



Human Performance

# Harnessing the power of an engaged workforce

By Susan Cantrell and James M. Benton

Keeping employees engaged and aligned with the needs of the organization is the responsibility of executives at all levels. And for good reason: New research shows that the more engaged the workforce, the more innovative, productive and profitable the company.



Just how committed are your people to your organization's goals, and how motivated are they in their quest to meet those goals? If your organization is like most today, you have some challenges on your hands when it comes to employee engagement.

Difficult economic times tend to do that: Companies in crisis mode often focus more on the crisis than on the people working to overcome it. Yet once the storm has passed and they turn to ask their employees, "How are you doing?" they may not like the answer. Indeed, a recent *Gallup Management Journal* survey of more than 1,000 US employees found that 71 percent describe themselves as either disengaged or actively disengaged from their work.<sup>1</sup> And a recent Accenture survey of more than 500 full-time middle managers in the United States revealed that one in five is either currently looking for or plans to look for another job. In other words, one crisis appears to have led to another.

The stakes here are considerable. A fully engaged workforce can pay big dividends. In fact, research has shown that the more engaged the workforce, the more innovative, productive and profitable the company.<sup>2</sup>

But can organizations actually take specific steps to increase the engagement of their workforce? Yes. With a proper understanding of what employee engagement really means and how organizations can positively

influence engagement, they can dramatically improve how their companies perform. And by getting their workforces up to speed fast, they can gain a significant advantage over the competition.

### Engagement and high performance

Few decision makers doubt the importance of committed employees to business success. A recent survey of business executives found that 72 percent of these leaders consider employee engagement to be critically important to the competitive success of their companies.<sup>3</sup> Participants in the 2004 Accenture High-Performance Workforce Study ranked engagement as one of their organization's top three capabilities.

We're not talking about one of those fuzzy "I'll know it when I see it" concepts. Not anymore. Thanks to implementations of a robust workforce performance analytic tool, the Accenture Human Capital Development Framework, we can point to specific qualities of the workforce that not only define engagement precisely but also suggest which organizations are more likely to achieve high performance. (For more information on the framework, see "Making the right investments in people," *Outlook*, October 2004, and "How to boost your workforce performance ROI," *Outlook*, May 2003.)

Assessing the engagement of a worker, or a workforce, requires measuring five important characteristics.

<sup>1</sup> "Getting Personal in the Workplace," by Steve Crabtree, *Gallup Management Journal*, June 10, 2004.

<sup>2</sup> Analysis of implementations of the Accenture Human Capital Development Framework has shown a strong relationship between an organization's innovative capability and employee engagement. Other studies have consistently shown the link between employee engagement and business results. Most notably, the Gallup Organization's data on employee attitudes strongly suggest a link between those organizations in which employees feel more engaged and satisfied in their work and employee turnover, profitability, productivity and customer loyalty.

<sup>3</sup> The survey was administered as part of implementations of the Accenture Human Capital Development Framework in 2003–2004. These implementations were sponsored by SAP and Accenture.

- **Satisfaction.** Satisfied employees are ones whose expectations are met—expectations having to do with their work and their organization, and also with the supervisor to whom they report. Satisfied employees are those who do not feel frustrated in the pursuit of their personal goals.
- **Understanding.** Engaged employees are focused on more than their own well-being or satisfaction. **Highly engaged employees have a good understanding of their own organization’s strategic direction and objectives.**
- **Contribution.** This characteristic takes understanding one step further. Not only do engaged employees understand the strategic direction of the organization; **they also are clear how their individual work contributes directly to the execution of that strategy and to the company’s success.**
- **Alignment.** Engaged employees **feel that their personal values align with the values and mission of their organization.** If you draw a Venn diagram with two circles—one representing individual goals, the other representing organizational goals—there will be a healthy amount of overlap.
- **Retention.** Unlike the other characteristics, this is an external metric. Still, employee retention is a vital measure of the benefits of engagement. Sure, even the most engaged employees leave their companies, and employees who are not engaged stay around (often to a company’s sorrow). But retention is nonetheless a crucial measure of engagement.

But the most important lesson to take away from this more complete characterization of engagement is that all these qualities need to be balanced

against one another. No single quality, by itself, provides a full understanding of the subject. Indeed, focusing on one at the expense of the others could have unexpected negative effects.

Take “satisfaction.” There is abundant anecdotal evidence that employee satisfaction can be a poor indicator of better performance if it is not coupled with expectations to produce results.

For example, the workforce at one major manufacturing company we studied was, if possible, too satisfied. Employee satisfaction scores were high, but engagement was low. Complacency, an unhappy byproduct of the otherwise happy news about strong corporate growth, ruled the day. The challenge of “overly satisfied” employees was definitely on the minds of senior management, including the CEO, who told us that **“one of the most important things we can do to achieve business results is to constantly remind our people that they cannot be complacent. We’ve gotten a little fat. People need to accept the fact that even though we have been very successful, we will need to change and continually improve to stay ahead.”**

### Investing intelligently

Given this understanding of employee engagement, what programs can help organizations achieve higher levels of engagement? To determine which specific practices are the most effective, we analyzed data from our implementations of the Accenture Human Capital Development Framework. **We found that organizations that invest intelligently in people processes and programs have the most engaged workforces;** technology can also play an important role in supporting engagement (see page 62).

We then moved beyond this analysis of the general processes that con-

One way to create a sense of belonging and impact is to tie rewards to business results.

tribute to higher levels of engagement to a more granular level of detail. We performed statistical analyses to determine the specific activities or attributes within each process that account for the most variation in employee engagement. **The result: a list of the top 10 ways to positively influence employee engagement, ranked in order of their increasing impact on engagement scores.**

### 1. Rewards and recognition

**Ensure that recognition and rewards are clearly and consistently tied to job performance and overall business results.**

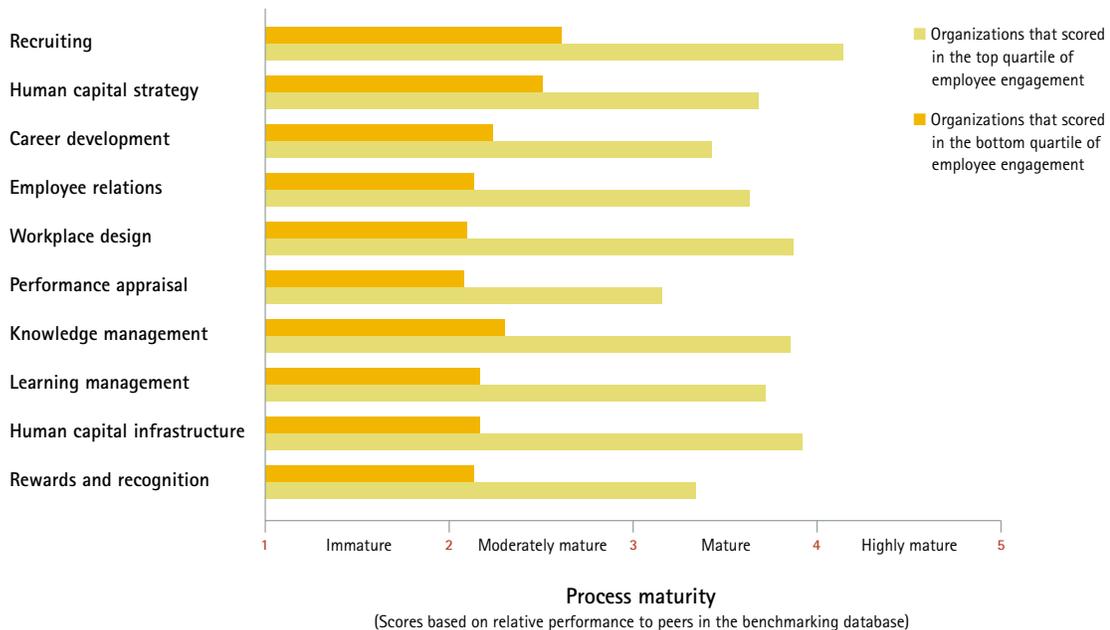
Perhaps not surprisingly, the No. 1 contributor to high levels of employee engagement is related to compensation. But research suggests it is less

about the amount of compensation and more about how compensation and other types of rewards and recognition are used to help employees feel like valued contributors. **A sense of belonging is vital to engagement—critical to this are the psychological rewards of ownership, inclusion and the conviction that what an employee does matters to the achievement of organizational goals.**

**One way to create a sense of belonging and impact is to tie rewards to business results. Our research discovered strong correlations between employees whose rewards and recognition are tied to individual performance and business results, and the degree to which rewards and recognition motivate them to maintain or improve their job performance.**

## The processes that matter

Managers and executives at all levels can positively influence the engagement of their employees by focusing on 10 key human capital processes. By improving employee engagement, organizations can also improve innovation, productivity and profitability. **As the chart below shows, organizations with more mature human capital processes in 10 key areas had the highest levels of employee engagement.**



SOURCE: ACCENTURE ANALYSIS

Take, for example, American Standard Companies, one of the organizations in our study. This leading maker of air-conditioning systems, plumbing products and automotive braking systems has tied rewards to the achievement of financial results and Six Sigma targets. At many top performers in our study, executives are also creating individual performance recognition programs that go beyond such traditional targets as sales or revenue.

For another example, Raymond James Financial Services and Raymond James & Associates have created a formalized top achiever program to recognize individual contributions beyond financial results—managers may, for instance, reward employees for superior customer service or innovative ideas. Or take Briggs & Stratton Corporation, where executives encourage managers to recognize smaller, performance-based achievements such as project completions. Similarly, SAP America, another of the study's top scorers in employee engagement, has developed a toolkit for managers that includes ways to recognize employees for values-based performance, ranging from a simple peer-to-peer expression of thanks to a more formal public award program for excellence. The information can be accessed online and delivered instantly.

## 2. Human capital infrastructure

*Ensure that your human resources systems provide managers with the data they need to perform their work in a timely, accurate and consistent manner.*

**Engaged employees are provided by their organizations with the resources they need to effectively do their jobs.** One important resource for today's managers is accurate information and

data regarding their people. Organizations that invest wisely in human capital infrastructure processes can see the payoff in more ways than one.

A financial services organization in our study with a highly engaged workforce has spent years improving its human capital infrastructure to provide its managers with more integrated, accurate human resources data. The company has undertaken outsourcing and shared services, and has high scores in vital transactional activities like payroll, benefits administration, and time and attendance tracking.

Company executives now believe that HR has a solid infrastructure in place that eliminates redundancies. This strong focus on information systems and on streamlining the HR transactional processes means the company now does a better job of providing managers with the information they need to perform.

## 3. Learning management

*Provide the learning opportunities needed for employees to excel at their current jobs and to grow into new ones.*

**Organizations that perform the learning management process well—a process that includes having employees meet regularly with counselors to review their learning needs and develop career plans—have significantly higher employee engagement scores than organizations that perform this process poorly.** (For more on corporate learning organizations and high performance, see page 66.)

Employees in the distribution division of South African utility Eskom—the organization that obtained the second-highest engagement scores in our study—are far more likely to feel they are getting the training they need to excel at their current jobs, and pre-

**If employees are to contribute effectively to the mission of the organization, they must have access to its latest, best thinking.**

pare for future ones, than their counterparts at organizations with average engagement scores. Eskom employees also meet with managers or career counselors to discuss training more often than employees at the average company do. Eskom places a heavy emphasis on training; it spends \$1,165 on training per employee per year, compared with a benchmarking average of \$578 per year.<sup>4</sup>

Although Eskom executives acknowledge that current training is not as aligned with the organization's business goals as it could be, they embrace the importance of training to deliver the skills the company needs to succeed and to ensure that employees are motivated and engaged in their work. In fact, two out of the four main business objectives set by CEO Thulani Gcabashe are related to skills development.

"In order to transform our business model to compete in the deregulated energy market, it is imperative that we hone our information technology, engineering, teaming, leadership and project management skills to manage our large capital programs efficiently and effectively," explains Gcabashe. "In addition, it is important for us to be good corporate citizens, and to this end we have a number of programs in place that boost engagement by enabling disadvantaged employees to gain literacy and numeracy capability."

#### 4. Knowledge management

*Provide employees with the means to find the knowledge and resources they need to perform optimally.*

If employees are to contribute effectively to the mission of the organization, they must have access to its latest, best thinking, and they must be able to quickly locate the best

people with whom to collaborate to meet customers' needs, manage projects or think creatively about better ways to do things.

The company with the most effective knowledge management process of all the organizations in our study—a professional services consulting firm—provides employees with access to web-based tools for accessing and sharing knowledge capital. The company also trains employees in how to use the tools, records how often employees contribute information to knowledge databases and determines the knowledge requirements for different types of employee roles.

Established communities of practice enable groups of employees with common interests to get together to share knowledge, solve problems and informally collaborate across functional boundaries. The company has established rewards and incentives to encourage employees to participate in these communities.

#### 5. Performance appraisal

*Provide frequent, direct performance appraisals.*

Some of the resistance to conducting employee appraisals springs from the very human and admirable impulse to be kind—even at the risk of being less than entirely candid or truthful. It can be difficult to tell people they are not performing well.

Still, most employees want to succeed. So kindness is also served by helping them improve in deficient areas; negative feedback, if offered

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<sup>4</sup> This number, published by the Saratoga Institute, represents the average spent on training per employee across 302 companies in the year 2003. The majority of the companies are based in the United States.



constructively, can still be a sign that management cares about an employee's advancement. And, of course, positive performance appraisals reinforce and reward good behavior, and are an important motivator. According to framework analysis, organizations that perform this process well have 52 percent higher employee engagement scores than organizations that perform it poorly.

Some companies are developing best practices in this area. Briggs & Stratton, for example, is working to more directly link performance reviews to organizational strategy. More frequent employee appraisals allow the company to more effectively reinforce positive behavior patterns and discourage other behaviors that are not helpful to the employee or the organization. Before meeting with a supervisor for a performance review, employees complete a discussion guide, which asks them to reflect on how they've contributed to helping the organization achieve its strategy.

It's human nature to avoid conducting appraisals, so enforcing the company's performance review policy is vital. Briggs & Stratton requires supervisors to complete appraisals at least once a year. According to Todd Teske, president of the power products group, "We have to identify the key result areas of our strategy that are measurable in someone's performance. I think this is perhaps the most important way to get my people engaged and to elevate the performance of my business."

## 6. Workplace design

*Create a physical workplace environment conducive to high performance.*

Executives do not typically consider workplace design to be a significant influence on employee engagement and morale. Yet our research indi-

cates that organizations that create the right kind of workplace environment have significantly higher employee engagement scores than organizations that do not.

Many organizations today are experimenting with using workplace design to improve engagement and overall workforce performance. For example, advertising agency Wieden + Kennedy (famous for its "Just do it" Nike commercials) provides its most important workforce—its "creatives"—with a physical environment that is conducive to sparking ideas.

In its headquarters building in Portland, Oregon, the company may bring in design professionals, writers, dancers or performance artists to share its work space and enhance the creative atmosphere. It chose to locate the building in a neighborhood with many galleries, theaters and design-oriented retail shops such as furniture stores. More important, it plans the use of space to encourage creative interaction. The agency designed four "quads"—neighborhoods of about 30 people that surround a guest theater and that are encouraged to engage in creative competition with one another. To promote the social interactions that often stimulate new ideas, the company also provides employees with such amenities as a coffee bar, a basketball court and plenty of lounge areas.

## 7. Employee relations

*Communicate details about major organizational changes, and initiate programs to reduce the negative impact of such changes on morale and productivity.*

Organizations that do a good job of managing the employee relations process have significantly more engaged employees than their low-

Negative feedback, if offered constructively, can still be a sign that management cares about an employee's advancement.

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## Engaging technologies

Information technology plays a key role in supporting many of the factors that lead to a more engaged and productive workforce (see story). Yet few organizations are adequately harnessing the potential power of this tool to enhance human performance. In fact, fewer than 10 percent of respondents to the 2004 Accenture High-Performance Workforce Study said they were using technology "exceptionally well" to support human resources and training activities.

There are a number of technology-enabled solutions either available today or under development with the potential to reverse this situation and help to dramatically improve employee engagement and effectiveness. Many of these solutions have been developed at Accenture Technology Labs, the Accenture research and development organization.

### Training, development and support

Engaged employees have constant access to meaningful opportunities (see page 66), although this doesn't necessarily mean classroom training. In fact, sometimes the best kind of training is available just in time, whenever and wherever an employee needs it. Consider one emerging technology solution, the *Intelligent Sales Suite*.

When retail salespeople need information to answer customer inquiries, they need it immediately. The Intelligent Sales Suite uses speech-recognition technology to "listen" to a conversation between a salesperson and a customer. It recognizes what kind of question the customer is asking, and responds to key words by displaying information on a tablet computer carried by the salesperson. The salesperson also wears a Bluetooth earpiece through which the Intelligent Sales Suite can "whisper" sales points or interesting information about the product.



In addition to delivering better customer service, this solution increases the learning effectiveness of the experience for the employee, since the application of new knowledge happens immediately and is also immediately reinforced. It shortens the learning curve for newly hired salespeople, and also allows the company to move workers around from one department to another when necessary. Employees benefit, customers benefit and the company benefits because the application cuts training costs and improves service quality.

### Strategic decision making

It's not only employees who need performance support. Executives and decision makers need it, too, to make sense of the terabytes of data flowing into and out of organizations today that will be petabytes tomorrow as information technology is embedded deeper into the world of objects around us.

Consider one prototype, now under development at Accenture Technology Labs, that supports strategic decision making by using interactive visualization technologies. Urban emergency centers are expected to be among the first to benefit from this solution.

A touch screen four feet high by eight feet wide allows several users to collaborate and interact as data comes in from various parts of a city—from air quality monitoring stations, from cameras on police cars, from fire trucks and so forth. All people in the room carry integrated tablet computers, allowing them to keep sensitive data and communications private when necessary. Different agencies and offices can link up in real time, watching events on the ground and coordinating their activities appropriately.



Left: The Intelligent Sales Suite uses speech-recognition technology to "listen" to a conversation between a salesperson and a customer. Right: In an urban emergency center, a touch screen four feet wide allows several users to collaborate and interact as data comes in from various parts of a city.

The prototype helps groups make sense out of incoming data and cooperate in forming a response; stereoscopic 3-D screens even allow multiple users to “see” complex physical systems. In addition to emergency response, the solution could be very useful to groups involved in managing the operations of an airline, a manufacturing network, a hospital or any environment where people need to coordinate diverse activities to address rapidly changing circumstances.

### **Knowledge management and retention**

Employees who cannot find the information they need to perform well experience high degrees of frustration. *Enterprise Knowledge Retention*, another solution developed by Accenture Technology Labs, is an integrated toolkit that makes it easy to capture and transfer knowledge.

Knowledge management researchers long ago identified two distinct varieties of knowledge: explicit (the kind found in operating manuals) and tacit (the kind that usually comes only with experience). Enterprise Knowledge Retention uses a combination of technologies to capture and store both kinds of knowledge. For example, if the training covers the preparation of purchase orders, an instructor flips a switch and begins to work through the job while the system not only records the lesson on video but also captures the actual screen activity, recording the application as it runs on the instructor's computer screen. In other words, it stores not only what is done but also how and why it is done.

One disadvantage of traditional approaches to training is that an expert may train a successor, who then trains a successor; with each succession, there is a risk of knowledge being lost. Enterprise Knowledge Retention eliminates that risk by digitally capturing knowledge at the source. The solution makes it possible for knowledge to stay in the organization even after the experts depart. The impending retirement of a generation of baby boomers, and the likelihood of a worker shortage, will make it imperative that organizations harness the potential of technology to increase knowledge retention.

### **The physical workplace**

Finally, consider how some innovative technologies are taking into account the physical environment workers operate in and the kinds of tools they are accustomed to using. One reason many organizations have yet to reap the promised benefits of decades of IT investment is that new systems require workers to change—and people instinctively resist change. A physician making rounds at a hospital, for example, does not usually carry a computer but instead

makes notations on a paper chart with an old-fashioned pen. It's fast, convenient and customary—three powerful advantages over using technology.

The *digital pen* is a dramatic improvement over the simple ballpoint, yet it doesn't require a disruptive change of habit. The digital pen allows a doctor to put all of a patient's information into a database without having to pack a laptop. It looks like an ordinary pen but has embedded electronics that can store time-stamped information. The doctor writes on paper imprinted with a faint background pattern of dots that function something like coordinates on a map; the dots allow the pen to “know” what is being written, at what point, on which form.

The pen transmits the data to a central server via a Bluetooth mobile phone or a high-tech “synching inkwell.” Each pen has a unique identifier so that all information recorded is traceable. Anthem Blue Cross and Blue Shield and Accenture are testing digital pen technology designed to help healthcare professionals capture and send medical claim information digitally. In one test, a group of rural physicians who did not have computers were able to use the digital pen to electronically interact with Anthem without investing their time in a lengthy technology learning curve; claims were also paid two to three weeks faster.

Not only doctors but also bankers, insurance agents and others whose jobs are paperwork-intensive can benefit from applications based on this unobtrusive and undemanding technology. In businesses where paperwork gets handed off repeatedly between departments, or where workers are not usually in an office location, digital pens could dramatically reduce costs—as much as sixfold—by eliminating the paper shuffling without blurring the paper trail.

Effective applications of information technology are those that integrate seamlessly with the work itself. The most supportive technologies are easy to learn, easy to use and allow workers to concentrate on their jobs instead of their tools.

In the end, most information technology is created to support human interaction. The best emerging technologies make it possible for workers to get the information they need, communicate with the people they need to reach, improve their understanding of the customer, and collaborate across borders and time zones. Technology at its best engages employees and immerses them in the richness of work, the workplace, and interactions with fellow workers. New solutions coming to market today are beginning to allow the promise of engaging technologies to finally reach the majority of the workforce.

If compensation and career path opportunities are not consistent, resentment inevitably results.

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scoring peers. Our research suggests that an important part of the employee relations process is communicating and managing change.

According to Bill McDermott, president and CEO of SAP America, “We encourage our managers to over-communicate. We have quarterly TV broadcasts, and anytime our executives travel to one of our remote locations, they are asked to facilitate a town-hall meeting as part of the visit to communicate the organization’s vital priorities and challenges, and listen to what is on the minds of our employees.”

## 8. Career development

*Provide frequent and personalized attention to employees’ career development and planning.*

According to Accenture Human Capital Development Framework analysis, organizations that perform the career development process well have 52 percent higher employee engagement scores than their peers that perform the process poorly. Top performers in engagement have employees who meet with supervisors or career counselors about twice a year to discuss their professional development; low performers have employees who meet less than once a year.

At one division of Raymond James, which recorded one of the study’s highest engagement scores, employees meet with supervisors on average twice a year, compared with the study average of slightly less than once a year. These employees are also more likely to feel that their supervisor has the necessary skills and training to help them plan and develop their careers, and that they have professional development plans

that provide employees with clear guidelines for achieving their goals.

## 9. Human capital strategy

*Ensure that HR programs and policies are consistent and fair for all employees.*

This activity falls under the general category of human capital strategy. An engaged employee can accept organizational meritocracy—higher-performing employees deserve better compensation—but employees expect and deserve a level playing field of opportunity and treatment. If compensation and career path opportunities are not consistent, resentment inevitably results.

Many major organizations do not have consistent HR policies and procedures, and many others have not documented what they do have. When this happens, it can lead to a deterioration of employees’ faith in the organization’s basic fairness.

For example, one executive at a company with low engagement scores explains that “similar jobs in different business units have different career paths and are compensated differently. People thus move freely between business units so that they can make more money for the same position elsewhere.” At other organizations, failure to document policies related to things like the number of vacation days granted per year leads people to shop around for the best answer they can get. Resentment about unfairness is frequently the result.

## 10. Recruiting

*Recruit from a pool of people most likely to be engaged with your organization’s mission.*

Quality always starts with the best materials. It’s vital to select employ-

ees based not only on the skills required for the job but on their cultural fit with the organization. The recruiting process can play an important part in selecting employees who are more likely to succeed in their role and be motivated and engaged in the organization's mission. An important part of that process, our research suggests, is ensuring that managers have the skills and training required to effectively recruit people with the right fit.

At staffing and recruiting firm Spherion, for example, which has achieved high scores in employee engagement in our research, HR executives spend a great deal of time making sure they match the right people with the right jobs. According to Jill Goldstein, vice president and human resources officer at Spherion, "An important part of excellent recruiting is being clear on the competencies, skills and behaviors needed for each job. We have recently implemented behavioral inventory interviews in order to hire people with the right competencies."

### Everyone's job

Think that keeping employees engaged and aligned with the needs of the organization is someone else's job? Guess again. Motivating and engaging employees is not just the job of the HR department; all managers can exert a significant influence on engagement.

Indeed, according to our research, the activities that managers can actively participate in—nearly all of the activities listed in our top 10—turned out to be better predictors of employee engagement than other process attributes that are typically performed only by the HR department. Executives at any level can look at almost all the activities listed in our top 10 and apply them to the way they manage employees to increase engagement.

For example, they can take an active part in communicating business changes and make sure employees have the training they need to access information and knowledge databases. They can discuss HR programs and policies with employees so the policies are not only perceived as consistent and fair but are also supported at the highest levels of the organization. They can recognize and reward employees for individual performance in simple ways: singling out someone at a team meeting, for example. They can help recruit people who are more likely to be engaged in the organization, and they can mentor employees and encourage them to take training. They can help ensure that the work environment matches the needs determined by the type of work employees perform.

These are all parts of a comprehensive whole—a whole that can create a more engaged workforce, one more likely to work creatively and passionately together in the pursuit of high performance. ■

### About the authors

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