By Laurie Bassi and Dan McMurrer

Does Engagement Really Drive Results?

Once organizations understand that employee engagement is not uniform and not necessarily aligned with the bottom line, they can focus on the true human drivers of business results.

Engaged employees are a tremendous asset to any organization. But as more organizations focus on standardized, benchmarkable concepts of employee engagement, the competitive advantage that can be gained from it declines.

Therefore, smart organizations are beginning to ask what's beyond employee engagement. Is there a more powerful way of analyzing and optimizing the human drivers of your organization's business results?

EVENTS

Laurie Bassi will be speaking at *Chief Learning Officer* magazine's spring symposium. Find out more at clomedia.com/events.

A number of widely accepted employee engagement myths can get in the way of progress, but it's now possible for HR professionals to focus on the broader concept of human capital management. Capturing and using the right information yields business intelligence that positions HR professionals to have a more powerful impact on their organization's business results.

Problematic Employee Engagement Myths

John Maynard Keynes once said, "The difficulty lies not so much in developing new ideas as in escaping from old ones."

Multiple old ideas persist in the HR realm. Three of them in particular represent major barriers to moving ahead.

Myth No. 1: The drivers of employee engagement are the same everywhere.

Employee engagement is an outcome that can be measured by questions in an employee survey, such as employees' willingness to refer their employer to friends as a good place to work and their intent to stay with their current employer.

Drivers of engagement are those factors that contribute to this outcome. When comparable surveys are used across different organizations, it is possible to identify with precision which specific drivers are similar or not across a range of organizations.

Analysis of this question reveals that the drivers of employee engagement across different organizations are consistently more different than they are similar — even among businesses that are within the same industry.

For example, an analysis of the top five drivers of employee engagement across four large retail banks found 16 separate survey items, from a total of about 70, that ranked as a top five driver of employee engagement for at least one of the four banks. Only four items appeared in the top five list for more than one bank.

So engagement, like leadership, is situational. Different organizations — even in the same industry — have different cultures, histories, and strengths and weaknesses. The most important driver of employee engagement in one place is unlikely to have the same effect somewhere else. Therefore, making decisions for an organization based on a one-size-fits-all, benchmarked list of drivers of engagement, usually derived from average results across hundreds of organizations, doesn't seem to make much sense.

Myth No. 2: The drivers of employee engagement are the same as the drivers of business results.

Employee surveys also can be used to collect information on factors that can drive an organization's business results, such as sales, customer satisfaction and safety, with subsequent analysis identifying which factors are the most important drivers of each outcome.

The top drivers of engagement have little or no overlap with the top drivers of business results. So, if an organization were to focus its employee management activities exclusively on improving the drivers of employee engagement, those activities would be unlikely to yield any improvements in, say, sales. To drive better sales results, an organization should focus on those items that are actually driving sales.

Management consulting, human resources and statistical research services firm The Gallup Organization came to a similar conclusion in analyzing customer engagement at a multisite retailer. Summarizing its findings, Gallup stated, "Our working assumption was that at least a few of the top employee engagement stores would also be top customer engagement stores. We were wrong. Just one store appeared on both lists."

Myth No. 3: Employee engagement should be maximized.

If employee engagement were synonymous with the unique drivers of an organization's business results, then maximizing it would be a great thing to do. But since the drivers of employee engagement are not identical to the drivers of business results, attempting to maximize employee engagement can actually take an organization in the wrong direction.

At a minimum, since the drivers of employee engagement differ dramatically across organizations and differ from the drivers of business results, maximizing employee engagement is not going to get an organization where it wants to be in terms of the bottom line. HR professionals who measure engagement without also understanding what's driving business results are missing an opportunity to align their efforts with the efforts to address organizational business challenges.

Where to Go From Here

It's time for HR to move beyond simply measuring and benchmarking standardized concepts of employee engagement. Table 1 lists the evolution of key questions as HR moves beyond employee engagement.

Getting answers to these new questions is a three-step process:

1. Conduct a "smarter" employee survey.
2. Statistically link the measures of human capital management to business results.
3. Use the results to develop a prioritized, fact-based human capital management strategy.

Step No. 1: A Smarter Employee Survey

Typical employee engagement surveys are too limited. They tend to ignore critical aspects of an organization's work, learning and leadership environment — elements that are much more powerful drivers of business results than they are of engagement.

In particular, most employee engagement surveys have too little focus on the following areas:

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Table 1: Evolving Beyond Employee Engagement

FROM	TO
What are the drivers of employee engagement?	What are the human drivers of business results?
How do our engagement scores benchmark against other organizations?	Of the human drivers of business results, which are most critical to my organization?
How do we maximize employee engagement?	How do we design a human capital strategy to drive improved organizational performance?

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- Work processes.
- Hiring and orientation practices.
- Informal and social learning.
- Training and development.
- Leadership behaviors and communication.

So, organizations should design surveys that measure human capital management more broadly, combining employee engagement with other people-related drivers of business results.

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Step No. 2: Linkage Analysis

The next step is a form of human capital analytics: statistically linking these measures to measures of business outcomes.

Various measures of business outcomes can be used in the linkage analysis, including the following:

- "Soft" measures that can be measured within the employee survey and hence require no additional data-gathering efforts. These might include elements such as the extent to which the work environment supports employees in delivering excellent customer service, the organization's ability to adapt or even employee engagement itself.
- "Hard" measures, such as employee turnover, safety, customer satisfaction, customer retention and sales.

The statistical techniques used for linking human capital management factors with business outcomes will vary with the amount of data available for analysis. Generally speaking, the more data, the more sophisticated the available techniques become, and the more precise the results. Yet even with small amounts of data, remarkable progress can be made in the hands of a clever data analyst.

Even small firms can garner powerful, actionable insights from this type of linkage analysis. As noted above, soft measures of outcomes can be created within the survey itself. Thus, even firms — big or small — that lack good business outcomes data can still undertake and benefit from linkage analysis.

Step No. 3: Developing a Prioritized, Fact-Based Human Capital Management Strategy

This approach takes the guesswork out of the people side of a business. It provides business intelligence — the facts and evidence needed to develop a compelling business case for where to invest in improving human capital management, as well as where not to invest.

To do this, combine the insights from the first two steps. The first step prescribes measuring your organization's strengths and weaknesses on key aspects of human capital management, while the second step tells you which of these key aspects are the most important drivers or inhibitors of your organization's performance.

Together, they yield a solid basis for allocating resources and sharpening focus. Using this methodology, organizations will know which strengths are so critical that they need to improve them, while also identifying those weaknesses that are not really inhibiting their ability to achieve their goals. Since they are not significantly getting in the way of producing results, those can safely be put on the back burner for a while.

This knowledge helps organizations move beyond guesswork and hope to understanding what's really driving outcomes, therefore avoiding the need to rely on one-size-fits-all benchmarking measures. And because C-suite executives are usually data-driven, presenting a business case based on this information is more likely to be successful.

Escape From the Old

Keynes emphasized the importance of escaping from old ideas. Doing so requires independent thinking and a bit of courage, but the rewards are rich. A new focus on actionable business intelligence will empower HR professionals to help their organizations make real breakthroughs in performance. This focus will make it possible for them to translate the soft people side of the business into the hard metrics and analysis that CFOs and CEOs understand and expect. And it will enable HR professionals to earn the resources and the focus they need to help drive the organization's bottom line — and to earn that long sought-after seat at the table. TM

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