The Thank God It's Monday Project 2015

Going to the source of employee engagement

AltusQ

We bring *passion* to strategy
& strategy to *passion*

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Preface

"I think most of us would have followed him into the gates of hell carrying suntan oil after that. It was the most impressive display of leadership that I have ever witnessed.[1]"

In 2008 Elon Musk's company SpaceX was trying to become the first private company to put a spacecraft into earth orbit. It was a huge gamble to even attempt something so audacious and they were trying to do it for a fraction of the cost of traditional rocketry. They had known from the beginning that they had the money for only 3 or (maybe) 4 launches. On August 2, after 6 years of 70 to 80-hour work weeks and relentless effort they attempted launch number 3 and failed for their 3rd time. Things were looking grim.

Immediately after the explosion Elon Musk walked right past all the waiting media and spoke directly to his staff. In essence he re-stated the company's vision, why it mattered, and why he was completely sure they would be able to achieve it. The quote above is from one of the staff present that day. They went straight to work on finding and fixing whatever was wrong and seven weeks later on September 28 (an astonishingly short turn around in the space business) they launched again and succeeded.

It's an inspiring story but what is particularly interesting is that Elon Musk is a famously difficult boss who pushes people to extreme limits[2].

"…absolutely no one likes working with Elon. You can always tell when someone's left an Elon meeting: they're defeated. These are some of the hardest working and brightest people in the world, mind you. And they are universally defeated."

"If you believe that a task should take a year then Elon wants it done in a week. He won't hesitate to throw out six months of work because it's not pretty enough or it's not "badass" enough. But in so doing he doesn't change the schedule"...Musk's leadership is, *"best compared to a master who berates and smacks his dog for not being able to read his mind."*

Musk likes to say he pushes his team so hard that they feel like they are *"staring into the abyss."*

"…if you work for Elon you have to accept the discomfort. But in that discomfort is the kind of growth you can't get anywhere else, and worth every ounce of blood and sweat."

It would be fair to say that Elon Musk's approach to employee engagement is unconventional. If SpaceX has ever hired employee engagement consultants it seems unlikely they've ever listened to them. And yet they collectively achieved the seemingly impossible.

What gives?

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[1] https://www.quora.com/What-is-it-like-to-work-with-Elon-Musk

[2] http://www.businessinsider.com.au/what-its-like-to-work-for-elon-musk-2014-6

About the Thank God It's Monday project

Thank God It's Monday (TGIM) is a research project, now in its fifth year, aimed at uncovering just what it takes to create a business that employees <u>love</u> to work for.

Why are we doing this? Because:

> *"Engaged employees are energized, proud, enthusiastic, and have positive attitudes at work. Companies whose employees are engaged show higher returns on assets, are more profitable, and yield nearly twice the value to their shareholders compared to companies characterized by low employee engagement."*

<div align="right">Leadership: You're doing it wrong – Hogan 2012</div>

And yet:

> *"[a] survey last year found that almost 90 percent of workers were either 'not engaged' with or 'actively disengaged' from their jobs. Think about that: Nine out of 10 workers spend half their waking lives doing things they don't really want to do in places they don't particularly want to be."*

<div align="right">New York Times, Aug.28, 2015</div>

Employee Engagement as a concept worthy of attention from consultants and HR departments has been around for at least 15 years now. We know it matters, but clearly we have yet to reliably identify what causes it.

The point of TGIM has been to find real-world evidence of the source of employee engagement.

What is engagement?

The Corporate Leadership Council defines employee engagement as:

> "The extent to which employees commit both **rationally** and **emotionally**—to something or someone in their organization, how hard they work, and how long they stay as a result of that commitment."

While this definition references both rational and emotional aspects it is important to understand that emotional engagement is something like four times as powerful as rational engagement. To put it another way, *feeling trumps thinking*.

Emotional engagement
4 x more powerful than rational engagement
Corporate Leadership Council
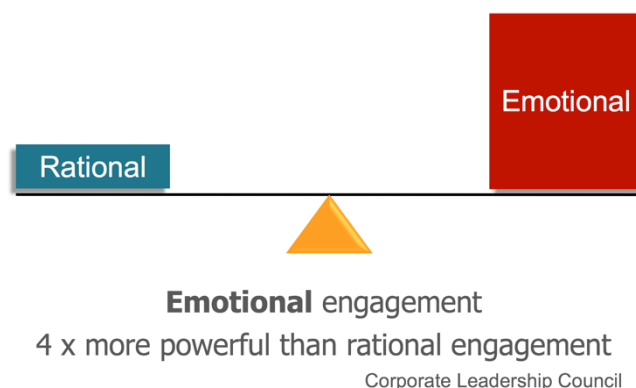
Why do companies care about engagement?

In a study of 50,000 employees worldwide the Corporate Leadership Council found[3]:

- Engaged companies grow profits as much as 3X faster than their competitors
- Highly engaged employees are 87 percent less likely to leave the organization.

The engagement mix

The differing levels of engagement experienced by employees show up as four broad categories:

- **Stayers** are content to hang around but will only do the minimum required to keep their jobs. They are comfortable but don't *care*.
- **Underminers** are actively dissatisfied and willing to drag others down with them.
- **Achievers** are driven individuals who will do well anywhere, but who feel no particular commitment to their current employer.
- **True Believers** are individuals who care both about what they do and where they do it.

Employee engagement programs aim to attract more True Believers to join the organisation and to move people in the other three quadrants in the direction of the upper right quadrant. Less frequently acknowledged, but still important, is the desirability of encouraging left-and-low quadrant individuals to leave the business if they're unable to change.

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[3] Corporate Leadership Council: Driving Performance and Retention Through Employee Engagement - http://www.usc.edu/programs/cwfl/assets/pdf/Employee engagement.pdf

Leading indicators for engagement

A common method for measuring engagement is the "engagement survey" that asks employees a (often extensive) set of questions to establish an overall "engagement score" expressed as a percentage. Many businesses pay close attention to this metric and build their employee engagement programs around attempting to increase their score.

With TGIM we initially took a step back to ask, "so what aspects of an organisation's capabilities are predictive of a rising engagement score?" In other words, if an organisation was, or was not, doing specific things could this be predictive of rising, or falling, engagement in the near future?

We identified a set of 20 distinct organizational skills that we thought could impact on engagement. Then over multiple years we surveyed thousands of organisations to establish their broad capability at each skill. Each organisation's overall capability was distilled to a single "organizational skillset" value. One of the first and most striking of the outcomes of the TGIM research was that we found a strong and consistent correlation between organizational skillset employee engagement scores.

At a practical level the key benefit of all this research was to that it could provide much greater clarity to organisations trying to lift their engagement scores. Instead of trial-and-error organisations can now identify their specific skillset weaknesses and focus their efforts where they can do the most good.

Organisational skillset

The 20 core engagement skills are summarized below. To derive a skillset score simply give your organisation a score from 0 to 5 for each skill using the following scale:

0 = Nothing exists around this area in my organisation
1 = Leadership has a vision in this area (but that's all)
2 = We have a plan (but it hasn't been fully implemented/communicated yet)
3 = We're part way there (but we've got more to do)
4 = The plan is working (and most people are aware that it's working)
5 = The plan is fully integrated and accepted as "the way we do things here".

Organisational Skillset Questionnaire

| Capability	Your rating
Purpose: We exist for an inspiring reason.	
Culture: There's something special about working here that employees value.	
Commercial vision: We know what we're going to do to succeed.	
Innovation: We can create our own future, not just react to others.	
Brand & brand energy: We communicate our purpose, culture and vision to the world. People (both potential customers and potential employees) are attracted by what they see.	
Managing capacity & workload: We can consistently deliver quality outcomes without drama.	
Functional structure, resource allocation & processes: There is clarity about what needs to be done, who needs to do it and how it should be done. Things don't fall through the cracks.	
Key Performance Indicators (KPI's): Employees are clear about what they have to do to succeed in their assigned roles.	
Reward & Recognition program: Successes, individual and collective, are publicly celebrated.	
Communication: Knowledge that needs to be shared is shared, in a clear and timely manner.	
Coaching: Our leaders know how to coach. They don't just tell.	
Expectations & expectation management: Our leaders actively set, manage and reset expectations.	
Work/Life balance: We take active steps to ensure that employees have the opportunity to have a vibrant and fulfilling life outside of work.	
Compensation & Benefits: Remuneration is not, and will not become, a negative for our employees.	
Recruitment: We deliberately, and successfully, hire people who "fit" into our organisation's culture.	
Onboarding: The settling in period for new employees is smooth, low-stress and quickly productive.	
Performance management: Our leaders have the skill and courage to tackle hard conversations with employees when required. They know how to do this positively and creatively.	
Developing people: Employees know that working here will make them "better".	
Decision making: We consistently take clear and decisive action that is explicitly aligned with our purpose and vision.	
Effective meetings: We train our people to meet effectively. Our meetings are consistently seen as opportunities to make valuable progress.	
Total score:	

Connecting skillset and engagement

Over years of surveys and thousands of responses we can confidently say that businesses with strong organisational skillsets tend to have higher engagement scores:

Organisations with these skillset scores:	Typically have these engagement % scores:
In the 70's	80+
In the 60's	60-80
In the 50's	40-60
In the 40's / low 50's	Below 40

Some skills matter more than others

The organisations we surveyed that had particularly high engagement scores tended to pay particular attention to a smaller set of skills. At a high level it is clear that it pays to have a clear purpose and a strong culture. Operationally things like performance management, recruitment, KPIS's and reward/recognition programs all seem to matter more than most.

For a more thorough look at organizational skillset we recommend taking a look at our earlier Engagement Capability Reports, which you can download from our website:
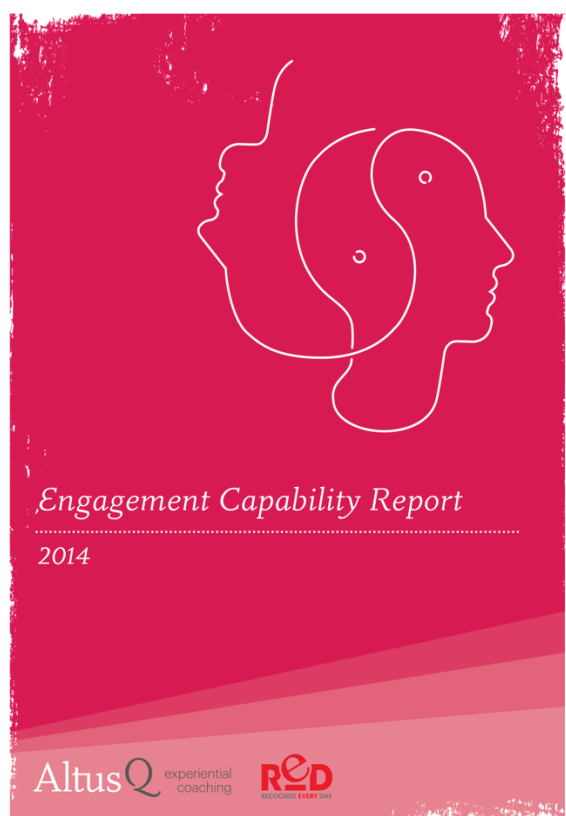
However…

While employee engagement is intuitively a good and desirable thing we need to talk about some awkward truths.

① Spending on employee engagement is now on the order of $1 billion annually in the USA alone, yet there is very little hard evidence of positive results from this spend. You would expect organisations that improve their engagement scores to then improve on other objective measures of performance – yet research showing such a relationship remains very difficult to find. Is it possible that we're not measuring the right things[4]?

② It is arguable that conventional employee engagement initiatives may make "stayers" happier while struggling to make a difference for "achievers". Perhaps this would help explain the ROI gap at businesses that believe they have raised their overall engagement levels? A business where the stayers are content and the achievers have left could end up going backwards even while their engagement scores go up.

③ Correlation is not causation. Do companies with highly engaged employees tend to succeed or are successful companies just more engaging to work for? Or is it possible that a third factor causes both? When you look closely the research is equivocal at best.

④ At the same time that many companies are claiming high (>80%) and improving employee engagement scores independent surveys consistently report strikingly low engagement levels in the broader workforce.

According to a recent Gallup poll:

- Only 30% of workers are engaged
- Only 35% of **managers** are engaged
- 51% of **managers** are not engaged
- 14% are actively disengaged.

To put it another way, after years of widespread focus on employee engagement two out of three employees are still functionally zombies - and this is not surprising because half of them are being **led** by zombies (even if they pretend otherwise to keep their paycheck).

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[4] Another important question is, "are we measuring things the right way?" Long-winded surveys seem archaic in the era of apps and big data.

Are we looking in the right places?

We started the TGIM project looking for "leading indicators" of engagement – organizational characteristics (skills) that, if present, augured well for improving engagement levels. We have found this to be a useful and practical approach but we have come to recognise that organizational skillset is in turn strongly predicted by another layer.

Leadership mindset is the leading, leading indicator

What we mean by "leadership mindset" is the internal mental framework that leaders use to interpret, and respond to, their environment and experiences.

As organizational skillset predicts engagement leadership mindset predicts both – how leaders *think* powerfully influences how employees *feel*.
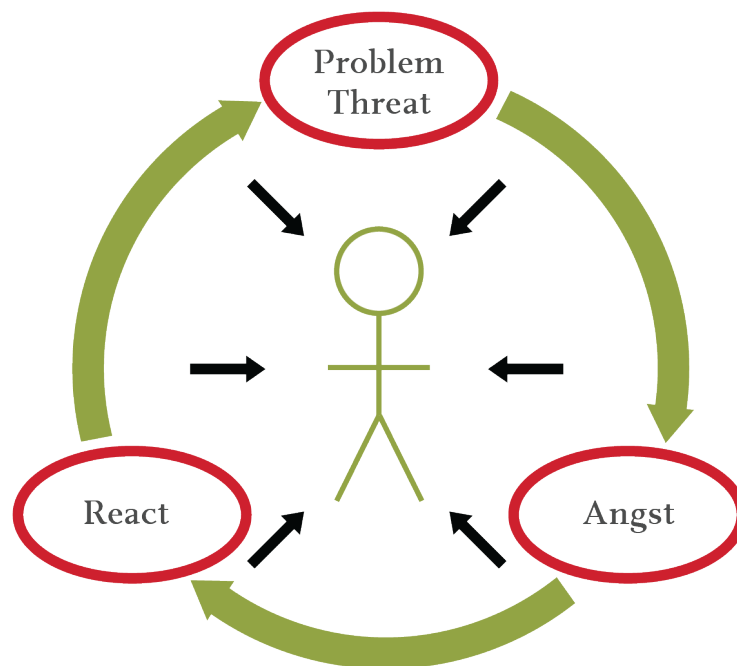
Leadership Mindset

Organisational Skillset

Employee Engagement

While we can't easily look inside people's heads we can reliably discern their mindset by observing their behaviour. And the very best observers of leader behaviours are those being led.
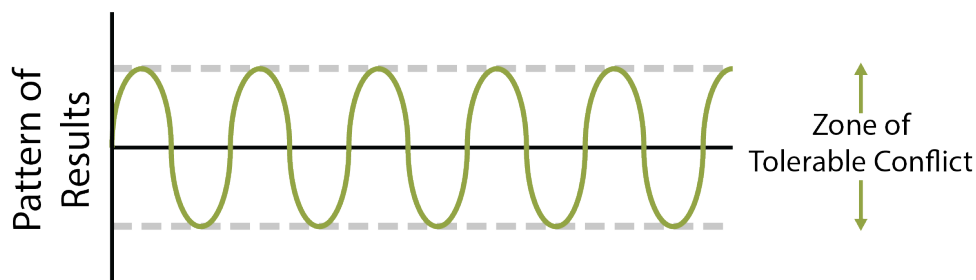
Playing to Not Lose

Moving Away From
What I Don't Want

Signs of a reactive mindset:
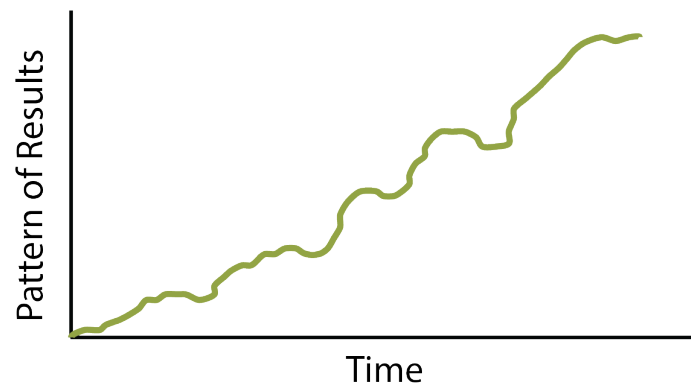
Leaders who:

- Have unrealistic expectations and push too hard for perfect outcomes
- Are not happy unless things are done their way
- Seek to please others and gain approval rather than risking transformational change
- Are too conservative and wishy-washy with decision making
- Are emotionally distant and ego driven.

Playing to Win

Vision
Desired
Outcomes

Action

Care
Passion
Commitment
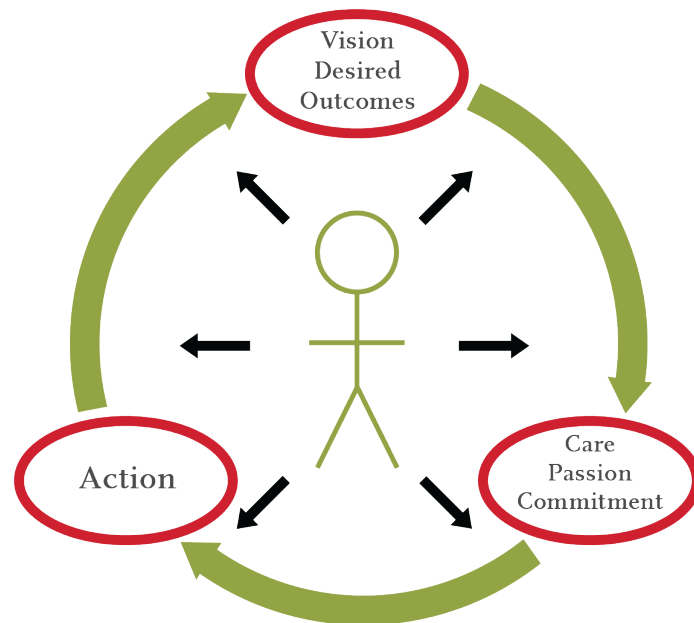
Moving Towards What Matters Most
Bringing Something Into Being


Pattern of Results

Time

Signs of a creative mindset:

Leaders who:

- Foster warm and caring relationships
- Take time to connect with people
- Lead in a manner that is aligned with your values
- Are courageous and speak out directly even on controversial issues
- Tend to see the positive side, even in the worst situations
- Get the job done without the need to draw attention to themselves and their contribution.

What the research shows

While we haven't been focusing specifically on leadership mindset for long the data to date shows some clear signals:
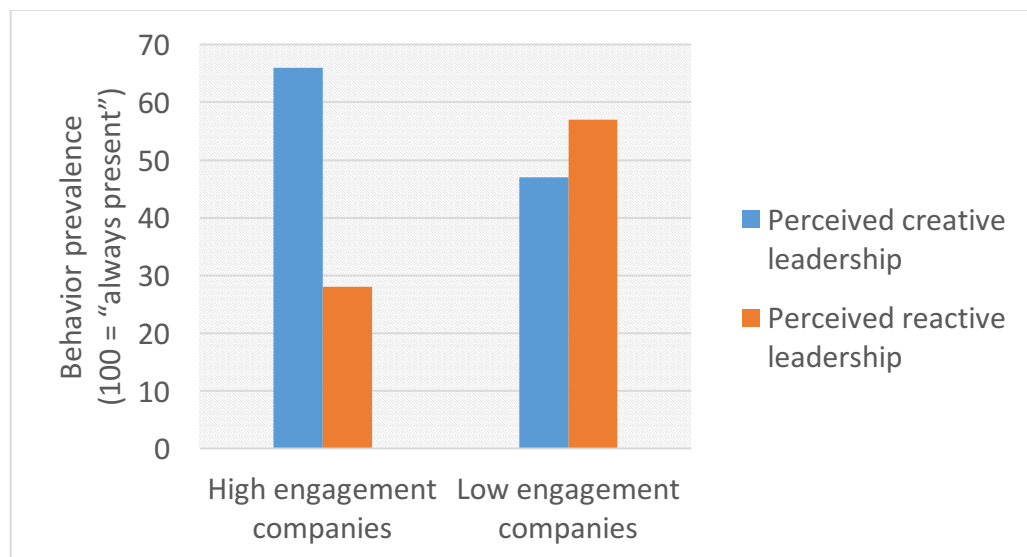
At organisations with high levels of employee engagement creative behaviours (as assessed by the employees) shows up at strikingly higher levels than reactive ones.

At low engagement organisations we're not seeing quite as clear-cut a result. It looks like leaders at most companies are putting an effort into leading from a creative space, however at low engagement organisations their efforts are neutralised by an even higher prevalence of reactive leadership.

While our focus on the internal thinking styles of leaders still seems somewhat unique in the engagement field other researchers have nonetheless been finding results that support our approach:

Graphic: Deloitte University Press | DUPress.com
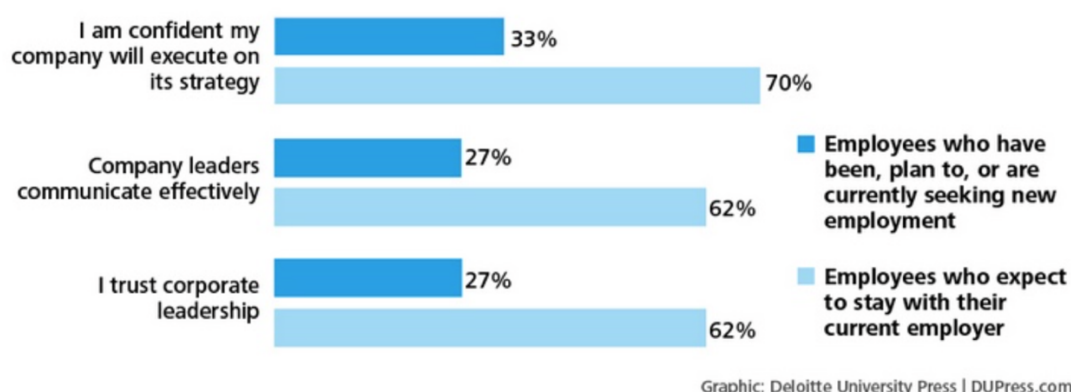
Employee turnover intentions based on strength of corporate leadership[5]

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[5] Talent 2020: Surveying the Talent Paradox from the Employee Perspective 2013

http://dupress.com/articles/talent-2020-surveying-the-talent-paradox-from-the-employee-perspective/

Belief in leaders makes a **huge** difference

Where Australian employees perceive both their leader and manager as being **effective**, 72% are highly engaged and just 3% are disengaged.

Conversely, where they perceive both their leader and manager as being **ineffective** just 8% of these employees are highly engaged while the majority (56%) are disengaged[6].

Only 44% of Australian employees say their senior leaders are effective. Immediate managers do slightly better with 57% of employees rating them as effective, but in both cases Australia is lagging behind the global figures.

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[6] Global Workforce Study Towers Watson 2014

http://www.towerswatson.com/en-AU/Insights/IC-Types/Survey-Research-Results/2014/08/the-2014-global-workforce-study

Making great leaders

The diagram below outlines the "engine" that runs our leadership programs:
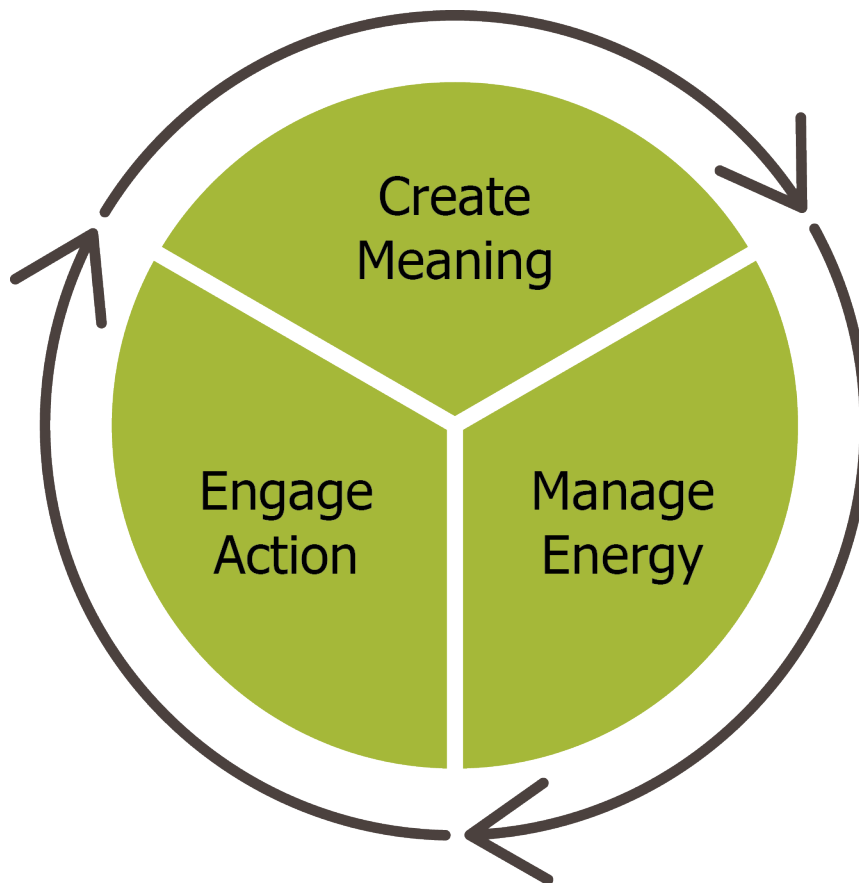
In order to have the type or impact we're seeking leaders need to:

- Set clear vision and direction (create meaning)
- Maintain a high level of commitment even when hurdles must be overcome (manage energy), and
- Ensure that new behaviours are sustained to support the desired vision and direction (enable action).

Leadership energy

The energy a leader brings to a situation will vary based on both their overall mindset and on their point of focus – i.e. on whether their primary concern lies with the immediate task or with their ongoing relationship with their team.
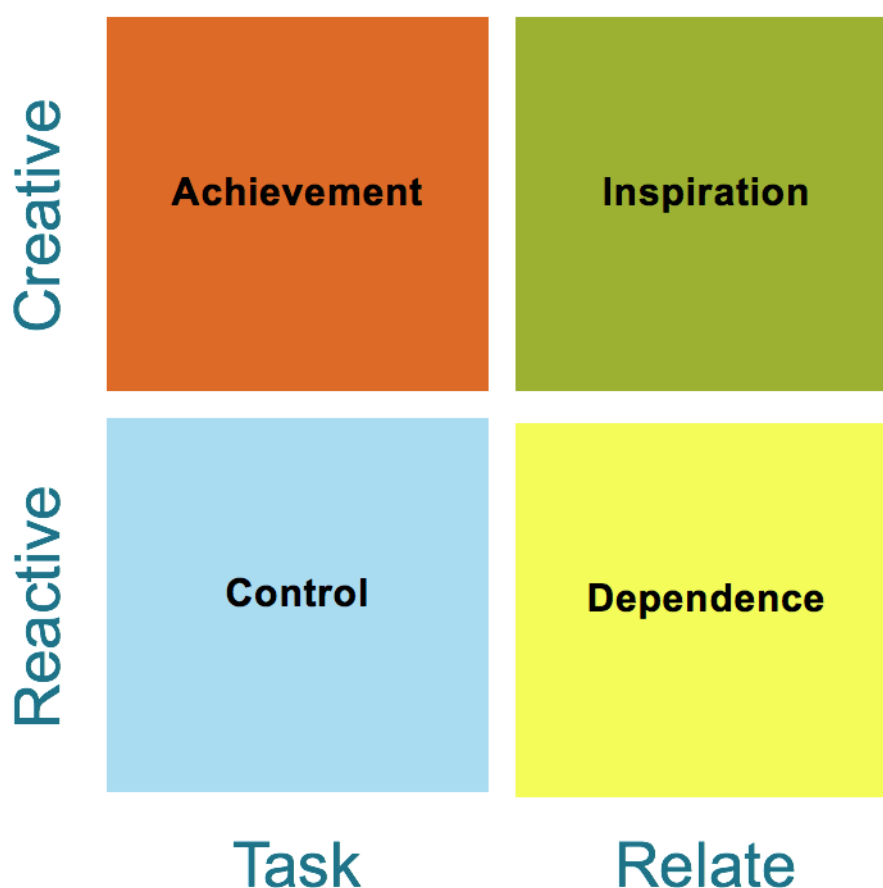
Mindset	+ Focus	= Outcome
Creative	Task	Achievement. A strong solution for the immediate problem.
Creative	Relationship	Inspiration. A team empowered to take responsibility for their own strong solutions in the future.
Reactive	Task	Control. A good result may be achieved but will only be reproducible in future if the leader continues to micro-manage.
Reactive	Dependence	Dependence. The team learns that they are not *supposed* to act independently.

Designing a leadership program to impact mindset

Mindset changes are inherently personal, deep and often confronting and thus it is important to build the any program targeting mindset on a robust foundation. Hence we like to start with a key question:

> *What is it that people are passionate about? What will give them the energy they'll need to get past whatever is blocking them (or that will arise to block them in the course of the program)?*

Sometimes this is a difficult question to answer but it's a crucial one. Meaningful change is rarely easy and is often derailed when things get tough. You have clear at the outset why it all matters to give yourself the best possible chance of success.

The next question to ask is a practical one:

> *What assumptions or skill deficits do leaders have that stand in the way? What needs to change to flip them from reactive to creative behaviors?*

Every organisation is different, with differing cultures, circumstances and histories. There are, however, some universally applicable guidelines:

1. Don't be wishy-washy

Nail your vision first and measure how your leadership program progresses you toward that vision. You need to be assertive and committed to delivering a quantifiable ROI.

2. Integrate

Your leadership program needs to be a facet of your organisational strategy – it cannot be left as a stand-alone project.

3. Leadership is core

You can't afford to remain dependent upon external providers for your leadership development. You may need external help to start with but eventually all the skills need to come in-house.

4. A multi-dimensional approach works best

Complementary initiatives (e.g. a mentoring program alongside classroom and practical skills training) both bolster each other and provide insurance against individual initiatives that might under-deliver for some reason.

5. Include a giving back component

As they say in the classics, "If you want to lift yourself up, lift someone else up."

6. You will need both courage and persistence

Changing how you think requires looking in the mirror, beyond a blind-spot that exists precisely because you don't want to look there. Don't underestimate how tough the process may be.

A real-world example: The NSW Institute of Sport

Following the 2012 Olympics the NSW Institute of Sport (NSWIS) found itself faced, along with all Australian Olympic sporting bodies, with the need to take a long, hard look at itself. Australian athletes were widely considered to have underperformed and harsh questions were being asked about the value the nation was receiving from funding sports administration and development at every level.

To its credit NSWIS took on the challenge and made a range of genuine and fundamental changes. Unfortunately they ran into a range of roadblocks and, to cut a long story short, ended up stalled. This is the point at which AltusQ entered the picture.

Our initial brief was to provide leadership training workshops but it quickly became evident that we needed to step back and clarify "the vision thing" as a first step. In our experience the power of leadership training is hugely amplified if it can be constantly related back to a clearly articulated organisational purpose. At one level this may seem obvious but more often than not we find that organisations only assume they know what they're doing and where they're going – when you ask for a clear, agreed and aligned statement of purpose it somehow can't be found or expressed.

After some intense and rewarding work NSWIS came up with a cracker:
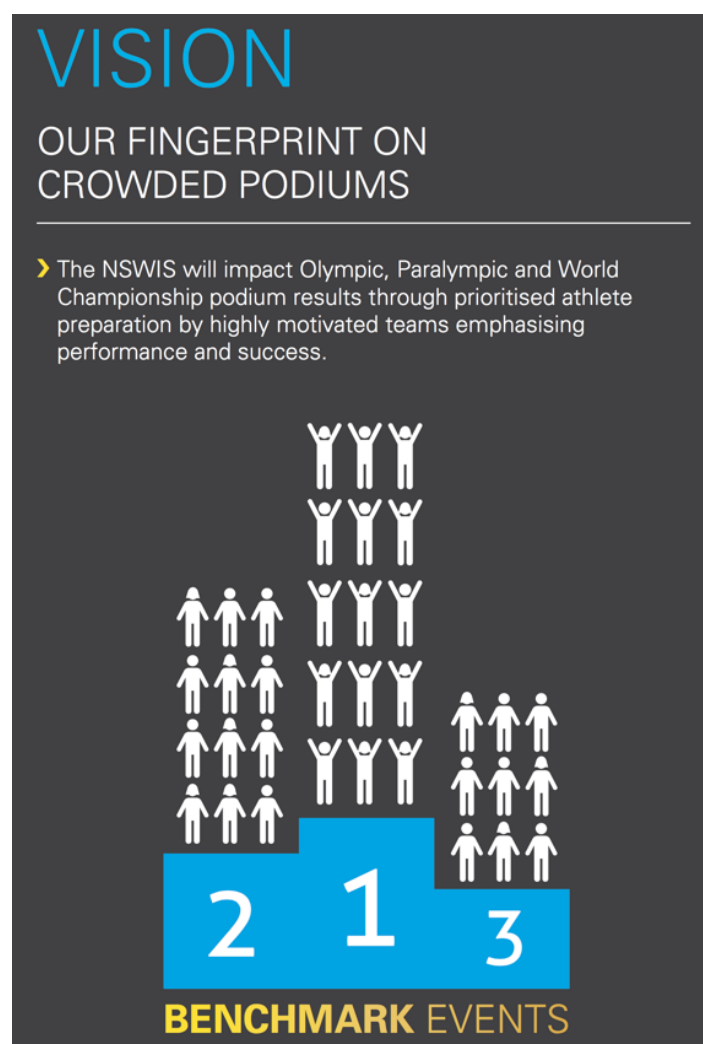
NSWIS expanded on this vision with clear statements of their culture:
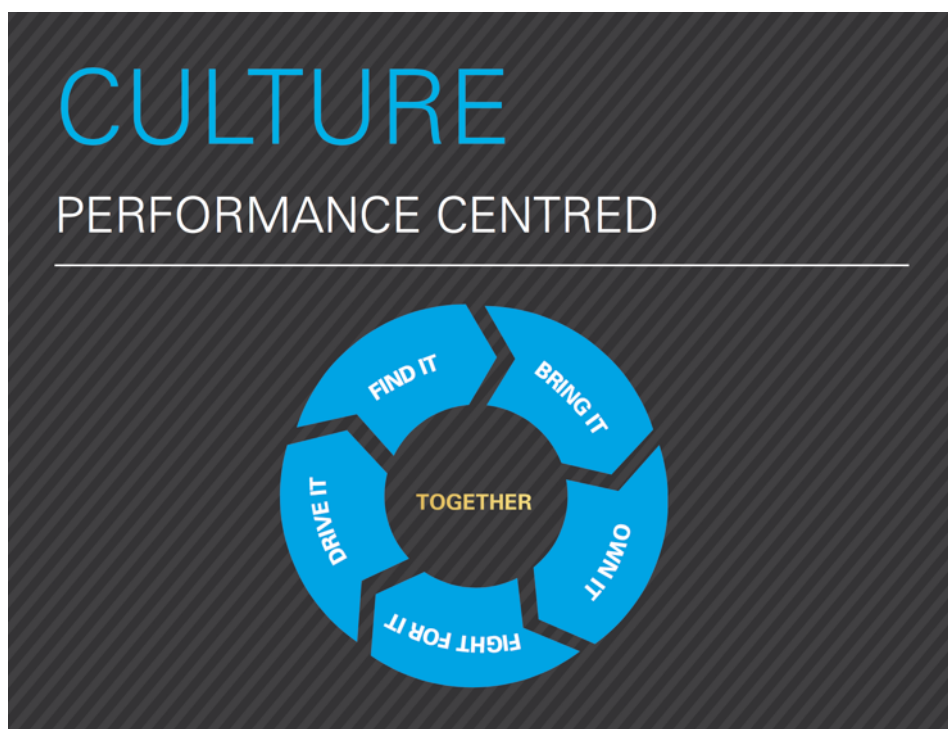
And of their strategy:

Needless to say there was plenty of actionable detail behind these pretty diagrams but you get the idea.

Our approach to NSWIS

- **Step 1**

Develop the Corporate Plan – as we've described above, we know that leadership training in a vacuum is unlikely to make much difference.

- **Step 2**

Then design the leadership program to fit the Plan – first cart, then horse.

- **Step 3**

Develop leadership workshops targeted at the required mindset/behavioral changes – be specific, be measurable.

- **Step 4**

Make the program scalable and sustainable by coaching the internal coaches – our job is to put ourselves out of a job.

- **Step 5**

Embed the cultural and mindset changes via mentoring – if change is to last there needs to be a mechanism for transferring "implicit" knowledge of "how things are done around here".

- **Step 6**

Extend the framework to strategic partners (in this case Rowing, Swimming, Hockey, ClubsNSW). Nothing succeeds like success.

The NSWIS leadership modules

We approached the NSWIS program in two distinct phases, using a "coach the coach" process – i.e. we developed the modules and then taught the internal coaches how to deliver them. At the outset our people delivered some modules but always with a view to training up NSWIS to be able to look after themselves.

The individual modules selected for NSWIS were similar to the following:

Phase One:

- Continuous Improvement
- Coaching & Developing Others
- Aligning Performance for Success
- Planning and Organising
- Gaining Commitment.

Phase Two:

- Building Trusting Relationships
- Leading High Performance Teams
- Innovation
- Building Strategic Relationships
- Marshalling Resources.

Next steps

Here are some suggested steps you could take to apply some of these ideas in your organisation:

- Complete the organizational skillset questionnaire on page 4 and see how your current skillset stacks up

- Get your staff (or a representative sample of them) to complete our leadership mindset survey. Once the results are in we'll provide a report outlining what we find and what we believe the implications to be for your organisation. Provided you're willing to allow us to use your (de-identified) response data in our ongoing research there is no charge for this service. You can request a survey link at http://www.altusq.com.au/employee-engagement/the-leadership-mindset-survey/

- Visit our website and download our engagement research reports from previous years - http://www.altusq.com.au/employee-engagement/

- Talk to an AltusQ coach about our leadership mindset programs. You can contact us via our contact page - http://www.altusq.com.au/contact-altusq/

Appendix: About AltusQ

We've worked as coaches and advisers to thousands of businesses across Australia and New Zealand over the last 16 years. Our coaches are all experienced business owners and managers who have first-hand knowledge of what works (and what doesn't work). We pride ourselves on being "knowledgeable pragmatists" – we know all the theory but we live in the real world.

For five years now we've been surveying thousands of companies about their employee engagement capabilities, looking for leading indicators that can predict who's going to improve and who's going to fall back

We've acquired a deep pool of practical experience, backed by empirical research, that informs our understanding of what it takes to genuinely engage your workforce.

You can find out more about us at www.altusq.com.au

Leadership is not a position or a title, it is action and example.

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