Who's responsible for employee engagement?

Line supervisors, not HR, must lead the charge.

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"Fanatical" customer support is the mantra at Rackspace, an IT hosting company. The highest recognition a Rackspace employee can receive is a Straightjacket, given monthly as an award to the person who can't be restrained in pursuit of great customer service. Customers reward Rackspace with an intense loyalty that stands among the best in the industry, loyalty that has contributed to the company's 25% compound annual revenue growth and 48% profit growth since 2008.

Beyond important symbols like the Straightjacket, Rackspace invests heavily in nurturing a culture of employee engagement through regular team meetings with supervisors and by organizing cross-functional teams around customers.

Rackspace's experience demonstrates the value of engaged employees—where energized, motivated people are more likely to put in the extra discretionary effort that can raise productivity and create superior experiences for customers, which in turn leads to better financial performance. Many companies with highly engaged employees like Rackspace take an approach that insists supervisors talk often with their teams to solicit feedback, identify the root causes of their concerns and then follow through with meaningful changes to the work environment and processes in which work gets done.

One mechanism that makes it easier to foster engagement is quarterly employee feedback called RackerPulse, which is based on the same approach the company uses to earn customer loyalty, the Net Promoter System℠. Line supervisors take anonymous employee feedback from RackerPulse to inform their team huddles as a way to better understand and address issues that stand in the way of engaged employees. Employee engagement is also regularly on the board meeting agendas, and such feedback has directly led to many changes that make Rackspace a coveted place to work, including a stock purchase plan, new training programs aligned to employee priorities and new career paths.

Encouraging frequent supervisor-team dialogues may sound obvious, yet in reality, it's all too rare. Most senior executive teams preach a gospel of engagement, but they abdicate responsibility to corporate staff, often HR. That delegation is misplaced, as HR is not in a position to take or direct the actions required to affect attitudes at the employee or team level.

Typically, HR groups rely on long, corporate-wide annual surveys and one-size-fits-all processes that focus on adherence, rather than encouraging changes tailored to the team level. This centralized approach has innate problems that can actually lead to stagnant or declining engagement. Such surveys are too broad or infrequent to pick up important topical or team-specific issues. Senior management tends to push HR to launch a burst of short-term initiatives, often without broad input from line managers. With HR leading the survey design, administration and interpretation, line supervisors feel no ownership of the process. People stay focused primarily on managing some sort of engagement score, rather than having a thorough conversation about the issues raised in order to understand and address the root causes of engagement or discontent. A few months on, the effort trails off and behaviors revert to normal. It's no wonder that employees are left feeling "why bother filling out the survey?" when nothing of substance really changes.

Making employees loyal advocates of their employer is not an end goal in itself, but rather a means to achieving customer and financial goals. For many clients we've worked with, higher employee engagement translates to stronger customer relationships and, in turn, better financial performance. At a Scandinavian retail bank, for instance, branches with top-quartile employee engagement scores generated two and a half times more customer loyalty, as measured by its Net Promoter Score℠ (NPS®), than the branches in the bottom quartile. At a large US mobile phone provider, top revenue-generating stores have 30% higher engagement scores than weaker-performing stores. Across industries and geographic markets, customer and employee advocacy are tightly linked over the long run.

Besides improving revenue performance, engagement also affects the bottom line. More engaged employees are less likely to quit, which reduces hiring and training costs. At that same mobile phone company, we found that retail sales representatives who said they are "not engaged" quit at twice the rate as those who were "passives" in the middle or "promoters" giving the highest scores (see the sidebar, "Employee Net Promoter Score explained").

Strong engagement links to other business benefits as well, such as safer work sites, higher productivity and enhanced product quality.

While the benefits of high engagement are clear, the available data shows engagement remains a challenge for many companies. Bain worked with international survey consultancy Netsurvey to analyze engagement responses from 200,000 employees across 40 companies in 60 countries and found several troubling trends:

- **Engagement scores decline as employee tenure increases**. Employees with the deepest knowledge of the company, and the most experience, typically are the least engaged.
- **Scores decline at the lowest levels of the organization**, suggesting that senior executive teams likely underestimate the discontent on the front lines (see Figure 1).
- **Engagement levels are lowest in sales and service functions**, where most interactions with customers occur (see Figure 2).

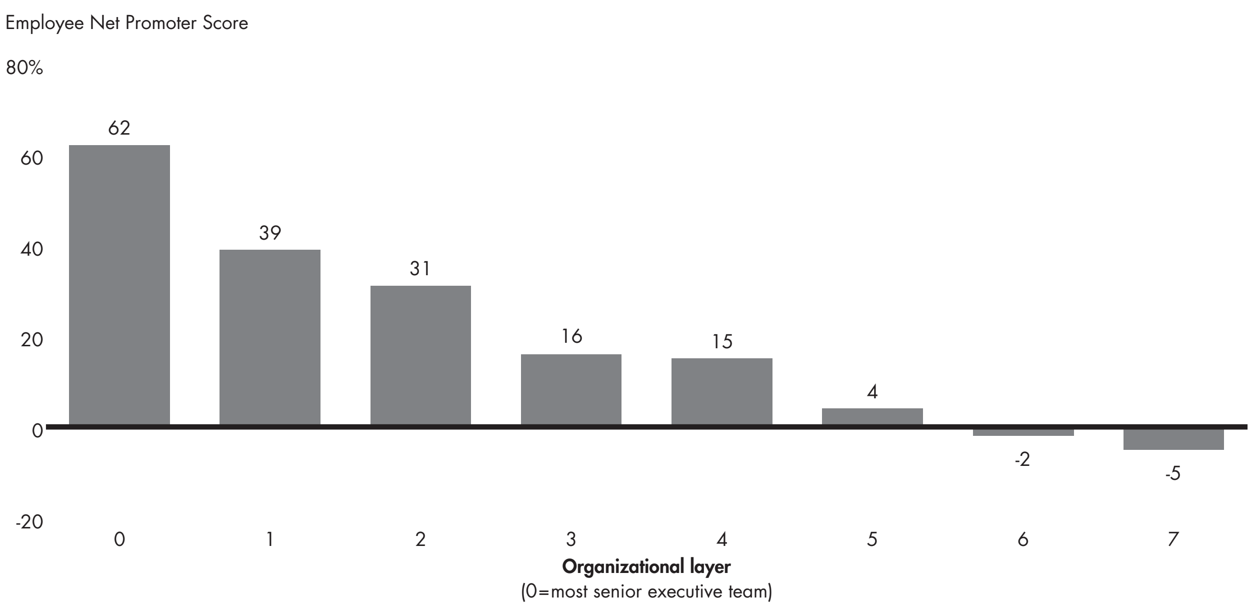
What engagement leaders do differently

Companies such as Rackspace, AT&T, Progressive Insurance, Intuit and Cintas manage to counter these trends. While each of these companies has unique aspects to its approach, we've observed five common themes that set engagement leaders apart (see Figure 3):

1. Line supervisors, not HR, lead the charge
2. Supervisors have the right preparation to hold candid dialogues with teams
3. Teams rally 'round the customer
4. Engagement tactics are tailored for different employee segments
5. It's all about the dialogue, not the metrics

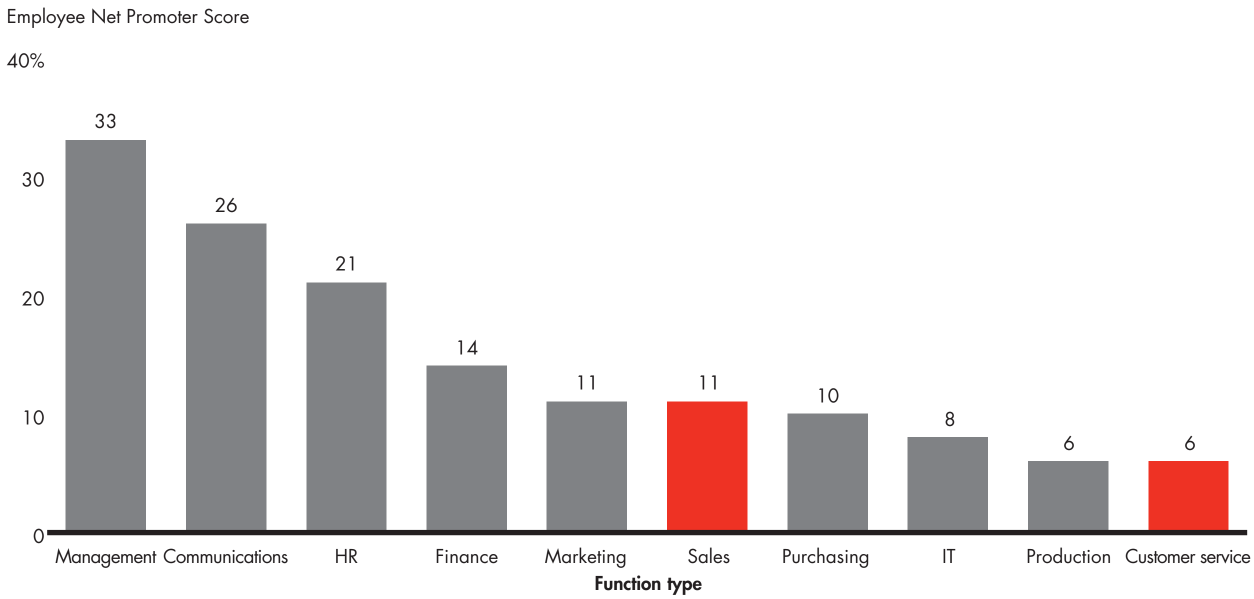
Mastering these five areas offers the greatest potential to earn employees' engagement—and the financial rewards that will follow.

Figure 1: Employee engagement drops with each organizational layer farther from the CEO



Notes: Calculated from question "On a scale of 0 to 10, how likely are you to recommend your company as a place to work?"; applies standard Net Promoter Score methodology that takes the percentage of respondents indicating 9 or 10 and subtracts the percentage responding with a 0–6
Source: Netsurvey analysis, September 2012 (n=130,000)

Figure 2: Employees who deal directly with the customer are among the least engaged



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Source: Netsurvey analysis, September 2012 (n=130,000)

1. Line supervisors, not HR, lead the charge

It's difficult for employees to be truly engaged if they are not fans of their boss. Netsurvey's cross-correlation of responses shows that 87% of employee promoters of their company also highly rate their direct supervisor.

That's why it's critical for senior executives to ensure that supervisors feel team engagement is a high priority, every day. Effective senior leaders model the right behaviors around engagement, starting with their own team. Rather than prescribing solutions, they expect supervisors themselves to take responsibility for determining the right course of action. And rather than lambasting supervisors about low engagement scores, they encourage supervisors to understand and address the root causes of those low scores.

Clearly communicating to supervisors their responsibility for engagement will increase their sense of autonomy, which itself is a prerequisite for engagement. It's easy to see how a more engaged and empowered supervisor has a direct influence on the engagement of the team.

With the supervisor acting as a catalyst to flush out workplace issues, teams can openly discuss what policies or informal rules impede their full engagement and craft solutions together. Some obstacles go beyond a local team's control, such as overtime rates or benefit plans. But even those issues can be addressed by putting in place a reliable feedback loop that reaches the senior executives with authority to act and ensures they respond back to the teams.

Seemingly small annoyances may have a big presence in the minds of a local team. At FirstService Residential, a residential property management company in North America, customer service employees were frustrated with having to toggle back and forth between different windows on their computers. They suggested that additional monitors would raise efficiency—and their engagement levels. After hearing that idea, team leaders banded together to successfully make the case for additional monitors, a request that ordinarily might have become bogged down in a prolonged capital expenditure approval process.

Figure 3: A more effective approach to engaging employees

Traditional approach	Business-led approach
Led by HR	Led by line supervisors
Oriented around metrics	Oriented around dialogues and action
Supervisors get directives from the center	Supervisors are empowered and accountable
Top-down initiatives address symptoms	Team-generated initiatives address root causes
Survey every 12–18 months	Quarterly pulse checks
One-way information flow, no formal dialogue with employees	Two-way information flow through closed-loop feedback
No customer focus	Integrates customer perspective
Annual event	Continuous process, embedded into daily priorities

Source: Bain & Company

Another example of local team leaders feeling empowered to address engagement obstacles can be seen at one 24-hour retail chain. Team leaders covering the overnight shift found their sales and service reps unhappy with food options on their break; nearby grocery stores and restaurants were closed, and the standard vending machine fare of candy and salty snacks was not popular. Discovering that through team dialogues, the leaders worked with the vending machine supplier to include fresh fruit and other healthier options, which were a big hit with the overnight employees.

Regular team discussions also generate ideas that will benefit customers. At one communications provider, the leader of a cable-television installation team heard some grumbling and, probing further, learned that technicians felt they had unrealistic targets for installing a certain number of households per day. Although the productivity targets had not moved significantly in years, technicians pointed out new performance metrics that included making sure the customer was happy about the installation before the technician left. As a result, technicians now had to reconfirm that all cable boxes worked, the customer knew how to operate the remote control and the computer network functioned smoothly—all adding 30 to 60 minutes to each job. Technicians felt they could satisfy customers or hit their productivity targets, but not both. From these discussions, the team leader quickly escalated the issue, and the productivity targets were adjusted, benefiting both employees and customers.

As supervisors move to center stage, HR's role does not diminish, but it shifts. Rather than leading the survey analysis and development of initiatives, HR staff helps leaders at all levels become both accountable for and empowered to get at what is hindering engagement—rather than trying to do it for them.

2. Supervisors have the right preparation to hold candid dialogues with teams

Working with a team to raise engagement doesn't come naturally to all supervisors, and it's a lot to ask of newly promoted supervisors. Yet many companies promote high performers to team leader positions and neglect to provide adequate training and coaching on how to motivate their former peers.

Engagement masters, by contrast, emphasize training on how to encourage honest, constructive discussions and how to handle tricky topics like requests for better pay or worries about outsourcing. The training also covers the importance of promptly taking the right actions and subsequently communicating back the outcomes to their teams—a true closed-loop feedback approach, similar to how loyalty leaders deal with customer concerns.

It can be difficult to tell someone things he or she may not want to hear—all the more if that person is your boss. That's why anonymity for team members is critical when providing initial feedback, typically in the form of a very short online survey. From these responses, trained supervisors get a pulse check of their teams and can see what issues need to be addressed during the dialogues.

The hottest issues may not be obvious to managers. In employee focus groups held for one of our clients, we asked supervisors what they thought the top concerns of their teams would be in an upcoming survey. Only one-quarter of the supervisors correctly identified the top concerns, despite their belief that they knew their teams well. They'd expected to see insufficient pay listed as a leading concern and were surprised to see, instead, that employees cited a desire for more training and more frequent appreciation—areas that supervisors thought were working well.

All the dialogues and surveys will go to waste unless a company puts in place a streamlined process for supervisors to elevate certain issues that they cannot address themselves. Employees and supervisor leaders must have confidence that their voices will be heard by the right executives or that an executive with sufficient authority will broker collaboration among several departments.

Training for supervisors in how to lead an effective dialogue is critical, as poorly handled dialogues may cause engagement to falter. HR can play an important role in tailoring the training for different functional leaders, along with carefully designing a "pulse check" questionnaire process. We've found that the most effective training includes role-play and having expert line supervisors provide the training to their peers. It's useful to run pilots with different functions and departments ahead of any broad launch, to learn about any hot topics that may bubble up to the senior team and also to reveal where supervisors feel ill-equipped to lead the engagement charge.

Employee Net Promoter Score (eNPS) explained

Employee NPS is most commonly used to sort respondents into three categories, based on their answer to the question "How likely are you to recommend your employer to qualified friends and family?"

- **Promoters (score of 9 or 10):** People who feel that their lives are enriched by their relationships with their organizations or leaders. They behave like loyal employees, typically staying longer and talking the organization up to their friends and colleagues. Promoters go the extra mile to help customers or colleagues.
- **Passives (score of 7 or 8):** People who are fairly satisfied, but not loyal, employees. They rarely talk up their companies, and when they do, it's likely to be qualified and unenthusiastic. If a better offer comes along, they are likely to defect.
- **Detractors (score of 0 to 6):** People who feel their lives have been diminished by their associations with their organizations or leaders. They are dissatisfied and even dismayed by how they are treated. They frequently speak negatively about their organizations and are likely to leave as soon as they find something better.

Employee NPS is calculated as the percentage of promoters minus the percentage of detractors.

3. Teams rally 'round the customer

Call-center representatives, sales specialists, field technicians and others on the front line come to know intimately which aspects of the business annoy customers and which delight them. Engagement leaders regularly tap that knowledge by asking employees what the company could do to build the ranks of customer promoters, and listening hard to the answers. Employees at a retail bank branch, for example, proposed several suggestions to improve the customer's experience: reduce harsh penalty fees, streamline the application process for new products and overhaul the customer relationship management (CRM) interface to minimize customer wait time for the most common transactions.

The act of soliciting these ideas shows employees that their views matter. But to lift engagement levels, one needs to put in place a closed-loop process to review the ideas and communicate back the outcomes. At one large insurer, employee suggestions led to an adjustment of claims procedures whereby, if a customer had not made a claim during the previous three years, and the claim was below a certain amount, the insurer reduced the burden of proof as long as a manager reviewed the claim. Seeing their suggestions come to fruition reinforced for employees how senior management really listened to and respected their ideas.

AT&T has embraced the concept of tying employee engagement to continual improvements in the customer's experience. To handle the ideas from employees across all business units the company has built a digital infrastructure, allowing each suggestion to be logged online. A small, dedicated team promptly reads and triages the suggestions, sending each one to a designated leader or expert who is obligated to consider it and respond properly. An online tool allows all employees to see the progress of each suggestion and to log comments to further clarify or collaborate.

While some may see such a program as distracting employees from their main duties, AT&T views it as a way to learn quickly how to better serve customers, and how to address a topic that might stand in the way of engagement on the front lines.

4. Engagement tactics are tailored for different employee segments

Just as companies divide their customer base into segments along demographic and behavioral lines, and court different segments with tailored offerings, the employee base has varied needs and each group will respond to different management motivational techniques. Age, gender, job function and cultural heritage all play a role in shaping employee attitudes.

Consider the generational differences. Comprehensive analysis by Netsurvey shows that millennial employees, born in the 1980s and 1990s, have lower loyalty scores, on average, than those of their parents' generation. For millennials, having the opportunity to develop professionally is one of the most important drivers of engagement. This differs from baby boomers, among whom engagement correlates more with getting changes implemented and having an open work climate to express their ideas and opinions.

The factors that determine engagement levels also vary by culture. In one region, "trust in management" as cited by survey respondents correlates most strongly with a high eNPS; in another region, "proud of product" matters most. These factors show more variance by culture than by country *(see Figure 4)*.

For companies striving to close gaps on engagement between genders, it's important to understand the underlying barriers that vary by the make-up of the workplace, before deploying standard programs like formal sponsorship programs or flexible work arrangements. Recent Bain research in the UK finds significant differences in the effectiveness of these programs based on the positioning and perception of senior management support. The research also finds that men with spouses in demanding jobs have drastically lower employee NPS than women with spouses in the same conditions.

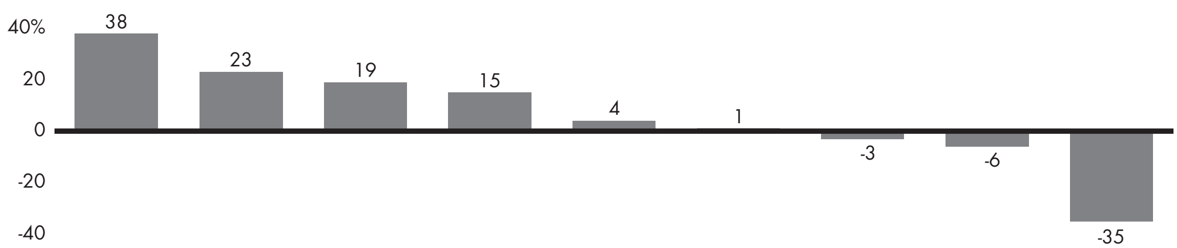
For multinational companies, understanding the different priorities of different employee groups is just a first step. Many companies have this basic understanding but don't follow through with segmented tactics. They still

Figure 4: Engagement factors vary more by culture than by country...

	Cultural cluster								
	Orthodox Europe	**Protestant Europe (non-English)**	**Latin America**	**English speaking**	**Islamic**	**South Asia**	**Catholic Europe**	**Africa**	**Confucian Asia**
Attributes with strongest correlation to engagement:	Leadership, management of company	Energy, management of company	Trust, proud of products	Realistic expectations, free from stress, energy, trust	Proud of products	Energy	Trust, leadership, openness, values, goals	Goals, information, energy, free from stres	Free from stress

...and different cultures exhibit structural differences in loyalty scores

eNPS by cultural cluster



Notes: Calculated from question "On a scale of 0 to 10, how likely are you to recommend your company as a place to work?"; applies standard Net Promoter Score methodology of taking the percentage of respondents indicating 9 or 10 and subtracting the percentage responding with a 0–6; cultural clusters are based on the categories from the World Values Survey (www.worldvaluessurvey.org)
Source: Netsurvey analysis, September 2012 (n=130,000)

export homogeneous methods for motivation from the corporate center, often in conjunction with efforts to promote a single culture and set of values.

Consistent with making supervisors responsible for engagement, we find that it's more effective to teach managers how the priorities of each employee segment may differ from the average. And while some supervisors will grasp these types of differences intuitively, others will benefit from basic training on how demographics, gender and culture often affect engagement. HR can play a crucial role here in helping to segment the employee base and to train supervisors and senior leaders in customizing engagement tactics to appeal to the individuals on their specific team.

5. It's all about the dialogue, not the metrics

For managers who thrive on data, it's tempting to obsess over engagement metrics through benchmarking, ranking and carrot-or-stick responses when the metrics fluctuate. Managing only by the numbers might work for a brief period, but it is unlikely to lead to sustained improvement. In fact, morale probably will erode as supervisors feel that nothing matters except the numbers, and they may take subtle steps to manipulate the scores.

Just as important, emphasizing dialogue rather than metrics demonstrates to supervisors that the senior team truly believes in the benefits of engagement. AT&T does not distribute pulse-check engagement scores to line supervisors or their bosses, choosing instead to show only the trends and verbatim feedback. The point is to signal that discussing and addressing the root causes, and seeing steady progress, matter more than any absolute score itself. Pushing the metrics to the side also sends a signal of empowerment and trust to the supervisors on the topic. Each C-level executive can also serve as a role model by having discussions with his or her direct team about how they perceive barriers to engagement within their own teams.

Wooing the skeptics

Shifting from a survey-dominated, HR-led engagement approach to one that emphasizes supervisor-team dialogues will naturally encounter resistance. Various parts of a large organization will need to be won over before the new approach can take hold and thrive.

Many *employees* may have seen past efforts fizzle and die or, worse, add time-consuming surveys to their workload without producing any meaningful change. Some will be cynical about any new effort. Leaders at all levels of the organization can turn that attitude around by acting on employee feedback and communicating the results quickly. Small-scale early wins will demonstrate to people that concrete, positive change is both possible and encouraged by the senior team.

Overloaded *supervisors* may resist yet another responsibility because they don't see the upside. Some will have difficulty hearing negative feedback from employee surveys and dialogues. Others may feel that senior executives aren't prepared to act on the feedback. Along with demonstrating their own commitment to engagement efforts, senior leaders should make it clear how higher team engagement will benefit the supervisors personally, by making it easier to hit targets, please customers and develop leadership skills. Training programs should prepare supervisors to deal with harsh anonymous feedback and turn it into a learning and development opportunity, so that they can become stronger managers.

The *chief financial officer (CFO)* may hesitate to approve investment in additional support or training for strengthening human assets. To convince the CFO, one can usually find enough evidence inside an organization to link higher engagement to better commercial outcomes. Proof points might include how engagement correlates with higher sales, lower turnover costs and the higher lifetime value of customer promoters.

HR staff may feel that they are losing control of an important domain. Painting a picture of their new role may help to allay that anxiety. They will be spending less time directly responding to individual employee complaints, less time conducting stack rankings or distributing reports, and more time coaching leaders and designing targeted training for them to inspire a more engaged employee population.

Hard questions for managers

For companies willing to commit to a more ambitious and sustainable approach to engagement, executives can start by asking a few uncomfortable questions:

- Do our supervisors take responsibility for engagement, rather than looking to HR whenever the topic comes up?
- Do we make it clear that supervisors must continually focus on their team's engagement, and do we provide the right support for regular team dialogues?
- Do our employees believe senior management acts on their ideas and suggestions? Or do they view surveys as a dead end?
- Is addressing the obstacles to engagement of frontline employees a high company priority?
- Can our supervisors describe the unique factors of engagement for their specific teams?
- At the last discussion about employee feedback, was more time spent on addressing the root causes of issues than on the trend of the numbers?

If the answer to most of these questions is no, there's a major opportunity to get a higher return on the resources devoted to engagement. Managers may need to acknowledge where they are abdicating responsibility to HR—and, in some cases, turn the current approach upside down. That's what it takes to earn customer loyalty and reap the significant financial rewards that can come from highly engaged employees.

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