



***Out of Crisis:
Engaging Employees Amidst a Recession***

June 2009

Overview of Today's Session

Agenda

- **The Business Environment**
 - Where are we going, where have we been, where are we now

- **The Recession and Employee Engagement**
 - Lessons learned from various clients

- **Preparing for a Brighter Future**

Background on Sirota Survey Intelligence








- **Founded in 1972 by Dr. David Sirota**

- **60+ employees, including 20 Industrial/ Organizational Psychologists and Consultants**

- **Survey over 1MM employees a year**
 - Employee Engagement
 - Exit and Onboarding Surveys
 - 360 Surveys
 - Corporate Responsibility
 - Customer research
 - Post-Survey Consulting

- **37 years of Normative Data**

Select Clients

				
Booz Allen Hamilton				
				
		 Mercedes-Benz		
				

Current State: A Business World in Flux



How Have Employees Felt? Stressed, Anxious, and Vulnerable!

- Disturbing data trends have emerged over past 18 months
- Normative Results: Decreasing attitudes on various employee wellness items
- Written Comments: Increasing concerns expressed
 - **Bad “Economy”** up over 800%
 - **Org “Restructuring”** up 136%
 - **“Job Insecurity”** up 73%
 - **“Layoffs”** up 60%
 - **“Benefits” Reduction** up 51%

Sirota Normative Results
2007 vs. 2008

Items	2007	2008	Change
Job Security ↓	70	60	-10
Manageable Workload ↓	63	49	-14
Work-life Balance ↓	70	65	-5
Job disrupts Life ↑	41	47	+6
Favoritism ↑	48	57	+9

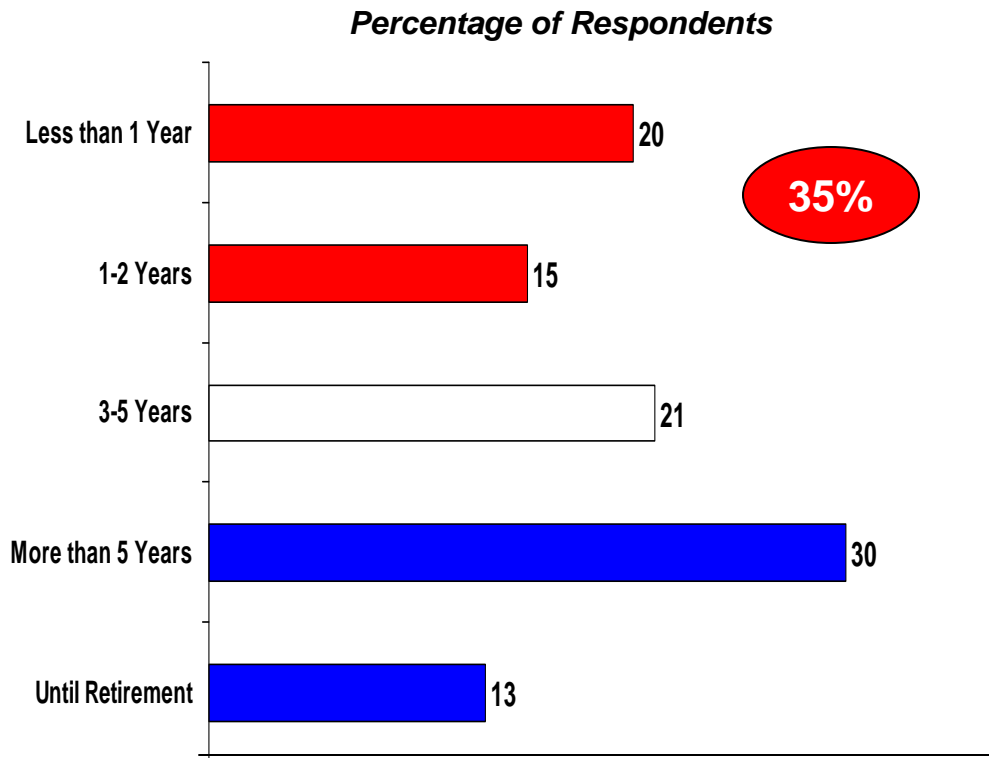
Percent Favorable Results
and Change Over Time

Employees are working harder, but they feel less control over their jobs, their workload, and their lives.

Anxious Employees Start Making Plans to Leave

UK-Based Business Division

q67. How long do you expect to continue working for your company?



Top Three Reasons for Leaving

Reason	%
Layoff/involuntary termination	21%
Remuneration	16%
Lack of Advancement Opportunities	13%

“What will happen if we don't get 5% as requested by [Senior Leadership]. We were told ‘something bad.’ Can we have a definition on ‘something bad’ please?”

20% planning to leave = 20% distracted from work

Anxious Employees Provide Lower Levels of Service

Travel Services Firm

**Conducted Linkage Analysis of
64 Travel Service Teams**

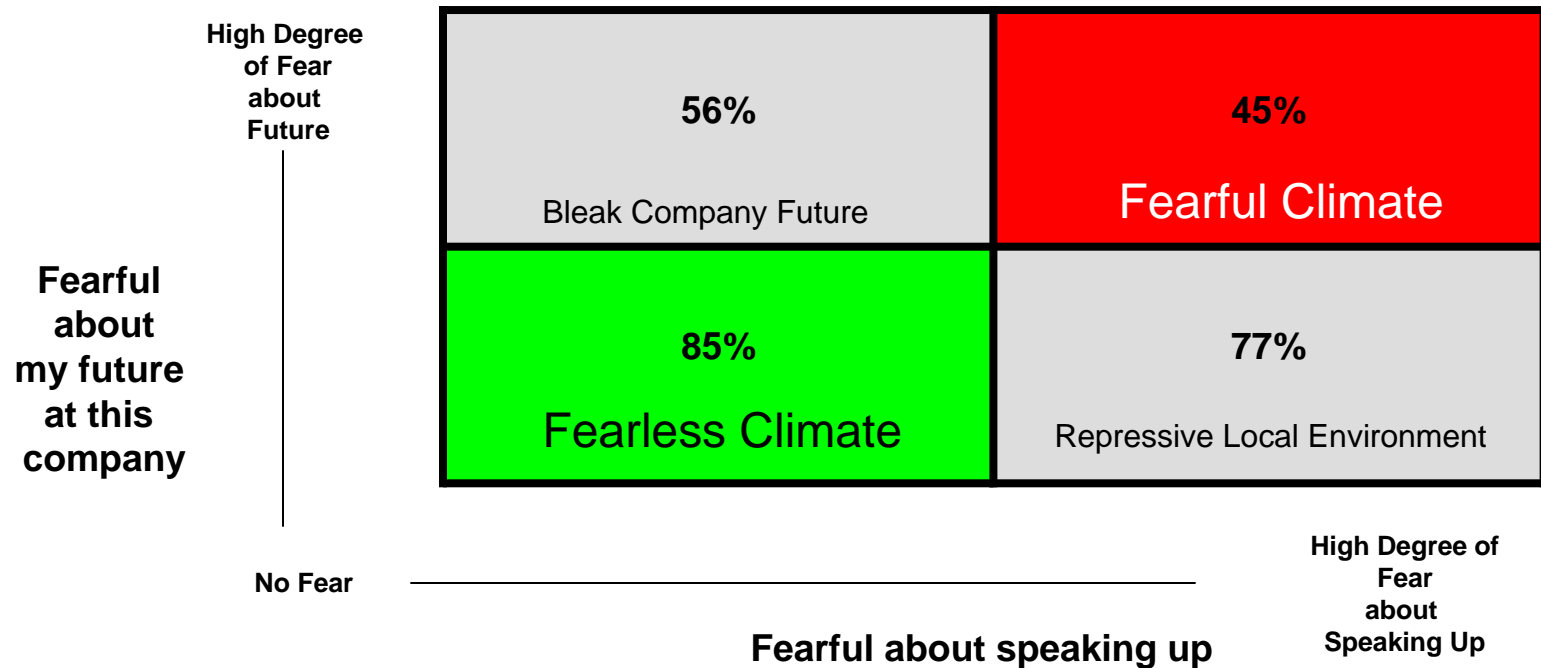
		High Anxiety Work Environment	Low Anxiety Work Environment
Employee Attitudes ↓ Customer Satisfaction	Feel optimistic about future	78%	87%
	Have enough information to do by my job	84%	92%
	Feel a sense of belonging	73%	86%
	Can express my opinions without fear	70%	81%
	Customer Satisfaction Top Box (Very Fav)	37%	50%
	Customer Satisfaction Top Two Box (Fav)	52%	72%

Anxious Workers → Poor Service → Customer Defection → Decreased Sales

Anxious Employees are Less Intellectually Engaged

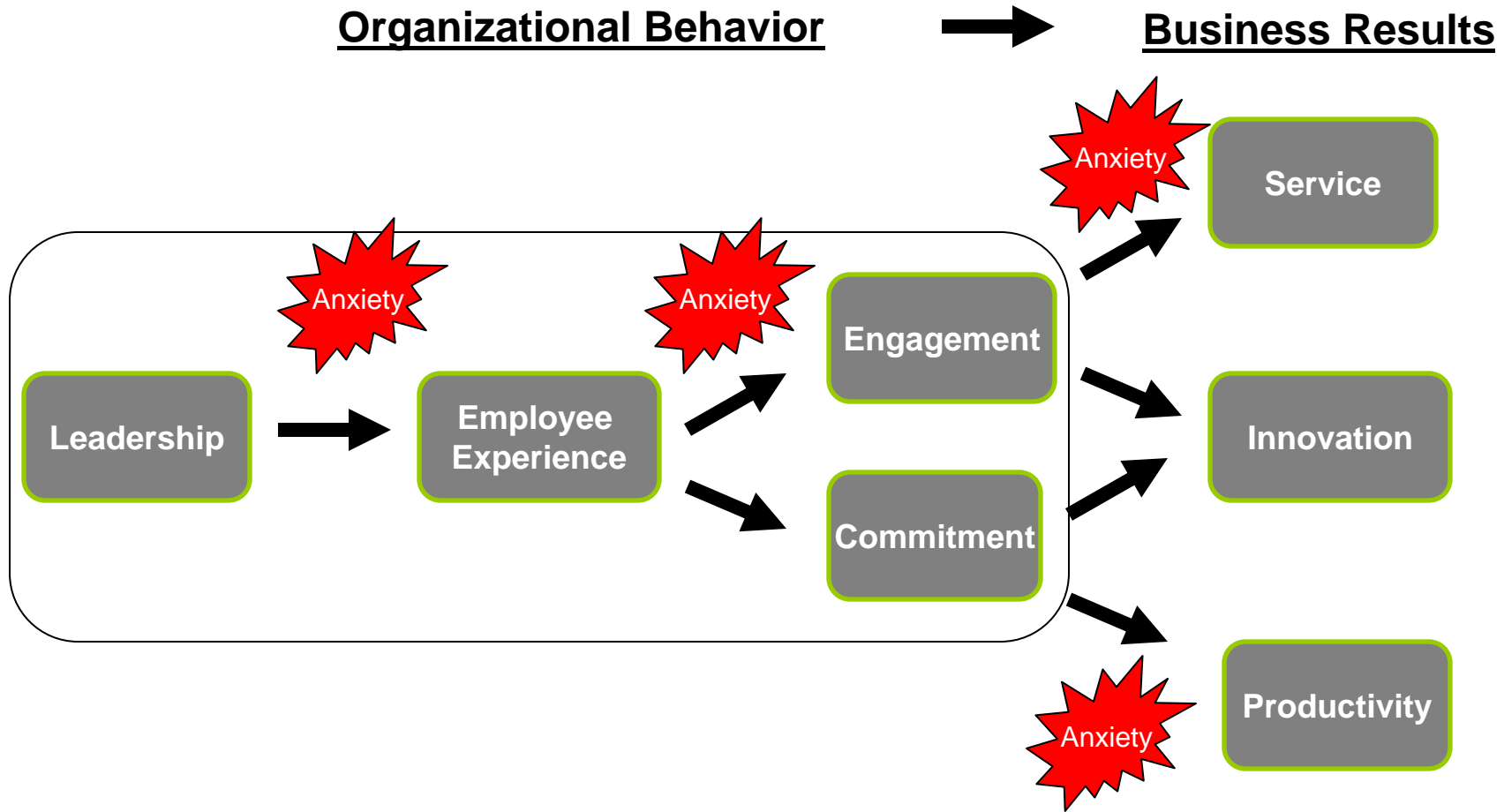
Large Bank

Percentage of Intellectually Engaged Employees
(e.g., I often think of ways to improve my organization)



When employees are fearful, they typically don't come up with breakthrough ideas

Bottom line: Unmanaged Anxiety Can Disrupt the Service Profit Chain



**Organizational Anxiety can
disrupt any of these critical relationships**

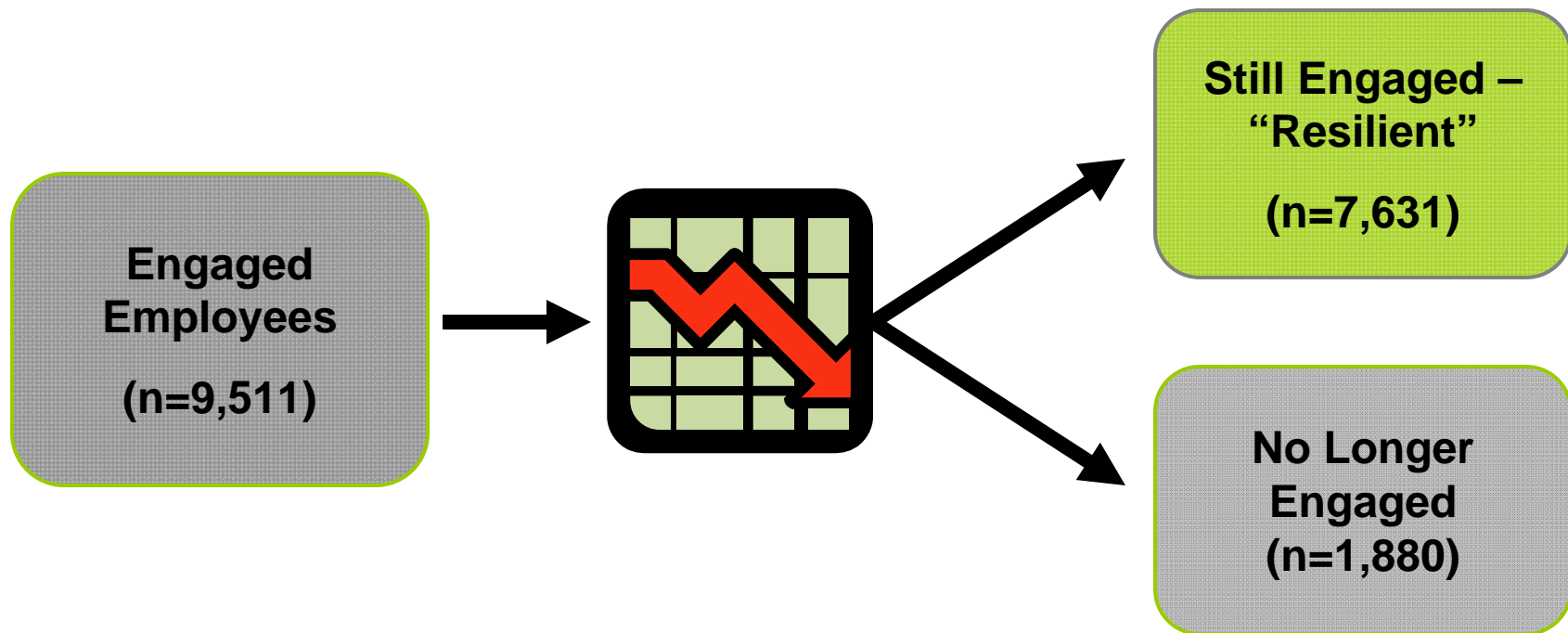
Crisis Doesn't Always Lead to Debilitating Anxiety

US-Based Technology Firm

2005 Employee Survey

2006 Stock Decline

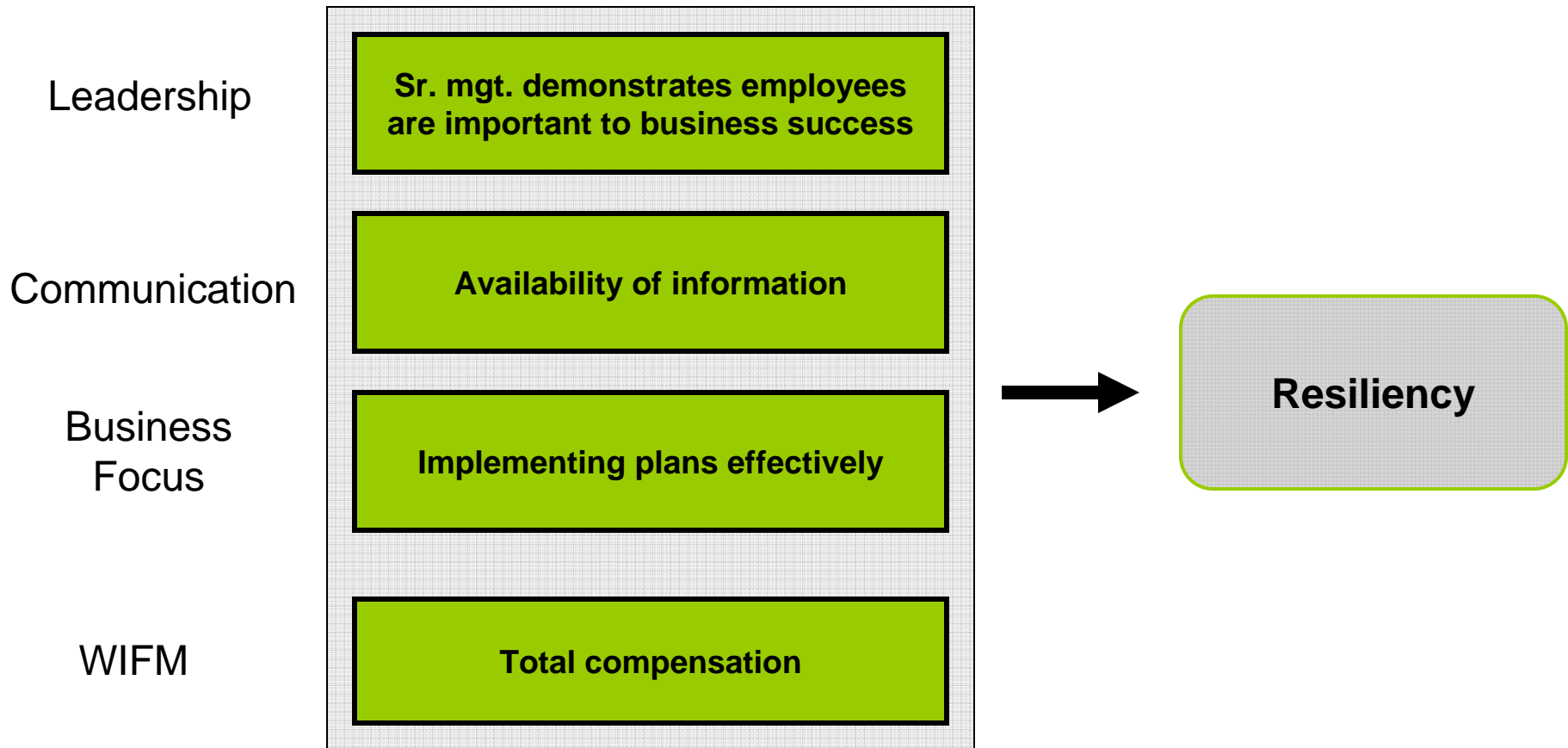
2007 Employee Survey



Why did some remain engaged?

Analysis Showed that Four Organizational Factors Promoted Resiliency

Predictors



Based on these insights, company was able to develop a resiliency strategy for current crisis

What is the Current State in Your Organization?

	Yes	No
1. Has your organization gone through a layoff in the past 18 months?		
2. Have you reduced pay or benefits?		
3. Have you cut back on employee training?		
4. Have you imposed other budget restrictions (e.g., travel, overtime, support staff/)		
5. Have you noticed an increase in absenteeism, harassment, or complaints to ombudsperson?		
6. Have you cancelled or postponed employee engagement initiatives (surveying, action planning?)		
7. Have you increased communication with employees, providing regular updates about the state of the business?		
8. Have you identified ways to decrease employee workload and increase operational effectiveness?		
9. Have you trained your managers how to identify and cope with employee stress?		
10. Have you increased employee wellness offerings?		
11. Have you offered increased flexibility (e.g., flextime, compressed work week)?		
12. Have you evaluated your organization's response to the recession and developed a resiliency strategy for future challenges?		

Where is your organization?

A Way Forward: From Fear and Anxiety to Hope and Opportunity

■ Heal the Past

- Dealing with Layoffs & Restructuring
- Managing Stress

■ Start Building Hope Now

- Hope-building Leadership
- Hope-building Activities
- Special Consideration: High Potentials

■ Plan for a Brighter Future

- Aligning Business and People Strategy
- Time for a New Deal?
- Preparing to Thrive: Understanding the Employee Life Cycle

The Impact of Layoffs: Typical Results

Retail

Organizational Context

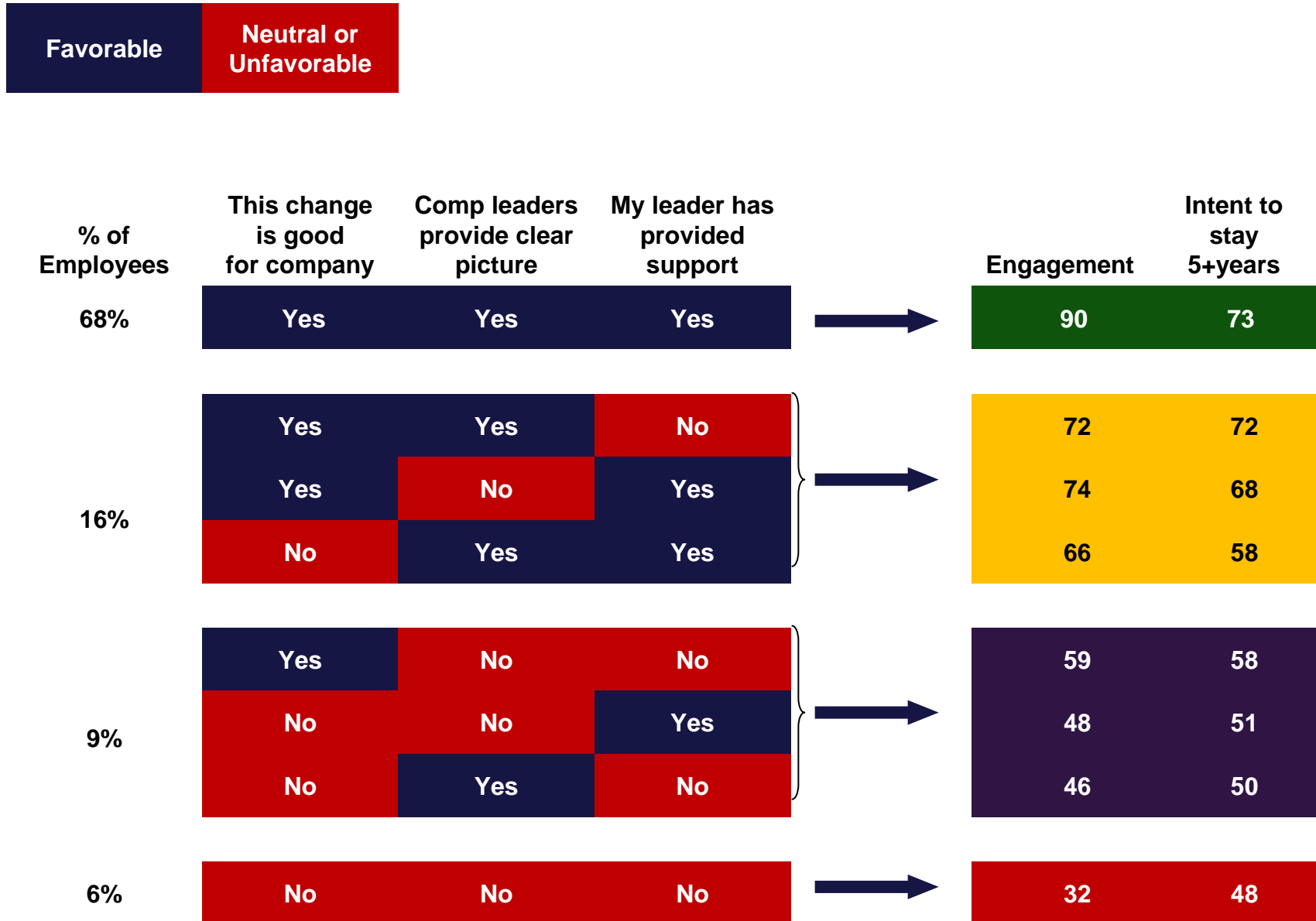
- Surveyed in 2007
- 2008:
 - 25% RIF
 - Reduced budgets
 - No Engagement Activities/survey
- 2009 Challenge: Restoring Trust

Employee Concerns

- **“Lack of communication.** Volatile job security.
- **“Not having good management, stressful work and not having job security.”**
- **“An inability to truly balance the work/life balance.** Which in some departments is heavily impacted by the **amount of work** that has to be done **by less people** and because in many instances the work requested is not actually necessary but for someone to appear busy or knowledgeable in their role all while someone lesser is performing the actual work.”


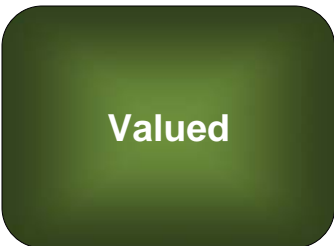
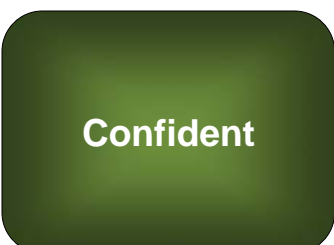
	2009	2007	COT
q5. Having a clear corporate culture	60	65	-5
q59. The departments cooperate with one another	51	56	-5
q20. My manager helps me balance my work life& personal life.	72	78	-6
q81. The number of hours you are expected to work?	68	74	-6
q11. Operational efficiency.	43	50	-7
q39. I feel a great deal of stress and tension in my job.	24	31	-7
q14. XYZ is truly customer-focused in everything we do	65	77	-12
q80. I receive a timely response from corporate...	68	83	-15
q50. Job security.	49	76	-27

But Successful Change Can Be Achieved



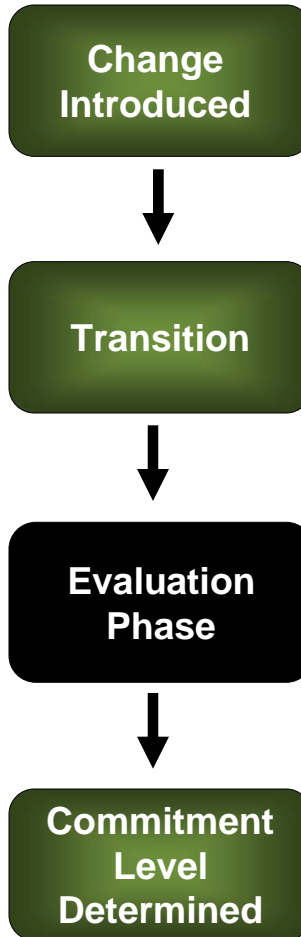
Manage Change by Meeting Three Critical Employee Needs

- **Based on our research, employees will support change when they feel:**

 <p>Informed</p>	<ul style="list-style-type: none">■ Employees need to understand why the change is occurring, where it will take the company, and how they can support it.■ Transparency, accuracy, and timeliness of information is critical.
 <p>Valued</p>	<ul style="list-style-type: none">■ Employees must feel valued and supported.■ They need to understand their new job and role.■ Organizations must ensure they have provided employees with the training and resources they will need to succeed.
 <p>Confident</p>	<ul style="list-style-type: none">■ Employees need to feel confident that the change effort will help the organization perform better. They also need to feel confident in their own ability to succeed in their job and role.■ Trust in senior and immediate leadership will impact confidence levels.

Post-Layoff Action Strategy: Assess Attitudes & Take Appropriate Actions

- **Organizations face a critical moment 3 to 6 months following the introduction of organizational change efforts**
- **At this point, employees begin to form stable opinions about the changes and the Company which will determine their level of future support and commitment**



Critical Needs assessed on Restructuring Impact Survey

- **Engagement**
- **Employee Value Proposition**
- **Intent to Stay**
- **Job Security**
- **Organizational Effectiveness**
- **Organizational Trust**
- **Change Management**
- **Change Readiness**
- **Stress and Workload**
- **Survey Utilization**

Workplace Stress

Transportation Company

Employee Attitudes by Leader Stress Level

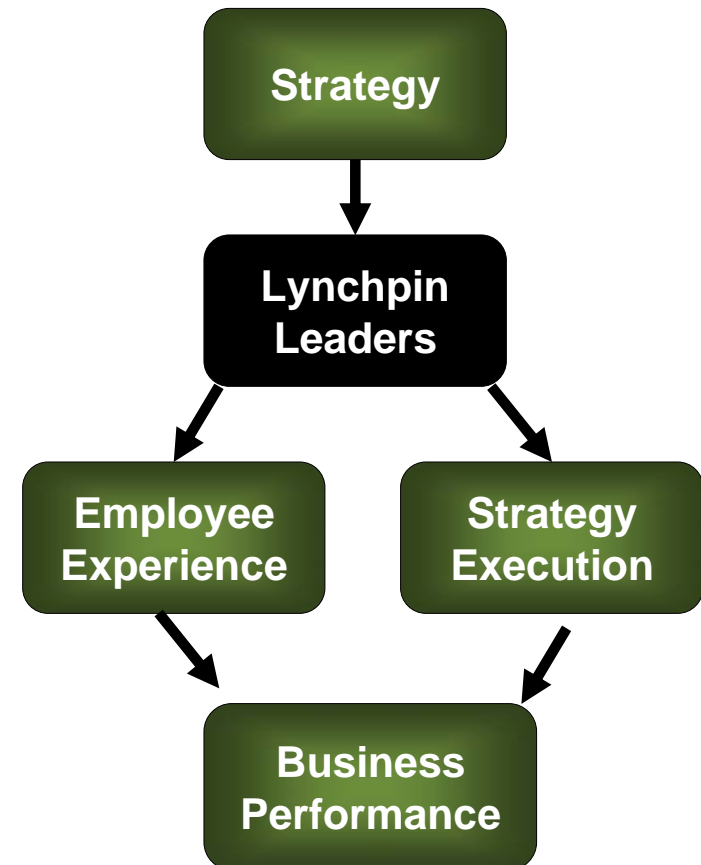
- **Workplace Stress is expensive & disruptive**
 - Job stress costs US companies about \$300 billion a year in absenteeism, productivity loss, and health care costs (APA, 2006)
 - On average, companies spend 25% of their after-tax profits on medical bills (see Greenberg, 2008)
- **Workplace Stress tends to start at top and trickle down**
 - If your organization is facing tough times, your leaders and managers are too
 - We've found that when managers are stressed, they are less capable of meeting the critical needs of their employees

	Balanced Managers	Over Stressed Managers	Gap
q23. XYZ has a cooperative atmosphere	62%	55%	7
q46. Quality work is valued and recognized	75%	68%	7
q47. I receive adequate recognition from my direct manager	61%	55%	6
q48. Leaders demonstrate consistency between words and actions.	64%	58%	6

Manage Workplace Stress By Intervening with the Right Leaders

Four Steps

1. Identify lynch pin leaders—frontline leaders managing critical teams
2. Assess their stress levels
3. Provide coaching and support to help them manage their own stress
4. Provide training to help them manage their direct reports' stress levels



Does it Work? Yes!

- **2007: Lynchpin leaders, responsible for over 5,000 employees, were notably less satisfied than other managers**
- **XYZ worked hard to engage these critical leaders**
 - Five dimensions and 16 items improved 6 significantly
- **First Line Managers impacted employee attitudes**
 - Employees working with Engaged First Line Managers are more likely to want to stay at XYZ
 - 72% of employees working with an Engaged First Line Manager intend to stay 5 or more year
 - Only 60% of employees working with a Disengaged First Line Manager intend to stay 5 or more years

Dimensions and Items that Have Improved 6 or more Points

	Fav	Change
Recognition	63	+8
Fair Treatment & Respect for Diversity	67	+8
Competitive Advantage	66	+8
Cross Functional Teamwork	56	+7
Senior Leadership	73	+6
q8. Work/life balance	42	+10
q9. Physical working conditions	65	+10
q46. Quality work is valued a	74	+9
q17. XYZ responds to changes in our bus. env.	78	+8
q24. Cooperation between XYZ companies	49	+8
q48. Senior Leaders demonstrate consistency	68	+8
q14. Recognition	52	+7
q30. Dir. manager gives coaching & guidance	69	+7
q40. I am treated with respect and dignity	75	+7
q47. I receive adequate recognition	58	+7
q31. Direct manager tells me what is expected	79	+6
q34. Dir. manager encourages my development	73	+6

Building Hope Now via Resiliency-building Leadership

Through their words, actions and decisions, leaders shape employees' day-to-day work experience

These 10
Leadership behaviors
accounted for
62% of variance
in Employee Optimism

**Employee
Optimism**

Recognition

My leader gives timely recognition

Employee Development

My leader is concerned about my development
My leader supports my development
My leader provides coaching and guidance

Business Effectiveness

Leaders show by their actions that quality is top priority
Leaders provide clear understanding of where company is headed
My leader values diverse ideas and perspectives

Integrity & Fairness

Senior leaders show a strong commitment to ethical business conduct
Senior leaders demonstrate consistency between words and actions
My leader creates environment where everyone is respected

Leaders throughout the organization must work together to sustain optimism during tough times

Other Specific Hope-Building Activities

- **Town Halls, World Cafes, and Workouts**
- **Skip-level meetings**
 - Employees who had skip meetings were more likely to
 - Believe XYZ is making changes necessary to compete
 - Understand the link between their job and company objectives
 - Want to Stay longer at XYZ
- **Consider increasing flexibility**
- **Career development discussions**
 - Stretch Assignments
 - Career pathing

Flexible Work Arrangements Can Have a Positive Impact

	Regular Hours	Job Sharing	Virtual Office
Camaraderie	86	88	84
Fairness	82	84	85
Job Satisfaction	85	88	88
Development	81	85	84
Recognition	77	80	80
Pay & Benefits	67 →	70 →	74
Engagement	81	84	85
Intend to Stay 5+ yrs	62	64 →	73

“I feel incredibly grateful and perhaps a bit honored that my leaders helped me find a flexible work solution...”

What About Your High Potentials?

- **Even in a tough economy, High Potentials have opportunities**
- **Recent survey** of over 16,000 US workers showed that 47% of High Performers are actively looking for new jobs (compared to 18% of low performers and 25% of middle performers)**
- **Our research shows that High Potential employees crave:**
 - Recognition
 - Respect
 - Opportunities
 - Rewards
- **To ensure you do not lose High Performers and Potentials during tough times, consider developing a targeted Retention Strategy.**

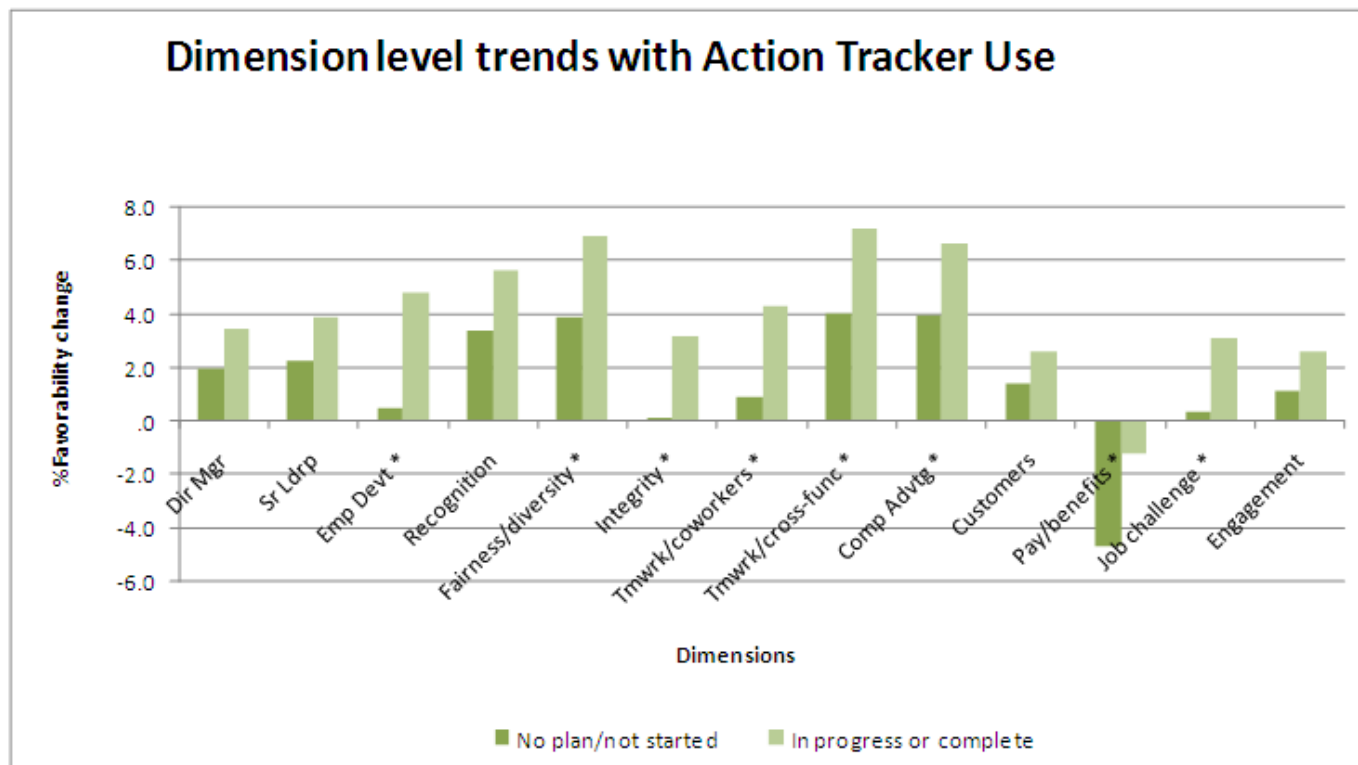
HiPo Retention Strategies During Tough Times

1. **Ensure High Performers are not bearing the brunt of pressure and overloaded with work. If so, they may burn out or go somewhere else.**
2. **Ensure High Performers are receive the Respect and Recognition they deserve.**
3. **Clarify Career Paths. Ensure High Performers understand what their next job could be and how they can build a career at your organization.**
4. **Ensure High Performers are taking advantage of training and development opportunities. Consider increasing mentoring or coaching opportunities.**
5. **Consider providing High Performers with Special Projects to meet their Achievement needs and help the organization succeed.**
6. **Be on the lookout for emergent HIPOs. During challenging times, other employees may emerge as future stars.**

One Last Thing to Remember: Continue Engagement Actioning

■ Amidst recession

- Managers using on-line action plans: +4%
- Managers not using action plans: +1% improvement
- Pay/benefits –Decreases observed for everyone
- However, they were significantly lower for those using on-line action plans



Planning for a Brighter Future: Are Your Strategies Aligned?

Aligning Your Business and People Strategy

- 1. What is your organization's business plan for emerging from recession?**
 - Top 3 business initiatives for next 18 months?

- 2. What kinds of organizational environment will you need to achieve these initiatives**
 - Climate for Service? Innovation? Efficiency? Collaboration?

- 3. Do you have the right people in place to create this environment?**
 - Leaders
 - Employees
 - High Potentials

- 4. Are your employees...**
 - Clear on what strategy is?
 - Motivated to pursue it?
 - In need of training/support?

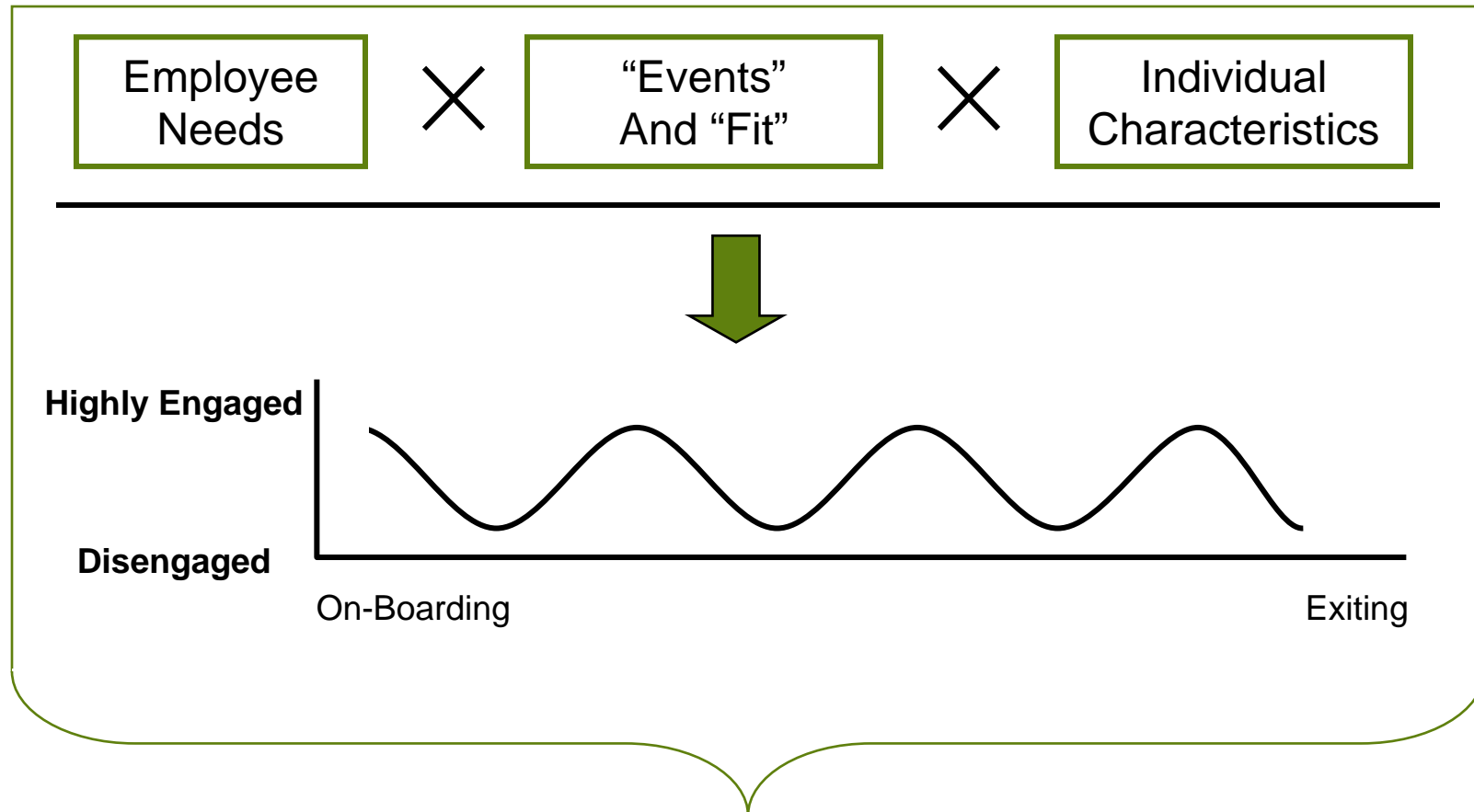
- 5. What practical limitations do you face from an HR perspective?**

Planning for a Different Future: Do You have the Right EVP in Place?

Beyond Long Hours & The Quest for Cash: A Different Kind of Work World?

- Increased Desire for Flexibility & Autonomy**
- From Health Care Benefits to Wellness**
- Importance of Corporate Social Responsibility**
- Importance of Service and Meaningfulness**

Preparing to Thrive: Understanding the Employee Life Cycle



Research findings will Inform the Prescriptions around:

Cultural Practices

HR Practices

Managerial Practices

In Sum...

- **The Business Environment is in flux**
 - **Organizations need a transition strategy that**
 - Heals the past
 - Plans for the future
 - Builds hope now
 - **Healing past traumas requires**
 - Assessment
 - Analysis
 - Actioning
 - **Building hope now requires**
 - Leadership
 - Communication
 - Future opportunities
 - **Planning for the future requires**
 - Coordination between business & people strategy
 - Possibly a new EVP
- **Where is your organization now?**
 - Surviving
 - Transitioning
 - Thriving
 - **What are the major challenges your organization is currently facing, both from a business perspective and a people perspective?**
 - **What has your organization learned from the recession?**
 - **What did you learn today that you can implement?**
 - **What new tools and insights do you need?**

Sirota Tools for Maintaining Employee Engagement During Recession

Restructuring Impact Survey	<ul style="list-style-type: none"> Assesses how cut backs and other changes affect employee engagement and perceptions of key service delivery indicators
Manager Engagement (Lynchpin) Survey	<ul style="list-style-type: none"> Focuses on the attitudes of a key group as a proxy for surveying the entire workforce; provides a cost-effective way to manage risks while driving growth
Illuminate!	<ul style="list-style-type: none"> Baseline employee engagement survey designed for organizations new to survey research
Organizational Resiliency Analysis	<ul style="list-style-type: none"> In-depth analysis of existing survey data focused on determining the level of resiliency that exists within an organization Helps organizations pinpoint actioning opportunities quickly
Advanced SORT	<ul style="list-style-type: none"> Advanced tool to focus senior leaders on key themes that cut across multiple surveys
Action Accelerator	<ul style="list-style-type: none"> Next generation of Action Tracker - managers can link directly from survey report to action plan; features an online “look-up” of best practices based on successful actions of others at client and elsewhere