

***“It is not the strongest of the species that survive, nor the most intelligent; but the one most responsive to change.”***

Charles Darwin

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# Engage Your People, Enrich Your Profits

A November 01, 2007 *Management Forum Series* presentation by

**Rita V. Bailey**

**Synopsis by Rod Cox**

***“According to a Gallup study, the dollar effect of disengaged employees is astronomical, costing U.S. businesses about \$300 billion a year. The bottom line impact is shown in such tangible indicators as low productivity, high turnover, reduced profits, and a waning customer base.”***

Rita Bailey argues that platitudes like “our people are our most important asset” are insufficient, unless they include specific employee engagement actions. *“At best, they are hollow; at worst, they magnify the disconnect between what is said and what is done.”* Her focus is on the short- and long-term consequences of employee engagement, as well as the associated costs.

Bailey observes that perks – connecting people to the business by giving them tangible rewards for specific behaviors – are often substituted for full engagement. *“But unless that fundamental emotional and psychological connection is there, no amount of perks and benefits will give you the return that trusting relationships will.”*

Touting compassionate reasons (i.e., “it’s the right thing to do”) as the justification for employee engagement is not the way to go. Bailey says leaders need a more tangible business reason, a “What’s-In-It-For-Me” message that resonates at all levels of the organization, including Finance. Her central thesis: **engaged employees enrich profits.**

*“A key attribute of great leaders is creating and influencing an environment that engages the best of people.”* In this *Management Forum* presentation, Bailey makes the business case for employee engagement, and she shows how to start and nurture it in your own organization.

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**Rita V. Bailey** worked at Southwest Airlines for over 25 years, most recently as director of the University of People. Twice she received the President’s Award for outstanding achievement. After voluntarily leaving Southwest, a transition that Bailey says was “heart-wrenching” she used her experience and knowledge to become founder and CEO of QVF Partners where she focuses on organizations and individuals *“who are serious about creating people-centric cultures.”*

Bailey has been featured in *Business Week*, *Harvard Review*, *The Wall Street Journal* and *Fortune Magazine*, and was the 2005 national board chair of the 70,000 member American Society for Training and Development (ASTD). Her message is consistent: *“If you put people first, profits will follow.”*

With Scott Cawood, she authored *Destination Profit: Creating People-Profit Opportunities in Your Organization*. In this book, as well as in her Portland, Oregon *Management Forum Series* presentation, Ms. Bailey gets her message across via abundant examples and stories. This synopsis includes concepts and quotes from both.

Executive Forum thinks you’ll enjoy her very readable, story-laden book, and you’ll gain valuable and applicable insights, too. The ISBN numbers are 13: 978-0-89106-196-0, and 10: 0-89106-196-7.

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**W**hy are you in business? Regardless of culture or business, for-profit or not-for-profit, government or private industry, money counts so that has to be a bottom line. Business starts and stops with money; money provides the fuel for the rest.

So profit can't be ignored. But how does profit happen? What will it take to get from here to there? That's where, in the pursuit of profits and other measures of success, employee engagement becomes absolutely essential.

Stephen R. Covey puts it this way:

***“The best leaders build high performance organizations and teams by creating a style, system, structure and culture that is ideal for executing their strategy, leveraging the power of their people, and generating the financial margin to achieve their desired results.”***

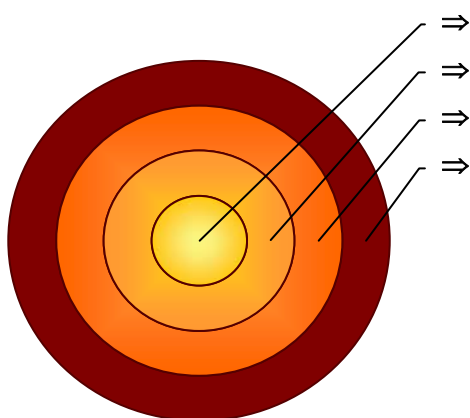
Or as Bailey puts it, effective leaders:

- think globally about innovative solutions dedicated to improving their ability to inspire and support their people.
- leverage talent at all levels.

This is all well and good. But sometimes we put people in a box and hammer on the lid. Bailey tells the story of a leader who when told about upcoming guests from the home office, had his employees take down the holiday decorations they had personally bought and put up “because we want to make a good impression. But,” he added, “you can put them up again when they're gone.” He did this knowing, as his employees did, that the home office had been similarly decorated by the employees who worked there. Can you imagine how this single act disengaged the employees for months to come?

## **What does an engaged organization look like?**

Conceptually, engaging employees sounds pretty simple, but it isn't easy. If your organization lauds its people as its most important asset, what is the size of the gap between what is said and what is done? Between the service your organization provides to its customers, and the service it provides to its people? What will it take to make the gap smaller? What will it cost to foster engagement?



**Individual:** This could include you.

**Relational:** Relationships and influence, based on values and beliefs

**Managerial:** How tasks are managed and people are led. How the boat is steered.

**Organizational:** How strategy and direction are established.

The diagram to the left indicates the various levels at which employees are engaged. Note that all of the rings are interrelated, and that engagement or non-engagement in any of them will inevitably affect engagement in the others. Note also that none can be excluded or leap-frogged.

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Bailey reminds us that one of the most overlooked threats to empowerment is a management team that is:

- misaligned (out of synch with the corporate culture)
- malfunctioning (not doing their jobs properly)
- off course (not doing what needs to be done to reach the destination, or doing things that lead to the wrong destination)
- lacking insight, communication, collaboration and trust
- unobservant of the need for employee engagement at all levels

Are there any of these that you or your leadership team need to improve? What would your organization look like if that were to happen? What would it take to change course?

## Show Me the Value

Engaging people is built around the way that they treat each other and around creating an environment where people enjoy being at work. Around being who and what they are without conflict. Around finding the untapped diamonds that are in every organization. Around having permission to have fun.

But engagement is not without cost. Let’s look at gains versus expenditures.

Employee Engagement	The Benefits You Gain	The Price You Pay
<b>If you <u>DO</u> have it</b>	<ul style="list-style-type: none"> <li>▪ General long-term advantage and cost reduction</li> <li>▪ Fosters independent thinking</li> <li>▪ Fosters empowerment, creativity, and sense of ownership</li> <li>▪ Generally happier employees</li> <li>▪ Promotes family orientation</li> <li>▪ Typically lowers long-term cost</li> </ul>	<ul style="list-style-type: none"> <li>▪ Higher short-term cost</li> <li>▪ Higher communication cost</li> <li>▪ Potentially higher cost for absenteeism, productivity, and cost of benefits</li> <li>▪ Pushback by control agents, status quo, policies, traditional management</li> <li>▪ Flexibility may make it difficult to get dependable alignment, productivity, accountability and consistency</li> </ul>
<b>If you <u>DON'T</u> have it</b>	<ul style="list-style-type: none"> <li>▪ General short-term advantage</li> <li>▪ Lower initial cost</li> <li>▪ Lower communication cost</li> <li>▪ Acceptance by control agents</li> <li>▪ Long-term internal consistency</li> </ul>	<ul style="list-style-type: none"> <li>▪ Higher employee turnover</li> <li>▪ Poor or indifferent customer experience</li> <li>▪ Passive culture, generally less happy employees</li> <li>▪ Potentially fewer customers</li> <li>▪ Stale environment</li> <li>▪ Lack of innovation</li> </ul>

The above table reflects the responses from seminar participants. You can see that while engagement has long-term advantages over non-engagement, it comes with a short-term price.

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Therefore, before you leap into increasing employee engagement, consider your culture and weigh the costs as well as the advantages.

*“If you are an organization that has a history of sacrificing long-term gain for short-term advantage, are you willing and able to sacrifice short-term loss for long-term advantage?”*

What are the things that will make the biggest difference in establishing long-term values, and cost the least, short-term? Which are the most immediate in terms of access and implementation? Would it make sense to start with something that is easy to implement, and then ramp up and build on your success?

You will probably find that jumping fully-clothed into total Employee Engagement is not the way to go. Initiating and then rescinding Employee Engagement is likely to put you back to a place that is worse than where you started.

## **External Factors**

Economic, sociological, political and technological factors affect decisions about employee engagement, even though they are outside of our control. But it pays to think about them because of their considerable impact. They include (seminar responses):

- global expansion and global ties
- increase in customer influence
- government regulations
- new legislation
- rapidly escalating change and chaos
- intellectual property
- legal changes
- Wall Street
- radical transformation of the working world
- changing worker roles and expectations
- workplace diversity and mobility
- world changes such as green and safety initiatives
- geography
- innovation
- new communication systems
- takeovers

What can you add to the list? What can your organization do to lessen the impact of external forces? Which are the ones you can prepare for, and which are the ones that are apt to trip you up? In what ways would you see these affecting your organization, your culture, and your employees?

## **Mission, Vision, Values: Congruency**

Internal forces differ from external forces because they are typically under the organization's control. One of the most visible and important is the relationship between your organization's Mission, Vision and Values statement and its actual practices. In other words, how well does it walk its talk? What does it do with your people? *“Does it truly have them on a path that is good to great? Or is the path actually great to good? When it talks about “exceeding expectations, whose does it mean?”* Lack of congruity is likely to seriously undermine employee engagement.

Let's say that employee bonuses are being withheld because of low profits, yet the executives take a week-long golfing trip to Hawaii to plan for the coming year. Or the mission-vision-value statement (“world-class, exceeding expectations, people-are-our-most-important-asset”) is largely indistinguishable from that of many other companies, including competitors, and was perhaps formulated by a few hand-picked senior contributors.

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These create a fatal disconnect between what is said and what is done. What’s on the walls must correlate with what’s in the halls. This is business integrity at its most fundamental core.

Note that Mission, Vision and Value (MVV) are interrelated, but they are not the same thing:

- **Mission** is generally focused on the present business scope and broadly describes what the organization is, what it does, for whom, and when.
- **Vision** focuses on what the organization wants to become. It stretches the organization’s capabilities and image of itself. It gives shape and direction to the organization’s future.
- **Values** are a statement of how the organization will value customers, suppliers and the internal community.

Consider your own organization’s Mission, Vision and Values:

- Are they extreme in a good way? Do they reach outside the box?
- Are they an executive view or an employee view? Are they applicable across the board?
- Are they memorable, applicable engagement guides for day-by-day actions by every employee?
- Are they distinctive? If someone reading them didn’t know the name of the company, could she figure it out? Do they indicate what makes your organization different?
- Can they be verbalized in six words or less? Some notable MVV statements: “Kill the Cat” (John Deere); “Good Art in Every Home” (Tempe, Arizona Arts Center); “To Protect and to Serve” (Los Angeles Police Department)
- Did the formulation process involve people at all levels?

Southwest Airlines is notable in that for more than two decades, it has been the only U.S. airline to consistently show profit, year after year. This history was tested immediately after 9/11 when all airlines were under unusual pressures. Here’s how Southwest kept its employees engaged:

1) Employees were told that their jobs were secure. 2) Executives worked without pay for several months. Their pay was not deferred; it was voluntarily forfeited. 3) Those employees who wanted to make contributions to the airline were allowed to, but with a cap to prevent overzealousness. 4) Anxious customers who cancelled their flights typically said, “You keep the ticket. I don’t need a refund.” 5) Banks stepped up with generous lines of credit.

What about your organization? In a time of crisis, how would it handle the stress? Are your employees, customers and vendors engaged to the point of potentially offering cash aid? If not, how would you go about creating this environment? What would this look like in action?

Bailey reminds us that even when we can’t influence a big organization to change its culture, we can influence our immediate team. We might start by taking a long and dispassionate look at our employment policies. When this happened at Southwest, the people literally burned the human resource policy and procedure manual, replacing it with a guideline one-sixth as big that focused on helping people understand the gray areas. The foundation of the guideline, still in place, is “do the right thing.”

Can you sense how empowering this is for all levels of employees?

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## The 4-A Process

### Awareness

*Awareness helps leaders be better organizational pilots. It's a tool for determining a specific destination, getting buy-in, and navigating intentionally toward each destination. If a business is to flourish, every person in the organization must be able to answer four fundamental questions:*

1. Where is your organization going? What is your destination?
2. How do you communicate that to your employees?
3. What competencies and skills do you need?
4. How do you make money?"

### Alignment

*Once you have a specific destination, you need to get everyone and everything working toward it. Alignment is the map that charts the course. People, processes, and systems are all working toward supporting the destination.*

1. What do you need to do to get there?
2. Does the hiring plan link to training?
3. What is the communication process?
4. How do departments align?
5. Do incentives reward collaboration?
6. How do you measure alignment?
7. Who is your destination champion, the person who ensures that everything is connected?

### Accountability

*Accountability is holding the organization – leaders, teams and individuals – accountable for reaching the destination. No excuses, no blaming indicates a culture where people are empowered through shared purpose.*

1. How do you cultivate commitment?
2. Are people encouraged to think?
3. What do you reward? What is measured?
4. Do people know what is negotiable?
5. How are destination-supporting behaviors reinforced?
6. Is there responsibility at all levels: a contract, as it were?

### Adaptation

*Even though you know where you're going, have everything and everybody aligned, and have put accountability measures in place, there are still ongoing changes evolving every day. It is an endless cycle, and we choose how we manage it.*

1. How do you stay focused on what you do?
2. Do you tend to do the same things, or do you tend to try something new?
3. How do you mine for new ideas?
4. How does your organization react to the impact of external changes?
5. How does your organization make slight adjustments to keep you continuously winning in any circumstance?

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*“4-A is a process for creating workplace environments where people understand and are connected to the business in a way that they are committed to drive positive results to the bottom line.”*

*“Often the only constant we have in business today is change. From emerging technologies to encroaching competition, binding government regulations to Wall Street expectation, change bombards us from every direction, bringing with it the need for adaptation – at lightning speed.”*

There should be no surprises. The 4-A process prepares us to be open to what was overlooked, and to what-if’s *“because you’re likely to find that it’s not a matter of if, it’s a matter of when.”*

So we see that a primary role of all leaders is to chart the course. This is different than navigating the ship and it requires thinking more broadly about what is in front of you.

## Defining Customer Values

Our focus thus far has been on internal customer (employee) engagement. However, the process is equally effective with external customers.

Map the experience	Identify the expectations and properties	Surface implementation issues	Design customer experiences
Observe what customers are seeing, hearing, feeling and doing	What do customers want, expect, and see as priorities or points of differentiation	Employee focus. How and why. Identify enablers and inhibitors	Leadership. Implement the plan

Another perspective for aligning the engagement experience for internal and external customers alike, is to develop and map it sequentially.



## Random Thoughts

1. Empowerment won't work if you don't have parameters. You need to be able to handle situations where someone over-empowers himself or his team. You do this by managing expectations on the front end. It's easier to hire the right people than it is to change people, so consider hiring for attitude and firing for attitude. This is valid if you define what attitude is ahead of time.
2. Figure out what will help your employees make good decisions that respect the interests of the many stakeholders and use this as the foundation for engagement and empowerment.
3. Once employee engagement is started, it tends to self-perpetuate. It tends to become embedded in the culture of the company. Employees at all levels tend to find ways to support and expand it.
4. Consider the long-term consequences to organizations that don't prepare for the next generation. How do you sell the need for long-term initiatives – like employee empowerment – to leadership who may themselves be short term?
5. Whether deliberate or accidental, every organization has a culture. The best organizations have a culture that:
  - is unique
  - balances the needs of all stakeholders.
  - focuses on shared goals
  - measures the right things
  - engages the people
6. What happens to good ideas in your organization? Do the policies and procedures support people? Or do they rule people?
7. The role of the physical environment can't be overlooked. How does the executive suite compare with the broader employee areas? Are people at all levels held to the same expectations? (Their competencies will of course differ.) Do they engage with people at all levels?
8. Make everything aligned and congruent. If things are out of synch, people will believe what they experience, not the rhetoric.
9. Pathways to profitability:
  - Get the right destination
  - Connect people to the business
  - Know who you really are, and what you want to be known for
  - Cultivate commitment, not compliance

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- Create an equitable experience that is fair, but not necessarily equal
- Build trust into the culture and regularly make deposits into the trust fund. Without a doubt, you will need to draw from it from time to time
- Let go of the status quo

## **Conclusion**

And there you have it, a pathway to profitability built on a platform of engaging your people.

As previously indicated, at first glance this appears simple, but it's anything but. It's deceptively hard.

- It is likely to go against status quo.
- It is likely to be seen as “soft.”
- It may be greeted with suspicion.
- It requires commitment and perseverance because once you start, you can't turn back without alienating people.

But consider this: you can start small, first with yourself – personally creating a differentiating experience – and then expanding to engage your team. You can start with figuring out what will help your employees make good decisions.

Even better, you can start the engagement process by involving them from the get-go; by mutually discovering and implementing the actions, approaches, values, and policies that translate into employee engagement.