

Measuring the Success of Employee Engagement

A Step-by-Step Guide for Measuring Impact and Calculating ROI



Patricia Pulliam Phillips, PhD
Jack J. Phillips, PhD
Rebecca Ray, PhD

2

A System for Measuring the Impact and ROI

While employee engagement is increasingly observed as a critical factor in organizations, the implications of measurement are also significant. To build a measurement process, certain steps need to be taken. It is in this context that the ROI Methodology is presented. In this chapter, we address using the ROI Methodology with engagement and how engagement teams are a conduit of change in building a measurement system.

HOW AND WHY ENGAGEMENT FITS WITH ROI

Engagement practitioners tend to be more socially driven (to help others) rather than financially driven. So what would drive an engagement practitioner to pursue ROI? Perhaps this is best answered by considering how and why ROI helps the process, and ultimately the client, by showing how the engagement has yielded the desired change.

The Engagement Practitioner as a Change Agent

Practitioners often view their role as one who influences an individual, group, or organization to a more desired change. The change agent plays a significant role in leading the change effort or collaborating with the team assigned to initiating change. Trying to create an environment that is measurement friendly also involves a change agent—someone to lead this effort and manage the change process within an organization.

It is important to remember that building a measurement system should be a strategic change. The change agent must set the stage with the “why” behind building a measurement culture, make sure that the change effort is in sync with what’s important for the organization, and include action planning and feedback to keep the momentum building. It is also helpful to involve people who are senior in the organization because they have the clout necessary to pave the way for building a measurement system.

Identify a System to Routinely Review Measures

Adopting a systematic way to plan, collect, analyze, and report on programs in the organization, such as the ROI Methodology, begins the process of communicating and

reinforcing what is important to the organization, while sending a clear message to key stakeholders as to what needs to change to improve outcomes. This is particularly true when measurement has been planned in advance to collect data points that tell the story in a comprehensive way. Exhibit 2-1 shows a clear delineation between activity-based and results-based initiatives. The old “if you build it, they will come” mentality can be challenged through a series of filtering questions:

- Is this initiative aligned with business impact or organization effectiveness outcomes?
- Is there an assessment of performance that shows a gap in performance?
- Is the work environment prepared to reinforce the implementation of engagement?
- Have partnerships been established with key stakeholders to support this initiative?
- Are there specific, measurable objectives for expected behavior change and business impact?

When employee engagement programs are aligned with results-based initiatives or what’s important to the organization, it becomes more likely that engagement programs are easily measured and supported. The old adage rings true in this context: What gets measured gets done.

EXHIBIT 2-1. Activity-Based Versus Results-Based Approach to Engagement

Activity Based	Results Based
Business need is not linked to the employee engagement program in terms of monetary impact.	Initiative is linked to specific business impact or organizational effectiveness measures.
Assessment of performance issues that will be addressed in employee engagement program are not captured in a quantifiable, measureable manner.	There is a gap assessment of performance effectiveness that needs to be closed.
Specific, measurable, quantifiable objectives are not clarified.	Specific, measurable objectives for behavior change and the related business impact are identified.
Employees are not fully engaged or prepared to participate in the project.	Results expectations are communicated to, and in partnership with, employees.
The work environment is not prepared to reinforce the application or implementation of the employee engagement program to ensure behavior change and business impact.	The work environment is prepared to reinforce the application or implementation of the employee engagement program to ensure behavior change and business impact.

Activity Based	Results Based
Partnerships with key stakeholders to support the implementation have not been identified and developed.	Partnerships are established with key stakeholders prior to implementation to ensure participation and support.
Results or benefit-cost analysis in real, tangible, and objective measures—including monetary impact—are not captured.	Results and benefit-cost analysis are measured.
Planning and reporting is input focused.	Planning and reporting is outcome focused.

The ROI Methodology: A System for Accountability

The role of measurement and evaluation is crucial for establishing the impact and credibility of employee engagement. It is time for the field to fully accept its roots in a data-driven approach and understand the value inherent in measuring how and what we do. Several features about return on investment make it an effective measure for engagement:

- **To show bottom-line results for engagement.** Return on investment represents the ultimate range of measurement—a comparison of the actual cost of a project with its monetary benefits. This is done by using the same standard ratio that accountants have used for years to show the return on investment for a variety of investments, such as technology, equipment, and buildings.
- **Return on investment has a rich history of application.** The ROI Methodology is not a passing trend—it is a measure of accountability that has been in place for centuries. When resources are invested to address a business need, the ROI Methodology shows the financial impact of the investment.
- **To speak the same language as senior management.** Most managers have knowledge and skills for managing a business; some have degrees in business administration. These managers understand the need for a process to establish solid business cases and calculate a return on investment. They use ROI for a variety of projects and are fluid in carrying on conversations that measure the monetary results from large investments.
- **Return on investment generates a high degree of attention among key stakeholders.** Positive ROI outcomes create buzz and attention, particularly when the value exceeds expectations. Most stakeholders involved in engagement programs intuitively believe that the programs add value. But, they can use return on investment as a credible and valid measurement tool to confirm this hunch.

- **Using ROI Methodology forces the issue of strategic alignment.** By following the steps in the ROI process and conducting diagnostics with the multilevel framework for understanding business and performance needs, engagement will be more closely aligned with the strategic and operational needs of the business.

Gone are the days of indiscriminately increasing investment in human capital without any evidence regarding its impact on the business. When budget cuts are being made, human capital often rises to the top, and engagement projects are no exception.

These five factors are foundational for engagement practitioners to rethink the use of ROI Methodology and to implement this type of evaluation in specific projects. By using ROI Methodology, stakeholder groups will receive a comprehensive set of significant and balanced information about the success of an employee engagement initiative.

TYPES OF DATA FOR THE ROI METHODOLOGY







At the heart of the ROI Methodology is the variety of data that are collected throughout the process and reported at different intervals. Sometimes data are assigned a level because they reflect a successive effect in which one type of data affects the next. A number of tasks and fields use very logical steps of succession, and their use in a sequence can be linked to a variety of guidelines and models. The medical field, for example, uses levels in running and analyzing blood work. This not only helps the clinician understand the categories represented by the levels, it also helps the patient understand the results. The ROI Methodology is based on levels of evaluation, as shown in Exhibit 2-2.

As the evaluation moves to the higher levels, the value ascribed to the data by the client increases. Accordingly, the degree of effort and cost of capturing the data for the higher levels of evaluation also generally increase. With proper project planning and preparation, costs can be minimized.

Project Input Data

Level 0, inputs and indicators, represents a category of data that reveals the volume, time, and cost of employee engagement programs. It includes the number of people involved and the time of their involvement, representing a fully loaded cost profile. It reflects all direct and indirect costs. Level 0 data do not represent outcome data, but they are important because they represent the investment in engagement.

EXHIBIT 2-2. Six Categories of Data

Level	Measurement Focus	Typical Measures
0–Inputs and Indicators 	Inputs into the employee engagement programs and processes including indicators representing scope, volumes, times, costs, and efficiencies	<ul style="list-style-type: none"> • Types of topics, content • Number of programs • Number of people • Hours of involvement • Costs
1–Reaction and Planned Action 	Reaction to the engagement programs and processes including their perceived value	<ul style="list-style-type: none"> • Relevance • Importance • Usefulness • Appropriateness • Intent to use • Motivational • Recommended to others
2–Learning 	Knowledge gained, learning how to develop concepts and how to become engaged at work	<ul style="list-style-type: none"> • Skills • Learning • Knowledge • Capacity • Competencies • Confidences • Contacts
3–Implementation 	Application and use of engagement concepts in the work environment, including progress with implementation	<ul style="list-style-type: none"> • Behavior change • Extent of use • Task completion • Frequency of use • Actions completed • Success with use • Barriers to use • Enablers to use
4–Impact 	The impact of the engagement programs and processes expressed as business impact and effectiveness measures	<ul style="list-style-type: none"> • Productivity • Revenue • Quality • Time • Efficiency • Accidents, incidents • Customer satisfaction • Employee engagement
5–ROI 	Comparison of monetary benefits from the program with program costs	<ul style="list-style-type: none"> • Benefit-cost ratio (BCR) • ROI (%) • Payback period

Reaction Data

The first category of outcome data collected from a program is basic reaction data (Level 1 evaluation). This type of data represents the immediate reaction to the program from a variety of key stakeholders, particularly participants who have the responsibility to make it work. At this level, a variety of basic reaction measures are taken, often representing five to 15 separate measures to gain insight into the value, importance, relevance, and usefulness of the employee engagement programs.

Learning Data

As the employee engagement programs continue, new information is acquired and new skills are learned. This level of measurement (Level 2) focuses on the changes in knowledge and skill acquisition, and details what still needs to be learned. Some programs have a high learning component, such as job design. Others may have a low learning component, such as brief engagement sessions. In some cases, the focus is on organizational learning or departmental skill development.

Application and Implementation Data

Application and implementation are key measures that show the extent to which employees are engaged, behavior has changed, and employee performance has improved. This type of data reflects how actions are taken, adjustments are made, new skills are applied, habits are changed, and steps in a new process are initiated as a result of the employee engagement programs.

This is one of the most powerful categories because it uncovers not only the extent to which the employee engagement programs are implemented, but also the reasons for lack of success. At this level, barriers and enablers to application and implementation are detailed, and a complete profile of performance change at the various steps of implementation is provided.

Business Impact Data (Tangible and Intangible)

As employees become more engaged, behavior change or actions taken in application and implementation have consequences. These can be described in one or more measures representing an influence on the work environment, such as a direct impact to an individual, team, or department, or as an impact to other parts of the organization.

This level of data (Level 4) reflects the specific business impact and may include measures—such as output, quality, costs, time, job satisfaction, and customer satisfaction—that have been influenced by the application and implementation of the employee engagement program. A direct link between the business impact and the program must be established for the program to drive business value. At this level of analysis, a technique must be used to isolate the effects of the program from other influences that may be driving the same measure. Answering the following question

is imperative: How do you know it was the employee engagement program that caused the improvement and not something else?

Chain of Value

Intangible data consist of measures that are not converted to monetary value. In some cases, converting certain measures to monetary values is not credible with a reasonable amount of resources. In these situations, data are listed as an intangible, but only if they are linked to the engagement program.

ROI Data

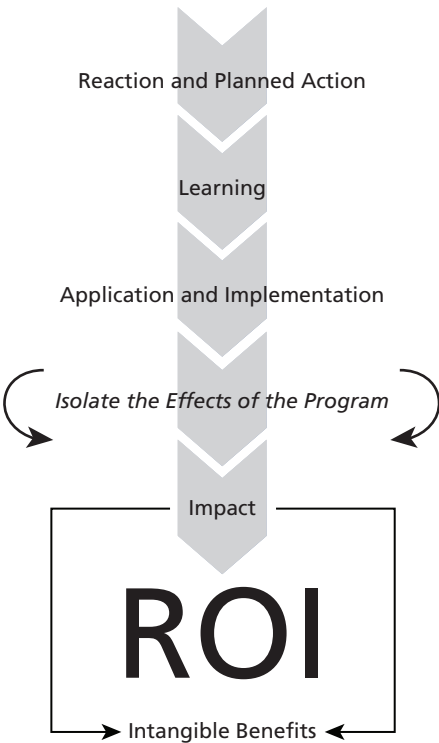
This level of measurement compares the monetary value of the business impact measures with the actual cost of the program. It is the ultimate level of accountability and represents the financial impact directly linked with the program, expressed as a benefit-cost ratio (BCR) or return-on-investment percentage. This measure is the fifth level of evaluation. It requires converting business impact data to monetary value and comparing that value with the fully loaded cost of the program.

Satisfaction leads to learning, which leads to application, which leads to business impact, and ultimately to return on investment. At the business impact level, the effects of the program must be isolated from other influences. In addition, business impact data are converted to monetary value and compared with the cost of the program to develop the return on investment. Exhibit 2-3 shows this connection as a chain of impact, which is necessary to drive business value. Stakeholders will more readily understand this chain of impact as they consider the long-term success of employee engagement. It is a novel yet pragmatic way to show results.

Fortunately, the ROI Methodology works extremely well in all types of environments and projects. The first level is critical, as a program would likely be unsuccessful if an adverse reaction occurred. An element of learning is also required to make a program successful: Those participating usually acquire knowledge and skills, and some projects even require significant skill development. However, learning does not guarantee success. Follow-up is needed to ensure that the knowledge and skills are being used appropriately. Therefore, application and implementation are critical for effectiveness; failure in these areas is typically what causes program failure overall.

The most important data set for those who sponsor projects is the impact, which is the consequence of application and is often expressed in business terms as output, quality, costs, and time. However, showing the impact of a program isn't enough for some executives. They want the ultimate level of accountability: return on investment. ROI converts the amount of the improvement at the impact level (attributed to the program) to money, and compares that with the cost of the program.

EXHIBIT 2-3. Chain of Impact



SELECTING PROGRAMS FOR ROI ANALYSIS

Every employee engagement program should be evaluated in some way, even if it's only collecting reaction data from those involved in the program. Reaction data alone may be sufficient for evaluating some programs, but the challenge is to collect additional data at higher levels, and to do so only when it is relevant and feasible.

Appropriate evaluation levels are usually determined when the program is initiated, recognizing that the evaluation level may change throughout the life of the program. If the cost of the program increases, sponsors may ask for an evaluation of the impact (Level 4) or even ROI (Level 5) of the program. Because of the resources required and the realistic barriers for ROI implementation, ROI analysis should be used only for those programs that are very expensive, linked to strategic objectives, important for solving organizational problems, and highly visible.

A comprehensive employee engagement program usually meets most, if not all, of these criteria. Deciding which type of evaluation to use is sometimes a trade-off depending on the resources available and the amount of disruption allowed for collecting the data. Because some data collection at this level may disrupt work at varying

degrees or inconvenience those involved in some way, the evaluation needs to be balanced with the time, effort, and resources that can be committed to the process. Many organizations fall short of the ideal evaluation, instead settling for a feasible approach within existing constraints.

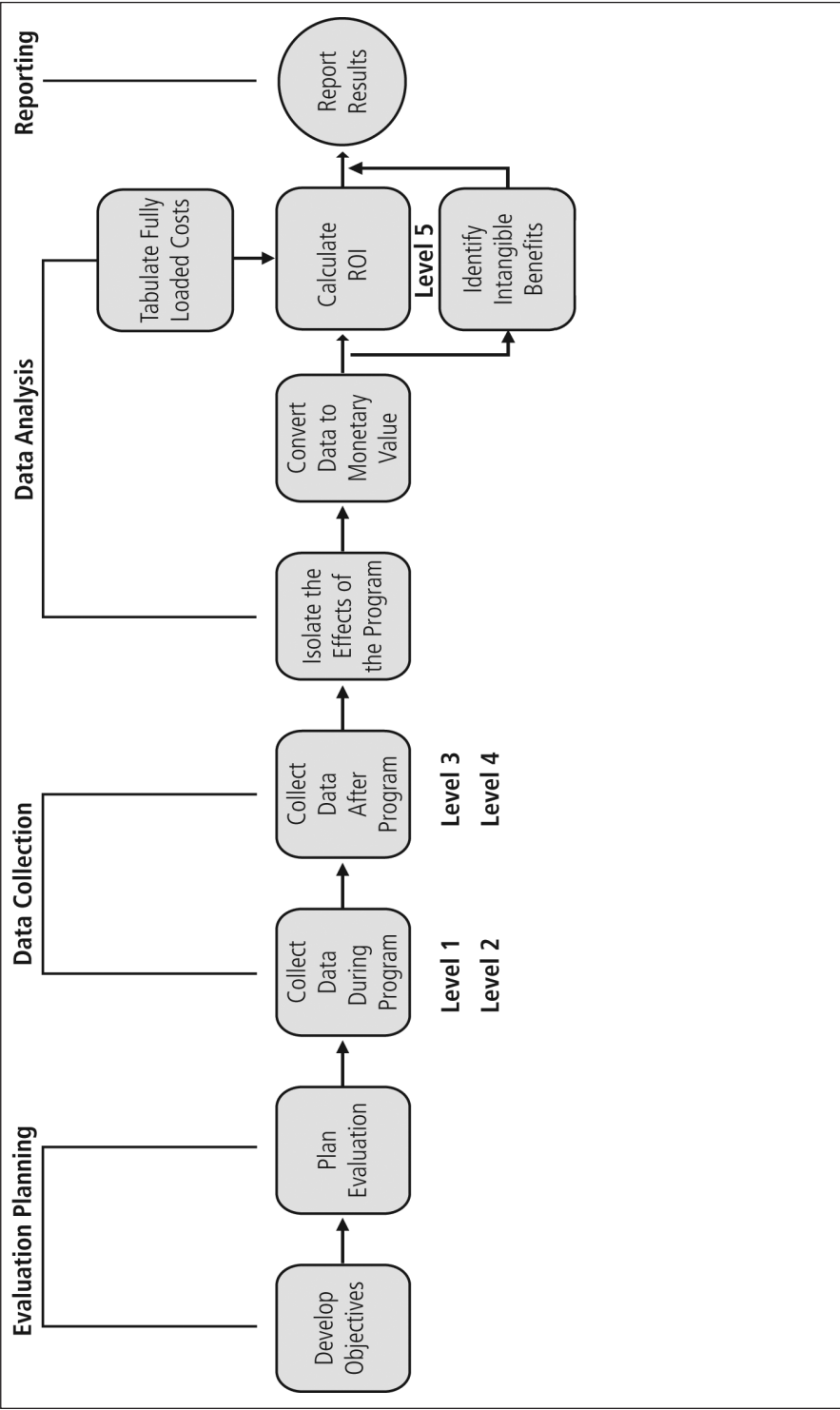
ROI PROCESS MODEL

Measurement and evaluation must be systematic, following a routine process that can be duplicated in a variety of projects. The ROI Process Model is a 10-step process, illustrated in Exhibit 2-4 (on the next page). The process begins with the end in mind by creating objectives, and proceeds until an impact report is generated. It is highly adaptable to the needs of the project in question and the evaluation can stop at any point along the process. The data collected during the program at Level 1 and Level 2, and data collected after the program at Levels 3 and 4, are steps along the way. This process will be explained in further detail in chapters 3 through 6.

FINAL THOUGHTS

This chapter presented a measurement culture and explained why that culture is so important in the context of employee engagement. Building on the premise that a measurement culture matters, this chapter explored ways for employee engagement practitioners to become change agents and build a measurement culture within the organizations in which they work. Finally, an introduction to the ROI Methodology was provided as a process to build a measurement culture.

EXHIBIT 2-4. ROI Methodology Process Model



From ROI Institute. All rights reserved.

3

Alignment of Engagement Programs and Evaluation Planning

In far too many situations, employee engagement programs are implemented without a complete picture of the reason for the program. Pursuing initiatives without knowing why or identifying clear performance and business needs up front can be disastrous in today's economic climate. Evaluation is too often an afterthought. This chapter explores why it is important to plan ahead, how to use the V-Model to align programs with business needs, the process of integrating needs with the evaluation, and the steps and artifacts included in evaluation planning.

ACHIEVING THE PROPER ALIGNMENT

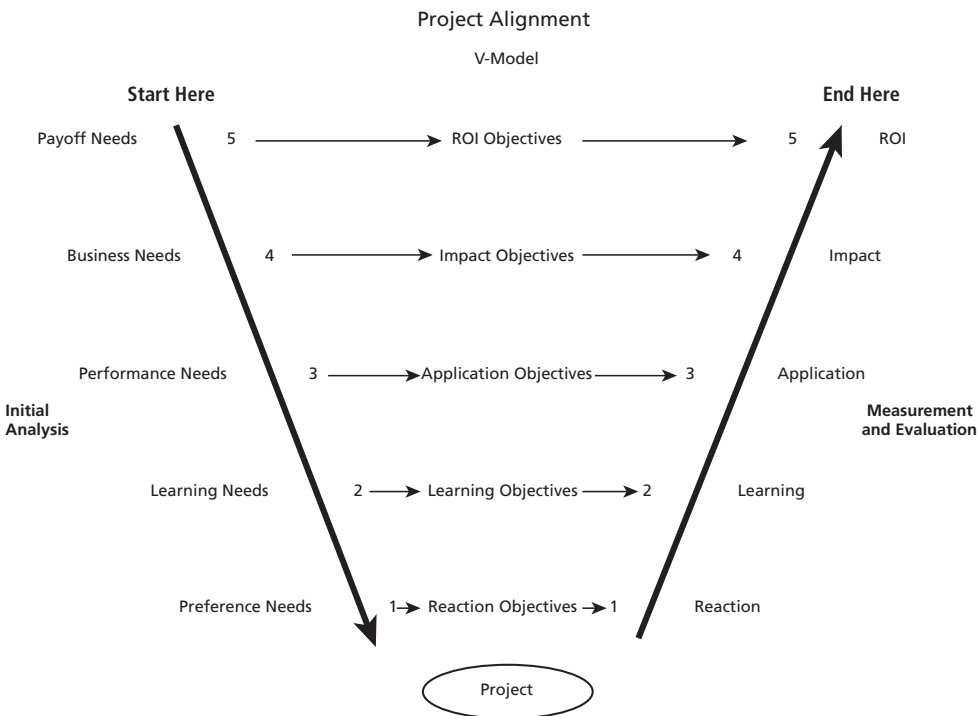
The basis for an employee engagement program adding value rests on the rationale for its existence and the extent to which it relates to a specific business need. This fundamental concept requires a thorough needs analysis, which is the beginning point in the ROI Methodology. As described in chapter 2, conducting a diagnosis or assessment of the organization's needs allows the employee engagement practitioner to determine, with the help of the client, the necessary programs. This also sets the stage for collecting any necessary data and minimizing defensiveness and resistance.

There are a variety of methods for conducting a needs analysis, but integrating the ROI Methodology is critical when measuring at higher levels of evaluation. For example, let's assume that during an analysis phase two findings emerge: high turnover and low productivity. This is where the analysis phase moves to inquiring about what behaviors, rewards, and helpful mechanisms may be contributing to the high turnover and decreased productivity. In this case, a lack of employee engagement is causing most of the problems, but the organization's leaders are not aware of how serious the problem is. The solution involves increasing engagement and developing leaders who use and encourage engagement in productive ways. As you can see, this approach not only helps identify the right solution, but it sets into motion relevant goals and measures. There are two key questions that help quantify the gap that exists: What is the ideal or desired state? What is the current state?

The V-Model is a powerful method for ensuring business alignment because it maps the connection of needs analysis from programs to objectives and evaluation

(Exhibit 3-1). It shows the important links between the evaluation and the initial problem or opportunity that created the need for the program. It also shows the three points at which business alignment occurs—the beginning of the program, during the program, and during the follow-up evaluation—in order to validate the alignment.

EXHIBIT 3-1. Alignment With the V-Model



From ROI Institute. All rights reserved.

The V-Model is based on the concept of the five levels of evaluation described in chapter 2. As we will explore throughout this book, employee engagement is a natural candidate for the ROI Methodology and its alignment process.

It's best to think of the V-Model in terms of the evaluation side first. Evaluation moves through different levels of measurement:

- reaction to the engagement concept (Level 1)
- learning how to be engaged (Level 2)
- application; becoming engaged (Level 3)
- impact; the consequences of engagement measured through output, quality, and time (Level 4)
- ROI; the financial value of engagement, a comparison of monetary benefits with the cost of the program (Level 5).

From the viewpoint of key stakeholders, such as the clients or sponsors, the higher levels are more important because they show the business contribution (Level 4) and ROI (Level 5). In terms of evaluation, Level 4 is where an isolation technique is applied to specify how much improvement comes directly from the program. This step ensures that business alignment is confirmed.

The measures that are captured at each level are defined in the objectives. There are five corresponding levels of objectives, as illustrated in Exhibit 3-1, which increase in importance as the levels progress; Levels 4 and 5 are often the most valuable from a client's perspective. These objectives are developed during the needs assessment, which defines particular needs at each level. Here, the highest and most important level is the potential payoff of the program, followed by business, performance, learning, and preference needs.

Level 5, Payoff Needs

Needs assessment occurring at Level 5 addresses the potential payoff opportunity for an organization. This step is taken to determine whether an ROI will be possible if the program is pursued. The first part of the process is to decide whether the problem is worth solving or if the opportunity warrants serious consideration. This is obvious in cases where serious problems are affecting the organization's operations and strategy. For example, reversing an annual 32 percent turnover rate of critical talent at a hospital is an obvious payoff opportunity. Another example is an organization for which new account growth is flat and customer loyalty is low based on industry standards. These types of payoff opportunities make it clear that there is a problem that needs to be solved or an opportunity that should be pursued with a clearly identified business need.

Others represent not-so-obvious payoff opportunities, such as a request to implement an employee engagement program or a succession management process. In this case, the business measures of significance become more evident during the Level 4 analysis.

During Level 5 analysis, it is important to not only identify the business measures that need to improve, but also convert them into monetary values when possible so the anticipated economic benefit of addressing the opportunity is evident. Determining the payoff's monetary value is useful not only in identifying the scope of the opportunity, but also in forecasting the potential ROI. In many situations, this may not be a calculation but an "estimate" based on the perception of the cost of having disengaged employees. When the solution(s) is identified and the targets for improvement as a result of the solution are set, it is important to determine the approximate cost for the entire project. With the approximate program cost and the monetary value of the opportunity in hand, you can use the ROI forecast to indicate the potential payoff for investing in a particular program. While this practice may not be feasible for some programs, it is often important and necessary for very expensive, strategic, or critical programs.

Level 4, Business Needs

At Level 4, business data that indicate movement toward addressing the payoff need are examined to determine which measures are in most need of improvement. Ideally, employee engagement should improve the business measures listed in Exhibits 3-2 and 3-3. When cross-functional programs are anticipated, each participant could have a different business need. This may involve having participants bring one, two, or three measures (business needs) to improve, using the competencies with their teams. This is very powerful because employee engagement is now customized to the participants at the impact level.

EXHIBIT 3-2. Examples of Hard Data

Output	Quality	Costs	Time
<ul style="list-style-type: none">• Completion rate• Units produced• Tons manufactured• Items assembled• Money collected• Items sold• New accounts generated• Forms processed• Loans approved• Inventory turnover• Patients visited• Applications processed• Students graduated• Tasks completed• Output per hour• Productivity• Work backlog• Incentive bonus	<ul style="list-style-type: none">• Failure rates• Dropout rates• Scrap• Waste• Rejects• Error rates• Rework• Shortages• Product defects• Deviation from standard• Product failures• Inventory adjustments• Time card corrections• Incidents• Compliance discrepancies• Agency fees	<ul style="list-style-type: none">• Shelter costs• Treatment costs• Budget variances• Unit costs• Cost by account• Variable costs• Fixed costs• Overhead costs• Operating costs• Program cost savings• Accident costs• Program costs• Sales expense• Participant costs	<ul style="list-style-type: none">• Cycle time• Equipment downtime• Overtime• On-time shipments• Time to project completion• Processing time• Setup time• Time to proficiency• Learning time• Meeting schedules• Repair time• Efficiency• Work stoppages• Order response• Late reporting• Lost time

This process may involve reviewing organizational databases to examine all types of hard and soft data. Sometimes the performance of one item triggers the employee engagement program. For example, it's easy to pinpoint the business measure when sales are not as high as they should be, operating costs are excessive, product quality is deteriorating, or productivity is low. These key measures come directly from data in the organization and are often found in the operating databases.

EXHIBIT 3-3. Examples of Soft Data

Work Habits	Customer Service	Work Climate/ Satisfaction	Employee Development and Advancement
<ul style="list-style-type: none">• Tardiness• Visits to the dispensary• Violations of safety rules• Communication breakdowns• Excessive breaks	<ul style="list-style-type: none">• Customer complaints• Customer dissatisfaction• Customer impressions• Customer loyalty• Customer retention• Customer value• Lost customers	<ul style="list-style-type: none">• Grievances• Discrimination charges• Employee complaints• Job satisfaction• Organization commitment• Employee engagement• Employee loyalty• Intent to leave• Stress	<ul style="list-style-type: none">• Promotions• Capability• Intellectual capital• Programs completed• Requests for transfer• Performance appraisal ratings• Readiness• Networking

Exhibit 3-2 shows these business needs arranged into four hard data categories: output, quality, costs, and time. Examples include sales, production, errors, waste, accidental costs, downtime, project time, and compliance fines. These measures exist in any type of organization—even in the public sector and among nonprofits and non-government organizations—and often attract the attention of executives and chief administrators because they represent business impact. It is important to connect a project to at least one of these measures. However, keep in mind that impact measures can also be subjective, such as customer service, image, work climate, customer satisfaction, job satisfaction, engagement, reputation, and teamwork.

In other cases, business alignment with employee engagement programs may involve a review of HR measures, such as employee engagement, job satisfaction, employee complaints and grievances, absenteeism and tardiness, teamwork, accidents and incidents, performance ratings, employee transfers and promotions, and talent retention, turnover, and turnover costs. Although these measures may not be as important as measures of output, quality, costs, and time, they are still important, and in some cases are the primary measures of interest for an employee engagement program. Soft data are sometimes reported as a program’s intangible benefits because they cannot always be converted to money credibly or with a minimum amount of resources. But they can be important business measures and, if improved, can help an organization take advantage of a payoff opportunity.

Level 3, Performance Needs

The Level 3 analysis involves determining performance needs or gaps that will contribute to improving the business measures. The task is to determine what is causing the problem (or creating the opportunity) identified at Level 4; for example, what is causing the business to be performing below the desired level? What should the organization be doing more or less of? Is there something the organization should be doing differently? Performance tools or systems, inadequate technology, lack of engagement, and broken or ineffective processes are all examples of performance needs.

The desired and current state should reveal performance needs because the reason for the inadequate performance will be the basis for the solution. For example, if customer complaints have increased, and it is discovered that the technology used by customer service is outdated and slow, then the technology that supports customer service representatives is the cause of the problem and needs to be resolved.

Performance needs can be uncovered using a variety of problem-solving or analysis techniques. This may involve the use of data collection techniques, such as surveys, questionnaires, focus groups, or interviews. The key is to determine the causes of the problem so that solutions can be developed. Sometimes there is one clear solution to address the performance need; other times there are multiple solutions and then a decision must be made as to which one to pursue, if pursuing all is not an option. ROI forecasting is one way to help make the decision.

Level 2, Learning Needs

During the Level 2 assessment, the specific information, knowledge, or skills required to address the performance needs are identified. An analysis may reveal learning deficiencies, in terms of knowledge and skills that can contribute to the problem. In other situations, the solution will need a learning component as employees learn how to implement a new process, procedure, or technology. For employee engagement, the solution typically involves the acquisition of knowledge or the development of skills necessary to become more engaged. In some cases, perceptions or attitudes may need to be altered before an employee engagement program can be successful. The extent of learning required will determine whether formalized training is needed, or if more informal, on-the-job methods can be used to create an increased engagement.

Level 1, Preference Needs

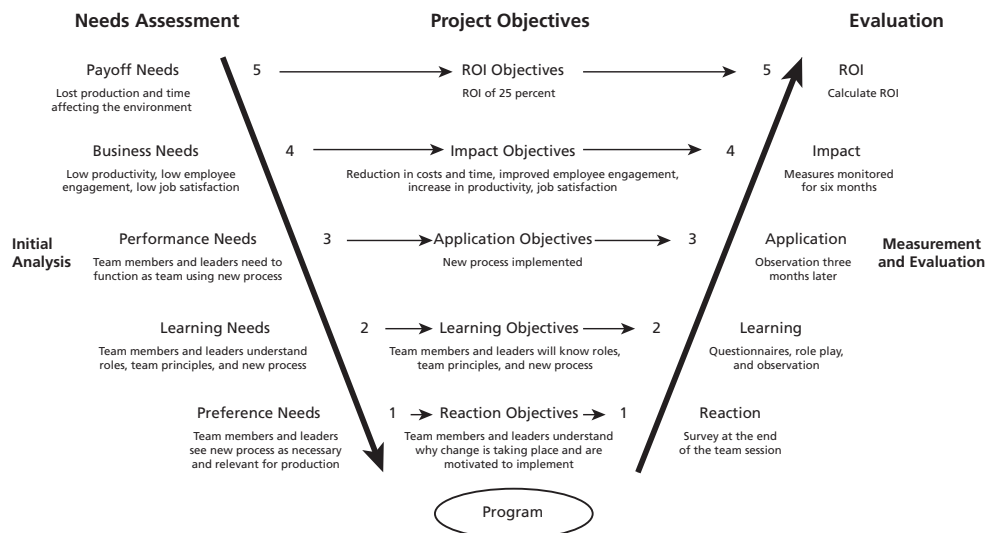
Finally, the Level 1 assessment describes the preferences for the engagement program. This involves determining the preferred way in which those involved in the process will need or want it to be implemented. Typical questions that surface include “Is this important?” “Is this necessary?” and “Is it relevant to me?” Preference needs may involve aspects of implementation, including decisions about when learning is

expected, in what amounts, how it is presented, and the overall timeframe. Implementation involves timing, support, expectations, and other key factors.

Using the V-Model, Exhibit 3-4 shows an example of linking needs assessment with the evaluation of an employee engagement program involving a team-based process for making improvements. The target audience is composed of team members and team leaders. As the exhibit shows, the first step is to see if the problem is worth pursuing.

These five levels of needs analysis develop a comprehensive profile for determining how best to address an opportunity or problem worth solving. They also serve as the basis for the engagement program objectives.

EXHIBIT 3-4. Employee Engagement Program Example With the V-Model



Objectives

Objectives keep the employee engagement program and the business aligned by positioning that program with the outcomes in mind at every level. The levels of objectives are:

- Level 0 Input objectives are the indicators that are generally tracked, such as the number of programs, people affected, hours, and so on. They are categorized as Level 0 because they do not reflect the outcome.
- Level 1 Reaction and planned action objectives describe expected immediate satisfaction with the employee engagement program. They define important

aspects, including the relevance of the change and the importance of the information or content shared through the process.

- Level 2 Learning objectives describe the expected immediate outcomes in terms of knowledge acquisition, skill attainment, awareness, and insights gained through the employee engagement program. These objectives set the stage for transitioning to performance and behavior change.
- Level 3 Application objectives describe the expected intermediate outcomes in terms of what behavior change, involvement, and actions are expected as a result of the employee engagement program. Objectives may target specific steps to be taken or specific behaviors that need to change.
- Level 4 Impact objectives define the specific business measures that should improve as a result of the employee engagement. Improvements in these intermediate (and sometimes long-term) outcomes represent changes in output, quality, costs, and time, as well as customer satisfaction and employee satisfaction. Objectives at this level answer the question, “So what?” as it relates to the program. They describe to stakeholders the importance of the intervention.
- Level 5 ROI objectives define for stakeholders the intended financial outcome. This single indicator sets the expectation for how the benefits of the employee engagement program will relate to the cost. These objectives must be identified and developed before the evaluation can be conducted; ideally this occurs early in the process when the program is being designed.

Each level represents a category of measures that describes how much progress is being made to address the various levels of need. Specific measurable objectives serve as the blueprint for building the employee engagement program. By aligning initiatives with the business through a thorough needs assessment and the development of measurable objectives, the implementation and evaluation of the employee engagement program becomes more systematic and reliable. Identifying stakeholder needs and developing relevant objectives make up the first two phases of business alignment and set the stage for planning the third phase: evaluation.

Case in Point

In this example, the payoff need is based on the problem of lost production time and damage to the work environment. To understand the impact (Level 4), the problem must be examined in more detail: While the average production time is at an all-time high, productivity levels have not increased in the last 18 months. The pressure of not meeting departmental and organization goals is putting stress on employees and has affected job satisfaction and employee

engagement. When all these measures are considered it becomes obvious that there is a business problem worth solving.

With the confirmation at Level 4 that there are business needs, a potential payoff can be projected. This involves estimating the cost of lost productivity and time, and using standard values for production and time to determine the improvements that can come from the project. This develops a profile of potential payoff and further demonstrates why the problem is worth solving.

At Level 3, the causes of the problem are explored using a variety of techniques, and each measure needs to be analyzed to see what factors are causing its current status. (For example, why is productivity not improving, or what is the cause of the job dissatisfaction?) For this project, the analysts conducted interviews and focus groups to understand why business measures were at their current level. The key principle, as in any analysis, is to identify the potential solution to the problem. A new team engagement process was seen as a viable option for organizing the work in teams. The potential impact was to dramatically reduce the time it took to produce new products. The program also needed to include soft skills because the employee base was not accustomed to working in teams—team leaders and members would learn new behaviors that were associated with team engagement and performance.

At Level 2, learning is explored. Do team leaders and members understand the new process? Are they clear about their new roles? The new process and team roles were at the heart of the learning needs.

At Level 1, the desired reaction is considered. A realistic picture of the change involved must be shared so that teams understand the relevance of the approach. Adapting to change, motivation to implement, and the importance of the new process are factors that are critical to the success of launching this approach.

EVALUATION PLANNING

The evaluation must be planned—overall and individually—for each program. Not much planning is involved for an evaluation conducted only at the reaction levels, but as the evaluation moves up the value chain, increased attention and effort needs to be placed on planning. During the typical planning cycle, the purpose of the evaluation must be reviewed for specific solutions and to determine where the evaluation will stop on the value chain. The feasibility of evaluating at different levels should also be explored.

Employee engagement professionals understand the importance of planning for almost any type of undertaking. Most agree that thorough planning can lead to more

effective implementation. The same holds true for ROI analysis. Careful planning for ROI analysis not only saves time and effort, but can also make a difference in the success or failure of the entire project. Planning involves the development of three documents: data collection plan, ROI analysis plan, and communication and implementation plan. These documents are described using the following case study.

CASE STUDY

A manufacturing company with 15,000 employees has experienced some recent problems. Revenues have increased during the past three years, but profit margins have declined to breakeven. The company has a solid and loyal customer base and aligns the business to client needs. However, the executive team is concerned about high turnover rates, low productivity, and low employee engagement. A recent analysis of the annual engagement survey determined several key outcomes:

- To grow the business, more leaders need to ensure that employees are engaged.
- Employees need to have a clear understanding of their goals.
- Employees are not sure of their responsibilities.

The lack of engagement was also linked to business needs, including productivity, quality, retention, and cost reduction. The employee engagement team determined that it would be beneficial to the company to use team leaders to drive employee engagement, especially since the competencies identified for leadership included communication skills, business acumen, and the ability to engage employees.

The solution was a three-day intensive learning workshop for team leaders that focused on the concepts of engagement and how team leaders could get their employees more engaged. The employee engagement team agreed to implement a feedback process with the team leaders, which would provide an engagement score before the program and three months after the program to show the changes with this immediate group. The evaluation acted as a control group to isolate the program's effects.

The workshop involved several key steps. Before participating, team leaders completed a one-hour online session to learn about the engagement process. Feedback was administered online and collected from team members and team leaders. This was followed by a feedback session conducted during the three-day workshop, along with a comprehensive report for each leader. The expected outcome was an action plan generated by the team leader.

Objectives

The employee engagement team created the following multilevel objectives for the employee engagement program:

- Participants will rate the employee engagement program as relevant to their jobs.

- Participants will rate the employee engagement as important to their success.
- Participants must demonstrate acceptable performance on setting goals.
- Participants must demonstrate acceptable performance on communicating responsibilities to team members.
- Participants will use the engagement concepts with team members on a routine basis.
- Participants will improve productivity, quality, retention, and costs.

Data Collection Plan

Exhibit 3-5 shows the completed data collection plan. Defining the objectives and measures at each level, including return on investment, is vital. Measures can sometimes be examined in different ways, so defining them up front eliminates confusion.

The data collection methods detailed in Exhibit 3-5 correspond to the different objective levels, using a range of options that are described in the next chapter. Next, the data sources were identified. Data can be collected from existing organizational databases, or by those participating in the employee engagement program. In some cases—as in the case of the 360-degree feedback assessment—team leaders, as well as their direct reports (team members), provide data.

Timing is important for determining when data should be collected from the different sources for each level. During implementation, data often come directly from those involved in the program. In other situations, the follow-up can be determined based on when the program is operational and successful.

Finally, the responsibilities were detailed, outlining specifically who should be involved in the data collection process.

ROI Analysis Plan

Exhibit 3-6 shows the completed ROI analysis plan, which is connected through business impact data. The first column shows the detailed definition of each impact data measure. The second column defines the method for isolating the effects of the program on each data item using one or more of the specific techniques available. The method of converting data to monetary values is listed in the third column using one or more available techniques.

The fourth column defines the cost categories for the specific program. Using a fully loaded cost profile, all the categories are detailed here. Completing this action during the planning stage is helpful for determining whether specific cost categories need to be monitored during implementation. The fifth column defines the intangible benefits that may be derived from the program. When listed here, the intangible benefits are only anticipated; they must be measured in some way to determine whether they have actually been influenced by the program. Finally, the last columns detail other influences that may affect implementation and offer a space for additional comments, respectively.

EXHIBIT 3-5. Data Collection Plan

Intervention: <u>Employee Engagement Program</u> Responsibility: _____ Date: _____						
Level	Objective(s)	Measures/Data	Data Collection Method	Data Sources	Timing	Responsibilities
1	REACTION/PLANNED ACTION <ul style="list-style-type: none">• Relevance to job• Importance to their success• Action items to improve engagement	<ul style="list-style-type: none">• Average of 4 on 5-point scale	<ul style="list-style-type: none">• Questionnaire	<ul style="list-style-type: none">• Team leaders	<ul style="list-style-type: none">• Immediately following the program and the first feedback	<ul style="list-style-type: none">• Engagement team
2	LEARNING <ul style="list-style-type: none">• Engagement concepts• Set goals with team members• Communicate responsibilities• Enhancing leadership skills• Improving engagement	<ul style="list-style-type: none">• Average of 4 on 5-point scale	<ul style="list-style-type: none">• Questionnaire	<ul style="list-style-type: none">• High-potential leaders	<ul style="list-style-type: none">• Immediately following the program	<ul style="list-style-type: none">• Facilitator
3	APPLICATION <ul style="list-style-type: none">• Use leadership competencies• Utilize engagement concepts with team members routinely as evidenced by scores on second administration of feedback	<ul style="list-style-type: none">• Checklist for action plan• 4 out of 5 on a 5-point scale	<ul style="list-style-type: none">• Action plan• Feedback scores	<ul style="list-style-type: none">• High-potential leaders• Supervisors, direct reports, peers	<ul style="list-style-type: none">• Three months after the program administer it a second time	<ul style="list-style-type: none">• Facilitator• HR

4	BUSINESS IMPACT <ul style="list-style-type: none">• Productivity• Quality• Retention• Cost reduction	<ul style="list-style-type: none">• Reduce specific variable costs• Decrease in voluntary turnover• Increase gross productivity• Increase quality (specific measures)	<ul style="list-style-type: none">• HR database• Operational database	<ul style="list-style-type: none">• Team leaders	<ul style="list-style-type: none">• Six months after the program	<ul style="list-style-type: none">• HR team
5	ROI <ul style="list-style-type: none">• 25%	Comments: Action plans are provided and explained. Team leaders commit to completing action plans and sharing copy with engagement team.				

EXHIBIT 3-6. ROI Analysis Plan

Program: <u>Employee Engagement Program</u> Responsibility: _____ Date: _____						
Data Items (Usually Level 4)	Methods for Isolating the Effects of the Program	Methods of Converting Data to Monetary Values	Cost Categories	Intangible Benefits	Communication Targets for Final Report	Other Influences and Issues During Application
<ul style="list-style-type: none">• Cost reduction• Productivity• Quality• Retention	<ul style="list-style-type: none">• Control group• Participant estimates (for backup)	<ul style="list-style-type: none">• Standard values	<ul style="list-style-type: none">• Diagnostics• Development• Feedback fees• Time of those involved in process• Administrative overhead• Communication expenses• Facilities• Evaluation	<ul style="list-style-type: none">• Increased job satisfaction• Increased engagement• Increased teamwork	<ul style="list-style-type: none">• Executives• Sponsors• HR team• Team leaders• Team members	<ul style="list-style-type: none">• An initiative that may influence the impact measures of the employee engagement program

Communication and Implementation Plan

The communication and implementation plan details how the results will be communicated to various groups, which groups will receive the information, and the specific schedule of events and activities connected to the other planning documents. It should include the method of communicating, the content of the communication, and the timing for the communication. The plan also defines the rationale for communicating with the group and for anticipated payoffs, along with the individual responsibility for monitoring actions from the evaluation. It clearly delivers the information to the right groups to ensure that action occurs; in almost every impact study there are significant actions that can be taken.

FINAL THOUGHTS

This chapter explored the alignment of employee engagement and evaluation planning. It described in detail when and how an ROI analysis should be considered as a process improvement tool. Using the V-Model, a step-by-step explanation was provided to properly align employee engagement programs with business needs. Special attention was paid to integrating needs analysis with the ROI Methodology, ensuring that the employee engagement practitioner has adequate tools and understanding to conduct a needs assessment and plan for the evaluation. Finally, the role of planning for an ROI project was presented, detailing the key steps in the process through an actual case study and illustrating how planning documents are used.