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"Recent years have seen an increase in awareness of the importance of employee engagement research. CEOs now report engagement scores to the City and many organisations are starting to generate people reports.

Heightened awareness that the relationship between employee and employer is inextricably linked to business performance can only be welcomed, however, there is a risk of conducting surveys simply for the sake of conducting surveys.

To be truly effective, employee surveys must be carefully designed to generate conclusions about more than just the current state of employee engagement. A highly skilled but demoralised employee is unlikely to perform well, but nor will highly engaged employees who are hindered from giving their best, be this the result of poor systems, facilities or management styles.

Critically, instead of using negative findings to create a stick to beat people with, employee feedback must be viewed as a valuable source of management data to inform future decision-making on everything from appraisal processes, training and succession planning, to business growth targets and the launch of new products.

Only by using data generated by employees themselves can organisations be sure of reaching sensible conclusions about how best to support their people in keeping with the needs of the business itself. Examples of current best practice are included in this report as are the findings of the latest research into how companies are using employee feedback."

Alison Gill, CEO, Getfeedback and Crelos*

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Overview of current practice

Employee feedback matters, but how do we use it?

A nationwide survey of current practice reveals that organisations are increasingly alert to the importance of business data generated by employees themselves. Over 80 per cent of UK employers believe employee data has an important role to play in helping to formulate policy to improve retention of valued staff and business performance.

Despite this, more than one in five employers, 22 per cent, use employee data to develop and ensure business policy is working and just over a third, 36 per cent, are using feedback from employees themselves to shape their employer brand. Employers mostly attribute this poor follow-through to lack of budget (25 per cent) and lack of time (24 per cent). Alarmingly, one in ten employers say the biggest constraint preventing them from acting on employee data is reluctance from employees to share their thoughts.

Only one in two organisations conduct an annual employee engagement survey. Just 31 per cent use a feedback or suggestion box and only 23 per cent use feedback generated via an employee assistance programme. More positively, over half of employers, 53 per cent, have used employee data to identify and address problems and most have informal channels of communication with the workforce. 73 per cent are able to gather feedback from employees via team-leader briefings and 69 per cent through line-manager feedback.

Executive summary

- Four out of five employers believe employee data can be used to help inform policy on business performance and employee retention, development and morale.
- Over two thirds of organisations use team-leader briefings and line-manager feedback to gather data from employees.
- The majority of organisations, over half, have used information gathered from employees to identify and address problems

Conclusions

Requiring employees to give feedback to management in person, may be contributing to an unwillingness to provide feedback, with one in ten employees saying they are unable to act on employee feedback due to reluctance from employees to share their thoughts.

Despite awareness of the value of using employee data to inform business policy, just 22 per cent of organisations actually do this, citing the two biggest constraints as lack of budget and lack of time.

Organisations are over dependent on using informal channels of communication between management and the workforce to gather data. Only half conduct a formal engagement survey to gather the hard data needed to inform and measure business policy.

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Research findings

The survey

The following data is from a nationwide survey of over 100 senior HR professionals, carried out by independent research specialists, Hart-Hanks, during July 2006. All employers surveyed have formal HR policies in place.

Methods used for gathering data from employees



- Team-leader briefings and line-manager feedback are the most popular methods for gathering employee data, used by over two thirds of organisations.
- Employers are less inclined to use formal methods for gathering data. Only 51 per cent of organisations conduct an annual employment engagement survey.
- More employers are dependent on office gossip to gather data from employees, than formally gathering their views through a survey before or after change.

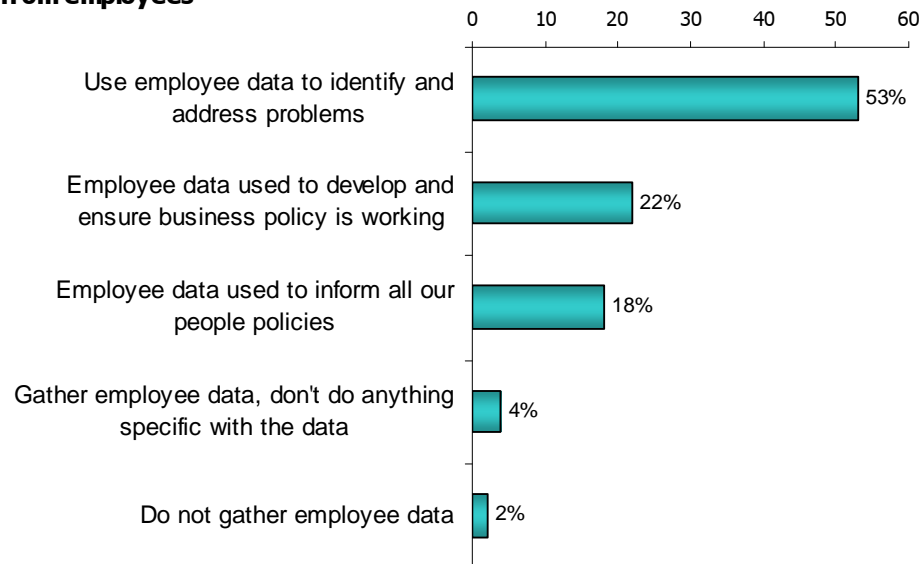
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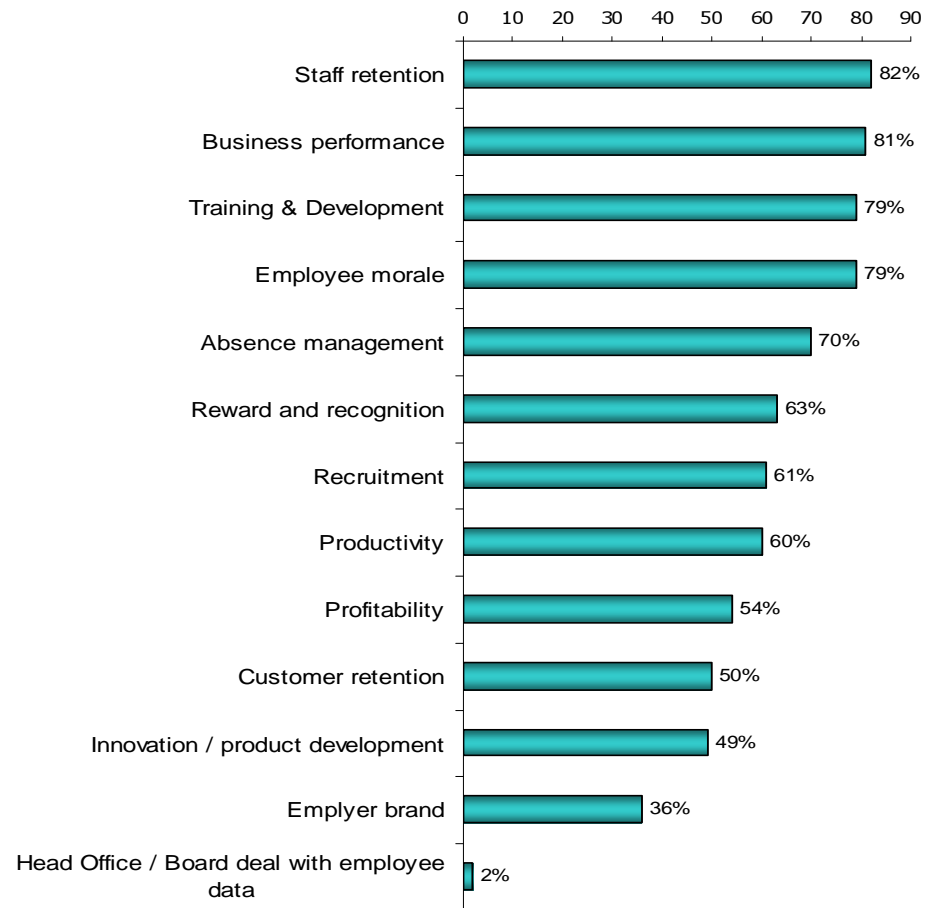
Extent to which organisations use information gathered from employees



- Over half of employers have used employee data to identify and address a problem. However, just one in five use data to develop and ensure business policy is working and less than this use data to inform all their people policies.
- A small minority don't do anything specific with the data gathered and two per cent do not gather data from employees at all.

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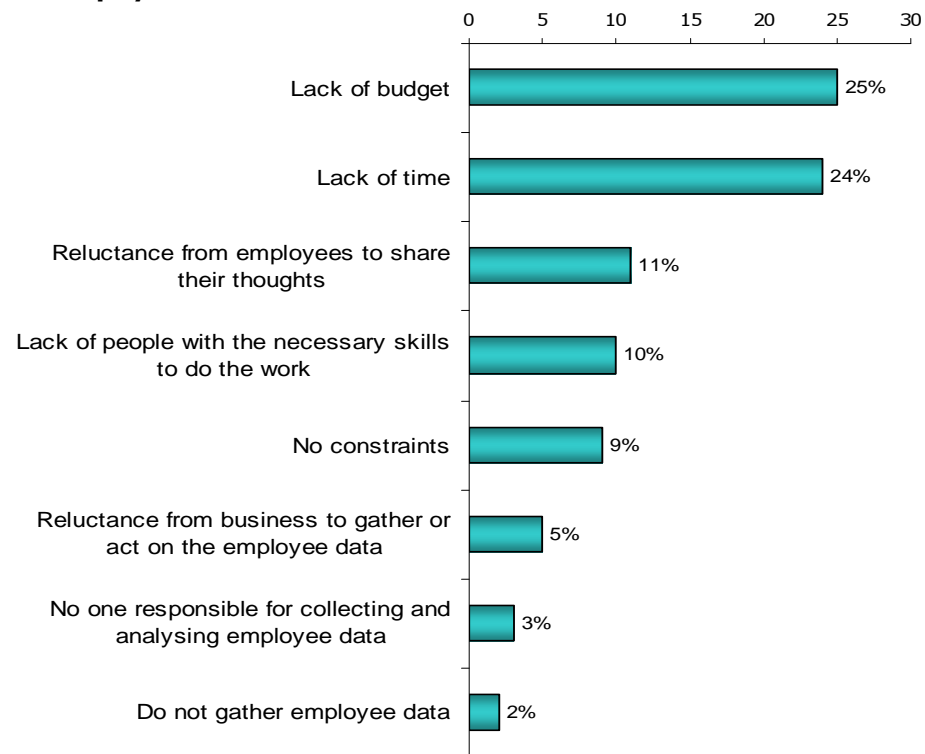
Areas employers believe data gathered from employees can help develop policy for...



- The main ways in which employers think data gathered from employees can be used to help develop policy are business performance and employee retention, development and morale.
- Despite the strong link between employee engagement and customer retention, only one in two companies use employee data to help retain customers.
- Although the main reason to use employee data is to help develop policies to retain staff, just 36 per cent of organisations consider employee data useful for shaping their employer brand and related policies.
- Similarly, although 81 per cent of organisations think employee data can be used to improve business performance, just 60 per cent would use it to shape policies relating to productivity

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Biggest single constraint preventing action on data obtained from employees



- The two biggest constraints preventing employers from acting on data gathered from employees are lack of budget and lack of time.
- Over one in ten says their employees are reluctant to share their thoughts. Another 10 per cent says they don't have people with the necessary skills to undertake gathering and analysing employee data.
- Some employers feel the business is reluctant to act on employee data, don't gather data in the first place or don't have anyone with responsibility for doing this work.

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Best practice examples

Xerox creates two-way communication with its workforce

When the Information & Consultation Directive came into existence, Xerox, the global leader in document management, recognised the opportunity it created to enhance two-way communication with its workforce.

Unlike many companies, which had fallen into the trap of viewing the directive as a compliance issue, only to be called into effect before making any negative restructuring decisions, Xerox saw the value of finding new ways to gather information from its most valuable source of information – the people working for it. “Critical to the success of creating a new means of informing and consulting with the workforce was to consult all employees initially,” says Myra Clarke, Xerox manager, HR programmes and resourcing.

To determine how its 5,500 UK employees would prefer to hear corporate news and interact with the company, Xerox introduced a survey entitled Your Opinion Counts.

“Overwhelmingly our people wanted to hear corporate news from, and interact with, their immediate managers,” says Clarke.

One of Xerox’s core values is ‘two-way communication’ so there was already a quarterly management meeting system in place. It was decided to use this system to introduce ‘TalkBack’, a consultation system developed in response to ‘Your Opinion Counts’. In future, every manager would receive an information pack with corporate news to disseminate to their team and a topic of the quarter for discussion. Results from discussions would be fed back up the chain and acted upon. Clarke explains, “Each manager attended a workshop explaining TalkBack and was asked to sign up to the new system. They in turn took their teams through it, asking each team member to sign up. We felt that signing on the dotted line showed equal commitment by Xerox and employees.”

The first TalkBack took place with managers spending 20 minutes of an hour-long session disseminating corporate news and the other 40 minutes were spent discussing reward and recognition – a topic identified as popular at the original workshops.

Results were fed back to the HR policy committee, comprising the heads of HR from all Xerox’s UK businesses. “For example, employees identified they wanted to take some reward as holiday entitlement, so as part of our revitalised reward package we included this,” says Clarke.

“For TalkBack to succeed it was considered vital that employees saw their suggestions as being acted on. We found one stumbling block was the sheer volume of information we needed to process so we called in talent management consultants Getfeedback who were able to take the pain out of the process,” Clarke explains.

Getfeedback advised on the structure of the research, helping the HR policy committee to define questions that would encourage debate on both local and corporate issues. It also rapidly analysed the mountain of quantitative and qualitative data generated, to produce easily communicable reports, keeping the TalkBack loop focussed on discussion that leads to action. As a result, 70 per cent who participated agree that TalkBack is an efficient way to communicate. “84 per cent said they thought it was an opportunity to give constructive views and 75 per cent thought it gave an opportunity to be listened to by management,” says Clarke.

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Royal Caribbean Cruise Liners assess the bigger picture

Royal Caribbean Cruise Line is helping to make cruising the European holiday of choice, with innovative ships including everything from FlowRider® wave surfing machines, to climbing walls and ice-skating rinks. The rise in popularity of cruises in Europe has made Royal Caribbean, EMEA the growth engine for the business. In 2004 the US owned company decided to create a European Headquarters to develop local strategy and drive growth.

Lucy Lofting, HR director, EMEA, was brought into the new European headquarters and tasked with helping to meet the business goals by provision of professional human resources for the 350 office staff across Europe. "There had never been a formal HR function before so there were a number of issues we needed to address, from creating an effective appraisal process to improving benefits to reflect the increased size and turnover of the company," says Lofting.

Instead of just putting standard HR practices into place, Lofting appointed Getfeedback to conduct an engagement survey to identify what employees were and weren't happy with. She explains, "It was important to conduct the engagement survey for several reasons. Firstly we wanted employees to feel involved and positive about the changes happening, instead of them feeling new ways of working were being imposed on them. Secondly, we wanted to take a benchmark to measure the effectiveness of later initiatives. Finally we wanted robust data to justify applications made to the US to obtain the budget we needed to improve things like benefits."

Getfeedback produced a survey to achieve this and employees were invited to complete it over just three days. Although most surveys only attract a 60 per cent response rate, an astonishing 85 per cent of Royal Caribbean employees took part, demonstrating very strong commitment and interest in having their views heard in this way.

"The most positive thing to emerge from the survey was the pride our employees had in the product we were selling. Over 92 per cent thought the quality of our ships and our overall cruise experience was the best thing about working for Royal Caribbean. Relationships between employees and managers were also revealed to be very good," says Lofting.

Employees themselves prioritised the order they wanted things flagged up for improvement to be dealt with. In response, Royal Caribbean turned a UK office, overlooking the river, into a stunning common room, with Internet access for people to use during breaks. Additional healthcare benefits have been introduced and annual holiday increased to 25 days. Pay has been linked to performance and employees are now given clear goals linked to business growth. "People have been overwhelmingly delighted with the changes introduced. We haven't given them anything they weren't entitled to from a company of our newly increased size. But by involving them in the process of creating our HR strategy, they are more motivated and engaged than ever before. This is reflected in the business results with European business now growing at 35 per cent a year," explains Lofting.

In addition to using data gained from its workforce to guide its HR strategy, Lofting is also keen to point out the opportunity the process has created for Royal Caribbean to engage with every single member of staff. "Traditionally, research shows busy managers spend most of their time focusing on the very best or the very

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worst employees, just 10 per cent of the workforce at either end. By working with Getfeedback we have been able to gather robust data on the key drivers for everyone. Acting on this means we can do relatively small things that make the 80 per cent in the middle feel cared about," concludes Lofting.

3 engages its people to transform itself and the telecommunications industry

When 3 launched in 2003 it was a new entrant into a highly competitive mobile market. It was not only responsible for leading one of the biggest technological advances in decades but also creating a new industry. For the first time ever people would be able to access entertainment services, including music videos, games, TV and sports, on the move.

John Vickerman, director of people and property, comments, "We're a young company, leading the development of a brand new industry. The change we've put our workforce through has been unprecedented." After outsourcing 1,000 technical staff and responsibility for management of its network and IT infrastructure to Ericsson, to focus on its transformation into a media player, 3 recognised the importance of ensuring its workforce was behind the cultural change. "Our future success is dependent on retaining existing employees and being able to describe our culture in ways that will make people from the creative industries want to work for 3," says Vickerman.

Getfeedback was brought in to conduct a company-wide survey to:

1. Assess how engaged 3's employees are with their role in driving the business forward
2. Build up a picture of what matters most to 3 employees
3. Gather data to inform future decision-making and people policies

Analysis conducted to identify which topics had the greatest bearing on how engaged 3 employees were, revealed the factors most likely to influence their willingness to undergo more change for the company.

"Our engagement survey revealed that our employees genuinely care about and are personally affected by how the business is performing and the direction it is going in. We had done lots of work to communicate our growth and improved financial prospects to the outside world but the engagement survey findings showed that internally employees wanted to know even more," explains Vickerman.

In fact they considered knowing more about where the business is heading more important than pay when it came to making them feel connected with the company and happy in their roles. As a result 3 has created a series of new initiatives, including using its own '3TV' media services to give every employee regular business briefings, through their mobile phone. In addition, the senior management team now goes on road shows to meet with employees in person, across different sites and office locations. To improve recognition and reward for team working, new cross-department communications tools and an employee recognition programme have been introduced.

"The feedback from line-managers has been great. Thanks to the survey findings we can now advise specific departments on what's working well and what isn't. Managers have been very receptive to taking the advice on board because it has come directly from 3 employees themselves," says Vickerman.

Since successfully implementing the changes recommended as a result of its employee engagement survey, 3 has attracted another 500,000 'quality' customers and successfully transformed itself from technology

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pioneer to mobile media company, putting pressure on the old networks to follow suit. "Previous surveys that we've carried out have generated a lot of data but less useful information. The employee engagement survey carried out by Getfeedback was exceptionally useful. As well as headline findings we were also provided with practical solutions to make 3 an even better place to work," concludes Vickerman.

RWE npower links employee engagement to customer retention

RWE npower is an integrated energy company, operating a portfolio of coal, oil and gas stations as well as renewable sources of energy generation, including wind farms and hydro-electric power. The retail part of the business provides energy to over 6 million customer accounts, including households and businesses. Although the company is already the second largest provider of electricity, and the third largest provider of gas in the UK by volume, it still faces a number of challenges.

Jon Cowell, head of learning and development at RWE npower explains, "Customer turnover within the residential market is very high at around 17 per cent. On average we can expect to lose, and win, around one million customers each year."

When the retail part of the business set itself the mission of turning customers into fans, understanding the relationship between employee engagement and customer satisfaction became a top priority. "Most people don't stay awake at night worrying about which supplier they should use to meet their energy needs. If they decide to switch to a competitor it's generally down to one of two things, price or a bad customer experience. It's therefore essential that our 10,500 employees never give customers a reason to consider leaving," says Cowell. Fundamental to ensuring excellent levels of customer service, is making sure customers feel 'I Only Ask Once'. A classic example being that when a customer tells the call centre they are moving house and want npower to carry on supplying their energy, they shouldn't have to do anything else to make sure this happens.

Cowell explains, "Although requesting energy transfer from one property to another looks like a simple request on paper, it actually requires a number of complex processes to come together effectively. Making sure this happens first time means ensuring employees have the necessary level of competency to carry out the task, are motivated to do so and have the appropriate systems and management in place to support them in executing the task." Cowell wanted to be able to measure the monetary value to the business, in terms of improved productivity and customer retention, associated with employees getting tasks right first time, and to use this information to drive the people agenda.

Getfeedback was appointed to conduct ongoing research and analysis to create a model that would clearly show the relationship between the customer error rate and factors likely to affect this, from the length of time an employee had been with the business, to the extent to which they were willing to recommend RWE npower to a friend.

A key part of the analysis involved the creation of a 'pulse' survey, to be conducted every quarter across a representative sample of 2,000 employees, to gather trend data for the workforce as a whole. The first survey was carried out in May 2006. It revealed the core drivers for employees to feel engaged at RWE npower include feeling that their opinions are valued and confidence in the leadership and vision of the management team. The way Getfeedback correlated the engagement findings to business needs and performance data, means that RWE npower now has an understanding of exactly what issues it most needs to focus on in order to achieve its vision of turning customers into fans.

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"Going forward, the quarterly pulse surveys will be critical to enabling the business to fully understand the link between employee engagement and overall business performance. Using robust data to inform decision-making and measure the impact of initiatives means we will know how to improve employee engagement, service performance and customer retention," concludes Cowell.

Concluding advice

The fundamental objective behind any employee engagement initiative is to establish the extent to which the organisation is enabling people to perform their best. Then identify areas for improvement so that appropriate action can be taken.

Align with the business

Make sure the right people are involved from the outset, by ensuring senior leaders are prepared to sponsor the project and act on the findings. Think carefully about the timing of the process to ensure that it fits into the existing business cycle of decision-making. Aim to generate results and recommendations just before existing business meetings so that the findings are used alongside other management data, and properly integrated into policy decision making, instead of being viewed as a stand-alone activity.

Involve managers

Engagement research is designed to give individuals a voice so it's essential that they feel their voice has been heard. If, after taking the time to formulate their views and give feedback, employees see no change, they will get the message that their views don't matter, leading to lower engagement levels. Managers have a crucial role to play in instigating changes and communicating back the findings in a timely way. Ensure managers are equipped to communicate the results by speaking realistically about the current state and optimistically about the future and any planned actions.

Ask questions with purpose

It's all too easy to ask questions about tangible, measurable things, instead of the more important intangible issues. For example, you could ask employees, "Have you had a performance review in the last six months?" to generate a nice report on inconsistencies in the business and recommendations to give everyone the same level of support. But what will this actually achieve? Far better to ask the question, "Did your performance review make a positive contribution to your performance?" and identify parts of the business where people are not only frustrated by lack of investment in them but performance is also likely to be suffering. Think about what insight the feedback from every question will provide and ensure this will be of use before you ask it.

Educate yourself

Engagement, motivation and talent planning are complex issues that all need to be considered in the context of each other. $\text{Performance} = \text{Engagement} \times \text{Ability}$ and if you want the project to generate good results you need to fully understand the relationship between all three. If you're serious about helping to improve business performance, you need people who are both motivated and competent. It's not enough to look at either issue in isolation. Use your data in combination with information about leader, manager and employee capability so that your actions directly impact business performance. Don't try to oversimplify the problem or adopt a 'one-size-fits-all' approach. If in doubt seek specialist help.

Act quickly

Instead of hoarding data and developing a long-term change programme, identify things that can be done straight away to bring about immediate improvement. Often there are things that will cost the business very

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little to do, or that the business might not even see as important, that can bring about immediate benefit to employees. If employees flag up the need to receive more information about where the business is going, want to have another day of holiday a year or a shared area in which to eat their lunch, make this happen as soon as possible. This will demonstrate results and allow time to formulate ways to address any more serious or longer-term issues flagged up.

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