May 2015

Chase Clelland
Grow Financial Federal Credit Union, Columbia, SC
Chase.Clelland@growfinancial.org

Aaron Duffy
Appalachian Community Federal Credit Union, Gray, TN
aduffy@myacfcu.org

Shannon Hoffman
Georgia's Own Credit Union, Atlanta, GA
sthoffman@georgiasown.org

Josh Taylor
SRP Federal Credit Union, North Augusta, SC
jtaylor@srpfcu.org

Employee Engagement: What, Why, and How

Contents

INTRODUCTION/STATEMENT OF THE ISSUE 1

Employee Engagement: On the Surface 1

RESEARCH 3

Employee Engagement: The Battle of Who Cares 3

Employee Engagement vs. Employee Satisfaction 5

Employee Engagement: The Difference between Average and Extraordinary 8

RECOMMENDATIONS/SOLUTIONS 11

Increasing Employee Engagement 11

Hiring Practices 11

Growth Opportunities & Development 12

Leadership and Relationships 14

Vision of Purpose 15

Reward & Recognition 16

Communication 18

SUMMARY AND CONCLUSIONS 21

REFERENCES 22

INTRODUCTION/STATEMENT OF THE ISSUE

Employee Engagement: On the Surface

It is said that employee engagement is one of the most crucial factors to an organization's success, but just how crucial is it? What is employee engagement and does it really make a difference? How is it measured? How can organizations increase employee engagement? This paper will examine these questions by analyzing surveys, real world anecdotes, and the writings of subject matter experts.

Employee engagement is a hot topic in the business world; we see it everywhere: in scholarly business journals, Forbes magazine, and everywhere in between. Why? Because it is important. If you work at a company with employees, you should care about employee engagement. It's really that important.

Let's take a closer look at what "employee engagement" actually means. The term employee engagement refers to an employee "who is fully involved in, and enthusiastic about, his or her work" (Crim & Seijts, March 2006). Rudy Karsan and Kevin Kruse refine the definition further to say that it is "the extent to which employees are motivated to contribute to organizational success and are willing to apply discretionary effort to accomplishing tasks important to the achievement of organizational goals" (Karsan & Kruse, 2011). Employee engagement is much more than providing employees a nice place to work and paying them appropriately. It encompasses everything from reward and recognition, to growth and development, to relationships and communication, all the way up to how leadership runs the organization.

We will further explore what employee engagement is in the next section, but let's take a moment to look out how these definitions translate to the credit union movement. We believe that, fundamentally, credit unions are like many other businesses. Like other businesses, credit unions need motivated employees. However, credit unions also have a mission that sets them apart from most other businesses: credit unions exist to serve their members. For that reason, employee engagement in credit unions can be defined as *the extent to which credit union employees are enthusiastic and motivated to contribute to the credit union's core mission of serving its members*.

Having defined the term, what is its significance? Why should organizations care about employee engagement? A recent study by *24/7 Wall Street* suggests that employee engagement has a large impact on organizational success (Frohlich & McIntyre, 2014). The study identified the ten worst and ten best companies in America. Books-A-Million topped the worst list with a 2.0 out of 5.0 overall rating. Employees complained about the compensation and work schedule, gave the CEO only a 22% approval rating, and rated the overall culture an abysmal 1.8 on a scale of 1 to 5. Perhaps even worse, only 14% of employees would recommend the company to a friend. At the end of the 2014 fiscal year (the same year the results were analyzed), Books-A-Million posted an eight million dollar loss and announced it was planning to close stores. Obviously, Books-A-Million has a significant problem with its employees. How likely is it that Books-A-Million will be able to survive and compete in today's marketplace when it cannot attract or retain talent?

On the other end of the scale, Eastman Chemical Company received a 4.5 out of 5.0 overall rating. Eastman Chemical's employees raved about corporate culture, a strong work life balance, and compensation. Employees also thought very highly of the CEO, with a 91% overall approval rating. Eastman Chemical ended the 2014 fiscal year with 1.4 billion dollars in net revenue (McIntyre, Hess, Frohlich, Kent, Zajac, & Allen, 2014).

Both examples paint a picture of organizations that have been significantly impacted by their levels of employee engagement. In looking at the impact to the bottom line, Eastman Chemical made an additional 200 million in net revenue from 2013 to 2014. Books-A-Million went completely in the opposite direction. In 2013, the company posted a 2 million dollar net profit, which means there was a negative swing of 10 million dollars to the company's profits from 2013 to 2014.

Looking to examples like Books-A-Million and Eastman Chemical gives us a sense of how important employee engagement is to credit unions. Unlike publicly-traded businesses, credit unions depend on positive net income to build their capital so they can grow continuously, make improvements to existing infrastructure, and provide new products and services to their members. As these anecdotes suggest, businesses with engaged employees tend to be more profitable. Because credit unions can build capital only through positive net earnings, it is absolutely critical for credit unions to have engaged employees. Otherwise, they will not be able to generate the capital needed to survive.

In addition, it should be noted that the importance of a credit union's reputation cannot be overstated. In fact, reputation risk is one of the primary factors that state and federal regulators assess when evaluating the health of a credit union. Where does a credit union's reputation come from? Credit unions, like other organizations, are made up of people. When a member thinks about their credit union, they are in large part thinking about the people with whom they interact. It takes a lifetime to build a reputation and seconds to destroy one, and it is the credit union employees and how they interact with the community and members that builds a reputation. Ultimately, the engagement level of credit union employees matters because if credit unions take care of their employees, the employees will take care of the member . . . and everything else.

"To win in the marketplace you must first win in the workplace."

Doug Conant
Campbell's Soup, former CEO

Employee Engagement: The Battle of Who Cares

Employee engagement levels are typically grouped into one of three categories: engaged, not engaged, and actively disengaged. Or put another way, there are employees that care, employees that care less, and employees that don't care at all. Organizations are therefore fighting an internal battle against apathy, or, the battle of who cares.

<u>Engaged Employees</u>

What exactly does it mean to be "engaged?" Engaged employees feel a connection with their company. They believe they are an integral part of their organization, and they actively work to ensure the growth and success of not just themselves, but the company as a whole (Ed O'Boyle and Jim Harter, 2013). You know these employees because they smile and ask "how can I help you?" and actually mean what they say. They have friends at work, a good relationship with their manager, enthusiastically give feedback when asked because they trust it will be acted upon, and take advantage of development programs. They put forth the time and effort to ensure their work often exceeds expectations. They are recognized for their contributions, and they can articulate the organization's purpose and values. Even if they don't realize it, engaged employees help drive the organization forward.

From a credit union perspective, this is the employee that stays late on Friday night to make sure *their* member gets their account corrected, or *their* team member gets the information they requested at the last minute. These employees are so involved with the company's goals that they have internalized them; to these employees the goals of the credit union and their individual goals are the same thing. They talk the talk and walk the walk without conscious thought.

It should be noted that it is possible for an employee to be engaged in one aspect of their job and not engaged in other areas. For example, a teller may like serving members, but she or he may not care for counting the cash in the ATM. He/she may be noticeably engaged when performing tasks that involve member interaction, but not at all when completing other necessary job functions.

Not Engaged Employees

Employees that are not engaged are those who come to work to put their time in and get their paycheck. This is the "is it Friday yet?" employee. This is the person that is never late but also never does anything other than what is asked of them. There's no above and beyond, no passion; they do what's required within the expectations of their role. These are not necessarily bad employees, and that is a good thing as Gallup surveys show that this group makes up the majority of employees (Ed O'Boyle and Jim Harter, 2013).

Disengaged Employees

Actively disengaged employees are not just unhappy about their work; they are actively involved in degrading the production of their fellow employees (Ed O'Boyle and Jim Harter, 2013). As Gallup's State of the American Workplace research points out, "actively disengaged employees are more or less out to damage their company. They monopolize managers' time; have more on-the-job accidents; account for more quality defects; contribute to 'shrinkage,' as theft is called; are sicker; miss more days; and quit at a higher rate than engaged employees do. Whatever the engaged do — such as solving problems, innovating, and creating new customers — the actively disengaged try to undo" (Gallup, Inc., 2013).

Actively disengaged employees act out their unhappiness. They thrive on being part of a problem and try to tear down what others are trying to build. These employees will disrupt the work of others in meaningless ways (i.e. gossip, unrelated tasks, etc.), spread negativity through groups of employees with similar perspectives, and intentionally undermine the efforts of others.

Many successful companies take the "battle of who cares" very seriously. Zappos, for example, will pay an employee to quit during their training period. While this is an unusual technique, it offers several benefits. This process weeds out employees that really are not a good fit for the organization, and it makes it plainly clear that the culture of the company is expected to be strong enough that people want to work there. It also means they have to do a good job from the beginning in identifying people who truly fit their defined culture. The historic acceptance rate of the offer is low, which speaks loudly to how successful the company has been at building and maintaining the kind of culture that attracts and retains employees.

"…only 2% to 3% of people take the offer. The other 97% say no deal…" (McFarland, 2008)

How big of a problem are actively disengaged employees? Gallup estimates that loss of productivity in the US attributable to these employees amounts to $327 billion a year (Gallup, Inc., 2013). That's the bad news. The good news is that it is possible to rehabilitate these employees if an effort is made by management. This can be done using the techniques that are discussed later in the paper.

Employee Engagement vs. Employee Satisfaction

Employee satisfaction is often confused for employee engagement, but the concepts are distinct. Employee engagement refers to how willing an employee is to contribute towards an organization's goals. Employee satisfaction is concerned with how an employee feels about his or her job, compensation, and work environment (Society for Human Resource Management (SHRM), 2011). Employee satisfaction influences engagement, but the inverse is not necessarily true. In simpler terms, employee satisfaction is about keeping employees happy so they will stay working at the credit union. Employee engagement, on the other hand, is about making credit union employees as productive and committed as possible.

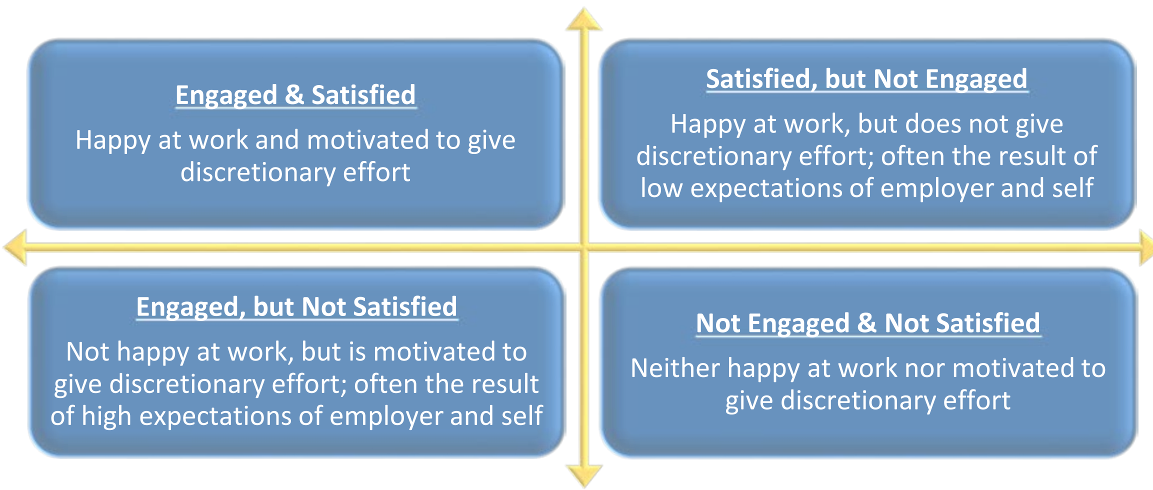
Employee Engagement		Employee Satisfaction
Motivated; actively contributes to the success of the organization	VS.	Happy with job, compensation, environment

A satisfied employee has long been the goal of most HR departments. The conventional thinking is that employers can drive profits by making every effort to ensure that their employees satisfied. The problem with this thinking is that it ignores that employees can be satisfied but not engaged. So while it is true that highly satisfied employees will be more likely to stay with an organization, if they are not engaged, these employees will not necessarily drive success.

It is possible for an employee to be satisfied with their job, but for the wrong reasons. These employees most likely have lowered their expectations of themselves or their organization (Karsan & Kruse, 2011). Because their expectations are low, they are generally satisfied. However, they are not willing to go the extra mile. What does a satisfied, but not engaged, person look like? This might be the employee that shows up on time for work, never causes any problems, and does exactly what is asked of them. His/her manager has nothing bad to say about them, but nothing extremely positive either.

Contrast that with an engaged employee, and the differences are noticeable. This is the employee that is always providing feedback and looking for ways to improve work processes. This employee is committed to doing the best job possible and stays focused on not just their immediate tasks, but also how those tasks contribute to the credit union's overall goals.

Just as satisfied employees may be disengaged, engaged employees may be dissatisfied. But this is not necessarily a bad thing. Engaged, but dissatisfied, employees typically have high expectations for themselves and their organizations. In situations where an engaged employee feels marginalized or unable to do what they feel is necessary for the organization to succeed, they are likely to be very unsatisfied (Karsan & Kruse, 2011). That is an outcome that management must work to prevent as it is easy for an engaged but unsatisfied employee to become an actively disengaged employee if the situation is not addressed.



Survey Says:

Before discussing the impacts of engagement on organizations and individuals, it is important to first understand how employee engagement is measured. Employee engagement is typically measured with surveys that ask the employee to answer a question on a scale of one to five, with one being strongly disagree and five being strongly agree.

While there are many different surveys in the market, the Gallup Q12 is the most widely used and tested survey. This survey asks 12 questions:

1. I know what is expected of me at work.
2. I have the materials and equipment I need to do my work right
3. At work, I have the opportunity to do what I do best every day.
4. In the last seven days, I have received recognition or praise for doing good work.
5. My supervisor, or someone at work, seems to care about me as a person.
6. There is someone at work who encourages my development.
7. At work, my opinions seem to count.
8. The mission or purpose of my company makes me feel my job is important.
9. My associates or fellow employees are committed to doing quality work.
10. I have a best friend at work.
11. In the last six months, someone at work has talked to me about my progress.
12. This last year, I have had opportunities at work to learn and grow.

These questions are targeted to measure the areas that influence employee engagement. Techniques and strategies for increasing employee engagement will be covered later, but for now we will review the questions above to understand how they help measure employee engagement.

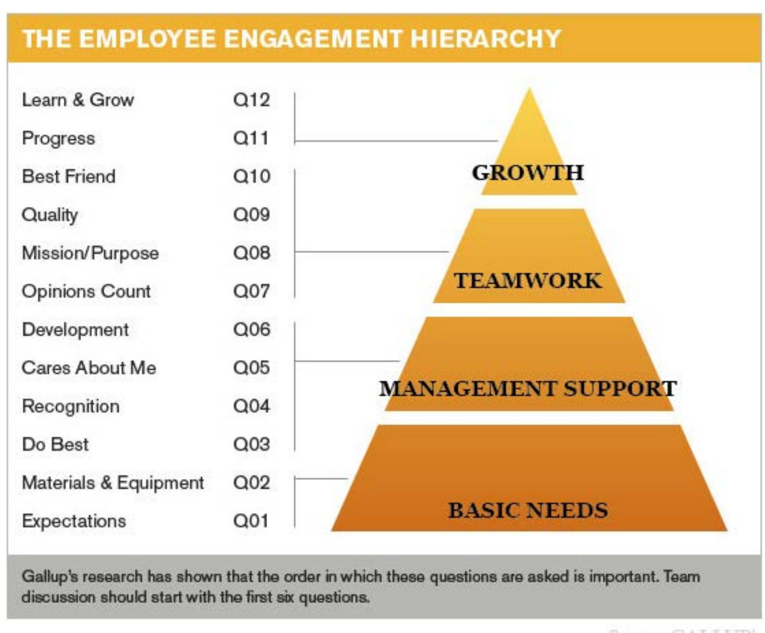
Questions 1-2 address the employee's knowledge of management's expectations and whether they have the tools to meet those expectations. An employee can only be successful if they know what is expected of them and if they are provided with the necessary tools to complete expected tasks. An employee that doesn't know the expectations, or is not equipped to meet those expectations, cannot be effectively engaged in helping their employer meet its goals.

Questions 3-6 measure the employee's perception of their individual contribution and their perception of management support. In particular, employees want to know does their supervisor care, take time to coach, build a personal relationship, and seek to help develop the employee to reach their full potential. Employees that lack support from management are not likely to be engaged.

Questions 7-10 rate how an employee feels about their organization's goals. These questions help determine how effective the organization is at communicating its goals, and whether or not the organization is taking into account what the individual employee has to say about how their job impacts those goals. These questions also address teamwork, work relationships, and how an employee views the work environment. If employees feel like they are the only ones contributing to the goal, or if they feel isolated, they will likely not be engaged.

Questions 11-12 target progress and opportunities for personal and professional growth. Engaged employees want to know that they are valued and that they have opportunities to grow. Engaged employees are not satisfied with stagnation in their employer, and they are not satisfied with stagnation in themselves.

As shown on the chart to the right, the questions can be seen as forming a hierarchy starting with basic needs, moving up through management support and teamwork, and ending in employee growth.



What does it look like to use the Gallup Q12 survey? What kind of results can be expected? Cleveland Clinic in Ohio made the decision in 2008 to measure employee engagement with the goal of improving the overall quality of care given to patients at the clinic. After committing to the process, management was able to increase the overall engagement score from 3.8 in 2008 to 4.23 in 2012. This is significant because the increase in employee engagement led to a similar increase in patient satisfaction, including the very important "would you recommend us to a friend" question (Patrnchak, 2013). Cleveland Clinic accomplished these impressive results largely by emphasizing that employees were caregivers. They even adopted a slogan: "*We Are All Caregivers*." This sort of approach would easily translate to credit unions, which rally around the cry of "people helping people."

A Note of Caution

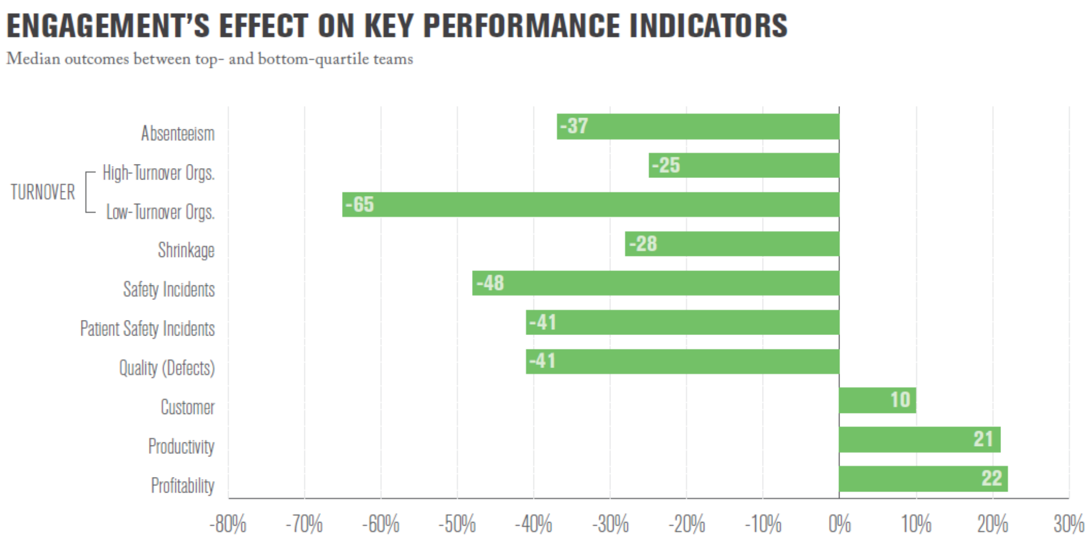
If employees are asked to complete engagement surveys, the perception is that the organization cares about engagement levels. These surveys are only useful if all employees involved in the process believe the information gained from facilitating the survey will be acted upon to create reinforcement for current best practices, and/or positive changes within an organization relating to employee engagement. What happens after the survey is important – employers can't choose to do nothing with the results. There is a risk of losing credibility with employees. As an employer, if you care enough about the levels of engagement within your organization, you should care enough to take steps to improve it (or celebrate it if levels are where you want them to be, and in that case, lucky you!). If an organization's leadership is truly committed to the process, employees will understand and believe that the survey has meaning, which in turn will guarantee that the survey does have value.

Employee Engagement: The Difference between Average and Extraordinary

Studies show that average companies can become great companies merely by increasing employee engagement. For example, one study found that organizations with high levels of employee engagement had 26% higher revenue per employee (Bankston, 2012). Another study found that companies in the top 25% of employee engagement scores have five times the shareholder return than companies with employee engagement scores in the bottom 25% (Karsan & Kruse, 2011). A 2011 study by the Corporate Leadership Council found that companies with higher engagement had 23% greater performance than companies with low engagement (ADP, 2012). Gallup has shown that engaged employees are the employees responsible for the innovation and growth that moves companies forward (Ed O'Boyle and Jim Harter, 2013). An engagement study of a consulting firm found that the firm was able to increase customer satisfaction by one percent for every two percent increase in employee engagement. The same firm also reduced turnover by one percent for every two percent increase in employee engagement (Kruse, 2012). While these studies are from various industries, studies specific to credit unions have shown similar results (Whitener, 1998).

Studies like these raise the question: exactly how is it that engaged employees are driving earnings and growth? Anecdotally, part of the answer is that engaged employees are evangelists for the organization. If the employee is engaged and feels like they have ownership in something they can be proud of, they spread the word; they recommend products and services to their friends and family, and they venture out into the community to bring in new members. Have you ever met a person who was truly excited about the company they worked for? The excitement is infectious.

The data reinforces such anecdotal evidence. As shown by a Gallup study, engagement affects a whole range of key performance indicators. High engagement levels lead to lower turnover, lower absenteeism, and higher productivity and profitability. Below is a graph from Gallup, Inc. summarizing these findings.



(Gallup, Inc., 2013)

In addition, engaged employees give better customer service which results in higher customer satisfaction, which in turn leads to customer loyalty (Karsan & Kruse, 2011). The impact of employee engagement on customer loyalty is of particular significance to the credit union industry. Member loyalty matters to credit unions because members have a lot of options in the market for their banking business. In terms of fundamental products and services offered, there are little meaningful differences today between credit unions and other financial institutions. In spite of this, the credit union industry has thrived in a competitive market for decades because they understood the importance of loyalty from their membership. To make a member become loyal to a credit union, the member must be made to feel valued, the relationship must be nurtured and developed, and the member needs to be offered the products and services they desire to meet their individual goals. Does that sound familiar? It should, as those are the same types of activities necessary to build engagement among employees.

High employee engagement is also particularly important for credit unions because credit unions are limited to earnings as their underlying source of capital. If a bank needs to raise capital, it can issue bonds, or sell additional stock; a credit union would need to either decrease assets or increase earnings. Given that companies with higher levels of engagement have five times the returns of companies with low engagement, this suggests that credit unions have a pressing need to maintain high levels of employee engagement. For further evidence of this, Ellen Whitener found that credit unions with employees with high job satisfaction had higher quality assets than credit unions with employees with low job satisfaction (Whitener, 1998).

In summary, having engaged employees matters. Without engaged employees a credit union cannot provide the products and services needed to serve its member-owners at the level necessary to achieve the goals of the credit union. The essential lesson the credit union industry can learn from this is that highly engaged employees help make the organization, and the movement, stronger. In order to continue to succeed in the future, credit unions will need to focus on keeping their employees engaged. To that end we now turn to techniques and strategies to increase employee engagement.

RECOMMENDATIONS/SOLUTIONS

Increasing Employee Engagement

In order for credit unions to improve and increase employee engagement, credit unions need to focus on several key components of engagement: hiring practices, growth opportunities and development, leadership and relationships, vision of purpose, reward and recognition and, finally, communication. Each is addressed below.

Hiring Practices

Having a productive and healthy, engaged culture begins at the hiring process. Credit unions have unique corporate values and mindsets that are more akin to traditional non-profits than other financial institutions. This bodes well for the credit union industry as we continuously look for individuals who can perform successfully in the roles, and integrate seamlessly into the credit union culture. Studies have shown that the younger generations are more concerned with aligning their future with causes that have value or purpose for their career field (Ed O'Boyle and Jim Harter, 2013). Therefore, credit unions are well positioned to capture talented individuals and retain them based on our strong values.

Through quality recruiting efforts, credit unions can identify candidates who align with organizational vision and values, and possess the knowledge and skills to successfully perform in open positions. This includes developing job descriptions that not only meet the need of the business unit(s), but are also balanced between member service orientation and credit union growth. It is also important that the credit union culture is clearly communicated during the interview process to give potential candidates the opportunity to decide whether to join the organization.

An employee who isn't aligned with the company's values and culture will not be successful, regardless of talent (Conaty & Charan, 2010). To ensure proper alignment, the hiring credit union needs to comprise a myriad of interview and onboarding programs to identify the best culture and talent fit. These might include automated resume screening and searches, a series of progressive interviews to weed out undesirable candidates, behavioral and skill testing, presentation samples, and job shadowing.

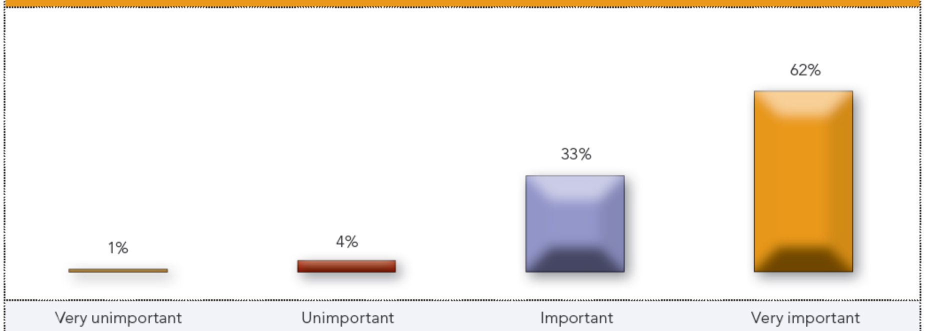
Hiring Practices

- ✓ Define Culture
- ✓ Articulate Vision/Values
- ✓ Progressive Interviewing
- ✓ Behavioral/Skill Testing
- ✓ Presentation Samples
- ✓ Job Shadowing

Growth Opportunities & Development

As shown in the chart below, one of the top contributors to job satisfaction and engagement among employees is having the opportunity to use their skills and abilities at work, which are frequently beyond the position for which they have been hired. Credit unions should take steps to understand and appreciate the full skillset of their employees, as well as personal and professional growth goals, and use this information to benefit both the employee and the credit union.

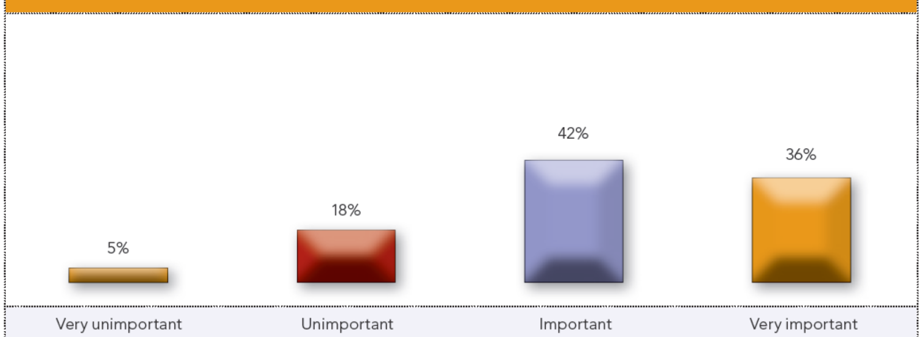
Figure 3 | Importance of Opportunities to Uses Skills and Abilities



(n = 592)
Source: 2011 Employee Job Satisfaction and Engagement: A Research Report by SHRM

Employees who perceive opportunities for growth see potential and, therefore, are more engaged. These opportunities can be realized through additional responsibilities in a current role, by learning new skills and capabilities, or in advancement within the organization. As shown by the next chart, the ability to move up within an organization is particularly important.

Figure 4 | Importance of Career Advancement Opportunities



(n = 555)
Source: 2011 Employee Job Satisfaction and Engagement: A Research Report by SHRM

A study on employee morale in credit unions by the Filene Research Institute and the University of Wisconsin reached a similar conclusion. The study found that only one practice significantly differentiated high scoring credit unions from low scoring credit unions: the higher the percentage of non-entry level jobs filled from within, the higher employee satisfaction rating (Ellen M. Whitener and Susan E. Brodt, 2000).

So how do credit unions position their employees so that they can be promoted? In order to effectively promote from within, institutions need to better understand their employees' strengths, skills, and desires. In order to determine if an employee is promotable, the credit union needs to take an inventory of the individual's talent. Utilizing skill based measurements through comprehensive testing and evaluation of the employee will help the credit union determine what skills the employee has and what skills need to be developed further. Providing real time, specific feedback during coaching sessions and performance reviews will help give the employee better insight into their development opportunities. Throughout these feedback sessions, management will gain insight from the employee about their career goals. Management should regularly schedule conferences with each employee to discuss their short and long-term goals, potential obstacles to these goals, and needed resources. The employee's individual goals should be discussed candidly to ensure they align with the company's. Realistic expectations should be set for the employee to meet their individual, team, and organizational goals. Once an employee's strengths and ultimate goals are known, the credit union can place the employee into roles that will help the employee meet those goals.

A 2013 study done by Gallup (Gallup, Inc., 2013) underscores the importance of building on employees' strengths. Gallup concluded that "managers who focus on their employees' strengths can practically eliminate active disengagement." Gallup also found that "building employees' strengths is a far more effective approach than trying to improve weaknesses." Another study found that "when employees feel that their organization cares and encourages them to make the most of their strengths, they are more likely to respond with increased discretionary effort, a higher work ethic, and more enthusiasm and commitment." (Ed O'Boyle and Jim Harter, 2013)

Not only should the credit union fully understand employee strengths in order to leverage them into growth opportunities for current development, the credit union must also focus on additional training of their team members. It has been noted by numerous leaders that a significant amount of their time is spent developing and spotting talent inside their organizations. The Filene Research Institute conducted a survey with the aid of the University of Wisconsin and found that top engaging companies provide extensive training and development opportunities, offering an average of 43 hours of training per year per employee (Whitener, 1998). The opportunity to learn and develop new skills and capabilities is a key factor in employee engagement. Development opportunities contribute significantly to how employees feel about their employer.

Growth & Development

- ✓ Job Shadowing/Sharing
- ✓ Additional Responsibilities
- ✓ Stretch Goals
- ✓ Succession Planning
- ✓ Project Participation or Leadership
- ✓ Mentorship (Formal or Informal)

Leadership and Relationships

In addition to the amount of time and effort a company puts into training and development, an equal amount of time needs to be spent by managers in building trust and relationships with their team members. When employees feel that their organization is committed to them, they are more committed to the organization. One study of nearly 30,000 employees found that there were strong correlations between employees' feelings towards management and their levels of engagement (Schroeder-Saulnier, 2010). The study showed that senior leadership should practice several behaviors to increase engagement. The four showing the highest correlations with engagement are as follows:

- ✓ Senior leaders value employees
- ✓ Senior leaders have the capability to make my organization successful
- ✓ Senior leaders effectively implement my organization's strategy
- ✓ Senior leaders effectively communicate my organization's strategy to employees

While senior level trust and engagement with the front line is a critical component of a healthy credit union, it doesn't diminish the role that every team member can play as a leader and relationship builder.

Trust can be built throughout every interaction each team member has with a peer, supervisor or employee. Each employee must take the responsibility to be the steward of this trust dynamic during their interactions with other departments, peers, and subordinates. Managers and supervisors that align their value system to utilize trust as their foundation will find happier, more engaged employees and thus higher performing teams.

The study found that employees so valued these behaviors in senior leadership, that the employees actually "rewarded" senior leadership with greater engagement. This, in turn, led to better business performance. (Schroeder-Saulnier, 2010).

A 2011 survey from the Society of Human Resource Management further underscores the importance of employees' relationship with their immediate supervisor. The study found that 93% of employees said their relationship with their immediate supervisor was a contributor to their level of engagement; 38% of respondents said that relationship was important, and 55% said it was very important (Society for Human Resource Management (SHRM), 2011).

Studies show that, when employees work in teams and have the trust and cooperation of their team members, they outperform individuals and teams which lack good relationships. Great leaders are team builders; they create an environment that fosters trust and collaboration.

Surveys indicate that being cared about by colleagues is a strong predictor of employee engagement. Thus, a continuous challenge for leaders is to rally individuals to collaborate on organizational, departmental, and group goals, while excluding individuals pursuing their self-interest by aligning employees' self-interest with these goals (Crim & Seijts, March 2006).

Additionally, credit unions can further impact the relationships between front line team members and their employees by ensuring that proper work life balance is in place and enforced. Looking for small opportunities to create a different employee experience throughout the credit union can set a credit union's culture apart. In turn, this additional "hidden" benefit will help credit unions attract top talent.

Credit unions can ensure that employees are not disengaged due to the lack of a work life balance by heeding the advice given by Tony Schwartz in The Energy Project Blog (Schwartz, 2014). Tony writes "Help people build more renewal into their lives, on and off the job. The greater the demand for performance, the greater the need for renewal. But our inclination is just the opposite. As demand grows ever more intense, we instinctively push ourselves harder, for longer. As just one example, encourage people in midafternoon to take a walk or a run outside, or a 15- to 25-minute nap wherever that's possible, any of which would significantly increase their alertness and productivity in the subsequent hours."

Leadership & Relationships – Building Trust

- ✓ Make connections
- ✓ Be transparent
- ✓ Encourage
- ✓ Listen
- ✓ Give credit
- ✓ Admit mistakes
- ✓ Walk the talk
- ✓ Encourage Work/Life Balance

Vision of Purpose

When employees are unified under a common vision and believe in the purpose of their work, their engagement, and thus their individual productivity, increases substantially. In order to unify employees you must be clear about your purpose and what you are trying to accomplish. This is a challenge for many companies. According to Gallup, only 41% of employees feel that they know what their company stands for and what makes its brand different from its competitors' brands (Gallup, Inc., 2013).

You must also ensure that departmental goals are aligned to the core purpose of the organization. Leaders must communicate a clear vision. People want to understand the vision that senior leadership has for the organization, and the goals that leaders or departmental heads have for the division, unit, or team. Success is, to a great extent, determined by how clear individuals are about their goals and what they really want to achieve. Employees need to understand what the organization's goals are, why they are important, and how the goals can best be attained.

Clarity about what the organization stands for, what it wants to achieve, and how people can contribute to its success is not always evident. Consider, for example, what Jack Stack, CEO of SRC Holdings Corp., wrote about the importance of teaching the basics of business: "The most crippling problem in American business is sheer ignorance about how business works. What we see is a whole mess of people going to a baseball game and nobody is telling them what the rules are. That baseball game is business. People try to steal from first base to second base, but they don't even know how that fits into the big picture. What we try to do is break down business in such a way that employees realize that in order to win the World Series, you've got to steal x number of bases, hit y number of RBIs and have the pitchers pitch z number of innings. And if you put all these variables together, you can really attain your hopes and dreams … don't use information to intimidate, control or manipulate people. Use it to teach people how to work together to achieve common goals and thereby gain control over their lives." (Crim & Seijts, March 2006).

As highlighted in this analogy, ensuring that departmental goals are aligned with the overall business purpose is paramount to ensuring a common purpose. It also starts to illustrate that as humans we want to be interconnected with a vision or purpose greater than ourselves. This is a key element in unifying teams to a greater good. If you think of a young child that gets their first uniform on a sports team, they are part of something special. They are now part of a team united under a common purpose, and their engagement is to the entire collective rather than themselves.

This phenomenon is not exclusive to youth sports but, rather, to everyone young and old. "Actively focus on making people's jobs matter more. Help them to define their work — whatever it is — in a way that allows them to do more of what they do best. Also, look for ways to define all jobs, recognizing the deep desire we all have to contribute to something larger than ourselves, in ways that feel meaningful and significant" (Schwartz, 2014).

Vision of Purpose

- ✓ Build a common vision
- ✓ Align goals
- ✓ Communicate with clarity
- ✓ Use key performance indicators
- ✓ Give feedback

Reward & Recognition

Reward and recognition can be strong drivers of employee engagement. A survey conducted by the Society of Human Resource Management (SHRM) shows that a significant majority of employees say that compensation and pay are important or very important.

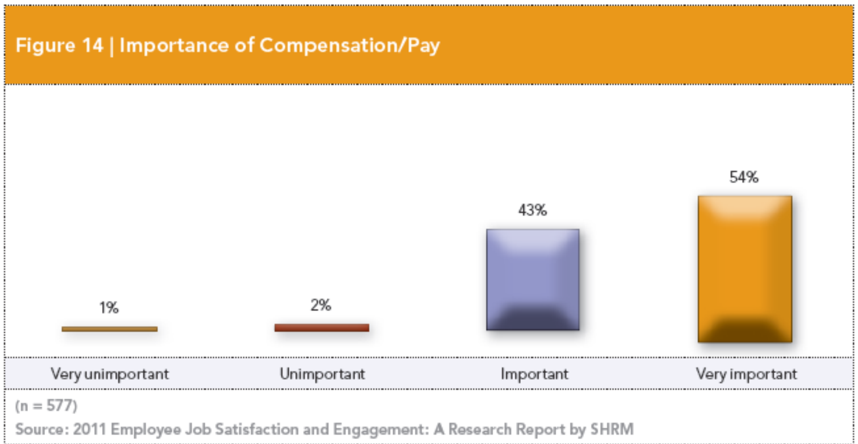


Figure 14 | Importance of Compensation/Pay

Source: 2011 Employee Job Satisfaction and Engagement: A Research Report by SHRM

Employers can leverage the high importance employees place on monetary compensation to drive engagement. For example, one study of retail businesses showed that outcome-based incentive plans led to higher sales, profits, and customer satisfaction (Whitener, 1998).

However, there are limitations to the effect compensation has on engagement. Somewhat surprisingly, once a person's basic needs are met, the impact of more money on their life and overall job satisfaction diminishes in return. This is known as the Easterlin Paradox. Rudy Karsan and Kevin Kruse explained the Easterlin Paradox in their 2011 book, *How to Increase Performance and Profits through Full Engagement*. They state that "For lower wage workers, there is a modest correlation between higher pay and higher levels of engagement. For higher paid workers, the correlation decreases. In other words, income matters more to those making less."

It is also important to note that not all rewards must be monetary. Credit unions must be able to leverage nonmonetary rewards systems as well. As an industry, credit unions don't have the large sums of money to pay like others in the financial industry; therefore, we must be creative in our approach to recognize individual accomplishment.

Unfortunately, providing positive recognition can be harder than it first seems. Surveys show that employees feel that they regularly receive feedback when their performance is poor but that praise for good performance is much less common (Crim & Seijts, March 2006). Thus, strong non-monetary recognition is apparently not common. Credit unions can use this as an opportunity by ensuring that their employees feel rewarded and recognized. Credit union managers should acknowledge individual contributions that their team members provide to the credit union. Giving praise often in both public and private settings is one of the least expensive – and most effective – engagement tools a credit union has.

Legendary UCLA basketball coach, John Wooden, provides an example of what a strong recognition program might look like. Coach Wooden actually kept detailed diaries on each of his players. He noted even the smallest of improvements, and he took time at the end of each and every practice to share the improvements that he noted. (Crim & Seijts, March 2006). Imagine how engaged credit union teams would be if we took the time to recognize everyone's growth and contributions, no matter how small!

In order for credit unions to have engaged team members, a credit union must have a comprehensive and holistic approach towards reward and recognition. Each individual team member is unique. Each team member is motivated by different factors. It is incumbent on their managers to determine what motivators will keep each individual team member engaged. Rewards such as incentives, service and anniversary awards, bonus payouts for exceeding goals, praise, time off and better work life balance opportunities are ways that credit unions can incent team members and thus help maintain a highly engaged workforce.

Reward & Recognition

- ✓ Fair compensation
- ✓ Praise strong performance
- ✓ Private & public recognition
- ✓ Non-monetary motivators
- ✓ Acknowledge individual & team performance

Communication

Clear, open and effective communication is essential for a healthy engaged corporate culture. Leaders clarify their expectations about employees and provide feedback on their functioning in the organization. Good leaders establish processes and procedures that help people master important tasks and facilitate goal achievement.

Companies must be transparent to their employees. Sharing employee surveys, financial statements and other key performance indicators regardless if they are positive or negative help create a culture that is engaged and bought into the company vision.

One credit union we interviewed, (referred to as "FCU" to protect its anonymity), proved that implementing strong communications practices can have a significant impact on employee engagement and organizational performance. FCU's journey started in 2011, when they surveyed their employees regarding several areas: pay & benefits, management, career prospects, work conditions, strategic direction, and execution of strategy. The results were then compared to a benchmark of survey results from other credit unions.

FCU, a healthy $2 Billion institution, was surprised at what the results showed. Except in the pay & benefits category, FCU scored below average in all categories. In management, it was 4% below the benchmark. In career prospects, it was 8% below. In work conditions, it was 13% below. In strategic direction, it was 16% below. And in execution of strategy, it was 15% below.

FCU analyzed the results thoroughly and concluded that the root of many of its weaknesses could be attributed to insufficient communication. To improve in this area, FCU implemented several new programs. For example, the CEO began producing monthly videos in which he would discuss the state of the credit union. In these videos, he went over financials, celebrated successes, and answered questions. Many employees expressed appreciation for these videos, as they were good sources of information regarding what was happening in the credit union.

FCU also began producing a periodic internal newsletter addressing upcoming events, recognizing staff accomplishments, highlighting organizational changes, and reinforcing culture. Various departments provided articles so that all employees had an opportunity to hear what was happening in different areas of the credit union.

Lastly, executive management began holding monthly conference calls with all frontline staff. Middle management was intentionally excluded so that the executives could hear directly from the frontline staff. In these calls, executive management was careful to check their egos at the door and encourage candor. As frontline staff learned that management was truly open to hearing concerns, much valuable information, and many valuable ideas, came from these calls.

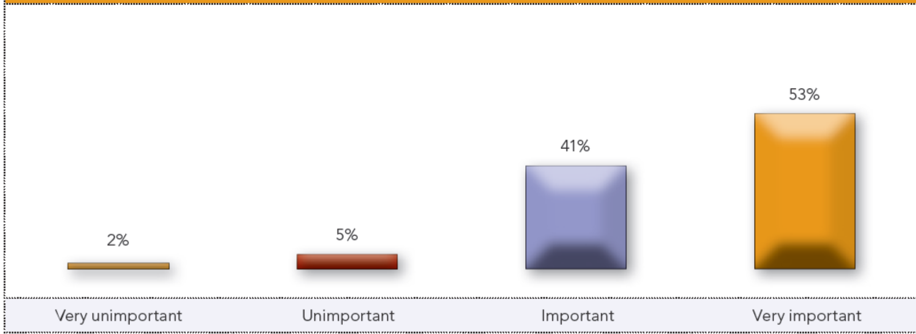
In 2014, FCU administered another survey to see if there had been any improvement. As shown by the results below, the impact of FCU's new communications programs was striking.

	2011 Survey*	2014 Survey*
Pay & Benefits	+1%	+19%
Management	-4%	+14%
Career Prospects	-8%	+18%
Work Conditions	-13%	+20%
Strategic Direction	-16%	+10%
Execution	-15%	+18%
		*Comparison to benchmark

The increase in engagement correlated with strong growth. From 2011 to 2014, FCU's assets grew 18%; its membership increased 14%; and its Net Worth, which was already high, increased 35 basis points.

Employees are cognizant of their real life experiences and whether they live up to the communication narrative that is shared. It is not good enough to just place information out on internal websites, post statistics around corporate facilities and have annual meetings where the CEO can explain business results. Effective communication must be open both ways ensuring that employees have a voice in the credit union. The diagram on the next page shows the value placed on communication between employees and senior management at companies.

Figure 11 | Importance of Communication Between Employees and Senior Management



(n = 595)
Source: 2011 Employee Job Satisfaction and Engagement: A Research Report by SHRM

Questions such as, “Do leaders involve employees in decision-making, particularly when employees will be directly affected by the decision?”, “Do employees have a say in setting goals or milestones that are deemed important?”, “Are employees able to voice their ideas, and does leadership show that contributions are valued?” pose relevant challenges to companies and their communication structure. Such questions also challenge how collaborative a credit union really is.

Studies show that, when employees work in teams and have the trust and cooperation of their team members, they outperform individuals and teams which lack good relationships. Surveys indicate that being cared about by colleagues is a strong predictor of employee engagement. Thus, a continuous challenge for leaders is to rally individuals to collaborate on organizational, departmental, and group goals, while excluding individuals pursuing their self-interest by aligning employees’ self-interest with these goals” (Crim & Seijts, March 2006).

Communication

- ✓ Be transparent
- ✓ Two-way communication
- ✓ Build trust
- ✓ Collaborate
- ✓ Positive & constructive feedback
- ✓ Involve employees in decisions

SUMMARY AND CONCLUSIONS

Credit union executives must understand that there is no holy grail to employee engagement. Nor does a single approach guarantee higher engagement levels. Each organization needs to understand their culture, goals, and strategy in order to determine the best path towards higher engagement.

Throughout the research and development of this project, the project team evaluated numerous scenarios that challenged our individual thoughts regarding employee engagement as well as further enhanced our beliefs that employee engagement is one of the most critical components to a well-run credit union. Having higher levels of employee engagement will in turn help the key performance indicators of the credit union.

Each component of this framework of employee engagement – hiring practices, growth opportunities and development, leadership and relationships, vision of purpose, reward and recognition and finally communication – cannot stand on its own. Credit unions must have an undivided, multifaceted approach to employee engagement. What works in one credit union's culture may not work at another's; however, constants do remain, so credit unions can learn from each other. Credit unions must have a well thought out plan for employee engagement that permeates throughout the entire credit union.

All team members are responsible for the company's culture. It's important to enlist champions throughout the organization. Having a unified vision of the credit union culture helps to ensure that employees are engaged daily. While support from senior leaders is essential, so is the backing of managers and influential employees throughout the organization. Efforts to boost employee engagement can be facilitated by Human Resources, but must be led by the business units. (Towers Watson, 2014).

Once an active employee base is engaged in the credit union, it is paramount to have metrics in place to ensure that the culture remains strong and that engagement remains high. Consistency and perseverance are a company's best weapons against lagging engagement over the course of employees' tenure. Regular surveys, and the appropriate follow up, can help as well (Gallup, Inc., 2013).

In conclusion, leaders must know what unique value proposition the credit union provides to not only its members, but also to employees. They must understand how relationships throughout the entire credit union impact employee engagement and in turn impact key performance indicators. Be careful of who is brought on to the team, and be a stalwart supporter of the organization's value system. Don't allow deviation from the culture. Instead, take measurements and act upon trends quickly. Treat all employees with respect. Praise and recognize contributions as well as accomplishments, and create a vision of purpose so that all employees can be unified both externally and internally.

REFERENCES

ADP. (2012). *Employee Satisfaction vs. Employee Engagement: Are They the Same Thing?* ADP Research Institute.

Bankston, K. (2012). *HR Metrics: The Numbers in Support of Strategic and Operational Initiatives.* CUNA, Inc.

Conaty, B., & Charan, R. (2010). *The Talent Masters: Why Smart Leaders Put People Before Numbers.* New York: Crown Publishing Group.

Crim, D., & Seijts, G. (March 2006). What Engages Employees the Most or, The Ten C's of Employee Engagement. *Ivey Business Journal*.

Ed O'Boyle and Jim Harter. (2013, July 16). *What Your Company Can Learn From the Best*. Retrieved from www.gallup.com: http://businessjournal.gallup.com/content/163418/company-learn-best.aspx

Ellen M. Whitener and Susan E. Brodt. (2000, January 1). *Forging Employee Morale, Trust, and Performance.* Retrieved from www.filene.org: http://filene.org/research/report/forging-employee-morale-trust-and-performance

Frohlich, T. C., & McIntyre, D. A. (2014, June 21). *America's Worst Companies to Work For*. Retrieved from 24/7 Wall St. - Insightful Analysis and Commentary for U.S. and Global Equity Investors: http://247wallst.com/special-report/2014/06/21/americas-worst-companies-to-work-for-3/2/

Gallup, Inc. (2013). *State of the American Workplace, Employee Engagement Insights for U.S. Business Leaders.* Retrieved from www.gallup.com: http://www.gallup.com/strategicconsulting/163007/state-american-workplace.aspx

Karsan, R., & Krusse, K. (2011). *We: How to Increase Performance and Profits through Full Engagement.* Hoboken, New Jersey: John Wiley & Sons.

Kruse, K. (2012, September 18). *Employee Engagement Research (Master List of 32 Findings)*. Retrieved from Kevin Kruse: http://www.kevinkruse.com/employee-engagement-research-master-list-of-29-studies/

McFarland, K. (2008, September 16). *Why Zappos Offers New Hires $2,000 to Quit*. Retrieved from Bloomberg Business: http://www.bloomberg.com/bw/stories/2008-09-16/why-zappos-offers-new-hires-2-000-to-quitbusinessweek-business-news-stock-market-and-financial-advice

McIntyre, D. A., Hess, A. E., Frohlich, T. C., Kent, A., Zajac, B., & Allen, A. C. (2014, August 7). *America's Best Companies to Work For*. Retrieved from 24/7 Wall St. - Insightful Analysis and Commentary for U.S. and Global Equity Investors: http://247wallst.com/special-report/2014/08/07/236519/

Patrnchak, J. M. (2013). Building an engaged workforce at Cleveland Clinic. *Journal of Healthcare Leadership*, 9-20.

Schramm, J. (2014). *Workplace Visions, Issue 2.* Alexandria, VA: Society for Human Resource Management (SHRM).

Schroeder-Saulnier, D. (2010). *Employee Engagement: Drive Organizational Effectiveness by Building Trust.* Retrieved from Right Management: http://www.right.com/thought-leadership/e-newsletter/drive-organizational-effectiveness-by-building-trust.pdf

Schwartz, T. (2014, June 6). *You Don't Have to Hate Your Job*. Retrieved from The Energy Project Blog: http://theenergyproject.com/blog/you-don-t-have-to-hate-your-job

Society for Human Resource Management (SHRM). (2011). *2011 Employee Job Satisfaction and Engagement, Gratification and Commitment at Work in a Sluggish Economy.* Society for Human Resource Management (SHRM).

Towers Watson. (2014, June). *Strategy at Work. Driving Success through Employee Engagement*. Retrieved from Towers Watson: http://www.towerswatson.com/en-US/Insights/Newsletters/Global/strategy-at-work/2014/driving-success-through-employee-engagement

Whiston, P., & Robison, J. (2014, July 8). *Fifth Third Bank's Journey: One of Inclusion and Engagement*. Retrieved from Gallup: http://www.gallup.com/businessjournal/169016/fifth-third-bank-journey-one-inclusion-engagement.aspx

Whitener, E. M. (1998). *The Effects of Human Resource Practices on Credit Union Employees and Performance.* Retrieved from www.filene.org: http://filene.org/research/report/the-effects-of-human-resource-practices-on-credit-union-employees-and-perfo