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Engaging your pivotal talent

Are you engaging the right employees for the right reasons?

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Highlights

Companies often focus on retaining star performers or leadership talent, overlooking pivotal roles—jobs that have an outsized ability to create (or destroy) the value customers expect.

Focusing on engaging pivotal *roles*, not just key *people*, can help improve retention, while also improving company performance.

It's important to understand what people in pivotal roles want from their work, and to find creative ways to motivate them. For some, non-financial incentives can work better than more money.

If these early days of economic recovery show us one thing, it's that companies around the world are committed to getting the most out of their workforces.

Though productivity rose steadily during the recession, companies may now be paying the price in engagement, which we define as employees' involvement in and commitment to work, and to their company's strategy, mission and value proposition. After the layoffs and salary freezes of recent years, many workers have become stretched and demoralised.

There could be even more at stake.

Research shows—and our experience with companies supports—that higher employee engagement links to improved retention, customer loyalty, revenue, sales and profit.[1]

But not all roles are equal, and organisations that strive to raise engagement among *all* their people may be failing the ones who make the biggest difference to the business.

1. J.K. Harter, et al., "Causal Impact of Employee Work Perceptions on the Bottom Line of Organizations," Perspectives on Psychological Science, 5, 378-389, 2010.

Engagement

In 2007 approximately 10% of employees were defined as highly disengaged, by 2008, this figure had grown to 20% and by 2009, figures had reached an alarming 33%.[2]

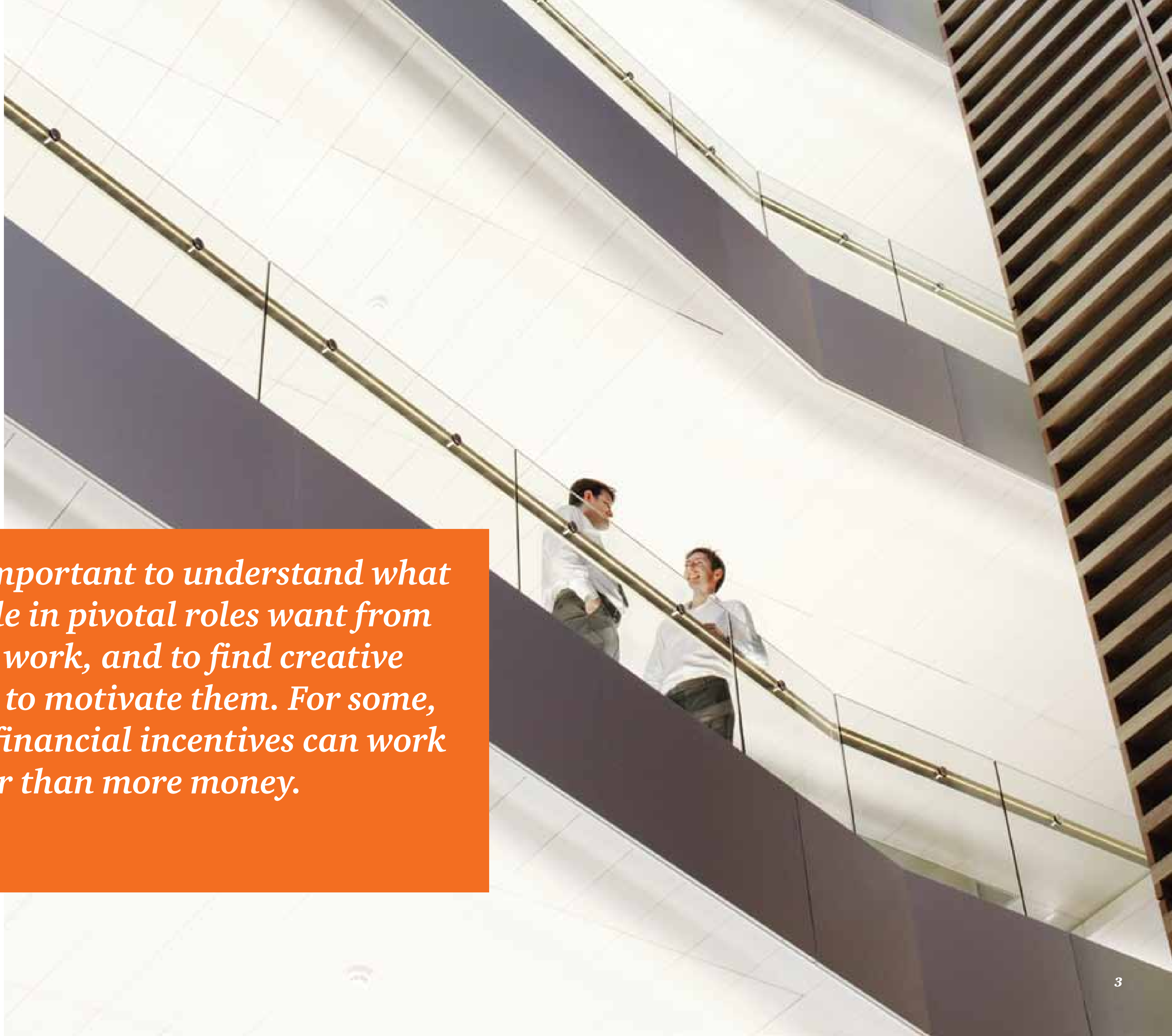
Over the same period, retention remained at the same levels and employees reported no greater inclination to leave their employer. Instead, as the disengaged have 'dug in' the reported level of discretionary effort has dropped by 53% since its peak in 2005.[2]

More alarming still, one in four high potential employees intended to leave their employer during the next 12 months.[2]

For Millennials training and development is the most highly valued employee benefit. The number choosing training and development as their first choice of benefit is three times higher than those who chose cash bonuses. 98% believe working with strong coaches and mentors is an important part of their development.[3]

2. Managing people in a changing world - Key Trends in Human Capital 2010: A global perspective. PwC Saratoga research.

3. Managing tomorrow's people: Millennials at Work. PwC survey 2009.



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The future of employee engagement

Old world

- Segmenting employees along traditional lines such as age, gender, region and job performance.
- Measuring engagement through off-the-shelf surveys that assess all employees at a high level.
- Focusing retention efforts mainly on standout employees, and overlooking less visible but equally important pivotal roles.
- HR setting and leading the talent agenda without close collaboration with the business units.
- Focusing mainly on internal measures like employee satisfaction and turnover, rather than looking at the direct impact employee engagement has on business performance measures, such as customer satisfaction or product quality.
- Emphasising bonuses and financial rewards as the go-to incentive strategy.

New world?

- Segmenting employees in ways that matter most to the business, including pivotal roles, then assessing engagement within those groups.
- Using engagement studies to anticipate and address barriers to productivity or potential turnover problems within specific groups of employees.
- Bringing HR and business unit leaders together to develop engagement strategies, particularly for people in pivotal roles.
- Analysing how engagement measures link to performance outcomes, such as customer satisfaction, product or service quality and safety.
- Understanding exactly what motivates different groups of employees beyond money, and using creative, customised, non-financial incentives to do so.

Finding and targeting the roles that make the biggest difference to the business

Pivotal roles will vary by industry and company, and aren't always high profile. A little digging will reveal them.

Explore your value proposition and you just might find a few surprises

Consider a coffee-shop chain. You might assume that the roles with the biggest influence on performance are the baristas behind the counter. And you'd be partly right. You'd be overlooking the treasury specialists who hedge coffee bean prices—an equally important role in the company's ability to deliver the coffee customers expect, at prices they can afford.

By not zooming in on pivotal roles, companies can leave real opportunities to improve performance on the table. But where to start? Zero in on the factors that influence customers in their decision to choose your company's offerings. What are the processes that create that value—and what are the greatest risks to them? Digging deep into your organisation can reveal which roles have an outsized effect on creating or destroying the value your customers expect.

Loading up on the value customers want

Take the case of a major food distributor. A stream of negative customer feedback prompted the distributor to conduct detailed customer and employee surveys to figure out exactly what was going on.

In this sales-oriented company, compensation favoured the salespeople. But to management's surprise, the surveys revealed that truck drivers were, in fact, the most pivotal role.

The drivers' role ranged from delivering groceries and interfacing with restaurant managers, to invoicing and negotiating problems on the spot. They were truly the face of the company to customers.

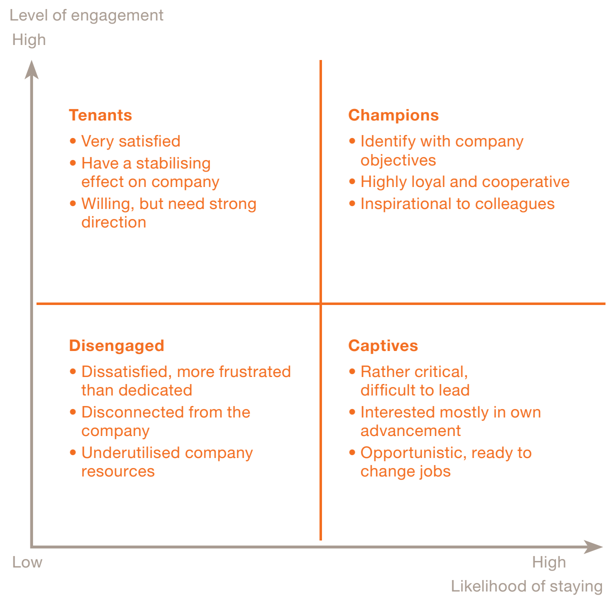
But factors out of their control—long work hours, undesirable schedules and logistical problems—had a big impact on engagement and turnover, which was hurting customer satisfaction. For instance, trucks were being packed inefficiently at the warehouse, making it harder for drivers to quickly unload items without damaging the goods.

Bringing different departments together to change the packing process and allow drivers to participate in their own route scheduling, led to significant improvements in driver engagement, addressed customer concerns about timely deliveries and reduced the costs associated with breakage.

What motivates your people? Hint: it's not always more money

Who fills your company's pivotal roles?

Companies can dig deeper into survey results, segmenting people in pivotal roles based on engagement and loyalty. This can help leaders anticipate and address vulnerabilities.



Looking at engagement through a new lens

We estimate that 80–90% of large companies conduct off-the-shelf engagement surveys that provide broad readouts of how strongly people feel committed to their work and the business. But only 5–10% of those companies link their surveys to business outcomes or use them to determine what's preventing key employees from excelling in their roles.

A powerful engagement survey begins with how you look at your own people. Instead of segmenting employees only along traditional HR lines—like age, gender or tenure—companies would do well to also segment in ways that line up directly with business goals. Pivotal roles and future leaders, for example.

What makes your people tick?

When it comes to motivation, research shows that financial incentives may not always be most effective and, in some cases, can even be counterproductive.[5]

One study found that, as long as a task involved only mechanical skill, higher bonuses led to better performance. But for tasks that required even basic cognitive skill, higher bonuses actually led to poorer performance.[6]

Why?

Beyond a certain base level of pay, motivation may matter more than money. Some employees may respond better to

5. Samuel Bowles and Sandra Polanía Reyes, "Economic Incentives and Social Preferences: A Preference-based Lucas Critique of Public Policy," CESIFO working paper no. 2734, presented at CESIFO Venice Summer Institute, July 2009.
6. Dan Ariely, Uri Gneezy, George Loewenstein and Nina Mazar, "Large Stakes and Big Mistakes," Federal Reserve Bank of Boston, Research Center for Behavioral Economics and Decision-Making, 2005.
7. "Paid Time Off Programs," WorldatWork, May 2010.

personal incentives such as solving complex problems on their own or making a real difference in the lives of customers.

Creating a motivating work environment, focused on results

Companies are trying to structure work in ways that tap into non-financial motivators. For example, one study found that 1% of more than 1,200 large North American companies surveyed now offer unlimited paid vacation time[7]—a policy that resonates with people who value autonomy and signals to employees that the work they do, and the value they bring, is more important than the time they spend at their desks.

Such efforts have the added benefit of boosting the employer brand from the inside out, especially when people in pivotal roles feel motivated to advance the company's mission and communicate it to the outside world.

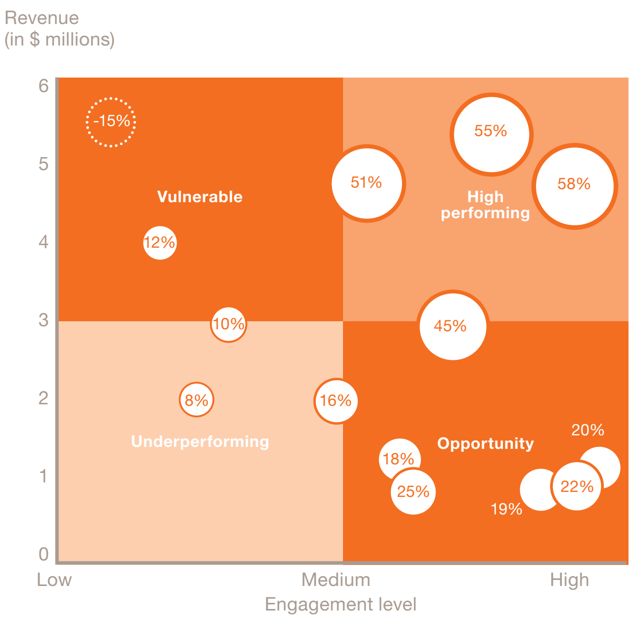
Making a fundamental shift

Taking a new approach to learning about, understanding and improving engagement may be easier said than done. It goes beyond the program and policy changes typically entrusted to HR; it requires a fundamental shift in the way all company leaders—from HR, to the business units and up to the C-suite—think about the value people bring to the business.

Engaged employees can be your engine for growth

Engagement links directly to business performance

An analysis of employee engagement and, in this case, client team performance data, reveals the link between engagement and revenue growth, and highlights important risks and opportunities.



Sample analysis for "Company X": The relative bubble sizes represent individual client teams' revenue growth. The dashed perimeter represents negative growth.
Source: PwC Saratoga.

In tight times like these, what—or rather, who—do you invest your limited resources in? Where do you place your bets?

By focusing engagement efforts on talent in pivotal roles, companies can realise bigger returns on their efforts to raise productivity and grow revenues without necessarily expanding the workforce, all while mitigating the disproportionately high costs of turnover in the most important corners of the business.

Diagnosing and treating the problem, to get the results you want

There is no single formula for improving engagement. The approach will differ by industry and by company, and will always depend on the goals a business wants to achieve.

For example, an on-site laboratory services provider to hospitals wanted to improve sample quality and turnaround time. Internal analysis traced the problem to high turnover in a previously overlooked pivotal role: the office manager.

Office managers were overwhelmed with a huge number of minor administrative transactions and didn't have enough time to focus on critical tasks or provide coaching to staff.

The lack of morale was causing excessive turnover that impaired cost and quality. Reallocating work to give office managers more time for critical tasks and coaching raised their engagement levels, improving both quality and turnover.

A completely different problem plagued a clothing manufacturer, which could not keep up with the latest fashion trends. It lagged in sending new designs to the factory floor and, as a result, wasn't meeting the stringent demands of its largest customers, the big-box stores.

While the company recognised that designers played a pivotal role in the customer value proposition, they were surprised to discover the reasons for designers' high turnover, dissatisfaction and underperformance.

A survey of designers revealed that they were leaving in part because they lacked the latest design technology, as well as other time-saving tools that competitors provided routinely. Upgrading the company's technology backbone helped to improve turnover, inspire creativity and design innovation, and shorten the design-to-production cycle.

Facing up to the challenge of change

Think about some of the companies that have grown their businesses by tapping into what really makes their people tick: Google or Netflix, for instance. The companies that come to mind have at least one thing in common: they're innovators, perhaps even industry disruptors.

Perhaps that's no surprise. One national study found that roughly 60% of engaged employees felt strongly that their jobs inspired creativity, compared to just 17% of those who were not engaged and 3% of those who were actively disengaged.[8]

Engaging your people, particularly those in pivotal roles, to pursue innovation and performance improvement may require new management thinking, both in the business and HR.

Common organisational problems to anticipate might include:

- getting business units to take ownership of the talent agenda rather than delegating it to HR
- resetting employees' long-standing expectations of financial incentives
- loosening rigid decision-making structures to give people in pivotal roles more autonomy
- motivating employees in nonpivotal roles, who may see resources shifting. Nonpivotal does not mean unimportant
- redesigning jobs so they appeal to the strengths of those you hope to engage
- mitigating the consequences of natural turnover — through Baby Boomer retirements or job-hopping Millennials, for example—such as the loss of important institutional knowledge or expertise.

HR and the C-suite should be asking these questions:

- What are the roles that create disproportionate value for our company and do we have the right people in them?
- Are the pivotal roles getting adequate resources and management attention?
- How might we segment our workforce in ways that align with business goals, identify barriers to productivity and reveal opportunities for improvement?
- How can we develop a solid, fact-based understanding of what really motivates our people in pivotal roles?
- Do we have the right programs and incentives in place to motivate people in pivotal roles—from strong coaching and mentoring programs to work arrangements that inspire autonomy or creativity?
- How can we create a work environment focused on results and individual value?
- Does our succession planning cover pivotal roles, not just company leadership, and do we have a good pipeline of talent for those roles?

8. "Engaged employees inspire company innovation," Gallup, October 12, 2006.

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