



THE ENGAGEMENT IMPERATIVE

What *Must* Senior Leaders Do to Cause High-Performance Engagement?

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We know that an engaged workforce produces better results. Certainly, people who care about their work create more value than those who merely put in time and collect pay. The statistics are available from companies like Gallup and Kenexa to show that companies with higher satisfaction scores have far higher shareholder return: as much as 700 percent higher. So engagement is on the senior executive radar, and that raises a question: How does the senior executive effect high-performance engagement?

To answer the question well, let us glance at what has inflamed our interest in “engagement.” In our experience with over four hundred companies in ninety countries, we have come to see the *continuous improvement* movement as a causal factor. After years of attacking waste in our enterprises, five things happened:

1. We removed high-cost layers of supervision from our companies.
2. We moved to matrix organizations to promote customer-sensitive collaboration.
3. The global search for low-cost locations plus new connection technologies led to a physically separated workforce, virtual teams, and more self-supervised work.
4. Rapid evolution of connection opportunities (instant messaging, Facebook, YouTube, Twitter, Plaxo, Link, blogs, file-sharing technologies, and so forth)

gave birth to the socially networked generation. Always-on, any time connection is causing new, demanding expectations for information and inclusion.

5. We have frequently valued the interests of customers and shareholders over the interests of employees, creating insecurity and mistrust.

These five effects have changed the organizational field of play. We have less supervision, less loyalty between companies and employees, less physical connection, and a greater demand for cross-boundary, coordinated achievement. There is less frequent human contact, less trust, and more unsupervised, discretionary choice. According to the *Gallup Management Journal's* Employee Engagement Index, only 29 percent of employees are actively engaged (passionately committed) in their jobs, while 54 percent are not engaged (going through the motions), and 17 percent are actively disengaged (undermining success) (Engaged Employees, 2006). It is time for senior leaders to appreciate and own a redefined role.

The Game Versus the Scoreboard

Back when employees anticipated long, single-company careers, pride of association evolved naturally, much like growing up with a hometown sports team. Now, a sense of pride and personal commitment must be engendered by senior leadership. Many leaders have failed because they fixate on the employee survey scoreboard rather than the source of the scoring. That works as well as achieving a come-from-behind victory at Wimbledon by staring at the scoreboard rather than focusing on the ball. If the game is engagement, rather than tennis, the equivalent of the ball is *commitment*. In this era, the senior leader (of a function, group, business, or an entire enterprise) must understand and orchestrate, with equal fervor, the commitments of customers, shareowners, and employees. There are people who have done this well.

Greg Merten was the senior vice president of InkJet Supplies at HP. In the mid-1990s he told his staff, "All of our competitors are going to produce 'photo quality' prints in the next few years; after that our lead in image quality will no longer be enough to grow this business." InkJet's clear image superiority over dot matrix printers had propelled HP into a very high-growth business. However, it was capital intensive, and a world-class ROI was still at risk. Merten was committed to growing the business while decreasing overhead, and he was certain they needed a new competitive edge.

After a number of "coffee talks" with employees in different sites around the world, Merten announced the new competitive advantage: "If we meet the same challenges our competitors face better and faster than they do, we win. It is

time for us to take on ‘time-to-results’ as a competitive advantage. We will create value in new ways and at a faster rate than our competitors. We are going to do this by developing ourselves to serve the commitments of customers, shareowners, and one another better than anyone else.” Merten followed through on this pledge.

“We focused on some simple things,” Merten said. “We knew that breakthrough results for customers and shareowners relied on HP employees. So we focused on giving employees a chance to contribute by identifying great challenges and investing in employee effectiveness. We gave people the resources, training, and support they needed to create value in new ways and at a faster rate than our competitors. We also developed decision criteria so people could think and choose for themselves relative to our biggest challenges. It paid huge dividends. For example:

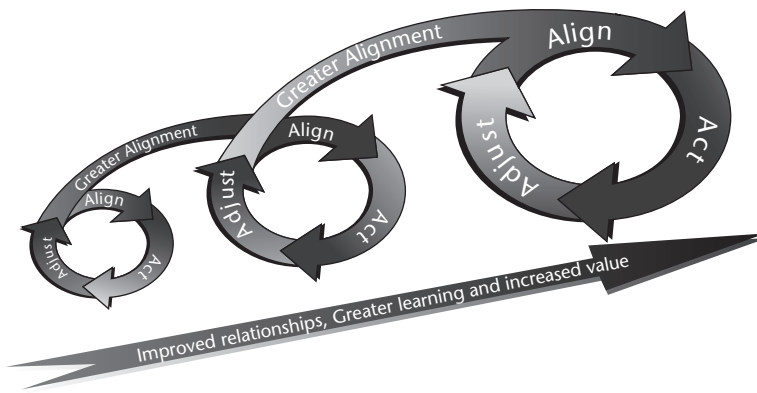
- “We put up the Ireland site twice as fast as a green-field (completely new) site had ever been developed in HP. The Irish contractors laughed at us when we told them the required due date. We did it on time and under budget by teaching them and getting them to adopt, with us, some practices to take huge amounts of time out of problem solving. That was worth hundreds of millions of dollars to HP.
- In the late 1990s, we ‘retooled’ all the cartridge sites around the world into a single system instead of a collection of independent sites and tripled our volume on the same overhead spending over the next three years. Close to a billion dollars dropped to the bottom line over those three years because of the waste we took out of the system. Our SAP lead said it was the most successful large-scale implementation he had ever witnessed.”

“These examples, and others I could cite, occurred because we had a relentless focus on giving people what they needed to win at ‘time-to-results.’ I think of it as the ultimate competitive advantage. We focused on two areas: relationships sufficient for the shared risk, and effective interactions so people could align, act, and adjust, repeating that cycle to achieve unprecedented results.”

Merten sponsored a relentless rhythm of align → act → adjust (see Figure 1). He taught people to align the commitments of employees, customers, and investors; act quickly on those aligned interests; and adjust often. Employee engagement was high and business results extraordinary.

Greg Merten understood and served the commitments of customers, employees, and shareholders with equal attention, refusing to sell out one group for the others. He aligned deeply, acted quickly, and adjusted often: the scoreboard of business results and employee surveys displays the victory. When Greg Merten retired a few years ago, the contribution of his organization to HP profits was huge and the employee satisfaction scores are far better than for most organizations in

FIGURE 1. CYCLE OF VALUE



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the world. The employees of the HP site in Aguadilla, Puerto Rico, engraved the following words on a parting gift for Merten:

Thanks Greg:

For caring more than others thought was wise,
 For dreaming more than others thought was practical,
 For risking more than others thought was safe,
 And for expecting more than others thought was possible.

Their words are an extraordinary expression of employee engagement.

How do senior executives align the commitments of customers, investors, and employees well enough to win the engagement game? In the four hundred organizations we have worked with, we have examined the double victory of employee satisfaction and business results: there are clear and important success factors.

The Engagement Imperative: Success Factors

The original meaning of the word engage was “to make a pledge.” We have found that when the majority of employees truly pledge themselves to do great work, three executive contributions are present: *connection*, *direction*, and *follow-through*.

These three executive contributions create trust, collaboration, and visible achievement. The first and most important is connection.

Connection

When we connect well with anyone, we connect with:

- *Purposes*: Important values and intentions; what someone is *FOR*
- *Concerns*: Worries about what might threaten purpose; what someone is *AGAINST*
- *Circumstances*: The factual situation someone is *IN*

I am already engaged in the purposes, concerns, and circumstances of my life. If you can connect with what already engages me, you have begun to gain my trust and attention. A crucial lesson great engagement executives have learned: engagement begins with what people are *already* engaged in. While this makes sense, it is actually an unusual skill. When Jim Reinhart was a supply chain VP at Capital One, he showed how this can work very well.

Reinhart was charged with revolutionizing supply chain processes in order to take substantial time and money out of the workflow. He decided that he needed to connect with the people who were already involved in the Capital One supply chain, because they would have to execute any changes. Those people included Capital One customers, executives, associates, and vendors.

Reinhart decided to host a series of supply chain workshops with representatives of all those groups in the room. Some argued against this idea because Capital One had no single-source suppliers, which meant Reinhart was inviting competitors to work together to take time and money out of Capital One's supply chain.

"Some people thought we were crazy. They just *knew* competitors who were out to defeat each other in the marketplace would not collaborate in an honest, productive way. I was not sure that they would; I just knew that they were all part of the system and we needed to include them. I was surprised by how well things went."

Reinhart and his team sent out questionnaires to all parties prior to the workshops to get connected to their purposes, concerns, and circumstances. He hosted workshops that were designed around two basic principles:

1. Everyone had an important role in accurately depicting the current work streams.
2. It was in everyone's best interest to help improve the system.

All the people got better connected to the current situation and to one another. “Every time we got better connected, we got smarter. I think connection is the key to the group being smarter than the individuals. People had surprising ideas about how to improve, and some of the competitive vendors even discovered some ways to work together that applied outside of Capital One. The key is trust in discovery. You do not connect to convince people, you connect to discover new ideas. With the whole system represented, the kinds of ideas we discovered were practical and made a big difference.”

In the first large process diagnosis, the team eliminated thirty-six days from what had been a seventy-two-day process cycle. Participants were proud of what they did and enthused about doing more. The COO of one large supply chain vendor said, “The experience was remarkable. I’d never seen anything like it. Our employees are all lobbying to be in the next workshop.”

The enthusiasm for Jim Reinhart’s “connect, then discover” approach spread quickly and lots of similar work ensued. Over the next three years, Reinhart says, “We saved \$200 million pretty quickly. Eventually this approach helped us take over \$1 billion in costs out of the system. We learned that you really don’t know what is possible until connecting people and circumstances. We gave the support they needed to have a common connection to the circumstances and the training they needed to speak up and learn from their differences. As a result, we all got smarter. The company got a great ROI.”

Today Reinhart is a senior executive at Genworth and he continues his skilled sponsorship of connection as a source of engagement and success.

Connection Lessons for Executives

- *Connection is based on understanding purposes* (what people are FOR), *concerns* (what people are AGAINST), and *circumstances* (the factual situation people are IN).
 - If people can tell that you understand and respect what they are for, against, and in their trust in you and the company goes up.
 - All members of the system have legitimate purposes, concerns, and circumstances.
- *Connect to discover, not to manipulate.* Be ready to be surprised. Connect people to strategy, circumstance, and one another and give them a chance to contribute. As Max DePree (1990) of Herman Miller said, “The first act of leadership is to connect people to reality. Everything else is being of service.”
- *Connect routinely to your crucial constituencies.*
 - Who are the groups of people who are crucial to your company’s health and success?
 - What routines do you have in place to assure that you stay connected to their purposes, concerns, circumstances, and contributions?

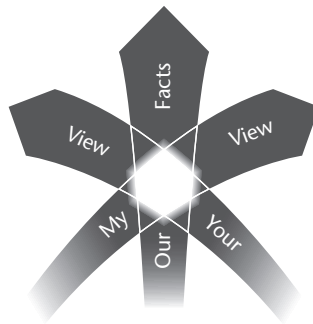
Direction

Connection tends to reveal new possibilities and, ultimately, new direction. Great executives are awake enough to see the direction and courageous enough to commit. We have found that the simple image of an intersection helps reveal the clear direction that focused, coordinated action demands.

As you connect yourself with others, others with you, and both of you with circumstances, *look for intersections* (see Figure 2.). When you connect the journey you and the company are on with the journey others are on, you can reveal an engaging future. When Jim Cantalupo was the CEO at McDonald's he showed exactly how this works.

In early 2003, Cantalupo left retirement to take the helm of a large, troubled enterprise. System profits and stock price were in steady decline, 2002 had ended with the first quarterly loss ever, and Cantalupo began a rapid reconnection effort with all the citizens of the system. He and his team met formally and informally around the world with customers, employees, franchisees, stock analysts, investor groups, health advocates, and vendors in an effort to understand and rise above the current situation. Amid concerns about guest counts, service, eroding margins, poor return-on-capital, weak product innovation, and the low esteem that accompanied a McDonald's job, Cantalupo's team saw an intersection. All of these constituents would be served better by improvement than by expansion. This was a major insight for a company that had made aggressive, world-wide expansion a priority. This insight became a commitment and rallying point: "Better, Not Bigger!"

FIGURE 2. INTERSECTIONS



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Cantalupo got the whole system connected to the reasons and lessons behind this new “Better, Not Bigger” direction. A new plan reallocated time, money, and key people to focus on operational excellence. The direction had an immediate ring of truth to the citizens of the McDonald’s system. Pride and performance increased as people began to remember the legacy of excellence and leadership that built McDonald’s in the first place. Five years of steadily increasing performance followed, and McDonald’s turned all of those concerns (service scores, guest counts, profit, product innovation, return on capital) into dramatic improvements. This highly focused, engaging shift in direction produced a stunning turnaround in operational results and stock price. Something else, however, is even more impressive.

Cantalupo died of a sudden heart attack in April of 2004. He was succeeded by Charlie Bell, who stepped down seven months later as he faced terminal colon cancer. In shockingly short order, Jim Skinner became the third CEO of this turnaround. Skinner immediately assured Wall Street, franchisees, and employees that the direction was sound and simply demanded focused execution. The engaging power of the “Better, Not Bigger” direction connected three CEOs and an entire business system to a new, authentic journey. One test of leadership is the capacity to start a conversation of such engaging power that it continues when the leader is not around. Cantalupo’s contribution surely passes the test.

Direction Lessons for Executives

- *Make the test of your engagement leadership the ability to start a conversation of such engaging power that it continues when you are not around.* When the conversation has a life of its own, you have truly engaged the enterprise.
- *Let connection reveal direction and you will never have a “buy-in” problem.* Even if you are “the smartest person in the room,” the connected citizens of the system you lead are potentially smarter than you. They will see the journey as their own, not yours, and that is powerful engagement.
- *A powerful, new direction enlarges our sense of ourselves and our company.* Keep asking your system citizens, “What important new achievement is worth working for?” or “What is impossible now that, if we made it possible, would make a huge contribution to our customers, employees, and investors?” An engaging direction will feature high-value victory that contributes to all three constituencies.
- *Direction is fueled by courage and passion.* Cantalupo, Bell, and Skinner each had the courage to take a stand and stand by it. Strategic direction without executive conviction is dishonesty. People smell the duplicity and run from the stench.

Follow-Through

Benjamin Disraeli (1882) said, “The secret of success is constancy of purpose.” Follow-through turns direction into destination. Great engagement leaders use the new direction as a guide to decisive action that realigns people, processes, and measures to propel success. Follow-through is not about harassing people; it is two kinds of integrity: leadership behavior and resource allocation. Jim Skinner provides a brilliant example of follow-through at McDonald’s, and his work is worthy of appreciative study. Another example is Southwest Airlines (Freiberg & Freiberg, 1996; Southwest Airlines, 1991; U.S. Chamber of Commerce, 2007).

Rollin King and Herb Kelleher started an airline with a simple, passionate conviction: “If you get your passengers to their destinations when they want to get there, on time, at the lowest possible fares, and make darn sure they have a good time doing it, people will fly your airline.” From the first flights in 1971, they stayed impeccably true to that direction of service, low cost, and fun. The most profitable performance of any airline over the last forty years ensued, along with many appearances on lists of “Most Admired” and “Favorite Places to Work.”

As co-founder and eventual CEO, Kelleher was the focal point for leadership behavior. He showed, day to day and moment to moment, how to operate true to the direction. He showed that the commitment to service included caring for employees as surely as it did caring for customers. He knew that “fun” was an experience that included employees and customers and that it needed to be happening every day. The commitment to being “the low-cost airline” rigorously shaped every resource allocation decision. Kelleher knew that follow-through was at risk if it depended on him as an individual. So he gave all employees all the information he could about values, strategy, performance, and changing conditions so that they could make smart, aligned choices. In 1990, Kelleher supported Colleen Barrett’s launch of the Culture Committee, which continually reviews important decisions and day-to-day conduct and promises to do “whatever it takes” to fulfill Southwest values and strategy. The Culture Committee includes people from all regions and functions and, as EVP and president of Southwest, Barrett turned the Culture Committee into a fun, effective follow-through phenomenon.

Another feature of Kelleher’s behavior: he became the “chief storyteller.” He told stories like, “People wrote saying ‘I used to drive six hours from the Rio Grande Valley for cancer treatment. Now, I fly in forty-five minutes and it costs me less.’” He told stories about the employees who were developing paperless ticketing before he even knew about it and what a great service that was going to be for customers and employees. He had fun telling stories about employees and customers having fun together. The stories leaders tell are a window to values: employees pay very careful attention.

Southwest has built a culture of follow-through beyond Herb Kelleher or Colleen Barrett. All over the enterprise you can see leadership behavior and resource allocation flowing from the values of service, low cost, and fun. These core commitments have shaped everything from hiring practices to resource decisions, performance management and course correction. Follow-through is executive integrity in action, leading execution by aligning personal character and company resources to strategic direction. That kind of relentless integrity is a magnet for high-performance engagement.

Follow-Through Lessons for Executives

- *Align deeply.* Real alignment happens when strategic direction decides the use of time, money, and key people. *Step over no conflict.* Avoided conflict interrupts follow-through and weakens faith in leadership. The high-engagement executive demonstrates an always-on ability to learn from difference rather than thoughtlessly defending stuck opinion.
- *Act quickly.* Take decisive action as soon as you are aligned. Do not wait for perfect plans. What *do* we already know? What *can* we do now? What action is it time for *now*?
- *Adjust often.* The remedy for risk is well-informed adjustment.
 - *Have an unquenchable thirst for factual information:* collect and share information about the customers, conditions, and competitors occupying the world in which we work.
 - *Be driven by purpose rather than fear:* care more about what you are *for* than what you are *against*, and you can find opportunity in nearly any situation. Purpose gives information meaning and relationships strength.
- *Make the right thing easy and the wrong thing hard.* Follow-through is an executive act of service, not harassment. Reallocate time, money, and talent behind the new direction.
- *Transparency:* be the source, rather than the subject, of information.
 - *Have people hear important information from you before they hear it as gossip.*
 - *Decision criteria:* free people to act by framing all decisions in terms of values, strategy, and priority.
 - *Tell heroic stories:* find and appreciate heroes and heroines.

The Engagement Imperative: Connection, Direction, and Follow-Through

The leader of any system is the highest-leverage engagement asset, and whether you are the CEO or a project team lead, you can act as the “chief engagement

officer.” We have seen that those who serve the commitments of customers, investors, and employees with equal fervor build a committed, engaged, and successful workforce. We can outsource many things, but engagement is not among them. It is an executive imperative to provide connection, direction, and follow-through. Greg Merten, Jim Reinhart, Jim Cantalupo, Jim Skinner, Herb Kelleher, and Colleen Barrett are fine examples. These executives and others like them are engagement heroes who relentlessly research and serve the commitments of the people who make their leadership possible.

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Mickey Connolly is the founder and CEO of *Conversant*, which provides communication consulting and leadership development solutions that allow organizations to align deeply, act decisively, and adjust brilliantly. *Conversant* tools and techniques improve organizational alignment, decision making, mission-critical execution, employee trust, and leadership effectiveness. Connolly has worked with over 100,000 managers, educators, and negotiators to resolve conflict, improve relationships, and accelerate achievement. *Conversant* associates have worked in four hundred organizations in ninety countries to achieve mission-critical goals ahead of time and under budget. Connolly has worked with people from Hewlett-Packard, Apple, BP, IBM, Capital One, Coca-Cola, Ernst and Young, Johnson & Johnson, Lockheed Martin, McDonald's, Microsoft, Sony, U.S. Air Force, USDA, NSA, FBI, NATO, and many other organizations. He has also consulted with educators from the National Science Foundation, the National Association of Science Educators, University of Texas, University of Colorado, University of Alabama, St. Mary's University, and The Harvard School of Public Affairs. Connolly and Richard Rianoshek are co-authors of *The Communication Catalyst: The Fast (But Not Stupid) Track to Value*.