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Practical Engagement: Using Employee Engagement Data To Drive Business Results

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Introduction

The use of employee engagement surveys has become increasingly common in recent years, not only among large companies, but with mid-size and smaller organizations as well. Their popularity is based on growing evidence that high engagement levels are correlated with a variety of desirable business outcomes, such as employee retention, customer satisfaction, market share, and even stock growth.

From a strategic viewpoint, employee engagement surveys can be invaluable. They help senior leaders develop effective policies and practices related to hiring, compensation, talent management, internal communication and other key organizational issues.

For team-level managers and supervisors, however, the survey results are often less useful. These managers are often frustrated by what they see as a lack of actionable information provided by the data, maintaining that many of the questions are not concrete enough to be applicable at the operational level. Furthermore, they know from experience that employee engagement is generally not a one-size-fits-all proposition. In practice there can be significant variability in how different employee groups are motivated to remain with the company and perform well on their team. This variability is seldom reflected in the reports that managers receive, which tend to highlight priorities for action based on a generalized "model" that may not be optimally effective for every type of employee.

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Finally, there is seldom a clear link between a team's engagement scores and the specific business outcomes for which managers are accountable. High engagement ratings have been shown to relate to better business results, but the evidence for this relationship is generally made by looking at performance across multiple companies and industries. For team managers and supervisors with very specific business objectives, this type of analysis is too broad to be useful.

Thus, to be more effective at the team level, employee engagement reporting should do three things:

- Highlight the variables that are actionable and under the manager's control
- Prioritize actions based on the needs of different employee groups
- Focus on the link between survey results and business outcomes

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In the following case study, we looked at a consumer bank's existing employee engagement data, and "re-tooled" the reporting to make it more useful for regional and branch managers. A key concern in the branches at the time was reducing staff turnover, so we focused on identifying variables that would directly address this outcome. And, given that regional and branch managers oversee various employee groups, including tellers, sales staff and operations supervisors, we examined the survey data to see which questions were most predictive of turnover in each of these categories. For comparison, we also looked at back-office support and corporate employees.

The Situation

The organization, which we will call ABC Bank, was a large financial institution with more than 2,000 branches and about 50,000 employees. Like many retail banks, it struggled with high staff turnover among branch personnel. Annual attrition among tellers, for example, ranged from 25% to 40%, depending on the geographical region and local economic conditions (this was prior to the recession of 2009).

ABC Bank conducted an in-depth employee engagement survey every two years, which included more than 80 questions. Some were of limited value for mid-level and line managers, but there were also a fair number of "actionable" questions that could be considered useful for managers.

The survey results were calculated and reported down to the team level, which included individual bank branches. Managers received reports that showed their team's average ratings for each of the survey questions, as well as an overall engagement index, which was calculated using the survey vendor's proprietary formula. Managers were expected to create an action plan to address any low scores or issues revealed by the results.

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The intention of the action planning was, of course, to increase employee engagement in order to achieve better business outcomes, such as higher retention, improved productivity and lower absenteeism. But the company had never established these relationships using its own data; it relied on the vendor's claims that high engagement ratings were associated with top-performing companies. Thus, no one knew for sure whether the survey data were actually predictive of employee attrition, or of any other relevant metric, at ABC Bank.

To test this relationship, we linked the 41,000 individual records from the prior year's employee engagement survey to the organization's monthly attrition data. Records for those who had left through layoffs, dismissal, retirement or death were excluded from the final data set. We analyzed the remaining data to determine whether there were significant differences in the responses of those who stayed with the company and those who left.

Prior Research Results

Our task was to determine what actions managers could take to increase the probability that their employees would stay. Before reviewing the results of this effort, it is instructive to look at the data that were already being used to address staff turnover in branches.

First, ABC Bank managers historically looked at the lowest rated items on the Employee Engagement survey, with the belief that improving those ratings would raise engagement levels and lead to higher retention. Using this approach, the key to better retention was clear: Increase branch staffing levels and pay employees more. For every branch job category, the survey items that appeared on the bottom of the rating list were the same:

- We have sufficient staff to support customer needs
- I am paid fairly compared to others who hold similar jobs
- My total rewards package compares favorably to other companies
- My incentives and rewards appropriately balance productivity and service quality
- We do a good job of attracting and retaining highly qualified employees

These findings were supported by other research conducted by the bank. For example, a large group of tellers had been interviewed several years earlier and asked to identify factors that would induce them to stay or leave. The primary reasons given for considering leaving the company were 1) poor compensation and earning potential, 2) inadequate branch staffing, and 3) lack of recognition.

In addition, exit surveys were regularly collected from branch staff who had voluntarily left the company. Among personal financial representatives (PFRs), the number one reason for leaving was inadequate compensation. Among tellers, the main reason was that they were returning to school; however, of the reasons given that were controllable by management, the one most frequently cited was inadequate compensation.

One would expect, then, that the predictors of staff turnover in branches - as determined by linking survey answers to actual turnover - would point to issues with pay and staffing levels, and that these issues they would be consistent across all job categories. What we found, however, was very different.

Predictors of Turnover

For each of the 80 questions on the engagement survey, we calculated the difference in average ratings between employees who stayed and those who left within a four-month period. We then ranked the questions for each job category according to the size of the gap. The larger the gap, the greater the association of a particular question with employee attrition.

Not only did we find considerable variation from job to job, but pay and staffing issues were generally not among the main predictors of turnover. Two survey items did appear consistently across job categories, however: "My work gives me a feeling of personal accomplishment" and "My accomplishments are recognized." Other questions that show up as top attrition predictors are quite different among job categories, reflecting issues of managerial support and work conditions that are germane to employees on different career paths.

Two predictors appeared consistently across job categories: "My work gives me a feeling of accomplishment" and "My accomplishments are recognized."

Tellers, for example, appear to be looking foremost for validation that they have made a good employment choice and that they are not wasting their time or abilities. Like many other entry-level employees, tellers have not necessarily committed to a career, and may not identify strongly with their current profession. This point is evident from the survey questions with the largest rating gaps between tellers who stayed and those who left:

- My work gives me a feeling of personal accomplishment
- My job makes good use of my skills and abilities
- I have sufficient opportunities for advancement
- I like the kind of work I do
- My accomplishments are recognized

But what about staffing and pay levels? It turns out that these issues are actually poor predictors of teller turnover. The statement with the lowest rating among tellers, "We have sufficient staff to support customer needs", ranks only 34th in gap size among the survey items. The next lowest rated item, "I am paid fairly compared to others who hold similar jobs", ranks 20th.
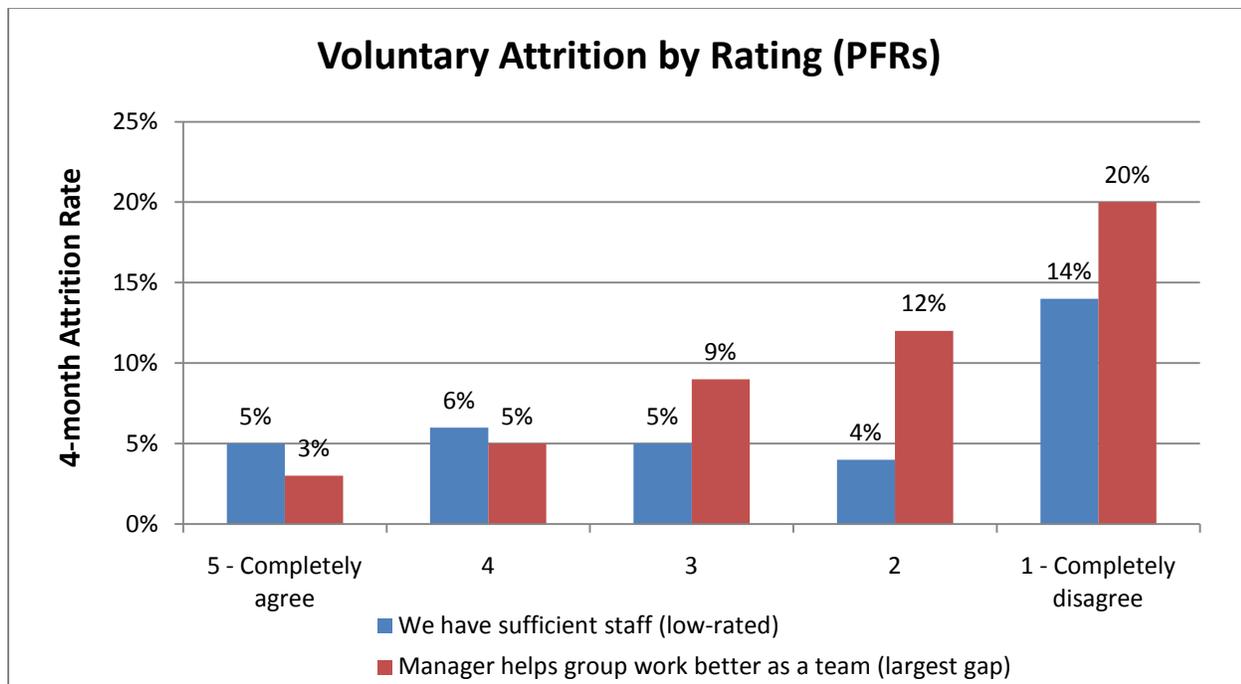
As the following chart illustrates, the survey statement with the largest gap ("My work gives me a feeling of personal accomplishment") is a considerably stronger indicator of teller turnover than the lower-rated statement regarding pay equity:
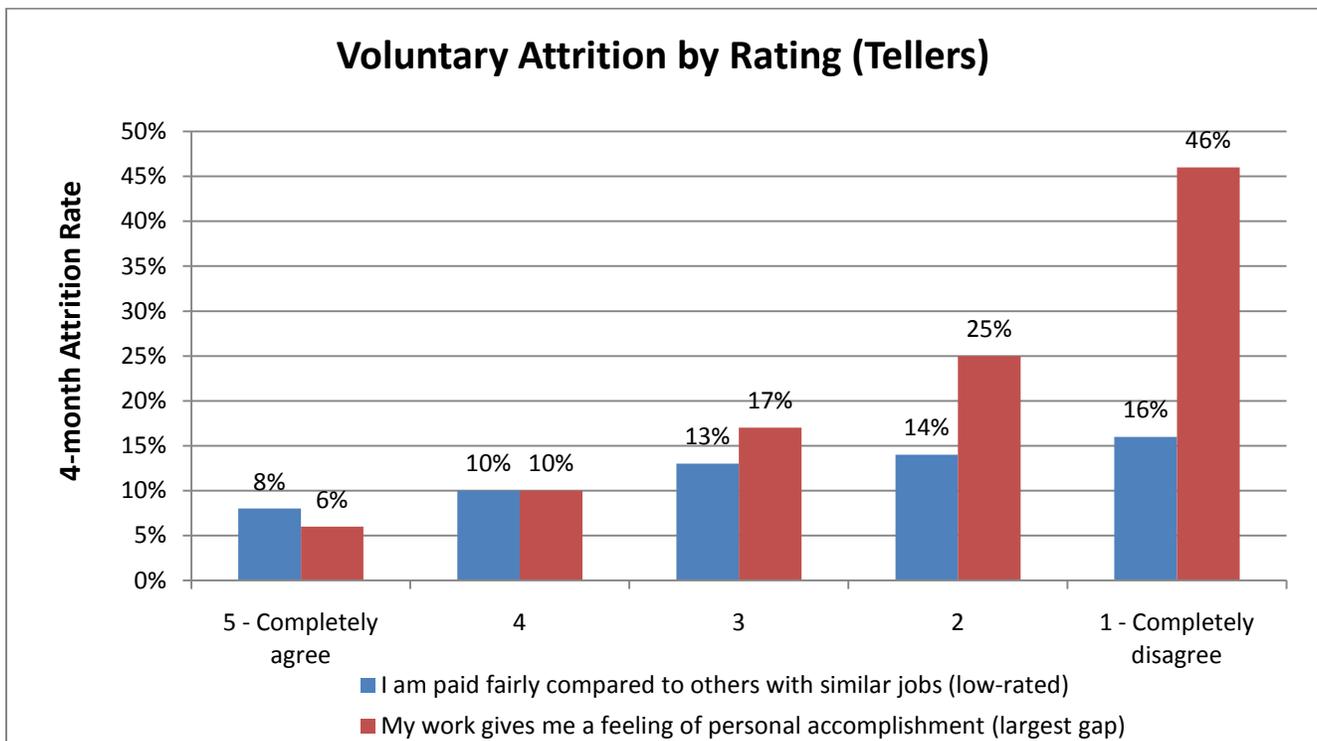
Unlike tellers, Personal Financial Representatives (PFRs) are more focused on making sales and building a customer base than on deciding what they want to do with their lives. They are concerned with being supported by a competent team and a manager who can provide the back-up needed to serve their clients and increase their income. The survey questions that are most strongly predictive of attrition among PFRs are:

- My manager helps the group work better as a team
- My work gives me a feeling of personal accomplishment
- My manager helps me solve work-related problems
- My manager provides me with the resources to deliver great service
- My accomplishments are recognized

For PFRs, the gaps are larger than for tellers, and the issues more closely related to the actions of their direct manager. But similar to tellers, issues of pay and staffing appear to have little relationship to attrition rates. For example, PFRs who had low agreement with the statement, "My manager helps the group work better as a team" were about <u>seven</u> times more likely to leave the company within four months of taking the survey than those who rated their agreement at the top of the scale. In contrast, those who disagreed with the statement, "We have sufficient staff to support customer needs" were only <u>three</u> times more likely to leave than those who agreed with this statement.

Voluntary Attrition by Rating (PFRs)

Rating	We have sufficient staff (low-rated)	Manager helps group work better as a team (largest gap)
5 - Completely agree	5%	3%
4	6%	5%
3	5%	9%
2	4%	12%
1 - Completely disagree	14%	20%

4-month Attrition Rate

A third category of branch staff is the Operational Supervisor. These employees function as the business managers for the branch, with responsibility for administrative and accounting work, as well as staffing, training and general operational tasks. Their main concern is to make sure there are efficient processes in place and sufficient resources available to get things done. The largest rating gaps for this job category are:

- Management provides me with the resources to deliver great service
- My work gives me a feeling of personal accomplishment
- We are able to retain highly qualified employees
- I feel encouraged to come up with new and better ways of doing things
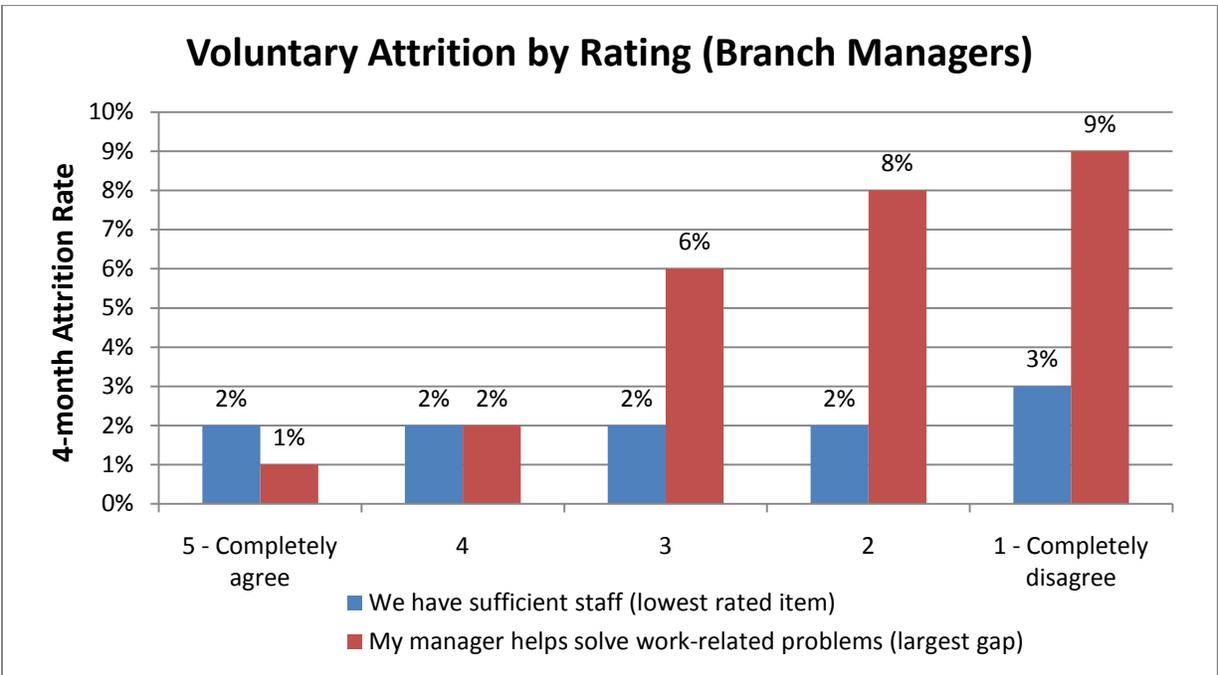- My accomplishments are recognized

Again, the lowest-rated survey items for this group show little relation to attrition compared to the item with the largest gap:

Voluntary Attrition by Rating (Operations Supervisors)
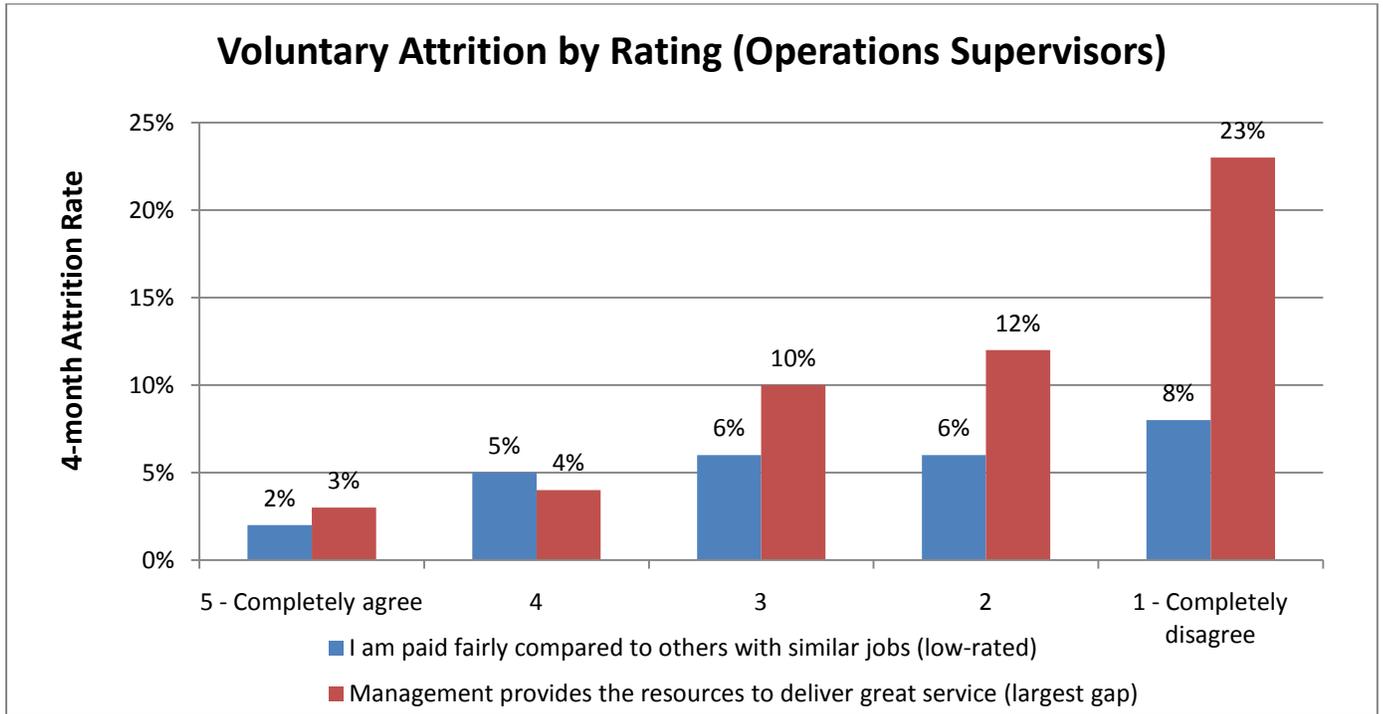
The final category among branch personnel includes branch managers and assistant managers, a group that is well-paid, on a clear career path, and under intense pressure to perform. While turnover in this group tends to be low, the replacement cost is very high, so any increase in retention is likely to have a significant financial benefit. For branch managers, we find the largest gaps in questions related to workload and to feedback and guidance from their regional managers:

- My manager helps me solve work-related problems
- My accomplishments are recognized
- My manager helps the group work better as a team
- The amount of work I do is reasonable
- My manager gives me feedback that helps me improve my performance

Branch managers who gave the lowest rating in response to the statement, "My manager helps me solve work-related questions" were nine times more likely to leave within four months than those who gave the highest rating for the same question. On the other hand, there is virtually no relationship between the lowest rated survey question ("We have sufficient staff to support customer needs") and voluntary attrition among branch managers:

Voluntary Attrition by Rating (Branch Managers)

4-month Attrition Rate

Rating	We have sufficient staff (lowest rated item)	My manager helps solve work-related problems (largest gap)
5 - Completely agree	2%	1%
4	2%	2%
3	2%	6%
2	2%	8%
1 - Completely disagree	3%	9%

Legend:
- ■ We have sufficient staff (lowest rated item)
- ■ My manager helps solve work-related problems (largest gap)

Thus, we see that the engagement questions that predict employee turnover are different for each of the four main job categories in the bank's branches. We also found differences among non-branch categories, which we included in our analysis for comparison. For example, turnover predictors for back-office support employees, who tend to have fairly detail-oriented and process-driven jobs, included items such as, "I feel encouraged to come up with new and better ways of doing things", "I trust the information I receive from management in my department" and "My manager helps the group work better as a team". Corporate professionals, on the other hand, were more likely to leave if they gave low ratings to questions related to advancing their career, such as, "The company does a good job of providing opportunities for advancement" and "My department does a good job of promoting the most qualified employees". In each case, the desire to have personal accomplishments recognized showed up as a predictor of retention, but other items varied according to the type of job that the employees were engaged in.

Engagement questions that predict employee turnover are different for each job category.

Lessons Learned

We said earlier that effective employee engagement reporting for team-level managers should be actionable, should differentiate among employee groups, and should be linked to relevant business outcomes. Using existing data within ABC Bank, we were able to meet all three of these criteria, providing branch and regional managers with information that was more targeted than they had received in the past. In doing so, we also saw that low ratings for pay and staffing levels were not strongly predictive of turnover, despite earlier assumptions to the contrary.

For ABC Bank, several lessons emerged from this analysis:

First, one size doesn't fit all. "Employee Engagement" is a valuable concept, but it needs to be applied flexibly to account for differences in organizations, employees and business outcomes. In some cases it may be necessary to construct multiple models from the data to best meet the organization's needs.

Second, it is helpful to identify desired business outcomes from the beginning, before the survey is implemented. The organization's leaders should know the specific outcomes they hope to drive with improved employee engagement, and make sure that appropriate metrics can be linked with engagement results. If necessary, they should make whatever adjustments are required to the way the business metrics are captured and stored.

Third, ask enough questions. There is a movement towards more simplicity in survey design, such as the Gallup Q12 for employee engagement and the Net Promoter Score for customer loyalty. This is probably healthy; too much complexity is messy and hard to work with. Nevertheless, if an organization wants to address a wide range of issues spanning various employee or customer groups, it is necessary to ask questions that are relevant to each of them.

Next Steps

Of course, the analysis described here was only the first step in ABC Bank's effort to optimize the value of its employee engagement program. Among the additional steps in progress are:

- Supervisory effectiveness training to build skills and strategies for enhancing employee engagement .
- Workshops and tools to help managers interpret the survey results more easily, choose the most relevant priorities for action planning, and follow through effectively.
- Enhancing cross-department and cross-functional partnerships to drive internal service quality and cooperation.
- Linking engagement data to additional business metrics, such as productivity, performance ratings, absenteeism, branch profitability and customer satisfaction.
- Supplementing the employee engagement index with more targeted indices, taking into account specific job categories and business outcomes.

The Cicerone Group

The Cicerone group helps your organization strengthen employee engagement and create a more customer-focused culture. We focus on measurable results that impact business performance – like increased employee retention, enhanced performance, improved productivity and higher customer satisfaction ratings.

 Employee engagement doesn't just happen. It takes focus, planning and expertise. That's where we come in.

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