Harvard Business Review
ANALYTIC SERVICES

PULSE SURVEY

A Winning Approach to Employee Success

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In 2020, the business community was gripped by a confluence of crises. A global pandemic, civil unrest, an economic crash, and a forced transformation to remote work caused chaos and uncertainty for many workplaces around the globe.

But an interesting thing happened.

After a decade of economic expansion—the longest in history—the employee engagement levels of U.S. workers spiked. It's true. According to a Quantum Workplace study (and many other sources), the collective will of employees to advocate for their employers, to give discretionary effort, and to stay with their employers all topped out at new highs.

The retention aspect is predictable—an economic crisis isn't an ideal time to be shopping around for a new job. But the elevated levels of advocacy and discretionary effort should silence the last remaining skeptics who thought engagement was a vanity metric and a lagging indicator of financial success.

Employee performance, on the other hand, has gained traction quickly in its connection to business outcomes. We know that high performers help teams meet goals and businesses get results. That's why attracting, developing, and retaining top talent are critical. It's why we've seen a wave of modernized performance management processes that help leaders understand, track, and maximize employee performance.

Both engagement and performance are invaluable to businesses. But for too long, too many organizations have seen these two important inputs as competing—or at the very least as mutually exclusive.

To turn culture into an unfair advantage, a new generation of talent leaders are merging engagement and performance. Together, these concepts drive employee success. They create a crescendo of individual and team pursuit. When engagement and performance are tethered together, goals and priorities are clear, managers are more agile to change, relationships are stronger, and organizational success is scripted rather than accidental.

Talent initiatives tend to be short experiments if they don't deliver ROI. But the standard of ROI shouldn't scare talent leaders. In fact, the more closely you tie engagement and performance outcomes, the easier ROI is to demonstrate. When performance is measured and discussed continuously, it builds engagement. And when engagement is monitored continuously, it motivates performance.

We partnered with Harvard Business Review Analytic Services to scrutinize this idea. Using empirical data and detailed interviews with HR and C-suite leaders, this research project weaves together two previously distinct practices among organizations. And it confirms an idea that will shape the next several economic cycles: businesses that integrate employee engagement and employee performance initiatives will create durable cultures that win.

Employee success has become the most important executive key performance indicators. And category leaders will be the businesses that best integrate employee engagement initiatives with employee performance measures.

Learn how Quantum Workplace can help you realize employee, team, and business success at quantumworkplace.com/success.

A Winning Approach to Employee Success

Talent-minded organizations recognize that increasing employee engagement can improve how well their workers perform in their jobs and, consequently, bolster the results of their business. Discretionary effort, or going above and beyond the basic requirements of the job, kicks in and increases productivity and even quality, as long as it's channeled in the right direction. "There are good business reasons for focusing on employee engagement," says Julie Cummings, managing director and chief human resources officer at BKD, a national CPA and advisory firm that provides audit, tax, and consulting services to its clients. "When we have more highly engaged employees, discretionary effort increases."

The benefits of this at BKD are significant. "Engaged employees become better advisors to clients," Cummings says. The company has seen a direct correlation between employee engagement scores and the results of surveys that measure client satisfaction and experience.

Cummings is not alone in seeing engagement as a means to better performance. Eighty-one percent of the 984 business executives responding to a recent survey by Harvard Business Review Analytic Services strongly agree that highly engaged employees perform better and are more productive than employees with average or low engagement. However, only 37% strongly agree that employee engagement (EE) is a significant area of focus for their organization today. This disconnect exists even though nearly two-thirds (63%) of respondents say that their organizations have revamped their approach to performance management (PM) within the past two years.

HIGHLIGHTS

81% of respondents strongly agree that highly engaged employees **perform better.**

72% strongly agree that organizations with highly engaged employees have **happy customers.**

37% strongly agree that employee engagement is a **significant area of focus** for their own organization today.

More than half of respondents say the primary business goals for their investments in employee success are to improve productivity and retention (53% and 52%, respectively). But only around a third have actually achieved these goals.

Tying EE to performance as a practice is essential, especially as companies continue to manage dispersed workforces and many increase the percentage of employees who work from home on a more regular basis. Done in a vacuum, increasing engagement adds little value, according to Peter Cappelli, George W. Taylor professor of management and director of the center for human resources at The Wharton School of Business at the University of Pennsylvania. “Engagement as a measure doesn’t tell you what the problem is that needs to be solved,” he says. “You could pump it up and still not see better job performance.” The most effective organizations bring the two disciplines together so they reinforce each other, with channeled engagement improving performance and better performance increasing engagement.

“The two feed on each other,” says Heather Whiteman, who teaches people analytics at the Haas School of Business at the University of California, Berkeley, and is the former head of people strategy, analytics, digital learning, and HR operations at GE Digital. “It’s cyclical, and that needs to be represented in the way that we work.”

If respondents believe that engaged employees perform better, and so many have revamped their PM efforts in recent years, why is there still so little focus on EE today? Our research uncovered conflicts between EE and PM endeavors in many organizations. This report identifies ways to work out those conflicts and shows how some organizations are using an engaged approach to performance management to achieve their corporate goals.

Performance Management Lacks Consistency

Performance management has only recently come back to the forefront. Of the organizations surveyed that have updated their PM approach within the past two years, 24% have done so as recently as the past six months, and another 22% have done so in the past year. Only 27% say it’s been over two years since they’ve updated their PM approach, and 10% don’t know.

These updates were necessary, says Whiteman. “Many companies basically dropped performance management in favor of employee engagement,” she says. “Rather than fix the performance management process to enhance engagement, they dropped the evidence-based approach altogether. They assumed measurement was to blame for poor engagement, when, in fact, it was the failure to integrate performance management and engagement best practices.” Now the pendulum appears to be swinging back. A majority of respondents (61%) say their company aligns individual employee performance goals to team and/or organization goals, and nearly half (46%) use some form of rating/ranking in their PM process.

The return to more metrics-based performance management doesn’t mean abandoning engagement programs, however. In fact, quite the opposite is true. “Some of those [engagement] tools had great logic behind them,” says Whiteman. “They were around continuous feedback and listening and two-way communication—awesome stuff. But what ended up happening was this employee listening and employee engagement became very optional. It left a hole where many people were not getting any feedback.”

There’s still plenty of work to be done with PM processes. The survey reveals a lack of consistency in the use of tools to assess employee performance, with only 45% of respondents saying their organizations use consistent tools across their business. Less than a third (31%) incorporate metrics to identify high performance in individual employees based on their role. “Business and HR leadership have really felt the negative impact of not having an objective, even if flawed, way of understanding who their good performers are and being able to match that to outcomes,” Whiteman says.

The Business Case for Frequent Check-Ins

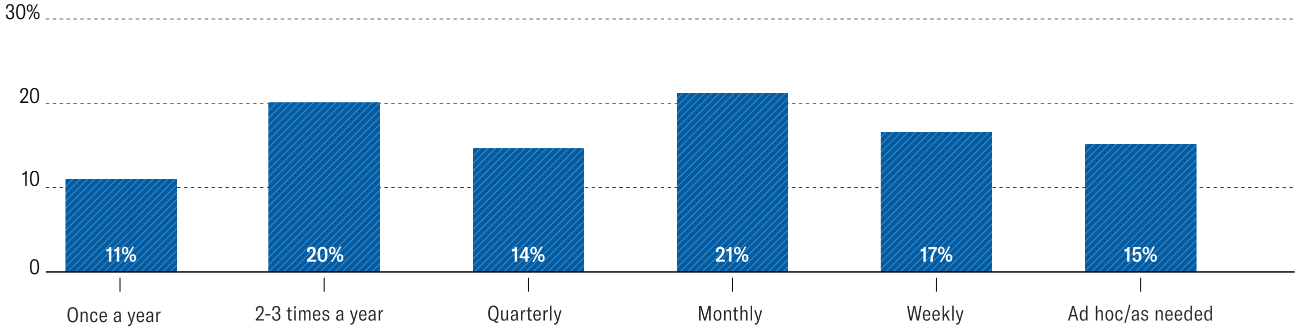
While organizations are clearly moving away from stand-alone annual performance reviews, expectations for how often managers discuss priorities, performance, and development with individual employees vary greatly. Only 11% say managers are expected to connect with individual employees just once a year. **FIGURE 1** Twenty percent say managers are expected to have such conversations two to three times a year, while 14% say these should take place quarterly, 21% say monthly, and 17% say weekly. Fifteen percent have no defined expectations, with such meetings happening on an ad hoc or as-needed basis.

More frequent check-ins are a great way for managers to engage their employees, set short-term goals, and adjust course as conditions change. Valet Living, which offers home waste pickup, cleaning services, fitness programs, concierge

FIGURE 1

Frequency of Performance Conversations

The stand-alone annual performance review is becoming a thing of the past.



Source: Harvard Business Review Analytic Services Survey, April 2020

services, and more to apartment complexes and property management companies, shifted to monthly check-ins with its 700 full-time associates three years ago. (Its 6,000 part-time workers participate in frequent pulse surveys and the annual engagement survey, as well.)

"We evaluate performance over 30-day periods," says Nicole Davies, vice president of talent optimization at Valet Living. "We do monthly conversations at the beginning of the month that focus on near-term goal setting, and we keep them very simple. It's a couple of written questions that lead to a conversation between manager and associate about the things that are important for both. And we ask lots of questions around engagement and really try to create a conversation that goes both ways."

Not only are associates given clear instruction on how they can succeed at work, but they can also raise questions and concerns, talk about how they feel about the work they're doing, and let their manager know what they need to be most effective in their role. "That has been a huge shift for us," says Davies. "Managers are having intentional performance conversations every single month." Built into the process is the message to associates that they matter, Davies says. It's a two-way conversation about what success looks like for that employee's specific role.

This approach proved its value during the coronavirus pandemic in 2020, when client needs changed radically overnight. Even though Valet Living workers were deemed "essential" (one of their core services is trash pickup), demand for some of the company's services (pet walking and in-home cleanings, for example) dropped dramatically during the stay-at-home directives. To compensate, working closely with managers and associates, it quickly shifted some of its workforce to running errands and contactless package delivery—services that surged in demand as customers sought to limit their trips to pick up groceries, prescriptions, or meals. Making this strategic shift effectively and safely was only possible because of the close connection the company has with its employees, despite them being spread across the country.

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Linking Engagement and Performance

The link between engagement, productivity, and performance may be most apparent in the area of customer satisfaction. Almost all respondents (92%) agree that organizations with highly engaged employees have happy customers, with 72% in strong agreement. "Think about it from a business perspective," says the Haas School's Whiteman. "Engagement equals discretionary effort, which equals higher business outcomes for the same amount of dollars. It is ROI at its finest—and the best possible return on investment for your human capital. And that is incredibly powerful."

Achieving that ROI, however, requires linking EE and PM in a meaningful way. This may help explain why such a high percentage of respondents agree about how important highly engaged workers are but why a much lower percentage say it's a significant area of focus for their organizations today. At accounting firm BKD, not only is engagement "really core to our business," says Cummings, but connecting employee engagement and PM is "absolutely fundamental" to sustaining a client-focused culture. "We build our performance programs by listening to the feedback and themes gathered through our annual engagement survey and other feedback tools, and creating action plans to support improvement. We've identified a direct link between employee performance and engagement."

Such integration appears to be the exception to the rule. Thirty-nine percent of respondents say that results from engagement surveys are evaluated and acted upon independently of their PM process, and 15% have aligned their EE and PM efforts only at the group or department level. Only 21% have fully integrated EE into the PM process at both the group and individual levels.

When performance is managed without regard to engagement, it can lead to a misapprehension of what good performance is, Whiteman cautions. "There is a lot of emphasis right now on tracking employees' productivity, and people are starting to confuse the notion of productivity with performance," she says. "Productivity is an output measure. Performance is an outcome measure .... It is evaluative, it's subjective, and it's aligned with business goals." Productivity that is driven without regard to engagement, Whiteman continues, "is cranking out the hours. That person who's not engaged will get burned out and quit."

At many companies, stand-alone information systems for EE and PM exacerbate the problem. A third of respondents (32%) say that the disconnect between these systems is one of the greatest barriers to getting business value from their company's investments in EE. Wharton's Cappelli goes further, saying most companies "don't have good measures of individual job performance. Databases don't connect easily to each other, and HR doesn't have the staff to do it."

Valet Living's system is designed for written comments to be entered by both the associate and the manager prior to their monthly conversation, according to Davies. Once the conversation takes place, either party can go in and add remarks or finalize the conversation so that it becomes a new chapter in the employee's "performance storybook."

The storybook includes quantitative trend data around performance, potential, and retention risk (this data is accessible by the manager, company leaders, and HR), as well as the qualitative data driven from the monthly conversations between the manager and associate, Davies says.

Managers Need Help to Deliver Results

Managers are a crucial link in using engagement to improve performance, but a somewhat weak one. Only half of respondents agree that managers in their organization have productive conversations with their teams about their engagement survey results (17% strongly agree, and 33% somewhat agree). Compounding the problem is the fact that only 22% strongly agree that managers have a clear understanding of what high performance looks like for their direct reports' roles.

Not having managers more involved in the effort to increase performance through engagement is a serious problem. Forty-two percent of respondents say that managers' lack of knowledge about how to have effective development conversations with employees is one of the greatest barriers to getting business value from their organization's investments in EE. This managerial shortcoming was cited by more survey takers than any other barrier. **FIGURE 2**

To address this pressing need, BKD has created a template for managers' one-on-one conversations with their teams. This script includes five questions for the team member to answer and five for the manager. It's designed to be brief, using bulleted points. "It's more of an outline to drive the conversation rather than a tool to document everything you know and avoid the need to talk," Cummings says. "The purpose is not to complete the form but to guide the conversation."

BKD uses pulse surveys and focus groups to track how managers are doing. These data collection forums uncovered "a need to train managers on using BKD's performance tools, as well as on best practices for having coaching conversations and offering feedback."

These efforts also revealed that some managers were not regularly holding one-on-one conversations with their employees or responding to requests for feedback. As a result, the company is now building in accountability measures for managers as it redesigns manager training and resources.

With managers at the heart of companies' efforts to improve performance and engagement, it is important to both support managers and hold them accountable. Currently less than a third of survey respondents (31%) say their organization ties managers' financial incentives to their team's and/or organization's performance. Only a quarter (25%) take team engagement into account as a factor in managers' performance evaluations. **FIGURE 3**

To make good decisions and help employees improve, managers also need access to current, relevant data about the people they manage. "The biggest challenge is they don't have measures of job performance that they trust," Wharton's Cappelli says. Indeed, 40% of respondents say that they do not have access to all the data they need as a manager or leader to understand what motivates and engages their employees.

> "We build our performance programs by listening to the feedback and themes gathered through our annual engagement survey and other feedback tools, and creating action plans to support improvement. We've identified a direct link between employee performance and engagement," says Julie Cummings, managing director and chief human resources officer at BKD.

FIGURE 2

Barriers to Getting Value

Managers need better tools and training to make investments in engagement pay.

EE = EMPLOYEE ENGAGEMENT PM = PERFORMANCE MANAGEMENT

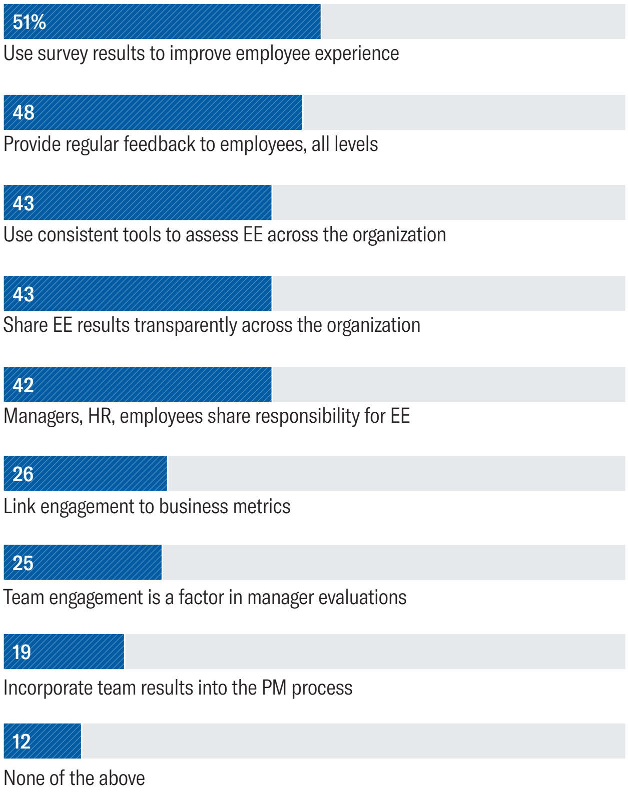
Source: Harvard Business Review Analytic Services Survey, April 2020

FIGURE 3

Employee Engagement Practices

Companies use a range of practices to get value from employee engagement investments.

EE = EMPLOYEE ENGAGEMENT PM = PERFORMANCE MANAGEMENT



Source: Harvard Business Review Analytic Services Survey, April 2020

56%

of respondents say their organization has achieved positive ROI from its investments in employee engagement.

Of course, employee success does not rest solely on managers' shoulders. Forty-two percent of survey takers say that managers, HR professionals, and employees share responsibility for employee engagement at their organization. But a third (32%) say that one of the greatest barriers to getting business value from EE is that employees don't feel ownership of their own development, performance, and engagement. Companies like BKD and Valet Living are betting that their process of more regular two-way conversations with employees about goals and outcomes will increase employees' sense of ownership of their own development and careers. A key goal at BKD is to "instill a culture where employees are initiating that process," Cummings says, "where they ask for feedback and create meaningful goals."

Producing Results from Investments in Employee Success

Providing a culture where employees can be self-starters and take the initiative isn't just an altruistic pursuit. It's an investment in the organization ultimately meeting its financial and operational targets. "The goal is do we have the capabilities and the skills to deliver on our business objectives," Whiteman says. "That's the question of performance management."

The primary business goals for organizations' investments in employee engagement, development, and performance management are productivity and retention, both chosen as a top goal by more than half of respondents (53% and 52%, respectively). **FIGURE 4** However, many respondents say their organizations have yet to realize those goals, with only 31% saying they've actually improved productivity as a direct result of the organization's investments in employee success, and only 36% saying they've improved retention.

"People data is harder than every other type of data out there," says Whiteman. "Dollars are easy. Quantifying manufacturing outputs is easy. Supply chain ... that math is easy. People are hard, because they have uncontrollable variables that you can never, ever account for." These uncontrollable variables include anything from an employee's health to whether he or she had an accident on the way into work to someone having a bad morning at home. Talent-savvy leaders focus on the combination of quantitative and qualitative data that links organizational goals to the work of managers and employees.

Despite the absence of perfect evidence, respondents have confidence in the business value of employee engagement. More than half (56%) agree their organization has achieved positive ROI from its investments in employee engagement, with 25% in strong agreement and 31% saying they somewhat agree. Valet Living specifically tracks employees' performance impact, growth potential, and retention risk. As a result, the company is now poised to pay for performance rather than just issuing blanket increases as it had done in the past when it lacked that information.

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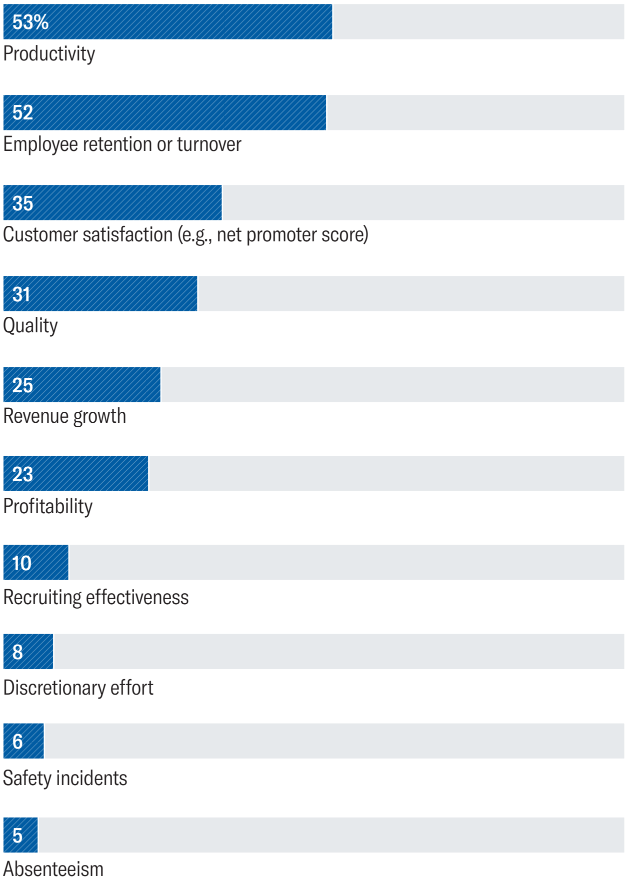
FIGURE 4

Business Goals of Employee Success Efforts

Companies seek different outcomes from their employee-success efforts.



Source: Harvard Business Review Analytic Services Survey, April 2020

Data from this survey suggests that getting full value will require providing more support and better incentives for managers, better and more consistent tools and data, and the right metrics to gauge the impact on the business's bottom line.

The Future of Work and Performance Management

Organizations are changing their approach and recognize the important role that engagement plays in improving both individual and team performance. They understand the positive effect the integration of these two previously disconnected activities can have on a variety of important business metrics, from productivity to customer satisfaction to quality and growth. "Engagement drives performance, and our performance programs reinforce engagement," Cummings says.

But an execution gap remains, since many organizations are still finding their way to capitalize on EE and PM. Data from this survey suggests that getting full value will require providing more support and better incentives for managers, better and more consistent tools and data, and the right metrics to gauge the impact on the business's bottom line.

The coronavirus lockdowns of 2020 will have a lasting effect on how work will be done, with much more of it likely to be handled remotely. Whiteman views the pandemic experience as a real reset, not just a temporary condition. As the lockdowns extended from weeks into months, "too many decisions were made, too much time was spent working in a new way and with a new focus," she says. "Very few companies will just go back to business as usual, because they've had too much time now to reset the way people think about work."

Moving forward, each business will have to adjust to changing conditions in its own way. For many, that includes changing their approach to engagement and performance management. To ensure they are getting the highest return from their investments in human capital will require stronger connections between business goals, managers, and individual employees, and greater visibility into what changes need to be made on the ground.

"We're using the voice of the associates to help us to think through, 'Do we need to evolve?'" Davies says. "Do we continue to do things the same way? Well, probably not. So, what's new and different, and how do we take their voices and commingle those with the needs of the client and the needs of the business to create something that's going to work for us in the future?"

Answering that question will require EE and PM efforts to evolve, too. After all, the situations ahead will require new bonds between organizations and their employees. More engagement will be needed to produce better performance.

METHODOLOGY AND PARTICIPANT PROFILE

A total of 984 respondents drawn from the HBR audience of readers (magazine/enewsletter readers, customers, HBR.org users) completed the survey.

Size of Organization

22%
10,000 or more employees

24%
1,000 – 9,999 employees

29%
100 – 999 employees

25%
Fewer than 100 employees

Seniority

25%
Executive management/board members

36%
Senior management

30%
Middle management

7%
Other grades

Key Industry Sectors

11%
Government/not-for-profit

10%
Technology

9%
Financial services

9%
Business/professional services

9%
Manufacturing

9%
Education

8%
Consulting services

All other sectors less than 8% each

Job Function

21%
General/executive management

16%
HR/training

9%
Consulting

8%
Sales/business development

All other functions less than 8% each

Regions

46%
North America

19%
Europe

19%
Asia Pacific

5%
Middle East/Africa

8%
Latin America

3%
Other

Figures may not add up to 100% due to rounding.

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