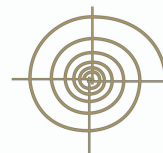


A close-up photograph of a hand holding a glowing, golden paper chain of three stylized human figures. The figures are interconnected, symbolizing teamwork and support. The background is a soft, warm glow, and the overall image has a professional, business-oriented feel.

CASE STUDY

INCREASING EMPLOYEE ENGAGEMENT
TO IMPROVE BUSINESS PERFORMANCE



PROFIT
STRATEGIES

THE CHALLENGE

A custom industrial electric and pneumatic control panel manufacturer in the Chicago regional area was experiencing decreasing morale and a lack of employee engagement was a concern. This was preventing the organization from achieving its strategic goals, objectives, and desired financial results. It was determined by company leaders that a performance management improvement initiative would be initiated.

It had been over a year since 50% of the employees had received a formal annual performance appraisal. The process the company was using was time-consuming, and relied on primarily on one individual to deliver a large number of performance appraisals; it was a burdensome process. Even in the absence of a formal appraisal, supervisors did not routinely conduct informal feedback to employees of encouragement or to challenge them to improve performance.

Challenges were identified by assessing the workforce for the level of employee engagement, and degree of transparency from leaders about organizational performance. Surveys identified the current state, and established a baseline measurement to measure business performance improvement over time. From the survey, employees indicated they did not have a clear understanding of how their decisions and actions affected financial outcomes, and did not feel that their contributions to achieve the organization's goals were recognized or appreciated.

Employees also noted that they did not feel that their supervisor or someone else at work cared for them as a person. To fuel dissatisfaction, many employees had not had a wage increase over this period of time.

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The lack of support, communication, and encouragement to collaborate resulted in a "Somewhat Disengaged" score of 69.33 percent for the employee engagement survey conducted.

According to Gallup's State of the American Workplace 2017 report, approximately 67 percent of U.S. employees are "disengaged." The organization that is the subject of this case study compares almost equally with the national average in the level of disengagement.

It is important to note that the employee engagement score does not mean the majority of the organization's workforce are poor performers. Rather, they are indifferent to the organization. They give their time, but not their best effort nor their best ideas. They likely come to work wanting to make a difference, but nobody asks them or gets them involved in how to make the organization better.

When an organization gets performance management right, employee engagement will naturally rise. The potential impact on the bottom line is significant. When compared with business units in the bottom quartile of Gallup's database, those in the top quartile of engagement realize 10% higher customer satisfaction metrics, 17% higher productivity, 20% higher sales and 21% higher profitability. Organizations at the top achieve earnings per share growth that is more than four times that of their competitors.

Gallup found that the effective use of communications strategies, implemented by the top companies, directly correlated to them achieving higher levels of employee engagement and business performance. Performance management and employee engagement clearly matter.

THE RESULTS

The leaders of the organization recognized that they had to get their performance management review process established in order to begin to improve business performance.

This is a recently completed business performance improvement initiative, so the full impact of this project will be more evident over time.

Initial feedback received from company leaders is that the most valuable part of the newly-implemented performance management system was having conducted in-depth conversations with employees. The reviewers introduced the opportunity for employees to come up with individual goals that were in alignment with organizational objectives, to help the organization succeed. This is a new approach, and being forthright, the company is experiencing some difficulty implementing this concept. To remedy this situation it is imperative that key performance metrics be translated in a way that employees can relate to their everyday work. For example, a metric of "ship \$X this month" can be translated to "ship X units this week."

Most businesses rely on annual performance reviews to provide feedback and evaluate performance. While this is a powerful tool, employees are looking for shared purpose, opportunities to develop, ongoing conversations in a "coaching" manner, and a manager who leverages their strengths, rather than criticizes and obsesses over their weaknesses.

The organization's goals are to improve the employee engagement index to 75%, on-time delivery of 98%, and increase revenues 6%. Note: This is a newly-implemented project. Actual results achieved will be updated in six months.

METHODOLOGY

The performance management project was implemented in three phases:

- Phase One: Strategy, Structure, Systems
- Phase Two: Skills, Performance, Incentives
- Phase Three: Implementation

Phase One: Strategy, Structure, Systems

Before acting on specific performance improvement activities it was necessary to have in-depth knowledge about the organization's current state, strategy, objectives, and desired future state. Also, getting clear on who was accountable for the different functional areas, and key processes of the organization was crucial.

Activities completed in Phase One of this project were:

- Identified organizational strategy, goals, objectives, key initiatives
- Analyzed key business functions and business processes; identified accountability gaps
- Assigned accountability and leading metrics to key functional areas and business processes
- Developed leading behavioral and lagging key performance indicators for all functional areas and business processes
- Conducted employee meeting to communicate what and "why" we were embarking on this project to build employee buy-in and engagement
- Assessed level of transparency between management and employees about organizational performance
- Assessed level of employee engagement
- Assessed level of financial literacy of workforce
- Conducted a financial benchmarking analysis
- Identified priorities and actions to improve employee engagement and business performance

CASE STUDY: INCREASING EMPLOYEE ENGAGEMENT TO IMPROVE BUSINESS PERFORMANCE

Phase Two: Skills, Performance, Incentives

Once there was a thorough understanding about what key issues were facing the organization, work commenced to help the company face its top challenges through developing performance management and incentive systems.

Activities completed in Phase Two of this project were:

- Conducted an employee meeting to share results of three assessments and present key issues identified
- Developed a comprehensive Performance Management System
- Developed a team-based Performance Incentive System
- Developed scorecard of critical numbers
- Identified development topics for current employees, new hires, managers and production staff
- Developed a tool with selected criteria to hire people that are "best fit"

Phase Three: Implementation

Activities completed in Phase Three were focused on implementation of the performance management and incentive systems, and delivering classroom-based training to leaders, managers, and reviewers how to have effective performance management conversations.

Conclusion

Performance management becomes much more useful to the employee and organization if reviews follow ongoing conversations, where expectations can be re-prioritized in real time, so that development can happen throughout the year. This enhances efforts to build a highly-engaged workforce to gain a strategic competitive advantage.

For more information about how Profit Strategies can help your organization improve employee and business performance call (847) 989.0513 or email brichter@profit-strategies.com.