

### **Why successful organisations invest in engagement and the overall employee experience**

In preparing this report I researched a number of employers who have been recognised as and awarded for being the best employers to work for. In reviewing this I looked at both the reasons why they merited the awards, i.e. their employment practices, along with the impact this had on the organisation and their performance/bottom line. The thing that struck me most from this is that there is a clear and proven link between developing great employee engagement and the employment experience that employees enjoy and the market performance of the organisations. Employers with well engaged workforces also benefit from lower employment costs, arising from other outcomes, such as lower sickness absence rates, lower turnover and less employee safety incidents.

Indeed, **Gallup in their State of the Global Workplace Report of 2017** tells us that employers with engagement levels in the top quartile compared to employers with engagement in the bottom quartile, perform better as follows:

- 21% higher profitability
- 17% higher productivity
- 20% higher sales
- 24% to 59% lower turnover (between traditionally lower/higher turnover organisations)
- 41% lower sickness absence
- 70% less employee safety incidents

Furthermore, **MacLeod and Clarke in their report to the UK Government, Engaging for success: enhancing performance through employee engagement**, were asked to undertake an in-depth look at employee engagement and report on its potential benefits for companies, organisations and individual employees.

MacLeod and Clarke found that employee engagement correlated with performance and more significantly, there was evidence that improving engagement correlated with improving performance. This came to be at the heart of their proposition that employee engagement matters to the UK.

In arriving at this, they relied upon the following findings:

#### **Firstly, that engagement correlated with performance:**

**Gallup in 2006 examined 23,910 business units** and compared top quartile and bottom quartile financial performance with engagement scores and found that:

- Those with engagement scores in the bottom quartile averaged 31 – 51 per cent more employee turnover, 51 per cent more inventory shrinkage and 62 per cent more accidents.
- Those with engagement scores in the top quartile averaged 12 per cent higher customer advocacy, 18 per cent higher productivity and 12 per cent higher profitability.

**A second Gallup study** of the same year of earnings per share (EPS) growth of 89 organisations found that the EPS growth rate of organisations with engagement scores in

the top quartile was 2.6 times that of organisations with below-average engagement scores.

**Tower Perrins-ISR 10 carried out a global survey in 2006** which included data gathered from opinion surveys of over 664,000 employees from over 50 companies around the world, representing a range of industries and sizes. The survey compared the financial performance of organisations with a highly-engaged workforce to their peers with a less-engaged workforce, over a 12 month-period:

- The results indicated a significant difference in bottom-line results in companies with highly-engaged employees when compared with companies with low levels of employee engagement.
- Most noticeable was the near 52 per cent gap in the performance improvement in operating income over the year between companies with highly-engaged employees versus companies whose employees had low engagement scores. Companies with high levels of employee engagement improved 19.2 per cent in operating income while companies with low levels of employee engagement declined 32.7 percent over the study period. 30

**Standard Chartered Bank reported** that in 2007 they found that branches with a statistically significant increase in levels of employee engagement (0.2 or more on a scale of five) had a 16 per cent higher profit margin growth than branches with decreased levels of employee engagement.

**Secondly, that engagement correlated with innovation:**

**Gallup indicated** that higher levels of engagement are strongly related to higher levels of innovation. Fifty-nine per cent of engaged employees say that their job brings out their most creative ideas against only three per cent of disengaged employees.<sup>11</sup> This finding was echoed in research for the Chartered Management Institute in 2007 which found a significant association and influence between employee engagement and innovation. Based on survey findings from approximately 1,500 managers throughout the UK, where respondents identified the prevailing management style of their organisation as innovative, 92 per cent of managers felt proud to work there.

Both **Sainsbury's and O2**, two companies that have recorded significant recent successes, believe that their recent growth has been predicated on a transformation of their approach to their workforce, based on highly developed engagement models.

**MacLeod and Clarke also looked at the impact on the Public Sector**

In the Civil Service indicative evidence suggested that departments with high engagement levels (measured through staff surveys) also tended to perform well in capability reviews – a key metric of departmental performance. Seventy-eight per cent of highly engaged public sector staff believed they could have an impact on public services delivery or customer service – against only 29 per cent of the disengaged staff. (Towers Perrin 2007).

Research in Canada suggested that the link between engagement, customer service and profitability in the private sector could translate to the public sector – with trust and public confidence at the end of the chain, rather than profit.

**Sir Gus O'Donnell, Cabinet Secretary and Head of the Home Civil Service said:**

*“The Civil Service faces unprecedented challenges tackling complex policy issues every day. In order to meet these challenges, we must harness the talents of all our staff to the*

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*full. Our employee engagement programme enables us to do this by understanding and improving civil servants' experience of work, helping to ensure that they have access to the opportunities they need to achieve success in their roles. This, in turn, supports our drive to deliver improved public services and better outcomes for citizens."*

In considering the link between engagement and performance further, MacLeod and Clarke felt that whilst no single study proved beyond doubt that engagement explains higher performance, or improving engagement causes improved productivity and performance and whilst each study could be open to challenge, taken together they felt they offered a very compelling case.

As **Professor Chris Bones, Dean of Henley Business School**, pointed out, it is hard to believe that the many blue chip and admired companies and organisations putting substantial effort and resources into assessing and improving engagement such as Diageo, Rolls-Royce, AstraZeneca, First Direct and many more, would be doing so if they were not convinced of its importance to their bottom line.

### **Other outcomes of engagement:**

- Engaged employees in the UK take an average of 2.69 sick days per year; the disengaged take 6.19. The CBI reports that sickness absence costs the UK economy £13.4bn a year.
- Seventy per cent of engaged employees indicate they have a good understanding of how to meet customer needs; only 17 per cent of non-engaged employees say the same.
- Engaged employees are 87 per cent less likely to leave the organisation than the disengaged.
- The cost of high turnover among disengaged employees is significant; some estimates put the cost of replacing each employee at equal to annual salary.
- Engaged employees advocate their company or organisation – 67 per cent against only three per cent of the disengaged.
- Seventy-eight per cent would recommend their company's products or services, against 13 per cent of the disengaged.

### **Examples of outcomes in the Public Sector:**

- Public sector employees are less likely to be advocates for their organisation than private sector staff.
- **Research by Ipsos Mori on Audit Commission data showed that staff in councils** rated as 'excellent' had much better results than those in weak or poor councils when asked about factors such as being informed and consulted, having confidence in senior managers and understanding the overall objectives of their organisation; they were also twice as likely to be advocates for their organisation than staff in weak or poor councils.
- A similar finding emerged when **the rating of Hospital Trusts by the Healthcare Commission** were compared to their staff survey results. Those Trusts rated 'excellent' were twice as likely to include strong advocates of their organisation than those rated as 'weak' (64 per cent as opposed to 31 per cent).
- Both these studies found that certain aspects of engagement seemed to explain more of the difference between the best and worst organisations than others. In particular,

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differentiating elements appear to be: communication (especially senior management having a clear vision of the organisation and this being expressed to staff, enabling them to understand how their role fitted in to the bigger picture); providing staff with feedback on their performance and listening to their concerns; giving staff autonomy and control, by allowing them the opportunity to show initiative and input into their own job-plans; and having confidence in the senior management team and in their concern for the employee.

- Seventy-eight per cent of highly engaged employees in the **UK public sector** say they can make an impact on public services delivery or customer service, as against just 29 per cent of the disengaged, according to a 2007 Towers Perrin report.
- **A study by ORC in local authorities** cited six significant associations between overall resident satisfaction and positive employee attitudes, including pride in working for the council and being treated with fairness and respect, clarity of expectations in the job, and awareness of the council's long term goals. The results of a school's survey by West Berkshire Council found significant correlations between staff attitudes and pupil attainment.
- This emphasis on good leadership and management as a crucial enabler of employee engagement recurs in the work of **Beverly Alimo-Metcalfe, Professor of Leadership at Bradford University**. Metcalfe has carried out a three year longitudinal study of 46 mental health teams working in the NHS. Her study indicated that a culture of engagement predicted performance, and was more important than other variables including competence: "We were able to provide evidence that engaging leadership does, in fact, predict productivity. We also found that this style of leadership increases employees' motivation, job satisfaction and commitment, while reducing job-related stress. Leadership skills alone do not have such a transformational effect.
- The study identified three dimensions of leadership culture: engaging with others, visionary leadership and leadership capabilities. "We found that all three dimensions positively and significantly affected several aspects of staff 's attitudes to work and their well-being at work. [...] However, only 'engaging with others' significantly affects all aspects of positive attitudes to work, and all aspects of well-being, including a strong sense of team spirit, which neither of the other two leadership dimensions predicts".
- Metcalfe's study went on to examine whether any of these three dimensions assessed in 2005 significantly predicted the productivity of the teams 12 months later: "Again we found that, of the three, only 'engaging with others' was a significant predictor of performance [our emphasis], defined in terms of meeting the government target of reducing in-patient bed occupancy by treating patients in their own homes. This was the case even when we allowed for contextual factors."<sup>76</sup>
- Based on work in a wide range of private and public sector organisations Metcalfe argues that the validity of these findings is not limited to the health and social care arena and that the key is buy-in to engaging leadership from the top: "Our experience of working with organisations in which the CEO and the top team accept that creating an engaging culture must start with them is that the effects can be extraordinary, and do not require substantial intervention; in fact, that would defeat the purpose.

Alongside the academic research and findings laid out above and as stated above, I also looked at a number of organisations who have been recognised as the **best employers to work for in the UK**. I have summarised a small number below (one, Admiral Insurance) being reasonably local in Swansea, Cardiff and Newport) and what I found was that all

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focus on employee engagement and tailor their actions to develop engagement around their market and how they structure themselves to deliver within their market.

### **The Sunday Times - UK's Best Big Company to Work for 2019 Admiral Group – Motor Insurance**

Set up in 1993, this start-up's maxim was "people that like what they do, do it better". After 26 years Admiral are now Britain's biggest car insurer, with the group also encompassing sister brands Elephant, Diamond, Gladiator and Bell as well as comparison website Confused.com, diversifying into also offering loans and home and travel insurance. Staff numbers have swelled to more than 7,100, based at offices in Cardiff, Swansea and Newport, supplemented by Europe-wide and global operations covering Mexico, America and India.

#### **The Sunday Times reported that Admiral did it by:**

- Staff reporting a sense of family among teams unparalleled in our survey, scoring 80% positive.
- They chalk up more unbeaten results for having colleagues who care (83%)
- supportive managers (81%),
- the firm's strong social conscience (80%),
- an inspirational chief executive, David Stevens (76%).
- A "ministry of fun" co-ordinates events including a big summer party, charity fundraising is ingrained and teams frequently socialise outside the office.
- All staff receive a tranche of company shares twice a year, worth around £75,000 for long serving staff who took up every option
- When the founder stepped down in 2016, he gave everyone a £1,000 gift.
- One employee said - "Windfalls are not what keeps her loyal, it's the sense of family."

It evident that, as most of Admiral's business will be delivered via call centres and service centres and relates to customer sales and satisfaction, they have set their employee engagement strategy around; developing a very strong sense of team and family around their call centres, have developed a sense of fun and togetherness, which both supports a call centre approach where work can be a little repetitive, however this also aids employee experience as it provides for more memorable, distinctive and positive events. One of my colleagues also told me that a close relative works for Admiral and he was very pleased recently to have arrived for his shift on a Friday and his name had been drawn out of a tombola, which rewarded him with the rest of the shift off on pay, again a memorable event, but also a positive reward. It is also clear that Admiral reward their staff well and develop a strong psychological contract through reward, particularly where for long serving staff who have held on to their shares.

### **The Sunday Times - UK's 2<sup>nd</sup> Best Big Company to Work for 2019 Churchill Retirement Living**

Founded in 1994 as a general builder (Ringwood) Hampshire-based Churchill (which was rebranded in 2003) specialises in one and two-bedroom apartments for over-60s, since when it has built 130 retirement developments..

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### **The Sunday Times reported that Churchill did it by:**

- Any employee who identifies a development site that the company later buys is in line for a bonus of £20,000, with up to £2,000 on offer through a “buddy bank” workmate referral scheme.
- They treat the 364-strong workforce to pizza on the last Friday of every month – another reason why people here are not bored, an 86% positive score and one of the four measures on which Churchill comes top of our Best Companies list.
- Thanks to a wellbeing programme that provides a stress helpline as well as tax and legal advice, employees do not feel their health is suffering because of their work (83%, third).
- Staff receive an extra day off for their birthday
- Expectant parents are given £200 to help with the impending costs.
- They run their own management programme with a particular focus on the induction of new starters.
- Feedback is positive, and staff say they receive a great deal of support from their managers (87%, first) who care about them as individuals (86%, third).
- They are inspired by chairman and chief executive Spencer McCarthy (86%, third), who undertakes a national “ask the chairman” tour each year, visiting all seven offices.
- He also models in the charity fashion show and volunteers alongside his son on Christmas Day at homeless trust Hope for Food’s soup kitchen.

It’s clear from the newspaper’s findings that Churchill’s engagement strategy focuses on good leadership and management, an effective reward strategy, rewards that focus on key life events, the health and wellbeing of staff and distinctive and memorable events such as the monthly Pizza Friday.