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Employee Engagement is a critical component of Improvement. Organizations lacking an engaged workforce are rarely able to implement sustainable improvement systems and, more importantly, are most often doomed to sub-optimal levels of achievement. Fortunately, as you'll see, the solutions are straightforward and attainable...simple but not easy.

Bill Conway

Building Something Special

by: Sheila Julien, Senior Associate

It seemed, at first, a charming coincidence. Among the first few people I spoke with, several had described the community bank as *"a special place."* Pretty soon, I found myself keeping a silent tally of how often this unsolicited sentiment would be expressed. By the time I had interviewed fourteen people, eleven had told me there was something really special about their place of employment. *"What are they putting in the coffee here?"* was my first question. And then I wondered, *"Whatever it is, whether it is true or not (I was still withholding judgment), how does this attitude manifest itself to the customers?"* One customer, I later heard, described Fidelity Bank as providing customer service like in the 1950's with technology from 2011.

While the people I spoke with were not randomly selected, they cut across the organization from the administrative staff to the leadership team and almost all of them spontaneously described the organization as a *"special place."* Clearly this situation was an anomaly. A 2010 study by BlessingWhite, a global Human Resource Research and Consulting group, reveals that only 31% of employees worldwide are engaged in their work, and only 33% in North America. Yet nearly everyone I had met at this bank seemed very engaged and committed. Somebody was doing something differently.

Why Does Engagement Matter?

Engagement is an essential (though not sufficient) element for any successful and sustainable organizational improvement system. Occasionally a management team tries to induce a disengaged organization to work on improvement and they *always* fail. Disengaged employees are unwilling to risk making suggestions that might rock the boat and are reluctant to invest their energy to improve an organization when they have no assurance that they will be a part of its future. It would be foolish to expect employees to help improve productivity when it might lead to losing their job or their advancement opportunities (in many organizations one can only get a promotion or a raise by managing more people, not by managing people more productively). As Upton Sinclair put it, *"It is difficult to get a man to understand something, when his salary depends on his not understanding it."*

Continuous and significant improvements depend on the vigilance and creativity, the *engagement*, of people close to the work in a constant search for opportunities to increase quality and productivity for the customer and the enterprise itself. Organizations with disengaged corporate cultures either stagnate or resort to expensive technology to reduce reliance on people.

Little wonder that when W. Edwards Deming set out to revolutionize quality and productivity, over half of his famous Fourteen Points refer to one aspect or another of employee engagement. He understood and articulated how powerfully management practices can discourage engagement and utterly thwart efforts to drive out waste. As Bill Conway says, improvement is all about change and the most important change is the change in behavior in the person leading the organization. The importance of the senior leadership to employee engagement is born out in the 2011 BlessingWhite survey which concluded *"trust in the organizations' leaders has more than twice the impact on an employee's level of engagement than does trust in the immediate manager."*

The numbers support the emphasis these pioneers in continuous substantial improvement placed on practices that support engagement. In his book, *The Human Equation*, Stanford professor Jeffrey Pfeffer cites a 1996 study of 702 firms that found management practices which foster employee engagement produced a 14% stock market value premium. Another study of start-up companies found that those with Human Resource practices specifically aimed at promoting employee engagement had a 16% to 40% higher five year survival rate.

Not only are organizations with engaged workforces great for the bottom line, they are also really great places to be. Why would any leader NOT want to strive for engagement?

Yet practices that dampen employee engagement are more common than not. Perhaps this is in part because they are quicker and easier. As Ed Manzi, CEO of Fidelity Bank, put it, *"It's a lot easier to just run with the numbers. It is a lot of work taking the time to ask, listen, and communicate, and to continuously look for more and better ways to put the mission and values into practice."*

Not only is it more work, but one popular school of thought believes that engaging employees hearts and minds is a waste of shareholders' money. For example, in 2004, Costco came under a great deal of criticism for paying its employees 65% more than Wal-Mart and 40% more than Sam's Club. Because of the huge difference, Costco's CEO, Jim Sinegal, was accused of neglecting his responsibility to the shareholders and 'coddling' employees and customers. (As it happened, Costco's rate of return over the past five years was nearly three times that of Wal-Mart and Jim Sinegal recently appeared on Barron's list of the top 30 CEOs on the planet. Next time, you're in Costco, ask an employee or two about working there. The response is impressive!) Coddling aside, still others believe that people work hardest when under pressure and fearing for loss of income or job security.

"Engaged employees stay for what they give; the disengaged stay for what they get."

2011 BlessingWhite Report

But when you get in close to the work in fearful organizations, the difference really shows in the corners people cut to meet the numbers and in the opportunities for improvement that lay stubbornly buried lest someone be blamed for the waste. Furthermore, retention of top talent becomes a serious challenge. BlessingWhite found a dramatic post-recession increase in the number of high-potentials looking elsewhere. With enough of a premium, management can usually hire someone with the expertise they want, but as Dan Ariely, in *Predictably Irrational*, so succinctly concluded from his research into motivation, *"Money is the most expensive way to motivate people."*

Building a Culture of Engagement

The good news is that building a culture of employee engagement is not all that complicated. Not that it is easy. But while the steps take time and effort, they are both simple and clear and they can work *anywhere* the leadership is sincerely committed to them. This will unleash the intrinsic interest that most human beings have in creating value for the people and organizations we care about.

Fidelity Bank wasn't always a highly engaged culture. I interviewed someone who had been a bank teller before the transformation began. The bank had long been in the traditional command-and-control mode, common in the banking industry and many others. Information was kept close to the vest and policies and procedures were tightly defined and enforced. It was becoming difficult to retain new employees fresh out of school who were not used to a tightly controlled environment. The bank's emphasis on strict application of its policies even got in the way of the employees efforts to meet the individual needs of customers.

Ed Manzi's predecessor and the bank's board of directors recognized that the traditional command-and-control culture was not the best path to the future for Fidelity Bank. They brought in a new leader, Ed Manzi, and gave him the mandate to change the culture.

The employees commented on a dramatic difference within 18-24 months. When I asked Ed what he did to foster such a committed attitude in the workplace, he described three basic steps very similar to those recommended by all of the experts in organizational change from Deming to Daniel Pink (in *Drive, the Surprising Truth about What Motivates Us*).

Driving Out Fear

First, Ed focused on driving out fear. He broke down barriers — getting rid of the artificial status symbols that had kept the silos and divisions in this small community bank so sharp and clear. He made it safe for people to disagree, complain, interact and share opinions. *"If people are afraid to say something, you will never learn what they think. If they are afraid to make a mistake, they won't risk trying something new."*

Jeffery Pfeffer, in *The Human Equation*, also makes a very strong case for eliminating fear about job security. The highly successful companies he cites, while simultaneously taking great care in hiring, make job security a bedrock principle and refuse to consider layoffs when economic times are tough. He quotes Southwest Airline's CEO, *"Sure, there were times when we could have made substantially more profits in the short term if we furloughed people, but we didn't. We were looking at our employees and our company's long term interest."* In contrast, Pfeffer describes the employment boom and bust cycle in Silicon Valley and wryly observes: *"My friends in the valley have perfected the art of selling low and buying high."* They lay off talent when times are poor and then *"engage in often fruitless bidding contests to rehire the skills that they not long ago sent packing."* Job security also seems to encourage employees to focus on the longer term. For example, in a 1996 study published in the *Academy of Management Journal*, John Delery and Harold Doty found that the greater the job security of loan officers, the greater the returns to banks.

But job security does not mean retaining people who do not fit the culture or performance needs of the organization. High engagement employers let people go when they prove to be unwilling or unable to work in a way that is consistent with the company values. Similarly, Ed Manzi, of Fidelity Bank, encountered a few people who preferred the old command and control approach and just did not want to work in the new way. They had to leave. *"After a while"* he says, *"it became easier and easier to recruit people who liked the environment we were building."*

Two Way Communication

Second, Ed began providing information about the bank's performance and what they were planning for the future. He began asking for employees to share their ideas and opinions. People describe the dramatic difference it made when the bank went from limited top down communication to suddenly providing everyone with information and asking their opinions and suggestions. *"Ed worked hard to bring down the walls,"* one long-termer told me. Fidelity now has several 'all hands on deck' meetings a year to share results, goals, and recognition and encourages everyone to be involved.

Sharing information creates a climate of trust and cooperation. But more than that, an organization simply cannot leverage the talents and ideas of even the most engaged employees if the employees do not also have the facts and data about performance — and the skills and training required to interpret and act on that information. Ideally, everyone would understand how their role is expected to contribute to the organization's success and have access to the performance measurements — not just results measurements but more importantly the process measurements. People need to understand how their work contributes to the mission and what their key process measures are so they know when and where they need to improve a process to help the organization meet its goals.

But the communication must not be a one-way street from the top down. Sharing information is an important start, but the very next step involves asking for ideas and input and then listening. **Perhaps every leader ought to start each day with the realization that somebody somewhere in his or her organization has some important information about how to better serve the customer or improve the operations, but does not know what to do with it.** Because, it is true. Individual employees rarely have everything required to transform opportunity into reality, but they have that most precious ingredient for improvement — the facts on the ground. High performance organizations consciously create opportunities for employees to share information and insight about what gets in the way today and ideas about how to improve the work.

In addition to asking for ideas for improvements, leaders must act on ideas and recognize contributions. Achievement, that is seeing suggestions implemented and results improved, is perhaps the single most powerful motivator encouraging employees to seek more ways to improve.

Purpose Beyond A Paycheck

In *Drive*, Daniel Pink identifies "Meaning" as one of the three powerful intrinsic motivators. Ed Manzi, of Fidelity Bank, also wanted the organization to commit to something beyond making a profit, beyond picking up a paycheck. The bank's mission statement is very simple: **"To our clients, communities, and employees we say, 'our only mission, our only goal is helping you get where you want to be.'"** Many individuals and businesses have a genuine need for financial guidance they can trust. Fidelity Bank's CEO encourages the employees to make their only goal to help the clients get where they want to be. The mission also applies to employees and the community in the same simple and direct way: helping the communities they serve to get where they want to be; helping the employees to get where they want to be. To help the communities they serve, Fidelity Bank identified an unmet need in the community for support for children and adolescents suffering from mental illness, and founded Shine, a non-profit organization providing funding for research and help for families affected by mental illness.

This mission simultaneously conveys a respect for the uniqueness of each individual's goal and a generosity of spirit in its commitment to help. It creates a sense of camaraderie or shared purpose within the organization that leaves people feeling good about working there. To help ensure that these are not just words on a page, Ed Manzi meets with every single new employee individually or in small groups to personally explain the mission and cultural value statements.

The importance of purpose is not unique to Fidelity Bank. In their book *Firms of Endearment*, Sisidia, Sheth, and Wolfe present a compelling case that companies do best when they attend to the needs of all of their stakeholders — communities, employees, customers, as well as shareholders. They profile thirteen companies that have been pursuing this balanced stakeholder model and point out that these companies have also provided substantially better financial returns than the eleven outstanding companies profiled in Jim Collins' *Good to Great.*

Organizing around a worthy purpose is profitable as well as motivating — which enables the organization to even more vigorously pursue its mission. Ed Manzi made this point in his annual address to the employees and board of directors: *"This year's financial results and pursuit of ever stronger financial performances in the years ahead aren't the end of the story. Being a bank with a heart is a cyclical duty. Passionate professionals gathered around our mission and executed tirelessly, but to simply accept the financial benefits and walk away is a moral failure. Those results are simply a bridge to the next round of making our communities better places to live and helping our clients, and employees get where they want to be. Together we've helped a lot of people do a lot of things but there is a whole lot of doing left to b e done!"*

Beyond Engagement

Employee engagement is a crucial foundation, without which no substantial improvement or sustainable competitive advantage can be achieved. While it is necessary, it is not sufficient. One must also create a continuous learning environment so that individuals and organizations learn both from one another as well as from external training organizations. Learning, as well as motivation and engagement, is critical to helping people improve their ability to better serve their customers, to more effectively study and improve the work processes, and to more successfully collaborate in becoming a high performing organization.