



## ENGAGING FOR SUCCESS: enhancing performance through employee engagement.

This paper provides a brief summary to the 150 page-report produced by David Macleod and Nita Clarke in 2009. It was commissioned by the former UK Secretary of State for Business to take a detailed look at employee engagement. In writing the report the authors gained evidence from a wide range of private and public sector organisations to use as examples and evidence.

The study is described as '*a Report to Government.*' (However '*the views expressed in this report are the authors' and do not necessarily reflect those of the Department or the Government.*' p. ii.)

This summary aims to set out the key points, using arguments, quotes and case-studies from the report. Page numbers are included throughout for easy reference.

### INTRODUCTION (pp.3-7)

*"This timely report sets out for the first time the evidence that underpins what we all know intuitively, which is that **only organisations that truly engage and inspire their employees produce world class levels of innovation, productivity and performance.**" (p.1)*

A recession is the perfect time for such reflection, as Britain's economic recovery will be built on strong, innovative companies and confident employees, *"there has never been a more important time to think about employee engagement in Britain."* (p.1)

**Aim of the report** – to set out what the government can do to help promote an understanding of just how much employee engagement can help improve innovation, performance and productivity across the economy.

- 1) Macleod and Clarke were asked by Lord Mandelson in 2008 to examine whether a wider take up of engagement approaches could impact positively on UK competitiveness and performance, take maximum advantage of the upturn when it comes, and meet the challenges of increase global competition. Their answer: *"unequivocally yes."*
- 2) There are many examples of companies and organisations where performance and profitability have been transformed by employee engagement. There exists a clear correlation between engagement and

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performance, and - more importantly - between improving engagement and improving performance.

- 3) If it is how the workforce performs that determines whether companies or organisations succeed, then whether or not the workforce is positively encouraged to perform at its best should be a prime consideration for every leader and manager, and should be placed at the heart of business strategy.
- 4) Where this happens, in places like John Lewis Partnership, Tesco, the London Ambulance Service, Sainsbury's, Standard Chartered Bank, BAE Systems, Toyota, Babcock Marine Clyde, Google, O2 UK and many more, the results can be transformational. This is because employee engagement enables an adult, two-way relationship between leaders, managers and employees. *"Employee engagement **is** the difference that **makes** the difference."* (p.4)
- 5) According to Sir Alan Jones, Chairman Emeritus of Toyota UK:

*"Wherever you work, your job as a manager is to make your people be the best they can be – and usually they don't know just how good they could be. It's individuals that make the difference."* (p.4)

This approach is predicated on the firm belief that the most valuable asset the company has is its people, and that enabling them to have an intellectual and emotional relationship with their work, as well as a financial stake in the success of the company, is the key to continuous product and productivity improvement from the shop floor to the boardroom.

- 6) The best engagement models are those that have been custom-developed for the institution (i.e. – John Lewis.)
- 7) The research shows company leaders talking about the 'light bulb moment' - when an understanding of the full potential significance of employee engagement dawned.

Will Hutton, Executive Vice Chair of the Work Foundation said: *"We think of organisations as a network of transactions. They are, of course, a **social network**. Ignoring the people dimension, treating people as simply cogs in the machine, results in the full contribution they can make being lost."* (p.5)

## **ENGAGING FOR SUCCESS: enhancing performance through employee engagement.**

A summary of the first chapter of the 2009 report on employee engagement, commissioned by the UK Secretary of State for Business and produced by David Macleod and Nita Clark.

### **CHAPTER 1: Employee engagement – what, why and how (pp.7-34)**

This chapter summarises the findings on the importance of employee engagement in the UK, looks at some of the barriers to engagement as well as some of its characteristics, and outlines some recommendations to the government.

- 1) Engaged employees have a sense of personal attachment to their work and organisation; they are motivated and able to give of their best to help it succeed – and from that flows a series of tangible benefits for organisation and individual alike.

*“You sort of smell it, don’t you, that engagement of people as people. What goes on in meetings, how people talk to each other. You get the sense of energy, engagement, commitment, belief in what the organisation stands for,”* (Lord Currie, former Chair of the Office of Communications (Ofcom) and Dean of Cass Business School, p.7).

- 2) A definition of employee engagement (p.8):

*“Engagement is about creating opportunities for employees to connect with their colleagues, managers and wider organisation. It is also about creating an environment where employees are motivated to want to connect with their work and really care about doing a good job...it is a concept that places flexibility, change and continuous improvement at the heart of what it means to be an employee and an employer in a twenty-first century workplace.”<sup>1</sup>*

BUT – does the term ‘employee engagement’ need to be more clearly defined? Is it an attitude, a behaviour, an outcome, or all three? An employee might feel pride or loyalty (an attitude), or go the extra mile to finish a piece of work (a behaviour.)

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<sup>1</sup> Professor Katie Truss, in Gatenby, M., Rees, C., Soane, E. and Truss, C, *Employee engagement in context*. (London: Chartered Institute of Personnel and Development, 2009).

Macleod and Clarke, in this report, believe it to be most helpful to see employee engagement as a **workplace approach** designed to ensure that employees are committed to their organisation's goals and values, motivated to contribute to organizational success, and are able at the same time to enhance their own sense of well-being. (p. 9)

- 3) Is employee engagement a new concept? Or "*old wine in new bottles?*" The latest management fad? Although it overlaps with analytical antecedents such as commitment, organisational citizenship behavior, job involvement and job satisfaction, there are also crucial differences. In particular, engagement is two-way: organisations must work to engage the employee, who in turn has a choice about the level of engagement to offer the employer. "*Each reinforces the other.*"

*"Engagement is measurable due to the development of survey tools and questionnaires. Some describe the level of engagement on a scale, out of ten, or as a percentage. This can enable comparisons between different parts of the same organisation. It's not an exact science, but it can give enough information to address identified issues and respond"* (p.10).

- 4) Statistical findings<sup>2</sup> prove that levels of engagement can correlate with performance. Tower Perrins-ISR carried out a global survey in 2006. The most noticeable discovery was that 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.
- 5) Similarly, studies indicate that higher levels of engagement also correlate with higher levels of innovation (59% of engaged employees say that their job brings out their most creative ideas...Towers Perrin-ISR (2006) *The ISR Employee Engagement Report*).
- 6) 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. "*In our business with almost 150,000 people, engagement is a key concern. In businesses of our scale, you don't even get started without engagement,*" (Justin King, CEO of Sainsbury's, p.13).

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<sup>2</sup> Gallup, 2006



7) Outcomes of engagement (p.14):

- **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.**
- **Engaged employees are 87 per cent less likely to leave the organisation than the disengaged.**
- **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.
- **It has been found that only three in ten of UK employees actively engage with their work** – which suggests that overall levels of engagement in the UK are lower than they could be.

Positive examples of employee engagement include: Serco, Reed Elsevier and The VT Group. Examples of successful responses to the recession: KPMG, JCB, Lloyds pharmacy. (pp.18-28)

8) **'The way ahead:'** the enablers agreed to lie behind successful engagement approaches:

- Leadership which ensures strong, transparent and explicit organisational culture.
- Engaging managers who offer clarity, appreciation of employees efforts and contributions, and who treat employees as an individual.
- Employees feeling they are able to voice their ideas and be listened to.
- A belief among the employees that the organisation lives its values.



## ENGAGING FOR SUCCESS: enhancing performance through employee engagement.

A summary of the second chapter of the 2009 report on employee engagement, commissioned by the UK Secretary of State for Business and produced by David Macleod and Nita Clark.

### CHAPTER 2: The evidence (pp.34-66)

- 1) One argument against employee engagement is that there are organisations, run on a command and control basis, which are doing well. Macleod and Clarke respond to this by claiming that they could be doing even better if they added the value that employee engagement brings. Studies and research covers a multitude of sectors and follows different methodologies. Macleod and Clarke have not attempted to validate every study that is mentioned in this report. Many can be challenged at some level. However, taken together, and supported by case studies, *"the overall picture becomes compelling."*
- 2) Examples used to show successful employee engagement: cross-organisational, (e.g. Tower Perrins – 664,000 from 50 companies), other (Gallup, the Chartered Management Institute, PWC), and individual employers in the private sector (Nationwide). See pp.36-44.
- 3) Small and Medium-sized businesses. There is a tendency to assume that those working in smaller organisations are automatically more engaged. However – this is not always the case. An example of a smaller company using employee engagement to advance is HansenGlass. (p.51)
- 4) The public sector: 78 per cent of highly engaged employees in the UK public sector say they can make an impact on public services delivery or customer service, against just 29 per cent of the disengaged, according to the 2007 Towers Perrin report. Public sector examples where employee engagement has improved performance: Wychavon District, South Tyneside Council, Birmingham City Council (pp.54-58).

**Case study:** 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, which has shown that a culture of engagement predicts performance.

According to Alimo-Metcalfe: *"engaging leadership does, in fact, predict productivity. We also found that this style of leadership increases employees'*

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*motivation, job satisfaction and commitment, while reducing job-related stress. Leadership skills alone do not have such a transformational effect” (p.53).*

She argues that there are three dimensions of leadership culture:

- 1) engaging with others
- 2) visionary leadership
- 3) leadership capabilities

While it was found that all three contributed to affecting staff attitudes and well-being, it was engaging with others that *“significantly affects all aspects of positive attitudes at work, and all aspects of well-being, including a strong sense of team spirit, which neither of the other two leadership dimensions predicts” (p.53).*<sup>3</sup>

- 5) Benefits for the Individual – making changes that positively impact on how employees think and feel about what they experience at work, is likely to impact positively on their well being too (lower stress, better life balance.) Those who are cognitively engaged at work are almost three times as likely to have six positive emotions (enthusiasm, cheerfulness, optimism, contentment, to feel calm and relaxed.) Those who are physically engaged are almost ten times as likely to experience these emotions.

**Conclusion: the correlation between engagement, well-being and performance is repeated too often for it to be a coincidence.**

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<sup>3</sup> Beverly Alimo-Metcalfe & Margaret Bradley (2008) 'Cast in a New Light', *People Management*.

## ENGAGING FOR SUCCESS: enhancing performance through employee engagement.

A summary of the third chapter of the 2009 report on employee engagement, commissioned by the UK Secretary of State for Business and produced by David Macleod and Nita Clarke.

### CHAPTER 3: The Barriers to Engagement (pp.66-74)

- 1) Despite the case for employee engagement, a significant number of people do feel disengaged from the work they do and the people they work for. There are **four main inhibitors to engagement**:
  - Some leaders are not aware of employee engagement. Others do not believe it is worth considering, or do not fully understand the concept or how it could benefit them.
  - Others who are interested do not know how to address the issue.
  - Even when leaders place emphasis on engagement, managers may not share the belief, or may not have the equipment to implement the engagement strategies.
  - Among the leaders who are interested in it, there is great variability in their views and commitment to it.
- 2) Along with a lack of awareness, there was also an uncertainty expressed over when to start changing employee engagement, or how to address the topic within their organisation, coupled with the idea that employee engagement was something that was 'out there' – a product one buys.
- 3) There remain a large number of disengaging practices in Britain's workplaces that act as barriers:
  - Reactive decision-making that fails to address problems in time
  - Inconsistent management style, based on the attitude of individual managers.
  - Lack of fluidity in communications and knowledge sharing, due to rigid communication channels or cultural norms.
  - Low perceptions of senior management visibility and quality of downward communication.
  - Poor work-life balance due to a 'long hours culture.'
- 4) Disengaging managers. The Henley Centre quotes an employee on the effects of disengaging managers, "***I think one of the things that has surprised***

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*me is none of my line managers has asked me what I'm interested in. We just get jobs which are allocated"* (p.70). Therefore – there is a call for managers to be better trained in so-called 'soft' or people skills.

- 5) There are two levels at which employee engagement can operate:
- The first level sees an employee engagement strategy as **a set of activities or targets**. This approach often reflects a degree of compartmentalized thinking among senior leaders, with the Board also taking the strategy seriously. However, engagement is still an 'add on' – it is not integral to the overall business approach.
  - The second level sees the employees as integral to developing and delivering the overall business strategy. The insight and ideas of employees, wherever they work, about how products and services can be improved, are harnessed, listened to and acted upon. This is '**transformational engagement.**'



## ENGAGING FOR SUCCESS: enhancing performance through employee engagement.

A summary of the fourth and fifth chapters of the 2009 report on employee engagement, commissioned by the UK Secretary of State for Business and produced by David Macleod and Nita Clarke.

### CHAPTER 4: Enablers of engagement – what has to happen to make engagement work (pp.74-117)

The four main 'enablers/drivers' cited as being critical to employee engagement:

- 1) **Leadership** – provides a strong strategic narrative, which has widespread ownership and commitment from managers and employees at all levels. Employees have a clear line of sight between their job and the narrative, and understand where their work fits in. These aims and values are reflected in a strong organisational culture and way of working. Case studies include O2 UK, Chorley Borough Council, 7side and Babcock Marine Clyde.
- 2) **Engaging managers** – are at the heart of this organisational culture. They facilitate and empower, rather than control and restrict their staff. "*An engaging manager is at the heart of success in engaging the workforce.*" (p.80). Standard Chartered Bank said that organisations need to "know, focus, care and inspire employees" with the role of the manager being key.
  - Engaging managers offer clarity for what is expected from individual members of staff, which involves some stretch, and much appreciation, feedback and training.
  - Treating staff as individuals, with fairness, respect and a concern for the employee's well-being ('soft skills.')
  - Ensuring that work is designed efficiently and effectively.

Case studies include: Mace Group, Network Rail, O2 UK, Standard Chartered, Ministry of Justice, the CO-OP, Unipart Group.

- 3) **Voice** – An effective and empowered employee voice. Employees' views are sought out, they are listened to; their opinions count and make a difference. They speak out and challenge when appropriate. The 'Sunday Top 100 Companies to work for' found that feeling listened to was the most important factor in determining how much respondents valued their organisation, '**being heard reinforces a sense of belonging within an organisation**' (p.93.)

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Case studies include: John Lewis Partnership, London Ambulance Service, Microsoft, Marks & Spencer. The role of workplace representatives are also important in this context (trade unions.)

- 4) **Integrity** – Behaviour throughout the organisation is consistent with stated values, leading to trust and a sense of integrity.

Case studies include: First Direct, School Trends, the Eden Project.

### **FUTURE RECOMMENDATIONS (as suggested by Macleod and Clarke):**

- A national awareness campaign, under the stewardship of BIS and secretary of state, guided by a high-level sponsor group, implemented by a small core group – a series of nationwide and regional events, conferences, seminars, workshops and papers. The desire to get the widest range of leaders and stakeholders of organisations involved. A number of senior figures have already expressed interest (see p.119.)
- Aligning resources: government-funded resources should ensure that they further align their support for those seeking to address this issue.
- Increasing support: improving the quality and quantity of support available for those who want to increase engagement. Proposals include – the ability to visit workplaces which are achieving high levels of engagement, the ability to access information and evidence about the drivers of engagement, coaching from those who have done it, the ability to listen to line managers and leaders who have been through the journey, networks to pool experiences and develop new ideas.
- Further research!

**ENDS**