



Engagement Capability Report 2014



AltusQ

We bring *passion* to strategy & *strategy* to passion



Contents

Background	1
Key take-aways	2
How we determined engagement capability	4
Capability as a predictor and engine of engagement	5
Culture is king!	6
The cultural power of reward and recognition	8
So what do the strong performers do?	10
Employee engagement and leadership	12
What did we find?	14
“Take me to your leader...”	16
The core capabilities are...	18



Background

For the past four years AltusQ and R&D have systematically surveyed 1,000's of organisations of all sizes and business sectors across Australia. The overwhelming majority >(85%) of individuals surveyed are people who are actively involved in making decisions relating to employee engagement (i.e. CEO's, General Managers, HR and other leadership team members).

While our broad topic of interest has been Employee Engagement, our questions have ranged widely as we sought to identify perhaps unexpected factors that impact engagement levels. We have been interested in everything from culture and values all the way down to characteristics of recognition programs.

We are on a mission to find out what factors truly and reliably lead to a committed, energised and loyal workforce.

Key take-aways

Engagement capability is the ability and readiness of an organisation and its managers to successfully engage their staff.

From both our research and our hands on experience working with thousands of organisations over many years, we note that high engagement organisations typically share some readily identifiable capabilities.

High engagement capabilities

1. The presence (or relative absence) of a capability is a strong leading indicator of engagement levels.
2. It is practical to assess an organisation's engagement capability and to use that assessment to identify specific areas to focus on to take a targeted approach to improving engagement.
3. Across the survey respondents the capabilities that are most consistently demonstrated by high-engagement organisations are around culture, communication, purpose, KPI's and R&R.
4. Engagement, and engagement capability are both strongly correlated with the values held by leaders in the organisation. What you do matters, but what you think may matter more.



Employees rarely work for money alone – and peak performers never work just for the money. The extent to which an organisation can meet broader human needs will determine the proportion of 'true believers' they'll be able to hire and keep.

How we determined engagement capability

Within the surveys over the last four years we asked organisations to rate themselves for 20 capabilities on a scale from 1- 5 to assess the level of understanding, depth and mastery they have in these areas.

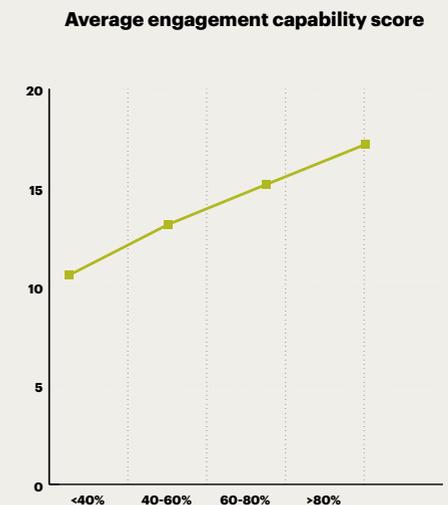
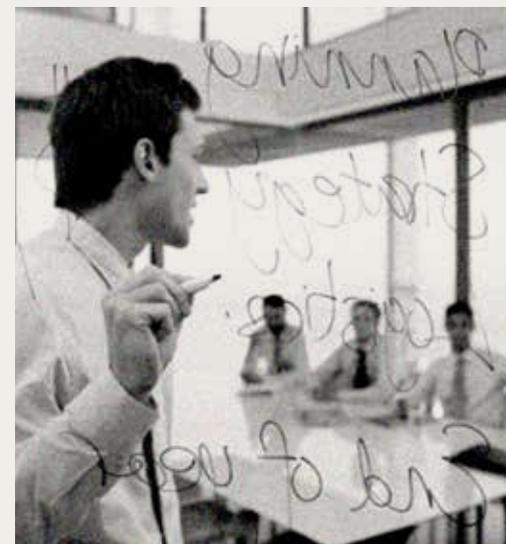
It's an uncomplicated approach but years of experience have demonstrated that this set of questions can provide a reliable and robust guide to organisational strengths and weaknesses. Our research indicates again that the top performing companies have the highest level of capability within their organisation and as the capability drops so does the level of engagement.

Engagement Capability therefore continues to be a useful and quick, leading indicator for the level of engagement in the organisation.

Capability as a predictor and engine of engagement

Engagement Score	2011 Capability Score	2012 Capability Score	2013 Capability Score	2014 Capability Score
> 80%	17.80	17.48	16.91	17.18
60 - 80%	15.29	16.05	14.87	15.17
40 - 60%	13.37	13.00	13.81	13.14
< 40%	16.50	12.90	9.58	10.59

Engagement Score is self-reported by the organisation. Capability Score is out of a possible 25 points, derived by us from answers to our survey asking about capabilities in the areas of Purpose, Culture, KPI's, Reward & Recognition and Communication.



Culture is king!

We have split organisational engagement capability into 20 distinct aspects, but our surveys have clearly shown that some aspects have more impact than others.

In all four years of our surveys to date, 'Culture' features as the capability where the top performers have the most depth. An overwhelming majority of our participants also report that culture is the key to company performance, especially in tough times.

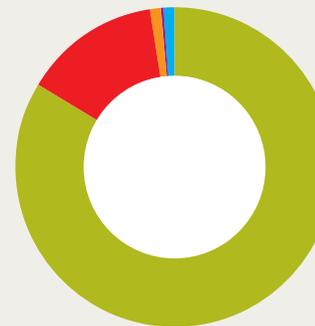
Interestingly, another aspect where there is a big gap between the strong and the weak performers is that of Key Performance Indicators (KPI's).

Strong performers commonly have the high-impact aspects under reasonable control and need to broaden their capability in order to keep making progress. For poor-to-moderate performers however focussing on just a few key areas makes all the difference to outcomes. The depth of capability high performers demonstrate in the areas of culture and KPI's (Key Performance Indicators) is strikingly greater than that demonstrated by the average performers.

Five tips for a solid culture

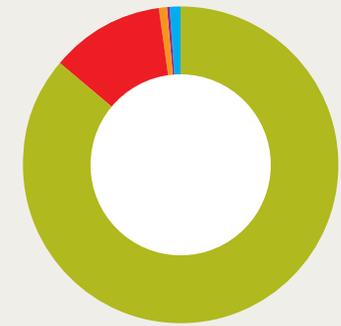
1. Shared values – communities (and businesses) coalesce around a shared view of what matters and what doesn't.
2. Lived behaviours that match the values – values are only truly values when they are in action, and are seen in action.
3. Unique rituals and practices that bring them alive – repeated, collective action builds institutional habits.
4. Language and stories to help you remember them – humans have an evolved, inherent propensity for learning from stories.
5. Visual identity that makes you feel and look like them – visual cues can be powerful and constant reminders of shared culture.

Q: "Company culture has a direct impact on company and performance"



■ Completely agree 83.8%
■ Somewhat agree 13.7%
■ Neither agree nor disagree 1.1%
■ Somewhat disagree 0.3%
■ Completely disagree 1.0%

Q: "A strong company culture becomes even more crucial in tough times"



■ Completely agree 86.3%
■ Somewhat agree 11.5%
■ Neither agree nor disagree 1.0%
■ Somewhat disagree 0.2%
■ Completely disagree 1.0%

The cultural power of reward and recognition

Reward and Recognition is a powerful tool for shaping and reinforcing culture by signalling which behaviours are appropriate and desired. Not all Reward and Recognition programs are equal however.

By correlating data from over 30,000 participants in client recognition programs alongside the Engagement Capability data, we can demonstrate that Recognition is at the core of the productivity and engagement equation. It's not an exact science yet, but 8 appears to be the 'magic' number – 8 instances or more per year of Recognition labelled or tagged to a value or competency leads to sustained behavioural change.

An organisation's approach to Reward and Recognition is undoubtedly a major contributor to engagement outcomes; delivered well it allows an organisation the opportunity to reinforce and embed desired behaviours which contribute to higher levels of capability and organisational performance. It's part of the 'hidden wiring' that ensures success for the high performers.

Five tips for high-impact Reward and Recognition

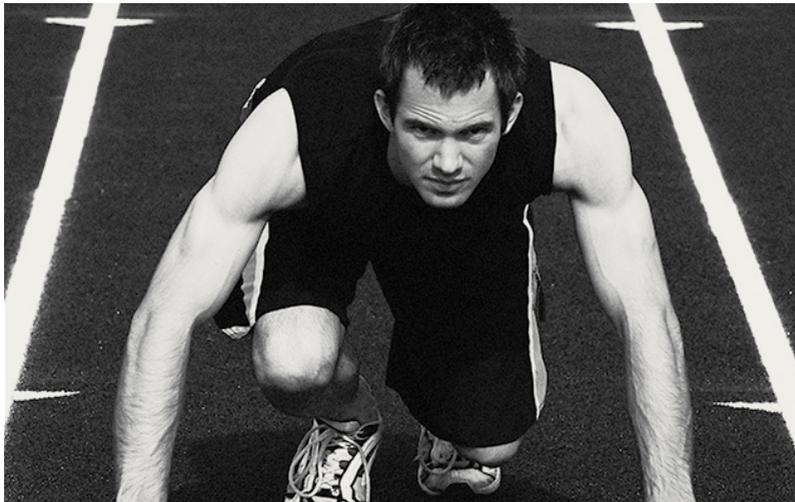
1. Do it now. Don't wait for end-of-month or end-of-year awards. Behaviour reinforcement works best when the behaviour in question is clear and present.
2. Be specific. A generalised "thanks" may be appreciated but it doesn't impart any clues as to what behaviours specifically should be repeated. The best performing programs link recognised behaviours to a common language or corporate value so it can be easily understood and shared.
3. Be personal. With the exception of really big awards Reward and Recognition should be delivered by peers or line managers with direct knowledge of both the recipient and of the practical benefits of whatever the recipient has done.
4. Be both formal and informal recognition; in the moment alongside more structured actions. A recognition needs to be socialised through the business for maximum impact – what gets recognised gets repeated by others.
5. Be authentic – nothing will undermine a Reward and Recognition program faster than any sense that management are only, "doing this because we thought we should."



So what do the strong performers do?

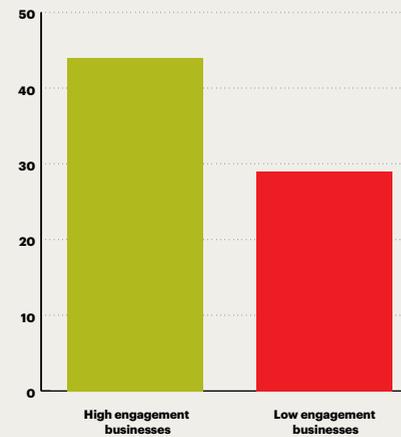
When we look in detail at what those with the highest levels of engagement are doing, and that the average and poor performers are doing less of, we discover some interesting patterns.

Data from past years suggests that the high performers (those with an 80%+ engagement score) have a higher level of commitment to their engagement programs than the poorer performers, who are much quicker to slash their training, development, coaching, incentive and reward programs in tough times. Needless to say we would argue this is the falsest of false economies.

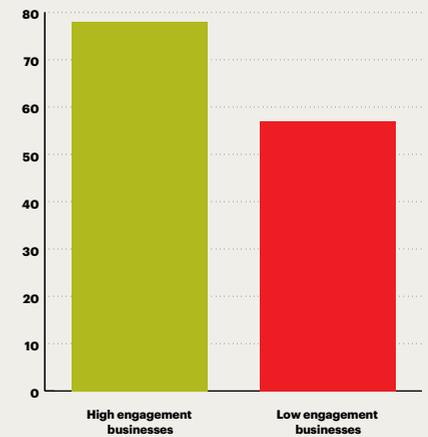


Commitment to engagement programs pays off

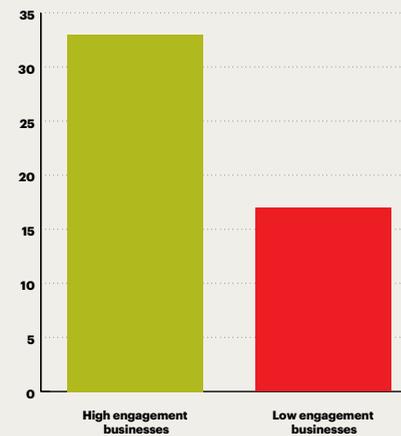
Investing in a coaching program (%)



Training and development program (%)



Operating a buddy program (%)



Have a formal mentoring program (%)

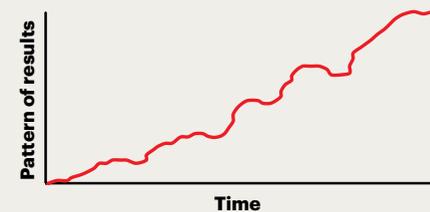
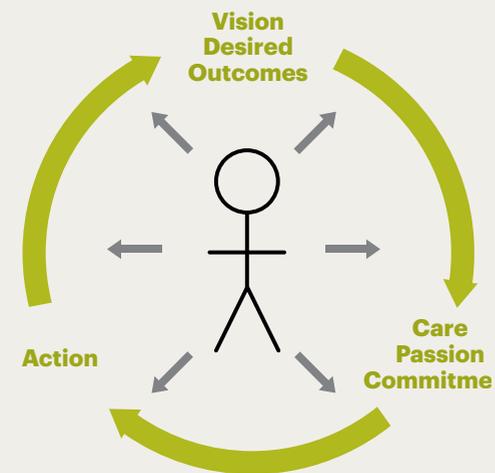


Employee engagement and leadership

For the 2014 survey we wanted to dig deeper into the relationship between engagement levels and the beliefs and behaviours of organisation leaders. We consistently see two distinct styles of leadership showing up in organisations –the creative versus the reactive. We believed that there would be a correlation, with better engagement at organisations with evidence of positive, creative leadership styles. This hypothesis was based on years of experience helping businesses and individuals shift from reactive mental models to creative ones.

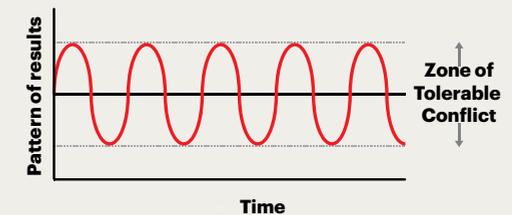
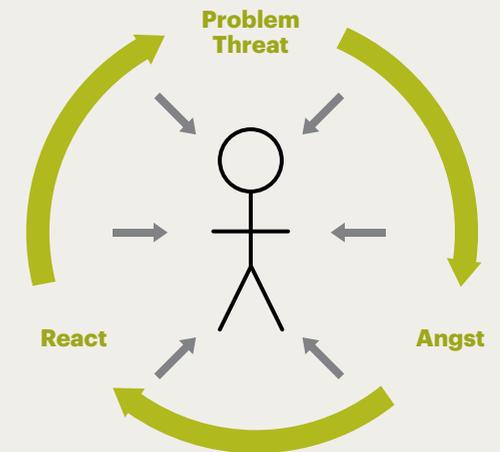


Creative leaders play to win



Creative leaders are defined by their positive focus. They have a clear vision, they act with commitment, and we see high engagement, a constant path of improvement and consistent performance results over time from this leadership style.

Reactive leaders play not to lose



Reactive leaders tend to focus on the problem or what they don't want to happen, which is a more negative approach. Their reactions follow their angst and are mapped as a wave curve – rising and falling within a zone of behaviour which is tolerable, but not necessarily resulting in high engagement.

What did we find?

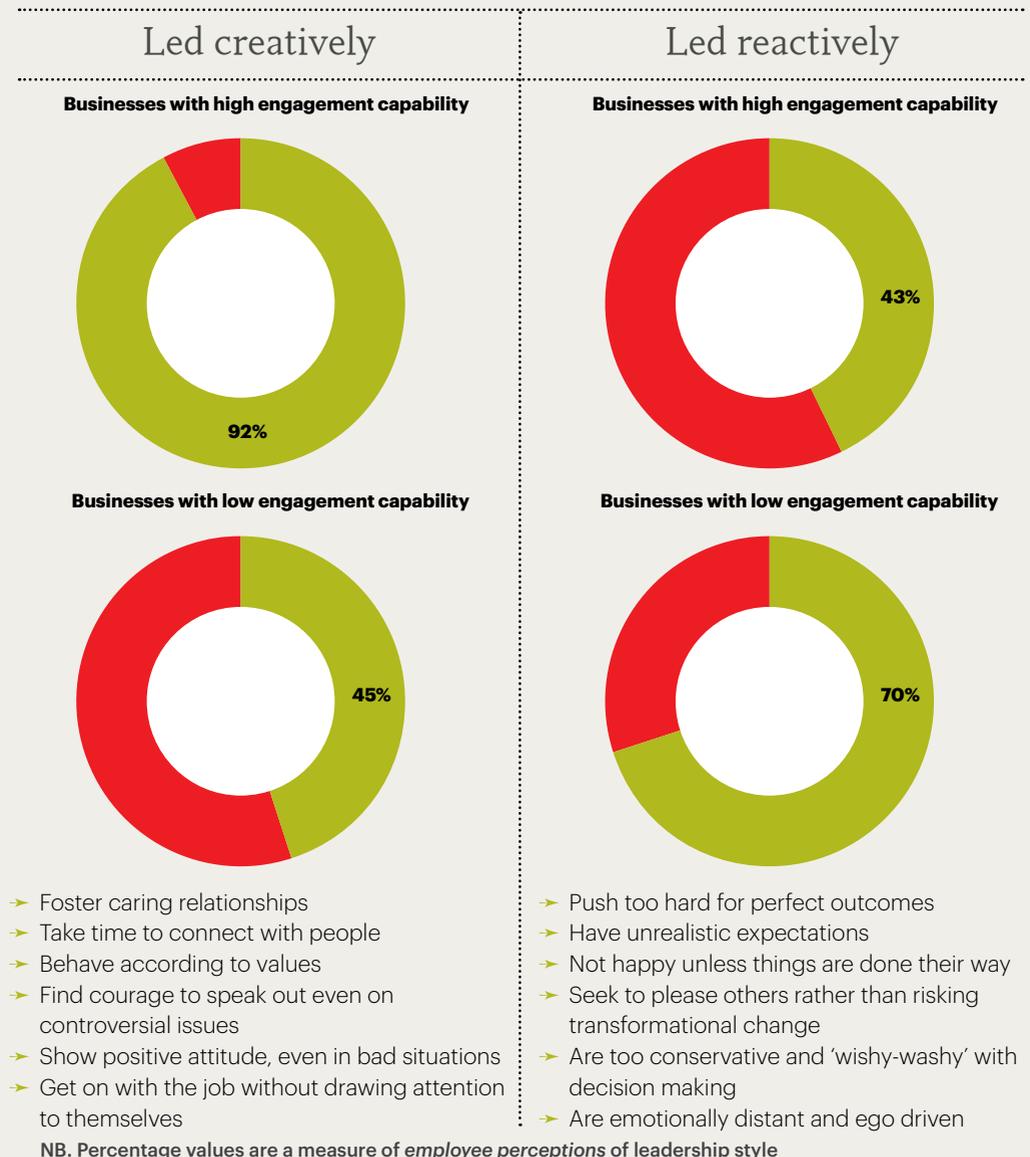
The intent and values of an organisation's leaders have a direct and measurable correlation with employee engagement levels, which in turn influence competitiveness, resilience and profitability.

Persisting with a purely directive 'do as you're told' mindset may be more comfortable for some leaders but it will have significant costs to the organisation, particularly in terms of competing with more enlightened organisations. Conversely leaders who are willing to actively model the positive behaviours they want to see in their staff are significantly more likely to have and to hold an engaged and committed workforce.

Purpose, intent, cause – does the organisation know why it does what it does?

For more information link to our article '*I don't mean to worry you, but your employees are reading your mind*', or go to altusq.com.au.

Engagement Capability has been assessed from answers to our survey questions. Engagement Capability scores have been shown, across thousands of participating businesses, to be strongly predictive of Employee Engagement levels. Surveyed staff were asked a series of questions of the form, "Overall, leaders within my organisation [behave a certain way]" to identify perceptions of creative or reactive leadership styles. The raw data informing this infographic is available on request – please contact info@altusq.com.au.



“Take me to your leader...”

If you ‘took us to your leader’ would our experience of that person be reflective of overall Employee Engagement and the culture of the organisation? Digging deeper still, we wanted to see if there was a correlation between the mindset that leaders bring to their organisations and their influence on engagement.

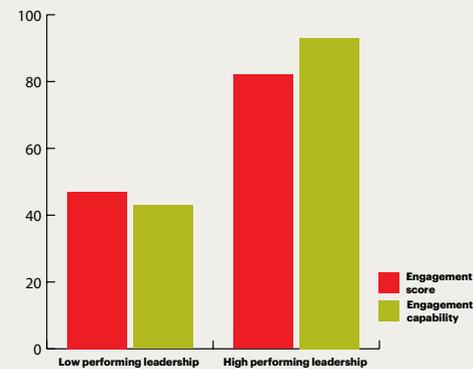
What we found was that there was a direct correlation between not only Engagement scores and Leadership Capability (skillset), but that these were also linked to a leader’s mindset – their ‘operating system’ that guides their behaviours and beliefs.

A leader’s values, how he or she relates to those around them, their ability to be ‘courageous’ and overall attitude, really does matter.

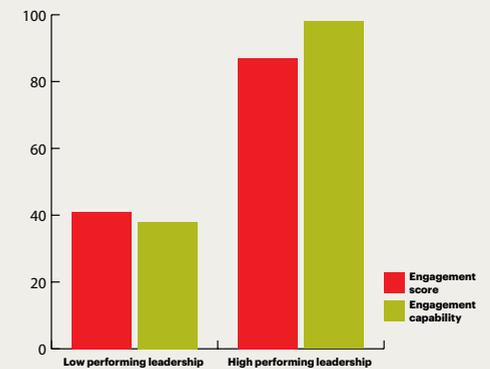
Note the striking contrast in the graphics. For each question we measured the percentage of respondents who agreed with the statement. The links between perceived low performing or high performing leadership, engagement scores, and engagement capability is significant.

What kind of creative leadership capabilities influence engagement?

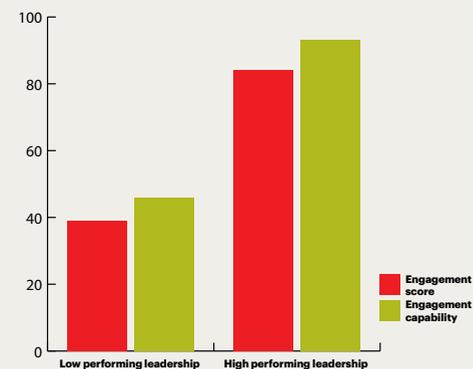
Q: “Leaders in my organisation foster warm and caring relationships and take time to connect with people.” (% agree)



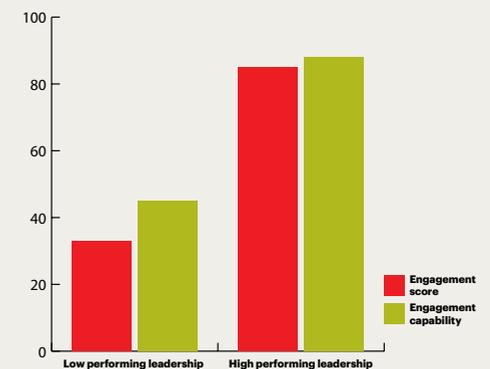
Q: “Leaders in my organisation lead in a manner that is completely aligned with our values” (% agree)



Q: “Leaders in my organisation are courageous and speak out directly even on controversial issues.” (% agree)



Q: “Leaders in my organisation see the positive side in even the worst situations.” (% agree)



The core capabilities are...

1. Purpose, intent, cause – does the organisation know why it does what it does?
2. Culture – can staff articulate what is important to them as a group?
3. Commercial vision – do people know where the business is going?
4. Innovation – is the organisation capable of, “thinking outside its own box”?
5. Brand energy – is the organisation commonly known for something strong/positive?
6. Managing capacity and workload – is work pressure typically steady or does it come in waves?
7. Functional structure/resource allocation – clear and understood roles and responsibilities, with the right people in the right jobs
8. Key Performance Indicators – are KPI's consistently linked to behaviours that drive the vision?
9. Rewards and recognition program – when people do well is there a structured process in place to ensure their performance is acknowledged and reinforced?
10. Communication – do people feel informed? Do they know what's going on and what they should be doing about it?

11. Coaching – does the organisation support performance improvement or does it merely expect/demand it?
12. Managing expectations – is the bar typically set too high, too low or (ideally) high enough to make people stretch?
13. Work/Life balance – is the meaning of work/life balance as it applies at that organisation clearly and consistently understood and articulated?
14. Compensation and benefits – are remuneration levels seen as generally being fair and reasonable?
15. Recruitment – are potential recruits assessed for cultural fit and alignment as well as for experience and technical competence?
16. On-boarding – are new hires actively integrated or left to sink or swim?
17. Performance management – are managers willing and able to have hard but productive conversations with staff?
18. Developing people – do people become “better” as a consequence of working for the organisation?
19. Decision making – do decisions get made when they are needed, consistent with purpose, vision and culture?
20. Effective meetings – do meetings typically have well understood agendas and outcomes?





AltusQ is a firm of expert leadership and business coaches who work with organisations to help drive transformational change, grow businesses and improve leadership skills.

Contact AltusQ in Australia on 1300 996 918 or New Zealand on 644 976 8477 or email info@altusq.com.au

Sydney

Melbourne

Brisbane

Adelaide

Wellington

Perth

Hobart

Newcastle

Auckland

RED designs and delivers recognition programs to help businesses highlight and repeat behaviours that positively impact their culture, engagement and productivity.

Contact RED on 1300 856 356
www.recogniseeveryday.com or email
red@recogniseeveryday.com.au.



AltusQ

We bring *passion* to strategy & *strategy* to passion

