

Why outperforming your competition matters

COMPETITION – OUR COMMON ENEMY

Every organisation now faces ever-increasing competition in its marketplace.

No organisation is immune from the hustle and bustle and buffeting of the marketplace.

If this is considered common, then surely a compelling governance question that needs to be asked by today's leaders is very simple –

“Is our organisation a good competitor; or a great competitor?”

If this question was posed to your organisation's directors and or leaders, what do you think might be their responses?

If your directors and leaders knew that by concentrating on employee engagement, it will, in effect, guarantee that your organisation can either withstand, or maybe thrive, then why are so many reluctant to measure and monitor it?

THE VALUE IMPACT FACTOR

If you review the research, the consistent message seems to be that only around 3 in 10 employees are fully engaged in their jobs.

This figure matters because of the huge difference between an organisation's performance when employees are engaged, as against when employees are not engaged.

Enterprise Care refers to this difference as the **Value Impact Factor**. It measures and tracks the level of an organisation's performance and the level of disengaged and engaged employees.

EMPLOYEE ENGAGEMENT AND PERFORMANCE

Gallup conducted its 8th meta-analysis on the Q12, using 263 research studies across 192 organizations in 49 industries and 34 countries. The study considered the relationship between employee engagement and performance outcomes. The study confirmed the apparent well-established connection between employee engagement and performance. The connection in the study was assessed across 9 identified performance outcomes being -

1. customer ratings
2. profitability
3. productivity
4. turnover
5. safety incidents
6. shrinkage
7. absenteeism
8. patient safety incidents
9. quality

Of significant interest is that Gallup not only found there is a strong correlation between engagement and performance; but that it is highly consistent across different organisations from diverse industries and regions of the world. In other words, there are inherent forces within all organisations that holds true, regardless of place of operation, nature of business, time, or market conditions. This knowledge is very important to all Board members and senior staff of every organisation.

In 2004, the Institute for Employment Studies published a book written by Dilys Robinson, Sarah Perryman and Sue Hayday, entitled "*The Drivers of Employee Engagement*".

The writers proposed that attempts to increase levels of engagement are likely to be ineffective, unless several factors are present in the organisation.

Those factors are -

- Good quality line management
- Two-way communication
- Effective internal co-operation
- A focus on development
- Commitment to employee well-being
- Clear, accessible HR policies and practices and
- Visible commitment by managers at all levels

According to their research, the above factors are also generally found in the other research literature. The description and number may vary, but overall, there appears a high degree of commonality. In summary, the research shows these factors as most important -

- the nature of the work
- work that has transparent meaning and purpose
- development opportunities
- receiving timely recognition and rewards
- building respectful and assertive relationships
- having open and honest two-way communication and consultation systems and
- having inspiring leadership

Deloitte on the other hand speaks of the five (5) MAGIC Keys of Employee Engagement, which is based on their extensive research.

The five (5) keys they suggest that drives employee engagement are as follows -

1. MEANING

- a. Do employees find meaning and purpose in their jobs?
- b. Does their work make a difference for others?

2. AUTONOMY

- a. Do employees have
 - i. Freedom
 - ii. self-governance and
 - iii. an ability to make choices about their work?

3. GROWTH

- a. Does the job provide development and growth opportunities?
- b. Does the work challenge and stretch employees to grow and improve?

4. IMPACT

- a. Do employees feel like they are successful in their work?
- b. Do they see that their effort
 - i. makes a difference and
 - ii. contributes to the success of the organization?

5. CONNECTION

- a. Do employees have a personal connection with
 - i. the people they work with
 - ii. their boss and
 - iii. the social community of the workplace?

PREDICTOR OF PERFORMANCE

Because engaged employees deliver higher productivity consistently, then having more engaged employees is a key governance objective.

The challenge for many directors and leaders appears to be whether they really want to know about this as a governance matter. The irony in all of this is the Boards and leaders seem to prefer the pursuit of a state of ignorance, rather than becoming engaged in this critical governance aspect.

Indeed the governance irony is mindboggling.

So, a core question for leaders to answer becomes - Is your whole organisation currently delivering on its purpose?

If the answer is 'no', then the next question is why not? And then how do I find out so that I will know; and importantly be able to do something about it?

It is when the Board and leaders gain the sharpness of clarity on how the organisation's purpose and goals are understood and delivered at all levels; that they truly know why and how to substantially deliver amazing results, and transform the organisation into being a **great competitor**.

The **Value Impact Factor** ensures that the leaders gain the immediate benefits of: -

- ❖ accurate insights into your entire organisation, at every level
- ❖ discover better ways to deliver the organisation's purpose and goals
- ❖ identify quick wins (low hanging fruit), which can successfully achieve the agreed goals and
- ❖ manage change better and seamlessly as part of the dynamic of a working environment

So, the questions to be answered are simple. Are the Board members and leaders prepared to commit to the ongoing improvement of their organisation's employee engagement? If yes, then are the Board members and leaders prepared to measure and track it over time? Again, if yes, are the Board members and leaders prepared to implement the findings and demonstrate their resolute support for the continual improvement of employee engagement.

Be wary of having this as yet another personnel exercise which proves to be a double edged negative experience.

Too often organisations are observed as being busy “measuring things”, but on reflection, those “things” do not truly drive the organisation’s performance. In many instances those items may be ‘nice to know’, but generally they can be at best, distracting, and at worst, irrelevant. This becomes worse than not doing anything.

EXPECTATIONS OF SUCCESS

Across the many different indicators, the results consistently showed that engaged employees outperformed and out-delivered the disengaged employees.

Gallup researchers found “Work units in the top quartile in employee engagement outperformed bottom-quartile units by –

- 10% on customer ratings
- 22% in profitability and
- 21% in productivity

Work units in the top quartile also saw significantly lower -

- turnover (25% in high-turnover organizations, 65% in low-turnover organizations)
- shrinkage (28%)
- absenteeism (37%)
- fewer safety incidents (48%)
- patient safety incidents (41%) and
- quality defects (41%)”

The evidence keeps on piling up. Another organisation, Development Dimensions International, considers there are five (5) things that a manager must do to create a highly-engaged workforce. They are -

- Align efforts with strategy
- Empower
- Promote and encourage teamwork and collaboration
- Help people grow and develop and
- Provide support and recognition where appropriate

On the other hand, the top three (3) drivers as suggested by Towers Perrin Talent Report in 2003 are -

1. Senior management’s interest in employees’ well-being
2. Challenging work and
3. Decision-making authority

With a very high degree of confidence, it can be stated that the link between those engaged employees and the better business performance, compared with those employees who are disengaged and their performance, shows a remarkable consistency in the findings. Studies continue to find the existence of the positive relationship between employee engagement and performance. However it is described, the range of indicators are remarkably similar being -

- employee retention
- productivity
- profitability
- customer loyalty and
- health and safety

The finding that those organisations which have more engaged employees will be more likely to exceed their sector's industry average in revenue growth is consistent.

Finally, if further evidence is required, Baumruk and Gorman, 2006 proposed that -

“Engaged employee consistently demonstrates three general behaviours which improve organizational performance -

1. **Say** - the employee advocates for the organization to co-workers, and refers potential employees and customers
2. **Stay** - the employee has an intense desire to be a member of the organisation despite opportunities to work elsewhere and
3. **Strive** - the employee exerts extra time, effort, and initiative, to contribute to the success of the business

However, an organisation which has employees who are disengaged, is likely to have their employees -

1. wasting their effort and talent on tasks that may not matter much
2. not showing full commitment and, not dissatisfied enough, to make a break and
3. not sticking around for things to change in their organisation”

Ultimately, Boards and leaders look to being successful in achieving consistent successes. It is axiomatic that with consistent success comes sustainability for an organisation, and the guarantee for the organisation's future. This all plays out in terms of performance measures such as –

- customer satisfaction (BlessingWhite, 2006; Perrin Report, 2003). Meere (2005) based on the survey conducted by ISR on 360000 employees from 41 companies in the world's 10 economically strong countries
- both operating margin and net profit margins reduced over a three year period in companies with low engagement, while these measures increased over the specified period in companies with high levels of engagement. Financial News, March 2001, as cited by Accord Management Systems (2004)
- disengaged employees are more likely to cost their organisation; as employees who are disengaged are more likely to miss an average of 3.5 more days per year; are less productive; and in the US cost the economy between \$292 to \$355 billion per year

THE CHALLENGE

The challenge of the moment is whether your Board and leaders are prepared to take the necessary steps that will “increase the number of engaged employees; and therefore, ensure that the organisation will outperform its competition?”

With no realistic excuse for delaying the decision, why not propose having a discussion at your next Board meeting; and/or your next senior staff meeting agenda.

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