Your road to success

LEVEL 5 EMPLOYEE ENGAGEMENT

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Contents

Using your study guide

Welcome to the study guide for **Level 5 Employee Engagement**, designed to support those completing their ABE Level 5 Diploma.

Below is an overview of the elements of learning and related key capabilities (taken from the published syllabus).

Element of learning	Key capabilities developed
Element 1: Understanding employee engagement	Understanding the concept of employee engagement, and what it is and is not Appreciation of the impact that employee engagement has on business organisations *Application of theory, analysis, employee engagement, measuring success, commitment*
Element 2: The impact of employee engagement on the employee	The ability to identify positive and negative impacts on employee engagement *Application of theory, positive and negative working relationships, employee engagement, reflection*
Element 3: Employee engagement and reward	Being able to use reward to encourage and enhance engagement *Use of rewards, organisational success, analysis, making reasoned judgements*
Element 4: The impact of engagement on the organisation	Being able to assess the extent to which engagement predicts the success of the organisation *Measuring success, alignment with organisational outcomes, employee success, employee development*
Element 5: Developing employee engagement strategies	Being able to develop strategies that work in an organisation to enhance employee engagement *Strategy development, making recommendations, analysis, decision-making, assessing barriers*

This study guide follows the order of the syllabus, which is the basis for your studies. Each chapter starts by listing the syllabus learning outcomes covered and the assessment criteria.

L5 descriptor

Knowledge descriptor (the holder…)	Skills descriptor (the holder can…)
• Has practical, theoretical or technological knowledge and understanding of a subject or field of work to find ways forward in broadly defined, complex contexts. • Can analyse, interpret and evaluate relevant information, concepts and ideas. Is aware of the nature and scope of the area of study or work. • Understands different perspectives, approaches or schools of thought and the reasoning behind them.	• Determine, adapt and use appropriate methods, cognitive and practical skills to address broadly defined, complex problems. • Use relevant research or development to inform actions. Evaluate actions, methods and results.

The study guide includes a number of features to enhance your studies:

✏ **'Over to you'**: activities for you to complete, using the space provided.

📄 **Case studies**: realistic business scenarios to reinforce and test your understanding of what you have read.

🔲 **'Revision on the go'**: use your phone camera to capture these key pieces of learning, then save them on your phone to use as revision notes.

❗ **'Need to know'**: key pieces of information that are highlighted in the text.

🔢 **Examples**: illustrating points made in the text to show how it works in practice.

Tables, graphs and charts: to bring data to life.

Reading list: identifying resources for further study, including Emerald articles (which will be available in your online student resources).

Source/quotation: information to cast further light on the subject from industry sources.

Highlighted words throughout denoting **glossary terms** located at the end of the study guide.

Note

Website addresses current as at November 2017.

Chapter 1

Understanding Employee Engagement

Introduction

There is an increasing awareness that **employee engagement** is pivotal to successful commercial and **business performance**. Understanding what is meant by employee engagement is an important yet complex challenge. In this chapter, we will look at what employee engagement is, and what it isn't. We will explore the different dimensions of employee engagement, considering what drives and enables high levels of engagement.

Learning outcome

On completing the chapter, you will be able to:

1   **Analyse the concept of employee engagement in order to explain its contribution to organisational success**

Assessment criteria

1   **Analyse the concept of employee engagement in order to explain its contribution to organisational success**

   1.1   Discuss the concept of employee engagement within an organisational setting

   1.2   Explain the importance of the dimensions of employee engagement within an organisation

   1.3   Analyse the impact of employee engagement on the employee's commitment to the organisation

1.1 The concept of employee engagement within an organisational setting

Definitions of employee engagement

Today, it is unusual to find articles in popular human resource (HR) or management publications without some reference being made to employee engagement and how to enable it. The literature is unclear about when the term "engagement" was first used in relation to work. However, the Gallup organisation is commonly accredited with devising the term sometime during the 1990s (Armstrong and Taylor, 2017)[1].

As the concept has developed and evolved over time, employee engagement has been defined in many, often inconsistent, ways. Indeed, one of the first challenges presented to anyone studying the topic is the lack of a universal definition of employee engagement.

✏ OVER TO YOU

Activity 1: Employee engagement?

When you think of employee engagement, what does it mean to you?
Write your thoughts.

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1 Armstrong, M. and Taylor, S. (2017), *Armstrong's Handbook of Human Resource Management Practice*, 14th edition. London: Kogan Page

Different definitions of employee engagement refer to a range of **human resource management** (HRM) concepts such as **job involvement**, **job satisfaction** and **organisational commitment**. We shall look at each of these concepts in more detail later in this chapter. For now, what's important to note is that most definitions of employee engagement view it as an internal state of being.

Here are some definitions of employee engagement, from various sources.

> *Employee engagement is a workplace approach resulting in the right conditions for all members of an organisation to give of their best each day, committed to their organisation's goals and values, motivated to contribute to organisational success, with an enhanced sense of their own wellbeing.*

www.engageforsuccess.org[2]

> *Employee engagement is being positively present during the performance of work by willingly contributing intellectual effort, experiencing positive emotions and meaningful connections to others.*

Alfes et al., 2010[3]

> *Employee engagement is an individual's purpose and focused energy, evident to others in the display of personal initiative, adaptability, effort and persistence directed towards organizational goals.*

Macey et al. (2009)[4]

> *Employee engagement is the extent to which people are personally involved in the success of a business.*

Bridger (2014)[5]

✏ OVER TO YOU

Activity 2: Definitions

Review the definitions above. What common themes do they share?

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2 Engage for Success (n.d.), *What is employee engagement?* [online]. Retrieved from: http://engageforsuccess.org/what-is-employee-engagement [Accessed on: 27 May 2017]

3 Alfes, K., Truss, C., Soane, E. C., Rees, C. and Gatenby, M. (2010), *Creating an engaged workforce* [online]. Retrieved from: http://www.cipd.co.uk/hr-resources/research/creating-engaged-workforce.aspx [Accessed on: 12 April 2017]

4 Macey, W. H., Schneider, B., Barbera, K. M. and Young, S. A. (2009), *Employee Engagement: Tools for Analysis, Practice, and Competitive Advantage.* Chichester: John Wiley and Sons

5 Bridger, E. (2014), *Employee Engagement (HR Fundamentals).* London: Kogan Page

Bridger (2014) suggests that, when asking people to define employee engagement, an important question to ask is whether engagement is an attitude, a behaviour or an outcome. She argues that employee engagement encompasses all three aspects.

- **Attitude**: the employee is personally involved in the success of the business, which is related to attitudes such as pride and loyalty.

- **Behaviour**: if the employee is personally involved in the success of the business then they are more likely to put in extra effort because they care.

- **Outcome**: there is a reason to focus on engagement, such as reducing **labour turnover** and achieving improved organisational performance.

✏️ OVER TO YOU

Activity 3: Universally agreed definition

Do you think that the lack of an agreed definition of employee engagement matters? Identify three reasons why a universally agreed definition of engagement might be helpful.

1

2

3

Organisational definitions of employee engagement

Organisations are where the theory of employee engagement is put into practice. Looking at how organisations define employee engagement can provide a useful insight into how it is regarded and used in "the real world".

According to Robertson-Smith and Markwick (2009)[6], company definitions typically regard employee engagement as an outcome – **engaged employees** demonstrate commitment, loyalty, give discretionary

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6 Robertson-Smith, G. and Markwick, C. (2009), *Employee Engagement: A Review of Current Thinking.* Brighton: Institute for Employment Studies

effort, use their talents to the fullest and are enthusiastic advocates of the ethos and values of the organisation. However, they suggest that company definitions rarely mention the reciprocal relationship and what the employer offers to the workforce to enable engagement.

✏️ OVER TO YOU

Activity 4: Examples of employee engagement definitions in the private and public sectors

Conduct research to find examples of how organisations in the private and in the public sector define employee engagement in your country. List the examples below, noting the similarities and differences.

The difference between employee engagement and related concepts

The concept of employee engagement is built on the foundation of earlier concepts such as job involvement, job satisfaction and organisational commitment. However, although related to other concepts, employee engagement is much broader in scope. Let's explore this further.

Job involvement

Job involvement as can be defined as:

> ❝ *the degree to which the job situation is central to the person and his (or her) identity.* ❞
>
> *Lawler and Hall (1970)[7]*

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7 Lawler, E. E. and Hall, D. T. (1970), "Relationship of job characteristics to job involvement, satisfaction and intrinsic motivation", *Journal of Applied Psychology*, Vol. 54, pp. 305–312

Employee engagement differs from job involvement in that it is concerned more with how individuals employ themselves during the performance of their job. In addition, while the focus of job involvement is on thoughts, engagement, according to most definitions, it also incorporates emotions and behaviours.

Employee involvement

Employee involvement refers to the initiatives through which management seeks to get the consent of employees for its proposed actions through commitment rather than control (Taylor and Woodhams, 2012)[8]. Initiatives to involve employees in a meaningful way might include, for example, employee committees or employee suggestion forums.

Employee involvement shares many of the features of employee engagement. However, involvement means that employees are involved to the extent that the employer requires or requests them to be. On the other hand, employee engagement means that employees are actively engaged and interested in improving the organisation without being coaxed or persuaded into it. Simply put, employee involvement is often more of a "doing to", while employee engagement is more "doing with".

Job satisfaction

Job satisfaction is a complex and multi-layered concept which can mean different things to different people. The concept of job satisfaction is closely linked to employee engagement. Indeed, it is often regarded as the predecessor of employee engagement (Yalabik et al., 2013)[9].

Job satisfaction can be defined as:

> " *the attitudes and feelings people have about their work.*
> *Positive and favourable attitudes towards the job indicate job satisfaction.* "
>
> *Armstrong and Taylor (2017)*[10]

As the ADP Research Institute (2012)[11] comments, while the definition of job satisfaction may differ from organisation to organisation, typically it refers to how employees feel – their "happiness" – about their job and conditions, such as pay, benefits, work conditions and career development opportunities. In contrast, employee engagement refers to the employee's commitment and connection to work as determined by the amount of **discretionary effort** they are willing to use on behalf of the organisation. Importantly, engaged employees exceed the core responsibilities detailed in their **job descriptions**, innovating and thinking creatively to help the organisation succeed.

Can an employee be satisfied but not engaged? Also, can an employee be engaged but not satisfied? It is likely that an engaged employee is also a satisfied employee, because few people are willing to put in extra effort for their employer unless they are essentially happy in their jobs. Nevertheless, an employee may be satisfied but simply turn up to work and, in doing so, demonstrate little initiative or extra effort.

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8 Taylor, S. and Woodhams, C. (2012), *Managing People and Organisations.* London: CIPD
9 Yalabik, Z. Y., Popaitoon, P., Chowne, J. A. and Rayton, B. A. (2013), "Work engagement as a mediator between employee attitudes and outcomes", *The International Journal of Human Resource Management*, Vol. 24, Issue 14, pp. 2799–2823
10 Armstrong, M. and Taylor, S. (2017), *Armstrong's Handbook of Human Resource Management Practice*, 14th edition. London: Kogan Page
11 ADP Research Institute (2012), *Employee Satisfaction vs. Employee Engagement: Are They the Same Thing? An ADP White Paper*, ADP

📄 CASE STUDY

Happy at work

Lenny works for a technology company. On the days that his manager is out of the office, Lenny arrives late and leaves early. Lenny does what he is told and no more. When he gets an opportunity, he browses the internet and checks his personal email. Lenny enjoys chatting with colleagues, especially about the latest sports results. However, he doesn't like team meetings and doesn't contribute unless asked a direct question by his manager. Lenny often has ideas about how work processes could be streamlined and improved, but he prefers to keep his ideas to himself. Recently, a customer complained to Lenny about the service they had received. Lenny simply passed the complaint on to his manager without making an attempt to resolve the complaint. After all, Lenny thought, isn't this the type of situation that his manager is paid to deal with?

Lenny is very happy and satisfied in his job. The work is easy, he likes his colleagues and he is relatively well paid. He enjoys the perks, especially the free gym membership.

✏️ OVER TO YOU

Activity 5: Happy at work

Rewrite the above case study, with Lenny both satisfied and engaged with his work.

Flow

According to Csikszentmihalyi, **flow** is:

> " *the holistic sensation that people feel when they act with total involvement.* "
>
> *Csikszentmihalyi (1990)*[12]

Csikszentmihalyi regards flow as the state in which there is little distinction between self and the environment, with individuals so pleasurably immersed in their work that they don't notice time passing. He argues that when in a state of flow, employees display more "discretionary effort", are more productive, more inclined to come up with good ideas and take the initiative. However, unlike engagement, flow is temporary and depends on the nature of the task. Significantly, engagement focuses on work in general and not a specific task, thereby implying a longer-term and more holistic involvement in work tasks.

Employee engagement is a broad term that, while including aspects of flow, also incorporates emotional and behavioural components.

✏️ OVER TO YOU

Activity 6: Emotional and behavioural

Describe a time when you were so involved with what you were doing that time passed without you noticing.
When did this happen?

What were you doing?

How did you feel during the experience?

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12 Csikszentmihalyi, M. (1990), *Flow: The Psychology of Optimal Experience*. New York: Harper

❗ NEED TO KNOW

Although employee engagement incorporates elements of other concepts, it has unique characteristics. Importantly, employee engagement is a multidimensional concept that includes the idea of employees transforming their world into something meaningful and purposeful.

REVISION on the go

1.2 The importance of the dimensions of employee engagement within an organisation

Emotional, cognitive and physical engagement

According to CIPD (2006)[13], employee engagement can be seen to have three dimensions – emotional, cognitive and physical.

Emotional engagement	**Emotional engagement** concerns the degree to which employees feel connected and trust the organisation and its members. It is about employees having an emotional connection with their work, and the extent to which they have a positive or negative attitude towards the organisation and its leaders.
Cognitive engagement	**Cognitive engagement** relates to the need for employees to be acutely aware of and aligned with the organisational strategy and know what they need in order to deliver the optimal return on their work efforts. It is about employees having a complete focus on the work, not thinking about other things while performing tasks.
Physical engagement	**Physical engagement** relates to employees applying their physical and mental energies wholly to their job performance. It is concerned with the extent to which employees are willing and able to display discretionary behaviour, to go the "extra mile" and work beyond their contract terms.

Table 1: Dimensions of employee engagement

REVISION on the go

The dimensions are helpful because they offer an interesting analysis and classification of the types of behaviours that feed into employee engagement and how these impact on overall engagement levels. Also, the dimensions are useful in helping an organisation to consider the policies and practices that it needs to put in place to ensure that each dimension is satisfied.

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13 CIPD (2006), *Working Life: Employee Attitudes and Engagement Research Report*. London: Chartered Institute of Personnel and Development

> ## ! NEED TO KNOW
>
> The three dimensions of employee engagement – emotional, cognitive and physical – help to remind organisations that engagement requires employees to not only feel engaged, but also to demonstrate that they feel engaged.
>
> REVISION on the go

Affective, continuance and normative commitment

One of the key concepts associated with employee engagement is organisational commitment. Organisational commitment refers to the employee's psychological attachment to the organisation. It has three dimensions – **affective commitment**, **continuance commitment** and **normative commitment**.

Affective commitment	Affective commitment concerns the employee's positive emotional attachment to the organisation. The employee strongly connects with the goals of the business and wants to stay part of the organisation and part of achieving those goals.
Continuance commitment	Continuance commitment relates to the employee committing to the organisation because of the perceived "costs" of departure. Costs include: • straightforward economic costs, such as pay, bonuses and pension rights; • social costs, such as friendship with colleagues and clients; • personal costs, such as the fear of insecurity and unemployment.
Normative commitment	Normative commitment relates to the employee's feelings of obligation and indebtedness to the organisation. For example, if a company has hired an individual when other companies have rejected them, then the employee may feel a "moral" obligation to remain at the company at least until they consider that the "debt" has been repaid.

Table 2: Dimensions of organisational commitment

REVISION on the go

> ## ✎ OVER TO YOU
>
> **Activity 7: Organisational commitment**
>
> Working with another learner if possible, consider which type of organisational commitment – affective, continuance or normative – is most important to each of you.
>
> Now, consider an organisation with which you are both familiar.

Which type of organisational commitment do you think is most important to most employees in this organisation?

What strategies could the organisation put in place to encourage higher levels of commitment?

Employee engagement or commitment?

The terms employee engagement and commitment are often confused.

According to Saks (2006)[14], organisational commitment differs from employee engagement in that commitment relates to the employee's attitude and attachment towards their organisation, whereas engagement is not just an attitude. Rather, engagement is also the extent to which the employee pays attention to their work and is immersed in the performance of their role.

Macey and Schneider (2008)[15] suggest that commitment is a component of employee engagement but it is not sufficient for engagement to occur. While commitment refers to the employee's satisfaction as well as identification with the organisation, employee engagement goes a step further, and involves the employee making discretionary efforts towards attainment of organisational goals.

14 Saks, A. M. (2006), "The antecedents and consequences of employee engagement", *Journal of Managerial Psychology*, Vol. 21, No.7, pp. 600–19
15 Macey W. H. and Schneider, B. (2008), "The meaning of employee engagement", *Industrial and Organisational Psychology*, Vol. 1, pp. 3–30

According to Armstrong and Taylor (2017)[16], the concepts of employee engagement and commitment are closely linked, with high organisational commitment associated with increased employee engagement and vice versa. Indeed, research by Albdour and Altarawneh (2014)[17] indicates that employees who have high levels of engagement also have high levels of affective commitment and normative commitment.

1.3 The impact of employee engagement on the employee's commitment to the organisation

The drivers of employee engagement

There's a growing body of research which is helping to determine the main drivers of employee engagement. Let's explore some of them in detail.

Leadership

Leadership is a key driver of employee engagement. Senior leaders are the visible face of the organisation who set the strategic and cultural goals and steer the organisation in the right direction to achieve its vision.

> *Leaders play a pivotal role in creating the environment within which employees can engage with their work [and] make the difference between work as a mundane grind, devoid of meaning and purpose and work as an enriching and fulfilling experience that provides an essential source of identify which infuse all aspects of being.*

Soane (2014)[18]

Thus, employee engagement is enhanced when senior leaders communicate frequently and honestly, clearly charting the direction of the organisation and letting employees know what is required of them to help make the business successful. Research suggests that **trust** has a critical role to play here.

> *Put simply, without trust, engagement cannot exist.*

Macey et al. (2009)[19]

Senior leaders can build trust with employees by aligning their words and actions, communicating openly and frequently with employees, and treating employees as a valued business partner.

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16 Armstrong, M. and Taylor, S. (2017), *Armstrong's Handbook of Human Resource Management Practice*, 14th edition. London: Kogan Page

17 Albdour, A.A. and Altarawneh, I.I. (2014), "Employee engagement and organizational commitment: evidence from Jordan', *International Journal of Business*, Vol. 19, pp. 192–212

18 Soane, E. (2014), "Leadership and employee engagement", in Truss, C., Alfes, K., Delbridge, R., Shantz, A. and Soane, E. (editors) *Employee Engagement in Theory and Practice*. Abingdon: Routledge

19 Macey, W. H., Schneider, B., Barbera, K. M. and Young, S. A. (2009), *Employee Engagement: Tools for Analysis, Practice, and Competitive Advantage.* Chichester: John Wiley and Sons

Aon Hewitt (2012)[20] stresses that employee engagement starts at top, and that without engaged senior leadership, organisations will not be able to engage "the hearts and minds" of their employees. Importantly, when senior leaders are themselves engaged, they are more likely to positively affect the engagement of employees.

❗ NEED TO KNOW

The quality of leadership displayed by line managers is important to employee engagement. According to Macey and Schneider (2008)[21], when line managers have clear expectations, are fair, and recognise good performance they will have positive effects on employee engagement by creating a sense of attachment to the job.

Employee voice

Employee voice is one of the four key enablers of employee engagement, identified in the influential report "Engaging for success" (Macleod and Clarke, 2009)[22].

Employee voice is:

> *the means by which people express their opinions and have meaningful input into work-related decision-making.*
>
> *CIPD (2017a)[23]*

According to Farndale et al. (2011)[24], employee voice is the employees' ability to influence the outcome of organisational decisions by having the opportunity to put forward their ideas which can make a difference to plans and decisions. Even when not asked for their views, employees are empowered to challenge and speak out.

❗ NEED TO KNOW

To be most effective in terms of "voice" as an enabler, organisations need to ensure that they engage employees in a genuine way which promotes dialogue and involvement rather than simply one-way communication. This requires organisations to put in place mechanisms to enable it to have ongoing conversations with the workforce, in different ways, to ensure every voice is heard.

20 Aon Hewitt (2012), *The Multiplier Effect: Insights into How Senior Leaders Drive Employee Engagement Higher*. AON Hewitt

21 Macey W. H. and Schneider, B. (2008), "The meaning of employee engagement", *Industrial and Organisational Psychology*, Vol. 1, pp. 3–30

22 MacLeod, D. and Clarke, N. (2009), "Engaging for success: Enhancing performance through employee engagement", *A Report to Government*. London: Department for Business, Innovation and Skills

23 CIPD (2017a) *Factsheet: employee voice* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/fundamentals/relations/communication/voice-factsheet [Accessed on: 12 April 2017]

24 Farndale, E., Van Ruiten, J., Kelliher, C. and Hope-Hailey, V. (2011), "The influence of perceived employee voice on organisational commitment: an exchange perspective", *Human Resource Management*, Vol. 50, Issue 1, pp. 113–129

✏️ OVER TO YOU

Activity 8: Being heard

In the space below, give your thoughts on why the following situations might occur in the workplace.

1 I rarely feel heard at work.

2 I often feel heard at work.

Meaningfulness

According to Pratt and Ashforth (2003)[25], there are three core dimensions of meaningfulness – **meaningfulness in work**, **meaningfulness at work** and **transcendence**.

Dimension	Employee	How to maximise
Meaningfulness in work	The employee feels useful and valued.	According to Kahn (1990) [26], meaningfulness in work can mainly be developed through **job design** that offers: • **autonomy** (see section below), variety and challenge • good **person–job fit** (see section below) • rewarding social interactions with colleagues and managers, as well as clients and customers.

25 Pratt, M. G. and Ashforth, B. E. (2003), "Fostering meaningfulness in working and at work", in Cameron K. S., Dutton, J. E. and Quinn, R. E. (editors), *Positive Organizational Scholarship: Foundations of a New Discipline.* San Francisco: Berrett-Koehler Publishers

26 Kahn W. A. (1990), "Psychological conditions of personal engagement and disengagement at work", *Academy of Management Journal*, Vol. 33, pp. 692–724

Dimension	Employee	How to maximise
Meaningfulness at work	The employee views their work as enhancing their membership and connection with the organisation.	Pratt and Ashforth (2003)[27] suggest that meaningfulness at work can be fostered by building a strong **organisational culture** and identity. Doing so ensures cohesion and shared understanding, which in turn fosters a sense of belonging.
Transcendence	The employee feels that they are contributing to the common good, and making a positive impact to the broader community and society.	According to Pratt and Ashforth (2003), this can be developed by connecting the employee with the purpose of the organisation, as well as its organisational values. This ensures that employees are aligned with "what matters", which in turn encourages a sense of doing something good and worthwhile.

Table 3: Dimensions of meaningfulness

REVISION on the go

! NEED TO KNOW

The CIPD research report "Creating an engaged workforce" found meaningfulness to be the most important driver of engagement for all groups of employees (Alfes et al., 2010)[28].

REVISION on the go

✎ OVER TO YOU

Activity 9: Meaningfulness

Think of a time when you have experienced either meaningfulness in work, meaningfulness at work or transcendence.

What were the conditions or factors that made you feel that way? Make a list.

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27 Pratt, M. G. and Ashforth, B. E. (2003), "Fostering meaningfulness in working and at work", in Cameron K. S., Dutton, J. E. and Quinn, R. E. (editors), *Positive Organizational Scholarship: Foundations of a New Discipline*. San Francisco: Berrett-Koehler Publishers

28 Alfes, K., Truss, C., Soane, E. C., Rees, C. and Gatenby, M. (2010), "Creating an engaged workforce", *CIPD* [Online]. Retrieved from: http://www.cipd.co.uk/hr-resources/research/creating-engaged-workforce.aspx [Accessed on: 12 April 2017]

Job design

Job design is the process of deciding on the contents of a job in terms of its duties and responsibilities, the methods to be used in carrying out the job and the relationships that should exist between the job holder, line manager and colleagues. One of the reasons why job design is so important for engagement is that well-designed jobs that are interesting, varied and challenging can increase the resources that an individual has, and help buffer the demands placed upon them.

Job challenge and variety

According to Crawford et al. (2013)[29], the nature of the employee's work strongly influences levels of engagement. They suggest that when the scope of a job is broad and responsibility is high, then the potential for accomplishment and **personal growth** can enhance engagement. Importantly, challenging, creative and varied work gives the employee the opportunity to perform many different activities and to use many different skills, which in turn enhances engagement.

Person–job fit

Person–job fit emphasises the importance of a fit between the characteristics of the job and characteristics of the job-holder. A research study by Shuck et al. (2011)[30] found that good person–job fit is positively associated with employee engagement. When fit occurs, it generates positive emotions and behaviours, which in turn leads to engagement.

! NEED TO KNOW

An organisation that spends time learning about the talents, interests and aspirations of each employee – rather than simply whether the employee can perform the available work – is likely to enhance levels of engagement.

REVISION on the go

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29 Crawford, E. R., Rich, B L, Buckman, B. and Bergeron, J. (2013), "The antecendents and drivers of employee engagement" in (eds) C. Truss, R. Deldridge, K. Afles, A. Shantz and E. Soane, *Employee Engagement in Theory and Practice*. London, Routledge, pp. 57–81

30 Shuck, M. B., Reio, T. G. and Rocco, T. S. (2011), "Employee engagement: An examination of antecedent and outcome variables", *Human Resource Development International*, Vol. 14, Issue 4, pp. 427–445

Autonomy

Autonomy is the degree or level of freedom and discretion allowed to the employee over their job. Giving the employee a degree of autonomy is important to employee engagement because it demonstrates that the organisation and line manager appreciate and support the individual's discretion in deciding how best to get the work done, within reasonable limitations (Davenport and Harding, 2011)[31].

Opportunities for development

According to Robertson-Smith and Markwick (2009)[32], providing equal access to learning and growth opportunities is an important factor in enabling the workforce to engage with the organisation. Also, the organisation needs to ensure that employees are given opportunities to put their newly developed knowledge and skills to use. By giving access to valuable **training and development** resources – such as workshops, courses and conferences – as well as informal development – such as **secondments**, **coaching** and **on-the-job training** – the organisation communicates to the employee that it values their contribution.

> **! NEED TO KNOW**
>
> When the employee feels capable in their role, their confidence increases and they can work without much supervision from their line manager. This in turn builds their **self-efficacy**, commitment and engagement.

REVISION
on the go

Supportive work environment

A supportive work environment is crucial to creating a productive organisation and increasing both **employee wellbeing** and engagement (CIPD, 2006)[33]. The relationships between colleagues form a vital aspect of the work environment, especially the relationship between the employee and their line manager. The line manager/employee relationship needs to be reciprocal with both the line manager and the employee making time for, and listening to, each other.

Job enriching characteristics – such as meaningful work tasks, the opportunity to work autonomously and opportunities to participate in organisational decision-making – are important too. They signal to the employee that the organisation values their opinions, cares about their well-being, and so on.

Rewards and recognition

Rewards and recognition drive engagement by aligning the employee with company values, building a culture of doing the right thing, and creating a positive emotional connection between the employee and the organisation. To enhance employee engagement, a reward programme needs to be crafted so that it is relevant to managers and employees at all levels of the organisation. In Chapter 3 we will explore in detail the impact of reward on levels of employee engagement.

31 Davenport, T. and Harding, S. (2010), *Motivating Employees to Go the Extra Mile: The Manager's Role in Engagement*, *Towers Watson* [online]. Retrieved from: https://www.towerswatson.com/en/Insights/Newsletters/Global/strategy-at-work/2010/Motivating-Employees-to-Go-the-Extra-Mile-The-Managers-Role-in-Employee-Engagement [Accessed on: 4 June 2017]

32 Robertson-Smith, G. and Markwick, C. (2009), *Employee Engagement: A Review of Current Thinking.* Brighton: Institute for Employment Studies

33 CIPD (2006), *Working Life: Employee Attitudes and Engagement Research Report.* London: Chartered Institute of Personnel and Development

The enablers of employee engagement

In the late 2000s, David MacLeod and Nita Clarke were asked by the then Labour Government to produce a research paper on the importance of employee engagement to the UK economy. Their influential work, "Engaging for success", was published in 2009[34]. In the report, Macleod and Clarke outline what they regard as the four "enablers" of employee engagement. Get these right, they argue, and employee engagement will follow.

Strategic narrative	This is defined as "a strong narrative that provides a clear, shared vision for the organisation is at the heart of employee engagement" (MacLeod and Clarke, 2009). The leaders of the organisation have an important role in setting out this strategic narrative, ensuring that employees understand it and can see how they contributes to it. The strategic narrative should be reflected in a strong organisational culture and ways of working.
Engaging managers	These are defined as "managers who offer clarity, appreciation of employees' effort and contribution, who treat their people as individuals and who ensure that work is organised efficiently and effectively so that employees feel they are valued, and equipped and supported to do their job" (MacLeod and Clarke, 2009). Engaging managers facilitate and empower rather than control or restrict their staff; they treat their staff with appreciation and respect and show commitment to developing, increasing and rewarding the capabilities of those they manage.
Employee voice	This means that "employees' views are sought out; they are listened to and see that their opinions count and make a difference. They speak out and challenge when appropriate. A strong sense of listening and responsiveness permeates the organisation, enabled by effective communication" (MacLeod and Clarke, 2009). Importantly, employee voice is not just about the employees speaking up, but the organisation actively encouraging them to do so, taking account of their views and acting on them where possible.
Integrity	This is defined as "a belief among employees that the organisation lives its values, and that espoused behavioural norms are adhered to, resulting in trust and a sense of integrity" (MacLeod and Clarke, 2009). Having a gap between the organisation's stated values and the reality of its behaviours can lead to distrust and disengagement. However, when the employees see the two align, trust and a sense of integrity is fostered, which in turn leads to employee engagement.

Table 4: The enablers of employee engagement

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34 MacLeod, D. and Clarke, N. (2009), "Engaging for success: Enhancing performance through employee engagement", *A Report to Government*. London: Department for Business, Innovation and Skills

✏️ OVER TO YOU

Activity 10: A journey to award-winning employee engagement

Read the journal article "A journey to award-winning employee engagement" by Anna Powis, Human Resource Management International Digest, Vol. 20, Issue 5, pp. 31–34. (This article will be available in your online student resources.)

Which of MacLeod and Clarke's "enablers" of employee engagement are evident in this case study?

Make a note of your key learning points from this case study.

READING LIST

- Engage for Success (2014) *Wellbeing and engagement* [online]. Retrieved from: http://engageforsuccess.org/wp-content/uploads/2015/09/wellbeing-and-engagement-04June2014-Final.pdf [Accessed on: 30 May 2017]

- Hazelton, S. (2014), "Positive emotions boost employee engagement: Making work fun brings individual and organizational success", *Human Resource Management International Digest*, Vol. 22, Issue 1, pp. 34–37. (This article will be available in your online student resources.)

- Powis, A. (2012), "A journey to award-winning employee engagement", *Human Resource Management International Digest*, Vol. 20, Issue 5, pp. 31–34. (This article will be available in your online student resources.)

Summary

In this chapter, we have attempted to answer the question "What is employee engagement?" We have explored the dimensions of engagement as well as the relationship of engagement with other important concepts. Our exploration has highlighted how employee engagement is not only about improving employees' experience of work, but also about helping the organisation to succeed. Also, we have looked at the different factors that drive and enable high levels of engagement within an organisation. A key theme that has emerged is the significance of leadership, especially employees believing in the ability of senior leadership to take their input and lead the company in the right direction.

Chapter 2

The Impact of Employee Engagement on the Employee

Introduction

Organisations are increasingly realising that an engaged workforce is good for both employees and overall business performance. In this chapter, we will explore the impact of employee engagement on the experience of the employee, including the negative impact of reduced engagement.

Learning outcome

On completing the chapter, you will be able to:

2 Assess the impact of engagement on the individual's working experience

Assessment criteria

2 Assess the impact of engagement on the individual's working experience

2.1 Discuss the positive impacts of employee engagement on the experience of the employee working in an organisation

2.2 Assess the negative impact that reduced employee engagement can have on the employee experience of work

2.1 The positive impacts of employee engagement on the experience of the employee working in an organisation

The psychological contract and employee engagement

A central feature of the relationship between the organisation and the employee – and therefore an important aspect of employee engagement – is the **psychological contract**.

As with many concepts relating to the management of people, there is no one agreed definition of the psychological contract. However, a widely-accepted definition is:

> " *the psychological contract consists of individual beliefs regarding terms of an exchange agreement between individuals and their organization.* "
>
> *Rousseau (1995)*[35]

The CIPD offer a similar definition, by stating that the psychological contract:

> " *refers to mutual expectations, beliefs and obligations as perceived by the employer and the employee.* "
>
> *CIPD (2017b)*[36]

We can see from the above definitions that the psychological contract is made up of organisational obligations (to be fulfilled by the employer) and employee obligations (to be fulfilled by the employee). The obligations are based on promises made by the employer and employee respectively. However, unlike a formal employment contract, the psychological

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35 Rousseau, D. M. (1995), *Psychological Contracts in Organizations: Understanding Written and Unwritten Agreements*. Thousand Oaks: Sage
36 CIPD (2017b) *Factsheet: the psychological contract* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/fundamentals/relations/employees/psychological-factsheet [Accessed on: 12 April 2017]

contract is unwritten and – because it is based on perceptions – the psychological contract is imprecise in nature. This means that the perceived obligations are often inexact, and can be "blurred around the edges" (Suazo et al., 2009)[37]. Also, the psychological contract is not static. It is dynamic and constantly evolves through individual and organisational experiences.

From the employee's point of view, the strength of the psychological contract depends on the extent to which they believe the organisation is fulfilling its obligations. When deciding if the organisation is meeting its obligation, Armstrong and Taylor (2017)[38] state that the employee is likely to consider a range of factors such as:

- how they are treated in terms of fairness, equity and consistency;
- the scope to demonstrate competence;
- career expectations and the opportunity to develop skills;
- involvement and influence;
- trust in the management of the organisation to keep their promises.

As the above list indicates, there is a strong connection between the drivers of employment engagement and the psychological contract. Put simply, the psychological contract impacts on levels of employee engagement, and levels of employee engagement impact on the psychological contract.

If the employee considers that the organisation is fulfilling its obligations, then they are likely to feel more involved with the organisation and identify more closely with its values (Coyle-Shapiro and Kessler, 2000)[39]. From a personal point of view, the employee is likely to feel more emotionally positive, resilient and flexible.

As the CIPD (2017b)[40] highlight, when an organisation is perceived by employees as failing to meet its obligations then this can have a negative impact on:

- job satisfaction;
- the commitment and engagement of employees;
- employee wellbeing;
- employee turnover.

! NEED TO KNOW

The psychological contract is based on employees' sense of fairness and trust and their belief that the employer is honouring the "deal" between them.

REVISION on the go

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37 Suazo, M. M., Martínez, P. G. and Sandoval, R. (2009), "Creating psychological and legal contracts through human resource practices: A signaling theory perspective", *Human Resource Management Review*, Vol. 9, pp. 154–156
38 Armstrong, M. and Taylor, S. (2017), *Armstrong's Handbook of Human Resource Management Practice*, 14th edition. London: Kogan Page
39 Coyle-Shapiro, J. A. M. and Kessler, I. (2000), "Consequences of the psychological contract for the employment relationship: A large scale survey", *Journal of Management Studies*, Vol. 37, pp. 903–930
40 CIPD (2017b), *Factsheet: the psychological contract* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/fundamentals/relations/employees/psychological-factsheet [Accessed on: 12 April 2017]

✏️ OVER TO YOU

Activity 1: Working in a shop

Imagine that you have been working part-time in a local shop for the last six months to help fund your studies.

1 What are the main things you would expect your manager to do for you?

2 What are the main things you think that you are expected to do for your manager?

3 If your manager informed you that your hours of work are to be reduced by two hours per week and that your sales targets are to be increased by 10%, which, if any, of the above expectations might you think that your manager had breached?

4 What would be the likely impact on your levels of engagement?

Career advancement and employee engagement

As the world of work evolves and becomes more diverse, traditional models of working are shifting to more flexible forms of organisation and **models of employment**. Employees are increasingly drawn towards roles that satisfy their needs for better **work–life balance** and more compelling growth, development, and **career advancement** opportunities.

According to the Human Capital Institute (2011)[41], providing career advancement opportunities is an important way to increase levels of employee engagement. From the employee's perspective, providing career advancement opportunities demonstrates that the organisation is committed to them. This positively impacts on the employee's self-esteem and heightens their commitment to the organisation, which in turn increases engagement. However, we must bear in mind that the significance of career advancement to any one individual depends on a range of factors, such as age, personal ambitions, other commitments, and so on. For example, **millennials** typically place more importance on career advancement opportunities compared with older generations (SHRM, 2016)[42]. Nevertheless, organisations need to consider how they can best meet the career advancement expectations of different segments of the workforce.

> ## ❗ NEED TO KNOW
>
> The annual Society for Human Resource Management "Employee job satisfaction and **engagement survey**" (SHRM, 2016) analysed the overall satisfaction of employees with a set of 18 "employee engagement conditions", including career advancement. Significantly, the lowest percentage of employees were satisfied with career advancement opportunities within the organisation, i.e. this was what employees were the least satisfied with.

It's important to note that, for some employees, the traditional concept of "moving up the **corporate ladder**" is now more difficult to achieve because many contemporary organisations have moved to a **flat organisational structure**. As a consequence, career advancement cannot be limited to a linear progression through a series of increasingly senior jobs. Rather, as the Human Capital Institute (2011)[43] argues, career advancement should include a series of lateral, as well as upward, moves which allow the employee to move more freely and advance their knowledge and skills more readily.

The impact of employee engagement on personal and psychological growth

The shift from lifelong job security to a more flexible model of employment means that employees are now taking more responsibility for their personal and professional growth. Therefore, it is unsurprising that organisations with high levels of employee engagement typically excel in offering avenues for personal growth.

> ❝ *When people have the tools they need to succeed, feel good about their personal growth opportunities, and receive the appropriate rewards and recognition for their contributions, it's a win-win proposition.* ❞
>
> *Rickheim (2013)[44]*

41 Human Capital Institute (2011), *Connecting the Dots: Comprehensive Career Development as a Catalyst for Employee Engagement*. Washington: HCI

42 SHRM (2016), "Employee job satisfaction and engagement survey", Alexandria: Society for Human Resource Management

43 Human Capital Institute (2011), *Connecting the Dots: Comprehensive Career Development as a Catalyst for Employee Engagement*. Washington: HCI

44 Rickheim, M. (2013), *The impact of employee engagement on performance* [online]. Retrieved from: https://hbr.org/resources/pdfs/comm/achievers/hbr_achievers_report_sep13.pdf [Accessed on: 14 April 2017]

Rickheim's comments highlight how opportunities for employees to be part of business growth and opportunities for employees to achieve personal growth can reinforce one another. In addition, when the employee is encouraged to innovate, and take ownership of their work in a proactive way, their engagement becomes intertwined with their personal growth.

Research, using data collected from public and private sector organisations, indicates a link between engagement and psychological wellbeing (Robertson et al., 2012)[45]. Indeed, research by CIPD (Alfes et al., 2010)[46] suggests that engaged employees show higher levels of wellbeing all round, meaning that they are more likely to enjoy their work activities and are better able to cope with work-related problems. The study found that employees engaged in their work were almost three times as likely to have six key positive emotions at work – enthusiasm, cheerfulness, optimism, contentment, feeling calm and relaxed – as opposed to negative ones – miserable, worried, depressed, gloomy, tense or uneasy.

The relationship between wellbeing and engagement appears to be "mutually reinforcing" and essential for optimal individual and organisational performance.

> " *The relationship between employee health and employee commitment and engagement is multi-faceted. Indeed, there is research evidence that suggests a two-way, possibly self-reinforcing relationship: healthy employees are more committed and committed employees are more healthy.* "
>
> *Bevan (2010)[47]*

According to Engage for Success (2014)[48], the workplace drivers of engagement which we explored in Chapter 1 – strategic narrative, engaging managers, employee voice, and integrity – have some similarities with the drivers of wellbeing – good leadership and management, employee autonomy, control, **consultation**, participation, and meaning and purpose.

! NEED TO KNOW

The report "The evidence: wellbeing and employee engagement" by Engage for Success (2014) concludes that there is a strong relationship between high wellbeing and employee engagement levels.

REVISION on the go

✎ OVER TO YOU

Activity 2: Engage for success

Go the website *Engage for Success*: **http://engageforsuccess.org/**

Locate the paper **"The evidence: wellbeing and engagement"** by typing its title into the search box.

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45 Robertson, I. T., Birch, A. J. and Cooper, C. L., (2012), "Job and work attitudes, engagement and employee performance: Where does psychological well-being fit in?", *Leadership & Organization Development Journal*, Vol. 33 Issue: 3, pp. 224–232
46 Alfes, K., Truss, C., Soane, E. C., Rees, C. and Gatenby, M. (2010), *Creating an engaged workforce* [online]. Retrieved from: http://www.cipd.co.uk/hr-resources/research/creating-engaged-workforce.aspx [Accessed on: 12 April 2017]
47 Bevan, S. (2010), *The Business Case for Employees' Health and Wellbeing: A Report Prepared for Investors in People UK*, London: The Work Foundation
48 Engage for Success (2014), *Wellbeing and engagement* [online]. Retrieved from: http://engageforsuccess.org/wp-content/uploads/2015/09/wellbeing-and-engagement-04June2014-Final.pdf [Accessed on: 30 May 2017]

Read the chapter "Wellbeing and engagement – the virtuous circle" (pages 15–17).

What have you learned about the relationship between wellbeing and engagement from this paper?

The impact of working relationships with peers and superiors on engagement

Work relationships with peers and supervisors not only affect the quality of daily life at work, but also levels of engagement.

> *Improved relationships among peers and between supervisors and subordinates have a significant impact on employee engagement, which in turn affects performance. Work relationships thrive in an environment in which personal communication and work-style preferences are understood, accommodated and respected.*

Birkman (n.d.)[49]

Employees are more likely to be engaged when they can see that the stated values of the organisation are being lived up to daily by the leadership team, all levels of management, and by their co-workers. Being involved in meaningful work and belonging to a good team led by an inspiring manager builds co-operation and a sense of belonging and trust, which in turn fosters a culture of engagement.

Managers need to set a good example by being interested, available, and involved with their staff.

> *If employees' relationship with their managers is fractured, then no amount of perks will persuade the employees to perform at top levels. Employee engagement is a direct reflection of how employees feel about their relationship with the boss.*

Rowe and Guerrero (2011)[50]

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49 Birkman (n.d.), *Employee engagement: rebuilding employer brand from the bottom up* [online]. Retrieved from: https://www.rothschildcorporation.com/pdfs/BMI_WP_EmployerBranding.pdf [Accessed on: 25 October 2017]
50 Rowe, W. and Guerrero, L. (2011) *Cases in Leadership*. Thousand Oaks: Sage

The ethos and values of the organisation

The **ethos and values of an organisation** can be described as the "glue" that holds the workforce together. Therefore, from an employee engagement perspective, how the ethos and values of the organisation are perceived by the workforce is very important (Lockwood, 2007)[51]. Leaders play a significant role here, because it is only through inspiring leadership that the ethos and values of the organisation are put on view for others to follow. This links to the enabler of "strategic narrative" explored in Chapter 1.

The employee is far more likely to feel an emotional attachment to the ethos and values of the organisation if they feel they played a part in their creation. Doing so fosters a sense of ownership and, as a consequence, employees are much more likely to give their discretionary effort to them.

Importantly, employees experience a greater sense of energy and purpose in their work when their own values are aligned with those of the organisation. Such alignment inspires commitment and engagement, which over time can translate into business results. Any misalignment between the ethos and values of the organisation and those of the individual is likely to lead to poor engagement.

✏️ OVER TO YOU

Activity 3: Values

What are your top three personal values?

1

2

3

Now research an organisation that you are familiar with. List three stated values of the organisation.

1

2

3

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51 Lockwood, N. R. (2007), "Leveraging employee engagements for competitive advantage: HRs strategic role", *HR Magazine*, Vol. 52, Issue 3, pp. 1–11

> **To what extent do the two lists align?**

The link between employee engagement and the employer brand

The **employer brand** is a concept borrowed from marketing and strategic management. Simply put, the employer brand:

> *is the way in which organisations differentiate themselves in the labour market, enabling them to recruit, retain and engage the right people.*

CIPD (2016a)[52]

Essentially, it is an organisation's strategy to create a specific perception about working at the organisation – the creation of an image of an organisation as "a great place to work" in the minds of present and **prospective employees**. It is how an organisation sells itself as an **employer of choice** – an organisation that people want to work for, an organisation that has a reputation for being a good employer. This reputation normally comes from the people who are already working in the organisation.

Lockwood (2007)[53] describes the employer brand as a type of communication strategy that can promote employee engagement by sending "the right message" about the organisation's engagement culture, its values, philosophy, policies, and management practices to the workforce and marketplace at large. Ultimately, the employer brand says who the organisation is and what it stands for as an employer.

Over the last ten years or so, the potential ability of the employer brand to help align people management processes and practice and drive employee engagement has been increasingly recognised. Importantly, the employer brand should convey both the unique benefits of the organisational environment as well as the type of person who is likely to do well in that setting. The organisation must then ensure that it delivers these promises to its employees, or its efforts will have been wasted.

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52 CIPD (2016a), *Factsheet: employer brand* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/fundamentals/people/recruitment/brand-factsheet [Accessed on: 27 May 2017]
53 Lockwood, N. R. (2007), "Leveraging employee engagements for competitive advantage: HRs strategic role", *HR Magazine*, Vol. 52, Issue 3, pp. 1–11

> **! NEED TO KNOW**
>
> Employee engagement helps organisations brand themselves as employers of choice.

REVISION on the go

> **✏ OVER TO YOU**
>
> **Activity 4: Employee engagement at Coca-Cola**
>
> > **Follow the link below to the Coca-Cola website to read about how it seeks to create environments where people are fully engaged and where the company is viewed as an employer of choice.**
> >
> > **http://www.coca-colacompany.com/our-company/employee-engagement**
> >
> > **How does Coca-Cola engage its employees and present itself as an employer of choice?**

2.2 The negative impact that reduced employee engagement can have on the employee experience of work

The reasons that employee engagement might be reduced

There are many reasons why employee engagement might be reduced in an organisation. Let's explore some of the key reasons.

Poor leadership

We have already highlighted the significance of leadership in developing high levels of employee engagement. Conversely, ineffective or poor leadership can be a primary cause of low levels of employee engagement. The effect may be exacerbated in some cases because senior managers are out of touch with employees and have a distorted view of the workplace environment. Indeed, a

study by the American Psychological Association (APA, 2015)[54] indicates that senior managers often view workplace conditions much more favourably than frontline staff. This can create a "disconnect" between the leaders of the organisation and other employees which may threaten levels of engagement.

Studies consistently show that employees want to be informed of company information and updates, and they expect leadership to communicate this effectively and frequently. When employees are kept "in the dark", this can give rise to feelings of resentment, encourage rumours to spread and cause lower engagement.

Importantly, the ethos and values of the organisation need to be demonstrated through the behaviour of the leaders. Otherwise, there is likely to be disconnect between what is promoted by the leaders and the everyday experiences of the workforce. This links to the enabler of "integrity" explored in Chapter 1.

📄 CASE STUDY: WHAT'S THE MESSAGE?

Shelina

Shelina has just left a meeting with a customer. She has worked hard to build a relationship with the customer based on trust and honesty. However, Shelina has just had to lie to the customer, because she had been instructed by her manager that she must follow the company line of not admitting that any mistakes have been made. Shelina sits back at her desk, and the company core values dance around her screen saver on her laptop. The core values are integrity, openness and mutual respect.

Daniel

This morning, Daniel explained to a long-term team member that, despite her difficult situation at home, the company has not been able to grant her request to reduce her working week to four days. Yesterday, Daniel had been told by the managing director that he must not approve the request because it will "open the floodgates" to similar requests from across the workforce. Now Daniel sits in a presentation and listens to the HR manager talk about the company's focus on employee wellbeing.

✏️ OVER TO YOU

Activity 5: Shelina and Daniel

Having read the case studies above, in your view, what emotions are Shelina and Daniel likely to be experiencing?

How are these scenarios likely to impact on their levels of engagement?

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54 APA (2015), *Work and well-being survey* [online]. Retrieved from: http://www.apaexcellence.org/assets/general/2015-work-and-wellbeing-survey-results.pdf?_ga=1.221944785.859113055.1492349396 [Accessed on: 14 April 2017]
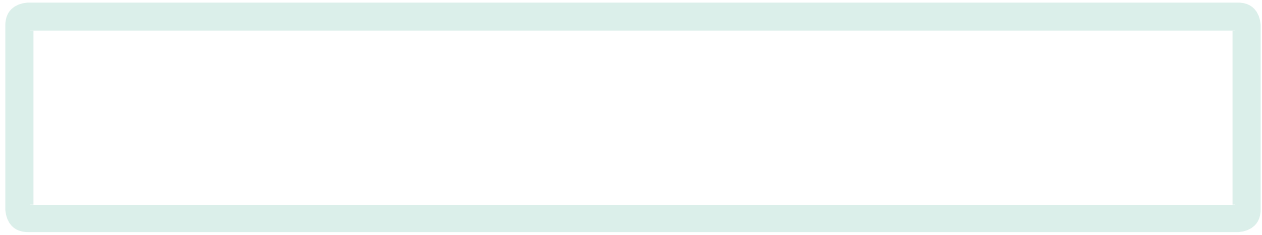
Some leaders consistently signal to employees that they value engagement, while others do not. Also, in the most basic sense, when the employee feels comfortable communicating their views up the chain of command, and feels like their opinions matter, they are more likely to be engaged. On the other hand, if leaders appear to "check out" either literally or figuratively, or do not show appreciation of the engagement of others, then employees are likely to get the message and find ways to reduce their involvement and engagement.

Poor line management

You may have heard the saying "people don't leave their jobs, they leave their managers". Unfortunately, there's some truth in this. In one study, five of the top ten drivers of disengagement related to "my manager" (Blytheco, 2015)[55].

Line managers play a critical role in employee engagement through their interpersonal relationships with employees. The approach taken by the line manager sets the tone for the employee's working environment, and whether the employee decides to fully engage in their work or whether they will disengage and not work to their full potential. While senior managers within the organisation have more power and status, arguably, the line manager is more important as far as the employee is concerned because they interact with them on a daily basis (Arakawa and Greenberg, 2006)[56]. Therefore, the ability of the line manager to build relationships, both between themselves and individual members of staff, and across the team as a whole, is an important factor in engagement.

On one hand, the line manager can create a working environment where the employee feels trusted and supported, enabling the employee to feel free to fully engage in their work in ways that benefit both the employee and the organisation. On the other hand, the line manager can create a working environment that has few of the ingredients of employee engagement, such as trust, support and encouragement.

❗ NEED TO KNOW

According to an employee engagement survey by SHRM (2016[57], 71% of respondents believed that appreciation by a line manager had the most impact on employee engagement in their organisation.

To support managers and organisations in achieving sustainable employee engagement, the CIPD (2012)[58] has developed a "Managing for sustainable employee engagement" framework. Table 1 summarises the content of the framework.

REVISION on the go

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55 Blytheco (2015), *Focal employee engagement: What causes employee disengagement?* [online]. Retrieved from: http://www.blytheco.com/engagement/pdf/What-Causes-Employee-Disengagement.PDF [Accessed on: 14 April 2017]
56 Arakawa, D. and Greenberg, M. (2006), *Optimistic Managers and Their Influence on Productivity and Employee Engagement in a Technology Organisation.* University of Pennsylvania: Scholarly Commons
57 SHRM (2016), "Employee job satisfaction and engagement survey", Alexandria: Society for Human Resource Management
58 CIPD (2012), *Managing for sustainable employee engagement: Guidance for employers and managers* [online]. Retrieved from: https://www.cipd.co.uk/Images/managing-for-sustainable-employee-engagement-guidance-for-employers-and-managers_2012_tcm18-10753.pdf [Accessed on: 21 April 2017]

Management competency	Brief description
Open, fair and consistent	Managing with integrity and consistency, managing emotions/personal issues and taking a positive approach in interpersonal interactions.
Handling conflict and problems	Dealing with employee conflicts (including bullying and abuse) and using appropriate organisational resources.
Knowledge, clarity and guidance	Clear communication, advice and guidance, demonstrating understanding of roles and responsible decision-making.
Building and sustaining relationships	Personal interaction with employees involving empathy and consideration.
Supporting development	Supporting and arranging employee career progression and development.

Table 1: Summary of "Managing for sustainable engagement" framework

REVISION on the go

📄 CASE STUDY

An engaging manager

Janine is a team manager in a small bakery. She manages ten members of staff.

The bakery is very busy. Janine is sometimes frustrated by the time taken by team members to complete tasks. She regularly takes over tasks herself, directing the team members to other duties. Janine would like to provide some training for the team, but is yet to set this up.

Janine often cancels the monthly team meeting at the last minute and rarely rearranges it. Indeed, the last team meeting was held over three months ago. Despite the owner of the bakery expecting team managers to hold regular one-to-one meetings with their staff, Janine only meets with some team members on a regular basis. She seldom meets with others, especially those working part-time.

Janine regards herself as a "good manager" who takes a genuine interest in her team. For instance, in the past she has been very supportive of team members who have asked for her help because of difficulties away from the workplace.

✏️ OVER TO YOU

Activity 6: Janine as a manager

Read the case study above.

In your view, what does Janine need to do in order to become a more engaging manager?

Make a note of your recommendations below.
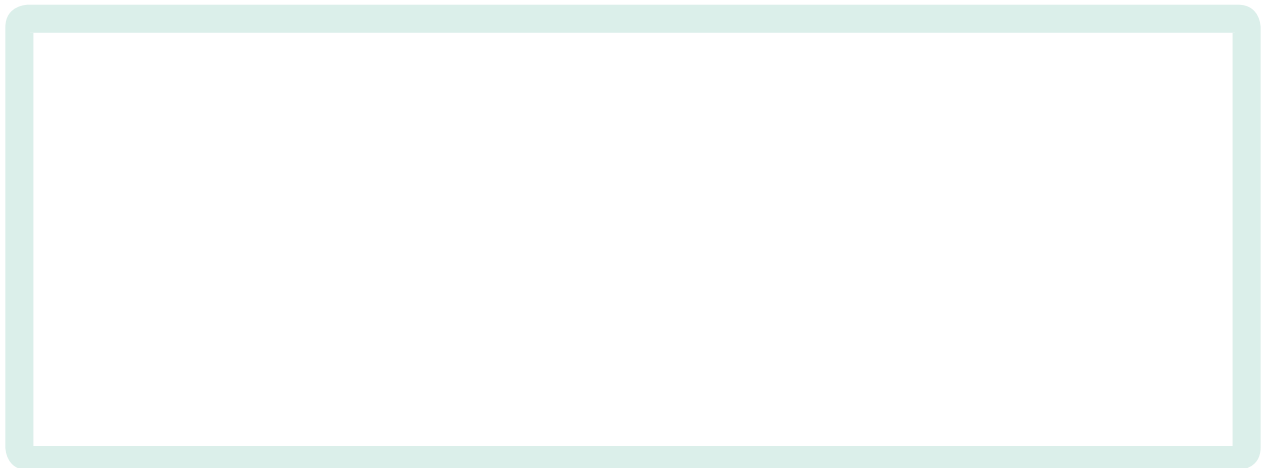
Lack of job security

Especially in turbulent times, organisations may appreciate the value of employee engagement as a key factor of productivity, retention and profits. However, in such times, the lack of job security may result in employees disengaging and applying their energies to seeking out new companies which can offer better and more secure prospects.

Employees are likely to feel uncertainty or lack of job security when:

- they are uncertain about the future of the organisation;
- they do not get a sense that the organisation is going places;
- they do not know what actions will be taken by leaders to direct the organisation.

Once again, we can see the significant role that leadership plays.

Different levels of engagement

Although the definition of employee engagement may be different depending on varying contexts and organisational perspectives, Gallup Research (Reilly, 2014)[59] has provided us with some generalised distinguishers between typically engaged versus **non-engaged employees**.

Engaged employees	Engaged employees work with passion and feel a profound connection to their company. They drive innovation and move the company forward. Such employees are optimistic and spread positivity among co-workers. They personalise the goals and objectives and always work for the betterment of the organisation. Such employees feel and behave like owners of the business.
Non-engaged employees	Non-engaged employees have essentially "checked out". They put in their time, but not passion and energy into their work. Usually preferring to work on one task at a time, they lack creativity and rarely show any discretionary effort. They can hold either a negative or positive attitude towards the organisation.

59 Reilly, R. (2014), *Five ways to improve employee engagement now* [online]. Retrieved from: http://www.gallup.com/businessjournal/166667/five-ways-improve-employee-engagement.aspx [Accessed on: 21 April 2017]

Actively disengaged employees	**Actively disengaged employees** aren't just unhappy at their work; they're busy acting out their unhappiness. Everyday, they undermine what their engaged co-workers accomplish. Such employees are bad for the organisation because they negatively infect the organisational culture and may seek to disengage other employees.

Table 2: Levels of employee engagement

REVISION
on the go

📄 CASE STUDY

Are we engaged?

It's Friday morning, and the weekly team meeting is underway in the conference room. The customer service manager, Darius, and his four staff members – Harry, Adric, Cara and Bria – are looking at the first agenda item, "Improving customer service".

Darius joined the company four months ago. It's been a steep learning curve, but he is enjoying the challenge. Generally, Darius gets on well with the team. However, he knows that he has a very different management style to his predecessor, and that his style is not appreciated by all team members, especially Harry. Darius is concerned. His analysis of the latest customer satisfaction data indicates that satisfaction levels are continuing to fall steadily, mostly in relation to product knowledge and query response time. The impact on the reputation of the company is likely to be high, especially in such a competitive market. The company is seeking to grow within the next couple of years, and the senior management team have recently identified a set of company values – customer focus, performance, innovation and responsibility. Darius is keen to identify, together with his team, some ideas for improving customer service.

Harry is the longest-serving member of the team. He regularly interrupts Darius and his team mates to make sarcastic and cynical remarks. When others put forward positive suggestions, Harry rolls his eyes and comes up with reasons why the idea won't work. He likes Darius, but thinks he is too inexperienced and "straight out of management school", with little to offer the team.

Adric is the newest member of the team. He has worked closely with his colleague Cara to develop his product knowledge and customer service skills. He now prides himself on dealing with customers in an efficient and effective way. Adric has some ideas he'd like to share, but is reluctant to say too much in the meeting because of Harry's likely response. He doesn't think that Harry's sarcastic comments are necessarily personal or aimed at him. After all, Harry was really helpful to him when he was struggling with a complicated query earlier in the week. Adric was excited to get the job, but is now wondering if it is really for him.

Cara views the team meeting as something to endure. She rarely finds any meeting interesting. Cara likes Darius, but thinks he sometimes makes a "fuss over nothing". She knows that she is good at her job and thinks that the occasional customer complaint can only be expected – you can't please everyone all of the time. Her mind often wanders off while she is working. She has plans this evening to meet up with an old school friend and is pondering if she'll have enough time to buy a gift during her lunch break. She looks at her watch, and notes that the meeting is likely to overrun. She quickly texts a colleague in another team to check if she can pick up the gift for her.

Bria is pleased that Darius, unlike his predecessor, holds regular team meetings. The office is very busy and the team rarely get a chance to catch up. She welcomes the opportunity to talk about how things are going and to share ideas about potential improvements. Bria likes her colleagues, but sometimes finds Harry and Cara's behaviour a little annoying. She's enjoys working with Adric. His enthusiasm rubs off on her, and she's found renewed energy in her work. Darius circulated the team meeting agenda on Monday. In preparation for the meeting, Bria has mapped out the key customer "touchpoints" to make sure that the team have a full view of the customer experience; otherwise there are potential lapses in service that can really damage the business. She's also noted down some ideas to share with her teammates. She's keen to hear their feedback.

✏ OVER TO YOU

Activity 7: Are we engaged?

Read the case study above.

Do you think Darius, Harry, Adric and Cara are engaged, not-engaged, actively disengaged, or somewhere in between? Make a note of your assessment, justifying your decision.

What actions could Darius take increase engagement across the team?

READING LIST

- Kunerth, B., and Mosely, R. (2011), "Applying employer brand management to employee engagement", *Strategic HR Review*, Vol. 10, Issue: 3, pp. 19–26. (This article will be available in your online student resources.)

Summary

In this chapter, we have explored how employee engagement impacts, both positively and negatively, on the experience of the employee working in an organisation. Our discussions have highlighted the significance of the psychological contract and how engagement has a mutually reinforcing relationship with personal wellbeing. Through activities and case studies, we've explored a range of factors that shape the employee's experience, including the extent to which their line managers display engaging behaviours.

Chapter 3

Employee Engagement and Reward

Introduction

Employee engagement does not exist in a vacuum, neither can it be created, nor sustained, if it operates in isolation from other organisational strategies, policies and procedures. In this chapter, we consider the role of **reward management** and its connections to employee engagement, through concepts such as motivation, financial and non-financial reward, and pay structures such as **performance-related pay**. We will also consider how the psychological contract links to reward, and explore the key associated concepts of fairness, transparency, equality and justice in reward management policy design and operation.

Learning outcome

On completing the chapter, you will be able to:

3 Analyse the link between approaches to reward and employee engagement

Assessment criteria

3 Analyse the link between approaches to reward and employee engagement

    3.1   Analyse the impact of reward on levels of employee engagement

    3.2   Discuss the extent of the relationship between reward and employee engagement

3.1 The impact of reward on levels of employee engagement

The link between reward and motivation, and the impact that this might have on employee engagement

What is reward?

According to Armstrong and Taylor (2017)[60], reward management is the term used to describe the strategies, policies and procedures required to recognise the value and contribution of staff to the achievement of organisational objectives.

The aims of reward management include:

- to help the organisation achieve its objectives by encouraging high performance;
- to reward the skills and behaviours that the organisation wants to encourage;
- to recognise valuable employees;
- to attract and retain high-quality applicants;
- to help to motivate employees.

Employee engagement is closely intertwined with these aims. For instance, is it possible to achieve objectives and high performance with disengaged staff? Can the organisation identify the skills and behaviours it needs to promote employee engagement that can then be implemented amongst staff? Can the organisation find a way to recognise its most valuable employees and then reward them, thus enhancing the engagement of those employees and encouraging others to aspire to such rewards? Can rewards assist in employee engagement priorities to ensure an organisation retains and motivates the high-quality staff it needs for competitive advantage?

The rest of this chapter will consider a variety of reward techniques which will help resolve the key question – how can reward help create and sustain employee engagement?

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60 Armstrong, M. and Taylor, S. (2017), *Armstrong's Handbook of Human Resource Management Practice*, 14th edition. London: Kogan Page

! NEED TO KNOW

Reward management is the strategies, policies and procedures required to recognise the value and contribution of staff to the achievement of organisational objectives, and as such has close links to employee engagement.

REVISION on the go

Motivation and reward

Locke and Latham (2004) define motivation as:

> " *the internal forces that impel action and the external factors that can act as inducements to action.* "
>
> *Locke and Latham (2004)[61]*

Hutchinson (2013)[62] builds on this definition to identify three different components to motivation:

1 Direction or choice – what a person is trying to achieve.

2 Effort or intensity – how hard a person is trying.

3 Duration or persistence – how long a person goes on trying.

An engaged employee will, hopefully, "score" highly on these questions – they will be motivated to work hard, and keep on working hard, because of their commitment to the organisation and the work they do. However, getting an employee to that point of performance and engagement is not a straightforward task, as we have seen in earlier chapters. Reward, and motivation, have a role to play to help achieve this.

✏ OVER TO YOU

Activity 1: Motivation

What motivates you to work? List as many reasons as you can think of.

Ask your friends and family members the same question, and make a note of their answers. Compare their answers to your own – are they the same? Are there any different ones? Why do you think that is?

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61 Locke E. A. and Latham G. (2004), "What should we do about motivation theory? Six recommendations for the twenty-first century", *Academy of Management Review*, Vol. 29, Issue 3, pp. 398–403

62 Hutchinson, S. (2013), *Performance Management Theory & Practice*. London: CIPD

Types of motivation

1 **Intrinsic motivation**: according to Armstrong and Taylor (2017)[63], this takes place when employees feel that their work is important, interesting and challenging and that it provides them with a reasonable degree of autonomy (freedom to act), opportunities to achieve and advance, and scope to use and develop their skills and abilities.

2 **Extrinsic motivation**: the same authors suggest that this is when things are done to, or for, people in order to motivate them. These include rewards such as incentives, increased pay, praise or promotion.

For organisations, intrinsic motivation is more powerful, and more closely aligned to employee engagement. Extrinsic motivators can have an immediate effect, but this will not usually last for long. Intrinsic motivators are the ones that will sustain performance; because they come from within an individual, they can often (but not always) be linked to feelings of commitment to the organisation and engagement.

Motivation theories

There are a significant number of motivation theories; below is a small selection of some of the more important ones.

Name of theory	What does it say	Comments
McClelland's Achievement Motivation Theory (1961)[64]	Identifies three needs, of which the need for achievement is the most important: • The need for **achievement**, i.e. the need for competitive success measured against a personal standard of excellence. • The need for **affiliation**, i.e. the need for friendly, compassionate relationships with others. • The need for **power**, i.e. the need to control or influence others.	The limitations of this theory are that it assumes that there is an automatic and consistent link between the needs and employee behaviours to achieve those needs. Are these needs the same for everyone? It is difficult for organisations to influence these needs with extrinsic motivators such as performance pay. This theory might not lend itself easily to the construction of an effective employee engagement strategy.

63 Armstrong, M. and Taylor, S. (2017), *Armstrong's Handbook of Human Resource Management Practice*, 14th edition. London: Kogan Page
64 McClelland, D. C. (1961), *The Achieving Society*. Princeton: Van Nostrand

Name of theory	What does it say	Comments
Expectancy Theory (originally put forward by Vroom (1964), but then developed by Porter and Lawler in 1968)[65]	States that motivation will be high when people: • know what they have to do in order to get a reward; • expect that they will be able to get the reward; • expect that the reward will be worthwhile. There are two important factors that Porter and Lawler[66] stated must be considered: • ability (individual characteristics such as intelligence, knowledge, skills); • role perceptions (what the individual wants to do or thinks they are required to do). Performance will be achieved as a result of this motivation to act only if the views of the employee coincide with the organisation (i.e. there is an agreed goal or objective).	Expectancy Theory (and Goal Theory – see below) are probably the most important theories for business organisations, given their focus on performance and reward. However, it is not a perfect method. Behling and Starke (1973)[67] suggested that individuals: • make crucial personal decisions without clearly understanding the consequences; • have to assign two values when making a decision – its desirability and its achievability – but they tend to be influenced mainly by desirability; • may find it difficult to distinguish the benefits of one possible outcome from another.
Goal Theory – Locke and Latham (1979)[68]	States that motivation and performance are higher when individuals set specific goals, when goals are demanding but accepted, and when there is feedback on performance. Employees must participate in goal setting as a means of getting agreement to the setting of demanding goals. Feedback is vital in maintaining motivation, particularly towards the achievement of even higher goals.	Participation and feedback are key requirements for high levels of employee engagement, and the setting of goals would help the employee see their own worth to the organisation in achieving those – also important in employee engagement. But would goal-setting motivate everyone?

65 Porter, L. W. and Lawler, E. E. (1968), *Managerial Attitudes and Performance*. New York: Irwin-Dorsey
66 Vroom, V. H. (1964), *Work and Motivation*. New York: Wiley and Sons
67 Behling, O. and Starke F. A. (1973), "The postulates of expectancy theory", *Academy of Management Journal*, Vol. 16, Issue 3, pp. 37–388
68 Locke, E. A. and Latham, G. P. (1979), "Goal setting: a motivational technique that works" *Organizational Dynamics*, Vol. 8, Issue 2, pp. 68–8

Name of theory	What does it say	Comments
Equity Theory – Adams (1965)[69]	This is concerned with the perceptions people have about how they are being treated as compared with others. Adams proposes that employees assess the fairness or otherwise of their rewards (outcomes) in relation to their effort or qualification (inputs). They do this by comparing their own effort and reward to that of other individuals. If the input/output ratio is perceived to be unfavourable, they will feel that there is reward inequity.	Equity Theory explains only one aspect of the process of motivation and job satisfaction, although it may be significant in terms of morale and, possibly, of performance. There are links between Equity Theory and the psychological contract.

Table 1: Theories of motivation

REVISION on the go

✎ OVER TO YOU

Activity 2: Motivation theory research

Carry out research on the internet and find two other motivation theories, one of which should be the Theory of Scientific Management (also called "Taylorism") by F.W. Taylor, which dates from the early 20th century.

What does Taylor suggest motivates employees?

What does the other motivation theory you found say about what motivates employees?

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69 Adams, J.S. (1965), "Inequity in social exchange" in L. Berkowitz (ed.), *Advances in Experimental Social Psychology*, Vol. 2, New York: Academic Press, pp. 267–299

> **What are the key similarities and differences between the six motivation theories you now know (i.e. four in this study guide and two you have researched yourself)?**

The impact of reward and motivation on employee engagement

As discussed in Chapter 1, employee engagement is a multi-dimensional concept that includes the idea of employees transforming their world into something meaningful and purposeful. Where work is meaningful, it is said to have intrinsic motivation for employees, and to promote and sustain intrinsic motivation, an organisation requires intrinsic rewards. These include:

- **Sense of achievement**: the pride you feel when you have achieved a difficult task, or worked very hard on a particular project.

- **Feeling proud of the job you do because you know it makes a difference**: not many nurses, for example, would expect performance-related bonuses for caring for sick people and helping them to recover. They feel proud of the difference they can make to people's lives, and this plays an important role in motivating them in the future, and in sustaining their levels of engagement.

> **! NEED TO KNOW**
>
> Intrinsic motivation contributes to an employee's sense of achievement and pride in their work, which, in turn, are key elements for high levels of employee engagement.
>
> REVISION *on the go*

Non-financial reward and the impact on motivation

According to Armstrong and Taylor (2017)[70], non-financial rewards focus on the needs people have to varying degrees for recognition, achievement, personal growth and acceptable working conditions.

Non-financial rewards can be extrinsic, such as praise and recognition, or intrinsic, associated with job challenge and interest and feelings that the work is worthwhile. CIPD, in their research report "Show me the money! The behavioural science of reward" (2015a)[71], argued that non-financial rewards are just as important as financial rewards, particularly these examples:

- good **performance management** and appraisals;

- opportunities for personal and career development;

- flexible working (such as working from home);

- being involved in decisions that affect how and when employees do their work;

- recognition, such as through an "employee of the month" award or team-based events.

In addition, many employers offer extra benefits to their employees on top of what they are legally required to offer. For example, if the law says that an employee is allowed six months' absence once her baby is born, as maternity leave, an employer might offer as part of its benefits that a woman can be entitled to nine months' maternity leave.

Common examples of the benefits offered by employers include:

- pension schemes
- profit-sharing
- employee share options
- commission or bonus
- staff discounts

- healthcare
- flexible working
- parental leave
- career breaks

✎ OVER TO YOU

Activity 3: Employee benefits

What are the top three benefits that you have, or would want to have, from your employer?

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70 Armstrong, M. and Taylor, S. (2017), *Armstrong's Handbook of Human Resource Management Practice*, 14th edition. London: Kogan Page

71 CIPD (2015a), *Show me the money! The behavioural science of reward* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/culture/behaviour/reward-report [Accessed on: 31 May 2017]

Ask your family and friends the same question. It is likely that they will have different responses. Why might that be, and what difficulties might that cause an organisation that employs, for example, 500 staff?

Employee engagement is a strong reason why an employer might want to introduce these extra benefits which are, after all, an extra cost. Examples of this might be:

- to contribute to the overall total reward package (see the section below) to make the company more attractive to potential employees, and to help retain current ones;
- to provide an employee with financial assistance if they become ill, or when they retire, to meet the organisation's goal of being seen to be a caring employer;
- to increase commitment and motivation amongst employees, thus contributing to the development of higher levels of employee engagement.

All of these contribute to creating and maintaining high levels of employee engagement.

📄 CASE STUDY

Syngenta

Syngenta is a worldwide agriculture company whose aim, according to their corporate website, is to help "to improve global food security by enabling millions of farmers to make better use of available resources". It has more than 26,000 employees in over 90 countries, 1,600 of whom are based in the UK.

In 2000, they merged with another company. Each company had its own set of employee benefits packages. Before the merger, comprehensive private medical insurance had been provided to senior managers and a lower level of cover had been provided to other employees. Following the merger, Syngenta took the opportunity to review its health cover provision with a view to:

- continuing to provide benefits which support employee wellbeing;

- reducing the cost of health insurance (without compromising the overall benefit structure);

- trying to use the new private medical insurance plan as part of their overall people strategy to engage with employees and reduce long term absence, rather than just treating it as an "employee perk".

The new plan has now been in place for several years. The company has been able to tailor the benefits it provides and has greater control over how claims are dealt with as well as allowing employees' families to be added to the scheme at the same rate. This has saved it more than £100,000 a year and enabled Syngenta to offer an employee benefits package that reflects their organisational culture and to show why Syngenta is a good employer who cares about its staff. Their goal now is to become more proactive with health and wellbeing programs that can help prevent employee absence and illness.

Source: www.simplyhealth.co.uk/

! NEED TO KNOW

Non-financial motivators help to strengthen intrinsic motivation, and thus employee engagement. They can also demonstrate to its employees that it values them and the work that they do.

REVISION *on the* go

Different approaches to basic financial rewards, including contingent pay and financial incentives such as bonuses

Despite the many benefits of non-financial rewards in enhancing employee engagement, financial rewards still play an important part. These include any form of monetary reward or incentive that an employee can earn for good performance.

There are a number of different approaches to financial reward:

- **Grade and pay structures**: not everyone will be paid the same, and the salary they receive will be related to their job role and their position in the organisation's structure. Grade and pay structures provide the framework for this to happen, from a reward perspective. They enable the organisation to determine where jobs should be placed in a hierarchy, define pay levels and the scope for progression. Roles at each level of the hierarchy will be allocated a salary range of, for instance, four salary points. Each year a person moves from one point to the next, rewarding length of service and commitment to the organisation. However, this progression is totally unrelated to levels of performance – an employee will progress however strong, or weak, their performance is.

- **Contingent pay**: this links financial reward to a factor such as performance, achievement of skills or competencies, or contribution (i.e. performance and competence to perform the job). It can take the form of salary increases or a one-off performance bonus, and is earned by the achievement of certain targets, or a pre-determined set of skills.

- **Performance-related pay**: this is the most common form of contingent pay where salary progression, or bonus payment, is purely linked to the achievement of pre-agreed goals or objectives. There are two main reasons for introducing performance-related pay:

  - encouraging high performance levels by linking performance to pay – highlighting to employees the specific achievements the organisation wants and is prepared to reward;

- the notion of equity or fairness – people who work hard and achieve the most will therefore receive more.

It is important to remember that there are some significant problems with the operation of a performance-related pay scheme. What sounds totally fair and logical in theory has some major problems when put into practice. These are discussed later in this chapter.

✏️ OVER TO YOU

Activity 4: Fair pay?

Without looking at later sections in this study guide, why do you think that organisations have found a number of difficulties in operating fair and effective performance-related pay schemes?

❗ NEED TO KNOW

Financial rewards include grade and pay structures, contingent pay and performance related pay.

REVISION
on the go

Perceived unfairness in rewards and the impact that this can have

Think back to Adams' Equity Theory discussed earlier (see Table 1), which was all about how people feel about how they are being treated in comparison to how other employees are treated. Adams suggested that people also compare how much effort they are putting in to what they are receiving in reward for that effort. If, on any level, they feel that their treatment is unfair, their motivation and engagement levels will decrease; it is very difficult to reverse that downward trend because the trust in the organisation or the line manager is diminished.

In any consideration of the perception of fair treatment is the notion of transparency. The CIPD reward management survey (CIPD, 2015b)[72], 41% of organisations stated that they tried to make pay as transparent as possible, while 48% specifically disagreed with this approach. Yet the previously mentioned CIPD "Show me the money" (2015a) report suggested that:

> " *our need for fairness is deeply ingrained and we seek demonstrable rigour and transparency in determining pay and progression.* "
>
> *CIPD (2015a)*

This then links to the concept of the "psychological contract" discussed in Chapter 2. Some of the key principles are fairness in terms of how they are treated (in all aspects of their employment, not just in reward) and the transparency of management actions. If an employee feels they are being treated unfairly (irrespective of whether that is reality or not), the psychological contract can be irretrievably broken, and their level of engagement with the organisation permanently damaged. This can then lead to the problems we have discussed before, such as:

- reduced productivity;
- lower motivation and morale;
- higher rates of absenteeism;
- higher rates of labour turnover.

Finally, Aon (2017)[73] recommends that employee engagement can be improved by the use of fair and effective pay and reward strategies. They advise employers to ascertain and monitor the positive or negative impacts their schemes might be having on staff. They stress the importance of understanding people's views on financial and non-financial rewards and how these are perceived.

Consideration of equality, justice and social responsibility to reward and performance

Equality is:

> " *the state of being equal, especially in status, rights, or opportunities.* "
>
> *Oxford Dictionary*[74]

Daniels and MacDonald (2005)[75] suggest equality is more complex than this, and cite Shaw (1989)[76], who suggested that there needs to be equal chance (with everyone having the same chance to gain from any opportunities that arise in the workforce – for example, promotion), equal access (with everyone having the same opportunity to enter the organisation) and equal share (with all groups at each level within the organisation being represented). Justice is the process of treating

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72 CIPD (2015b), *Annual survey: reward management* [online]. Retrieved from: https://www.cipd.co.uk/Images/reward-management_2014-15_tcm18-11382.pdf [Accessed on: 1 June 2017]

73 Aon (2017), *Employee engagement pay and reward* [online]. Retrieved from: http://www.aon.com/unitedkingdom/employee-benefits/news/articles/employee-engagement-pay-reward.jsp [Accessed on: 1 June 2017]

74 Oxford Dictionary (n.d.), *Equality* [online]. Retrieved from: https://en.oxforddictionaries.com/definition/equality [Accessed on: 6 October 2017]

75 Daniels, K. and MacDonald, L. (2005), *Equality, Diversity and Discrimination: A Student Text*. London: CIPD

76 Shaw, M. E. (1959), "Acceptance of authority, group structure, and the effectiveness of small groups", *Journal of Personality*, Vol. 27, pp. 196–210

people in a right and fair way. CIPD (2015a)[77] discuss two main types of justice from a reward management perspective:

1 **Distributive justice**: as discussed earlier, people are rewarded equitably in comparison with others, and in accordance with their contribution.

2 **Procedural justice**: organisational processes, and decisions made, are fair, consistent and transparent. Not only that; they must also be seen to be those things by staff, to engender any trust and engagement with them. Armstrong and Taylor (2017)[78] cite research by Tyler and Bies (1990)[79] which identified five factors that affect perceptions of procedural justice:

- adequate consideration of an employee's viewpoint;
- suppression of personal bias towards an employee;
- applying criteria consistently across employees;
- providing early feedback to employees about the outcome of decisions;
- providing employees with an adequate explanation of decisions made.

And finally, **social responsibility** is the duty that companies, and individuals, have to act in the best interests of all stakeholders.

How do these concepts link to reward and performance?

Equality, justice and social responsibility are fundamental to reward management to ensure fair, transparent and consistent treatment of employees. Social responsibility implies that employers have a duty to treat employees in that way. The consequences of an organisation not doing so could be significant; the psychological contract is instantly jeopardised and, once broken, it is very difficult to re-establish. This, as we have seen earlier in the study guide, then negatively impacts on performance, commitment to the organisation, motivation and engagement.

It is worth noting that even if organisations are operating in this way, but are not being open and transparent in their reward management policies and process, they could still be perceived to be unfair, which may well cause the same negative consequences.

✎ OVER TO YOU

Activity 5: Reward management policies

It is very easy to say that organisations should ensure that their reward management policies are fair, equal, transparent and consistent, but how do they ensure that happens in practice?

Make a note of your ideas on how this can be achieved, and compare your ideas with a fellow student in your class, if possible.

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77 CIPD (2015a), *Show me the money! The behavioural science of reward* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/culture/behaviour/reward-report [Accessed on: 31 May 2017]
78 Armstrong, M. and Taylor, S. (2017), *Armstrong's Handbook of Human Resource Management Practice*, 14th edition. London: Kogan Page
79 Tyler, T. R. and Bies, R. J. (1990), "Beyond formal procedures: The interpersonal context of procedural justice" in J. S. Carroll, *Applied Social Psychology and Organizational Settings.* Hillside, N.J., Lawrence Erlbaum Associates

! NEED TO KNOW

Equality is "the state of being equal, especially in status, rights, or opportunities".

Distributive justice means that people are rewarded equitably in comparison with others, and in accordance with their contribution.

Procedural justice means that organisational processes, and decisions made, are fair, consistent and transparent

Social responsibility is the duty that companies, and individuals, have to act in the best interests of all stakeholders.

3.2 The extent of the relationship between reward and employee engagement

Total rewards and employee engagement

Total rewards are the combination of financial and non-financial rewards made available to employees.

- Financial rewards = salary + any performance-related pay + financial benefits
- Non-financial rewards = (for example) recognition + opportunities to develop skills + quality of working life

Total rewards recognise that the most effective approach is to combine financial reward with non-financial reward in one "package". Of course, the financial rewards are important to ensure the psychological contract and engagement of employees are not compromised. However, total rewards acknowledge that it is important to provide people with intrinsically rewarding experiences that arise from their work environment (that is, the jobs they do and how they are managed) and the opportunity to develop their skills and careers. This is a significant way to increase levels of employee engagement.

Reilly and Brown (2008)[80] also asserted that appropriate reward practices and processes, both financial and non-financial, managed in combination (i.e. a total rewards approach), can help to

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80 Reilly, P. and Brown, D. (2008), "Employee engagement: future focus or fashionable fad for reward management?" *World at Work Journal*, Vol. 17, Issue 4, pp. 37–49

build and improve employee engagement. They argued that the opposite was also true (i.e. that a badly designed or implemented total reward scheme could hinder or irrevocably damage it). Their model was structured as below.

Culture/people management:		Rewards		Staff attitude and commitment		Performance
• Supportive superiors • Regular open feedback • Teamworking • Involvement in decision-making • Career development • Work–life balance	**+**	• Performance-related pay • Variable pay • Team rewards • Recognition • Reward for customer service/quality • Single status	**=**	• Supportive superiors • Treated fairly • Feeling involved and developed • Identification with organisation	**=**	**Performance**

Table 2: A total rewards approach

REVISION on the go

The World at Work report "The impact of rewards programs on employee engagement" (2010)[81] found that there was a definite link between total reward policies and employee engagement, and that:

> *When the impact of different categories of rewards programs on engagement was studied, it was discovered that base pay and benefits had the overall weakest relationship with the organization's ability to foster high levels of employee engagement and motivation, compared to incentives, intangible rewards and quality of leadership on engagement.*

The World at Work (2010)

The report recommended that organisations should always focus on total rewards, and thus develop employee engagement resources that are directed toward a positive work environment, work–life balance, the nature of the job and quality of the work, and career opportunities.

✏ OVER TO YOU

Activity 6: Effective reward ensures effective management

Read the article "Effective reward ensures effective engagement" by Sarah Lardner, *Strategic HR Review*, Vol. 14, Issue 4, pp. 131–134. (This article will be available in your online student resources.)

Answer the following questions:

1 Why did Gemserv want to review their reward and benefits strategy?

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81 World at Work (2010), "The impact of rewards programs on employee engagement", *World at Work* [Online]. Retrieved from: https://www.worldatwork.org/adimLink?id=39032 [Accessed on: 1 June 2017]

2 What were the key elements of the new strategy?

3 How does the new strategy link to their goals for employee engagement?

REVISION on the go

Contingent pay, and the link between the "contingent" and the extent of employee engagement

Do financial rewards and incentives create or maintain employee engagement? The fundamental principle behind contingent pay and performance-related pay (PRP) is that those who contribute or achieve more are paid more. On the face of it, this sounds very fair, and totally in accordance with the psychological contract and high levels of employee engagement. It is also in accordance with the principle of distributive justice, which, while it states that rewards should be provided equitably, does not require them to be equal, except when the value of contribution is equal.

However, there are problems with PRP. The most important one is that not all job outputs are easy to measure in numerical terms. Take the example of a human resources officer. What quantifiable targets can he or she have to work to? Would these targets focus on the number of people they discipline, the number of staff that are recruited, or the number of times they advise managers? What happens if labour turnover is reduced, and there are fewer vacancies to fill? Is that fair on the HR officer? None of these examples would really be appropriate to use for PRP purposes.

Fair measurement is hard in any situation where outcomes cannot be quantified, and the majority of job roles would fall into this category. Relating pay fairly to performance can also be subject to prejudice as it often depends on the line managers to make pay recommendations, and they may favour one member of staff over another without fair reason. This would instantly have an impact on staff and their commitment to the organisation, and thus their engagement – if they do not feel fairly treated, what will be their incentive to work hard for the organisation?

Another problem with PRP and other financial rewards is that they rely on the fact that people are only motivated by money. Is that true? Few if any of the motivation theories we considered earlier even mentioned money. And if people are motivated purely by money, developing and maintaining employee engagement, with its strong links to intrinsic motivation and reward, may become more difficult.

READING LIST

- Lardner, S. (2015), "Effective reward ensures effective engagement", *Strategic HR Review*, Vol. 14, Issue 4, pp. 131–134. (This article will be available in your online student resources.)

Summary

Reward management is all about using strategies, policies and processes that help focus employee behaviour on the desired skills, behaviours and objectives. If an organisation wants to improve the quality of their products and reduce wastage, it implements bonus schemes to reward employees who achieve low wastage rates. If it wants to increase sales, it introduces performance-related pay incentives that reward high sales. If it wants to upskill its workforce, then

it provides bonus payments to staff when they complete their training on the designated skills or competencies.

In the same way, reward management can help in the maintenance of high levels of employee engagement throughout an organisation. Motivation and reward go hand-in-hand, and intrinsic motivation in particular can lead to enhanced employee engagement through its focus on feedback, job satisfaction and commitment. The psychological contract also links to reward management, and this ensures the organisation is focused on addressing fairness, equality and justice in its rewards policies and procedures. Finally, total rewards helps to pull all the different elements of reward together, in one package designed to create and sustain high levels of employee engagement.

The Impact of Engagement on the Organisation

Introduction

In this chapter, we explore the impact of employee engagement on the organisation. This includes the links between high levels of employee engagement and the effect on an organisation's "bottom line" (i.e. its business performance measured in terms of sales or profits). We then consider how employee engagement impacts on staff – specifically, their psychological contract, their service to customers, and whether engagement can impact on labour turnover, diversity, creativity and innovation, and, finally employee absence.

Learning outcome

On completing the chapter, you will be able to:

4   Analyse the contribution of employee engagement to organisational success

Assessment criteria

4   Analyse the contribution of employee engagement to organisational success

    4.1   Discuss the impact of employee engagement on organisational success

    4.2   Analyse the link between organisational measures and organisational outcomes

4.1 The impact of employee engagement on organisational success

The link between business performance and an engaged workforce

Business performance considers the organisation as a whole, and the targets or goals that it sets for itself. How can you know if the business is doing well, or if it is not and needs improvement, if there are no objectives to measure it by? Measuring business performance will keep you focused on the strengths and weaknesses of your business. It can be measured by:

- **Key performance indicators (KPIs)**: a quantifiable measure that helps an organisation monitor their achievement of key business objectives. An example might be a KPI to monitor sales revenue.

- **Sales results or profit targets**: a company might set itself a target of a 20% increase in its profits, or sales, compared to the previous year.

- **Staff performance or productivity levels**: equally, a company might set itself targets to increase productivity levels amongst its staff. For instance, if it has decided to increase sales (see above), it will need factory staff to produce more products to be sold.

- **Employee turnover**: this measure monitors the rate of labour turnover, perhaps with a target to reduce it or ensure that it does not rise above a certain target percentage.

- **Customer satisfaction or complaints**: one target for a company could well be to keep customer complaints down at a very low number; so, it might have a target that complaints must be kept to 1% of sales.

- **Wastage rates**: for example, in a factory, the wastage rates could measure how many products are rejected due to not meeting quality control requirements.

✎ OVER TO YOU

Activity 1: Business performance measurement

Think of a large employer in your local area. How would that organisation measure its business performance? Think of as many examples as you can, and compare your thoughts with those of a fellow student, if possible.

According to Stairs and Galpin (2010)[82], high levels of engagement result in:

- lower absenteeism and higher employee retention;

- increased employee effort and productivity;

- improved quality and reduced error rates;

- increased sales;

- higher profitability, earnings per share and shareholder returns;

- enhanced customer satisfaction and loyalty;

- faster business growth;

- higher likelihood of business success.

So, these two separate pieces of information would appear to show a very direct connection between business performance and high levels of employee engagement. Indeed, the CIPD "Factsheet: employee engagement" (2009) states that:

> *employers want engaged employees because, as well as being happier, healthier and more fulfilled, they deliver improved business performance. Research has repeatedly pointed to a relationship between how people are managed, their attitudes and behaviour, and business performance.*
>
> *CIPD (2009)[83]*

However, this doesn't mean that high engagement will automatically result in high performance. There are other factors that might impact on business performance that are outside the organisation's control, such as in the economy, a change in legislation or government policies, or operating in a very competitive market. Yet despite that, we can conclude perhaps that a successful organisation is likely to have an engaged workforce for all the reasons suggested by Stairs and Galpin above.

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82 Stairs, M. and Galpin, M. (2010), "Positive engagement: from employee engagement to workplace happiness" in (eds) P. A. Linley, S. Harrington and N. Garcea, *The Oxford Handbook of Positive Psychology and Work*. New York: Oxford University Press
83 CIPD (2009), *Factsheet: employee engagement* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/fundamentals/relations/engagement/factsheet [Accessed on: 27 May 2017]

> **!** NEED TO KNOW
>
> Business performance can be measured by any, or all, of the following: KPIs, sales results, profits, staff performance, employee turnover, customer satisfaction or wastage rates

REVISION
on the go

The relationship between the psychological contract, engaged employees and organisational outcome

Psychological contract

In Chapter 2, we discussed the concept of the psychological contract, which the CIPD (2017b) defined as the:

> **"** *mutual expectations, beliefs and obligations as perceived by the employer and the employee.* **"**
>
> *CIPD (2017b)*[84]

As you will have read in Chapter 2, and again in Chapter 3 which discusses fairness in reward, there is a strong connection between the drivers of employment engagement and the psychological contract. It is very likely that a strongly formed psychological contract will result in high levels of employee engagement; the opposite will probably be true, too, of course – if the psychological contract is damaged, or broken, the levels of employee engagement are likely to plummet. Chapter 2 also discussed the connection between employee wellbeing (the state of being comfortable, healthy, or happy in the workplace), a strong psychological contract and levels of employee engagement.

What is the relationship between the psychological contract, engaged employees and organisational performance?

The Engage for Success report, "Wellbeing and engagement" (2014)[85] suggested that wellbeing and employee engagement influenced employee performance, and that wellbeing significantly strengthened the relationship between employee engagement and performance. It cited work by Bevan (2010) that noted that:

> **"** *a growing number of employers, particularly large organisations, were adopting measures to promote and support health and wellbeing amongst their workforces, in order to improve productivity, commitment and attendance* **"**
>
> *Bevan (2010)*[86]

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84 CIPD (2017b), *Factsheet: the psychological contract* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/fundamentals/relations/employees/psychological-factsheet [Accessed on: 12 April 2017]

85 Engage for Success (2014), *Wellbeing and engagement* [online]. Retrieved from: http://engageforsuccess.org/wp-content/uploads/2015/09/wellbeing-and-engagement-04June2014-Final.pdf [Accessed on: 30 May 2017]

86 Bevan, S. (2010), *The Business Case for Employees' Health and Wellbeing: A Report Prepared for Investors in People UK*. London: The Work Foundation

In addition, the report found that engaged employees, with high levels of wellbeing, were 35% more attached to their organisations than those with lower wellbeing, and that the best companies to work for frequently outperformed their competitors.

The CIPD annual survey on absence management (CIPD, 2010)[87] reported that those who were absorbed in their work were almost three times as likely to have six key positive emotions at work (enthusiasm, cheerfulness, optimism, contentment, and feeling calm and relaxed) as negative ones (feeling miserable, worried, depressed, gloomy, tense or uneasy). The 2016 survey (CIPD, 2016b)[88] included a question that asked participating organisations "What are the most prominent reasons for your organisation's increased focus on wellbeing?" The responses are summarised on the graph below.

Percentage of companies

We have a specific issue that needs addressing	
To attract the best talent	
Our senior leadership is driving a heightened focus on employee wellbeing	
To retain people	
To lower our absence figures	
Our organisation believes it's the right thing to do	
Our organisation believes employee wellbeing is linked to business performance	
We want our organisation to be a great place to work	

Figure 1: Reasons for focus on wellbeing

REVISION on the go

It can be seen from this that the key organisational drivers were for the organisation to be considered a "great place to work" and that the organisation believed that "employee wellbeing is linked to business performance"; we have already seen how employee wellbeing is closely linked to high levels of employee engagement.

✎ OVER TO YOU

Activity 2: Setting objectives

Read the article "Blurry objectives threaten engagement and profitability: Language of expectations ensures employees know what they are working toward" by Nigel Purse, *Human Resource Management International Digest*, Vol. 23, Issue 2, pp. 28–30. (This article will be available in your online student resources.)

Answer the following questions:

1 What, in the author's view, is the problem with objective setting in organisations, and how does that link to employee engagement?

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87 CIPD (2010), *Absence management: annual survey report 2010* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/fundamentals/relations/absence/absence-management-surveys [Accessed on: 29 May 2017]
88 CIPD (2016b), *Absence management: annual survey report 2016* [online]. Retrieved from: https://www.cipd.co.uk/Images/absence-management_2016_tcm18-16360.pdf [Accessed on: 29 May 2017]

2 What are his proposed solutions and how do they link to employee engagement?

The link between customer service and employee engagement

✏️ OVER TO YOU

Activity 3: Customer service excellence

Think of a time when you have received excellent customer service.

What features made you think it was excellent?

Can you see any links between the performance of that member of staff and employee engagement?

There is a significant amount of research available, compiled over a number of years, which suggests that there is a direct link between employee engagement and customer service, or, as the Culture IQ report "The importance of employee engagement in customer satisfaction" succinctly states:

> **"** *Happy Employees = Happy Customers* **"**

Culture IQ (2015)[89]

For example, Engage for Success (2014)[90] found evidence to suggest that highly engaged and committed employees have a clear and important influence on sales performance and customer satisfaction; conversely, they suggest, that low levels of commitment and engagement were linked to high levels of absence (discussed later in this chapter) and low morale, which resulted in lower customer satisfaction and spend.

Other research examples that support this view are:

- The Gallup "State of the American workplace" study (2017)[91] which found that companies ranked in the top 25% for their high levels of employee engagement experienced customer ratings that were 10% higher than those outside the top 25%.

- Culture IQ (2015)[92] cite a study conducted by Washington State University (Chi and Gursoy, 2009)[93] which determined a direct link between customer satisfaction and employee satisfaction; they also found, perhaps not surprisingly, that an organisation's financial success is directly linked to customer satisfaction. The conclusion must be, therefore, that employee engagement is indirectly, yet importantly, linked to financial performance.

- Engage for Success, in their report "Delivering a customer service revolution" (2015)[94], determined that consumers' expectations around improved customer service levels from businesses and brands, and an increasing willingness to desert those that fail to meet their expectations, mean the performance and quality of service an organisation offers is key to its success.

- According to Taylor and Woodhams (2012)[95], other research has shown that high levels of employee engagement are associated with organisational commitment (Saks, 2006)[96], customer satisfaction, employee loyalty, profitability, productivity and even safety (Harter et al., 2002)[97].

89 Culture IQ (2015), *Connecting employee engagement and customer satisfaction* [online]. Retrieved from: https://cultureiq.com/connecting-employee-engagement-customer-satisfaction/ [Accessed on: 12 April 2017]
90 Engage for Success (2014), *Wellbeing and engagement* [online]. Retrieved from: http://engageforsuccess.org/wp-content/uploads/2015/09/wellbeing-and-engagement-04June2014-Final.pdf [Accessed on: 30 May 2017]
91 Gallup (2017), *State of the American workplace* [online]. Retrieved from: http://www.gallup.com/services/178514/state-american-workplace.aspx [Accessed on: 30 May 2017]
92 Culture IQ (2015), *Connecting employee engagement and customer satisfaction* [online]. Retrieved from: https://cultureiq.com/connecting-employee-engagement-customer-satisfaction/ [Accessed on: 12 April 2017]
93 Chi, G. and Gursoy, D. (2009), "Employee satisfaction, customer satisfaction, and financial performance: An empirical examination" *International Journal of Hospitality Management*, Vol. 28, No. 2, pp. 245–253
94 Engage for Success (2015), *Delivering a customer service revolution* [online]. Retrieved from: http://engageforsuccess.org/wp-content/uploads/2015/12/Serco_Employee-engagement_Delivering-a-Customer-Service-Revolution-White_Paper.pdf [Accessed on: 30 May 2017]
95 Taylor, S. and Woodhams, C. (2012), *Managing People and Organisations,* London: CIPD
96 Saks, A. M. (2006), "The antecedents and consequences of employee engagement", *Journal of Managerial Psychology*, Vol. 21, No.7, pp. 600–19
97 Harter, J.K., Schmidt, F.L. and Keyes, C.L. (2002), "Wellbeing in the workplace and its relationship to business outcomes: A review of the Gallup studies", in C.L. Keyes and J. Haidt, *Flourishing: The Positive Person and the Good Life.* Washington D.C, American Psychological Association, pp. 205–224

So why, or maybe how, does employee engagement impact on customer satisfaction?

> *What staff feel internally is what they reflect externally at the value point, where they interact with the public. Customer service has to be an attitude, and not a process.*
>
> *Engage for Success (2015)*[98]

If staff are feeling committed to the organisation, motivated to work for it and generally feeling happy and positive about their work and their working environment, then this will give a positive impression of the organisation and the products sold, to the consumer, through the positive attitude of the member of staff they are dealing with. And the reverse is true, of course – a demotivated, disengaged employee can give this impression to the consumer.

This link between employee engagement and customer satisfaction has one additional element. We have said that an engaged employee is likely to provide a positive customer experience, but according to Culture IQ (2015)[99] this works the other way round as well – positive customer interactions, perhaps in the form of customer surveys or feedback that praise the customer service they received, will promote feelings of job satisfaction amongst customer-facing staff, which is likely to increase their engagement to the organisational further, which then means even better customer service, and so on, to form a reinforcing circle that leads to excellent customer satisfaction and a likely positive impact on organisational sales and profits.

📄 CASE STUDY

Satisfying customers and employees

For an American clothing retailer, Gallup has been able to show that stores that strove to satisfy both customers and employees had significantly better profit margins than stores that focused on just one objective or the other.

Hutchinson and Purcell (2003)[100] compared four stores from a popular supermarket chain. As in most retailers, this organisation measured performance by something called the "conversion rate", which is the percentage of customers who actually buy something. Stores that scored highly in terms of both customer satisfaction and employee engagement had much higher conversion rates than stores scoring at the bottom.

According to Salanova et al. (2005)[101], if staff in hotels and restaurants have high levels of employee engagement, their actions lead to better service quality as measured by customer satisfaction surveys.

Source: Taylor and Woodhams (2012). Managing People and Organisations, London: CIPD
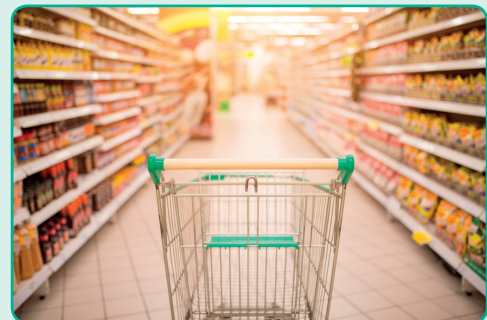
98 Engage for Success (2015), *Delivering a customer service revolution* [online]. Retrieved from: http://engageforsuccess.org/wp-content/uploads/2015/12/Serco_Employee-engagement_Delivering-a-Customer-Service-Revolution-White_Paper.pdf [Accessed on: 30 May 2017]

99 Culture IQ (2015), *Connecting employee engagement and customer satisfaction* [online]. Retrieved from: https://cultureiq.com/connecting-employee-engagement-customer-satisfaction/ [Accessed on: 12 April 2017]

100 Hutchinson, S. and Purcell, J. (2003), *Bringing Policies to Life: The Vital Role of Front-line Managers in People Management*. London, CIPD

101 Salanova, M., Agut, S. and Peiro, J.M. (2005), "Linking organisational resources and work engagement to employer performance and customer loyalty: the mediation of service climate", *Journal of Applied Psychology*, Vol. 90, pp. 117–22

The final word on customer service and employee engagement goes to John Timpson, chairman of Timpson. Timpson is a family-owned company, best known for having over 1,300 branches repairing shoes, jewellery and watches, as well as providing key cutting and photo developing services in Ireland and the UK. Timpson are also frequently cited in Engage for Success reports for having above-average levels of employee engagement, and John Timpson often appears at their seminars.

> **"** *You can't create great service by having a lot of training sessions or setting a lot of rules: the secret behind great customer service is to trust the people who serve the customers and give them the freedom to do it the way they want. That's the only way you can provide really great customer service.* **"**

<div align="center">

Timpson (2015)[102]

</div>

"Trust" and "freedom to do it the way they want" are key features of employee engagement, which only serves to reinforce the links between that and customer service.

! NEED TO KNOW

Happy Employees = Happy Customers!

REVISION
on the go

4.2 The link between organisational measures and organisational outcomes

Employee turnover and the outcome of high turnover on the organisation

Employee turnover is the proportion of employees who leave an organisation over a set period of time (often on a year-on-year basis), expressed as a percentage of total workforce numbers.

It is calculated as:

$$\frac{\text{Number of leavers in a specified period (usually a year)}}{\text{Average number of employees employed during that same period of time}} \times 100$$

The higher the answer to this calculation, the more staff are leaving the organisation.

✎ OVER TO YOU

Activity 4: Leaving employment

Why do you think people leave organisations? Think of as many reasons as you can.

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102 Lawrence, J. (2015), *Interview: John Timpson* [online]. Retrieved from: https://www.hrzone.com/lead/culture/interview-john-timpson-chairman-timpson [Accessed on: 6 October 2017]

Which of these reasons can be linked to employee engagement, in your opinion?

High employee turnover, where workers frequently leave and must be replaced, leads to increased spending on **recruitment** and training. These are the obvious direct costs of high labour turnover, but high turnover does bring other costs which impact on employee performance and organisational performance, such as:

- Reduced productivity leading to reductions in organisational performance measures. A person leaving an organisation is likely to be less motivated while working during their notice period, and so their productivity is likely to be reduced. In addition, there is normally a gap between when the employee leaves and the new person starts, which again will reduce the productivity or output of the department.

- Loss of output while the new person gets started in their role. It will always take someone, whatever their role, some time to get used to the new job and to speed up in terms of their productivity.

There are hidden costs to labour turnover that are more difficult to quantify, but can have a massive impact on employee engagement; for example:

- **Impact on staff left behind** – if there is high turnover in a department the staff who are left might start to feel demoralised and will perhaps be thinking that they should leave as well.

- **"Covering" the vacancy** – as mentioned above, there is frequently a time gap between an employee leaving and the new recruit starting. In that gap, the work still has to be done, so current team members usually have to share that work amongst themselves, on top of their own job. This can be very demotivating for an employee, especially if it happens regularly because of high turnover, or if it takes a long time to recruit a replacement.

How does high labour turnover link to employee engagement?

According to Engage for Success (2014)[103], employees who feel demotivated with, or disengaged from their work, or who find their work stressful, are more likely to resign from their posts. This is perhaps because their psychological contract has been irretrievably broken, or they feel less commitment to the organisation, leading to feelings of disengagement.

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103 Engage for Success (2014), *Wellbeing and engagement* [online]. Retrieved from: http://engageforsuccess.org/wp-content/uploads/2015/09/wellbeing-and-engagement-04June2014-Final.pdf [Accessed on: 30 May 2017]

> ### 📄 CASE STUDY
>
> **Loss of morale**
>
> In 2014, a poll by Investors in People (IiP)[104] in the UK, found that 54% of British full-time employees felt that their employer did not care about their health and wellbeing, as long as the job was completed. Almost half (48%) of those who stated that their employer did not care about their wellbeing also said it led to them feeling less motivated, with a third stating they were looking for a new job as a result.

Labour turnover can be improved by:

- Improving pay and/or other terms and conditions of employment (although the company would need to be clear that the likely increase in costs was worthwhile).

- Increased training and development opportunities – increasing people's skills may increase their motivation and their commitment to the organisation. They could then feel that the organisation cares about their career development, or become less bored with the job they are currently doing. This could well link to levels of engagement.

- Improving employee involvement – employees are given the opportunity to state their views on something, or put forward their own ideas. It can make employees feel valued if they think that management are listening to them, and as we saw earlier, it can also lead to improved levels of employee engagement.

Employees who feel demotivated with or disengaged from their work are more likely to resign from their posts. This is perhaps because their psychological contract has been irretrievably broken, or they feel less commitment to the organisation, leading to feelings of disengagement.

Creativity and diversity and whether a lack of employee engagement reduces innovation

Creativity, innovation and diversity defined

Creativity, in an organisational context, is the ability of employees to use their imagination or original ideas to invent a new product or service, and in doing so give the organisation an advantage over its competitors. This links to innovation, which is the action or process of coming up with something new.

Diversity is:

> ❝ *about recognising the range of differences in people and valuing people as individuals, respecting their differences and their differing needs. It is also about accommodating differences wherever possible so that an individual can play a full part in the working environment.* ❞
>
> *Daniels and MacDonald (2005)*[105]

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104 Investors in People (2014), "Exodus poll: Misplaced management priorities fuel sickie culture", *Investors in People* [Online]. Retrieved from: https://www.investorsinpeople.com/press/misplaced-management-priorities-fuel-sickie-culture [Accessed on: 27 May 2017]

105 Daniels, K. and MacDonald, L. (2005), *Equality, Diversity and Discrimination*: *A Student Text*. London: CIPD

Creativity, diversity and innovation, and the links to employee engagement reduces innovation

Alfes et al. (2010) asserted that:

> *engaged employees perform better, are more innovative than others, are more likely to want to stay with their employers, enjoy greater level of personal wellbeing and perceive their workload to be more sustainable than others.*
>
> *Alfes et al. (2010)*[106]

Valuing diversity, creativity and innovation rather than forcing people to act as "automatons" – all looking and acting the same – can only lead to a stronger organisation, which hopefully turns into competitive advantage.

The CIPD report "Sustainable organisational performance through HR in SMEs" (CIPD, 2012)[107] challenged organisations to re-evaluate their approaches to innovation and diversity by setting them a series of questions:

- Are your processes and procedures consuming employees' freedom and autonomy? How often do you evaluate this balance?

- Does the level of trust in your organisation, and the extent your values are embraced, support or prevent having looser processes (and thus greater creativity and innovation)?

- To what extent do people feel empowered to innovate and drive change in line with business goals?

These questions – so crucial to develop creativity and innovation in an organisation – relate back to key principles of employee engagement such as employee voice, autonomy and trust.

The following case study based on a UK organisation, demonstrates diversity (and customer service) in practice and how valuing people, whatever their background or differences, can be seen as a strength for an organisation. It is worth remembering as you read this case study that Timpson frequently feature in lists of top-performing companies for employee engagement each year.

📄 CASE STUDY

Timpson

As mentioned earlier, Timpson is a family-owned multi-service operation, best known for having over 1,300 branches repairing shoes, jewellery and watches, and providing key cutting and photo developing services in Ireland and the UK, where they employ over 3,500 people.

Diversity is a value deeply rooted into their culture. Age diversity within the organisation is wide, as they hire young people wanting to work straight after college but also employ long-serving employees that are nearing retirement age. They are also an ex-offender-friendly employer, as 10% of their workforce is composed of colleagues with criminal records. Women- and age-friendly policies and practices are also in place.

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106 Alfes, K., Truss, C., Soane, E. C., Rees, C. and Gatenby, M. (2010), *Creating an engaged workforce* [online]. Retrieved from: http://www.cipd.co.uk/hr-resources/research/creating-engaged-workforce.aspx [Accessed on: 12 April 2017]
107 CIPD (2012), *Sustainable organisation performance through HR in SMEs* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/strategy/sustainable-performance/org-performance-smes [Accessed on: 29 May 2017]

To cater for the diverse workforce, Timpson offers solutions such as flexible working or homeworking. These are potentially open to anyone and have been successfully adopted by women returning from maternity leave or colleagues with caring responsibilities for older relatives.

Avoiding positive and negative discrimination to create an inclusive environment is considered important. Branches have clear guidelines and training is provided, but they also need to be flexible while filling vacancies in order to ensure the best match.

"It's about finding the right colleagues that are going to operate in a branch comfortably. The right person could be anybody from any walk of life and with any sort of background," says Louise Plevin, colleague support advisor.

Successful candidates are then provided with technical training to ensure they have the right set of skills. Performance is measured through customer feedback and branch figures, with the colleague support team providing insight on turnover and other factors to each area. High-performing colleagues are rewarded accordingly. Branches are composed of only one or two people, therefore it is easier to monitor their performance and recognise the people responsible for their success.

Timpson's recruitment strategy is business-proofed; they want to ensure that every single time a customer visits a branch, they are provided with great service by great colleagues.

Source: CIPD report Resourcing and talent planning (2015)

The impact of high levels of employee absence on the organisation

Broadly speaking, staff are generally absent from work either due to genuine sickness or because they lack motivation and are disengaged. Both of these reasons can lead to significant problems for an organisation, for a number of reasons.

Firstly, there is the cost of employee absence. According to the Acas guide "Managing attendance and employee turnover" (2010)[108], in the UK the average worker is absent from work for 6.5 days a year. This figure obviously varies from one workplace to another but the cost to the UK economy is £17 billion annually.

The costs of absence include:

- Hiring, and then paying for, temporary replacement staff to make sure a customer order is completed or a service can be provided (e.g. a hospital cannot simply close the doors if they have nurses away because of sickness absence. They need temporary nurses to maintain the service, and will need to pay those wages, as well as the sick pay they are paying to their own absent staff).

- Missed sales or factory deadlines due to a lack of trained, experienced employees.

- Customer satisfaction levels – perhaps caused by an inexperienced or untrained member of staff being asked to do the specialised work of an absent employee.

- Low morale among colleagues expected to take on extra responsibilities to "cover for" absence.

These costs will impact on business performance – either through the extra financial costs incurred, a diminished reputation with customers and perhaps by losing business because their service is deemed to be unreliable.

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108 Acas (2010), *Managing attendance and employee turnover* [online]. Retrieved from: http://www.acas.org.uk/media/pdf/q/k/Managing-attendance-and-employee-turnover-advisory-booklet.pdf [Accessed on: 29 May 2017]

Increased levels of employee absence will also impact on levels of employee engagement. According to IiP (2014)[109], those who described themselves as happy in their role were less likely to take "sickies" (a colloquial British term, a "sickie" is a day that an employee takes, telling their employer it is for sickness when they are not actually ill) than those who described themselves as unhappy. In addition, 27% of unhappy workers admitted to having embellished the truth about being ill to take a day off on at least one occasion, compared with 20% of contented employees, and 6% of respondents to the IiP survey admitted to taking a "sickie" more than five times in one year.

🖉 OVER TO YOU

Activity 5: Sickness absence

A local employer comes to you and asks your advice. Her organisation has increasing levels of sickness absence, and high labour turnover. She thinks this might be due to low levels of employee engagement. What advice would you give her in order to:

1 Find evidence to determine whether the levels of employee engagement are actually low?

2 Improve the levels of sickness absence and labour turnover (by improving levels of employee engagement)?

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109 Investors in People (2014), *Exodus poll: Misplaced management priorities fuel sickie culture* [online]. Retrieved from: https://www.investorsinpeople.com/press/misplaced-management-priorities-fuel-sickie-culture [Accessed on: 27 May 2017]

There is additional evidence to suggest that employees who are committed to their organisation, and to the job they do, are less likely to be absent from work – for example, the 2009 report by MacLeod and Clarke "Engaging for success" (mentioned earlier in this study guide) suggested that employee engagement initiatives can help lower absence levels by increasing employees' commitment through:

- letting employees know how they can contribute (through employee "voice" initiatives);
- giving them the power to make some decisions themselves rather than trying to control and restrict them;
- showing them respect and appreciation.

This links to the concept of job design, defined by the CIPD (2016c) as:

> *the deciding of a job's key contents, from the duties and responsibilities involved to the systems and procedures followed during the role.*
>
> *CIPD (2016c)*[110]

There are many factors that impact on how an organisation designs the roles within its structure, such as the external environment, the nature of the sector in which it operates, the nature of the employees, competitive pressures and so on. Job design will, therefore, vary according to business demands and the organisation's culture. What is important, though, is to make sure the principles and drivers of employee engagement – discussed in this study guide – are woven into the design of jobs within an organisation to facilitate enhanced employee engagement, because:

> *meaningful work leads to lower levels of absence because people are engaged with their work.*
>
> *Soane et al. (2013)*[111]

The final word on this subject goes to Gallup (2013)[112] who suggest that organisations that make an effort to improve their employees' engagement levels will also help their workers improve the quality of their lives and their wellbeing, minimising the costs of decreased productivity resulting from illnesses whilst lowering healthcare and absence costs.

! NEED TO KNOW

Increased levels of employee absence will also impact on levels of employee engagement. According to research, those people who described themselves as happy in their role were less likely to be absent from work (unless it was for a genuine illness).

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110 CIPD (2016c), *Factsheet: job design* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/strategy/organisational-development/job-design-factsheet [Accessed on: 29 May 2017]

111 Soane, E., Shantz, A., Alfes, K., Truss, C., Rees, C., and Gatenby, M. (2013), "The association of meaningfulness, wellbeing, and engagement with absenteeism: a moderated media on mode", *Human Resource Management*, Vol. 52, No. 3, pp. 441–456

112 Gallup (2013) *The State of the Global Workplace – Employee Engagement Insights for Business Leaders Worldwide*. Washington DC: Gallup

READING LIST

- Purse, N. (2015), "Blurry objectives threaten engagement and profitability: Language of expectations ensures employees know what they are working toward", *Human Resource Management International Digest*, Vol. 23, Issue 2, pp. 28–30. (This article will be available in your online student resources.)

Summary

Employee engagement brings huge benefits to an organisation, which result in improved working conditions and motivation for staff. All this impacts on an organisation's performance – often in improved levels of customer service, or increased profits – which makes it a win-win for employers and staff.

However, if employee engagement is not addressed within an organisation it can bring significant, and often irretrievable, problems, such as high labour turnover, increased levels of sickness absence, a lack of creativity, innovation and diversity within the organisation, and poor customer service. Few companies could survive for too long with these problems, which just serves to reinforce the business importance of high levels of employee engagement.

Chapter 5

Developing Employee Engagement Strategies

Introduction

So far, we have looked at what employee engagement is, how engagement impacts on the employee, the link between approaches to reward and employee engagement and the business case for engagement. In this final chapter, we will use our learning to explore how to develop an employee engagement strategy appropriate for an organisation.

Learning outcome

On completing the chapter, you will be able to:

5   Discuss the process of developing an employee engagement strategy

Assessment criteria

5   Discuss the process of developing an employee engagement strategy

   5.1   Discuss the process of creating employee engagement strategies in an organisational setting

   5.2   Appraise the barriers to creating effective employee engagement strategies in an organisation

5.1 The process of creating employee engagement strategies in an organisational setting

Using strategies as tools to implement engagement

As the Society for Human Resource Management Foundation (SHRM, 2014)[113] points out, many organisations conduct engagement surveys, but a survey alone does not increase levels of employee engagement. A survey is just a springboard to engagement. Indeed, often organisations are very skilful in gathering data, but many fail to interpret the information correctly and to create actionable recommendations for improving engagement (Van Rooy and Oehler, 2013)[114].

In their "Engaging for success" report, MacLeod and Clarke (2009)[115] distinguish between two approaches to employee engagement: **transactional engagement** and **transformational engagement**.

Level 1 – transactional engagement	
	• Engagement is a reactive set of activities aimed at improving employee engagement, typically in response to an employee survey.
	• Engagement is owned by the HR function or a project team.
	• Once a tick list of engagement activities has been completed, then it is forgotten until the next survey.
	• Engagement isn't considered to be part of the organisation's overall business strategy.

113 SHRM (2014), *Developing an employee engagement strategy* [online]. Retrieved from: https://www.shrm.org/foundation/ourwork/initiatives/resources-from-past-initiatives/Documents/Developing%20an%20Employee%20Engagement%20Strategy.pdf [Accessed on: 3 June 2017]
114 Van Rooy, D. L. and Oehler, K. (2013), *The Evolution of Employee Opinion Surveys: The Voice of Employees as a Strategic Business Management Tool* [White Paper]. Alexandria, VA: Society for Human Resource Management
115 MacLeod, D. and Clarke, N. (2009), "Engaging for success: Enhancing performance through employee engagement", *A Report to Government*. London: Department for Business, Innovation and Skills

Level 2 – transformational engagement	• Engagement is a proactive approach where employee insight is regularly sought, harnessed, and acted upon.
	• Engagement is the responsibility of everyone.
	• Engagement is a key part of everything that the organisation does.
	• Engagement is a key part of the organisation's business strategy.

Table 1: Transactional versus transformational engagement

In reality, the transactional and transformational approaches are not completely separate, and it's likely that many organisations sit somewhere between the two approaches. However, we can see from the table above that, in order to achieve a truly engaged workforce, an organisation needs to be proactive and develop an overall engagement strategy that goes beyond just measuring engagement scores and ensures that engagement is part of everything it does.

✎ OVER TO YOU

Activity 1: Transactional or transformational?

Working with another student, if possible, consider an organisation with which you are both familiar.

Where does the organisation sit on the transactional/transformational scale? It is nearer transactional engagement or transformational engagement, or somewhere in the middle?

What could the organisation do differently to start to move towards transformational engagement?

The place of employee engagement in business and HR strategies

Successful organisations have all their systems, processes, departments and employees aligned to their strategic goals – that is, employees know and understand the strategic goals, why they exist, and how each of their individual roles contribute towards achieving them. All the various departments, levels and functions in the organisation are also working together to the benefit of the organisation. With this in mind, Bridger (2014)[116] stresses the importance of clearly linking the engagement strategy to the organisation's overall business strategy. She argues that doing so enables a plan to be developed which will not only be measurable and achievable, but also gets the attention of senior leaders and in turn demonstrates the tangible business benefits of an engaged workforce.

As a starting point, with input from senior leadership and other stakeholders, the purpose and goals of engagement within the organisation must be identified. These may be, for example, to reduce turnover or to increase innovation. Consideration must then be given to how these outcomes connect and align with the overall business objectives of the organisation.

> **"** *Understanding the purpose of engagement within your company, and why and how it will help you achieve your overall business strategy is the cornerstone of achieving alignment.* **"**
>
> *Bridger (2014)*

! NEED TO KNOW

Employee engagement needs to be embedded into every step of the **employee lifecycle**, from the employer brand portrayed, recruitment and **induction**, to leadership, learning and development, reward and recognition, and exit. This ensures that engagement is an integral part of the employee experience and not simply a "bolt on". HR strategies, practices and processes should be designed to ensure that they contribute towards employee engagement and not erode it.

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The design of employee engagement strategies appropriate for an organisation

As we have discussed, the design of the employment engagement strategy must support and be consistent with the organisation's overall business strategy. Other factors are important too. For instance, if there's an organisational culture that places value on employees being treated as individuals, then there is likely to be a strong focus on career advancement and personal growth.

Achieving alignment between engagement and other corporate components requires a holistic, co-ordinated effort to ensure that key elements are in place and properly managed, including:

- "fit for purpose" organisational structure where people understand what is expected of them and what they are accountable for;
- people systems and processes that drive and support the required behaviours;
- capable leadership;
- a positive work environment.

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116 Bridger, E. (2014), *Employee Engagement (HR Fundamentals).* London: Kogan Page

Measuring employee attitudes using attitude surveys

Many employers, in both the private and public sectors, conduct regular **employee attitude surveys**. The results typically show what employees feel about their work on a range of dimensions, such as communication, line management, and training and development. Attitude survey data can be used to identify areas in need of improvement and combined with other data to support continuous improvement.

According to Armstrong and Taylor (2017)[117], engagement attitude surveys provide the basis for the development and implementation of employee engagement strategies. Of course, in order to measure employee engagement, the organisation needs to define what it means by employee engagement. This can be tricky because, as we discussed in Chapter 1, there is no universal agreement on what is meant by employee engagement. However, there are some key themes that the surveys are likely to include. A review of engagement surveys by Vance (2006)[118] identified the following:

- pride in employer;

- satisfaction with employer;

- job satisfaction;

- opportunity to perform well at challenging work;

- recognition and positive feedback for contributions;

- personal support from line manager;

- effort above and beyond the minimum;

- understanding the link between job and organisational goals;

- prospects for future growth with the employer;

- intention to stay with the employer.

There are many different ways to conduct an engagement survey – from simply filling out a paper survey to taking an online survey or hiring a consulting firm to do all the surveying and analysis work. There is a wide range of different survey tools available; for example, some measure the level of engagement as a scale or percentage, often in the form on an "engagement index". This approach can be helpful because it enables **benchmarking** to take place.

Importantly, each organisation is unique and, therefore, a survey process that works well for one organisation may be inappropriate for another. Several factors can impact on the successful design and implementation of a survey, including:

- climate – trust, confidentiality, participation;

- support from management at all levels;

- clearly defined purpose;

- choosing the right administration and analysis methodologies;

- presenting the results in a meaningful, easy-to-understand, and actionable manner;

- following through on action items and relating implementation to the survey results.

117 Armstrong, M. and Taylor, S. (2017), *Armstrong's Handbook of Human Resource Management Practice*, 14th edition. London: Kogan Page
118 Vance, R. J. (2006), *Employee Engagement and Commitment: A guide to understanding, measuring and increasing engagement in your organization*. Alexandria, VA: SHRM Foundation

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Activity 2: Employee engagement survey

Investigate the websites of three employee engagement survey providers – Towers Watson, Aon Hewitt and Gallup.

Understandably, given the value of the engagement survey market, the suppliers will protect their intellectual property rights with respect to the actual survey design. However, what does your research tell you about the definitions of employee engagement that the providers use and the approaches that they take?

Note your findings below, highlighting any similarities and differences. If these providers don't operate in your home country, you can also research others that do.

Embedding employee engagement in recruitment and selection and performance management strategies

As we explored earlier, engagement strategies need to be embedded in all HR strategies, processes and activities. Let's explore this further by considering two strategies in detail, starting with recruitment and **selection**.

Embedding engagement	Outcome
Build an employer brand and workplace environment around attributes that most engage employees.	Creates a culture that continually engages employees.
Embed organisational values and the required behaviours into job descriptions, **person specifications** and selection processes.	Allows the prospective employee to make an informed decision about whether the organisation is right for them. The organisation must be authentic in their recruitment process; for instance, by not pretending that innovation is important if the reality of organisational life is very different. This links to the engagement enabler of "integrity".

Embedding engagement	Outcome
Provide prospective employees with help and support throughout the recruitment process; for example, by sharing information about the organisation and providing a realistic **job preview**.	Helps to ensure that prospective employees feel welcomed and valued as the recruitment process progresses. Having clarity around organisational goals is essential in helping employees know how they can fit into achieving those goals. This links to the engagement enabler of "strategic narrative".
Design induction procedures with employee engagement at their core, ensuring that new employees know how their roles contribute to the overall success of the business.	Starting a new job can be stressful, so making new employees feel motivated and engaged the minute they step through the door is important. An effective induction equips new employees for what's likely to be a steep learning curve. It also offers the chance to review the employee's skills and knowledge, and identify any development needs they may have.

Table 2: Embedding engagement in the recruitment and selection strategy

Let's now consider performance management.

Embedding engagement	Outcome
Show employees how the work they do to the strategic goals of the organisation.	Creates a greater sense of ownership among employees and helps to establish transparency between leadership actions and objectives. This links to the engagement enabler of "strategic narrative".
Focus on developing better leaders and managers, including the development of key skills such as giving feedback and encouraging "employee voice".	Ensures that employee engagement is treated as a process by leaders and managers, rather than as an event. This links to the engagement enable of "engaging managers".
Hold leaders accountable for engagement by, for instance: - giving individual objectives linked to employee engagement; - tying engagement scores of employees to **performance appraisals** and rewards.	Builds trust amongst employees and reinforces the importance of engagement with and by leaders.
Provide ample learning and development opportunities, and establish development plans and career paths for all job roles.	Builds commitment to the organisation as a place to learn and grow.

Embedding engagement	Outcome
Prioritise and communicate ongoing employee recognition and rewards.	Makes employees feel valued and appreciated. Also, increases morale and instils greater organisational pride.

Table 3: Embedding engagement in the performance management strategy

Leadership style and the implementation of employee engagement strategies

Senior sponsorship for the employee engagement strategy is vital. Leaders need to publicly demonstrate their commitment to employee engagement through "**walking the talk**". High visibility and high-level messages communicated clearly and consistently are essential. Leaders at all levels should be aiming to connect and build constructive relationships with employees. An inspiring leader is not only personable and approachable, but knows how to build relationships that feel authentic and valuable.

! NEED TO KNOW

Leaders at all levels should build engagement activities into everyday work tasks. Engagement is not a fad, but genuine involvement with people.

Some questions to consider:

- Are leaders seen as being involved in implementing the engagement strategy?
- Do leaders ensure that people have a clear understanding of where the organisation is going?
- Do leaders make sure that people have really bought into that future?
- Do leaders give people confidence in their ability to hold a steady course through difficult times?
- Do they connect with their employees?
- Do they win the trust of employees?

✎ OVER TO YOU

Activity 3: Building engagement cultures

Read the journal article "Our take; building engagement cultures" by Jay Romans and Jeff Tobaben, *Strategic HR Review*, **Vol. 15, Issue 2, pp. 76–82. (This article will be available in your online student resources.)**

Make a note of your key learning points.
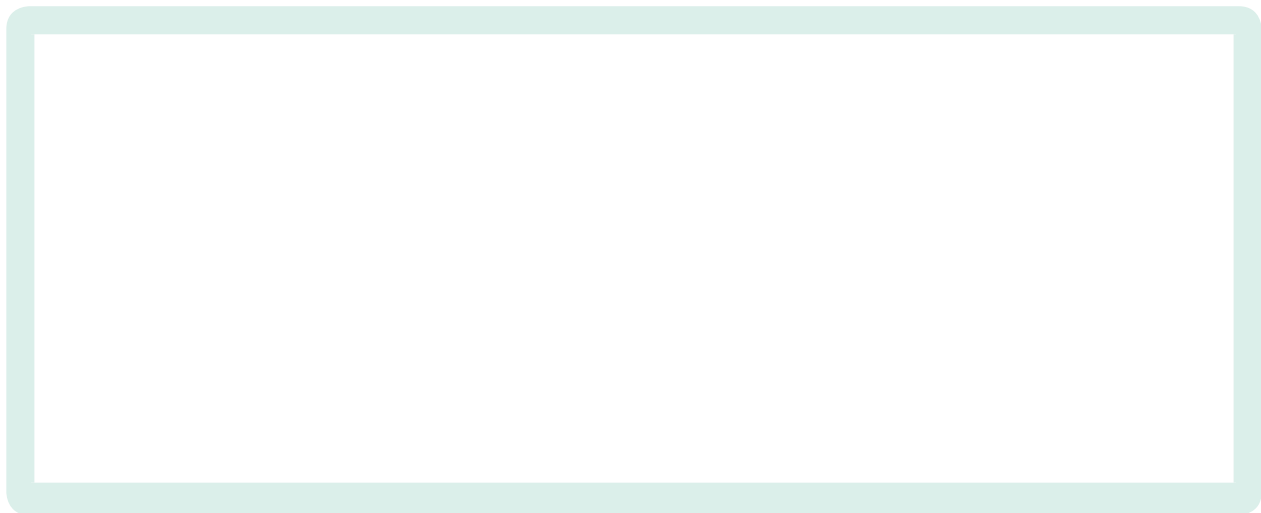
Ensuring the employee voice is heard

In Chapter 1 we explored how "employee voice" is an enabler of engagement. There are multiple channels – both formal and informal – which can give employees a voice on organisational issues, including:

Two-way communications	Face-to-face discussions between managers and staff for whom they have responsibility; for example, through regular meetings every few weeks.
Special workforce meetings	In addition to regular team meetings, bringing the whole workforce or groups of employees together to share their views and opinions. However, at large meetings, the exchange of views and ideas might not be as effective as in smaller gatherings where people may feel more comfortable sharing their views.
Working groups	Bringing a group of employees together on a regular or ad hoc basis to discuss specific organisational issues.
Leadership walkabouts	Senior leaders conduct **leadership walkabouts** where they meet employees face to face. If senior leaders are regularly approachable, employees are more likely to share their ideas and open up about any concerns.
Suggestion schemes	**Suggestion schemes** encourage employees to suggest ways of improving the organisation; for example, ideas in relation to the working environment; The organisation might choose to reward those employees whose ideas are implemented.
Social media	Seeking and discussing questions or ideas using social media; for example, using internal social networks such a Yammer. Of course, this relies on employees having easy and reliable access to social technologies at work.

Table 4: Channels of employee voice

Employee voice initiatives are likely to fail without the full support of senior leaders, especially because they typically have the authority to choose which issues are addressed or which suggestions are taken forward (Burris, 2012)[119]. Of course, the leadership team cannot always act on the comments and suggestions of employees. Therefore, an explanation from the leadership team as to why certain ideas cannot be actioned should always be offered to employees who have taken the time to make them. Also, employees are much less likely to speak up in the future if they do not receive due recognition when their ideas or comments are actually implemented. Simply recognising someone who has a workable idea implemented can give a huge morale boost to that individual (CIPD, 2013)[120].

For more on this, read the article by Anshu Sharma and Jyotsna Bhatnagar (2016), "Enterprise social media at work: web-based solutions for employee engagement", *Human Resource Management International Digest*, Vol. 24, Issue 7, pp. 16–19. (This article will be available in your online student resources.)

5.2 The barriers to creating effective employee engagement strategies in an organisation

Overcoming resistance to change

As we have seen, there are many ways to promote and maintain employee engagement amongst staff in an organisation. If engagement is regarded as a continuous process, then there are techniques to maintain this, as we have seen in earlier chapters. However, to try and build engagement from the beginning is more difficult. The techniques may be the same but there is an additional factor to consider – people's resistance to change.

Resistance to change

HR authors will all have their own views on why people resist change. Watson and Gallagher (2005)[121] suggest their own reasons:

- The shock of the new – people are suspicious of anything that is new or that upsets their established routines, methods of working or conditions of employment. If something is new, and thus unfamiliar, they are likely to be suspicious, especially if they do not trust the motives of managers in introducing the change.

- Economic fears – people may be worried that the change (for example, to their working conditions, or their job role) might lead to a loss of money, or they might feel that they no longer have job security because of the change.

- Feelings of having been excluded from participating in the changes – if there has been no communication with staff before the change is introduced, they will be suspicious of the motives behind the change.

- General dislike of the idea.

- Competence fears – employees may have concerns about their ability to cope with new demands or to acquire the new skills required.

119 Burris, E. (2012), "The risks and rewards of speaking up: managerial responses to employee voice", *Academy of Management Journal*, Vol. 55, Issue 4, pp. 851–75
120 CIPD (2013), *Deterioration in Employee Voice and Employee Engagement at Record Low*. London, Chartered Institute of Personnel and Development
121 Watson, G. and Gallagher, K. (2005), *Managing for Results*, 2nd edition. London: CIPD

How can an organisation overcome resistance to change?

According to Acas (2014a)[122], consultation involves managers actively seeking and taking account of the views of employees before making a decision. The important point to note there is the "before making a decision" aspect – if the decision has already been made, and the employer has no intention of changing this, then staff will be unhappy that they have been misled, and that the employer was not interested in their views.

The Acas advisory booklet *How to Manage Change* (2014b)[123] suggests that to manage change effectively an organisation needs to communicate and consult with its staff and:

- develop an internal communications strategy to put across key messages;

- talk to internal and external customers directly through targeted communications about the change;

- involve everyone in making decisions through effective and timely consultation to:

  - improve your employees' understanding of the need for change and gain their commitment and engagement;

  - identify and address employees' concerns;

  - tap into the knowledge and creativity of your staff. They may well have ideas that the organisation had not thought of, which would make the proposed change more effective.

> **! NEED TO KNOW**
>
> Reasons why people resist change are: the shock of the new, fear of a loss of salary, they don't feel involved, they dislike the idea or worry that they might not be able to cope with the change.

REVISION *on the go*

Negotiation

Negotiation involves:

> *bargaining, which is reaching the most advantageous position in discussion with another party through a process of offer and counter-offer. It is a process where two parties – management and staff/trade union representatives – get together with the aim of getting the best deal possible for their business or members.*
>
> *Armstrong and Taylor (2017)[124]*

The key principle of negotiation is that it is all about reaching an agreement that will probably involve compromise by both parties. It is different from consultation where an employer is asking for the views of employees, but is under no obligation to make changes if they feel the original plan or decision is still sound.

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122 Acas (2014a), *Employee communications and consultation* [online]. Retrieved from: http://www.acas.org.uk/media/pdf/h/b/Employee-communications-and-consultation.pdf [Accessed on: 3 June 2017]

123 Acas (2014b), *How to Manage Change* [online]. Retrieved from: http://www.acas.org.uk/media/pdf/k/m/Acas-How-to-manage-change-advisory-booklet.pdf [Accessed on: 3 June 2017]

124 Armstrong, M. and Taylor, S. (2017), *Armstrong's Handbook of Human Resource Management Practice*, 14th edition. London: Kogan Page

Negotiation can be an effective contributor to employee engagement strategies at times of change. Employees, through their staff or trade union representatives, are fully involved in the decision-making process, and have the chance to influence the change that is due to be implemented. As long as communication between the representatives and the rest of the employees works well, the employees should be more open to the change and less likely to resist because of their involvement; and, because they have been involved, employee engagement during the change should be reasonably high.

Persuasion

Persuasion is:

> " *to make someone do or believe something by giving them a good reason to do it or by talking to that person and making them believe it* "
>
> *Cambridge Dictionary*[125]

In terms of overcoming resistance to change, and gaining commitment to, and engagement with, the proposed change, there is a strong reliance on the leadership within the organisation. A charismatic leader, who has the trust of employees, will be able to persuade employees as to the value of the change, and gain their commitment and engagement. The key word there is "trust" – without that, persuasion is a very difficult tactic to utilise.

"Change champion"

There is an additional technique that organisations can use, to overcome resistance to change and gain or maintain employee engagement during the time of change – the "change champion". Engagement agency Involve define a "change champion" as follows:

> " *Change champions are carefully selected and trained to manage the inevitable uncertainty that is bound to arise within your team when faced with a program of change. They are charged with reducing the pressure on management, identifying and dealing with issues quickly, gathering feedback on communications, identifying the main resistors and detractors amongst the team and carefully managing that resistance* "
>
> *Freeman (2013)*[126]

Change champions are ordinary staff members who receive extra training or information so that they can go back to their workplaces, departments or teams and act as a positive proponent of the change (to help counteract any uncertainty or resistance from other staff members). They can form a key part of an organisation's engagement strategy when implementing a change programme because they are likely to be trusted by their colleagues.

125 Cambridge Dictionary (n.d.), *persuade* [online]. Retrieved from: http://dictionary.cambridge.org/dictionary/english/persuade [Accessed on: 6 October 2017]

126 Freeman, A. (2013), *What does a change champion look like?* [online]. Retrieved from: http://involve.co.uk/what-does-a-change-champion-look-like/ [Accessed on: 3 June 2017]

> **! NEED TO KNOW**
>
> Consultation, negotiation, persuasion and "change champions" are examples of way to help implement change.

REVISION
on the go

> **✎ OVER TO YOU**
>
> **Activity 4: Changing working hours**
>
> **Your friend is an HR manager with a large local employer. She knows you are studying employee engagement and she asks your advice. Her company wants to change the working hours of its staff from 9:00 a.m. – 6:00 p.m., to a shift system where staff will work:**
> - **Week 1: 6:00 a.m. – 3:00 p.m.**
> - **Week 2: 6:00 a.m. – 3:00 p.m.**
> - **Week 3: 3:00 p.m. – 9:00 p.m.**
> - **Week 4: 3:00 p.m. – 9:00 p.m.**
>
> **What would you recommend that she does to ensure that the changes are made, but levels of employee engagement are not affected?**

Overcoming negative attitudes towards employee engagement strategies

We talked in Chapter 2 about the positive impacts that employee engagement can bring to employees. But what happens if they are not mentally able to receive those benefits? What if their feelings of negativity and distrust of the employee engagement initiatives mean that they have completely negative attitudes? If they do, then the strategies will probably fail, so what can an organisation do to positively promote employee engagement strategies?

Leadership is key here – we have seen before how important is the leadership role in creating and sustaining high levels of employee engagement. Leading by example, positively promoting the employee engagement strategies with their staff and discussing them at team meetings will all help reinforce the positive aspects amongst their staff. Similarly, communication with employees is also a valuable strategy in listening to, and addressing, staff concerns, and positively reinforcing the benefits and advantages of the particular engagement strategies.

Interestingly, another technique to positively promote employee engagement strategies comes from Bridger (2014)[127] who suggests "creating a community of engagement leaders". These are very similar to the role of "change champion" discussed earlier in this chapter. Working closely with their fellow employees, and fully knowledgeable of the proposed employee engagement strategies, they can work closely to allay fears and promote the strengths and benefits of the strategies.

✏️ OVER TO YOU

Activity 5: The measure of engagement

Read the article "The measurement of engagement" by Andrew Mayo, *Strategic HR Review*, Vol. 15, Issue: 2, pp. 83–89. (This article will be available in your online student resources.)

Answer the following questions:

1 According to the author, what are the drivers of employee engagement?

2 What are the barriers to engagement? How do you think these can be removed?

3 How does he suggest that engagement can be measured?

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127 Bridger, E. (2014), *Employee Engagement (HR Fundamentals).* London: Kogan Page

Organisational features that support, and detract from, employee engagement strategies

Organisational design

According to the CIPD "Factsheet: organisation design" **organisation design** is defined as:

> " *the process and the outcome of shaping an organisational structure,*
> *to align it with the purpose of the business and the context*
> *in which the organisation exists* "
>
> *CIPD (2016d)*[128]

This could involve deciding the hierarchy within the organisation, which departments there will be, who will report to whom, geographical locations in which it will operate and so on. It could also include decisions about flexible working an organisation might offer (e.g. homeworking).

How does this link to employee engagement strategies? The structure of an organisation cements the hierarchy, and the degree of autonomy an employee has within their role. If this is restrictive, or if the jobs designed within that structure lack the scope for challenging work, creativity and innovation, and freedom to act, employee engagement becomes more difficult.

Organisational culture

The culture of an organisation is defined by its values and behaviours – in other words, how does it feel to work in the organisation? Is it a very formal organisation, with huge amounts of rules and procedures, or is it a more creative, less restrictive environment? Do managers prefer a command-and-control style, or are they more democratic and interested in hearing the views and ideas of their staff?

Culture is not written down anywhere in the organisation; it is all about how it feels to work there. It may become obvious in different ways, such as:

- the way the organisation operates, how it treats its employees, customers, and the local community;
- the extent to which employees are able to make their own decisions, develop new ideas and operate with some autonomy;
- how committed employees are towards the company's objectives.

✏️ OVER TO YOU

Activity 6: Organisational culture

Think of an organisation with which you are familiar. What words would you use to describe the organisational culture there (e.g. friendly, formal, controlling, democratic, etc.)? If possible, compare your thoughts to those of a fellow student in your class.

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128 CIPD (2016d), *Factsheet: organisation design* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/strategy/organisational-development/design-factsheet#7938 [Accessed: 3 June 2017]

Now think of the levels of employee engagement in that organisation; are they high or low?

Do you think there are any connections between the culture and engagement in that organisation?

From our discussions in earlier chapters, the links between culture and employee engagement become clear. There was strong evidence, for example, linking engagement to high levels of customer service. There was research to demonstrate that employees operating in a culture where they are given autonomy in their roles and the freedom to make decisions are more likely to be engaged. This also impacted on creativity and innovation within the organisation. As always, of course, the opposite is also true – a strict, controlling organisational culture will not offer employees that autonomy and creativity, and so on, and could well lead to staff who are not engaged.

In a *Personnel Today* article, Harrington (2011)[129] argues that workplace culture and job satisfaction have a big impact on wellbeing and sickness absence, something we discussed in the previous chapter. Harrington suggests that:

> *an individual's ability to work productively and fruitfully will be dependent on the organisational culture. As a result, the culture will either positively or negatively affect mental health and wellbeing.*

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129 Harrington, A. (2011), *Organisational culture influences employee wellbeing* [online]. Retrieved from: http://www.personneltoday.com/hr/organisational-culture-influences-employee-wellbeing/ [Accessed on: 3 June 2017]

She also highlights the role played by senior and line management in creating an organisational culture:

> *To secure a positive work culture an organisation needs to influence and develop its managers to adopt behaviours that persuade employees to undertake tasks in a positive and empowering way.*

The conclusion is that if you get the organisation's structure and culture right, then you have in place the framework upon which employee engagement can be built.

! NEED TO KNOW

Organisational structure and organisational culture are important to facilitate the implementation of employee engagement strategies.

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READING LIST

- Mayo, A. "The measurement of engagement", Strategic HR Review, Vol. 15, Issue 2, pp. 83–89. (This article will be available in your online student resources.)

- Romans, J., and Tobaben, J. (2016), "Our take; building engagement cultures", Strategic HR Review, Vol. 15, Issue 2, pp. 76–82. (This article will be available inyour online student resources.)

- Sharma, A., and Bhatnagar, J. (2016), "Enterprise social media at work: web-based solutions for employee engagement", *Human Resource Management International Digest*, Vol. 24, Issue 7, pp. 16–19. (This article will be available in your online student resources.)

Summary

In this final chapter, we have considered how to make employee engagement happen, in practice, in an organisation, through the introduction of engagement strategies. We have explored the different elements required in this process, and the barriers that can prevent, or at least hinder, the introduction of employee engagement strategies.

Overall, this unit has explored in depth the concept of employee engagement. We have discussed the impact it has on an employee's commitment to the organisation, and the business benefits that this generates. There has been consideration of why high levels of engagement can be so positive for the organisation, and equally why low levels can have such a negative, and often irretrievable, impact on them. We have considered engagement alongside other key HR areas, such as reward management, absence and labour turnover. Finally, we considered how to successfully implement employee engagement strategies and the barriers that might stop that happening.

Hopefully, what this has shown is how complex, yet enthralling, the concept of employee engagement is.

Glossary

Actively disengaged employees
Employees who are unhappy at their work and act out their unhappiness.

Affective commitment The employee's positive emotional attachment to the organisation.

Autonomy The degree or level of freedom and discretion allowed to the employee in their job.

Benchmarking The comparison between one organisation and another of an internal process, system or method in terms of its efficiency, effectiveness and/or cost.

Business performance This considers the performance of the organisation as a whole, and the targets or goals that it sets for itself.

Career advancement Typically refers to an employee getting promoted or being assigned more responsibilities by an employer.

Coaching A form of development in which a coach supports a learner in achieving a specific personal or professional goal by providing training, advice and guidance.

Cognitive engagement The employee having a complete focus on the work, not thinking about other things while performing tasks.

Consultation Actively seeking and taking account of the views of employees before making a decision.

Contingent pay Links financial reward to a factor such as performance, achievement of skills or competencies, or contribution.

Continuance commitment The employee's commitment to the organisation because of the perceived "costs" of departure.

Corporate ladder A conceptualised view of an organisation's employment hierarchy in which career advancement is considered to follow higher rungs on a ladder, with entry-level positions on the bottom rungs and executive level positions at the top.

Discretionary effort The level of effort an individual could give if they wanted to, but above and beyond the minimum required.

Distributive justice People are rewarded equitably in comparison with others, and in accordance with their contribution.

Emotional engagement The employee having an emotional connection with their work.

Employee attitude surveys A method of obtaining candid opinion of employees by giving them an opportunity to anonymously answer queries raised in a questionnaire.

Employee engagement The extent to which people are personally involved in the success of a business.

Employee involvement Initiatives through which management seek to get the consent of employees to its proposed actions through commitment rather than control.

Employee lifecycle The various stages of the employment process. It starts from the recruitment phase and does not end until termination.

Employee voice The process by which employees express their opinions and have meaningful input into work-related decision-making.

Employee wellbeing Part of an employee's overall wellbeing that is determined primarily by work and can be influenced by workplace interventions.

Employer brand The way in which organisations differentiate themselves in the labour market, enabling them to recruit, retain and engage the right people.

Employer of choice An organisation that is considered to be a great place to work. People want to work for the organisation and talented employees stay with the organisation throughout their careers.

Engaged employees Employees that work with passion and feel a profound connection to their organisation.

Engagement survey A form of employee attitude survey used to determine levels of engagement.

Ethos and values of an organisation The principles and ethics by which the organisation and its members conduct themselves and their activities.

Extrinsic motivation When things are done to, or for, people in order to motivate them. These include rewards such as incentives, increased pay, praise or promotion.

Flat organisational structure An organisation structure with few or no levels of management between management and staff level employees.

Flow The state in which there is little distinction between self and the environment, with individuals so pleasurably immersed in their work that they don't notice time passing.

Grade and pay structures A framework that enables an organisation to determine where jobs should be placed in a hierarchy, definite pay levels and the scope for progression.

Human resource management A strategic, integrated and coherent approach to the employment, development and wellbeing of the people working in organisations.

Induction The process of introducing the new employee to an organisation, giving them the basic information required to help them feel welcome and happy, and able do the job they were employed to do.

Intrinsic motivation This takes place when employees feel that their work is important, interesting and challenging and that it provides them with a reasonable degree of autonomy (freedom to act), opportunities to achieve and advance, and scope to use and develop their skills and abilities.

Job descriptions Text that summarises the duties of a position and states the essential responsibilities of the job.

Job design The process of deciding on the contents of a job in terms of its duties and responsibilities, the methods to be used in carrying out the job and the relationships that should exist between the job holder, line manager and colleagues.

Job involvement The extent to which the job situation is central to an individual and their identity.

Job preview A way to give candidates the opportunity to see what the job is like, before accepting the job.

Job satisfaction How employees feel – their "happiness" – about their job and conditions.

Key performance indicator (KPI) A quantifiable measure that helps an organisation monitor their achievement of key business objectives.

Labour turnover The number or percentage of workers who leave an organisation and are replaced by new employees.

Leadership The capacity to influence people, by means of personal attributes and/or behaviours, to achieve a common goal.

Leadership walkabout A structured yet flexible exercise in which the leaders of the organisation literally "walk about" the physical space of the organisation.

Meaningfulness at work The employee views their work is enhancing their membership and connection with the organisation.

Meaningfulness in work The employee feels useful and valued.

Millennials The generation born between 1982 and 2004.

Models of employment How employment is structured; for example, a traditional model of full-time permanent employment.

Negotiation A process where two parties get together with the aim of getting the best deal possible for their business or members.

Non-engaged employees Employees who put in their time at work, but without passion or energy.

Normative commitment The employee's commitment to organisation based on feelings of obligation and indebtedness.

On-the-job training Training that takes place while employees are working.

Organisation design The process and the outcome of shaping an organisational structure, to align it with the purpose of the business and the context in which the organisation exists.

Organisational commitment The employee's psychological attachment to the organisation.

Organisational culture The values, norms, beliefs, attitudes and assumptions that shape how people think and behave in an organisation.

Performance appraisals The process used to assess recent performance, via feedback, and to set objectives for the future.

Performance management The operation of strategies, policies and processes required to ensure that employees' performance contributes to business objectives. It brings together many of elements of good people management practice, including learning and development, and measurement of performance.

Performance-related pay This is the most common form of contingent pay where salary progression, or bonus payment, is purely linked to the achievement of pre-agreed goals or objectives.

Person–job fit The fit between the characteristics of the employee (knowledge, skills, abilities and needs) and the demands of the job or the needs/desires of the employee and the attributes of the job.

Person specifications Text which describes the qualifications, skills, experience, knowledge and other attributes which a person must have to perform well in a named role.

Personal growth The growth and enhancement of all aspects of the person, the feelings the person has about himself or herself, and their effectiveness in living. It includes the development of positive life skills and the development of a realistic and healthy self-esteem.

Persuasion The process of making someone do or believe something by giving them a good reason to do it or by talking to that person and making them believe it.

Physical engagement The extent to which an employees is willing and able to display discretionary behaviour.

Procedural justice When organisational processes, and decisions made, are fair, consistent and transparent.

Prospective employees People who are being considered for employment with an organisation.

Psychological contract The employment relationship regarded primarily as an exchange of obligations and commitments between the employer and the employee.

Recruitment Methods by which potentially suitable employees are sought, located and eventually introduced to the organisation.

Reward management The strategies, policies and procedures required to recognise the value and contribution of staff to the achievement of organisational objectives.

Secondments The temporary transfer of employee to another position or employment.

Selection Methods by which the most suitable individual for a job vacancy is chosen from the pool of individuals who have applied.

Self-efficacy An individual's belief in their ability to succeed in a particular situation.

Social responsibility The duty that companies, and individuals, have to act in the best interests of all stakeholders.

Suggestion schemes A management tool, which encourages employees to contribute ideas for improvement and innovation in the organisation.

Total rewards A combination of financial and non-financial rewards made available to employees.

Training and development Activities to improve current or future employee performance by increasing the employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge.

Transactional engagement A reactive set of activities aimed at improving employee engagement, typically in response to an employee survey.

Transcendence The employee feels that they are contributing to the common good, and making a positive impact to the broader community and society.

Transformational engagement
A proactive approach to employee engagement where employee insight is regularly sought, harnessed, and acted upon.

Trust The willingness to accept personal risk based on another person's actions.

Walking the talk An individual backing up their talk with meaningful actions.

Work–life balance People having a measure of control over when, where and how they work. It is achieved when an individual's right to a fulfilled life inside and outside paid work is accepted and respected as the norm, to the mutual benefit of the individual, business and society.