Europe. At Wharton, Alex won 14 teaching awards in six years; at LBS, he won the MBA Class of 2016 teaching award for the highest-rated professor school-wide (voted by the first-year class) and the Best Teacher: MBA 2016 award (voted by the graduating class).

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“ I found that firms with high employee engagement delivered stock returns that beat their peers by 2.3–3.8% per year over a 28-year period – that’s 89% to 184% compounded ”

Alex Edmans

Professor of Finance at London Business School

Preface

This report provides important insights from business leaders on both the various benefits of employee engagement and the ways to increase engagement. It suggests that employee engagement is not just an optional extra, but should be a critical part of an organisation's strategy.

These findings are consistent with the conclusions of a large-scale study on the benefits of employee engagement, using 28 years of data across hundreds of companies in a range of industries. The results are profiled in my TEDx talk "The Social Responsibility of Business" and published in my papers "Does the Stock Market Fully Value Intangibles? Employee Satisfaction and Equity Prices" and "The Link Between Job Satisfaction and Firm Value, With Implications for Corporate Social Responsibility". I provide a brief, non-technical summary here and link it to the report's findings.

I measure employee engagement using the list of the "100 Best Companies to Work For in America". While the report is correct that there is no perfect measure of engagement, I use this list for two reasons. First, it's available from 1984, so I have lots of data. This is important to rule out any correlation being due to luck (e.g. firms with high engagement happening to have a good couple of years) or being specific to a particular time period (e.g. engagement mattering in booms but not recessions). Second, it's particularly thorough. It asks 57 questions on quantitative factors such as pay and benefits and qualitative factors such as credibility, respect, fairness, pride, and

camaraderie. As a result, the survey is highly respected and now used in 45 countries worldwide.

Sceptics argue that employee engagement is a waste of money. I wanted to test this by looking at the future stock returns of the Best Companies. Studying future stock returns helps address the elephant in the room – does engagement cause better performance, or does better performance cause engagement? If it's the latter, then a Best Company in 1984 would already have good performance in 1984. But, then, its stock price would already be high in 1984, and so its stock return between 1984 and 1985 shouldn't be exceptional, because the starting point is already high.

But how do you know that high stock returns are due to employee engagement. It could just be due to industry trends or some other factor. For example, the tech industry has particularly high engagement scores, and this industry happens to have performed well. So, to isolate the effect of engagement, I control for what industry each firm is in, and for many other factors such as size, recent performance, and growth opportunities.

After doing all this, what's the bottom line? I found that firms with high employee engagement delivered stock returns that beat their peers by 2.3–3.8% per year over a 28-year period – that's 89% to 184% compounded.

The results of this report are consistent with my findings. Moreover, it provides additional insights over and above mine, by getting inside an organisation. It suggests potential channels through which engagement may matter (engaged employees spend more time understanding customer problems) and ways in which companies may improve employee engagement (providing constructive criticism and tolerating failure). I hope to see future reports that can gather more large-scale data across hundreds of firms, disentangle correlation from causation, and quantify the benefits of employee engagement versus its cost. I applaud Personal Group for this important first step, and more generally for all its efforts in embedding employee engagement into organisations.

Alex Edmans

March 2017

Methodology

We conducted a series of interviews with 10 CEO's and business leaders, from across the UK, over a 12-month period, to test our hypothesis that happy employees are more engaged employees, and therefore more productive.

We worked with the Rewards and Employee Benefits Association (REBA) to formulate 10 questions on the topic of employee engagement and, in partnership with Criticaleye, we filmed the interviews in each business leader's workplace. The business leaders were selected to represent a broad cross section of industries with employees based all around the UK.

During each interview, we asked how important employee engagement is to their business, and explored the relationship between happiness, engagement and productivity.

Subsequently, we identified 5 themes and investigated these in more detail in the following articles, in which we summarise what our interviewees,

industry experts and other research, found to be critical for successful employee engagement.

About Reba

The Reward & Employee Benefits Association (REBA) is the professional association for employers offering rewards and benefits to their staff as part of a wider HR strategy to engage talent and drive success. Reba are supported by leading and forward thinking associate members, who are suppliers within this sector.

reba.global



About Criticaleye

Criticaleye is the peer to peer Board Community for CEOs, senior executives and global leadership teams. We inspire leaders to succeed and enhance their performance by reinforcing the role of the CEO, promoting the importance of accountability and enabling executives to collaborate, break down silos and build trust.

criticaleye.com



About Personal Group

Personal Group is a leading UK provider of employee services, including employee benefits and insurance products. Their unique approach to delivering employee engagement brings together both digital and face to face communication to provide employees access to their company benefits, discounts, technology and services anytime, anywhere.

personalgroup.com



Contributors



Justin Ash

*Chief Executive Officer at
Oasis Dental*



Paul Budge

*Managing Director at
Bunzl Continental Europe*



Tony Cocker

*Chief Executive Officer of
E.ON UK*



Steven Cooper

*Chief Executive Officer, of
Personal Banking Barclays*



Jonathan Cowan

Vice President at Sage Europe



Matthew Dearden

President at Clear Channel Europe



Martin Dodd

*Managing Director of Telephone
Banking at Lloyds Banking Group*



Jane Griffiths

*Company Group Chairman at
Janssen EMEA*



Paul McNamara

*Group Chief Executive of
IFG Group Plc*



Joanne Thompson

Chief Executive Officer of Penrillian



Mark Scanlon

Chief Executive, Personal Group



Appointed Group Chief Executive at Personal Group in December 2011, **Mark** has spent most of his career in growing businesses particularly in the technology space. Having gained a degree in electronics from the University of Limerick in 1990, he spent time working with companies such as Schlumberger, Viasystems, BAE Systems, Dyson, where he established and then led their Commercial Division, and more

recently FMG Support where he was Chief Executive of this outsourced service provider to the Fleet Industry. In his four year tenure at FMG Support, the business grew by more than 100% and featured in both the Times Top 100 places to work and the Times Track 100 Buyout listings.

“ I’d like to thank all of those who contributed to this endeavour and hope that you too feel inspired to look at how you and your business can contribute towards improving the productivity of our country ”

Mark Scanlon

Chief Executive, Personal Group

The Business of Engagement

Personal Group has always been curious about the connection between happy and engaged employees and their influence on productivity and business performance.

This began when looking at the UK economy- unemployment is the lowest it's been for a decade and yet productivity remains flat.

This led us to reflect on our own experience in our business which is contrary to what is happening in the UK. Our headcount has remained reasonably consistent with the growth of our business but we have seen significant productivity improvements. Over the last five years we've invested heavily in technology, business improvement projects and acquisitions that injected energy and positive change into the business; the effect of this is a highly-engaged workforce.

Each year we measure the engagement of our employees through our annual survey and this increased year after year, way above industry norms. At the same time, we are seeing improvements in other key measures; our field team's productivity improved by 20% and we saw a 30% improvement in the cost of business acquisition, operationally we became more effective and drove efficiencies in our company which led to a better customer experience such as 80% of our insurance claims being paid within 24-48 hours.

Our complaint volumes fell by 2/3rds, the attrition in our field sales team fell by 50%, whilst 10% of our employee

workforce were promoted in the same period. In each area of our business we saw a form of improvement across a range of productivity measures.

The culture has become more one of innovation and change, with people having more time to be creative by spending less time doing repetitive tasks which we were able to remove by automating and simplifying processes. The outcome of all of this is a highly engaged and productive team.

This is not my first experience of engaged and productive teams. In my last role, we experienced a very similar effect in winning business where we ordinarily would have had limited opportunity. But due to our people who invested personally- whether it was making tea, writing supporting documents, couriering tenders - everyone played their part. There's no question that without everyone playing their part, we would not have won the business that catapulted our company forward. Both experiences past and present, are as a result of what we at Personal Group refer to as employees' "unlocking their discretionary effort".

Our interest in the subject of productivity led us to collaborate with Criticaleye and Debi O'Donovan (Founder of Reward and Employee Benefits Association) to conduct a series of 10 interviews with CEO's and

Our complaint volumes fell by 2/3rds, the attrition in our field team fell by

50% whilst **10%** workforce were promoted

senior leaders across the UK economy. The purpose was to see if these leaders shared our view that productivity and employee engagement are linked. The response was heartening which you will see as you read through. It is clear from our research that some of the most progressive leaders in the UK economy fervently agree that an engaged workforce is a more productive workforce and this is clearly demonstrated by the stories they tell.

Mark Scanlon

March 2017



Executive Summary:

Why employee
engagement is key
to the UK's future
economic success



The financial instability and political tensions facing major economies around the world have forced employers to rethink their business strategies and consider how best to optimise the performance of their workforce to boost productivity.

Savvy business leaders are positioning employee engagement at the heart of their business strategies, and it is no surprise why, if one considers the widely accepted definition of engagement being about employee happiness and wellbeing.

As authors Andrew J. Oswald, Eugenio Proto and Daniel Sgroi explain in their report, *Happiness and Productivity*, (February 2014), of the four experiments they conducted, each produced evidence consistent with the idea that happier workers are intrinsically more productive.

Engagement and economic success

The report, *Employee engagement task force, 'Nailing the evidence' work group*, by Bruce Raytan (2012), cites research by recruitment services company Kenexa to show the impact of improving engagement levels on a national basis.

The research is based on the engagement levels within the 27 countries that accounted for 80% of global GDP in 2011. The report suggests that countries with higher employee engagement have £25.8bn higher GDP (when scaled to the size of the UK) than the UK does. The UK had an employee engagement level of 3.19 out of 5.0, and it is suggested by improving its engagement level to just 3.55, the UK could start to close this GDP gap of **£25.8 billion per year**.

In this series of white papers, we delve into the minds of leaders from 10 of

the UK's top businesses, to find out their views on employee engagement and how they motivate their staff to improve business performance.

We also explain how the concept of employee engagement, if approached correctly, can revolutionise the performance of any business.

As Gallup's research paper, *How employee engagement drives growth*, (2013), shows, there are stark differences in the performance of engaged and actively disengaged work units.

In the sample of units they studied, those in the top-quartile of employee engagement, outperformed bottom-quartile units by 10% in customer ratings, 22% in profitability and 21% in productivity.

Further, of the 49 publicly traded companies that Gallup looked at, those with an average of 9.3 engaged employees for every actively disengaged employee in one year, experienced 147% higher earnings per share compared with their competition in the following year.

Pressure to transform

The pressure is on for business leaders to transform their businesses. The Organisation for Economic Cooperation and Development forecast that UK GDP is set to fall by 1% in 2017.

This pressure is likely to be exacerbated for many business leaders, as the

UK prepares to exit the European Union. But leaders cannot grow their businesses alone, employees are at the core of the engine for growth.

As **Matthew Dearden**, *President, Europe, at Clear Channel*, says: "The magic bullet that makes the difference, is the quality and engagement of the people who are driving the business."

Paul Budge, *Managing Director, Continental Europe, at Bunzl*, agrees: "The challenge that we have in any business, is [that] it is all very well having clever, very visionary people at the centre, but they are not the people who execute and make it all happen."

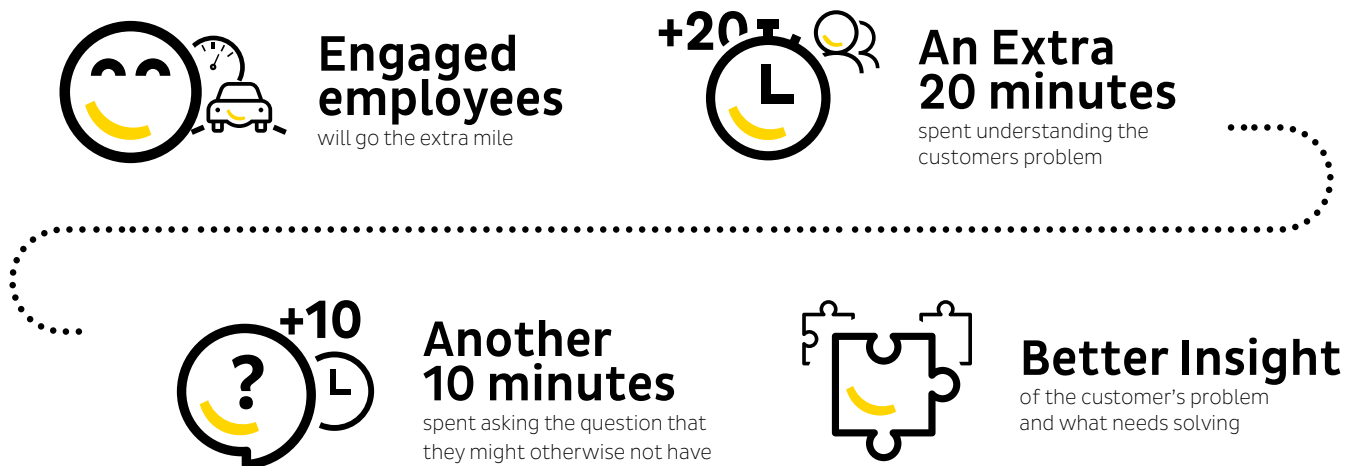
Engaging the people within the business who make it happen is essential for any growth plan.

"The magic bullet that makes the difference is the quality and engagement of the people who are driving the business"

Matthew Dearden

President, Europe, at Clear Channel

The importance of employee engagement cannot be underestimated. Engaged employees are typically happy employees who feel an emotional connection to their employer and who feel motivated to perform at their best.



Engaged employees are more likely to remain with their employers for longer, deliver higher levels of customer satisfaction and, ultimately, boost an organisations' bottom line.

As **Jonathan Cowan**, Vice President at Sage Europe, says: "An engaged employee will go the extra mile. They will do the thing that they otherwise wouldn't have.

So they will spend the extra 20 minutes with the customer understanding the problem; they will spend the extra 10 minutes asking the question that they might otherwise not have; they will get under the skin of something; they will understand the true insight behind the customer's problem or what problems need to be solved, and then they will take it back into the business and they will make a difference."

This is why employee engagement is so important and why it will prove instrumental in helping business leaders return both their organisations, and the UK as a whole, back to health. And it is only engaged employees who can make it all happen.

“ An engaged employee will go the extra mile. They will do the thing that they otherwise wouldn't have... they will make a difference ”

Jonathan Cowan

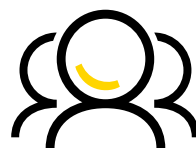
Vice President at Sage Europe

Martin couldn't agree more:

"Employee engagement is everything to my business. I have 8,000 people based in 15 sites up and down the country [and] we are open 24 hours a day, seven days a week, so actually the difference in my business is my people"

Martin Dodd

Managing Director of telephone banking at Lloyds Banking Group



8,000

People based in

15 sites

up and down the country



Open 24

hours a day, 7 days a week

Disengaged employees are catastrophic for business

The consequences of a disengaged workforce can be catastrophic for any business, but particularly for those still recovering from the economic volatility of recent years.

Our series of white papers considers the detrimental effects of disengaged employees, from the risk of presenteeism to employees being unwilling to impart discretionary effort as and when their employers require it.

Discretionary effort is essential for **Jane Griffiths**, *Company Group Chairman at Janssen EMEA*. She explains: "If you've got a crisis or an urgent launch, something that requires people to work late or put in the extra hours, they are more likely to do so when they are fully engaged."

Engagement surveys create a distraction

We also consider the extent to which employee engagement surveys are enough, in terms of generating constructive employee feedback about their job roles and the organisation in which they work, or whether they are simply a distraction from the conversations that business leaders should be having with their staff.

It is interesting to note that many of our interviewees consider employee engagement surveys as much a distraction as a help to leaders attempting to understand employees' views about their business.

As **Paul McNamara**, *Group Chief Executive at IFG Group*, says: "I think if you over-engineer surveys and pay too much attention to particular scores, that can detract from the

conversations that you need to have, to understand what's really going on [and] what's worrying people. Is there something getting in the way of allowing them to achieve their potential? Therefore, I think you need to use a mix of tools and not just rely on one to get the best results."

Employees must be allowed to fail

According to our leaders, the key to an engaging culture is allowing employees to fail.

Matthew explains: "I think innovative ideas [and] creative thinking are inherently courageous activities. Almost by definition, you have more bad ideas than good ones, and if you're not having more bad ideas than good ones, you're not being creative or innovative [and] you're not really pushing or challenging the line hard enough".

Strong leaders should encourage employees to challenge their business.

As **Paul** says: “I constantly caution people throughout the organisation over and over again, not to let us ever behave with any degree of overconfidence, and we certainly mustn’t behave as though we’re a large corporation.

If we do that, we become over-confident and potentially become arrogant. Customers don’t like it, [but] competitors love it.”

Constructive criticism is key

Strong leaders are able to generate constructive criticism by creating a collaborative approach to work.

Tony Cocker, *Chief Executive Officer at E.ON UK*, explains: “Keeping that openness, that collaboration, making sure there are no silos [and that] we’re all singing from the same hymn sheet, I think is absolutely critical.”

But ultimately, employee engagement is only possible when approached

by business leaders with a genuine interest in collaborating with workforces, that they understand how to inspire and motivate.

Leaders can only understand how to do this by truly listening to their employees’ needs on an ongoing basis, and not just when shareholder demands are at their greatest. Only then will leaders start to see a positive impact on productivity.



Questions to sense check your Employee Engagement

- Is Employee Engagement part of your strategy?
- What is your workforce culture?
- How engaged are your people?
- How strong is your leadership?
- How do you use your employee surveys?

Our articles take an in depth look at each of these areas and the link between getting employee engagement right and driving productivity levels up.



The transformational business impact of employee engagement



In summary

Employee engagement is crucial in helping businesses boost customer satisfaction, productivity and, consequently, their bottom line, which is why it should be ignored at leaders' peril.

Here, we explore the complex concept of engagement and explain why it is essential that every business in pursuit of profitable growth needs to understand fully the fundamental drivers that help engage staff and motivate them to perform at their best.

These drivers vary between generations, with Millennials highly valuing the opportunity to learn, grow and develop through work, so attention needs to be paid to these differences, as well as to ensuring that this work is fun.

Employee engagement is a concept that describes the extent to which employees are emotionally invested in their work and willing to go the extra mile to get the job done.

No single definition

There is no single definition of employee engagement, but an engaged employee is generally happy in their work, emotionally attached to their employer, believes in the values of their business in which they are employed, and most importantly, is more productive than their unengaged peers.

Employee engagement is key to the success of Lloyds Banking Group's telephone banking business, as **Martin Dodd**, *Managing Director* explains: "Employee engagement is everything to my business. I have 8,000 people based in 15 sites up and down the country [and] we are open 24 hours a day, seven days a week, so actually the difference in my business is my people."

Matthew Dearden, *President, Europe, at Clear Channel*, agrees: "The magic bullet that makes the difference is the quality and engagement of the people who are driving the business."

As authors Andrew J. Oswald, Eugenio Proto and Daniel Sgroi explain in their report, *Happiness and Productivity*, (February 2014), four experiments they conducted each produced evidence consistent with

the idea that happier workers are intrinsically more productive.

Consequently, an engaged employee is expected to remain with their employer for longer than unengaged peers.

Gallup's Business Journal entitled *Retaining employees: how much does money matter?*, (January 2016), found that 54% of disengaged employees would consider leaving their employer for a pay rise worth 20% or less.

Businesses can generate substantial cost savings by retaining staff.

Organisations that invested in integrated talent management suites reported a 270% greater ROI, compared to those investing in stand-alone performance management, learning management, or recruiting systems. This is because these suites provide a more wholistic view of performance and impact of performance.

Source: Moving Mountains, Erik Berggren and Keith Messick, SuccessFactors Research Whitepaper, (2009)

54%

of disengaged employees would consider leaving their employer

Greater customer satisfaction

Engaged employees are also more likely to deliver higher levels of customer satisfaction.

As **Joanne Thompson**, *Chief Executive Officer at Penrillian*, says: “An engaged workforce does have a link to satisfied customers, because you get somebody that is an evangelist for your company turning up to meet with customers or delivering something to customers.”

Paul McNamara, *Group Chief Executive at IFG Group*, agrees: “Employee engagement is a huge part of our business success, principally because the service that we give to our clients is massively driven by the extent to which our clients are served by

our employees and, therefore, the extent to which they are motivated, engaged [and] curious about the needs of our clients.

In a financial services environment, it makes all of the difference between a customer being satisfied or dissatisfied with our service.”

Jonathan Cowan, *Vice President at Sage Europe*, agrees: “An engaged employee will go the extra mile. They will do the thing that they otherwise wouldn’t have. So they will spend the extra 20 minutes with the customer understanding the problem; they will spend the extra 10 minutes asking the question that they might otherwise not have; they will get under the skin of something; they will understand the true insight behind the customer’s

problem or what problems need to be solved, and then they will take it back into the business and they will make a difference.”

As Doug Conant, *Former CEO and President of Campbell Soup Company*, said “To win in the marketplace you must first win in the workplace”. Employee satisfaction is linked to customer satisfaction, which is linked to organisational performance. Everything comes back to how you treat the employee. Do they get recognised for their contributions?

Case study: Empowered colleagues save lives

Barclays drives workplace innovation by empowering its colleagues to contribute to the business in a wide variety of ways.

A recent cardiopulmonary resuscitation (CPR) training day is a case in point.

The death of an employee who could have been saved by the use of CPR motivated his colleagues to organise a CPR training day for the business in his memory.

They aimed to train 10,000 colleagues in CPR over a 10-day period, but actually managed to get 12,000 colleagues from across the country through the training sessions by the end of the period.

Steve Cooper, *Chief Executive Officer of Personal Banking at Barclays*, says: “The interesting thing is, within a month or two of the training eight of them had saved the life of someone out and about. Just think about the power of that.

“Those stories have gone around the organisation. First of all, you’ve got a team who’ve lost a colleague feeling really good about [saving lives], the poor colleague’s wife came in and saw what had happened in her

husband’s memory and she feels good about that and I’ve got 12,000 colleagues who’ve got a new skill and feel good about that and have actually put it into practice.

“That’s just wonderful, and for a business leader, you’ve got to feel good about that kind of environment.”

“If you don’t have empowered colleagues or colleagues who think they have a role or an opportunity to either put their paw print on the business or come up with ideas to make it better, you’re not going to progress as a business,” Steve adds.

Engaged staff can boost productivity

The impact of engagement can be found in the bottom line. An engaged workforce will help to boost an organisation's productivity levels and, therefore, its financial performance.

The Gallup business journal entitled *Only 35% of US managers are engaged in their jobs* (April 2015), describes the difference in impact on performance between engaged and actively disengaged employees. Businesses with the highest level of engaged employees nearly doubled their odds of success compared with those in the bottom half.

Barclays share this view, **Steve Cooper**, Chief Executive Officer of Personal Banking, explains: "I think colleague engagement strategies have a big impact on productivity levels. Let's just take the business I lead, which is a retail bank.

My turnover is up, my revenue is up, my profitability has doubled over the past couple of years [and] the number of people I have in the business has gone down by 30%. Interestingly, at the same time, colleague engagement has gone up."

"Undoubtedly, if you have happy colleagues you will get a better financial performance," he adds. This link was highlighted by several of our business leaders.

Jane Griffiths, Company Group Chairman at Pharmaceutical Company, Janssen EMEA, agrees: "Intuitively, I believe engagement is linked to financial performance." So, too, does

Paul Budge, Managing Director at Bunzl. "If we've got great employee engagement, the numbers tend to look after themselves," he says.

"Without a doubt, where we have got businesses with great employee engagement, everything becomes a lot more straightforward. The confidence of the business rises, the quality of what it delivers rises and often the results come through as well," he adds.

“Undoubtedly, if you have happy colleagues you will get a better financial performance”

Steve Cooper

Chief Executive Officer of Personal Banking at Barclays



Employees who feel a sense of control over their job were



57%

more likely to be engaged



53%



more likely to be productive

Understanding engagement drivers is key

Business leaders need to understand the key drivers of employee engagement to make a sustained impact on productivity.

A study by Mars Drinks entitled *The Power of Choice at Work*, (2016), strived to uncover what gives employees a sense of wellbeing at work and found that a sense of purpose was ranked first by Millennials (employees reaching adulthood around 2000). This generation highly values the opportunity to learn, grow and develop through work, according to the study.

A sense of ownership of their role was important to employees of all ages, with those who felt a sense of control 57% more likely to be engaged and 53% more likely to be productive.

Work must be enjoyable

But **Jane** believes that one of the most important drivers of employee engagement is enjoyable work. She explains: “We’re working long hours, [so] you need to get on with your colleagues and you need to enjoy what you are doing.”

“If you get up early to come to the office to do something and get it done quickly so that other people can get on with their work, you have got to be motivated. You get extra productivity out of people who are engaged and enjoying what they do.”

So, business leaders who offer their workforce a sense of fun, purpose, ownership and the ability to learn, grow and develop through their work, are more likely to optimise employee performance. With this comes increased staff retention and customer satisfaction rates and, consequently, higher productivity and profitability.

This helps explain why employee engagement is so important and should be ignored at leaders’ peril.

“ You get extra productivity out of people who are engaged and enjoying what they do ”

Jane Griffiths

Company Group Chairman at Pharmaceutical Company, Janssen EMEA

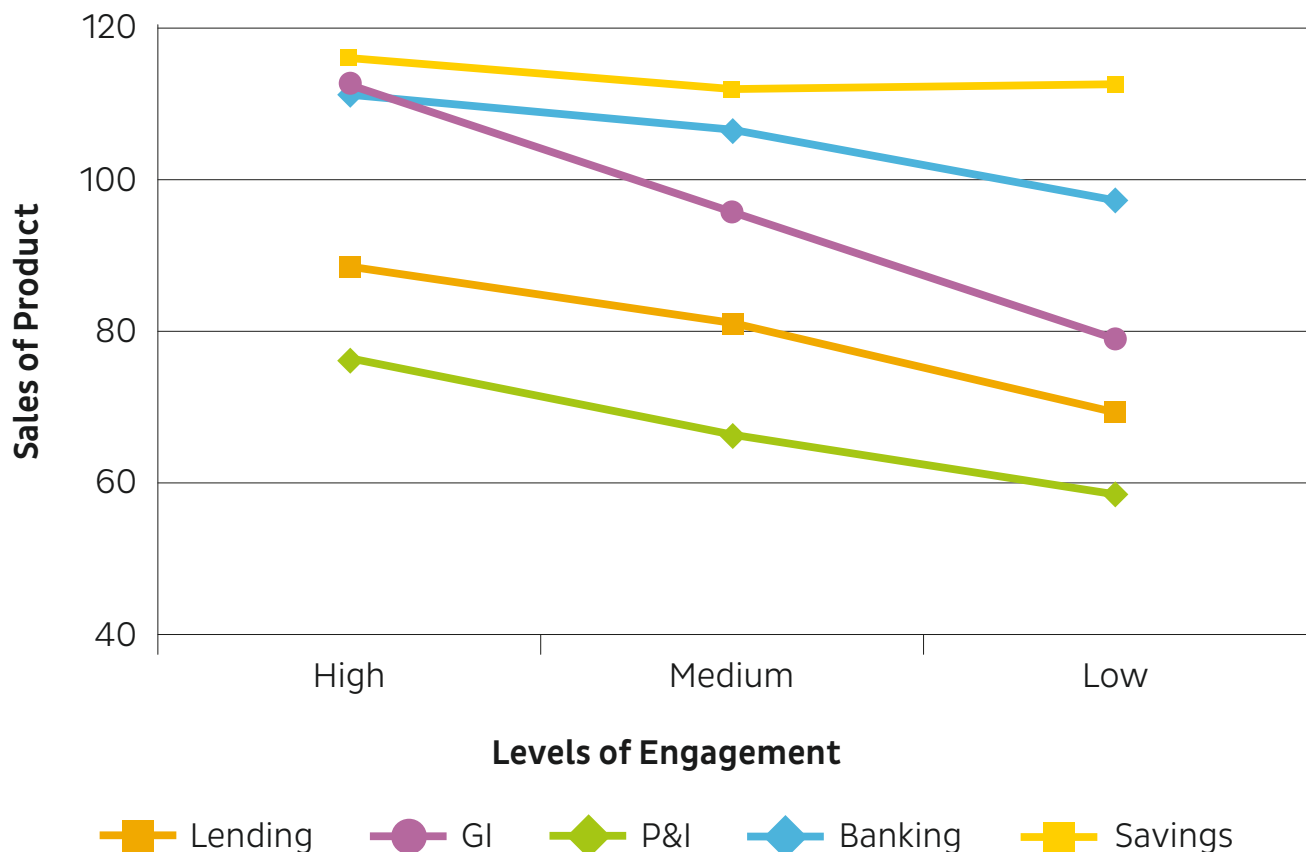
Employee engagement and financial performance

Showcased in the 2009 report, *Engaging for success*, building society Nationwide demonstrated the correlation between employee engagement levels and retail sales across a number of product lines (Lending, General Insurance, Protection and Investments, Banking, and Savings - see chart below). Areas with high engagement scored 14

percentage points higher on sales of banking products than those with low engagement scores, and were 34 percentage points higher on sales of general insurance.

If employee engagement is not part of an organisation's strategy, then they will be competitively disadvantaged. Employee engagement is becoming

crucial in helping businesses boost customer satisfaction, productivity and profitability levels. With the changing employment landscape, rise of the gig economy and increase in multi-generational workforces, an unengaged workforce can undo an organisation from the inside.



Source: *Engaging for success: enhancing performance through employee engagement*, David MacLeod and Nita Clarke, (2009).

The dangers of a disengaged workforce



In summary

The flurry of financial and political scandals around the world in recent years means that organisational trust is now more important than ever, so businesses can ill afford for employees to be unengaged.

Here we explore the possible consequences of unengaged staff, including the negative impact it can have on employee performance, customer satisfaction and productivity levels.

Disengaged staff are less likely to be willing to impart discretionary effort as and when their employers need it.

Strong leadership and team work are key to tackling unengaged colleagues, as is the acceptance that businesses will never be able to engage every single employee in their workforce.

The flurry of financial and political scandals around the world in recent years has damaged organisational trust, a key prerequisite for employee engagement.

Joanne Thompson, *Chief Executive Officer at Penrillian*, says: "The current culture is that no-one knows if their job is forever or not. They don't have the relationship with employers that they used to. There's not a relationship, in general, of trust between employer and employees. Employees now realise that they're just a resource to most employers."

"Organisations' productivity levels will only recover once this changes," and employee engagement is key to driving this change."

Dangers of Presenteeism

The current lack of trust and consequent disengagement between employers and employees can have devastating consequences for the productivity levels of a business.

If, as we suggest in our first article, *Is Employee Engagement Important*, engagement is about employee happiness, unengaged or 'unhappy' employees may simply go through the motions of their role, otherwise known as 'presenteeism'.

Authors Andrew J. Oswald, Eugenio Proto and Daniel Sgroi explain in their

report, *Happiness and Productivity*, (February 2014), that this may be because 'background unhappiness acts to distract rationally-optimising individuals away from their work tasks'.

Employees may be unengaged in their work for any number of reasons, from not trusting their leaders to simply being in the wrong job.

As **Matthew Dearden**, *President, Europe, at Clear Channel*, says: "Frankly, if someone is only ticking the box of the core of their job description, they're probably in the wrong job. They're certainly not fulfilling their human potential. I think they're wasting their lives a little bit and should be doing something else, or finding the spark in what they're doing."

"They're certainly not fulfilling the business potential and that's a problem because of their cost, but it's a bigger problem because that role doesn't have someone in it who's on fire and wants to get it done," he adds.

Oswald, Proto and Sgroi found that lower happiness is systematically associated with lower productivity. Employees with a job they enjoy are better for business.

Paul McNamara, *Group Chief Executive at IFG Group*, agrees: "Clearly, someone saying, 'I've just done my job and now I'm happy, and it doesn't really matter what the end result is', is inadequate in the current environment."

Lack of discretionary effort

Disengaged staff are also less likely to be willing to impart discretionary effort as and when their employers require it.

As **Jane Griffiths**, *Company Group Chairman at Janssen EMEA*, explains: "If you've got a big crisis or an urgent launch, something that's great but requires many more hours than people are contractually engaged for, you'll get that from people when they're fully engaged."

Customer service impact

Disengaged staff negatively impact customer service. Conversely, fully engaged staff can boost customer satisfaction and help create brand advocates. E.ON UK launched a peer-to-peer recognition scheme based around their five organisational values.

By engaging employees in the company value proposition and encouraging them to personify these values to customers, the employee recognition scheme boosts customer satisfaction levels. **Tony Cocker**, *Chief Executive Officer of E.ON UK*, said “[Employee recognition is] part of our performance management toolkit and very much about customer focus and customer satisfaction.”

Collectively, any negative consequences can severely hinder an employer's bottom line.

As **Paul** says: “Your attrition and your turnover of employees goes up [when staff are disengaged] and that's a cost to the business, bringing down your financial performance.

So knowing and anticipating how engaged your employees are is a lead indicator for the results that the accountants and the auditors will sign off during the course of the year.”

Team work can help

Team work can help to alleviate employee disengagement.

Joanne explains: “Nobody goes to work to do a bad job, but a lot of people end up doing that because they're not engaged. It's much better to be able to admit gaps in your learning and enable other members of your team – not necessarily your boss – to help you out. That creates a culture in which everyone helps everyone else to deliver the end product.”

Strong leadership is important

“I can look at my best leaders in my best sites with the highest engagement scores and, guess what? They have the lowest attrition and the lowest sickness. Where I've got question marks on [leaders] and the engagement scores aren't as strong, guess what?

“ Nobody goes to work to do a bad job, but a lot of people end up doing that because they're not engaged ”

Joanne Thompson

Chief Executive Officer at Penrillian

[There's] high attrition [and] high absence scores,” says, **Martin Dodd**, *Managing Director of Telephone Banking at Lloyds Banking Group*.

“I measure two different things when I'm looking at [retention] from an employee engagement angle. One is, are people staying with us? Are they enjoying their job? The other one is sickness absence levels,” adds **Martin**.

A recent Willis Towers Watson's report, *Global Trends In Employee Attraction, Retention And Engagement*, (October 2014), supports **Martin's** findings.

When asked to choose from a list of the top factors driving employee retention, 32,000 employees working across 1,600 businesses cite ‘trust/confidence in senior leadership’ as the third most important driver of employee retention.

In fact, of the five top drivers of employee engagement, the report ranks leadership as most important, and suggests that a sincere interest in employees' wellbeing by leaders is key to engagement success.

Case study: E.ON UK recognition scheme boosts customer satisfaction

E.ON UK launched a peer-to-peer recognition scheme to help engage its employees in the five values of the organisation in a bid to boost customer satisfaction.

The company goals include acting fairly; making things simple; knowing our stuff; doing the right things right; and doing what is expected and more.

The scheme, called ‘Buzz’, allows employees to ‘buzz’ a colleague in

the form of an e-card to say thank you for going the extra mile in their role, indicating on the card which company value that they have upheld.

Tony Cocker, *Chief Executive Officer of E.ON UK* says: “It's part of our performance management tool kit and very much about customer focus and customer satisfaction.

Apart from it being nice to get a buzz – even I get buzzes from time to time – staff are also put into a draw.”

Buzzed employees have the chance of winning a reward to thank them for their efforts in the prize draws, which run quarterly and annually.

Strong leaders' ability to support staff in every aspect of their workplace experience, from creating training and development opportunities to helping them to understand their role in growing the business, helps to empower staff to perform at their best, which in turn helps to optimise productivity.

"If you don't have empowered colleagues, or colleagues who think they have a role and opportunity to either put their paw print on the business or come up with ideas to make it better, you're not going to progress as a business," says

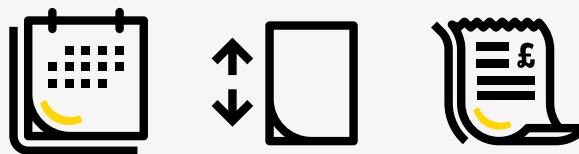
Steve Cooper, *Chief Executive Officer of Personal Banking at Barclays*.

"It might be about a tool, about a policy, about a procedure, [or] it might be about a product, but if you haven't got a colleague to at least think about it and care about it, they're not passionate about the business, they're not passionate about the customer [and] they're not passionate about making it a better place to be."

The business leader, in this case me, [doesn't] have all the ideas. My job is to create an environment where people flourish and come up with ideas and think they have an opportunity [and] believe they have an opportunity to put that into practice," he adds.

You don't need a title to be a leader. The ability to create the environment for employees to flourish, to empower staff to take risks and make the right choices and to listen and take action when employees speak up, these are common traits amongst the most successful leaders.

The consequences of disengaged employees



- Presenteeism
- Decline in discretionary effort
- Increased staff turnover
- Dissatisfied customers
- Decline in profitability
- Increased absenteeism

Nurturing workplace culture

Jane Griffiths, *Company Chairman at Janssen EMEA*, agrees : "If you assume that people are getting paid well for the job that they do and you assume that the working conditions they have are good, it's about; How do I feel doing the job that I do?

Do I have a sense of purpose? Do I feel valued by the organisation? Do I feel as though I have a voice? When I say something, do people listen? Do people take notice? There's nothing more disengaging than feeling that nobody's listening and you've got something important to say."

This is why it is crucial for business leaders to create an organisational culture that nurtures employees and genuinely listens to their workplace needs and input, to help drive the business forward.

As **Jane** says: "If you don't feel empowered to come up with new ideas in your organisation, I feel that's going to stunt innovation."

Jane suggests that nothing can disengage employees more than business leaders conducting a regular employee survey and failing to respond to, and act on, the findings.

This is why it is crucial that business leaders are transparent in their approach to employee engagement, involve employees in every aspect of their business strategy and always listen to the needs of these employees as they collaborate with them to help their business grow. Only then can leaders expect to see their productivity levels soar.

Employee engagement surveys are not enough



In summary

The effectiveness of employee engagement surveys relies on these surveys being championed by business leaders. The leaders need a genuine desire to discover what their employees really think about the business they work for, their role within it and the ease with which they can perform to the best of their ability.

But business leaders need to identify exactly what they want to measure before conducting a survey and commit to taking action based on the results, because failure to show a genuine commitment to the project is a surefire way to disengage staff.

Quantitative data is useful, but, as our research shows, verbatim staff comments can prove invaluable, as can a survey being part of a comprehensive engagement campaign.

Research by Gallup shows that **global** employee engagement levels have changed very little in the 16 years that the research company has been tracking the measure, which is staggering given the increasing focus and investment that employers are committing to it.

According to Gallup's research paper, *The Worldwide Employee Engagement Crisis*, (January 2016), only 13% of employees are engaged across the world, which it attributes in part to 'invalidated and unfocused' annual staff surveys.

Joanne Thompson, *Chief Executive Officer at Penrillian*, says: "The worst thing that ever happens is that employee surveys just get trotted out year after year [and] they get the same responses back. Nothing ever happens except when it gets a bit embarrassing, [in which case] HR will sometimes change the question for the following year, and that's thoroughly disincentivising for all employees."

It is therefore unsurprising why surveys very often fail to boost employee happiness and, consequently, productivity levels and their bottom line.

Paul McNamara, *Group Chief Executive at IFG Group*, says: "I've seen [surveys] abused if people are, for instance, incentivised on the scores."

Use validated approaches

Focused and strategic employee engagement surveys use validated approaches to data collection, are aligned to corporate objectives and are supported by targeted and, more importantly, achievable actions to ultimately help boost productivity.

These corporate objectives could range from reducing sickness absence rates to increasing staff retention or profitability. Whatever the objectives, they must be clear from the outset of a survey,

to enable organisations to gather meaningful data to which they can respond with meaningful performance-based actions.

Ultimately, the effectiveness of employee engagement surveys relies on the surveys being championed by business leaders with a genuine desire to discover what their employees really think about their business, about their role and about the ease with which they can perform their duties.

“ The worst thing that ever happens is that employee surveys just get trotted out year after year [and employers] get the same responses back ”

Joanne Thompson

Chief Executive Officer at Penrillian

Verbatim comments are key

Martin Dodd, *Managing Director of Telephone Banking at Lloyds Banking Group*, is a case in point.

Martin explains: “We do two employee surveys a year. Every six months we go out with about 100 questions, ask a variety of different things in terms of how colleagues are feeling about processes, the service [and] how their line manager works for them; so a variety of different subjects. The most important thing we ask in our surveys [is for] verbatim comments.”

Lloyds' survey invites staff to tell management what they could do differently to improve the business, and to share the one thing that gets in the way of them doing their jobs to the best of their ability. This generates 5,000 to 6,000 comments from around 8,000 staff, every one of which **Martin** commits to reading personally.

“It's a big investment of time when it comes in, but it's really refreshing. [It's] a bit of a wake up call, but you get to hear what your people are thinking and then you can do something about it. You've got to act on those verbatim comments. The numbers are interesting, but the comments are the things that make a real difference,” **Martin** adds.

Leader feedback is essential

The importance of business leaders responding to employee feedback cannot be underestimated. It signals to employees that they are being listened to and are valued, which helps to increase their engagement in the business and, ultimately, helps a business to grow.

Paul Budge, *Managing Director, Continental Europe, at Bunzl*, agrees: “It's very dangerous to presume what they want to come to work for unless you've asked them and listened to what they're going to say.”



Lloyd's survey
generates between

5,000 to 6,000
comments from around



8,000 Staff
which Martin commits to
reading personally

A combination of tools works best

This all said, an employee engagement survey is not a silver bullet with which employers can unlock employees' views about their organisation and engage them in their vision for the business.

In fact, surveys and other engagement tools, such as town hall meetings, are effective only when used in conjunction with ongoing employee dialogue driven between business leaders and their workforce.

As **Paul** says: “I think if you over-engineer surveys and pay too much attention to particular scores, that can detract you from the conversations that you need to have to understand what's really going on [and] what's worrying people. Is there something getting in the way of allowing them to achieve their potential? Therefore, I think you need to use a mix of tools and not just rely on one to get the best results.”

Joanne agrees: “Employee engagement is about a lot more than employee surveys and all hands calls or town halls. They're pretty much hygiene factors these days. You have to do them, but they don't actually produce employee engagement because it's communicating at your employees, rather than actually actively engaging them.”

Joanne adds: “The worst thing you can have is an all hands call where nobody asks a question, because everybody knows it's career suicide to actually express an alternative view. They're counterproductive. What you need is to have a proper dialogue going on a regular basis, not just as it's coming up to employee survey time.”

Inspirational leadership

An inspirational leader is also key. “Communicating isn't standing up and reading the news to your employees. It's about standing up and telling them a story, motivating and enthusing [them], giving them something to hang on to and really trying to get to the bottom of what it is that they want to come to work for,” says **Paul**.

So, employee engagement surveys can provide an invaluable insight into employee attitudes towards their job roles and the business in which they work, providing that they are championed by business leaders with a genuine desire to respond to, and act on, the feedback generated.

But they should not be used in isolation, rather as an addition to ongoing dialogue between business leaders and their employees. This is the only effective means by which business leaders can hope to generate the constructive feedback required to boost the productivity levels of their business and the bottom line.

“ Employee engagement is about a lot more than employee surveys... they don't actually produce employee engagement ”

Joanne Thompson

Chief Executive Officer at Penrillian

Measures of engagement



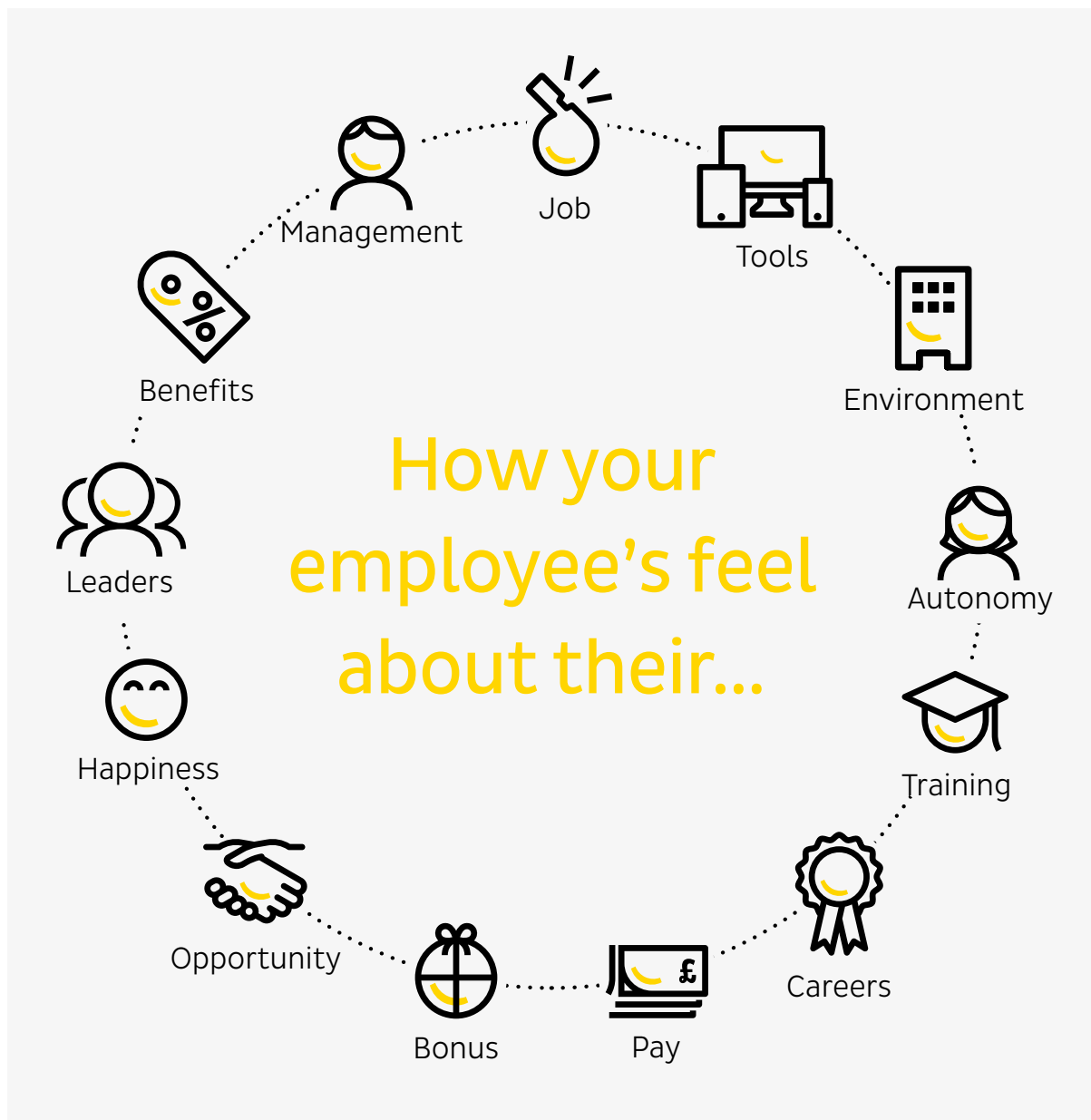
- Profitability
- Productivity
- New business generation



- Short term absence
- Employee retention
- Employee benefits participation

What to measure in an employee engagement survey

Employee engagement surveys have developed and grown since their inception. Organisations are now able to benchmark and measure how their employee engagement is impacted by a variety of key areas.





The impact of an engaging workplace culture



In summary

High performing businesses create a culture of engagement, built on a compelling employee value proposition, designed to both attract and retain staff.

Strong leadership is key to an engaging workplace culture, as is the ability for staff to generate ideas and challenge the status quo in their organisation.

Flexible working practices will be a key driver of engaging workplace cultures of the future, with employees increasingly demanding flexibility, creativity and purpose in their work.

But the most engaging workplace culture in the world is worthless without an ongoing dialogue between business leaders and their staff.

Employee engagement is about more than a strategy that business leaders roll out to employees when times are hard and shareholder demands are at their greatest.

Employee Engagement is an approach to work that involves business leaders creating, embedding and living and breathing a workplace culture that motivates employees to perform at their best, which as a result, boosts the productivity levels and bottom line of the organisation.

As **Steve Cooper**, *Chief Executive Officer of Personal Banking at Barclays*, says: "Culture is hugely important. There's the saying 'culture eats strategy for breakfast' [which] is true. If you don't have the right culture within the organisation to do things in the right way, in terms of genuinely meeting a customer need and providing that need in a transparent and commercially viable way, you don't have a sustainable business."

Strong leaders understand

As discussed in a later article, strong leadership is key to creating an engaging workplace culture.

Matthew Dearden, *President, Europe, at Clear Channel* comments "Culture, and therefore leadership, are the rocket fuel that make any business work."

Strong leaders understand the importance of creating a workplace culture that allows their employees to fail.

Matthew explains: "I think innovative ideas [and] creative thinking are inherently courageous activities. Almost by definition, you have more bad ideas than good ones, and if you're not having more bad ideas than good ones, you're not being creative or

innovative, you're not really pushing or challenging the line hard enough.

He adds: "I saw [film producer] Lord David Puttnam speak at a dinner the other day and he made the point that creativity is a muscle that you have to practice [using], and if you don't practice, you lose it. The heart of that muscle is resilience, because most of your ideas don't work."

Jane Griffiths, *Company Group Chairman at Janssen EMEA*, is particularly excited about the ideas being created by younger generations, especially Generations Y and Z.

"There's nothing more exciting from a leader than to listen to some amazing ideas coming from very young people in the organisation. It's really motivating for me when that happens," she says.

“ Almost by definition, you have more bad ideas than good ones, and if you're not having more bad ideas than good ones, you're not being creative or innovative ”

Matthew Dearden

President, Europe, at Clear Channel

New recruits generate valuable ideas

Meanwhile, **Paul McNamara**, Group Chief Executive at IFG Group, values the ideas being generated by new recruits.

“Often, it’s the newest employees in the building who are the most motivated, the most curious to change things. So giving them the licence, the freedom to raise ideas [and] to challenge what we do, I think is the critical part [of an engaging workplace culture],” he says.

The future success of a business relies on its ability to innovate, adapt and grow. This can only happen if employees have the ability and willingness to challenge the status quo within their organisation.

Staying humble

As **Paul Budge**, Managing Director, Continental Europe, at Bunzl, says: “I constantly caution people throughout the organisation over and over again not to let us ever behave with any degree of overconfidence, and we certainly mustn’t behave as though we’re a large corporation.

If we do that, we become over confident and potentially become arrogant. Customers don’t like it, [but] competitors love it.”

“This word humility is something I talk about a lot. [I always tell staff]: keep your feet on your ground, be grateful for every order we get and don’t forget to say thank you and well done to people” he adds.

Workplace cultures should engage and empower

Collaboration requires a nurturing workplace environment that engages and empowers employees, as **Joanne Thompson**, Chief Executive Officer at Penrillian, understands only too well.

She explains: “I’d like to create an atmosphere for my staff to do all the things that I want, which is to have fun, to be engaged, to collaborate as part of a team [and] to have a culture where people can feel free to say, ‘actually, I’m not really sure how to do this, can you help?’ or to admit mistakes.”

Accordingly, Penrillian offers staff access to regular staff social events, free tea, coffee, biscuits, milk and fruit, plus a games room where they can take time out from their work and, for example, participate in a fuzzleball league, which is particularly important for developers, who spend the majority of their day at computers.

Flexible and purpose is increasingly important

Flexible working practices will be a key driver of an engaging workplace culture of the future with employees increasingly demanding flexibility, creativity and purpose as part and

parcel of their employee value proposition, according to the *Deloitte report, Global human capital trends* (2016), *The new organisation, Different by design*, (May 2016).

Businesses that invest in engaging staff through integrated talent management suites could see

270%
higher returns
on investment

More than **80%** of organisations in the UK consider culture to be ‘important’ or ‘very important’

Over **37%** of organisations believe that they understand culture well

Over **21%** believe that they are ‘very ready’ to change their culture

Source: *Global human capital trends 2016, The new organisation, Different by design, Deloitte, February 2016.*

Paul already recognises these demands in his own workforce. “Younger people coming into the business tend to be motivated by change, by variety, for the need for constant interest. It’s a very different motivation than we had 20 years ago. People came looking for a long-term career and therefore creating an element of interest, fascination [and] variety [now] goes without saying.”

When people feel like they make a difference, they do. Employees also believe in what the business does are fully engaged and take pride in their work, deliver greater value to the organisation and are more productive.

Dialogue between leaders and staff is key

The most engaging workplace culture in the world is worthless without an ongoing dialogue between business leaders and their staff.

“Nothing can compensate for talking to people, asking them questions and listening to the answers that they give, and to be seen to listen and take account of them,” says **Paul**.

“And it is that softer element [that is key to creating an engaging workplace culture]. I don’t think anything hard or tangible really makes a huge amount of difference. People want to be respected and know that you care for their welfare,” he adds.

But it may be some time before many organisations move beyond this ongoing dialogue, with research showing the difficulty encountered by many business leaders in fully understanding the essence of an engaging workplace culture and how to create one in their organisation.

Workplace culture is important

More than 8 in 10 organisations in the UK consider culture to be ‘important’ or ‘very important’, yet only 37% believe that they understand culture well and only 21% believe that they are ‘very ready’ to change it according Deloitte’s report.

Case study: E.ON UK offers Dragons’ Den-style programme to drive innovation

E.ON UK runs a group-wide programme to help drive employee engagement and innovation throughout the organisation.

Called Agile, the programme is modelled on the BBC programme, Dragons’ Den, and offers employees the opportunity to pitch a business idea to the company. Successful candidates

who win the backing of the company receive support in the form of funding, a mentor to help develop their ideas and the opportunity to become chief executive officer (CEO) of their own business.

Tony Cocker, *Chief Executive Officer of E.ON UK* says: “Of course, it will deliver ideas in and of itself, but also it’s about shifting the mindset of the organisation.”

“Of course, it will deliver ideas in and of itself, but also it’s about shifting the mindset of the organisation”

Tony Cocker

*Chief Executive Officer of
E.ON UK*

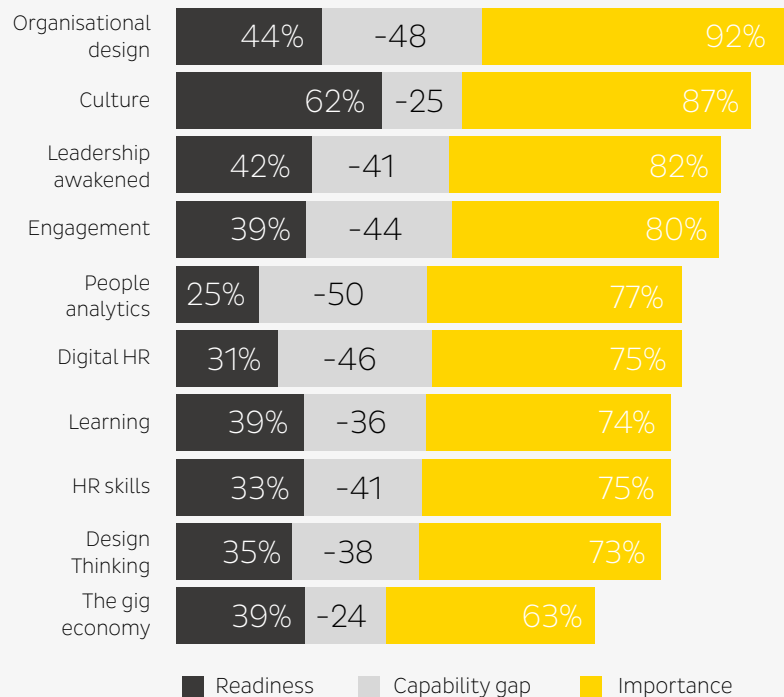
Nevertheless, there is no time like the present to approach the task, and a simple place for leaders to start is to acknowledge and understand your current workplace culture and then identify the characteristics of their desired workplace culture, based on their current business objectives. Their ongoing dialogue with employees can then be used to understand employees' needs and how these can be aligned with the needs of the business.

By taking one step at a time, and by keeping employee dialogue open and transparent, business leaders can start to build a workplace culture that engages every level of employee and ultimately boosts productivity levels in the process.

Top UK and global trends by urgency and importance

The Deloitte University Press report Global human digital trends 2016 shows that culture and engagement are a major concern for the C-suite. The report says: "This reflects, in part, the rise of social networking tools and apps that leave companies more transparent than ever, whether they like it or not."

UK: Gap analysis overall (n=140)



Source: Global human capital trends 2016, The new organisation, Different by design, February 2016.



How strong leadership drives employee engagement



In summary

Effective business leaders fully understand that they are only as good as their people, and that they will only be able to lead to the best of their ability by engaging with, and listening to, these valuable assets.

A strong leader will set a tone that motivates, inspires and engages their staff and welcomes collaboration.

A strong leader will coach employees to exceed their own expectations about their performance, which means encouraging staff to take risks and subsequently accept failure as part of this support.

But, most importantly a strong leader recognises the value of engagement over lucrative pay deals in driving productivity.

Of the 10 truths that authors Jim Kouzes and Barry Posner explore in their best-selling book, *The Truth About Leadership* (2010), they consider the fifth truth, 'you can't do it alone', to be the most important.

Honest and open dialogue

Progressive leaders understand the importance of honest and open dialogue, that considers employees as individuals with careers that are highly likely to extend beyond their current organisation.

As lead author Reid Hoffman and his co-authors Ben Casnocha and Chris Yeh explain in their best-selling book, *The Alliance*, leaders are duty-bound to encourage employees to undertake as many projects, referred to as 'tours of duty', as possible during their tenure, to help develop their skills sets in preparation for future job roles and not just in the context of their current employer.

According to the authors, tours of duty represent 'an ethical commitment' by both leaders and their employees to complete a specific project that helps to build an employee's 'personal brand'.

This corresponds with Deloitte's report, which suggests that employee engagement is about leaders understanding that employees need to be considered as 'volunteers to be re-engaged and re-recruited each day'.

Effective business leaders fully understand that they are only as good

Research based on engagement levels within the **27 countries** : that accounted for **80% of global GDP in 2011**

The report suggests that countries with **higher employee engagement** have

£25.8bn higher GDP
(when scaled to the size of the UK) than the UK does.

Source: Bruce Rayton, *Employee engagement taskforce, Nailing the evidence: workgroup* (2012)

as their people, and that they will only be able to lead to the best of their ability by engaging with, and listening to, these valuable assets.

As **Jane Griffiths**, *Company Group Chairman at Janssen EMEA*, says: "The more that you feel that you're heard, the more inclined you're going to be to bring your ideas forward. But, you as a leader, have to create that environment.

You don't create an environment where only the senior leaders have the franchise on good ideas."

Jane adds: "[My job is to] motivate, inspire and engage and so a lot of my time is spent thinking [about whether] the company [is] fully engaged. Are we doing things that are disengaging people? What can we do to improve that?" she says.

The right tone helps boost productivity

Setting the right workplace tone is key to creating the right environment. A strong leader will set a tone that motivates, inspires and engages their staff, not least because they understand how improving employee engagement can boost productivity levels and, consequently, the bottom line of their business.

“I think all leaders are responsible for setting the tone of the company, whether that’s by their personality to begin with, but then later by their deeds and by what they’re seen to promise and then seen to deliver against,” says **Joanne Thompson**, *Chief Executive Officer at Penrillian*.

“I think you set the tone from the outset and you have to be willing to be measured by it,” she adds.

Engagement and economic success

The report, *Employee engagement task force, Nailing the evidence: workgroup*, by Bruce Rayton (2012) cites research by recruitment services company Kenexa to show the impact of improving employee engagement levels on a national basis.

The research is based on the engagement levels within the 27 countries that accounted for 80% of global GDP in 2011. The report suggests that countries with higher employee engagement have £25.8bn higher GDP (when scaled to the size of the UK) than the UK does. The UK had an employee engagement level of 3.19 out of 5.0, and it is suggested by improving its engagement level to just 3.55, the UK could start to close this GDP gap of **£25.8 billion per year**.

Leaders must embrace collaboration

A strong leader will welcome collaboration with their staff.

As **Tony Cocker**, *Chief Executive Officer of E.ON UK*, says: “Keeping that

Source: *How employee engagement drives growth*, Gallup (2013)

Key leadership qualities that drive engagement

1. **Values:** Do you live and breathe your values?
2. **Vision:** Is your vision statement supported by the direction the business is going?
3. **Accountability:** Is accountability in your organisation a shared responsibility?
4. **Competition:** Do you steer all competition toward your competitors, and avoid it internally?
5. **Efficiency or Effectiveness.** Focusing only on efficiency can mean missing opportunities.
6. **Collaboration:** Do you cultivate collaboration so that teamwork can flourish?
7. **Servant Leadership:** Does your management team see themselves as servants of the employees?
8. **Continuous Improvement:** Do employees readily provide suggestions to improve the business?
9. **Emotional Intelligence:** Mastering this will garner empathy, which is the foundation of an engaged workforce.
10. **Open Door Policy:** Do you truly have an open door policy and is it actively encouraged?

openness, that collaboration, making sure there are no silos [and that] we’re all singing from the same hymn sheet, I think is absolutely critical.”

Collaborative leaders understand the importance of providing regular feedback to employees to help motivate them and unlock their discretionary effort.

Discretionary effort should not drive leaders

Paul McNamara, *Group Chief Executive at IFG Group Plc*, explains: “As a leader, I think there are two things that are important to driving discretionary effort. One is removing distractions and hygiene issues that employees have, whether that’s how IT works,

or the environment, or whether the office is a good place to be, [or whether] there’s coffee and food.”

“[The second thing] is to make sure that there’s really strong feedback, so when people are doing a good job [and] when they are delivering results, they need to know that. That in turn motivates additional discretionary effort and [leads to] employees thinking about how they can continue to deliver that success.”

But a desire to unlock discretionary effort should not be the driving force behind leaders’ efforts to motivate staff.

As **Matthew Dearden**, President, Europe, Clear Channel, says: "I don't think you come in [to leadership] with an idea in your mind of 'how do I get discretionary effort', because I think that puts you back to a text book, head-driven view of, 'well, how can I manipulate these people to do X, Y or Z'"

Rather, the role of a leader is to coach employees to exceed their own expectations about their performance and to help them excel in their role.

"The first responsibility is for myself, to be the best leader I can be today and through that, help our people think, 'Well, how can I be the best person I can be?'" says **Matthew**.

"I think the biggest single obligation of a leader is to get the very best out of their people, and that usually means getting people to achieve more than they thought they could [and] do things they didn't think they could do," he adds.

Accepting failure is key

Accepting inevitable failure should be part of providing this support.

For Matthew Dearden, the failure of any attempt by an employee to try something new should be considered a triumph if it was in essence a good idea that they had executed well and modified or abandoned at the first sign of failure.

"As a leader, you have to be prepared to celebrate that triumph and say 'great, you went for it, blimmin' well done. What have you learnt? [Now] let's try the next one,'" he says.

Succession planning

Such progressive leadership is at the heart of the succession planning currently underway in many organisations.

Progressive leaders are focused on identifying and nurturing high performing employees, or those with

Of 49 publicly traded companies that Gallup looked at, those with an average of:

9.3

engaged employees
for every actively
disengaged employee



..... experienced

147%

higher earnings per share
compared with their
competition in **2011-12**

Source: William L. Bouffard, author of *Puttin' Cologne on the Rickshaw: A Guide To Dysfunctional Management And The Evil Workplace Environments They Create*. (CreateSpace, 2012), published on Monster.com

high leadership potential, through targeted experiences rather than classroom learning, according to the Deloitte survey, *Global human capital trends, The New Organisation, Different by design*, (2016).

In fact, 82% of respondents polled for the survey believe that leadership is either 'important' or 'very important', but just 11% feel confident in their ability to build millennial leaders.

Leaders needs to work harder

Leaders need to work harder than ever to engage with employees and understand what motivates them and engages them in their business.

A Gallup research paper, *How employee engagement drives growth*, (2013), highlights the phenomenal impact of an engaged workforce.

In the sample of work units Gallup studied, those in the top quartile in employee engagement outperformed the bottom-quartile units by 10% in

customer ratings, 22% in profitability and 21% in productivity.

Further, of 49 publicly traded companies that Gallup looked at, those with an average of 9.3 engaged employees for every actively disengaged employee in one year experienced 147% higher earnings per share compared with their competition in the following year.

Engagement is valued over pay

Progressive business leaders understand that only an employee value proposition that places more emphasis on engagement levels than lucrative pay deals will help to boost productivity levels and, therefore, the financial performance of their business.

Long gone are the days when a pay cheque was enough to engage and motivate staff.

Leadership behaviours for building trust

Leaders set the tone of the company through personality, deeds and delivering against promises. Building this trust is a key part of how leaders drive engagement.

Recommendation	Description
Behavioural consistency	Behaving consistently over time and situations to increase predictability
Behavioural Integrity	Consistency between words and deeds, or 'walking the talk'
Sharing and delegation of control	Engaging in participatory decision-making with followers
Communication	Communicating in a way that involves accurate information, explanations for decisions and openness
Demonstration of concern	Showing consideration, acting in a way that protects employees' interests, not exploiting others
Consulting team members when making decisions	Engaging and debating, sharing views and perspectives, ensuring all parties have the opportunity to share their views
Communicating a collective vision	Visioning future scenarios and sharing plans to realise the vision, working with the collective to build consensus and create a future in line with the vision
Exhibiting shared values	Behaving in line with shared values and beliefs

Source: Whitner et al 1998, Gillespie and Mann, 2004 as adapted in *A duty to care, Evidence of the importance of organisational culture to effective governance and leadership*, Chartered Institute of Personnel and Development, July 2016.

In Summary

So in summary, what have we learned?

1. There is a clear and powerful link between happy and engaged employees and an organisation's productivity
2. If every organisation in the UK improved their productivity, this would positively impact the national GDP
3. The business of employee engagement does not solely reside within the confines of the HR department
4. Organisations with high employee engagement deliver higher stock returns
5. To achieve high levels of engagement, the drive, vision and commitment must come from the top of the organisation – leadership is critical
6. The easiest and most effective way of quickly improving the happiness and engagement of employees is to recognise performance – catch people doing a great job and tell them 'Thank you'

To watch each of the interviews with the business leaders featured in this report please visit personalgroup.com/ukplc

Contributor Biographies



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Justin Ash

*Chief Executive Officer at
Oasis Dental*



Justin joined Oasis in 2008 as Chief Executive Officer, shortly after it de-listed. Since then Oasis has grown into the UK's first national branded dentistry provider.

Now with over 310 practices, Oasis serves both NHS and private patients, and has grown successfully through new builds and expanding NHS delivery through strong commissioner relations. It has also developed a branded 'value' offering for independent patients.

In 2013, Justin led the sale of Oasis from Duke Street Capital to Bridgepoint at a value of £185m, which highlighted the successful growth story that Justin and his team has achieved. In 2014, Oasis acquired Smiles Dental and Apex Dental Care.

Prior to joining Oasis, Justin was Managing Director of Lloyds Pharmacy, where he built the business to 1750 outlets with a strong health and retail focus. He has held senior positions in the service and retail sector including General Manager of KFC in the UK and Ireland, and Commercial Director of Allied Domecq Spirits and Wines Europe, as well as spending five years as a Consultant with Bain and Company, strategy consultants, in their London and Paris offices.



Paul Budge

*Managing Director at Bunzl
Continental Europe*



Paul became *Managing Director, Bunzl Continental Europe*, based in The Netherlands in April 2016. The business area has an income of £1.3bn with 42 operating companies in 13 countries. Paul joined Bunzl in 2001 as a Divisional Managing Director, becoming Managing Director for Bunzl UK & Ireland in May 2009, where he had six MDs reporting to him.

Paul has a lot of experience in M&A across a number of countries and of varying size and is very experienced in the crucial area of post-merger integration. Paul has lead the project to explore Bunzl entering China.

Paul is originally from South Africa, where he qualified as a chartered accountant and worked for Price Waterhouse and then SABMiller, before

immigrating to the UK in 1994. Married with two daughters, Paul's interests include golf, skiing, running and watching most sports.

Bunzl is a FTSE 100 company and leading specialist distribution Group supplying a broad range of non-food consumable products which are essential for its corporate customers to operate their businesses, but which they do not actually sell.

Active in 29 countries, Bunzl partners with both suppliers and customers in providing outsourcing solutions and service-oriented distribution. Its main customer markets include grocery, foodservice, cleaning and safety, non-food retail and healthcare.



Tony Cocker

Chief Executive Officer
of E.ON UK



Dr Tony Cocker was appointed *Chief Executive of E.ON UK* in September 2011. His previous role was Chief Executive Officer of Düsseldorf-based E.ON Energy Trading since the company's inception in 2008.

Tony joined the business after eleven years with E.ON UK, where he served on the Board and held a number of senior roles including Managing Director of the trading and generation businesses and head of corporate strategy.

He joined E.ON UK (then Powergen) from Bass plc, the brewery company.

Tony is also non-executive director of Go ON UK, a cross sector partnership which promotes the use of digital technologies in the UK.

Tony has an MBA from IMD in Lausanne and a D.Phil in Mathematics from Lincoln College, Oxford. He is married with two children and enjoys skiing and walking.



Steven Cooper

Chief Executive Officer of
Personal Banking Barclays



Steven is the *Chief Executive of Barclays Personal Banking for both UK & Europe*, responsible for all aspects of retail banking for over 17m customers.

This can range from the most basic of banking services to sophisticated products, from branch banking to the latest digital technology, often in partnership with others.

Of particular importance to Steven is how to help people become comfortable with changing technology and how to use and protect data.

Prior to his current role, Steven led UK Business Banking for Barclays and held senior Retail and Commercial banking roles in the UK, Africa and India.

He holds an honours degree in Financial Services and is a graduate of the General Management Programme at Harvard Business School.

Steven is married and lives in West London with his family.



Jonathan Cowan
Vice President at Sage Europe



Jonathan at the time of the interviews was *Vice President at Sage Europe*. He worked at Sage, starting in January 2011 as a Commercial Product Manager, to then progress to become a Category Manager, Head of Commercial Management and then finally the Vice President of Sage Europe in 2014.

With 19 years experience in technology businesses, Jonathan has developed numerous skills covering a range of disciplines from product marketing, product management, brand management, proposition development through to strategy and planning.

His roles throughout the years have involved bringing propositions to market robustly, building effective relationships, simplifying the complex, and putting the customer at the heart of things, without forgetting the economic fundamentals.



Matthew Dearden
President at Clear Channel Europe



Matthew at the time of the interviews, was *President of Clear Channel Europe*, and was a member of the Global Leadership Group for leading out-of-home media owner Clear Channel Outdoor.

He was previously President Eastern Europe, Chief Executive of Clear Channel UK & Ireland; and international Sales Leader.

Matthew joined Clear Channel in August 2010 as Chief Executive, Clear Channel UK. Before joining Clear Channel, Matthew was Marketing Director for BT's Consumer business where he was responsible for acquiring, keeping and in-life marketing to over 10m customers. During his 6 years at BT, Matthew also held the roles of Director of Voice Services, Chief Executive BT Directories and General Manager of Directory, Operator & Emergency Services.

Matthew held several roles in digital TV and telephony at Telewest Broadband, including Director of Telephony and Change Management. Matthew joined Telewest from Procter & Gamble, where he started his career as an Assistant Brand Manager.

Matthew was born in Birmingham and grew up in Herefordshire, Somerset and New Zealand. He juggled studying Astrophysics at Edinburgh University with his duties as editor of the student newspaper and vice-president of the Students' Association. He lives outside London with his wife and children, still loves the countryside and mountain air and, when he has time, indulges in his passions for NFL, computing, gadgets and current affairs.



Martin Dodd

Managing Director of Telephone Banking at Lloyds Banking Group



Martin was appointed as the Managing Director for Telephone Banking at Lloyds Banking Group in July 2015. He has worked and progressed his role within the company since 2008.

Tasked to bring together colleagues to create a Group Wide Telephony business, Martin's customer-centric approach has led to significant progress in our strategy to solve customer queries at first touch. His ambitious vision to make the Group the industry leading customer service organisation in the UK remains firmly in place, as Connect expands its contact technology offering, transforms service levels and integrates colleagues.

Since joining Lloyds Bank in 1987, Martin

has held a variety of roles and accumulated a breadth of skills and experience across the Group. From working frontline in branch to transforming his team as a Regional Director, Martin has a proven record of delivering success in adverse conditions.

Most recently, he led the transformation of Complaint handling across the Group as part of his Directorship of Group Customer Services.



Jane Griffiths

Company Group Chairman at Janssen EMEA



Jane is Company Group Chairman, Janssen EMEA, the pharmaceutical division of Johnson & Johnson (J&J) and holds responsibility for over 100 countries.

After completing a PhD in Biochemistry at the University of Aberystwyth, Jane joined J&J, holding sales and clinical research associate positions before moving into marketing and the commercial side of the business, holding positions of increasing responsibility on a UK, European and global level.

Jane is a member of the EFPIA Board, chairwoman of the PhRMA Europe Committee, co-chairwoman of the EFPIA Executive Committee,

a steering committee member of the J&J Women's Leadership Initiative, a board member of the J&J Corporate Citizenship Trust in EMEA, chair of the J&J Global Pharmaceuticals Sustainability Council and member of the EMEA Healthcare Businesswomen's Association (HBA) Senior Advisory Board.



Paul McNamara

Group Chief Executive of IFG Group Plc



Paul at the time of the interviews was the *Group Chief Executive of IFG Group Plc*, a diversified financial services company with full market listings in London and Dublin.

The Group provides a range of financial solutions, including investments and pensions administration through the James Hay Partnership and independent wealth management through its subsidiary Saunderson House.

Paul was previously Managing of Director of Insurance & Investments in Barclays. Before joining Barclays, he's worked for Standard Life where he was Managing Director - Group Strategy and Corporate Finance at the PLC level.

Prior to that he was Executive Director for Marketing and Distribution at HBOS Financial Services, where he led product development,

pricing, marketing and distribution management for long-term savings and investments. He was also Group Strategy Director at AXA UK, working across life, investments, general insurance and healthcare.

Paul's earlier experience includes over 10 years in McKinsey & Company working with financial institutions on performance improvement, strategy and organisational development both in the UK and internationally.

He started his career in Dublin where he trained as an actuary and held senior roles at Bank of Ireland, including as part of launching the group's successful bancassurance operations.

Paul holds an MBA from City University in London, is a Freeman of the City of London and a Liveryman of the Actuaries Company.



Joanne Thompson

Chief Executive Officer of Penrillian



Joanne has 25 years of sales & marketing and operational delivery experience in global technology, and technology enabled, businesses. She is a specialist in building and marketing complex technology services as products, capable of being sold by either non-specialist sales staff, or via indirect channels.

She is currently CEO of Penrillian. Previously Joanne was Managing Director of the Travel, Technology and Operations business at Serco plc, Senior VP for Sales & Service in Europe at BT plc; where she integrated 6 ex-JVs into a pan-European sales and service organisation.

Prior to that, she established the Professional Services division and services at EQUANT in the lead up to its IPO.

Joanne started her career as a tax consultant with Coopers and Lybrand and Arthur Andersen in London, after graduating with a degree in Politics and International Relations from the University of Lancaster. She obtained her MBA from Cranfield Business School. She spends her spare time watching rugby or football, going to the opera and walking her dogs.

To watch each of our interviews with the
business leaders in this report visit

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Cheers



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