Point of View

Engagement and Culture: Engaging Talent in Turbulent Times

When businesses confront an external environment characterized by challenge and confusion, why should they be interested in human capital management? The answer is simple. In times of uncertainty and change, it is crucial to have a clear sense of direction. The lack of engaged and committed employees, efficient processes and systems and a culture to support a productive workforce could lead to a potential collapse. Recession or not, it is imperative to understand and implement effective and proven human capital management practices. In this Position brief, we present a summary of how engagement and culture can work together to create a successful and resilient workforce that can drive performance in turbulent times.

In tough times, increased cost pressures and uncertainty cause anxiety among employees, resulting in a greater need for process efficiency and alignment. How can companies continue to engage employees and encourage positive performance? To understand the relationship further, we examined employee engagement and culture in 900 organizations across 8 markets. The study compared the scores of companies that were leading performers with mid-tier and bottom organizations. The results of this study are highlighted in this position brief and help

What Are Engagement and Culture?

For the purpose of this brief, our definitions of engagement and culture are:

Engagement—Engagement is the emotional and intellectual commitment of an individual or group to build and sustain strong business performance. Hewitt's engagement process goes beyond employee happiness or satisfaction by focusing on behaviors that produce results. It also focuses on the entire employee population of an organization—not only on how to engage employees, but also on how to maintain engagement among those already engaged and contributing.

Culture—The behaviors and belief characteristics of an organization as exhibited by the stated and unstated rules and expectations, prevailing values, norms, behaviors and systems that define an organization. Culture is created and maintained by leadership actions, operating systems, and processes that influence employee and organizational behaviors. It is often deeply embedded and slow to change, as it involves fundamental human values. Barrett's research shows that employees are at their most productive when their personal values are closely aligned with their employer's values.

in better understanding how the interplay of engagement and culture can lead to positive performance outcomes and greater financial success.
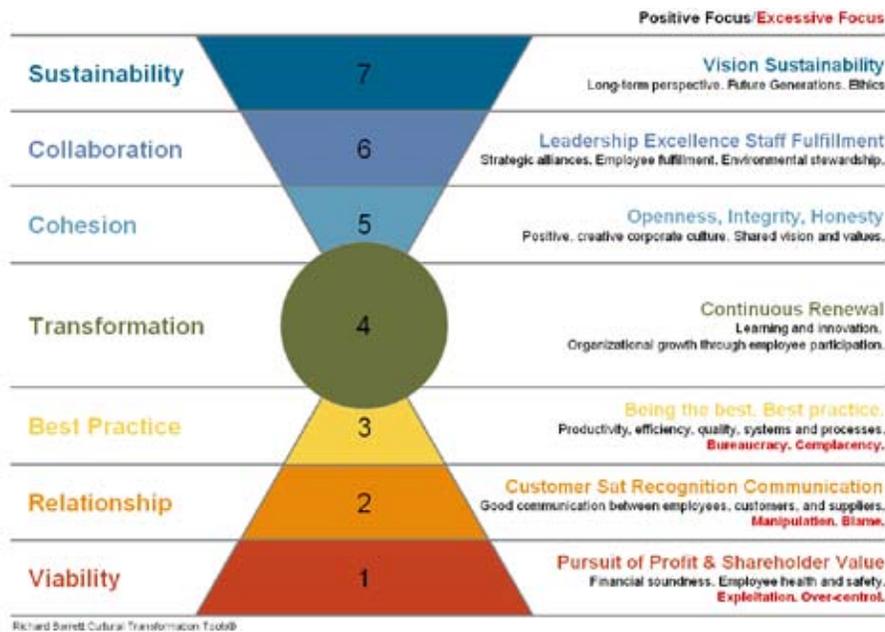
Engagement and Cultural Alignment— Working Together

Hewitt's research demonstrates that both cultural alignment and engagement have a proven relationship with a company's financial performance. Together, the two forces have a more positive impact on revenue than when working independently. One without the other poses a grave risk for the organization. A culture that focuses on high performance can attract and engage high-potential talent who bring their strong capabilities and are also energized by the company's core values. The top engagement driver of high potential talent in a recent

Hewitt study emerged as "job fulfillment and challenge." High performance cultures create a stimulating work environment and processes where top talent are inspired and have the support to provide extra effort. Among other practices, they set stretch goals, assign high-impact, high-visibility projects and manage career paths of their high potentials to keep those individuals totally engaged.

To understand cultural alignment, we utilize the Barrett Seven Levels of Business Functioning model. Using the model, illustrated in *Figure 1*, we can understand employees' personal values and how they align with the organization's current culture values, and what leaders and employees aspire to in their desired culture values. The results show how the organization functions now and how it needs to function to be more

Figure 1: Seven Levels of Business Functioning Model
Current and Desired Cultures Are Profiled Using:

Positive Focus/Excessive Focus

Level		Focus
Sustainability	7	**Vision Sustainability** Long-term perspective. Future Generations. Ethics
Collaboration	6	**Leadership Excellence Staff Fulfillment** Strategic alliances. Employee fulfillment. Environmental stewardship.
Cohesion	5	**Openness, Integrity, Honesty** Positive, creative corporate culture. Shared vision and values.
Transformation	4	**Continuous Renewal** Learning and innovation. Organizational growth through employee participation.
Best Practice	3	**Being the best. Best practice.** Productivity, efficiency, quality, systems and processes. Bureaucracy. Complacency.
Relationship	2	**Customer Sat Recognition Communication** Good communication between employees, customers, and suppliers. Manipulation. Blame.
Viability	1	**Pursuit of Profit & Shareholder Value** Financial soundness. Employee health and safety. Exploitation. Over-control.

Richard Barrett Cultural Transformation Tools®

2

successful. Importantly, it identifies alignment and misalignment among personal and organizational values. In general terms, cultural alignment can be understood by assessing the:

1. Degree of overlap between employees' personal values and behaviors and their view of the organization's current values and behaviors
2. Overlap between current and desired values and behaviors

Hewitt's study of 900 organizations offers clear evidence that engagement and cultural alignment have a synergistic effect. Comparison of scores of the leading, mid-tier, and the bottom 20 organizations on the list revealed significant differences in the level of employee engagement and cultural alignment between the two categories as shown in below in *Figure 2*.

Alignment between personal and current values indicates that work is a positive experience for employees in the leading performers and mid-tier organizations but at the bottom companies, work is at best a neutral or even negative experience. In addition, there is a decline in alignment between current and desired values. This is reflected in the engagement data where engagement drops off from 86 in the top companies to 31 in the bottom organizations.

In half of these organizations, the alignment scores for personal and current values are 0 or 1—indicating employees have a hard time coming to work and if they do show up, they are not completely present or motivated to perform.

Engagement and Entropy

Cultural entropy represents the degree of dysfunction in a culture. It is the measure of energy devoted to or consumed by unproductive work. We find a strong inverse relationship between entropy and engagement. Entropy is created by an inconsistency or misalignment in stated values and behaviors, resulting in systems and structures that do not support efficient operations and the organization's goals.

There are several causes of cultural entropy—misalignment of personal values and behaviors with the organization, misalignment of processes and structure, and a lack of mission alignment. Our research revealed that leading performers with 6 percent entropy show strong signs of healthy functioning, leading to productive work, while the bottom organizations with entropy of 21 percent need to improve their systems and alignment to be productive. Time spent in this state destroys employee engagement and value for an organization. *Figure 3* gives the impact of different levels of cultural entropy on the organization.

Figure 2: Engagement and Cultural Alignment Scores

	Leading Performers	Mid-Tier	Bottom 20 Organizations
Engagement	86%	51%	31%
Alignment of Personal & Current Values	3	3	2
Alignment of Current & Desired Values	9	7	6

Figure 3: How to Interpret Entropy Scores

Entropy	Level	Impact
<10%	Prime	Healthy functioning
11%–19%	Minor Issues	Requiring cultural and/or structural adjustment
20%–29%	Significant Issues	Requiring cultural and structural transformation and leadership coaching
30%–39%	Serious Issues	Requiring cultural and structural transformation, leadership mentoring/coaching, and leadership development
40%–49%	Critical Issues	Requiring cultural and structural transformation, selective changes in leadership, leadership mentoring/coaching, and leadership development

Engagement and Shared Values

Values are often manifested in organizational and employee behaviors. Values are deeply rooted ideals and beliefs that have a major influence on how individuals approach work and make decisions. Individual values are expressed through personal behavior, while corporations reflect their values through systems and processes. Values shape corporate culture, which defines an organization's competitive advantage in terms of being resilient and adaptive; in attracting and keeping talented people; and in building and sustaining high performance. Interestingly, the perceived difference in an organization's espoused and executed values also has an impact on individual values and employee engagement. Values can be those that are espoused, or those that management communicates both orally and in writing and are executed, or those values which actually drive daily decisions. When values of the organization are aligned with values of the individual, it guarantees superior levels of involvement and results in greater levels of accountability, trust, innovation, and performance.

Behaviors, systems and processes can be positive or potentially limiting. For example, the positive value or behavior of "achievement" can push individuals to give every ounce of effort to meet and exceed company and personal goals. On the other hand, a potentially limiting system of "bureaucracy" or behavior of "control" can undermine achievement. Bureaucracy can cause rigidity and red tape, thereby stifling innovation, accountability, and high achievement. The impact of values on engagement can be best understood by examining the shared positive values, shared limiting values, and value jumps.

Shared Positive Values

We examined the personal values, current culture values and desired culture values of employees across the leading performers and bottom organizations. Our analysis shows that employees in both these groups share the same top personal values and 8 of the top 10 desired values, indicating that there is a strong alignment between values individuals support and the culture they seek when they join an organization. Employees share six current values or perceptions of their current organization, but there are some sharp differences.

Compared to the leading performers, the bottom organizations were most deficient in employee recognition, commitment, coaching, and mentoring, which are linked to employee needs and the employee experience and show up as the following key engagement drivers:

■ Company reputation
■ Managing performance
■ Recognition
■ Brand alignment
■ Career opportunities
■ People HR practices
■ Leadership

Shared Limiting Values

While most organizations work to have positive values ingrained in their culture, the reality is that most organizations operate from a mix of positive and potentially limiting values. Potentially limiting values such as bureaucracy, hierarchy or blame are typically negative or damaging in nature. If we examine the type of entropy or unproductive behaviors across the three groups of organizations, we see the following pattern. Across the top five limiting behaviors we see a significant increase, particularly in bureaucracy and hierarchy, and also higher levels of blame, caution, and control. These systems and behaviors have a strong negative impact on how employees interact with each other, their leaders and the organization.

Figure 4: Limiting Behaviors

	Top	Mid-Tier	Bottom
Blame	4%	7%	15%
Bureaucracy	5%	4%	28%
Caution	6%	10%	12%
Control	9%	13%	18%
Hierarchy	4%	11%	19%

What Are Employees Looking For?

If we examine the difference in the values and behaviors employees see in the current culture and what they desire, we can have another view of organizational health. Across the top, mid-tier and bottom organizations, the gap between what employees see currently and what they desire is significantly smaller in the leading performers compared to the mid-tier and the bottom performers. In addition, employees are looking for very different types of changes across the three groups. While all three groups want more employee fulfillment, adaptability, and leadership development, we also see some significant differences in what is missing. Among leading performers, employees want more strategic alliances, innovation, and quality. In the rest, the focus shifts to more recognition, continuous improvement, and accountability and in the worst we see the additional desire for increases in coaching and mentoring. It's not surprising to see the shift to improvement and accountability, as we often see it lacking across all but the leading organizations.

Putting Concepts into Context

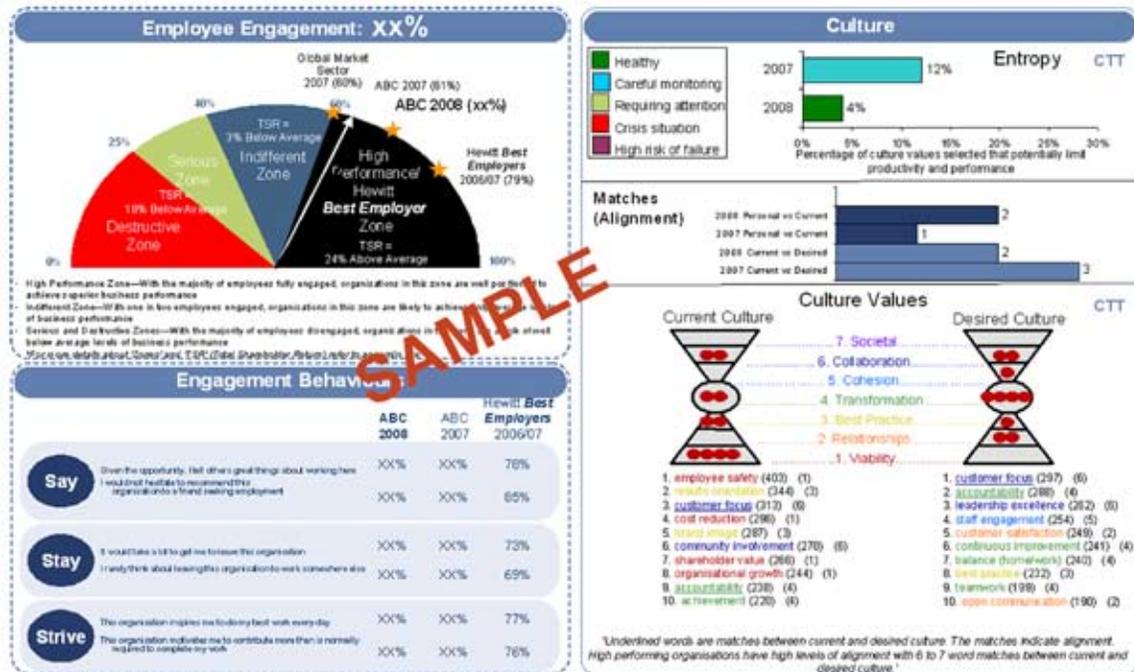**Hewitt's Engagement and Culture Assessment** is a unique approach that evaluates an organization on the three elements—culture, entropy, and shared values—and their critical role in employee engagement.

During this analysis, the company's engagement results are examined within the context of the Barrett Values Centre cultural alignment framework. Engagement data is used to identify levers of culture and vice versa. By conducting analyses such as those illustrated in *Figures 5 through 7*, engagement and culture indicators and opportunity areas are identified.

The analysis also helps in prioritizing investment in initiatives that will boost engagement, reduce entropy, and minimize the gap between current and desired culture values. For example, the development actions in *Figure 5* identify steps for increasing achievement orientation or career opportunities by combining data from culture and engagement diagnostics.

Figure 5: Engagement and Culture Assessment

Figure 6: Engagement and Culture Indicators—Average Performer

	Organization Score	Assessment
Engagement	46%	Indifference Zone—percent of engaged and disengaged employees is similar, indicating that opportunity to create value is limited. Organizations in this range perform on par with competition.
Entropy	22%	Organization is typified by caution and control with decision making restricted to certain levels in the organization.
Alignment of Personal & Current Values	1	Employee personal values are not well aligned with the organization's values, which makes them less productive and likely to consider other options.
Alignments of Current & Desired	2	Low alignment—only areas of value/behavior match are in collaboration and client focus.
Engagement Improvement Drivers	Leadership Recognition	Employees looking for more direction and communication from leaders on how they view employee contribution and future of the organization. Recognition is inconsistently applied across the organization.
Engagement Maintenance Drivers	Colleagues Work	Employees experience a strong sense of teamwork and accountability within their immediate team. Work is a positive and employees enjoy the variety and challenge.
Culture Focus Areas	Employee Fulfillment Empowerment	Employees find the work interesting but not achieve a sense of fulfillment due to lack of recognition and leadership support. There is also a perceived lack of ability to make and implement decisions.

Figure 7: Culture Improvement Indicators

	Organization Score	Assessment
Engagement	68%	High-Performance Zone—approximately 2 engaged employees for each disengaged, indicating positive impact on KPIs.
Entropy	12%	Need some improvements in processes as bureaucracy creating some inefficiencies and lack of sharing information across organization.
Alignment of Personal & Current Values	3	Employees are comfortable in the workplace and see some alignment in key areas of accountability and employee fulfillment.
Alignment of Current & Desired	6	Moderate alignment as employees have not identified any significant misalignment areas.
Engagement Improvement Drivers	Career Opportunities Performance Management	Employees are looking for more clarity around process for career opportunities as opportunities beyond promotion are not clear.
Engagement Maintenance Drivers	Recognition	Employees receive sufficient and timely recognition. Manager supports employees and holds them accountable for strong performance, which is aligned with their personal values.
Culture Focus Areas	Reduce Bureaucracy Efficiency	Work and some processes need to be streamlined to create additional efficiencies and better info sharing.

Getting It Right

Producing superior results involves creating a culture that is aligned and engaging. Most organizations know that a misalignment between the values of the organization and those of the individual lead to poor engagement and in turn adversely affect performance. But "knowing" is not the same as "doing." Only a few are able to create a culture that is aligned and has low entropy. Those who do, discover that higher engagement is not the only benefit —a stronger sense of employee commitment can also dramatically shift an organizational culture into greater alignment.

In the end, it's about focus and getting it right. Having a long list of initiatives to improve engagement is simply a wasted effort. Hewitt's Engagement and Culture Assessment provides an approach for examining and integrating the two variables to come up with a specific, actionable and tailored course of action that can accelerate cultural alignment, reduce entropy and build a values-driven organization. The ultimate result is a high-performance organization with a highly engaged workforce.

More Information

Hewitt Associates' Engagement practice works with clients to measure, enhance, and sustain employee engagement through targeted people practices. If you'd like to learn more about our capabilities and experience, please contact an expert now:

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