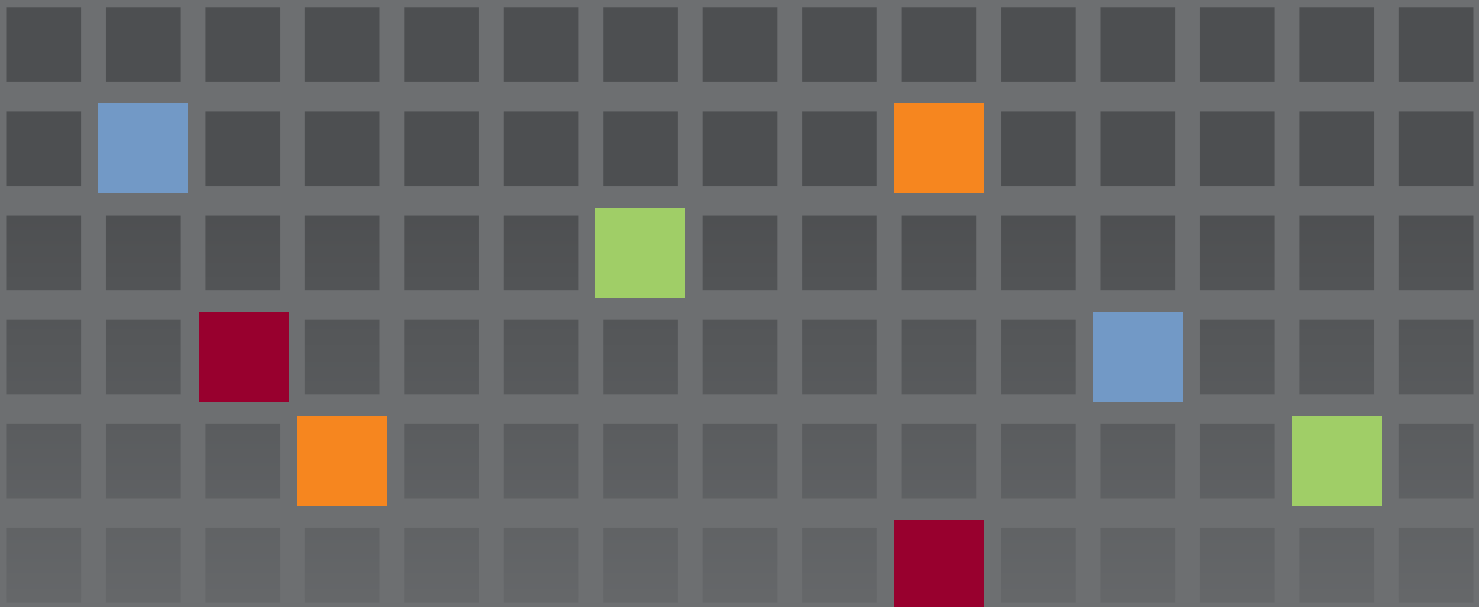


# Employee Engagement

A luxury or necessity in turbulent times?

FEBRUARY 2009



# Slade Partners

Executive Search



# Introduction

Welcome to the Slade Partners EMA Executive Search white paper: 'Employee Engagement – a luxury or necessity in turbulent times'.

Since 2000 when the term Employee Engagement came into common usage, organisations have had a term that encapsulates the work they do to attract and retain quality employees.

Through to 2008, with close to full employment and a shrinking pool of top talent available, most organisations set aside budgetary spend for employee engagement and have put considerable thought into its purpose.

Those organisations' values often underpin Employee Engagement strategies and practices, enabling employees to make a connection between the organisation and their own values, motivations and philosophies.

From a business perspective, this comes at some expense: investing in innovative employee benefit schemes, embedding Employee Engagement into cultural norms, and deploying those who don't share the organisation's values.

This can be at variance with the challenges of the current cost reduction focus - whereas Employee Engagement may in fact bring significant longer-term and sustainable benefits.

So what happens when governments and businesses have to tighten their belts in response to tough economic conditions? How does this impact on Employee Engagement?

Our researchers spent significant time in discussions with senior executives from thirteen organisations, each of which is facing a diverse range of commercial and human capital challenges. I thank them for their time and input.

We hope you find this paper an interesting publication. If you would like more information, please don't hesitate to contact us.

Anita Ziemer

Managing Director  
Slade Group

Bill Sakellaris

General Manager  
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# Participating People and Organisations

Slade Partners, EMA Executive Search would like to thank the following organisations and specific individuals for their participation in the development of this white paper research:

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# About us

*Slade Partners EMA Executive Search is the executive search arm of Slade Group, the Australian-owned full service Human Resource and Recruitment firm with offices in Melbourne, Sydney and Brisbane. Across the industry it is recognised for its professionalism and best practice approach to senior executive appointments and is AS9001 accredited.*

*The firm has an extensive network of both private industry and public sector clients and has managed a wide range of senior level appointments over many years. Slade Partners is also a member of EMA Partners International, an expanding global network of like-minded executive search professionals servicing the needs of clients in over 50 cities around the world.*



# Highlights

## The impact of tougher economic conditions on Employee Engagement

In spite of their best efforts and intentions, a number of organisations recognise a significant challenge in maintaining, let alone increasing, Employee Engagement activity in difficult times.

Most organisations we interviewed stated that the economic downturn was no reason to reduce focus on Employee Engagement, and didn't plan to reduce their efforts. What is likely to change is the amount of financial resources available, but not the level of interest or intent.

Some of the results of the economic downturn could significantly challenge Employee Engagement; factors such as organisational restructures, redundancies and changes in management have an impact on organisations' ability to drive and improve Employee Engagement. At these times costly activities aimed at improving employee engagement might take a back seat.

Understanding employees and their personal motivation in their work/life interests was cited as important in these times. Activities such as mentoring and education were favoured over those requiring high spend.

## Employee Engagement Yes or No

Every organisation interviewed supports Employee Engagement. Some choose not to use the term but in fact all participating organisations are working toward higher levels of Employee Engagement. Some have it embedded in every aspect of 'how we do things around here' ie 'broadly speaking it is totally at the heart of the mission and values of our organisation' where others see it as one of their many organisational objectives.

## Evidence of Employee Engagement

While not one of the companies we spoke with has a documented definition of Employee Engagement, all could speak in tangible terms about the myriad activities they were focusing on to drive Employee Engagement. Many believe this more important than a philosophical treatise in that they believe a practical approach has far more benefit than an abstract or academic definition.

While documented Employee Engagement strategies typically reside with HR, the responsibility for implementing the strategies is often at the business unit level. This applies to both tangible (activities) and intangible (cultural).

# Highlights

## Why do organisations want high levels of employee engagement?

The increased business success likely to follow from increasing engagement is typically summarised as increased productivity and performance, however these measures are seen to incorporate a number of factors such as;

- Increasing attraction of good people
- Increasing retention of good people
- Decreasing absenteeism
- Increasing creativity and innovation
- Increasing discretionary effort
- Adherence to organisational values and behaviours
- Achieving goals and objectives

## Measuring Employee Engagement

All organisations we spoke with recognise the need to measure employee engagement, although many acknowledge that this is not a simple task. Typically an internal staff survey provides a measure of Employee Engagement. These are variously called an engagement survey, a staff survey, a culture survey or HR surveying instrument.

Interestingly more than one organisation notes the danger of focusing too closely on the measurement. There is concern that this focus can actually detract from the action to improve Employee Engagement.

*“Employee engagement delivers happier, healthier and more contented people. This leads to better outcomes, such as better customer service. Happy and healthy people think better and act better.”*

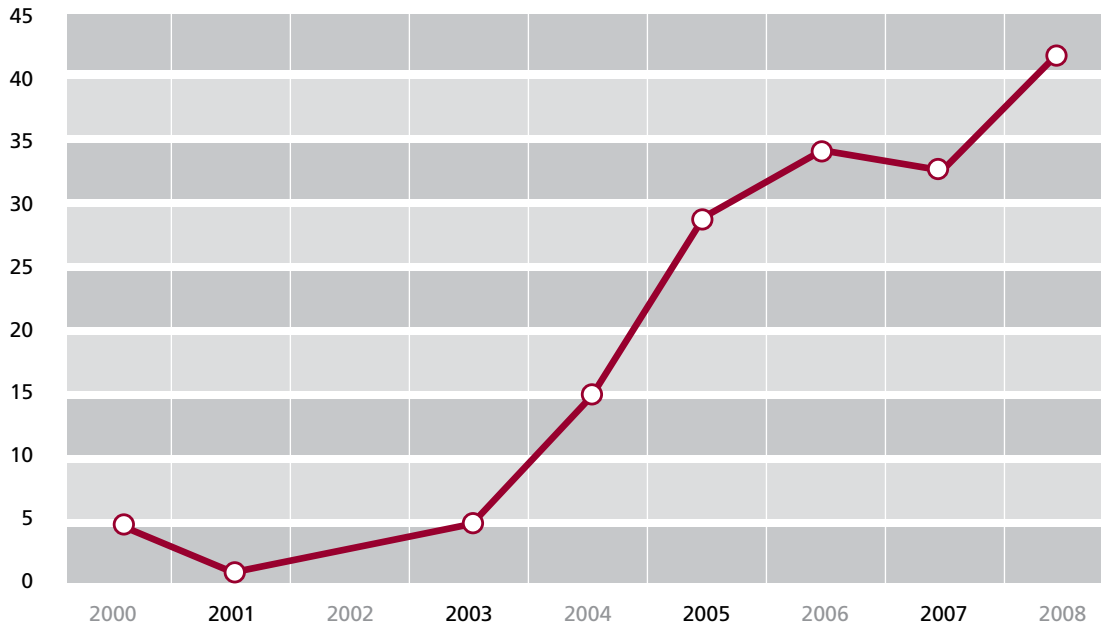
*“We don’t sell products, we sell service – if someone rocks up with a bad attitude, you see the difference... Our business results are based on excellent productivity and client service, so we need fully engaged staff”.*

*“If people are engaged and believe in the company, and you believe in them....engagement means profit and long term relationships.”*



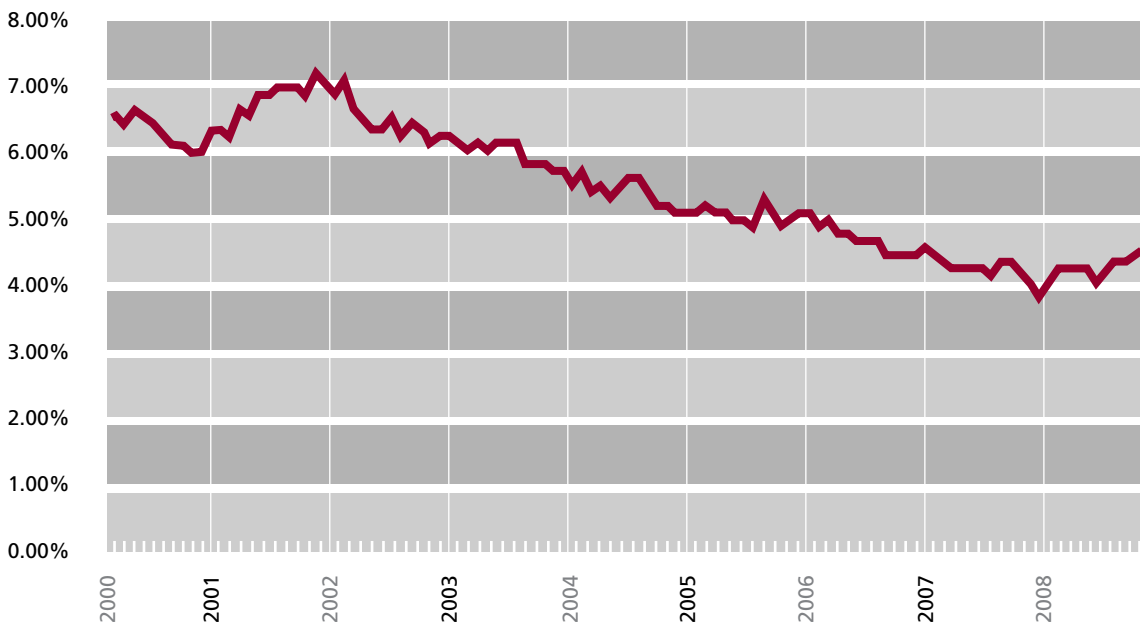
# Relevant Supporting Data

Interest in Employee Engagement (as measured by mentions in Fairfax press)



Source: Fairfax Business Media

Labour Force (as measured by Unemployment Rate)



Source: Australia Bureau of Statistics



# Employee Engagement

## – a luxury or necessity in turbulent times?

### Background

To explore this question we spoke with some of Australia's leading organisations ranging from major public companies and government authorities through to a small not-for-profit.

### How do Australian Organisations define Employee Engagement?

All organisations to which we spoke are working towards greater Employee Engagement. Most provided heartfelt, business aligned general descriptions, and not one cited a formal definition:

- “Employee Engagement is about having people who fully believe in the organisation, its goals and values and strive to do their best towards those goals. They are positive and constructive – fully engaged.” Joe Powell, SEEK
- “The word engagement says a lot – we don't want people just hanging around – we want commitment, engagement. For us it's showing energy, passion, commitment – it is when people go that extra mile” Elizabeth Nunez, Pitcher Partner
- “Employee Engagement? It's how inspired and passionate our people are and how much discretionary effort they put in.” Steve Arthurson, VISY

- “It is the motivation to execute against strategy and also personal ambition” Chris Blake, NAB

Others choose not to use the term, but articulated planned activities designed to engender Employee Engagement.

- “... we have successfully introduced a number of HR initiatives which undoubtedly have had a positive impact on engagement but, with the building industry still retaining a “macho” image, the term Employee Engagement is not something we would generally use”

### What does Employee Engagement look like in these organisations?

Employee Engagement is perceived differently in each organisation to which we spoke, however there are common elements to all. For most, Employee Engagement is apparent at a philosophical level. Sometimes this philosophy is documented in culture and values statements, but for others it is more inherent in their people strategies.

While not all companies we spoke with have a documented philosophy, all had documented the activities they were focusing on to drive Employee Engagement, and many believe this to be more important.

*“When everybody is singing from the same hymn sheet... they understand the company's strategies, purpose, vision...and values.”* **Malcolm Jackman, Futuris**



# Employee Engagement

## – a luxury or necessity in turbulent times?

### Formal Programmes

Some organisations have clearly linked specific activity to Employee Engagement. Sunwater has a documented strategy that directs their “Employee Engagement Programs” while Visy articulated an “Employee Engagement Framework” which lists the various elements of their approach to Employee Engagement.

At Probuild, this framework is around one of their key platforms to employee engagement “Work and Life Balance”. Their model uses a combination of a “Supportive Culture” (largely based on clear communication), a “Defined Framework” (reference groups, surveys, policies and principles, monitoring and reporting) and specific “Workplace Programs and Practices” (employee assistance services, studies, updates and training).

A number of organisations spoke about developing their own Employee Value Proposition (EVP) to provide clarity about what is on offer to employees. This should make it easier for potential hires to select the best fit organisation to work for and make it more likely for them to be organically engaged through personal alignment with their employer’s values.

Mike Dawson-Smith at the City of Melbourne points out that engagement must come from the individual - thus individuals must be self-aware to be fully engaged. That is, what do they enjoy, what training do they need, what makes them tick? One of the City of Melbourne’s unique EVP’s is its positioning as a “Green Council”. This attracts certain people and generates greater engagement due to the individual / organisational value match.

Others mentioned the importance of dealing with non-engaged employees. This was discussed in terms of the importance of recruiting people with the right cultural fit, but also in managing or managing out those who do not meet that cultural fit.

Interestingly this focus comes from staff survey feedback and reflects a strong expectation by staff that the poor performance of others will be dealt with.

Some organisations find that managing people out can also happen ‘automatically’, virtually a self selection basis; Calvary Health Care reports, “you either fit in or you don’t, if you don’t, most have made the decision and are gone within nine months otherwise they get to the five year mark.”

*“We have been ‘too nice’ in the past. Staff want underperformers dealt with. We have been stronger on what the message is. ‘We want outcomes’.”* **Deborah Cole, Calvary Health Care**



# Employee Engagement

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## Tangible

How organisations implement activities designed to drive Employee Engagement varies, particularly depending on the size and style of the organisation.

SEEK describes various activities that they introduced even before Employee Engagement became a buzz-word, describing the work as “it’s the SEEK way of doing things”. Activities include; rewarding and recognising our people, hiring and developing talent who are aligned to our values and culture, providing as much flexibility as possible, focusing on Corporate Social Responsibility via minimising carbon footprint and dollar matching for charitable donations, as well as benefits such as beers on a Friday night and providing employees with breakfast.

Smaller organisations acknowledged that it is easier for them to understand what generates engagement at an individual level.

This however this does not mean that MOverner does not need to work on their Employee Engagement. They have introduced activities such as improved communication systems, flexible working, extended holiday leave, preventative health checks and regular guest speakers.

Tangible Employee Engagement programmes and policies across our surveyed organisations include:-

- affirmative action
- benefits such as beers on a Friday night
- ceo forums
- clear communication
- dollar matching for charitable donations
- employee assistance services
- extended holiday leave
- flexible working hours
- graduate programs to engage and keep them on board
- information updates
- policies such as being carbon neutral
- preventative health checks
- providing employees with breakfast.
- recognize the “up and coming high performance group” with career acceleration and expensive mentoring.
- regular guest speakers.
- study leave
- training and development,

*Luke Slattery the GM of MOverner has the luxury of being able to speak with each of his employees. He also acknowledged that by working in the not-for profit sector his work force is already largely engaged with the organisation and its aims.*



# Employee Engagement

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One path to enhancing Employee Engagement mentioned by a number of different organisations is the ability to offer employees a clear career/development path. This was found to be an important factor across all sectors.

- “Helping them grow within the organisation is a huge focus and we believe this will keep them long term” (MOverner)
- “We struggle to get good people into the industry so we do put a lot of effort into keeping them – career path is important so we do focus on this.” (Probuild)
- “We think about the context for engagement...underpinned by a belief in the potential of people and their aspirations” (NAB)

## Less Tangible

Generally the policies and activities designed to drive employee engagement are evident under the various people strategies (eg training and development, attraction and retention, flexible working) rather than a distinct banner of Employee Engagement. As Mike Dawson-Smith of the City of Melbourne puts it “All (HR) projects really feed up to employee engagement.” However while the strategies were typically documented in HR or people strategies, the responsibility for implementing the strategies is often at the business unit level.

“Employee Engagement is philosophical rather than procedural, but you need processes, procedures and tools to achieve the philosophy”. Malcolm Jackman, Futuris.

“Broadly speaking it is totally at the heart of the mission and values of the organisation” Deborah Cole, Calvary Health Care

*Chris Blake of NAB describes a new approach. “We have started to focus on what’s important to people rather than what’s important to the organisation– it’s a fundamentally different way of engaging people. It’s both the experience of our people with the organisation and the platform that the organisation provides.” As an example, they support a group of employees called the Green Ninjas who advocate policies such as carbon neutrality.*





# Employee Engagement

## – a luxury or necessity in turbulent times?

### Specific considerations

Geographic spread presents a challenge for organisations to tailor relevant activities to support Employee Engagement. A number of organisations noted that in addition to losing intimacy in understanding their people at diverse geographic locations, the triggers to engaging their people varied according to location and size of regional centres.

Larger organisations highlight the need to provide something for everyone, recognising that the drivers of engagement are different for different people. While this seems obvious, the challenge seems to increase with the size and complexity of the business.

### Why do organisations desire high levels of Employee Engagement?

Some have an academic rationale, citing research-based evidence of a high correlation between Employee Engagement and organisational success. "If employees are engaged, they will stay; this has been verified by research....our own evidence is that employees also perform better." (Ian Niven, Brisbane City Council).

Others describe a more pragmatic approach, believing that Employee Engagement is important for improving attraction and retention of good staff (implicitly supporting the view that having highly engaged employees leads to greater business success).

Increased business success likely to follow from increasing engagement was typically summarised as increased productivity and performance, however these measures incorporate a number of factors such as;

- Increasing attraction of good people
- Increasing retention of good people
- Decreasing absenteeism
- Increasing creativity and innovation
- Increasing discretionary effort
- Adherence to organisational values and behaviours
- Achieving goals and objectives

"If people are engaged and believe in the company, and you believe in them.... engagement means profit and long term relationships." (Malcolm Jackman Futuris)

The importance of having engaged customer focused employees was broadly recognised, especially for service organisations and in particular professional service firms who are primarily engaged in selling the skills and talents of their people. Elizabeth Nunez from Pitcher Partners says "we don't sell products, we sell service – if someone rocks up with a bad attitude, you see the difference... Our business results are based on excellent productivity and client service, so we need fully engaged staff".

*"Employee engagement delivers happier, healthier and more contented people. This leads to better outcomes, such as better customer service. Happy and healthy people think better and act better."* **Geoff White, Sunwater**



# Employee Engagement

## – a luxury or necessity in turbulent times?

### More than a commercial imperative

A number of organisations stated that while high levels of Employee Engagement is desirable, commercial outcomes are not the only motivator; rather they are driven by a belief that it is “the way we do things here”, “the right thing to do”, “being a good human”, or in response to feedback in staff surveys. Employee Engagement thus becomes a natural outcome of the organisation's existing values.

### Benefits

When asked if the expected benefits of high Employee Engagement were being seen, there was a belief for most that the benefits are clear and visible. “Absolutely” and “definitely” were some of the responses noted. According to Chris Blake from NAB, “high engagement businesses and teams are high performers – it’s directly observable and examinable.”

### How do these organisations measure Employee Engagement?

All organisations we spoke to recognise the need to measure Employee Engagement, many conceding that this is no simple task. “Employee engagement can’t be measured as an equation eg. X input produces Y output” (Brisbane City Council). Others believe that a healthy but common sense leap of faith is required to believe that the actions taken do indeed increase Employee Engagement.

Typically, an internal staff survey provides a measure of Employee Engagement. This could be an engagement survey, a staff survey, a culture survey or otherwise named surveying instrument. This highlights the different ways in which the concept and measurement of Employee Engagement is embedded into the culture, values and operations of different organisations. Noticeably these vary from being stand alone surveys, to being a number of questions embedded into a general employee survey, to no formal measurement at all.

### Still a Way To Go

*A few organisations we spoke to have not yet seen the gains in Employee Engagement that they were hoping for. For one, this has meant a review of their strategy with a resultant shift in focus. They will be aiming for more granular data to drive action that is tailored specifically at a local level to make it more relevant. For another it is just too early to say. These organisations, however, remain committed to Employee Engagement and expect good results to follow.*



# Employee Engagement

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### External measurement

Some organisations are also involved in the Hewitt Engagement Survey and other external surveys. They commented that this public acknowledgement of their Employee Engagement contributes positively to their employer branding, making it easier to attract good candidates. Joe Powell of SEEK says of these external surveys “we get some external PR from those which is incorporated within our corporate/employer branding”.

### Ongoing and anecdotal feedback

Equally important, however, are the informal assessments of Employee Engagement which include exit interviews, reviewing internal statistics such as retention and absenteeism, and looking at attraction rates and the quality of people applying for positions. (Probuild and Goulburn-Murray Water.)

Interestingly, more than one organisation notes the danger of focusing too closely on the measurement. There was concern that this focus can actually detract from the action to improve Employee Engagement.

### Does the current economic downturn impact on Employee Engagement?

In spite of their efforts and intentions a number of organisations recognise the significant challenge of maintaining and/or increasing Employee Engagement in turbulent economic times.

Most organisations we interviewed stated that the economic downturn was no reason to reduce focus on Employee Engagement, and that they are not planning to reduce their efforts per se. What will change are the discretionary funds available to finance the more costly activities.

There were two key perspectives that emerged from discussions around this question over the impact of the downturn;

- (i) that employee engagement is as important or even more important in turbulent times, as organisations may need higher Employee Engagement to achieve their deliverables, and that
- (ii) how leaders keep people engaged will be different in a new economic environment

*“The challenge is to ensure that progress is maintained. In times like this, initiatives that focus on people often get cut back... but our view is the opposite. In tough times, you must maintain focus and demonstrate that you are serious about this side of the business...” Ted Yencken, Probuild*



# Employee Engagement

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## Why keep a focus on Employee Engagement?

There were a number of reasons why organisations considered that the focus on Employee Engagement should be maintained. These included;

- Maintaining the highest level of productivity and performance in challenging times
- Maintaining performance with a sometimes leaner team
- Retaining key talent through the downturn and beyond
- Counteracting negativity in the workplace
- Being ready to attract and retain good people when the economy improves
- Avoiding the 'quit and stay' mentality of people staying in the safety of a job while mentally disengaging
- David Stewart at Goulburn-Murray Water commented that focusing on employee engagement was more important than ever, particularly given the important developments in his industry and organisation
- “We may notice less turnover because people will want a safe job, but we won't stop doing this (focusing on Employee Engagement) because we don't need to...things will pick up and we don't want to be caught flat footed.” (Mike Dawson-Smith, City of Melbourne)
- This understanding was mirrored by Ian Niven, at Brisbane City Council, “the downturn has increased the candidate pool somewhat due to perceived job security...but the tight labour market will continue, so it would be stupid to take the foot off the engagement accelerator...other firms will engage staff so if Brisbane City Council rests in this market, they will lose staff in the future”
- Ted Yencken at Probuild pointed out that it was more important than ever “A good team of people engaged in the business will work together to solve problems, even when times are tough”
- “In difficult times, we need to do difficult things so we need people to feel they have a stake in the organisation.” Chris Blake, NAB

*“Low engagement can lead to negative conversations, leading to negative dialogue and culture.”* **Steve Athurson, Visy**





# Employee Engagement

## – a luxury or necessity in turbulent times?

### Dark Clouds

There is a view that it is not only the financial downturn but its flow on effects that can challenge Employee Engagement. Factors like organisational restructures, layoffs and changes in management can impact on an organisation's ability to drive and improve Employee Engagement.

Our business leaders are also mindful that in these turbulent times activities aimed at improving Employee Engagement can take a back seat in spite of the prevailing view of their importance.

### The Silver Lining

On the other hand, for some organisations the economic uncertainties are reflecting in some positive employee outcomes:

- 'People asking for more hours'
- 'Better calibre of people applying for jobs'
- 'Our hard work on reputation is getting better in this climate'
- 'Specialist recruitment is improving – reducing the need to source staff from overseas'

### A modified focus and approach

Some stated that their focus within Employee Engagement would be modified in these difficult economic times.

The objectives of some organisations have changed in relation to attraction and retention of staff. With employers reducing their

recruitment, attracting good candidates is not the concern it has been. For Pitcher Partners, it is about "the engagement focus shifting to business results more than employee retention – we want to make sure that the workforce we have (leaner) is fully engaged and focused". Nonetheless it remains critical to retain the key employees of an organisation.

According to Chris Blake of NAB "it doesn't change the notion of the importance of it, what it does do is bring into the spotlight the importance of certain levers of engagement. The role of people leaders becomes more important... we have relentless consistency around engagement – we will dial up some elements like leadership (the need to lead with resilience, optimism and realism) and the importance of communication. While some things get dialled back – it would be inappropriate to spend money on some things like lavish Christmas parties."

Operating in the not-for-profit sector, MOverner's Luke Slattery points out that fundraising may be impacted next year and they will be particularly conscious of their expenses. He believes however that Employee Engagement doesn't need to be expensive in a small organisation and they will continue with their Employee Engagement activities.

Getting closer to people is also cited as important in these times, activities such as mentoring and education were favoured over those requiring high spend.

*"I'd argue you need to be focused even more in tough times – but it's back to basics – open and honest communication, non-monetary recognition of achievement, visible leaders, up-dating people on how we are tracking."* **Joe Powell, SEEK**



# Employee Engagement

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### In Conclusion

This paper originally set out to ask a relatively straightforward question; is Employee engagement a luxury or necessity in turbulent times?

The discussions we had and the responses we have collated reveal that something more fundamental is taking place. We found that the consensus of attitudes overwhelmingly points toward a wholesale shift in mentality that now embraces the concept of Employee Engagement as a permanent feature of the workplace landscape.

The key questions around Employee Engagement are now of a practical and functional nature. What is the best Employee Engagement program to implement? How do we align Employee Engagement with our organisational values? What systems of measurement can I put in place around an Engagement program? And importantly, how can I increase the engagement levels of my employees so that I can start to see a sustainable impact on productivity and performance?

Far from being a luxury, Employee Engagement is now seen as a key component towards navigating through the current economic turbulence.

### Employee Engagement in 2009

#### -10 Key Considerations from this research.

1. Regardless of the size of our organisation, can we better understand the individual motivators of each of our people?
2. We may have to spend less, but how can we maintain and improve our Employee Engagement?
3. Are our internal communications clear, concise, regular and relevant?
4. What is our Employee Engagement strategy around attracting and retaining the highest performers?
5. What do we know about the leadership in those teams where we have the highest retention rates and performance levels?
6. Without formal measurement, what signal can we read that people are engaged in our organisation?
7. Using the feedback from formal measurement, what are we doing to increase Employee Engagement?
8. Do we have the Employee Engagement traction to ensure that when the economy turns, we're poised to capitalise on the opportunity?
9. Is Employee Engagement embedded in our cultural values?
10. What can we learn from organisations with particularly good or noticeably poor levels of Employee Engagement?



# Acknowledgements

We would like to thank the following organisations and specific individuals for their involvement in the development of this research:

## Participating Organisations

### ANZ

Joanne Martin, Senior Manager Culture and Change

### Brisbane City Council

Ian Niven, Chief Human Resources Officer

### Calvary Health Care ACT

Dr Deborah Cole CEO and Janet Fuller, HR Manager

### City of Melbourne

Mike Dawson-Smith, Manager Human Resources

### Futuris

Malcolm Jackman, Chief Executive Officer

### Goulburn-Murray Water

David Stewart, Managing Director

### MOvember

Luke Slattery, GM Australasia

### NAB

Chris Blake, Executive General Manager, People and Community

### Pitcher Partners

Elizabeth Nuñez, Director, Human Resources

### Probuild

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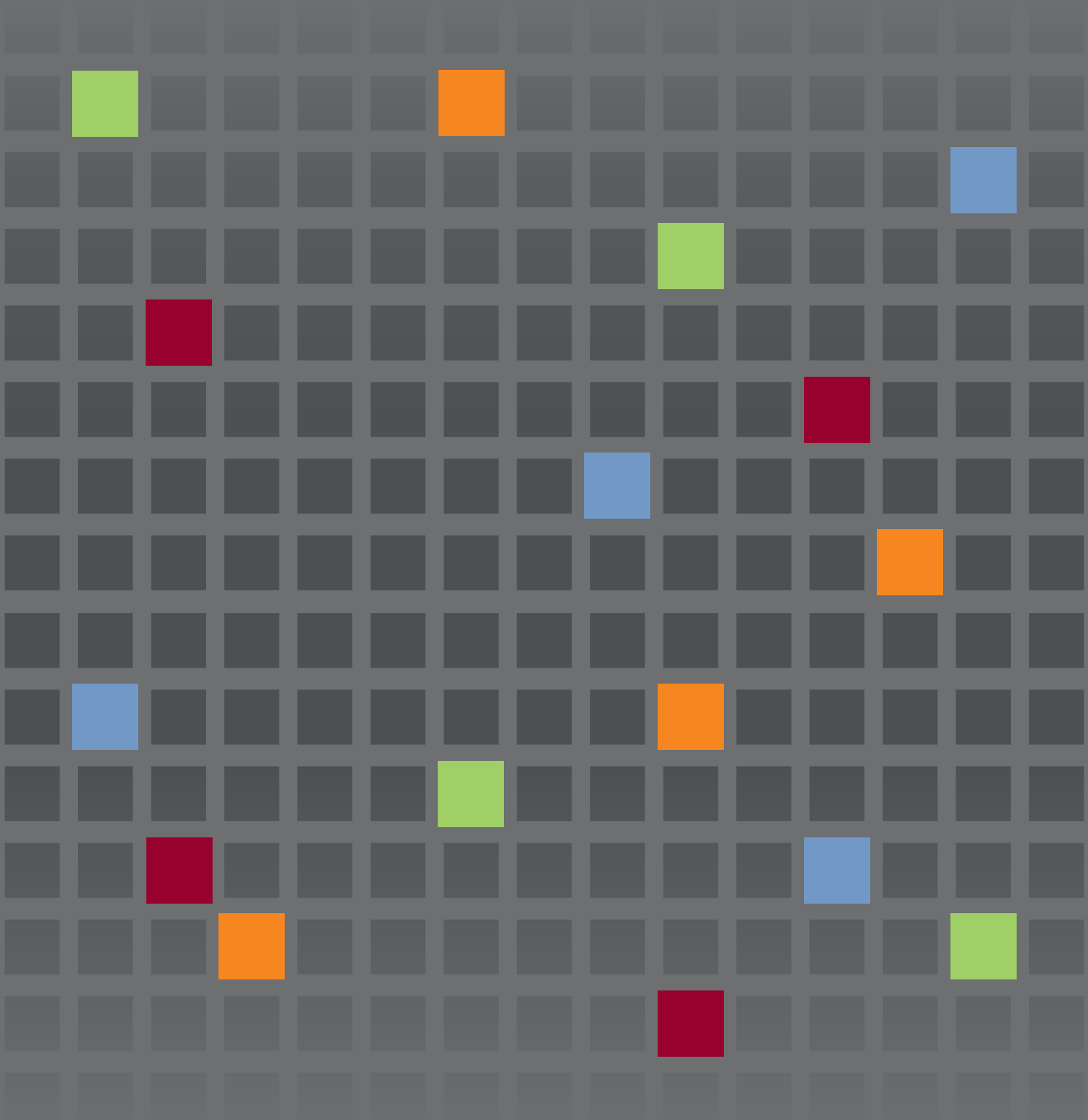
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