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Rekindling the Human Spirit in Business
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Why Your Employees Don't Care Whether Your Company Succeeds

by Tim Kelley

***Editor's Note:** Tim Kelley, a California-based executive coach and consultant, writes in this* Viewpoint *of a reproducible methodology for increasing employee engagement. An artifact of the Industrial Age, the phenomenon of disengaged employees has crossed the cultural bridge into the Information Age where it continues to sap productivity, profitability and the human spirit. Like termites or some other invisible scourge, it does its dirtiest work unseen. This, we are told, is called "presenteeism." Learn how to recognize and reverse it.*

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More often than I'd like, I find myself telling clients, "Your employees don't care whether your company succeeds." A bold and provocative statement.

"Wait," they say, "they depend on me and my company. They need their paychecks, their benefits, their jobs."

Probably true, but that doesn't mean that they actually care.

Engagement is the issue. Employees are there, they are doing things, accomplishing tasks, even busy. But are they engaged? Truly engaged? Are they really committed to the company and its mission? Do they care as much as the owner does? Or are they just showing up because it serves their needs? The research tells a depressing story.

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In a national survey, The Gallup Organization found that 74% of U.S. workers over 18 years of age were not engaged in their work. (If this sounds high to you, compare it to 80% of British workers and 88% of employees in Thailand!) Of these, 19% percent were deemed "actively disengaged," meaning fundamentally disconnected from their work. In a meta-study involving nearly 200,000 employees spanning more than 20 industries, Gallup measured the effects of disengagement. Unsurprisingly, less engaged employees exhibited significantly higher turnover than more engaged employees. More surprising was the degree to which engagement influenced turnover rates. Even in companies with relatively stable employment situations, workers with lower engagement suffered from turnover rates 60% to more than 100% higher than those of their more engaged colleagues.

The costs of high turnover are well documented. The Saratoga Institute estimates that employee replacement costs roughly $1,100 for hiring and orientation of a non-exempt employee and an average of $9,000 for an exempt employee. Add to that the decreased productivity while the new employee gets up to speed: a minimum loss of about three to six months' pay and benefits for exempt employees and about 12 months' pay and benefits for a non-exempt employee. The cost of replacing a salesperson or a manager is often far greater than the turnover cost of a non-exempt employee. Finally, add the productivity costs of the vacant position while seeking and hiring a replacement.

As if this weren't bad enough, disengaged employees cost even more if they don't leave. Gallup estimates that actively disengaged workers in the U.S. miss 118.3 million more work days per year than their actively engaged counterparts. Harder to measure are their higher healthcare, workers' compensation, and safety costs.

But the most pervasive problem caused by disengaged employees isn't a result of quitting or missing work. It happens when they show up. It's everything they don't do and the problems they don't report or solve. It's the negative effect their attitudes have on those around them. It's punching the clock and going through the motions of work. This problem has become sufficiently rampant as to spawn a new term: "presenteeism." Gallup found that the cumulative effect of disengaged employees, whether absent or present, consistently reduced customer loyalty, sales, and profit margins.

So what can a business leader do about this? Many believe that pay and benefits will solve their employees' lack of engagement. They need to think again.

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Herzberg, Mausner, and Snyderman's landmark study of job satisfaction found that salary was a demotivator, not a motivator. In other words, paying employees less causes them to work less, but paying them more does not cause them to work more.

As Maslow articulated so eloquently, people are motivated by needs, and some needs are more fundamental than others. If a person doesn't have enough to eat, he or she won't care much about a need for fun and social activity. Once basic needs are met, attention naturally turns to higher order needs.

While this is nothing new, think about what this means in a workplace setting. Clearly, people work in order to earn the resources needed to survive, but once their survival needs are met, their attention turns elsewhere. Other things become important, like social and relationship needs.

Eventually, a person's attention turns to self-actualization, the desire to grow and develop. If they are not growing and developing at work, they will either take their passion, creativity, and desire for fulfillment to activities outside the workplace or find different work. Either way their employer loses. Take the example of Karen Hutton, who was Marketing Director at a technology outsourcing firm (before she quit):

"I pushed to achieve a new position and higher pay. Once I reached those goals, the euphoria was very short-lived. It wasn't long before I was feeling just as depressed and unmotivated as I was before the promotion. Then I started looking for a job where I would feel I made a difference and became more involved in my community. I realized that it wasn't just about the money."

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This proclivity to look outside the workplace for fulfillment is increasing. Today's business leaders are predominately from the postwar baby boom, but the workforce is increasingly composed of the group called Generation X. Gen-X workers are more inclined to expect high pay and benefits on the job and look outside work for fulfillment and satisfaction.

Of course, increases in pay, bonuses, and praise of all kinds temporarily produce higher employee satisfaction and engagement. These things are necessary to create a healthy work environment. But they do nothing to increase the employees' fundamental sense of ownership of the company. And a steadily increasing diet of raises and bonuses is not a viable long-term strategy for increased engagement.

Ultimately, any strategy for increasing employee engagement must appeal to their highest need, their desire for self actualization. If employees believe that they are learning and growing and their efforts are contributing to some higher vision, they will engage and remain engaged. Now let's look at two methods for increasing employee engagement.

Collaboration

"People don't wash rented cars." This statement illustrates a basic fact of human behavior: people take care of the things they own. Traditional hierarchical decision-making, the so-called "authoritative" style of leadership, by its nature, creates disengagement. The people who must execute key decisions are often not the people who made them. This is a fact of life in a hierarchy and we've all

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become accustomed to it. Most business owners and managers wish the people under them would apply themselves with a greater degree of zeal, accountability, and ownership. Most employees recognize that they are not in control of their own destinies, that others are constantly making decisions that affect them. They must execute others' decisions, regardless of whether they agree with them, whether or not anyone asked them. This constantly reminds them of their low caste status in the decision-making system and reinforces disengagement.

Many capable and well-meaning leaders consult with subordinates before (and explain their reasoning after) they make key decisions. This helps, and it demonstrates that leaders care. Employees feel that their opinions matter. But no matter how companies dress it up, at day's end someone else made the decision, not them, and everybody knows it. That means it is management's company, not theirs. It is the boss's car, and they won't wash it unless they are ordered to.

So, how can leaders make it the employees' company too? They must be involved in decision making. Really involved, not just consulted before a decision is announced. True collaboration exists only when the people who are affected by a decision have a real say in it. This means that if management plans to take the company in a completely new direction, they must have everyone's buy-in.

This sounds impossible, because in typical modes of managing and leading, it is impossible. Most organizations lack the ability to enable a group – and particularly a large one – to make a significant and critical decision. They accurately recognize their limitations and don't begin to undertake it. But the methodology to achieve this kind of group decision making exists.

Although many books have been written on the subject, I have found only one comprehensive collaborative approach. It covers leadership, organizational structure, meetings, and decision making, among other things.

Predictably, it takes longer to make a decision in a group setting. But it takes less time to implement that decision, and the overall time to decide and implement is roughly the same as with a traditional leadership decision. The difference is that the outcome is far superior: the people who implemented the decision are the same ones who made it, so everyone understands it. And everyone has the experience of owning the decision and its outcome.

After a steady diet of this kind of decision making, employees come to feel that they own the company. They bring their best efforts to work, because they are supporting their decisions, their goals. This is how collaboration builds engagement. Only a few companies today are actively using these techniques, and those companies experience higher productivity, flatter organizational charts, and lower employee turnover than more traditionally managed companies.

Purpose

Repeated studies have shown that companies with a clear vision outperformed those without one. Informed executives and managers came to the obvious conclusion: we need a vision! In response, an army of organizational development consultants has made millions ensuring that every company has one. But these efforts are mixed in their results, often not creating increased engagement and performance. Many boardroom walls and employee manuals are decorated with visions and missions that everyone ignores.

At its simplest, a vision is essentially a direction, a description of a desired future state. In order to fully engage employees, it must appeal to their highest need, the need for self actualization. In basic terms, employees must feel that by participating in this vision they are part of something larger, something significant, a grand effort. It must create a sense of purpose. Too many visions are really strategic goals masquerading as visions: "to be the top supplier of household products in the Northwest;" "To grow to 50% market share by 2009." These may be exciting to company leaders, but they will likely put their disengaged employees to sleep.

Other visions are generic appeals created by well-meaning committees: "We will treat our customers, our employees, and our vendors with care and respect;" "Our company will be perceived as the top provider of medical equipment in our industry." All these sincere efforts to effect change suffer from the same flaw: the lack of underlying purpose.

Beware the employee with no purpose, no vision, and no long-term goals!

Purpose is the "why" of the company. Why do we exist? Why are we here? What higher purpose does our existence serve? A committee cannot draft such a purpose.

Pat and obvious answers, such as "to develop and manufacture computer components," or "to create value for our shareholders," will not serve. In order to meet the employees' needs, in order to generate engagement, the purpose must be clear and compelling. The leader must be passionate about it, or no one else will be. The only place to find such a purpose is within the leader (or leaders.)

So what does a purpose statement look like? This is the actual purpose statement of Star Analytics, a software development company: "To create an alliance between profitability and humanity by engaging in practices and adhering to values that create business excellence and enrich the human spirit." Note that the purpose statement does not describe in any way the actual product or service that the company provides. (They create a data bridge from Hyperion Essbase to relational star schema databases.) A good purpose statement leaves the specifics of the business unnamed. The most important success criterion for this purpose statement is that it be clear and compelling to the people of Star Analytics – those who created it and live by it.

If there is a compelling purpose for the company, engagement will increase among employees. For best effect, the employee will see his or her job as a means of manifesting his or her own purpose, i.e., the employees' purpose will align with the company's purpose. The two need only be compatible, not identical. David Wilcox, Vice President of Professional Services at Star Analytics, has the following personal purpose: "To cultivate and inspire the best of our humanity through exemplifying and articulating our humanistic responsibilities such as remembering our source essence, self-awareness for what motivates our choices, and accountability for the impact of our actions, emotions, and thoughts." Note that his purpose, while different from the company's, is sufficiently consistent to create alignment.

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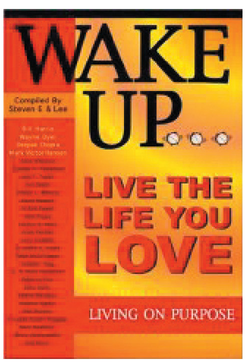
research indicates that those without a purpose or vision of their own are far less likely to support those of their company.

This compelling company purpose has other beneficial side-effects. For example, marketing experts will tell you that the best advertising is based on a compelling core message. A clear higher purpose is the perfect core message on which to base a marketing campaign.

Collaboration and purpose present two effective strategies for increasing employee engagement. Both appeal to the employees' highest need, their need for self-actualization. Both will give employees ample reason to bring their best efforts to work every day. Both methods will pay for themselves many times over in increased productivity and decreased turnover and absenteeism.

The next time you walk around an office, look at people. Ask yourself, "Are these people truly engaged? Are their hearts and souls devoted to their jobs?" You be the judge.



About the Author: Tim Kelley is a founding partner of Transcendent Solutions LLC, a management consulting firm. He has transformed entire organizations by working with their executive teams to bring passion and inspiration throughout the work force. He is coauthor of the best-selling book, *Wake Up... Live the Life You Love: Living on Purpose*. Tim has helped many leaders find their life's purpose, and he has trained hundreds of coaches, facilitators, and consultants. Tim's methodology, *Know Your Purpose*, has been featured in magazines and on TV.

Before beginning his career as a consultant and executive coach, he was a development director at Oracle Corporation, where he worked for eight years. His clients include Hewlett Packard, American Airlines, Deloitte & Touche, Charles Schwab, Bayer, and numerous smaller companies and startups. Tim is certified by Helen Palmer to teach the Enneagram and also is a trained Voice Dialogue facilitator.

Additionally, Tim has commanded military organizations, including an ammunition handling team, an amphibious assault craft unit, a submarine repair unit, and an at-sea cargo handling detachment. He is a skilled navigator and a decorated Naval Reserve officer. He holds a bachelor's degree in theoretical mathematics from MIT. Tim lives in Berkeley, CA with his wife Heather and son Ronan.

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