

# Executive Action Brief

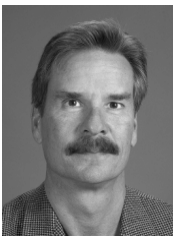
HR, OD & TRAINING

This brief describes the growing phenomenon of the “Engagement Gap,” a spiraling breakdown in employee loyalty and an accompanying unwillingness to give employers effort beyond the minimum. The brief demonstrates that employees once relied on work experience to bolster and enhance personal values and needs, a powerful force that is on the wane. The piece concludes with descriptions of strategies for more effectively engaging employees in business improvement initiatives.

## Closing the “Engagement Gap”

The Key to Business Improvement in the Wake of Declining Corporate Loyalty

By **Bill Kowalski** Leap Technologies, Inc.



The need for greater speed, agility and resilience for improving business performance has never been greater than it is today. Yet the cumulative impact of downsizing, mergers, acquisitions and corporate restructuring over the past 20 years has created an ever-widening “Engagement Gap” that threatens the success of any business improvement initiative, no matter how well funded or strongly mandated from the top.

The engagement gap is the phenomenon of employees withholding discretionary effort and intellectual capital, and it’s occurring at a time when organizations need more of both as they seek to improve performance. This widening gap also has significant implications for corporate leaders implementing business improvement strategies such as Six Sigma, CQI, Lean, ERP, etc.

With more than six million employees lost to downsizing since January 2000, corporations are seemingly forfeiting their claim to the creativity, innovation and productivity that “surviving” employees have traditionally supplied.

Discretionary effort is the amount of effort individuals expend over and above the minimum requirements of their jobs. Intellectual capital is knowledge and ideas that advance the organization’s ability to compete. Fully engaged employees provide the highest levels of discretionary effort and intellectual capital.

In this era of the “knowledge” worker, discretionary effort and intellectual capital are primary drivers of innovation, product and service quality and customer satisfaction. As the global business community battles back from recession, companies must be able to count on employees to provide fuel that fosters creativity, innovation and productivity. That “fuel” is discretionary effort and intellectual capital.

Getting more people to provide discretionary effort and intellectual capital is essential to strategy execution. The risk of not doing so is to become one of the 7 out of 10 organizations whose business improvement strategies fail to deliver promised results.

### The Spiraling Decline of Employee Commitment

Despite the importance of closing the engagement gap, employee commitment continues to decline. In addition to massive layoffs since 2000, recent business debacles like Enron, WorldCom, Tyco and United Airlines further feed the trend. Worsening the gap is resentment among workers over the huge disparity between annual wage increases for workers vs. executives. A serious trust issue has emerged.

Surveys of younger workers indicate they would rather work for themselves or a small company than toil for a large or even mid-size corporation.

### Highlights:

**The Spiraling Decline of Employee Commitment**

**Culture and Values Drive Employee Engagement**

**Popular Business Improvement Approaches Are Not Enough**

**Strategies for Successful Execution**

Aon Consulting reported in a study of about 1,800 workers that employee commitment is declining in every industry, age group, income segment and job classification. Research by the Gallup organization also reported evidence of a downward spiral in employee commitment. Gallup discovered that only 26% of employees consider themselves “actively engaged” in work.

The changing workplace in downsized, reorganized or merged companies often results in periods of chaos, fear, uncertainty and political battles, all contributing to lower levels of employee engagement. With the frequency of this reality increasing, sustaining high levels of engagement is at risk. Too many people are burning out, or are tired of feeling they have little control of their environment.

Many employees today are cynical about their organization’s latest mantra, mission, vision, etc. The infamous “flavor of the month” business initiative, always subject to employee skepticism, is now often dismissed at the start.

With the average tenure of CEOs fewer than five years, most employees have been through multiple organization changes. The cumulative impact is an attitude of “this too shall pass.”

Given these trends, how can a company close the engagement gap and achieve a sustained commitment from its workforce?

The answer lies in first understanding the underlying psychological dynamics on both the organizational and individual employee levels. The solution to closing the engagement gap is simple in theory, but difficult in practice.

## Culture and Values Drive Employee Engagement

On an organizational level, corporate culture and management practices must be based on the guiding principle that a dedicated workforce is the primary driver for long-term customer loyalty and shareholder value. *Fortune* magazine’s survey of the

“Most Admired Companies in America” revealed, “The single best predictor of overall excellence was a company’s ability to attract, motivate and retain talented people”.

It is also essential that employees buy into a company’s mission and values. Company mission statements must have a more noble essence than just increasing shareholder value. Collins and Porras’ book *Built to Last: Successful Habits of Visionary Companies* and Collins’ follow up book, *Good to Great*, punctuate this conclusion.

At the individual employee level, a fundamental driver of employee engagement is whether people can fulfill personal values and goals through work. As people have less control over their work environment, they seek other ways to meet personal needs.

There is a core set of personal values that impact employee engagement, and this dynamic cannot be overlooked when designing improvement strategies. The most prevalent values today are; empowerment, recognition, self-development, creativity, achievement, advancement, economic security (*or wealth*), freedom, integrity, family happiness, enjoying co-workers, and a relationship with a supervisor based on mutual trust and respect.

While the importance of individual values can change, core values are relatively stable aspects of personalities. Ultimately, the more individuals perceive top values being fulfilled through their work, the more “fully engaged” they are. This leads to giving discretionary effort and intellectual capital beyond the minimum requirements.

In organizations where the corporate culture is not a positive factor, many workers simply take the position of “What’s in it for me?” For most employees in these organizations, expending discretionary effort and intellectual capital is more about fulfilling personal values than company goals.

In this era of the “knowledge worker”, discretionary effort and intellectual capital are the primary drivers of innovation, product and service quality and customer satisfaction.



The highest levels of employee engagement occur when employees strongly buy into the company’s culture and mission and their personal values can also be fulfilled through their work.



Because the level of employee engagement will determine the success of most business improvement strategies, getting more fully engaged people into the game requires a new way of thinking about how to implement strategy.



Most business improvement initiatives popular today, from ERP system implementation to Six Sigma, lack effective tools and processes for achieving levels of employee engagement necessary for breakthrough performance improvement.



### **Popular Business Improvement Approaches Are Not Enough**

Employees have clearly gotten the message that “cradle to grave” employment is archaic and their response is equally clear: Since hard work, loyalty and commitment no longer guarantee employment, more and more employees think in terms of “using” the organization for personal gain.

The beginning of the end of loyalty to corporations commenced with the massive layoffs that started in the mid-1980s and continue today. This reality requires leaders to recognize and embrace the importance of developing strategies to increase employee engagement.

The bottom line: The highest levels of engagement occur when employees strongly buy into the company’s culture and mission and their personal values are also fulfilled through work. Getting more fully engaged people into the game of business improvement requires a new way of thinking about strategy.

Organizations trying to get better by using breakthrough or continuous improvement methodologies such as Six Sigma, CQI, ERP or Lean, should design implementation methodologies that tap into personal core values. Enhancing these values, as we have noted, increases engagement.

Take, for example, the decision to implement Six Sigma, which many organizations have embraced as a breakthrough strategy. In order for a company to successfully implement Six Sigma, it must deal with the potential caste system of “haves” (*i.e.* “the Belts”) and “have nots” (*i.e.*, *the rest of the employees*).

While “the Belts” may be fully engaged, they typically represent a small portion of the employee population. If non-Belts are not included in the equation as equal contributors to change, they will feel alienated and even less engaged than before.

Further increasing the challenge is the fact that data-driven, analytical methods such as Six Sigma, although extremely useful when appropriately used,

are not intuitively linked to the core values of most employees. In and of themselves, these methods don’t increase employee engagement.

The answer to the problem lies not with methodologies used to find root causes of problems, but rather in approaches used to implement solutions.

### **Strategies for Successful Execution of Business Improvement Initiatives**

Through our work at Leap Technologies with hundreds of organizations, we have identified a consistent set of principles for closing the engagement gap on business improvement initiatives:

#### **Put the Emphasis on Local Idea Generation**

Employees get engaged when they can share ideas for making things better in their part of the organization. Improvement teams build engagement when they balance objectives globally important to the organization and locally important to the individual. All execution is local!

#### **Simplify the Teaming Process**

The last thing most employees want is a complicated process. Leave statistics to the experts. Focus the rank and file on converting ideas for improvement into action.

#### **Build Confidence by Starting Small**

Improvement teams need a safe haven for challenging the status quo, as well as freedom to take risks. Focusing and empowering employee improvement teams to implement their solutions builds confidence and increases engagement.

#### **Motivate with Faster Decision-Making**

Nothing triggers disengagement more than inaction by management. Teams need to have confidence that sponsor managers will make decisions on good recommendations.

## Speed Everything Up!

Engagement is a perishable commodity. Individuals need to win early and often to stay in the game. Make the team process no longer than 60-90 days. And, have sponsor managers conduct a formal report and recognition meeting to close the loop and ensure employees are recognized for contributions.

Most business improvement initiatives popular today, from ERP system implementation to Six Sigma, lack effective tools and processes for engaging employees. We believe this is the primary reason that only a fraction of the organizations report satisfaction with results.

Whatever tools and methodologies are used to improve performance, they should enable employees to satisfy core values of empowerment, achievement, creativity and recognition. The blueprint for successfully implementing improvement strategies requires addressing underlying organizational and individual dynamics discussed here. For leaders seeking breakthrough results, the answer is not in a single defining action, grand initiative or killer innovation.

The reason is simple: Not much improvement is likely to be achieved and sustained unless the majority of employees are fully engaged.



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## About The Author

The author, Bill Kowalski, has 15 years of management experience, including seven as a Vice President of a Fortune 500 firm. He is the Southwest Regional Partner of Leap Technologies, Inc, a leading provider of change acceleration strategies and tools including its award winning Action Workout™ System. Action Workout increases employee engagement, reduces cycle time to performance improvement and accelerates results from Six Sigma and other improvement methodologies.

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## About Leap Technologies, Inc.

Speed to results is today's competitive differentiator. Our business is packaging improvement tools for fast and effective application by the people who know your business best – senior leaders, managers and frontline employees running the business every day.

Since 1993, we've helped hundreds of executives and their organizations accelerate results with innovative Change Acceleration Tools designed to work at today's speed of business.

Our track record speaks for itself – more than 4,000 successful change projects and millions in documented savings in our client organizations.

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