Writing the Rules of Engagement

A Human Resources Discussion

EDITORS' NOTE *In today's competitive markets, no business can afford to ignore the needs of its employees, whether or not people truly are a company's "most important asset." Around the world human resources departments are playing an increasingly important role in strategic planning within many organizations, bringing people's issues directly to the boardroom table.*

In light of this increased focus on people, LEADERS Magazine assembled a group of HR professionals to discuss the changes and challenges of the new environment. In the pages that follow, the industry leaders listed on the following page discuss how they measure employee engagement and performance, the effects of those characteristics on their companies' bottom lines, and the looming reality of demographic change.

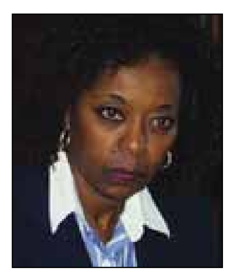
Lowman: At Towers Perrin, we've done a fair amount of research into human resources issues – talent management, workforce engagement, and so forth – and one of the things we discovered is that, in both North America and Europe, levels of engagement in the workforce are pretty low. We're now looking at different factors that may be responsible for that: how employees view their leadership, the commitment of leadership to them as individuals, the confidence they have in their leaders to lead them through periods of change. How well do employees engage within your organizations? Do you try to measure engagement?

Schloss: Time Inc. is a creative organization, made up of many different types of individuals producing many different types of magazines. We try to ensure that people are engaged within the company by periodically conducting one-on-one discussions through focus groups and following up with new hires 30 to 60 days after their arrival. We've even outsourced our exit interview process, targeting staff who've left voluntarily. This process allows us to gain a deeper perspective on their experience and apply that learning back in the workplace. We have only recently begun to survey current staff on an every-other-year basis. The next survey will be in late March.

Torsone: At Pitney Bowes we take the opposite approach to that. We have something called a "strategic architecture," which has three components to it: customer, shareholder, and employee value. Around those three components, we identify three- to four-year goals, plus annual goals, and that forms the basis for the objectives of the senior team. And it cascades down. One of the objectives of employee value is our engagement survey, which we began doing systemically about five years ago. Our survey is based on overall measurement, with open-ended questions asking what people like best and what they like least. It also measures an individual's level of engagement. The engagement score is one measure of the effectiveness of our leaders, whom we assess as part of a very aggressive leadership process.

Bonito

Gumpert



Hinds

Lowman

When we first did the survey, the results weren't very impressive. So we put all of our leaders through basic training on managing change, managing the business, and managing people. Between that first survey and the second, which took place about two years later, the scores went up fairly significantly.

Lowman: In our research, we found the three main drivers of engagement were: first, employees' belief that senior management has a sincere interest in their well-being; second, their ability to do challenging work; and third, having appropriate decision-making authority. For us, these findings confirmed what we all know intuitively: that connecting to one's work has little, if anything, to do with the traditional monetary elements of the employment deal. What matters to people is feeling that they have an impact, can use their talents and skills effectively, and have the support and attention of management. It's a strong message to all of us about what counts for people today.

Bonito: At Pfizer, we've conducted surveys to measure the degree of employee satisfaction around how well we follow the Pfizer values, and how well we live Pfizer's Leader Behaviors. We think of ourselves as a high-performing company, which we are in a lot of ways. But our engagement scores don't necessarily reflect that across our workforce. One reason is that we just completed a major acquisition. We found different levels of engagement among different populations within the company. For instance, the top 400 employees are really engaged, as are the new ones. So, going into this year, we're focusing on organizational effectiveness and colleague engagement.

Murray: It seems as if we're all searching for that Holy Grail of being able to measure important issues – be it engagement, commitment, or assessing managerial quality – and see how they impact the bottom line, so we know what changes to make and demonstrate the value to the business.

Torsone: I think branding plays a key role in this regard. At the end of the day, your brand is a promise and it gets delivered by your people.

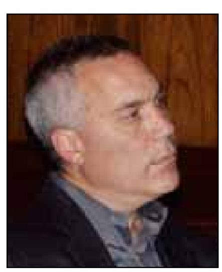
Schloss: That's right. In a sense, our promise is to inform or entertain with the highest level of creativity and editorial integrity. Delivering on that promise creates a sense of ownership, purpose, and engagement among staff, whether you're part of a niche publication like *Transworld Skateboarding* or a global brand like *Time*.

Gumpert: I think leadership should set the direction and live the behavior. It's less important to me that people like what's going on. It's more important to me that we actually do what we say we're going to do. I worked in some horrendous situations at another employer, which included some gigantic downsizing. Through any type of upheaval, if you're consistent in telling people where they're going and how they're going to get there – in other words, treating them like adults – regardless of whether they like it or not, they'll stick with you.

Torsone: One challenge we've had to meet over the last couple of years is the constraint of a fairly tight merit budget. It's interesting: when we did our last employee survey, which was about three years ago, we asked people what they liked best about their job and what they liked least. The things they liked best tended to be linked to the work environment: their coworkers, the quality of their work, the opportunities, and our focus on diversity. We've been working on those things for a long time. Benefits or individual managers usually came second. The things they didn't like had mostly to do with the business – for instance, their concerns with customer satisfaction. We were glad that the employees felt invested enough to tell us, "You need to fix this." [Since the meeting we completed a new survey, and we're waiting for the results. We

Murray

Prue



Schloss

Torsone

expect that, given the tight merit budgets and changes in benefits costs, we're likely to hear about that.] We've done a lot of work trying to use our narrow budget to differentiate. For example, in response to the survey results, we've given additional dollars to those areas that face the customer.

Prue: It's interesting hearing about everybody's processes and procedures. In this regard Prudential has been working in two swim lanes. In 2001, when we went public, employee engagement was critical to our success in order to grow and prosper as a public company, and that was a huge, huge effort. All the employees went through a strategic mapping exercise, which enabled them to fully understand our business model, our customers and key stakeholders, and to identify with their role within the business model. It was a broad effort, which involved every single employee in the company. Today, we survey our employees every six months, asking about 35 questions each time. We shoot for benchmark participation across the company of around 78 to 80 percent.

Lowman: That's an impressive response rate, considering you're doing the survey every six months.

Prue: When I joined Prudential, I looked at this survey through my financial lens and I thought, doing this every six months, "Is this an efficient use of resources?" If we stretched the time to 18 months, we'd save money and wouldn't disturb our employees. Now, I'm on the other side of the camp and think it's better to give information in a trend format, so that senior leadership and employees can see what has changed. The process of administering the survey is efficient, and it demonstrates to our employees that they've input into their work environment. More importantly, our senior leaders and employees are interested in the results. They want to know where they're winning, where the challenges exist, and what changes are necessary to improve.

Lowman: To what extent does employee engagement really impact business, and what's the perception of senior management? I've been with Towers Perrin for 22 years, and I've seen some real change. CEOs always used to say that employees are the company's most important asset, but now, a lot of them actually seem to mean it. How much do your senior management teams really get behind that idea, rather than just pay lip service to it?

Torsone: I have to report to the board of directors' Committee on Corporate Responsibility on the state of our employee morale, and I get that information from our surveys as well as from other data points such as voluntary turnover. Both the CEOs I've served under at Pitney Bowes have taken this issue very seriously, as has the board.

Schloss: We continually discuss with our senior management why employee engagement is important. It's not necessarily a top-down process. Every time a new issue of a magazine, of the dozens we publish, comes out, everyone receives a copy. So the product is regularly in front of you, as is the quality of the work. Also in front of you is the degree to which employees engage, whether that's shown by the caliber of the content or the quality of the ads in the issue. These barometers, if you will, can be assessed on a weekly or biweekly cycle, and that permeates the culture of the company.

Hinds: I think we recognize that levels of engagement need to go farther down the organization. Turnover is at a very low rate, and the economy's bad, so something's got to give. People aren't leaving, but the question is, "Are they engaged?" I think leadership, in pockets, is beginning to see that and is beginning to wonder what to do about it. We've implemented a head-count freeze, and our turnover is low. Since I've been with the company, I've been saying I think the turnover is too low, but they're proud of the low turnover because they feel it reflects a family environment and staff loyalty. So when I say that, everyone looks at me a little strangely. But if the engagement scores go down, and you can't hire, how are you going to attract new – and hopefully more engaged – talent?

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– Lowman

Gumpert: We had a CEO change about five years ago, and about a year into his tenure the new CEO decided to conduct a survey. After we looked at the findings, we came to the realization that the most significant issue was performance management. We heard our people saying: "It doesn't really make any difference what I do here. I'm going to get the same pay as the guy next to me." So I did a little testing, and over the previous five years, I found out that, for the most part, that was true. As a result, we now have a system of forced ranking in place. We rank people according to the performance of their core groups, from the top of the organization down. Literally, the only person who's not included in the scores is the CEO because he's assessed by the board.

Lowman: What do you do with the people who consistently rank the lowest?

Gumpert: We don't force out the bottom 10 percent, but, clearly, if a person is in that sort of space for a couple of years in a row, some kind of development plan is needed. And if they can't change their ranking within a couple of years, then they're shown the door. This system has made a tremendous difference in the company's overall performance.

Bonito: I think it's crucial for senior management to state openly that they're committed to improving employee engagement and performance. They need to explain why it's important and what their goals are in terms of performance management. A percentage of our CEO's bonus rests upon his performance in the area of people. Because employees know that to be the case, they're aware that people management is an integral part of our culture.

Lowman: Is it possible to quantify how well a CEO performs in this area?

Bonito: Well, the engagement scores from surveys can be taken into account. Our CEO has to show that there has been a marked improvement in engagement and performance.

Torsone: For as long as I've been at Pitney Bowes, my bonus has had a people dimension. From a governance perspective, people issues that don't go right are getting much more attention from the board of directors. There have been enough examples of situations where something has gone fundamentally wrong in this area and has affected business. I believe that, increasingly, leadership and talent-succession issues will be seen in the same light as governance issues. Our CEO reports to the governance committee and the board of directors twice a year on the state of our talent, and they're dead serious about it.

Hinds: I think that most CEOs have finally understood that they won't be able to attract top talent unless they're employers of choice in their fields. In our business it's critical because our profit is talent driven. In other words, if we can't attract the top journalists, we won't move forward. That's a very straightforward equation.

Gumpert: Many CEOs today represent a new generation. They came up through a different system than CEOs of a few years ago. The way I see it, these new CEOs are high flyers who spent their earlier careers moving around, doing a number of jobs – probably slightly before their time – which enabled them to recognize the importance of relationships. They understand a lot of things very differently than a CEO would have understood them 5 or 10 years ago.

Let me use our CEO as an example: He concentrates his attention on the top 200 or 300 people in the organization, and I'd better have a plan for those people or face the consequences. He has regular meetings with my department to make sure that we're moving those people around very rapidly. He rose through the ranks very quickly himself, and he wants others to have access to that same mobility. We therefore have to open opportunities for these high-potential people, so they can grow and develop. These are the folks we're betting the ranch on in terms of the future.

Hinds: I think the analyst community looks very closely at a company's succession plan when it rates us now.

Lowman: The quality of human resources work has improved dramatically over the last decade. I'm thinking about the people I used to deal with who were heads of human resources back in the late '80s. The people I deal with now have a much better perspective on business and more credibility. That kind of professionalism gets the attention of senior management much more effectively than the soft approach that was used 10 years ago.

Torsone: When our present CEO assumed his post, there were some big holes on the key personnel side. I'll never forget one time when he came to see me. I started asking, "Well, where do we want to be?" He said: "I don't want to talk strategy. I've got eight big holes to fill." And that was all he wanted to talk about. And then, from that point, we began to think about our growth and the need to do acquisitions. We looked at our ability to grow based on definite leadership and other larger issues. But it all really came out of the need to fill some gaps. There was a growth imperative but not the talent to fulfill it. So people issues often spur things on.

Lowman: A number of companies are grappling with how the changing demographics in the United States – especially the aging population – will affect workforce management. What are your thoughts?

Hinds: From what I've observed, because of the economy, more people seem to be working longer. They're switching jobs and careers, but not really retiring.

Murray: I agree that they may not retire, but I still think that there's a looming crisis. Our ability to give older workers a job proposition that will retain them is becoming increasingly complex. In large part, the problems are linked to legislative and regulatory issues. Examples are what we can offer as benefits – for example, the effect on pensions for employees who want to move from full-time to part-time – and how we can structure jobs to accommodate contract or temporary workers. I think people are going to go on working but in nontraditional ways, and the challenge for organizations is, once again, to recognize key talent and keep those people engaged.

Schloss: We recently held a quarterly senior-management meeting attended by the top 200 people in our company. When you looked at the audience, you saw a group of people representing the spectrum of gender, ethnicity, tenure, and age. What was missing in this group was the recognition of the change that's confronting us. To help get the message across, we engaged an outside firm to conduct focus groups and produce videos that showed how Generation Y reacted to a variety of our magazines, Web content, and so forth. When shown to this audience, everyone felt that they needed to appeal to this new market, from both employee and consumer perspectives. It created a certain amount of discomfort because it's difficult to project yourself into a different generation. It was a very good exercise for that reason.

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We've developed a subset of potential magazine launches. To move forward we need to recognize that there is a major disconnect between the generations and their expectations. We now have to attract people who are going to drive and support a new agenda, as we continue to operate and move forward from the current agenda.

Torsone: We took part in a study called Demography Is Destiny. It was conducted by the Concours Group, and it studied the impact of the aging population: what it's going to mean, and how we need to respond to it. It also addressed policy and regulatory issues. Because we were involved in the study, some of the authors came to address our senior-management team. It was very interesting to watch the reactions of people from different parts of the organization. It was fascinating to see people realize that, if an employee retires at 55, he might have 25 or 30 years of productive, healthy life left. We discussed ways of reenergizing people so that they'd want to stay within the workforce, while companies brought in young people at the same time.

I had a gentleman working for me who was the company's corporate ombudsman. He'd been at the company for 27 years. He got to the point where he was really burned out, but he didn't feel as though he'd been employed to his full potential. I said to him: "You don't really want to retire. What else can you do?" So he did a lot of thinking about it. To make a long story short, we ended up putting him in a job in Washington, doing our federal relations. He has been fantastic because he knows the company and has been able to build some great relationships. And he's the happiest guy in the world. He has brought so much value to the company, and he's so engaged. How can we do that on a broader scale?

Lowman: How can companies address the increasing demand for flexible work options, to suit people at different stages of their lives?

Torsone: Most people don't want to work three days a week. They want to work a full chunk, then they want time off, and then they want to do something else. How do you respond to that? They want time with their grandchildren, they want to travel a little bit, but they don't want to do that all the time. They want to come back and do something really meaningful.

Bonito: This is related to another looming issue in human resources: the brain drain. I don't think many companies have fully realized the potential impact of people walking out and taking their knowledge with them. There are a lot of programs out there to address this type of brain drain, but most HR departments are beginning to deal with this issue.

Torsone: I think it's particularly frightening to look at statistics relating to the skill levels in our schools and the number of people who aren't going on to college. There are lots of gaps, which means we often employ talented people who come from other parts of the world but were educated in the United States. What happens when they go back to their countries of origin? We need to work in a much more global way and make sure our education system is performing as we want it to. This is a boiling issue for the country and one that I don't think anyone is really talking about seriously at a policy level.

Hinds: I don't think there has been enough attention paid to multigenerational interactive training. I think there's a disconnect between older employees and younger ones inside many organizations. Often, older people don't feel comfortable leading teams of younger employees; they don't feel they connect. Organizations need to address that because, I think, they're missing an opportunity.

Torsone: We recently did some multicultural, multigenerational training. Some actors came in and played different roles, representing the different generations of workers. But the response wasn't entirely positive because the training method came over as a bit hokey. We're still trying to find ways of addressing this issue in a meaningful way.

About eight years ago we did a survey on work life, and we found there was a very small but very vocal group of people who wanted us to establish a child-care center. That showed us that in five to seven years' time, the overwhelming issue was going to be eldercare. We decided that what people wanted more than anything else was managerial understanding and flexibility. So, instead of setting up a child-care center, we trained our managers in what we called "managing smart." This style of management helps employees balance their lives and the pressures of work at different stages of life.

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– Torsone

Schloss: We conducted some focus group with a group of diverse, predominantly female managers. Our facilitator was Sylvia Ann Hewlett, author of *Creating a Life: What Every Woman Needs to Know About Having a Baby and a Career*, who's leading some research on what she calls the "hidden brain drain." Her e-book is a factual representation of what's happening in the workplace. We found out that, even though women make up the majority of the workforce at Time Inc., we're not as flexible as we think we are. In fact, to some degree, the perceived offerings in our culture are different from what the culture really offers. Our job is to address that disparity. ●

