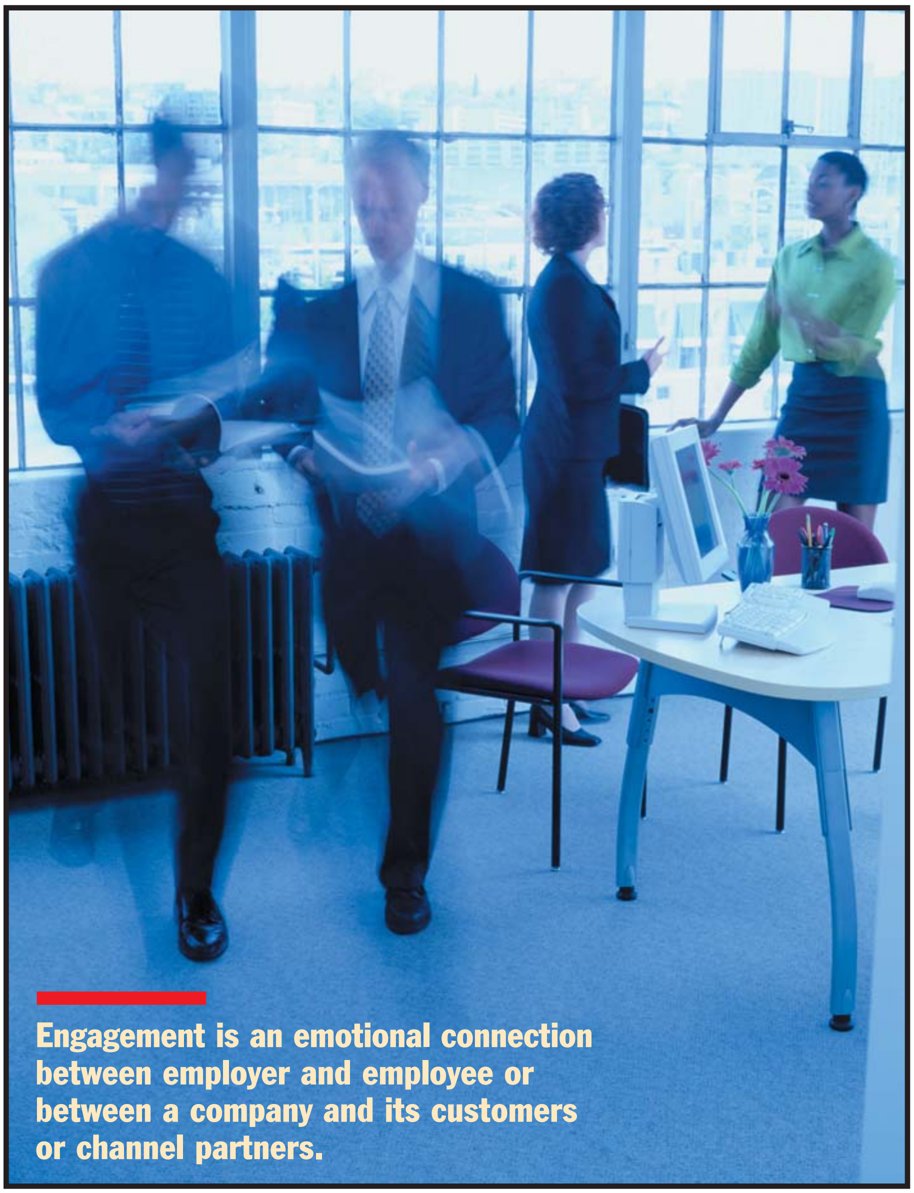
Going One-on-One:

The New Rules of Engagement



Engagement is an emotional connection between employer and employee or between a company and its customers or channel partners.

The need for engagement – essentially an emotional connection between an employee and his or her job or employer, between a company and its channel partners, or between a company and its customers – might not have been so important twenty years ago. The hierarchal structure of most organizations was a given, employees stayed with their jobs for a lifetime, and mass marketing drew in plenty of customers to feed the sales pipeline for everyone along the distribution channel.

Things have changed. On the employee side, market forces have made it impossible for companies to offer "lifetime employment," and the bond of employee loyalty has been broken. Statistics show the average job span for an employee at any one company in the U.S. to be four years. And with companies facing a potential skills shortage as the "baby boom" generation leaves the workforce, and as tighter immigration laws further lower the pool, finding and keeping quality employees is going to be an important factor in business success.

On the business side, the old tools for reaching and building relationships with customers aren't working as effectively anymore. Traditional markets have become so fragmented that mass marketing is often no longer as efficient as it once was. And the Internet – while a valuable new avenue for communication – has put consumers in the driver's seat when it comes to determining who they want to listen to or do business with. Today, a growing body of research suggests that by engaging employees in their jobs and work, companies can build a more skilled, creative, and loyal workforce. That, in turn, can go a long way toward building customer satisfaction, customer loyalty, and company profits.

Employee engagement has important implications for brands, as well. "Almost every interaction that a customer has with a product or its message is an element of the brand – and that interaction should fulfill what the customer expects is the brand promise or elucidate the brand promise in some way," says Don Peppers of the Peppers & Rogers Group, co-author of the recently published *Rules to Break & Laws to Follow: How Your Business Can Beat the Crisis of Short-Termism*. "And to ensure that you are fulfilling that promise and meeting those expectations, you have to have employees who are engaged and enthusiastic about their work, have the right training, have the right tools and information, and have the authority to take action." He adds, "They also have to be able to sympathize with the customer and make the right decision in every interaction."

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Defining Engagement

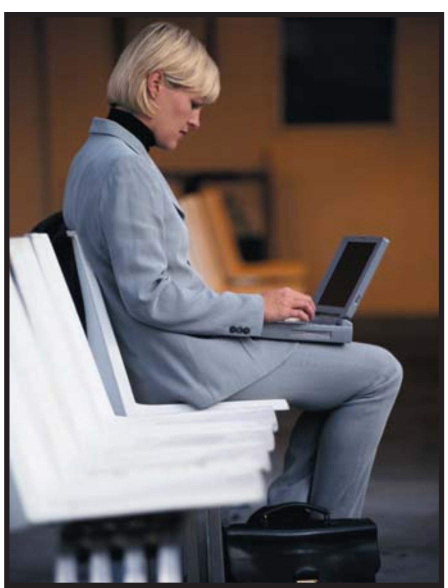
So what do we mean by engagement, and how can companies promote engagement and loyalty in their organizations and turn that ultimately into engagement and loyalty on the part of customers?

Don Peppers suggests that "an engaged employee is someone who is enthusiastic about his or her work – and enthusiastic about the mission being accomplished through the work. Essentially, engaged employees are proud of their work life and enjoy it to the extent that the distinction between work and leisure sometimes blurs."

To Tom Miller of The Miller Company, a leading recognition company, "Engagement is a lot more than people showing up on time and doing their job. It's an employee who interacts with the company, who brings new ideas about how to do the work, who's willing to train or mentor and be an advocate for the company and the people he or she works with – without necessarily being asked."

Alex Edmans, a finance professor at the Wharton School, explains that engaged employees "will be willing to stay late even if they are not being paid overtime, they will be willing to work weekends and outside of normal working hours, and even outside of work they will be evangelistic about the firm they work for. I see them as identifying wholeheartedly with their companies rather than just seeing the company as a means to earn a certain salary."

Mark Schumann, a managing partner for Towers Perrin, puts engagement in these terms: "Every company looks for that 'something extra' that will motivate employees to invest themselves in what the organization pursues. This 'engagement' of employees is a combination of functional and emotional commitment - the functional commitment to get things done, and the emotional commitment to invest 'something extra' in the success of the efforts. A company's brand as a place to work is a critical factor in achieving engagement: it articulates the value proposition the company offers to employees - so employees can easily answer the question 'What's in it for me?' to work here. The ultimate result of engagement is a workforce committed to achieving real results that can be measured in metrics of financial return, employee turnover and productivity."



To sum up, Jack Wiley of the Kenexa Research Institute suggests this basic definition, "Engagement is the extent to which employees are motivated to contribute to organizational success, and are willing to apply discretionary effort to accomplishing tasks important to the achievement of organizational goals."

Why Engagement Matters

Alex Edmans also provides evidence of the importance of engagement in terms of share price performance. In a study based on stock performance of companies listed in *Fortune* magazine's "100 Best Companies to Work For" between 1998 and 2005, Edmans finds that companies with "engaged" employees returned 14 percent per year on each dollar invested, while the overall market return was only 6 percent per year. "The traditional view," says Edmans, "was that every dollar you paid to employees was a dollar taken away from shareholders. But more recent studies have suggested that engaged employees can lead to higher profits."

In Edmans's view, results of his study suggest that since key outputs like teamwork, idea generation, and building client relationships are difficult to measure, employee satisfaction and engagement become more important. He adds that satisfaction with one's job, with one's company and with one's working conditions can lead to employees identifying with the firm, exerting more of their discretionary effort, and staying on the job longer.

Engagement can also have an impact on a company's brand image, particularly in terms of recruitment. According to Allan Schweyer, executive director of the Human Capital Institute, "Engagement affects an organization's brand in two ways when it comes to recruitment: A company's employer reputation helps attract good employees through word-of-mouth. Engaged employees are likely to spread positive word of mouth and are more likely to participate in employee referral programs, and they are also far more likely to remain with the organization."

Further, Schweyer says, "Engaged employees are more productive and maintain better customer relationships. It is critical, therefore, for organizations to nurture an engaged workforce. Selection and training of managers is a key component to this. Organizations focused on engagement need to include manager training on engagement in their talent development strategies."

Dianne Durkin of The Loyalty Factor LLC, author of *The Loyalty Advantage,* explains engaged employees are simply more productive. She defines engagement as "getting people actively involved in solving business issues and coming up with solutions." And she adds, "If you get people involved, your business has more chance of success. The economics is that you can save yourself a lot of money and a lot of time as opposed to having to sell your thoughts, or your processes, or your solutions to people. They have bought into it already and they believe that it is their solution, so you can accelerate implementation in a lot of cases by three or four or five months."

That applies as much to engaging customers as to engaging employees. "If you can get your customers to drive what your next product features should be, they are likely to buy it more quickly when the product comes out. And you won't have to spend as much money marketing it," Durkin says. Engaged customers provide the best form of marketing: word-of-mouth.

Prerequisites of Engagement

There are a number of factors that contribute to employee engagement, according to the experts. Don Peppers cites four intrinsic values that underlie engagement, based research by The Hay Group. These include:

- ***A clear and promising direction.*** "That's the sense of mission," says Peppers. "Goals are achievable and seen by employees as contributing to the long-term success of the organization."
- ***Clear development opportunities.*** "The employee needs to know what his career path is going to be like and that he can grow in his job – that he can advance himself personally," Peppers says.
- ***Confidence in the organization.*** "You need to inspire confidence in the company's leadership so that the employee thinks he is in good hands – that the people at the top have his interests – and customers' interests – at heart," Peppers says.
- ***Teamwork and collaboration.*** Companies also need to promote a spirit of collaboration, congeniality, and camaraderie within the business to encourage engagement at all levels, Peppers suggests.

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But there are other factors as well. Jack Wiley of the Kenexa Research Institute reports that employees are engaged by leaders who inspire confidence, managers who respect employees, exciting work, proper training, and organizations that show a genuine responsibility to their employees.

Doug Press of Incentive Group Inc. puts the prerequisites for engagement into more practical terms. The four requirements or steps of an effective engagement effort, regardless of whether the group to be engaged includes employees, channel partners, or customers, he says, would include:

- ***Setting meaningful objectives and expectations.*** "Setting reasonable and achievable objectives for engaged behavior and getting mutual agreement on those is one important component," Press says.
- ***Having a system of measurement.*** "It's important to be able to be able to measure performance against those objectives over time as it relates to the behavior, its modified state, and the achievement in that state," Press says.
- ***Ensuring the necessary tools are at hand.*** An important part of the engagement process is to make sure that employees, channel partners, or customers have the tools, skills, and information or competencies they need to accomplish the behavior or task at hand.
- ***Creating a way to reinforce engagement.*** Press refers to this important component as "finding a way to catch your engaged group doing things right and being able to reinforce that behavior."

While each of these sets of prerequisites may differ slightly in terms of specifics, they all suggest a need to get to know individual employees, customers, channel partners, etc., in more detail in order to be able to understand their specific needs and motivations as a way to build engagement.

Tools of Engagement

The tools of engagement can include almost any tactic in the one-on-one marketing playbook and involve virtually everything that a company can do to touch and communicate with an employee, a channel partner, or a customer, in

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almost every medium possible. “You have to look at the engagement effort as sort of an ongoing conversation with your employees and customers,” says Dianne Durkin, “so the closer you can get to one-on-one, the more successful you will be.”

With regard to employees, HR policies, compensation and benefits, vacation policies, sick leave – all of these things are tools to drive engagement. But the most valuable tool at companies’ disposal is the *corporate culture,* and that, according to Tom Miller, “involves the message that you value each person in your organization.” And he adds, “That’s very much a top-down statement, and it means that if your organization hits difficult times, you are going to have to live that out. Because if you don’t, when your company hits good times again, people will not trust that you really do value them individually.”

Truly successful companies tend to have strong cultures within their employee body, meaning that the employee is more engaged in the business. To maintain that culture of engagement, says Don Peppers, *ongoing communication* is very important. “People need to know what’s going on – the good and the bad. Engaged employees usually feel a sense of ownership in their business and feel that it is just as much their business as the shareholders’ business. They want to know what’s going on, and they don’t want to be left in the dark.”

Leadership and mission are additional factors contributing to a culture of engagement. “As the management of your company, if you can orient your company around the mission of always acting in the interests of the customer, always trying to do what’s right and to take the customer’s side, you will have a more successful company,” says Peppers. “When you are engaged in trying to accomplish a mission, you are more likely to be an engaged employee.”

For employees to feel valued they need to be equipped with the tools and skills necessary to fulfill their roles. That means that *training and development* are important contributors to engagement. “You have to have some kind of learning management system or some profile of success to make sure employees are equipped to handle their job or task – the skills, the knowledge, and any other resources that are necessary,” says Doug Press. “There’s nothing worse than having someone who is deeply committed but inadequately knowledgeable or otherwise under-resourced. That person is like a loose cannon – totally motivated, but possibly creating a poor customer experience or spreading misinformation about the brand.”

Companies can also contribute to engaging their customers by *training their customers* – i.e., providing useful, objective information to customers that fosters an understanding of your product and how it can help them.

The Role of Rewards and Recognition

Business research, books, and many trade publications provide ample information on how to implement external and internal marketing strategies. Less understood is the role of rewards and recognition. While spending on rewards and recognition in the U.S. is estimated to be more than $46 billion, according to the latest study by the Incentive Federation, many organizations spend these dollars instinctively without a solid research or educated foundation for their investments.

“You can’t engage people without having rewards and recognition,” says Peppers. “You have to encourage the right behaviors in employees, and if culture is the glue that holds your company together, in order to manage your culture or even influence it, you are going to have to use rewards and recognition at some level.”

As to employee engagement, Peppers believes that “new thinking on how employees work together is changing the role of incentives. It’s increasingly obvious that highly successful companies tend to be those where employees are engaged, where they collaborate, self-organize, and work in teams well together. When a problem comes in, people know what the mission is and they don’t have to wait for top-down direction. They just glom onto the problem and self-organize to deal with it.”

The most sustainable results arise when employees feel inspired and supported. Rewards and recognition help contribute to the elements of support, emotion, and task value that research indicates are critical to long-term engagement.

What’s necessary in the new type of environment, Peppers says, “is that you make sure that the rewards provide appropriate extrinsic benefits for the cooperators.” In addition, “there are a lot of reasons why a business might want to alter, improve, or affect in some way the unwritten rules of the culture of its employee body, and you can’t really affect those changes without rewards and incentives.”

IPC — The Incentive Performance Center (IPC) is a leading source of information on engagement, incentives, and other performance improvement tools and strategies. It also serves as a portal to other organizations serving the performance improvement industry. Visit the IPC Web site at www.incentivecentral.org. For additional information on the IPC, contact Bruce Bolger at 914-591-7600, ext. 230; or e-mail: info@incentivecentral.org.