

Employee Engagement Strategies Concerning Competitive Advantage Achieving

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Abstract

This article analyse the organisational strategies that utilise employee engagement approaches as a means to improve organisations' business performance. The strategies are examined to determine the role of the employee engagement approach as well as the process and nature of the relationship thereof with other organisational factors.

Key words: employee engagement; competitive advantage; individual performance; alignment strategy; employee development.

J.E.L. classification: M0, M1

1. Introduction

Firms' search for competitive advantage in the global economy is a phenomenon that has been thoroughly researched within many disciplines. During firms' quest to survive and improve their organizational effectiveness, numerous strategies involving human resources have been developed. As a result, organisations are continuously changing in an attempt to seize whatever business advantage or element of survival there is possible to be assimilated.

In order to understand how employee engagement contributes to organisational performance, it is necessary to consider where it fits into an organisation's business strategy.

2. Literature review

In order to deepen the knowledge of the organizational strategies that utilize employee engagement approaches, we reviewed employee engagement strategies presented by Gratton (2000) and Willis Towers Watson (2013, 2014).

3. Research methodology

The article methodology has an analytical character mainly focused on the research of the specialized literature concerning human resource management and strategic management, and consists of methods and techniques of data selection and processing, logical analysis of the procedures of theory generalization and systematization, induction and deduction approaches, observation, compassion, synthesis.

4. Findings

Gratton's Strategy – "Utilizing people to achieve competitive advantage", applies clearly defined business goals as the basis for describing the linkage of the causal relationship between individual behaviour and financial performance, as depicted in figure 1. She asserts that highly competitive companies are created by focusing on well-defined business goals that are converted

into an appropriate context in which people work. This implies that business goals are aligned with human resource practices such as pay, performance measurement, training and may also lead to the restructuring of jobs. These practices will over time positively influence individuals' behaviours (aligned with business goals – i.e. speed of delivery) to deliver the kind of product or service commensurate with those demanded by customers.

Figure no. 1. Causal relationship between individual performance and financial performance



Source: Gratton (2000, p.10)

Individuals' behaviour and performance therefore determines the firm's performance, which in turn leads to financial performance. Behaviour of individual employees, as depicted in figure 1, is at the centre of the value chain thus underscoring the importance of employees in creating competitive advantage. There is reporting a growing body of research that identifies attitudes, skills and capabilities of people as having and creating sustainable competitive advantage. She attributes the potential of people to create competitive advantage to three aspects namely the ability to create rarity, value and inimitability (Gratton, 2000, p.11). These aspects whereby people create competitive advantage are elucidated by means of examples in table 1.

Table no. 1 How people create competitive advantage

When is it rare ... so that all competitors do not have it	The Motorola University in Beijing, through training and mentoring, has created a Chinese management cadre whose commitment and loyalty ensure that skills and knowledge remain within the firm
When is it valuable ... so that it impacts on the bottom-line performance	Glaxo Wellcome's creation of cross functional teams has significantly reduced product time to market
When is it inimitable ... so that it cannot be easily copied or substituted by competitors	The Hewlett Packard (HP) way and HP's strong culture of commitment and involvement has proven to be very difficult for competitors to imitate

Source: (Gratton 2000, p.11)

Three tenets of human behaviour. Professor Gratton (2000, p.13) asserts that if people are to be the primary source of competitive advantage then organisational strategies should acknowledge the fundamental characteristics of human capital. She distinguishes amongst three major tenets of human behaviour namely people operate in time, we search for meaning and we have a soul. These three tenets form the basis of her nomenclature for engaging people to reach organisational goals and are used as a discussion piece to increase the insight into the organisation's understanding of the tenets. For each of the tenets questions are designed (i.e. How committed are individuals to the organisations vision? How are managers appraised? How long do people remain in a role?) to gauge where the organisation is failing to capitalise on employees' potential to produce superior performance. He describes the key characteristics of the three tenets as follows:

People operate in time

- Past beliefs, hopes and commitments influence our current behaviour: 'the memory of the past';
- Current behaviour is influenced by beliefs about what will happen in the future: 'the memory of the future';
- Skills and knowledge take many years to develop;
- Human development progresses through a shared sequence; and
- Attitudes and values are resistant to sudden change.

Gratton (2000, p.216) asserts that unlike financial or technical capital, people operate in time and have memories of the past and expectations of the future. Human capital therefore, should be measured in years rather than hours and months. Employees' willingness to contribute to organisational goals are therefore influenced by their past experiences (positive or negative) and future expectations (rewards or outcomes).

We search for meaning

- We strive to interpret the clues and events around us, we actively engage with the world to seek a sense of meaning, to understand who we are and what we can contribute;
- Symbols, which may be events or artefacts, are important in creating a sense of meaning; and
- Over time groups of people create collective viewpoints, a sense of shared meaning.

The more employees experience meaning and purpose from their work the more engaged and inspired they become. How appraisals and rewards relate to the purpose of the business are key dimensions for determining alignment, which consequently influences the meaning employees derive. Employees' development needs (long term expectation) as well as policies that are no longer appropriate causes misalignment to organisational goals and detracts from people experiencing meaning in their jobs.

We have a soul

- Each of us has a deep sense of personal identity of what we are, and of what we believe in;
- We can trust and feel inspired by our work – and when we do we are more creative;
- We can dream about possibilities and events; and
- We can choose to give or withhold our knowledge – depending on how we feel.

This tenet focuses on the 'soft' issues in people management namely respect, pride, emotions and commitment shown in the organisation. Gratton (2000, p.219) points out that this concerns the extent to which management includes 'softer' measures in their objectives and performance metrics. Gratton (2004, p. 7) states those organisations that include the softer issues make regular use of employee surveys in an attempt to build employee commitment.

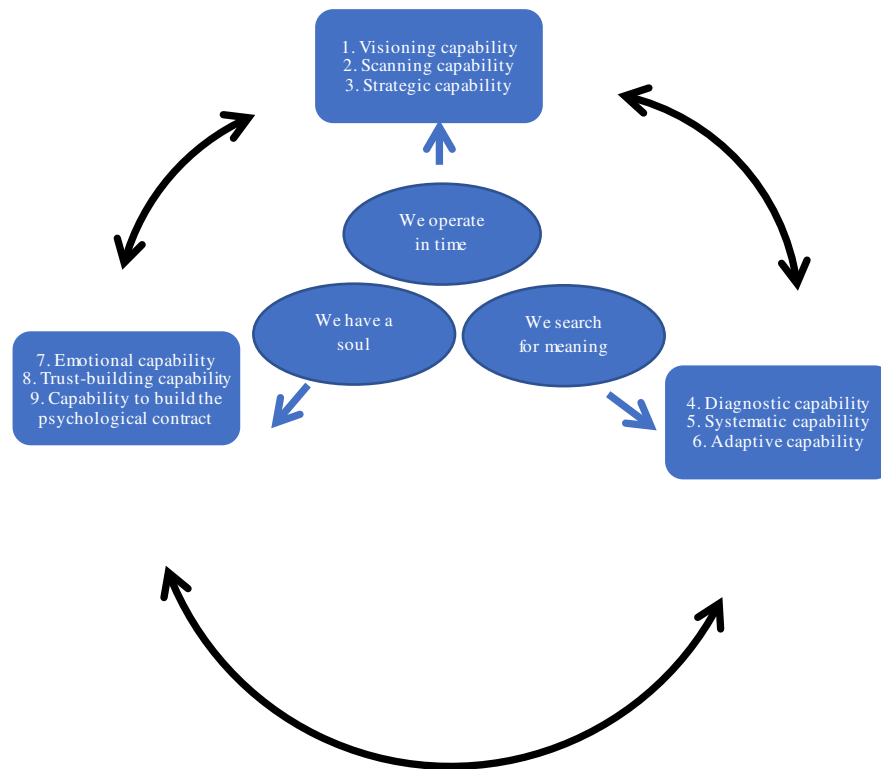
Organisations however, although they may aspire to appeal to the tenets influencing people, send mixed messages by creating working environments that are not conducive to harnessing the discretionary efforts of employees, thus causing misalignment between goals and individual behaviours. In order to ensure alignment and to utilise people as a source of competitive advantage and proposes nine capabilities that explicate the three tenets (time, meaning and soul).

Strategy – nine capabilities

The nine capabilities for placing people at the heart of a strategy to gain competitive advantage and their relationship to the three tenets of human behaviour are depicted in figure 2. These capabilities require organisational and managerial competencies that are derived based on the analysis of the organisation using the three tenets (Gratton's, 2000, p.17).

In order to capture the first tenet (we operate in time) of human behaviour proposes three organisational and managerial competencies namely building compelling and engaging visions, to develop capabilities to sense the future, and to create a strategic approach to the management of people. These are briefly discussed below.

Figure no. 2. Strategy for utilizing people as a source of competitive advantage



Source: (Gratton, 2000, p.21)

Capabilities of the first tenet – we operate in time

Building visioning capabilities relates to the ability to create and develop a vision of the future that inspires and engages people and provides a shared view of how to achieve it. Utilising peoples' time perspective, the vision for the future should be inclusive, drawing people in by portraying a future that is meaningful and exciting.

The second capability namely developing scanning incorporates the ability to provide a blueprint of what the future may be like. Scanning the environment (political, economic, socio-demographic, competitors) for clues of what the future may hold and the impact it may have on the work organisation of people is essential. The anticipated view of the future then needs to be articulated in order to appeal to peoples' time frames in dealing with change and organisational renewal. Gratton (2000, p.45) advises that this is an opportune time to check whether old policies are appropriate to meet the challenges of the future and formulate new ones.

Building a people-centred strategy capability requires an understanding of how the vision and goals can be attained through people and the actions necessary to bridge peoples' perceptions and turn these perceptions into aspirations. This capability requires that a bridge (time line/frames) be built from the current realities to future visions and that employees' inputs are crucial during this phase. She proposes a 'strategy as learning' process for the development of a people-centred strategy, which is based on dialogue at various levels in the organisation and assumes that there is the capacity to learn from one another. This approach clearly makes for maximum involvement from employees whilst acknowledging their specialised knowledge.

In the following section diagnostic, systemic and adaptive capabilities derived from the tenet for developing meaning, as depicted in figure 2, are discussed.

Capabilities of the second tenet

Developing diagnostic capability implies that organisations need to know how employees feel and perceive their organisations. An analysis of what drives the organisation together with its aspirations, vision, goals, processes and systems make the organisation what it is and determines what actions/behaviours it requires from people. However, it also provides employees with clues as

to what is valued by the organisation and what excites and motivates them. It is at this phase where an engagement approach (as discussed in chapter three) is essential for determining the drivers as well as the level of employee engagement.

Developing systemic capability involves a complex process aligning all the processes, systems and policies with each other and the goals of the organisation. Gratton points out that this represents one of the biggest challenges for organisations, as processes, systems and policies are interlinked and should be vertically and horizontally aligned in order to meet organisational goals. To achieve alignment, it requires people who are capable of thinking systemically, therefore, seeing an organisation as an inter-related system of interdependencies (processes, systems and policies) where realignment of one element has an immediate impact on another (Gratton, 2000, p.18). He asserts that for employees who experience the whole interlinked system on a daily basis this represents the meaning they derive from the organisation. Employees' perceptions of meaning are distorted due to misalignment of organisational processes that are developed in isolation, especially human resource systems such as reward, development, training and career management. Systemic capability therefore, involves aligning all the elements in such a way that the organisational context (climate) experienced by employees are maximised (meaning derived from organisation), and that they will willingly contribute discretionary effort (be engaged).

Building adaptive capabilities involves developing change competencies, which should acknowledge the human time frame for change whilst considering realigning organisational processes, systems and policies. According to Gratton (2000, p.69), the vision and business goals should provide the impetus for change specifying targets and spelling out what must be achieved, which will provide the blueprint for aligning processes and systems necessary to support change. Specified targets are necessary to initiate change and indicate to employees the path of transformation. Organisational processes should be aligned to support this path to renewal and change.

Capabilities of the third tenet

Capabilities of the third tenet, 'we have a soul', focuses on the 'softer' human aspects such as dealing with employees' aspirations, gaining inspiration and building commitment; all of which are crucial elements for gaining competitive advantage when operating within the knowledge paradigm. Gratton (2000, p.73) however cautions that research has shown that only fifteen per cent of employees feel inspired by their jobs, thus indicating that capabilities in the third tenet are often neglected by organisations. She expounds this notion as follows.

"So, while we may extol the precision of our strategy creation processes, or the exuberance and strength of our leaders, or the profound ability of our company to create shareholder value, the hidden, dirty secret is that many of us are working, and know we are working, in companies where neither we nor our colleagues feel inspired." (Gratton, 2000, p.73)

The first of the capabilities in the third tenet is to develop emotional capacity, which is vital for organisations that have knowledge at the centre of their strategy to create competitive advantage. Gratton (2000, p.85) places trust, inspiration and commitment at the heart of the organisation and emphasises that these elements should be measured to determine the emotional state of employees. These elements that cannot be supervised or forced from people, will determine whether they will share their knowledge or provide discretionary effort. People, unlike machines, have a sense of fairness and justice and have the capacity to withhold their knowledge and skills if they feel disrespected or are uncommitted.

According to Gratton (2000, p.83) continuous restructuring and cost cutting measures affect emotional reserves of organisations and drains its people of hope and energy. Conversely, hope, trust and commitment are built by providing people with a voice (adequate explanation why decisions are made), managers who are skilled in dealing with people and who listen. Covey (2004, p.5) also believes that peoples' voice, which comprises their talents, passion (energy, things that excite, motivate and inspire), needs and conscience lie at the soul of the organisation and should be harnessed as a source of competitive advantage. However, in order to do so, organisations have to develop metrics that determine the 'softer' issues for example trust, commitment, and faith in the organisation/leadership vis-à-vis utilising an employee engagement approach.

Creating trust building capability relates to the justice and fairness with which people are treated and has a significant impact on trust and commitment. Human resource practices such as selection, objective setting, performance measurement, rewards, training and development, have a major impact on employees' perceptions of justice and fairness. Gratton (2000, p.86) points out that the manner in which the human resource practices are implemented are just as important, thus alluding to the influence that both substantive and procedural justice have on employees' commitment and trust. She suggests three factors that builds trust namely voice (have inputs and for people's opinions to be heard), an individual's capacity to exercise choice at work and, the fairness of those making the decisions (referred to as interactional justice).

The final capability is to build the psychological contract, which according to Gratton (2000, p.93), has become blurred due to organisations continuously revising their goals in order to remain competitive. Continuous change causes misalignment between organisational goals and employee expectations thereby complicating the psychological contract. Organisations today have moved away from the traditional employee-employer relationship that was characterised by a fairly stable alignment between organisational goals and employee expectations, where the employer would look after the employee (paternalistic approach).

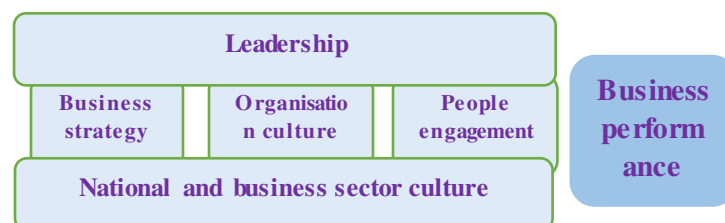
Gratton (2000, p.93) argues that the new psychological contract should be formulated by considering peoples' sense of time (loss of the past, anxiety about the future, and concern for the present), emotions (meaning they derive) and amount of trust and commitment they feel towards the organisation. In addition, human resource practices (remuneration, training and performance measurement) should be aligned with the goals of the organisation giving employees direction and shaping their expectations of the future.

Gratton's (2000) strategy depicted in figure 2 clearly places the human resource (people) at the heart of the organisation's capability to create competitive advantage. Her approach albeit a more strategic approach, relies extensively on the contribution employees make and the commitment they show to deliver discretionary effort (engagement). The three tenets (time, meaning and soul) of human behaviour on which the nine capabilities are based underscore the essence of employee engagement. Four of the abovementioned capabilities namely strategic, diagnostic, adaptive and emotional capabilities require that employees' feelings/attitudes should be measured, therefore, justifying the use of an employee engagement approach as discussed in chapter three.

Willis Towers Watson – Alignment Strategy

Willis Towers Watson (2013, 2014) alignment strategy depicted in figure 3, purports that employee engagement contributes significantly to improved business performance given that a number of organisational factors are aligned. From figure 3 it is clear that leadership, business strategy, and organisational culture should be aligned to provide people with a clear direction of the future and a consistent message (relayed by senior management and evident in organisational policies) as to what is expected from them. Alignment strategy commences by extrapolating from senior management a shared meaning of their strategic business priorities. The next step involves selecting 'change coalition leaders' (high-performing or high-potential employees at various levels) who are tasked with assessing the organisational culture and effecting change.

Figure no. 3. Willis Towers Watson – Alignment Strategy



Source: (Willis Towers Watson, 2013, 2014)

Coalition leaders' major task includes identifying cultural elements that both impede and support the execution of the strategic priorities. Following the cultural alignment with strategic business priorities, employees are surveyed using presented approach. Willis Towers Watson uses a cognitive/think dimension in their assessment of employee engagement that determines firstly, what drives engagement in the organisation and secondly, whether employees believe and support organisational goals and values. Results from the employee engagement survey will then reveal the extent of employees' perceived alignment between culture and business goals and values. Willis Towers Watson then uses their database to compare the organisation's results with similar (innovators, cost leaders, etc.) high-performing organisations across the globe and recommend appropriate strategies for realignment. Typical areas of comparison may include organisation structure, stimulating work environment, knowledge management, teaming, empowerment and risk taking.

Willis Towers Watson (2013, 2014) alignment strategy depicted in figure 3 develops specific action plans for organisations based on their particular strategy and prevailing organisational culture. Results from the survey on employee engagement are interpreted and used in formulating specific alignment strategies for organisations. Areas that are usually targeted for improvements include recognition systems (tie in with achieving strategic goals), career development, planning and internal communications.

Willis Towers Watson assert that alignment between the leaderships' vision, organisational culture and employees' expectations (engagement) determines organisational effectiveness. Misalignment of any of these factors renders the organisation ineffective and leads to frustration for the leaders (not being able to execute strategy), employees (working in an environment with too much friction), and finally leaving customers feeling less than delighted.

5. Conclusions

In conclusion, we can deduce that Gratton's (2000) strategy clearly places the human resource (people) at the heart of the organisation's capability to create competitive advantage. Her approach albeit a more strategic approach, relies extensively on the contribution employees make and the commitment they show to deliver discretionary effort (engagement). The three tenets (time, meaning and soul) underscore the essence of employee engagement. Four of the abovementioned capabilities namely strategic, diagnostic, adaptive and emotional capabilities require that employees' feelings/attitudes should be measured, therefore, justifying the use of an employee engagement approach as discussed in chapter three.

For the other side the alignment strategy of Willis Towers Watson (2013, 2014) assists organisations to develop their own unique action plans based on the alignment picture formulated by analysing the relationship between leadership (vision and goals), culture (organisational) and the level of employee engagement. The action plans will lead to:

- Enhanced business performance in targeted areas;
 - Improved understanding of how the organisation's key components interact;
 - Greater facility for making internal adjustments as the strategic priorities evolve; and
 - Measures to assist employees in becoming engaged.
- In the next section a 'partnership' relationship as a means to engaging employees for improved business performance will be discussed.

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