

Maximize your impact: A scientific approach to improving employee engagement

One of the most effective approaches to any employee engagement program is pinpointing the most impactful measures—or key drivers. Calculating these measures and incorporating them into an action plan will result in more meaningful improvements in employee engagement—directly impacting the customer experience and ultimately driving your bottom line. In this white paper, we'll discuss SMG's key driver analysis, explain how that information drives reporting, and provide evidence of success with these best practices to maximize employee engagement for impactful change to your program.



Where to begin

Employee engagement is the cornerstone of a successful business, with a direct impact on turnover, customer satisfaction, and comp sales. SMG was founded on the principles of *The Service Profit Chain*: engaged employees drive highly satisfied, loyal customers who visit more often, spend more when they visit, and recommend your brand to others (Heskett, Sasser, & Schlesinger, 1997).

Given the benefits, high engagement is a goal for most employers, but where to start? Is it rolling out a new recognition program? Sending all managers to extensive training? Is there a benefit to purchasing new equipment?

While these could be helpful tactics in the long run, this isn't where you should begin. The initial focus should be on what has the biggest *impact* on employees. By defining these key drivers, you can determine a calculated approach to employee engagement, resulting in a more impactful change.

Though it might seem logical to simply focus on the lowest-performing area from the most recent employee survey, this method does not account for each area's importance in driving employee engagement. All aspects of the workplace have some impact on engagement, but understanding which one is most influential is key for driving change.

What carries the most weight?

By asking employees to rate various aspects of the workplace—including teamwork, managerial support, recognition, empowerment, and growth opportunities—employers can focus on what matters most. SMG calls these measures our drivers of engagement. An example driver measure is, "I receive recognition for the work I do."

We use a relative weights model to determine which measures are most influential (or key drivers) for driving engagement. The relative weights methodology accounts for each measure's unique contribution, as well as its contribution in relation to other measures (Krasikova, LeBreton, & Tonidandel, 2011). Why do we do this? Because we know many measures are related.

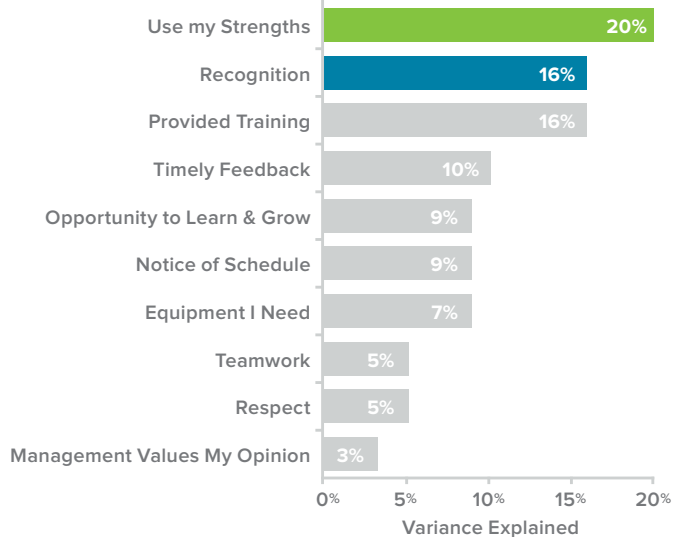
For example, we know managers who give their employees relevant feedback also tend to give recognition for a job well done. Therefore, we find a strong correlation between the two drivers, "My manager gives me timely feedback that helps me improve my performance" and "I have consistent opportunities to use my strengths."

The relative weights method uses the correlations between the drivers with engagement to determine what percentage of the explained variance (or how much weight) can be attributed to each driver (Johnson, 2000). It does this by performing two different regressions at the same time.

The output of the relative weights model provides percentages that represent the influence each measure has on engagement. In the model below, we see that Use My Strengths is twice as important in driving engagement as Timely Feedback. With these results, priorities are set and employers have a clear directive on where to focus to drive the biggest improvement.

FIGURE 1

Key driver results: What is having the biggest influence on employee engagement?



Focusing on the right measures

The next step is to determine each location's areas for focus (AFF)—specific measures that hold the most opportunity at the location level. Individual managers can create an action plan for improving employee engagement based on their designated AFFs. Keep in mind though—AFFs are not necessarily the lowest-scoring drivers. SMG's proprietary AFF formula takes into account the importance each measure has on driving engagement.

The AFF formula is set up to answer specific key questions. The first half of the formula answers, "How important is the performance measure in predicting engagement?" and "How are we doing across the system on this measure?" Performance measures with a large weight indicate the measure is more predictive of engagement than performance measures with a small weight. A large standard deviation indicates the performance of a measure

is more inconsistent across locations, while a small standard deviation indicates a measure is being performed similarly across locations.

The effect of weight and standard deviation is to:

- 1. Raise AFF scores on measures that are more predictive of engagement**
- 2. Lower AFF scores on measures where the standard deviation is large**

The second half of the formula answers, “How is the location doing on the performance measure?” The formula considers how well a location does on each measure compared to the company average and compared to its previous score.

The chart below illustrates a measure’s AFF score based on the location’s performance in that measure:



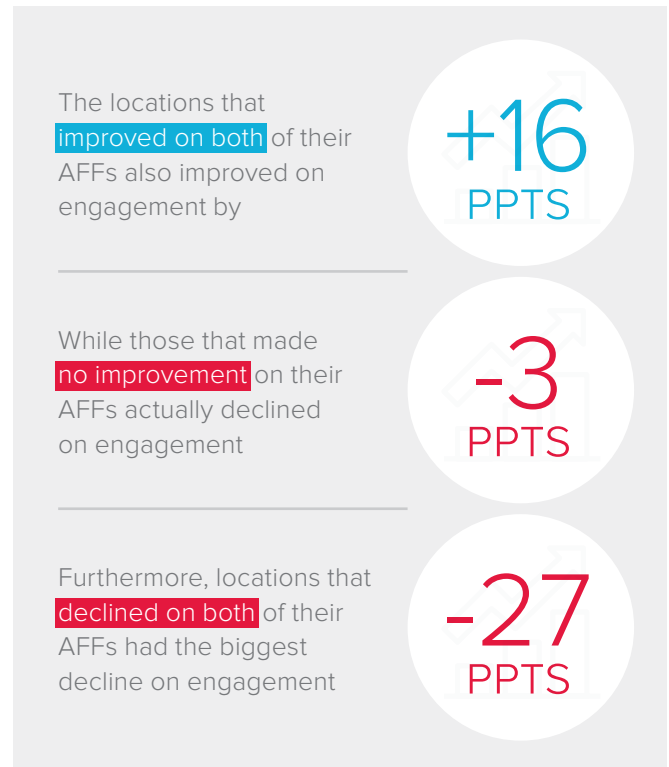
Calculating the difference between the current score and the previous score recognizes improvement on specific performance measures. Calculating the difference between current score and the company average recognizes higher performance compared to the company average.

By defining these AFFs, a manager will have a clearer, more measurable goal for driving employee engagement and making improvements to the program.

Putting insight into action

Some researchers criticize any use of key driver analysis, stating that picking measures at random can yield similar validities as found in rigorous analyses (Cucina, Walmsley, Gast, Martin, & Curtin, 2017). However, we have found—across multiple brands in various industries—that when managers improve on their AFFs, they also improve on overall engagement.

Here is an example of one brand that assigned locations two AFFs based on their annual associate survey. Six months later, a pulse survey was administered to check in on the progress.



Further, from a practical application standpoint, providing guidance to managers on their AFFs will drive more action to improve results. Managers within our client organizations have revealed they want direction on where to focus, and providing scientific rigor as to how the areas were identified adds credibility. Conversely, a message of “your focus areas were randomly selected” only encourages more questions and doubts throughout the organization’s workforce.

Conclusion

As companies look to leverage their employee engagement data, prescriptive insights are increasingly important. With that information, brands are able to start taking action based on employee feedback. Focusing on key drivers and calculating a location's AFFs is a more effective and actionable method than simply looking at the lowest scores. The relative weights model identifies priorities on a location level and has a higher success in driving employee engagement and increasing customer satisfaction. ●

REFERENCES

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About SMG

SMG (Service Management Group) partners with more than 500 brands around the globe to create better customer and employee experiences, which drive loyalty and performance. SMG uniquely combines technology and insights to help clients listen better, act faster, and outperform the competition. Strategic solutions include omniCX™, Brand Research, and Employee Engagement. SMG evaluates 250 million surveys annually, across 130 countries.