

# The Art and Science of Embracing Engagement for Bottom Line Results

By: Bruce Bolger

The term “engagement” has become increasingly popular among organizational professionals when talking about how to build better relationships with customers, channel partners, employees, volunteers, or even voters. More than half-a-dozen conferences on engagement were held last year in the U.S., and a growing number of companies, including industry leaders Astra Zeneca and Pepsico, have executives with the term “engagement” in their title.

Why the interest and why now? In the past, engagement was a “warm and fuzzy” term. It made sense that organizations did better when their communities were fully engaged, but, from an economic standpoint, it was difficult to measure. The rare organization whose CEO was committed to engagement generally did so as a matter of common sense or faith.

## The Current Landscape

While interest may be there, the great majority of organizations today still have no clear engagement strategy. There generally is no single person in charge to make sure that the entire universe of customers, channel partners, employees, vendors, and the community are engaged in a way that is aligned with the organization’s mission. Engagement is typically siloed among sales, marketing, human resources, and operations. The practice isn’t taught in schools and few executives are measured and rewarded by their ability to engage.

But the climate is changing. The advent of customer relationship management, the Internet, and social-networking have exposed the connections among customer loyalty, employee engagement, and financial results. Organizations can now more easily track the reasons for lost customers or dropped sales opportunities. They hear what people are saying about them through social networks. They see how a brand boils down to people, either at the point-of-contact or behind the scenes, as in the case of defective products or late deliveries.

This interest in the value of engagement has led organizations to spend more in survey and polls to track attitudes of their various audiences. What they’re finding is that there is a range of issues that are ever changing and require various solutions based on the overall mission or circumstances. Organizations are waking up to the fact that while they have an agency to handle their advertising, there’s no single resource inside or outside the organization to address engagement in a holistic way. Enter the field of Enterprise Engagement to fill the knowledge gap. It is a movement forged by a variety of executives in sales, marketing, and human resources working together to build a body of knowledge and best practices related to creating a culture of performance through engagement.

## **A Brief History**

Enterprise Engagement has its roots in research conducted in the 1990s connecting financial results in Sears stores to the engagement of employees. Additional research on the connection between customer and employee engagement began to emerge in the late 1990s, when Gallup published studies on the cost of disengaged workers. Don Peppers and Martha Rogers, in their 1993 book *The One to One Future*, were among the early proponents of customer-focused rather than product- and process-focused marketing. They identified the need to address the human element of relationships between customers and an organization.

The concept was further developed in collaboration between the Integrated Marketing Communications department at the Medill School of Journalism at Northwestern University and a community of businesses and trade associations in marketing. The Forum for People Performance Management and Measurement, founded in 1993 by Don Schultz and Frank Mulhern, professors at Northwestern University, and this author, was among the first groups in the U.S. to focus on conducting research into the connection between financial results and employee and customer engagement.

In the July/August 2005 issue of the *Harvard Business Review*, the concept of linking customer and employee engagement was the subject of an article by John H. Fleming, Curt Coffman, and James K. Harter titled "Manage Your Human Sigma." The authors outlined the process by which "it's possible to arrive at a single measure of effectiveness for the employee-customer encounter, [and] this measure has a high correlation with financial performance." The term "Enterprise Engagement" was coined in 2008 by an informal group of not-for-profit and for-profit organizations formed to promote education and research supporting this concept known as the Enterprise Engagement Alliance.

## **The Research Shows**

The financial benefits of Enterprise Engagement have significant support in a number of research studies. For example, research by CLC-Genesee and its parent, the Corporate Executive Board, shows that average three-year revenue growth for "high-performing companies" (e.g., those that effectively manage employee engagement) was more than twice that of their industry peers. Moreover, engaged employees are more likely to stay with their employer than those with a lower level of engagement, and the more engaged employees are, the lower the inventory "shrink."

A study by global services provider Towers Watson found that high-engagement firms experienced an earnings-per-share (EPS) growth rate of 28%, compared with an 11.2% decline for low-engagement firms; and, according to a recent Gallup Management Journal survey, happy employees can better handle workplace relationships, stress and change. Moreover, when respondents were asked how they would describe relationships with their coworkers, 86% of engaged employees said their interactions were always positive or mostly positive, vs. 72% of unengaged workers and just 45% of actively disengaged workers.

Gallup research also indicates that public organizations ranking in the top quartile of employee engagement had earnings per share (EPS) more than two-and-a-half times greater than organizations that were below average.

In their 2008 book, *Rules to Break and Laws to Follow: How Your Business Can Beat the Crisis of Short-Termism*, authors Don Peppers and Martha Rogers observed that the shift in the balance of power to the consumer will cause organizations to place greater importance on building trust with customers.

### **The Foundation of Engagement**

Research has also found that engagement is about accentuating the positive. A comprehensive study of all research conducted on organizational motivation, "Incentives, Motivation and Workplace Performance: Research and Best Practices," published by the Incentive Research Foundation, found the following components critical to fostering a culture of performance:

- Leadership with a clear vision of the mission
- Clear communication of the mission and the critical success factors
- The capability and the ability of people to do what is being asked of them
- Buy-in—a belief that what is being asked is good for them
- Support for company goals with the confidence that the organization truly cares
- Emotion—a general sense of well-being and trust
- Measurement and feedback through a regular flow of information that people can use to improve their performance.

### **The Reality and Challenges**

It is important to understand, however, that taking an enterprise approach to engagement isn't a panacea to protect against poor strategy or financial management. There are a number of serious obstacles, especially in larger organizations:

- Research suggests that Enterprise Engagement only works over the long haul; it's of little use to executives seeking a short-term result.
- Today's organizational structures are based on silos that obstruct Enterprise Engagement. It takes a CEO committed to this business approach, with a personal commitment and board seeking a long-term stay.
- Enterprise Engagement requires a level of leadership throughout the organization difficult to achieve in any size company.
- Enterprise Engagement is overlooked in business schools and the business media, so executives get little exposure to it.
- Enterprise Engagement does not make a company immune to economics or poor financial management.
- Many organizations have decades of labor distrust that sour the climate for engagement.
- Companies lack the research and documentation as to the merits of various types of engagement tactics, or the best ways to deploy them.

## **How Do We Get There?**

Engagement, for some, is a journey, but it is a journey that will pay off in more productive employees and stronger bottom line results. One industry organization, the Enterprise Engagement Alliance, is working on the development of a curriculum and certification program. This comprehensive program will help guide professionals in the implementation of engagement practices and help organizations to develop effective benchmarks for best practices.

Organizations that buy into Enterprise Engagement will learn to work collaboratively across business units to find the best way to achieve long-term financial results. They will strive to maximize human capital, both internally and externally, with the goal of unifying the organization to continually seek better ways to help customers and create new opportunities for the business to the benefit of all.