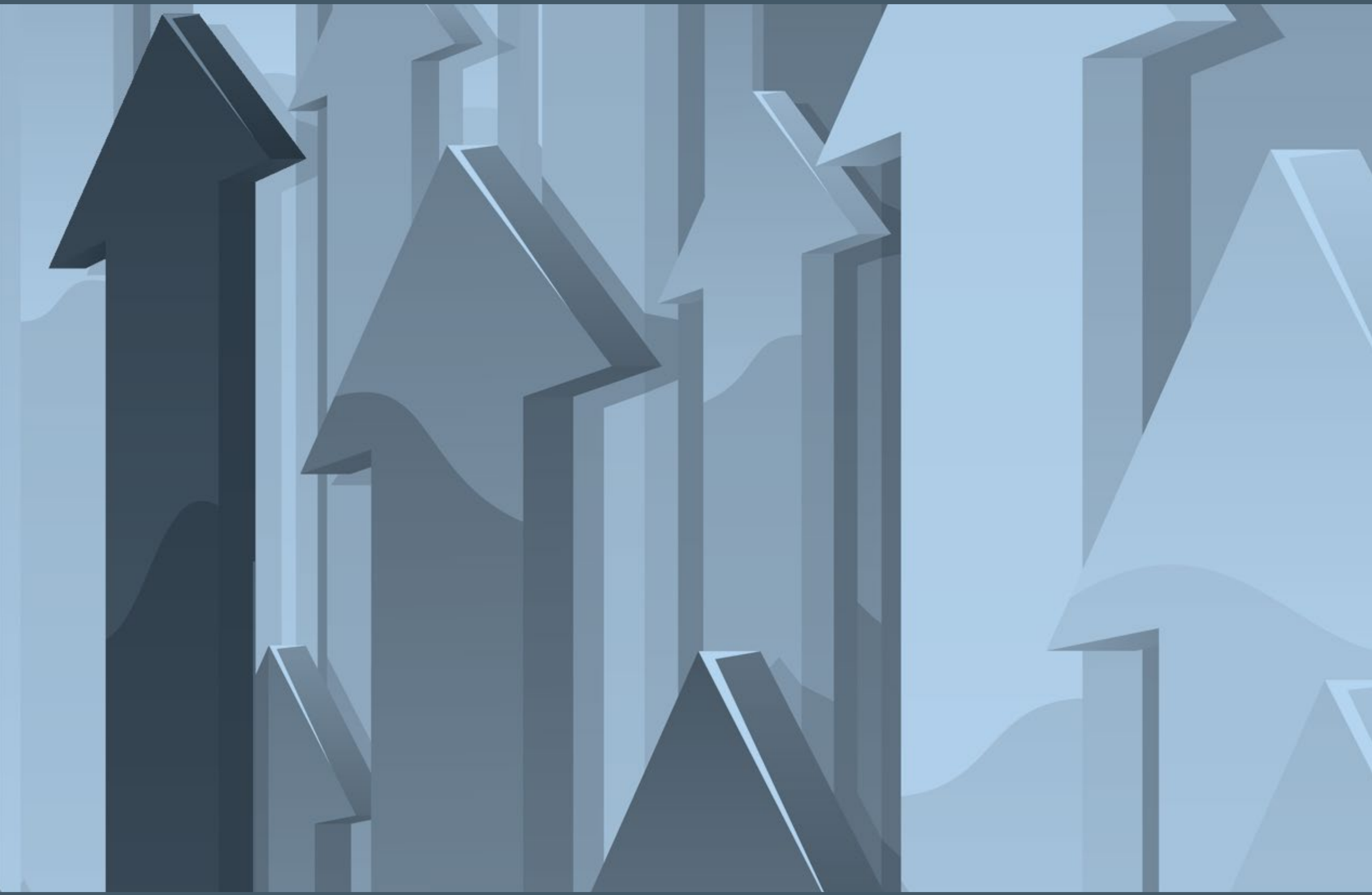
fierce. any conversation can.



The Financial Rewards of Employee Engagement

Better Relationships Bring Results

a fierce white paper

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Better Relationships Bring Results

SUMMARY

Susan Scott, CEO of Fierce, Inc., describes engagement as the key to forecasting gains and predicting results. ***"If you want to know how your organization will perform in a year,"*** *said Scott,* ***"measure employee engagement today."***

Assuming an organization's products or services are of high quality and priced correctly, Scott offers this formula for strategic success: Employee engagement + employee inclusion = execution muscle. Certainly a sound strategy is key, but that's only half the battle. Lacking enough execution muscle, the plan, brilliant though it may be, might not be successfully executed.

"If you want to know how your organization will perform in a year, measure employee engagement today."

Susan Scott, Fierce, Inc.

Execution muscle is getting it done, getting it done right, getting it done on time or earlier than promised, and getting it done better than the competition, profitably.

The simplest definition of employee engagement is: the emotional commitment an employee has to the organization and its' goals, the lifeblood of successful organizations. When employees are deeply connected to their organization, they share the vision of their employer and commit to achieving overall goals and objectives. Inclusion is an employee's sense of having a place at the table, being heard, seen, valued as a member of the community, a member of the tribe.

While the financial rewards of engagement and inclusion are indisputable, many organizations continue to sacrifice long-term investments in employees for short-term financial gains.

Organizations that focus on growing their employees and helping them build strong relationships with their colleagues and customers reap the rewards of an engaged and committed workforce. Yet, development is frequently one of the first cuts made during times of economic strain.

This white paper provides concrete data on the financial rewards of employee engagement and details how to build organizational relationships, and ultimately increase engagement, by targeting, setting expectations, and maintaining continuous support in four key areas:

CHALLENGE

When leaders focus exclusively on short-term financial wins, they put long-term investment in employee engagement and overall economic success at risk. If there is no incentive, perceived benefit, or encouragement for strategic, long-term thinking, planners and leaders are likely to aim for quick wins, even if they are not in the best interest of the organization over time.

Why Engagement Matters

Organizations with engaged employees enjoy **higher profits:**

+ 48% Managers account for at least 70% of the variance in employee engagement. Engaged managers contribute about 48% higher profits to their companies.

In addition, engaged employees create stronger organizations, are better at their jobs, and stay longer.

10:1 Gallup lists "world-class organizations" with a ratio of engaged to actively disengaged employees at nearly **10:1** (9.57:1). For "average organizations", the ratio of engaged to actively disengaged employees is almost **2:1** (1.83:1).

+ 21% Employees with the highest level of engagement are **21% more productive** and are **65% less likely to leave** the organization.

SOLUTIONS

In his book, *Tribes*, Seth Godin writes "A tribe is a group of people connected to one another, connected to a leader, and connected to an idea. For millions of years human beings have been part of one tribe or another. A group needs only two things to be a tribe: a shared interest and a way to communicate."

And yet, though conversations are the single most powerful tool we have for engaging people, including people, and building execution muscle, it is the most overlooked.

Engagement hinges on relationships. The biggest indicator of engagement is the quality of relationships an employee has in the workplace—with direct managers, with co-workers, with the leadership team and yes, with customers.

Most managers are willing to risk long-term negative consequences if it manages earnings and makes financial disclosures easier or more in line with predictions. Surprisingly, 78% admit to sacrificing long-term value in order to smooth earnings.

Duke University & National Bureau of Economic Research survey

"If I want a collaborative culture, I need to approach conversations wanting to learn more outside of my own knowledge base, not enter into conversations defending my position."

Susan Scott, Fierce, Inc.

The communication, connections, and understanding that result from these relationships are also key drivers of engagement: Are job expectations understood? Is regular feedback being received? Do employees feel their opinions matter? Do they enjoy their interactions with customers? Are advancement opportunities clear?

Conversation=Relationship & **Relationships=Culture**

Numerous, ongoing conversations are not simply what creates, builds, or sustains a relationship; the conversation is the relationship. The inverse is true as well. Relationships are determined by conversations. "If I want relationships that are full of trust, I need to have honest conversations," said Scott. "If I want a collaborative culture, I need to approach conversations wanting to learn more outside of my own knowledge base, not enter into conversations defending my position," said Scott. "And if I expect candor in my business, I need to both speak the truth and be ready to hear the truth in my daily conversations."

Ultimately, the types and quality of conversations that take place and the resulting relationships determine an organization's culture.

Organizations that invest in their employees, specifically in their ability to connect with one another and with customers—at a deep level—surpass other organizations in engagement and retention. When communication skills are highly developed and candor, collaboration, and trust are part of the overall culture, effective conversations take place. The conversations can be to resolve conflict, coach others, build team strength, accountability, and execution muscle, and, importantly, make the best possible decisions for the organization.

Myopic Management Practices

Evidence suggests managers may sacrifice overall business achievements, including the engagement level of their workforce, for quick wins.

A recent survey conducted by Duke University and the National Bureau of Economic Research showed most managers are willing to risk long-term negative consequences if it manages earnings and makes financial disclosures easier or more in line with predictions. Surprisingly, **78% admit to sacrificing long-term value in order to smooth earnings.**[4]

[4] Clifton, J. (2015). *State of the American Manager* (pp. 18-26). Washington D.C.: Gallup.

Increased turnover in the modern workforce may also be impacting long-term investments in people. If managers expect to stay with their organization, they are more willing to invest in undertakings that are costly in the short run yet maximize profits and positively impact the bottom line in the long run.[5] If turnover is high, leaders are more likely to expect their own tenure may be limited; therefore, they tend to focus on quick wins since they do not believe they will be around to reap the rewards of long-term planning.

Emotional Intelligence Quotient (EQ)

Enterprising organizations understand the importance of relationships, yet very few talk about how to build relationships. They may expect employees to be able to read a P&L statement and understand market share; however, there are rarely concrete expectations about whether employees are able to conduct productive, healthy conversations that lead to real change. Frequently organizations are so focused on the IQ piece, they overlook EQ or emotional intelligence, even though EQ creates companies that are more profitable and less at risk of losing institutional knowledge by having to replace staff.

"MBA programs don't usually teach candor... Executives don't come out of the chutes ready to be candid. We're taught to swim into the mainstream—not stick out."

Susan Scott, Fierce, Inc.

Studies show companies with great work environments not only make more money, they are also more likely to be filled with highly engaged employees. In turn, highly committed employees perform 21% better and are 65% less likely to leave the organization than less committed coworkers.[6]

Quality conversations and relationships are built on candor, collaboration, and trust. Yet simply telling employees to be candid, collaborate, and trust their executive team, managers, and co-workers is not enough—providing them with the skills and ongoing support is what brings success.

CANDOR The Skill That Should be Taught in Business School

"MBA programs don't usually teach candor and the importance of transparency," said Scott. "Executives don't come out of the chutes ready to be candid. We're taught to swim into the mainstream—not stick out. We need to build that skill of candor, and prepare executives to be upfront, courageous, and sincere."

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5 Clifton, J. (2015). *State of the American Manager* (pp. 18-26). Washington D.C.: Gallup.

6 Clifton, J. (2015). *State of the American Manager* (pp. 18-26). Washington D.C.: Gallup.

When organizations strive to create a culture of candor, they must be prepared to back their aspirations up through honest conversations.

Direct, authentic conversation cannot happen just once a year during annual performance reviews. Instead, world-class organizations have found consistent, honest communication is needed to create an engaged workforce and is proven to impact the bottom line. **"Employees whose managers hold regular meetings with them are almost 3 times as likely to be engaged as employees whose managers do not hold regular meetings with them,"** according to a recent study by Gallup. When companies can double the rate of engaged employees "they achieve, on average, 147% higher earnings per share" over their competition.

"Skilled leaders let others know where the turns are and prepare employees by giving them the resources and tools they need to successfully navigate change."

Kim Bohr, Fierce, Inc.

Candor also provides much needed transparency in two key areas: organizational strategies and individual development paths. When people understand organizational goals and their role in achieving them, engagement grows. When organizations are transparent about plans to develop employees, and employees have clearly defined paths for growth, progress occurs and retention increases.

Candor at the Organization Level

Employees can be skeptical of corporate America and large organizations. "If leadership is straightforward and upfront about decisions, people learn to trust," said Kim Bohr, Executive Vice President of Sales and Strategic Partnerships. "Setting clear direction—explaining what you're going to do and why, allows people to rise to the occasion. Skilled leaders let others know where the turns are and prepare employees by giving them the resources and tools they need to successfully navigate change."

"If profits are sagging, it is sometimes counterintuitive to invest resources into employee development. But engagement level is one of the first things organizations should address."

Susan Scott, Fierce, Inc.

Candor at the Individual Level

Development for development's sake does not create engagement. Building relevant skills and having honest conversations about career goals and how to attain them does. Return on investment occurs when employees feel they have some control over their career path and have advocates committed to their growth.

"If profits are sagging, it is sometimes counterintuitive to invest resources into employee development. But engagement level is one of the first things organizations should address," said Scott. "The nice thing about employee engagement is you can witness it. It's so tangible. Rather than focusing exclusively on how to innovate the next product or recruit the latest talent, improve on what you already have—your own workforce. You don't have to go outside to make a difference."

COLLABORATION Collective Wisdom Is Greater Than The Sum of Its Parts

According to *The Six Key Trends That Increase Employee Productivity and Engagement*, almost all respondents (98%) believed exploring other points of view improved decisions, yet less than half (49%) felt their organizations encouraged them to do so.

Again, quick wins may be getting in the way of long-term investment. If organizations only see the value in speedy decisions and immediate results, they miss out on the benefit of diverse perspectives.

Collaboration does not need to be a lengthy process, but it needs to be an honest one. When seeking input and enlisting the help of others, consider the following questions:

- **Are the right people in the room? In other words, are we including the perspectives of everyone who will be impacted by particular decisions and/or who will be expected to execute them?**
- **Are team members able to express thoughts and emotions without fear of retaliation?**
- **Do team members feel safe questioning the opinions of others?**
- **Are team members prepared to respond openly, without being defensive, if questioned by others?**
- **Is the overall goal to make the best possible decision for the organization rather than be right on an individual level? A fierce leader's goal is to get it right, rather than be right.**

Nearly all (98%) believed exploring other points of view improved decisions, yet less than half (49%) felt their organizations encouraged them to do so.

Six Key Trends That Increase Employee Productivity and Engagement

Collaboration not only results in more knowledge-based and profitable decisions, it also strengthens relationships, builds alignment, and engages champions and sponsors.

TRUST Telling It Like It Is

Trust is essential to healthy work environments and is created through personal and organizational accountability, credible leadership, and company-wide practices to treat others with respect and dignity. Clearly, trust cannot be mandated; it is earned or lost one conversation at a time.

Healthy relationships among employees at all levels drive engagement, which in turn impacts the bottom line.

We earn trust by telling it like it is, including the not so pretty parts. If a problem exists, it exists whether we talk about it or not. As Carl Jung said, “What we do not make conscious emerges later as fate.” Leaders earn trust by keeping employees informed of all the news—the good, bad and ugly—and involving employees in celebrating the good and resolving the bad. And then following through with actions.

“Trust is the belief that people will do what they say they’re going to do,” said Stacey Engle, Executive Vice President of Marketing at Fierce, Inc. “And people want to be included in the decision making-process. Nobody shows up at work just wanting to be told what to do.”

“Engagement does not thrive in an environment of micromanagement. That reinforces lack of trust. When employees feel a sense of ownership, they’re engaged.”

Stacey Engle, Fierce, Inc.

In a recent survey titled Horrible Bosses, 80% of respondents who reported a healthy employee/supervisor relationship said the most important thing a boss can do to create a positive working relationship is to both solicit and value their input. “Employees want to be seen and heard; they want to make a difference,” said Engle.

Trust grows through effective delegation and development—when employees have earned the right to create their own paths to achieving goals. “Engagement does not thrive in an environment of micromanagement,” said Engle. “That reinforces lack of trust. When employees feel a sense of ownership, they’re engaged.”

CONCLUSION AND NEXT STEPS

Employee engagement is a proven requirement for organizations to reach their financial potential. Healthy relationships among employees at all levels drive engagement and inclusion, which in turn builds execution muscle and impacts the bottom line.

Fierce partners with organizations to build skills and provide continuous support in the three key areas necessary to strengthen organizational relationships:

Engaged employees achieve measurable results and realize financial goals. With proper support, they also create a perpetual cycle of more engaged employees.

CANDOR

To ensure employees are equipped and encouraged to speak the truth and accept honest input from others.

COLLABORATION

To create an environment of intellectual curiosity where employees understand the value of soliciting differing opinions and enlisting the help of others.

TRUST

To provide work environments and model behaviors that inspire employees to accept responsibility for their own actions as well as trust in others to do what they do best.

The value of engagement is immense. Engaged employees achieve measurable results and realize financial goals. With proper support, they also create a perpetual cycle of more engaged employees.

Visionary leaders understand quick wins may please shareholders for the short-term, but strategic planning and investments in people maximize rewards over time.

Achieve long-term results and success by promoting the value of foresight and long-term thinking within your organization. To find out more about how to improve communication, organizational relationships, and employee engagement, visit us at fierceinc.com or connect with one of our dedicated experts today.

About Fierce

Fierce, Inc. is an award-winning leadership development and training company that drives results for business and education by improving workplace communication. Fierce creates authentic, energizing, and rewarding connections with colleagues and customers through skillful conversations that lead to successful outcomes and measurable ROI. Tailored to any organization, Fierce principles and methods translate across the globe, ensure individual and collective success, and develop skills that are practical, easy-to-learn and can be applied immediately. Fierce's programs have been successfully implemented at blue-chip companies, non-profits, and educational organizations worldwide, including Ernst & Young, Starbucks, Wal-Mart, Coca-Cola, CARE, and Crate & Barrel. Fierce has received numerous industry and business accolades. The company has been honored as an Inc. 500|5000 company five times, in 2011 was named to TrainingIndustry.com's "Companies to Watch" list, and for the past four years was selected to Seattle Business magazine's "100 Best Companies to Work For" in Washington lists.