Hewitt Employee Engagement Expertise

- We pioneered the concept of employee engagement in the early ’90s.
- We have conducted surveys in more than 120 countries, 60 languages and in nearly every industry.
- We operate globally. Our capabilities includes 150 engagement consultants across 35 countries.
- Hewitt is a leader in integrating engagement research with practical applications.
- We have one of the largest and most robust databases in the marketplace.

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Harvard Business Review

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Special Advertising Section

Hewitt Employee Engagement

Economic uncertainty creates a recession in employee engagement

How top organisations continue to prosper

The past few years have been challenging for many organisations. During this time some organisations have struggled while others have been successful and even thrived. Is this period of uncertainty over? Not yet. The bad news is that we are in an engagement recession. The good news is that it's possible to succeed.

Results are clear – we are in an Engagement Recession

We are in a period of unprecedented change driven by economic uncertainty and reinforced by company policies. Many organisations are changing strategies and taking short-term action but lack clarity about the future. These actions have had a direct impact on employees and company performance. Historically, we observe that half of organisations improve engagement over a one- to two-year period, while only 15% show a decline. The past two years have been more challenging. The proportion of organisations registering a decline in engagement has increased and in 2010, the change has become more dramatic.

Engagement has declined in 46% of organisations (chart 1), compared to 30% who continue to improve.

At Hewitt, employee engagement is a performance metric measuring organisational sustainability. We define «engagement» as the emotional and intellectual involvement that motivates employees to contribute to organisational success. It's a critical component of performance and we identify a strong relationship between employee engagement behaviours and key metrics of employee retention, productivity, and customer service leading to improved financial performance. For example, a disengaged employee costs an organisation an average of $10,000 in profit annually; as a result organisations with high engagement are 78% more productive and 40% more profitable.

This is by far the largest decline in our 15 years of employee engagement research. Clearly the connection between employees and the organisation is strained. Employees are showing fatigue in response to the lengthy period of stress, uncertainty and confusion. Organisations are also exhausted and struggling to find ways to improve or stabilise their future.

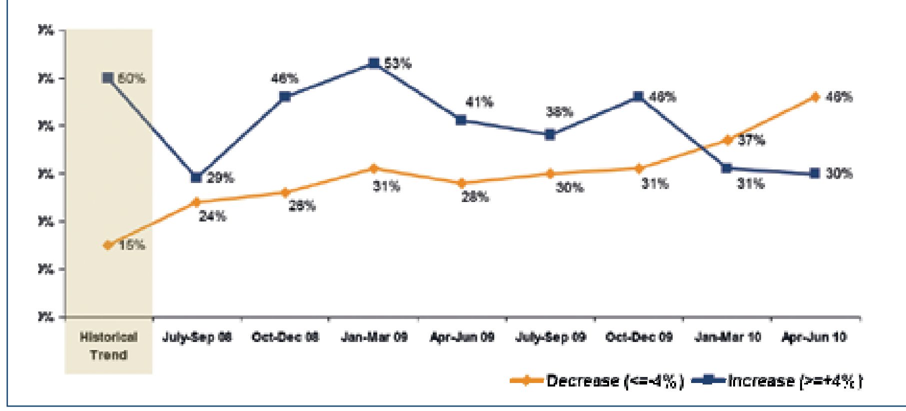
Thriving in turmoil

Who are these organisations that continue to improve engagement and how do they create success? For over 10 years we have conducted best employer research in Europe and globally. We have interviewed top organisations and supplemented this information with a recent European study on organisational employee engagement practices. Based on this information, we have identified the factors that differentiate these organisations.

Hewitt conducts employee engagement and best employer research with more than 5,000 organisations and five million employees across 120 countries.

Keep focused on long-term — Start with a consistent employment proposition and a clear set of values.
Rather than making large scale changes, top-performing organisations refine and adjust their programmes. While many also cut costs and reduce staff, they manage change in a way that is consistent with values and aligned with overall goals. Leaders remain visible and provide ongoing updates to reduce employee uncertainty and stress. Engagement continues to be a critical issue for leaders – typically one of the top three topics on the leader's agenda. They create excitement among employees about the future of the organisation (82% compared to 51% in other companies) and continue to outperform the overall financial market by 19%, even in a soft economy.

Chart 1 - Percent of organisations with an Increase or Decrease in Engagement



Demand measurable actions — Use employee information to drive action and as a key input to both the HR and business strategy.
Engagement results identify what is important, and top organisations focus on the few areas that matter most. They define very specific and measurable actions and take steps in areas where the organisation will see a clear impact. And they have leadership support.

93% of organisations that improved engagement increased commitment and visibility from leaders to act on the information.

Involve all stakeholders — Ensure the involvement of multiple stakeholders: the organisation (leadership, policies, and programmes), managers, and employees.
Top organisations hold leaders accountable for driving actions consistent with company strategy and values. Managers are expected to reinforce these actions and employees to take accountability for their engagement and performance. In successful organisations, managers and employees work together to define actions, creating a stronger bond and commitment among all stakeholders.

Understand key employee segments — Focus on key segments and critical talent.
As the economy stabilises and employees have more opportunities, retention of top talent and critical employees is more important. Some 40 % of successful organisations are focusing on top talent and 60% on specific management levels.
Top talent is motivated by a range of factors, including less bureaucracy, more involvement in decisions and differentiated pay for performance. Leading organisations also focus on developing long-term retention plans rather than buying short-term allegiance.

Broaden the array of information — Use a broader range of assessment tools and analytics.
This includes exit, on-boarding and new hire intelligence to understand the end-to-end employee experience, predict behaviours and drive performance. 34% of successful organisations survey their new employees to guide them through the on-boarding process. This minimises the dip in engagement observed in the first 12 months of employment. Three quarters of top-performing organisations conduct exit surveys and link it to engagement data so they can identify potential hot spots before employees make the decision to leave.

All organisations face the same pressures. What successful organisations do differently is create and maintain an environment that is focused on key human capital elements and they make adjustments without losing sight of their goals. This allows them to maintain their strong position and prosper – or be set to prosper when the economy improves. Understanding what drives employee behaviour during these economically-difficult times is critical to your business success. ■

Ted Marusarz
Hewitt Associates' Global Engagement & Culture Leader

Hewitt

"In uncertain times, organisations need to focus on harnessing the discretionary effort that engaged employees deliver. This makes the difference in how companies are affected in the downturn, how quickly they emerge from it, and how strong they are in the future after the downturn passes.

Let me give you a few examples:

First, in the current economy, more than 50% of companies cut training budgets and programmes. Successful companies provided development that is less expensive, such as internal training, cross-business assignments or projects and on-the-job coaching. The cost of training is often less than the cost of hiring and training new and unskilled employees. A second example is performance management. All companies have systems in place to set and align goals. Key differences emerge, however, in implementation and utilisation. Top companies balance goals and targets across financial and non-financial measures. They set higher performance requirements and use processes to drive performance. Specifically, they more often provide ratings of «needs improvement» and are better able to differentiate rewards for top performers. In addition, they review performance more frequently and train managers to better equip them to review performance."

About Hewitt Associates

Hewitt Associates (NYSE: HEW) provides leading organisations around the world with expert human resources consulting and outsourcing solutions to help them anticipate and solve their most complex benefits, talent, and related financial challenges.

For more information, please visit **www.hewitt.eu**
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