



Sustaining Productivity and Engagement During *Incredibly* Challenging Times

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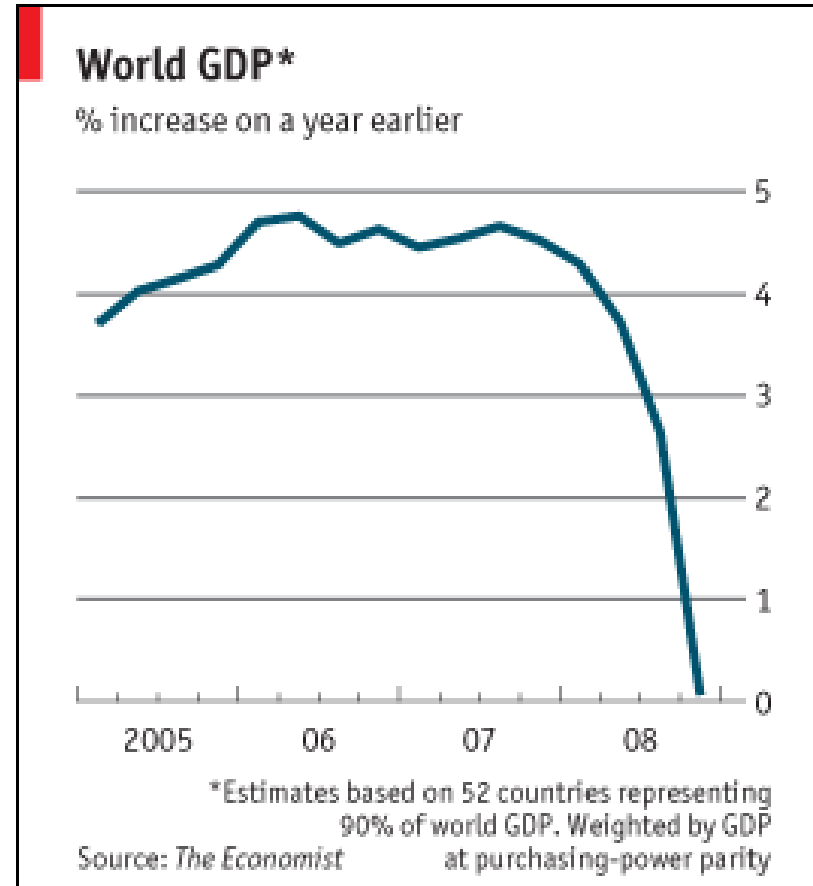
Terry Pearce, Severn Trent Services

Agenda—topics

- Describe the problem
- Explore key drivers required to avoid the productivity-diminishing effects of our troubled times (*Hint: create and maintain a fully-engaged workforce*)
- Review **six back-to-basics themes** for employee engagement during troubled times
- Take away three ideas you can implement right away to better execute strategy

A global economic crisis...

- The global economy will shrink this year for the first time since WWII, with growth at least 5% below potential
- World Bank: 6/09 global industrial production could be down 15%
- World trade: 2009 will see largest decline in 80 years, sharpest losses in Asia



Snapshot of the current economic crisis...

- The net result on US businesses is:
 - High unemployment
 - Unprecedented layoffs
 - Additional layoffs anticipated
 - A mess with voluntary retirement programs
 - Site closings
 - Businesses in Chapter 11
 - Highly competitive hiring
 - Demoralization and low productivity
- Despite the environment, talent is on the move
 - Stress, anxiety, and ambiguity prompting talent to reconsider its strategy
 - Cost-cutting is “cutting into the spirit” and talent is fending for itself
- A new administration and hope for the future (approvals of 65%)
- Employers still applying 20th Century change paradigms

...55.4% of executives rank **consistent** strategy execution the #1 top challenge of 2009; over 85% feel talent & business strategies not well aligned yielding tremendous negative impact on employee engagement

-Conference Board



Lightening Round – 5 minutes



Personalizing the impact of the economic crisis...

- **What's the pain suffered in your or your client's company**
- **How are those employees feeling today?**
- **The impact on you on you?**

Corporate Executive Board Study, Fall '08

- **Employee performance is declining dramatically.**
 - “The number of employees exhibiting high levels of discretionary effort decreased by 53% since '05.” 18 months ago, ratio of *highly disengaged* employees to others was 1:10 - now 1:5. According to the CEB, this decline alone accounts for a productivity decline of 3-5%.
- **Senior leaders' effort has dropped dramatically.**
 - “Only 13% of senior executives report high discretionary effort in the second half of 2008 compared to 29% in the second half of 2006.” (From 1:3 to 1:10 executives.)
- **Disengaged employees are staying.**
 - “The disengaged are 24% less likely to quit in 2008 than in 2006.”
Disengaged employees are far less productive than engaged employees.
- **High-potentials want to leave.**
 - “One of our four high-potentials plan on quitting in the next 12 months.” (Of course, labor market rigidities are keeping many employees in place.)

Why Do People Leave?

30% - Lack of new challenges/opportunities

25% - Ineffective leadership

22% - Poor relationship with manager

21% - Contributions not valued

21% - Improved work/life balance

18% - Increased compensation/benefits

Right Management Study, December 2007 – February 2008...1314 responses

Ten Least Favorable Employee Survey Benchmarks

From a national polling organization, following are the lowest rated items in their employee opinion survey - *“we want them but don’t get them”*

1. My manager gives me the freedom to do my job. (Lowest ranked item)
2. Information is communicated openly and honestly in this organization.
3. Information is communicated in a timely manner.
4. I feel recognized for the contribution I make to this organization.
5. I am satisfied with the benefits package this organization offers.
6. I feel I have control over my career at this organization.
7. Management is supportive of its employees.
8. This organization pays well compared to other companies.
9. Overall, information in this organization is communicated well.
10. I feel secure about my continued employment in this organization.

Key Measures of Corporate Value – Jack Welch

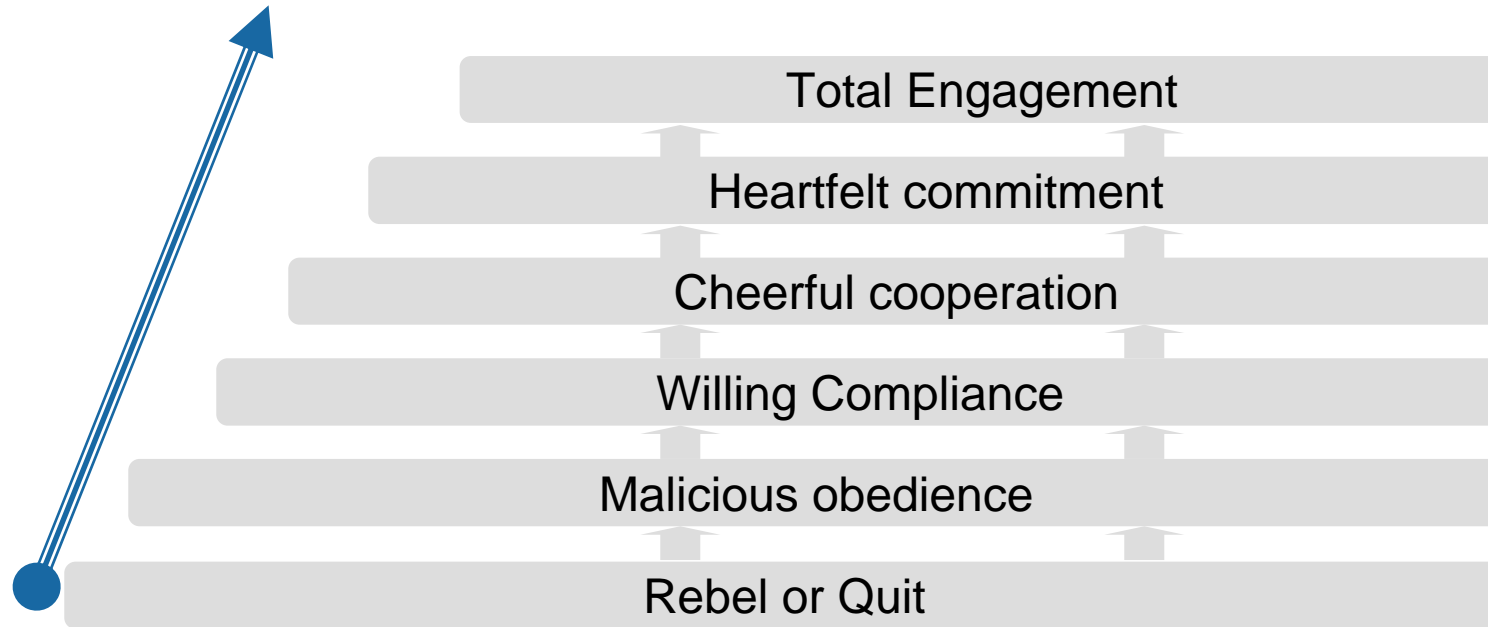
“The key measurements that are the **best indicators of a company’s health** are (in priority order):

1. Employee Engagement
2. Customer Satisfaction
3. Cash Flow

Employee engagement first. It goes without saying that no company, small or large, can win over the long run without energized employees who believe in the mission and understand how to achieve it.”

* Jack Welch, May 21, 2006 Business Week

People Make Choices*



“People make choices. Consciously or subconsciously, people decide **how much of themselves they will give to their work**, depending on how they treated.”

“You cannot control people directly. **In the end they decide** (make choices) as to what to do, when to do it and how to do it. **At best you can influence and motivate them to do what they should.**”

* Adapted from “The 8th Habit, Stephen R. Covey, 2004

Since We Know the Impact of Turnover...

High cost - Up to 300% of total compensation

Other Impacts:

- On rest of team – morale, productivity, skill, quality
- On recruitment branding – reputation as an employer of choice
- On business outcomes



... A Model of Engagement



- Performance & Profitability
- Sales & Employee Attraction
- Customer Service
- Productivity
- **Turnover / Retention**



Lightening Round – 5 Minutes



Challenge	Suggest Some Ways to Address
Employee performance is declining dramatically.	
Senior leaders' effort has dropped dramatically, too.	
Disengaged employees are staying.	
High-potentials want to leave.	

CEB Data

Challenge	Some Ways to Address
Employee performance is declining dramatically.	<ul style="list-style-type: none"> - Sustaining Engagement programs for managers and non-managerial employees - Employee communications planning to fully engage employees as partners in the change effort - Coaching relative to employee engagement for senior leaders who have to give tough messages - Create meaningful two-way dialogues, workouts, and exchanges between business leaders employees
Senior leaders' effort has dropped dramatically, too.	<ul style="list-style-type: none"> - Senior team alignment sessions to get senior leaders working in concert with their peers and <i>in service to the enterprise</i>
Disengaged employees are staying.	<ul style="list-style-type: none"> - Assessment services - Competency model development and application - Redeployment
High-potentials want to leave.	<ul style="list-style-type: none"> - Coaching for hi-po's: coaching helps retain talent - Help create and facilitate groups led by hi-po's directed at specific business objectives engage and involve more broadly)

Back to Basics

1. Tell people the truth
2. Focus on the fundamentals
3. Repurpose the stress
4. Make people part of the solution
5. Lead *and* manage
6. Create feedback loops and monitor progress

1. Tell people the truth

- **Brutal honesty in what you can tell them and honesty as to why you can't**
- **The 3 F's - Face time, Forthrightness, Frequency**
 - Facts not shades of facts (which some might call this fiction)
- **Admit to the uncertainty**
- **Tell employees what's required for success & their role in the solution**
- **A No-Penalty Box environment**
- **Words AND music (content and tone)**
- **Honor commitment to keep them informed when course correction required**

An interview with Ram Charan on his work with a financial services firm (not needing a bail-out):

*"Is morale killed when there is some bad news out there?" "No," Charan insisted, "Bad morale is caused by misinformation and fear...People **can** confront distress when they have facts, clarity and specificity about the source of the difficulty."*

2. Fundamentals focus: identify what must we do ***NOW***

- **CEO, Life Insurance Company**

- Walks around looking for 80% “yes-by-example” answers from employees if they know what’s important at the company at that moment

- **COO, Sportswear Manufacturer**

- With HR, translates strategy into specific behaviors to be modeled by leadership and tiered down to ***all*** levels (leadership is behavior)

- **EVP, Pharmaceutical Operations**

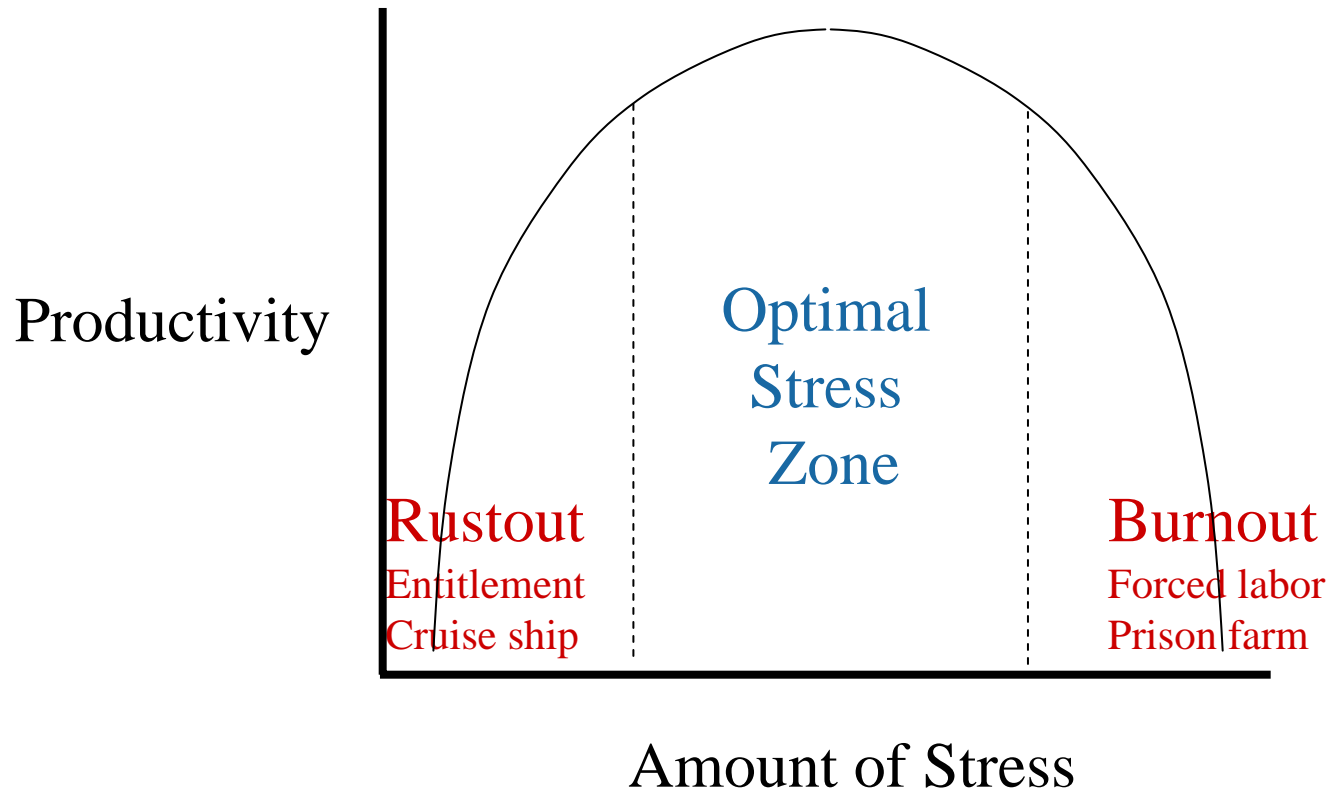
- Quarterly review of processes (diagonal-cut down 3 levels) to ensure they support strategy, not other way around, and eliminate what’s not needed

- **Director, Specialty Chemicals**

- Sharp focus on what’s important, how employees get involved (breeding commitment) and participate, and displays results tying them directly to customer satisfaction and financial performance measures that matter

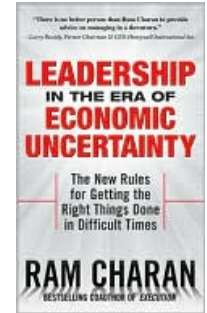
3. Repurpose the Stress

Create a sense of urgency— but not panic



With the BUSINESS CASE...

4. Make people part of the solution



- **Cross-pollinate teams based on critical needs**
 - Which are critical, which can wait
 - Focus on the critical, set aside the others
 - Develop what it looks like when fixed
 - Increased involvement, reduced paradigm locks

- **Within 10 days of plan creation, EVERY employee meets with his/her manager**
 - ID 3 things they could do immediately for cash conservation/cost reduction
 - Within days of communications program, polling to assess employee fear or energy and getting more people involved
 - Employees in slowing operations shifted to task teams and given meaningful roles

- **Employees asked how to raise involvement of their colleagues**

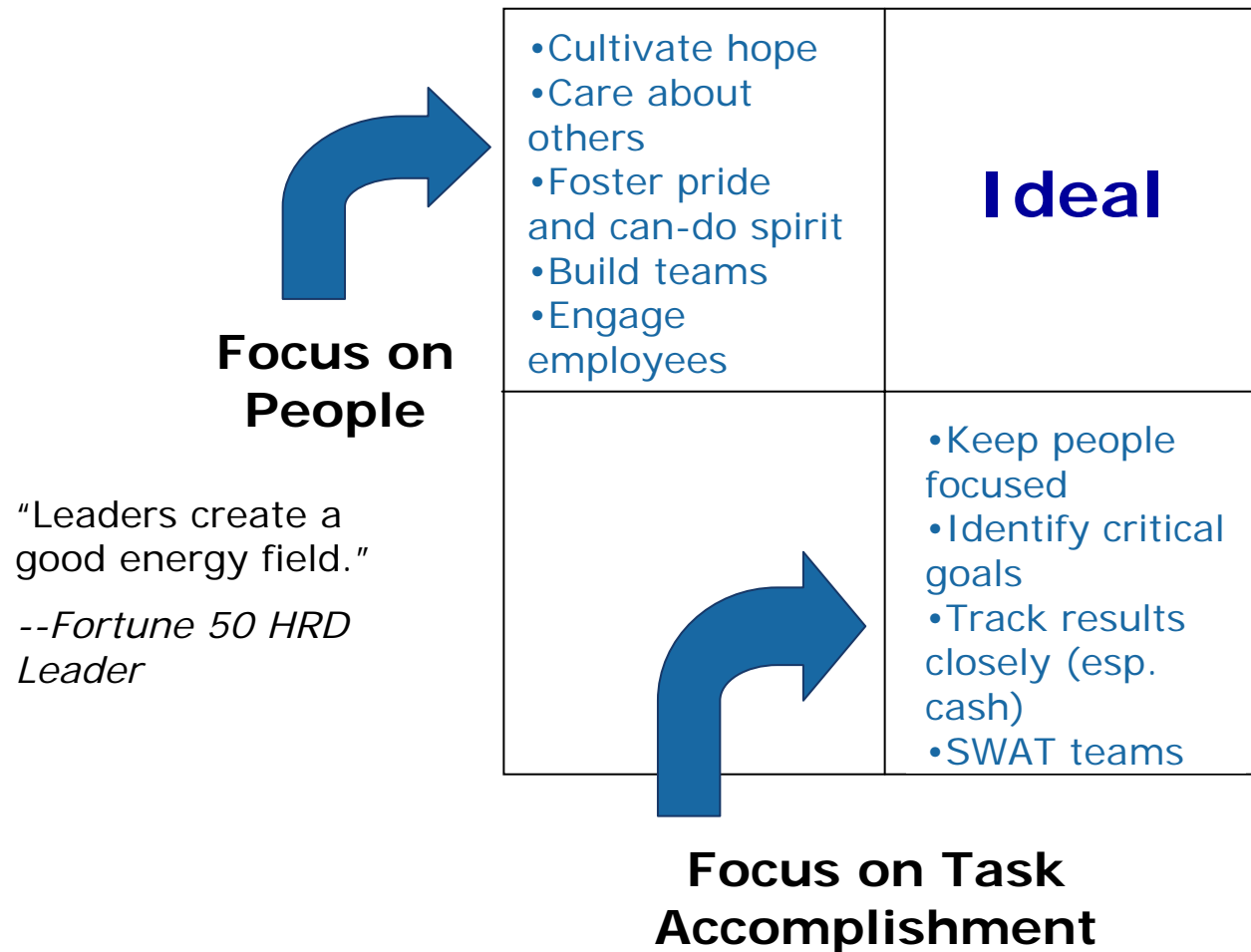
- **Continual engagement plans not just for crisis, but creating a new continuous culture of engagement**

5. Lead *and* manage – Kotter’s still relevant

Not abrogating true leadership responsibilities to handle the crisis

Focus on People	Over-led, under- managed	Ideal
	Out to lunch	Over- managed, under-led
	Focus on Task Accomplishment	

A Closer Look



6. Create feedback loops and monitor progress

- **Regular & timely reporting of the expected versus actual results to employees – help them to focus, get their input**
- **Tie these results merging customer satisfaction and business performance measures**
- **Communicate the results in a way that encourages feedback up, down and across for continual improvement**
- **Honor the process, don't kill it**
 - Keep the promise of exploration and communicate actions taken
 - Don't start with a flourish only to then let it wither
- **Monitor what's important, contributing to advancing the business and the culture**
- **Spread the information around**
- **This is FREE STUFF but treat it as a gift of GOLD**

Another View: Marshal Goldsmith

- **JUDGE LESS**

- Realize that any unusual behavior may have deeper causes. Be more empathetic and tolerant than usual.

- **HELP THOSE WHO ARE DOWN**

- Some employees are dealing with unusual amounts of stress. Help them now and they'll be loyal later.

- **FOCUS ON THE FUTURE**

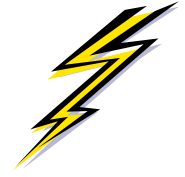
- Everyone wants to talk about "what could have been." Forget it. Get your team focused on what's ahead.

- **UNDERSTAND YOUR OWN EMOTIONS**

- You may be feeling stressed, angry, and insecure. Get help. Be professional. And don't take it out on your team.



Lightening Round



Application Back Home...

- **Generate some ideas for retention in these times**

based on what you've heard so far and jot down

some do-able action items - *how to go back and sell*

the notion to your line management

Q & A

and

Thanks

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