The Human Side of Quality

Employee Engagement and Quality Improvement

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Presentation Highlights

• Leadership
• The Employee Engagement Factor
• 59% more growth in improvement and revenue per employee are doable
• Critical strategy: selecting and deploying the right managers/employees
• Development of the Employee Engagement Culture

• Researchers have made huge strides in understanding human behavior and motivation over the past decade.
  – Few businesses actually apply these discoveries when strategizing for improvement or even retention of “star” employees
  – The result: companies are missing opportunities for growth and revenue because they do not understand the impact of human nature in the workplace.
The Goal

• The goal is clear, implement and sustain a performance excellence system with the understanding that it will make money.

• A senior management team intent on improving its organizational practices has a choice of models to emulate. They can follow the 18th century model and ask, “Who should we involve?” or they can go directly to the 21st century model and ask, “Who can we afford to exclude?” The answer is “Nobody!”
  – 100% involvement in any continual improvement, or performance excellence, effort is essential. How do we get there?
Leadership

• It’s a leadership issue. In 1988 The Malcolm Baldridge Award scoring criteria made leadership worth 150 points. How can we do anything without the leadership?

• And, as time has passed we have learned even more about the importance of Leadership. Today’s Malcolm Baldridge criteria has 630 points out of 1000 to be gained through leadership questions.

• Leaders must see every employee as being integral to the overall improvement process and adopt a theory of “self-actualization” for all. The formula is simple:
  
  • Quality + Leadership = Performance Excellence

• This is what W. Edwards Deming was getting to when he said two things: 1) management is the problem, and 2) the principle thing that is wrong is the system.
Employee Engagement Defined

• Although there is no universal definition of employee engagement we know the following:

  – Engagement occurs when an employee’s willingness and ability to help their company succeed is done largely through discretionary effort – Perrin
  – Engagement is the involvement with and enthusiasm for work. This definition likens employee engagement to a positive employees’ emotional attachment and employees’ commitment. – Gallup
  – Engagement is characterized as a positive attitude held by the employee towards the organization and its value. The employee is aware of the business context and works to improve performance within the job for the benefit of the company. - Robinson
    • The organization must work to develop and nurture engagement which requires a two-way relationship between employer and employee.
Factors of Engagement

- Factors leading to employee engagement include:

  - Meaning at work. Employees want to work for organizations in which they find meaning.

  - Hierarchy of engagement. Basic needs are pay and benefits. Then development opportunities; promotion, leadership. (Think Maslow)

  - Alignment of value-meaning – a true sense of connection: a common purpose and a shared sense of meaning at work.

  - There must be strong manager (supervisor)/employee relationships.
Managers’/Supervisors’ Responsibilities

- Align efforts with strategy
- Empower
- Promote and encourage teamwork and collaboration
- Help people grow and develop
- Provide support and recognition where appropriate

• The top workplace attributes which will result in employee engagement are:
  - Senior management’s interest in employees’ well-being
  - Challenging work
  - Decision making authority
  - Making employees feel valued and involved.
Gallup Results

• Gallup has studied human potential and how it can be harnessed to build better companies.
  
  – They have learned that certain solutions, when put together, have a more powerful effect, than if they were implemented together.
  
  – They report this hypothesis in *The State of the American Manager: Analytics and Advice for Leaders* – this is called the additive effect.
The Additive Effect

• The term “additive effect”, coming from biological and chemical research, refers to combining multiple elements so the results are greater than the sum of the parts.
  – Each element plays a unique role
  – Each element has an added scientific value in predicting the outcome.
  – (Elements that are not additive are a waste of time and work against the solution)

• Gallup has discovered four human capital strategies that will combine in a powerful way to add up to 59% more growth in revenue per employee.
Additive Element #1: Select Managers with Natural Talent

- This is the most critical of the 4 elements:
  - Naturally talented managers are important – and rare.
    - Gallup says that only about 1 person in 10 has the natural talent to be a great manager.
  - Talented managers attract and engage talented employees.
    - They have a natural gift for developing employees’ strengths and getting the most from each person.
Additive Element #1: Select Managers with Natural Talent

• But, Gallup has found that companies pick the wrong manager 82% of the time because they use the wrong criteria.

• The key to hiring the right managers is selecting candidates based on their specific talent to manage others, not their years of seniority or standout past performance.

• The best managers have a natural ability to inspire employees, drive outcomes, overcome adversity, hold people accountable, build strong relationships and make tough decisions based on performance rather than politics.

  • When the right managers are chosen, they can achieve 27% higher revenue per employee than average.
Additive Element #2: Select the Right Individual Contributors

• Though 27% is a lot, it is less than half of what can be achieved by combining the other elements.

• In addition to hiring the right managers, companies that select and develop the right employees based on talents have an opportunity to accelerate business growth.
Additive Element #2: Select the Right Individual Contributors

• The Problem: companies tend to concentrate on candidates’ education, skills and work experience while overlooking whether the candidate has the right natural talent to excel in the role.

• By using a scientific, systematic approach with each hire, companies can reduce variance and make performance more predictable.
  – This process streamlines decision-making, increases productivity, removes bias, improves diversity and enhances customer and employee engagement.

• The additive effect of selecting naturally talented individual contributors is 6% higher revenue per employee, for a combined gain of up to 33% higher growth potential.
Additive Element #3: Engaging Employees

• Naturally talented managers play an essential role in creating an engaged workforce.
  – This explains at least 70% of the variance in the engagement of their teams.

• Companies that select a critical mass of these managers achieve substantially higher levels of engagement, continual improvement and growth.

• Engaging employees starts with asking the right performance-based questions.
  – You must measure the employee’s involvement in and enthusiasm for their jobs and workplace, which will link directly to their willingness to go the extra mile for the company and the customers.
Additive Element #3: Engagement Strategy

• But, creating a culture of employee engagement requires much more than a survey. It demands a strategy, accountability, and great communication.

• The manager and employee development plans that are aligned with scientifically tested metrics and performance outcomes.

• When you use the right engagement approach you will see improvements in productivity, profitability, retention, safety, quality and customer ratings.
Additive Element #3: Engaging Employees

• Currently most U.S. companies are a long way off from these gains.
  – In 2012, Gallup found that less than one-third of American workers were engaged,
  – Compared with 52% who were not engaged and 18% who were actively disengaged.
  – **Gallup estimates that actively disengaged workers alone cost the U.S. between $450 billion and $550 billion per year.**

• But, some companies have bucked the trend. Some have seen the light, changed their cultures and have seen as much as 147% higher earnings per share (EPS), reduced warranty claims, reduced internal and external costs of poor quality, compared to their competitors. They have weathered the economic storms.
Additive Element #4: Focus on Strengths

• When you select the right managers and employees and build workplace engagement, you gain a serious competitive advantage.

• But, there is still more that can be done to maximize your human capital.
  – You will get the most from your workforce when you help employees identify and use their strengths.
  – All employees have strengths. Strengths are the unique combination of talents, knowledge and skills that help them do what they do best.
  – These strengths serve as the company’s greatest opportunities for success.
  – Employees who use their strengths every day are six times more likely to be engaged.
Additive Element #4: Focus on Strengths

• We are all pretty good at identifying our employees’ weaknesses and creating “improvement plans” for them.

• But, building on their strengths is more effective.
  – Weaknesses should not be ignored, but a strengths focus offers managers a better chance to develop individuals in the context of who they are, instead of attempting to change them.

• Gallup found that when the manager was focusing on developing strengths, 61% of their employees were more likely to be engaged.
  – When employees use their strengths, they are more engaged, perform better and are less likely to leave their company.

• When managers focus on their employees strengths the added effect can produce another 8% in higher revenue – adding up to 59% overall.
It All Adds Up

• Gallup estimates that less than 1% of U.S. companies apply all four of these human capital strategies. They are missing out on tremendous opportunity!

  – Some companies may have an effective employee engagement system in place but lack the right managers.

  – Other companies may have active employee engagement programs but are not moving the numbers because they are using outmoded competency-based models for both selection and fixing weaknesses.

  – Others may be seeing wide variance in performance. Assessments which pair top managers with top performers may be the answer.
Ten Tips to Employee Engagement

• The keys to an effective strategy lie in leadership, planning, execution, and sustainment.
  – The following slides contain ten tips to getting an active employee engagement process in place.

• Your role as a Quality Leader is to sell to your management the absolute need for developing, implementing and sustaining a culture of improvement driven by employee engagement.
  – Start by reviewing your own departmental practices and quantify those that fit into the employee engagement scheme.
  – Be positive about getting the employee engagement culture off the ground.
  – Draw on your own talents and process/product knowledge to engage your employees and with those you come into contact.
Tip #1: Start on Day 1

- Have a clear new talent acquisition strategy – role>talent required>fit

- Have clear employee retention strategies – role>talent required>fit

- Have effective orientation programs:
  - Company Purpose
  - Company Mission/Vision
  - Company Values
  - Company Strategy – continuous improvement through engaged employees
  - Company policies, procedures
  - Job specific orientation
Tip #2: Start It From the Top

- Employee engagement requires leadership commitment through establishing clear purpose, vision, values, strategy, etc.
Tip #3: Communication

- **Enhance Employee Engagement Through Two-Way Communication**
  - Communication must be two-way
  - Communication must be clear and consistent of what is expected
  - Involve employees in communication and share power with them in this arena
Tip #4: Opportunities

- **Give Satisfactory Opportunities for Development and Advancement**
  
  – Encourage independent thinking through giving them more job autonomy – they can choose their own best way of doing the job so long as they are producing the result
  
  – Manage through results rather than trying to manage all the processes by which that result is achieved
Tip #5: Take Care of the Employees

• **Ensure that Employees Have Everything They Need to Do the Jobs**

  – Managers must ensure that all the resources such as physical or material, financial and information resources are in order to effectively do their job
Tip #6: Training

- Give Employees Appropriate Training
  
  - Help employees update themselves increasing their knowledge and skills through giving appropriate training
  
  - When employees know more about their jobs their confidence increases and they are able to work without much supervision from their immediate managers which in turn builds their self-efficacy and commitment
Tip #7: Feedback System

• Have a Strong Feedback System

  – Develop a performance management system which holds managers and employees accountable for the level of engagement they have shown

  – Conduct regular surveys of the workforce to measure employee engagement levels:
    • Based on the survey results, understand the factors that make the most difference to the employees and put energy around improving these areas
    • Managers must be behind these surveys and their results and develop action-oriented plans that are specific, measurable, and accountable and time-bound
Tip #8: Incentives

• Incentives Have a Part to Play

  – There should be both financial and non-financial incentives available to those who show more engagement in their jobs

  – Studies have shown that when employees get more pay, recognition, and praise, they tend to exert more effort into their jobs

  – There must be a clear link between performance and incentives given to the employees
Tip #9: Build Culture

- Build a Distinctive Corporate Culture

  - Companies should promote a strong work culture in which goals and values of managers are aligned across all work sections

  - Companies that build a culture of mutual respect by keeping success stories alive will not only keep their existing employees engaged but also they baptize the new incoming employees with this contagious spirit of work culture
Tip #10: Top Performers

• **Focus on Top-Performing Employees**

  – High-performing organizations focus on engaging their top-performing employees

  – What high-preforming firms are doing is what top-performing employees are asking for.

  – This reduces turn-over of high-performing employees and as a result leads to top business performance
Summary

• To produce a culture of engaged employees:
  – Top Management must lead the efforts;
  – Top Management must Demonstrate that it values the employee;
  – Communication must demonstrate interest in the employees’ well-being;
  – Management must ensure opportunities to grow;
  – There must be competitive pay and benefits;
  – There must be positive organizational performance outcomes – metrics;
  – There must be positive HR strategies for acquiring employees, orienting employees, and retaining employees:
    • Selecting best managers and employees by using the talent>role>fit process.

• When talented employees work in jobs for which they are suited under the direction of talented managers, they’re more engaged and able to maximize their strengths which in turn will lead to more sales, increased productivity and profitability, lower turnover and absenteeism, fewer accidents and defects, and a culture of high customer engagement, essentially, everything companies want.