

# The MacLeod Report – a brief overview...

## CHAPTER 1: Employee engagement – what, why and how

This chapter summarises the findings on the importance of employee engagement in the UK, the barriers to engagement and contains an outline of the report writers' recommendations to the Government.

What is employee engagement? The report discussed various definitions and used examples from several academics, but the agreed definition is set as:

'Employee engagement is a workplace approach designed to ensure that employees are committed to their organisation's goals and values, motivated to contribute to organisational success, and are able at the same time to enhance their own sense of well-being.'

The report recognises 'that engaged organisations have strong authentic values, with clear evidence of trust and fairness based on mutual respect, where two promises and commitments – between employers and staff – are understood, and are fulfilled'.

Engagement is two way: organisations must work to engage the employee, who in turn have a choice about the level of engagement to offer the employer. Each reinforces the other. The chapter also states that engagement is measurable, it correlates with performance, and it correlates with innovation.

The report's findings suggest that engagement levels in the UK are low – and vary widely. A study, by Professor Katie Truss and the Kingston Business School for the Chartered Institute of Personnel and Development (CIPD) in 2006, found that only three in ten UK employees were actively engaged with their work. More recent surveys suggest that one in five UK workers may be disengaged.

### The impact of the engagement deficit:

- Lack of innovation
- Lack of quality managers
- Company or organisation would not be recommended by an employee to a friend or prospective employee
- Skills wastage - a Warren Resources (WRES) survey found over half of employees surveyed thought they possessed skills that were higher than those required to do their job
- Decline in discretion over work
- Factor in Britain's poor productivity record
- Increased amount of sick days costing UK business billions

*Case studies: Serco, Blackpool Fylde and Wyre NHS Foundation Trust, Broadway, ROK, Department for Work and Pensions (DWP), Reed Elsevier, the VT Group.*

### The positive impact of engagement during the recession:

- Help companies and employees by establishing 'trust'
- Engagement enables organisations to retain employees' support while making and implementing difficult decisions

*Cases studies: JCB, KPMG, Lloyds pharmacy, Freshfields Bruckhaus Deringer.*

### The challenges ahead:

- Engaged organisations will be at the heart of the UK effort to emerge from a difficult economic period
- Human capital is the only real difference between businesses now, so people matter more than ever before
- The next generation want more than just a wage packet: they want to take responsibility and be involved
- The younger population are less and less likely to leave personality at the door: they want choice – and a voice
- New ways of working – team working, collaboration, joint problem solving.

### Engagement and the individual:

- Studies prove without a doubt that employees engaged in meaningful work, which provides positive emotional experiences, maximize their psychological well-being
- 86% of engaged employees say they often feel happy at work, against 11% of the disengaged
- Mental and physical health can be dramatically affected by a lack of engagement – the line manager has a very important role to play.

### Explaining the engagement deficit:

- Too many CEOs and senior managers are unaware of employee engagement or are still to be convinced of its benefits
  - Some believe that initiatives take time to show in performance
  - Stock market does not value intangibles such as employee engagement and senior managers do not see it as a bottom-line issue
  - Lack of information on the subject. Not many employers know how to make a start
  - Poor leadership and poor management skills – people join organisations but leave managers
- Final thoughts – failure of leadership and management is the main cause of poor employee engagement.

### The way ahead:

- Leadership which ensures strong transparent and explicit organisational culture
- Engaging managers who offer clarity, appreciation of employees' effort and contribution
- Employees who feel able to voice their ideas and be listened to, both about how they do their job and in decision-making in their own departments
- A belief among employees that the organisation lives its values.

- The report suggests that the best way of increasing engagement levels in the UK is to ensure more leaders understand the concept and what it can deliver. It recommends that the Government sets up discussions and forums to ensure the widest possible understanding of employee engagement in the UK

## CHAPTER 2: The case for employee engagement – the evidence

Many organisations interviewed did not see the link between employee engagement and performance as an outcome. The report shows the link between employee engagement and performance on pages 37 and 38.

*Case studies: Nationwide Building Society, Co-operative group, Freshfields Bruckhaus Derringer, Ultra Electronic Holdings, Amey, KPMG, Google, Malmaison, Metro, HansenGlass, Wychavon District Council, Runshaw College, South Tyneside Council, Birmingham City Council, DWP, Westminster City Council.*

### Engagement brings a clear win for the individual employee:

- CIPD found that those engaged have a greater sense of well-being than those who are less engaged.
- They are more likely to be satisfied with their work, less likely to go sick, and less likely to leave the organisation
- Towers Perrin 2008 Global Workforce study found that the top driver of engagement was senior management demonstrating a sincere interest in employee well-being
- The Health and Safety Executive estimates that the total cost of sickness to society is £20-30 billion p.a.

*Case studies: Telefonica O2 UK, Red Gate Software, West Bromwich Tool and Engineering, Fujitsu Group.*

## CHAPTER 3 : The barriers to engagement

### These include:

- Lack of understanding amongst leaders
- Leaders do not know how to address the issue
- When leaders place great emphasis on engagement, managers may not share the belief or may not be well equipped to implement
- Various views on commitment to employee engagement – some say they place great importance on it but only produce one survey per year
- Underestimating the commitment needed to ensure engagement is a success.

## CHAPTER 4 : Enablers of engagement – what has to happen to make engagement work?

### Four broad enablers cited as being critical to employee engagement:

- **Leadership** – must provide strong strategic narrative, be clear and open about the vision of the company. Employees must understand how their role fits into the bigger picture
- **Engaging managers** – Accenture research shows that 80% of engagement was down to the line manager. The employee's most important relationship at work is with the line manager. Managers must be seen to be engaged and committed to the organisation. The report suggests that engaging managers must have the following traits:
  - Clarity for what is expected
  - Show appreciation and offer feedback/coaching
  - Treat staff as individuals with fairness and respect
  - Ensure that work is designed efficiently and effectively
  - Enable employees to have a voice

*Case studies: Mace Group, Network Rail, Telefonica O2 UK, Standard Chartered Bank, Ministry of Justice, The Co-operative Customer Relation Team, Hillingdon Council.*

- **Voice** – communications must be seen as two-way, where managers facilitate feedback and opinion from employees. The role of workplace representatives: the role of engagement was discussed with trade unions. Many companies with trade unions pointed to the importance of aligning their industrial relations with engagement strategies. Traditional representatives were wary about engagement as communication didn't necessarily go through the union machine and pushed for extra work above the contracted job. The TUC now believes that engagement could have a positive benefit for employees provided an independent voice was still part of the element.

*Case studies: Unipart Group, Aberdeenshire Council, John Lewis Partnership, London Ambulance Service, United Welsh, Microsoft, Marks and Spencer.*

- **Integrity** – behaviour must be consistent with values

## CHAPTER 5: Recommendations

The report calls for business leaders to raise the profile of the employee engagement issue with leaders in all sectors of the economy. The key is to develop an understanding of employee engagement and ensuring that the necessary advice and assistance is available.