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Examining Employee Engagement to Predict Retention Rates

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Abstract

The 21st Century brings many changes to the workplace. Organizations today are starting to focus more energy on engaging and retaining employees. An interdisciplinary approach through a secondary analysis was used to understand the correlation between employee engagements; retention and the ways engagement surveys can be administered. The findings suggest a correlation between employee engagement and retention rates. This study also discusses engagement survey format. However, of the study show engagement is not segment specific but rather it is company specific. In addition, this study does not examine ways organizations communicate the findings of engagement surveys to employees.

Introduction

Today adults spend a significant amount of time in the workplace and how one may feel while working plays a significant role in one's overall wellbeing both inside and outside. Nowadays, people are living and working longer than ever all over the world (Shah, 2011) meaning there are currently five generations in the workplace. In addition, employees are working longer hours a week, and spend more time in the workplace to achieve organizational goals.

As we approach the year 2020, the older generations will continue to retire and leave the millennial generation to make up nearly half of the workplace (Meister, 2010). With the shift of many generations in the workplace, the leadership style and culture has to also move in a direction to continue to keep all of the employees engaged, provide growth / make a difference and minimize turnover rates for overall company and economic success.

As of 2015, there are roughly 9.91 million people in Michigan. The Midwest region has a turnover rate of 16.6 percent up from last year's 15.2 percent. The rate seems to be trending upward even though the unemployment rate for Michigan has decrease to 5.4 percent down from 8 percent in 2013 (Hall, 2015). Ultimately the population is growing and so is the turnover rate in the workplace leading to the study of examining employee engagement to predict employee retention rates.

Employee surveys are designed to measure employee engagement, give employees a voice, aid in increasing employee engagement, direct organizational growth and

benchmark results. On the surface, you can see that engagement surveys can be a very powerful tool to predict employee work satisfaction and employment retention rates.

The key to organizational success is to understand what each piece of the organization offers one another. For this study, I have taken an interdisciplinary approach focusing on Human Resources, Business Management and Psychology since the topic of employee engagement in correlation to organizational turnover rates is too broad of a topic to focus solely on a single discipline.

The methods used included a secondary analysis of *Driving Performance and Retention Through Employee Engagement* conducted by the Corporate Leadership Council (Corporate Leadership Council, 2004). Additional literature surrounding employee engagement and retention and informal conversations with Herman Miller's Communications and Engagement Manager have been used.

The goal of this study is to (1) determine the existence of a correlation between employee engagement surveys and retention rates and (2) present furniture manufacturers such as Steelcase and Herman Miller with a model, because companies are both west Michigan furniture companies that have a long history of creating work spaces (cultures) that inspire and promote collaboration why living true to their values.

Engagement

Engagement is not segment specific, it is company specific meaning that a company can determine how they will relate and

define the terms that define engagement. For the purpose of this study, "Engagement is the extent to which employees commit to something or someone in their organization, how hard they work and how long they stay as a result of that commitment" (Corporate Leadership Council, 2004).

The traditional engagement survey gets its roots from the late 1800's when Fredrick W. Taylor, an industrial engineer studied how people's attitudes impacted their productivity in the steel industry through scientific management. (Bersin, 2014). Today there are a number of different survey providers that help assess employee's level of engagement though they are often done annually. While, surveying is good for organizations, companies are seeing that they need a new approach to surveying for the mixed generations when it comes to retention.

The council assessed the engagement level of the employees through 47 questions. This survey measured the strength of rational: (1) basics such as salary, monetary benefits, (2) emotional rationale, including the worker's ethics, beliefs, and satisfaction, commitment to day-to-day work, direct manager, team and organization and (3) discretionary effort, i.e. the employee's wiliness to go above and beyond and intent to stay (Corporate Leadership Council, 2004).

The survey was done on more than 50,000 employees from 50 different organizations, 30 countries and 14 industries. The survey results gave general demographics of the

participants (management level, work function, geographic, age, gender, and tenure with the company). The results of the survey showed that approximately 13 percent of the overall workforce is highly uncommitted, 76 percent are neither committed nor uncommitted and the remaining 11 percent are highly committed (Corporate Leadership Council, 2004).

At the end of the survey of 50,000 or so employees, the results determined that engagement differed drastically across organizations (Corporate Leadership Council, 2004). This information now tells us there are high performing and low performing companies, meaning there are differences in the discretionary efforts, the level of effort people could give if they wanted to as well as an insight to the leadership.

An informal conversation with Herman Miller's Communications and Engagement manager as well as Steelcase's Center of Expertise, determined annual Engagement Surveys do not reflect the actual tone of what organizations expect to gain. Take the following scenarios for example, survey #1 conducted after a large bonus payout and survey #2 after an announcement of no bonus. The results differ based on the present moment and emotional state of the employee.

Likely the information will be skewed as the emotional commitment for the employees is shifted. The above scenarios show why annual engagement surveys no longer work for organizational growth and retention predictions. 76 percent of the 50,000 employees surveyed by the

Corporate Leadership Council show neither committed nor uncommitted (Corporate Leadership Council, 2004). Meaning organizations need to find new tools to effectively measure the pulse of its employees.

Engagement and Retention

Engagement is the responsibility of both the organization's leadership as well as the employee. The study shows that companies with above average employee commitment had greater one-year revenue growth relative to their industry than those with below average employee commitment (Corporate Leadership Council, 2004). This signifies there is a connection between engagement and retention as well as overall performance of an organization.

Each year Deloitte (consulting firm to the worlds most admired brands, including 80 percent of the Fortune 500) conducts a survey that examines trends in organizations across the globe. The survey reports on what organizations are most concerned with regarding the near future. Engagement was #5 on the 2016 Global Human Capital report that was issued in February. Employee engagement and retention today means understanding an empowered workforce's desire for flexibility, creativity and purpose (David Brown, 2016).

Measurement Levers / How should surveys be used

Measure lever are tools an organization can use to determine the pulse of the organizations employees at any given time. Most levers impact

employees to the same degree, though all levers will improve discretionary effort, a select group produce significantly higher returns (Corporate Leadership Council, 2004). The measurement levers or areas that surveys should focus on are management, senior executive teams, compensation, benefits, the onboarding process, day-to-day work, learning / development, and organizational culture. If measured accurately and communicated, these tools will help to shift employee engagement, which will affect the overall employee retention rates.

The organizational impact of good managers is limited by narrow spans of control (Corporate Leadership Council, 2004). The issue of narrow spans of control or having too many direct reports can leave an employee feeling lost and un-engaged. The relationship between the manager and the employee can be the reason why employees leave organizations. In the study conducted by the corporate Leadership council, 29 percent of managers reported having 11 - 100 direct reports (Corporate Leadership Council, 2004).

The role of senior executive teams is very close to the manger's role. The main concept is that if the senior executive team commits to an employee, then the employee will commit to the executive in return. The study shows that exchange pays a big role when it comes to engagement and retention for overall company growth. Senior Executives who are open to input and commit to their employees receive heightened discretionary efforts in return.

The most influential lever of the amount of effort employees could give if they wanted to would be compensation. 10.8 percent of the survey conducted by the corporate council suggests that there is a connection between performance and compensation. Take for example the sales force; they are consistently more motivated by compensation than the aggregate workforce (Corporate Leadership Council, 2004).

In today's society where health care is a popular topic, benefits play a big role in overall employee engagement and retention. Employees will feel more engaged if they know their families are going to be taken care of by the organization they give so much time to. Organizations need to look at branding and measuring their benefits lever regularly (continuous improvement) as this piece has a large impact when it is keeping employees informed and engaged. The benefit piece covers health, retirement, leave, and work-life balance.

Onboarding is the next level that organizations would benefit from measuring. 23.4 percent of the population surveyed believed that new hires would try much harder when they understand and believe in their jobs' importance (Corporate Leadership Council, 2004). New employees have better chance of being engaged from day one if there is a clear understanding of the reason why upfront.

Next, onboarding for new employees is the training process. Employees will be more engaged if they are given the necessary tools to perform the day-to-day task. Job fit

and quality are important, though not having the proper tools from the start will leave employees unengaged and likely to feel like a number. When surveyed, 32.8 percent felt that the connection between work and organizational strategy is most important to feeling engaged (Corporate Leadership Council, 2004).

Once an employee is on-boarded, given the proper training tools, and sees why their role is important they need to be developed. Employees want to build their skill set to become more effective for their current role as well as future growth. When an organization measures and improves their development plans frequently, employees feel rationally and emotionally committed to the organization (Corporate Leadership Council, 2004).

Lastly, measuring the climate of the culture at any given point can allow an organization to focus improvements right away. With the five different generations in the workforce, organizations need to create an environment of information – sharing, integrity to drive innovation. No matter what industry one is in, employees want to have a sense of pride and culture helps drive this.

Pulse surveys

Once organizations know what drives discretionary efforts to commit, they need to encourage and develop tools to survey the workplace. Organizations should consider developing an employee pulse survey. A pulse survey is a tool used to measure the pulse and overall

performance / retention rates of an organization on a periodic basis.

The movement toward this “always on,” feedback-based approach to engagement is growing rapidly, disrupting traditional models of measuring and managing employee engagement. A number of companies are adapting to more complex employee demands by listening more closely to their employees, trying new approaches, and actively addressing operational problems (David Brown, 2016).

Here is an example of how using pulse surveys allowed listening and actively addressing an operational problem:

“One software executive pulses his sales team every week and asks a simple question: “How happy are you at work this week, and what can we do to make things better?” Employees offer suggestions about things that he could be doing better, and he claims that he can actually predict the following week’s sales based on the feedback he gets the Friday before (David Brown, 2016).

Insights

Employees today are overwhelmed with too much work, managers are under pressure to build the right work environment, Human Resources is trying to build programs for well-being and work-life balance, and the business itself is trying to focus more heavily on customers and profits (David Brown, 2016). Traditional employee engagement surveys are a thing of the past and pulse surveys are needed to predict the pulse of the organization.

Switching to pulse employee

engagement surveys is the first step in predicting the pulse of the organization as well as return on investment. Though, picking the correct measurement levers, communication of results and taking actions are crucial pieces of this study and are needed to predict retention rates. There are a number of online resources that offer pulse surveys but keep in mind; employee engagement is organization specific, not segment specific meaning there is not a one size fits all.

A company called: CEB Inc., is a global practice insights and technology company that creates tools organizations can use to get a pulse on employee engagement. The model that CEB uses is customizable to the organization’s needs, which allows leadership to target specific areas to focus on. In addition, this model allows the flexibility to blend preset questions with custom ones.

Quick recap of items to consider:

Employee engagement is company specific and not a one size fits all. Employee engagement is also the key to performance and retention. For example highly committed employees try 57 percent harder, perform 20 percent better, and are 87 percent less likely to leave than employees with low levels of commitment (Corporate Leadership Council, 2004). In addition, Employees need to be reminded that surveying is anonymous so they can speak freely without pressure.

Surveys need to be short and simple, should not take too much time away from the day-to-day tasks. They should focus on key areas that the

study has shown will have a higher engagement rate: management, senior executive teams, compensation, benefits, the onboarding process, day-to-day work, learning / development, and organizational culture.

Emotional and rational commitment needs are something organizations need not to lose sight of as this study has shown they are the foundation for employee engagement and retention. Also, something organizations should keep in mind is the overall culture and how people tend to work best. Lastly, organizations should be able to communicate the results of the survey along with an action plan as it shows employees the organization is listening to the request and will drive not only performance but retention.

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