WHITE PAPER

Empowerment 4.0

The Employee Engagement
Solution that Works!

Effective
Managers ®

Helping organizations improve
manager effectiveness

ENGAGED EMPLOYEES MAKE A DIFFERENCE − BUT DRIVING ENGAGEMENT CAN BE ELUSIVE.

As executives and managers in organizations, we don't need research to tell us that engaged employees are better performers. We all know how important it is to have engaged employees. The research evidence is overwhelming.

Consider these facts from Gallup when comparing top quartile engaged organizations vs. bottom quartile:

- Engaged employees have **48% FEWER** safety incidents
- There are **41% LESS** quality incidents
- Absenteeism is **43% LOWER**
- Customer ratings are **10% HIGHER**
- Productivity is **21% HIGHER**
- Profitability is **22% HIGHER**

Organizations do seek to improve engagement through training programs and other initiatives. And yet, the results don't seem to be there. Engagement survey results are typically stagnant. If you are one of these number, you are probably skeptical about employee engagement surveys. There is a reason for this. Traditional engagement surveys measure the outcomes of engagement.

Think of your body's health. There are lots of things a health practitioner can measure to determine good health. Body temperature, blood pressure, pain. These are indicators of the state of health.

Engagement surveys measure the indicators of employee engagement. Just as in health care, it isn't possible to directly treat the indicator to solve the root cause. If I have a fever or a headache, I might take medication to relieve the symptom. I'll feel better for a while, but the underlying cause has not be treated. In the same way, if I try to improve an indicator of poor employee engagement, I may get temporary results, but the root cause will not have been dealt with. Employee engagement scores may go up a bit, but they will not improve for the longer term.

Rather, we need to think of how managers can really and truly empower their employees. To do this it is important to understand engagement, and the next step that must be taken to truly empower employees so that the benefits of full engagement can be realized.

We cannot begin with engagement survey results. It is simply the wrong starting gate. Here are two examples of why this is the case.

POOR COMMUNICATION

Most Engagement Surveys have "Poor Communication" as a result that "needs improvement". But will improving communication improve engagement, or is poor communication an indicator of poor engagement?

When an employee expresses concern about a lack of communication in the office, they're often reflecting water cooler conversation that goes something like this:

" *Management made this decision last week and I only found out about it to-day – I wasted a whole week of my time. We sure have poor communication here!* "

" *I have my performance management review tomorrow and I have no idea what my boss is going to say; he never gives me any feedback. We sure have poor communication here!* "

These are real issues. They are flagged as poor communication because that is the best language the employees have to describe the situation. When the executive management team sees "poor communication" in the results of an employee engagement survey, the correct course of action is not to publish more newsletters or send more memos, or hold town halls.

Poor communication is a symptom of a deeper root cause problem. The employees may express a lack of communication, but the real issue lies in the managers who have failed to establish and maintain open and working channels with their employees.

The information, through context setting and delegation, needs to be provided in the right size and at the right time to be meaningful to an employee. Only a manager can do this – it cannot possibly be done centrally.

This is a manager effectiveness issue – certainly it is about communication – but it cannot be improved by tackling communication. It requires different behaviour by managers.

SILOS

Poor Workplace Collaboration usually ranks high in engagement surveys. Why?

When employees experience problems with how work flows across the organization, it is often labelled as "poor collaboration". Someone in another department missed a deadline so the employee couldn't do his or her work. Unreasonable sounding demands are made by peers in other departments, handoffs are missed, work is duplicated. One often hears comments like these:

" *I worked on a project for two weeks before I found out it was also assigned to someone else.*"

" *I am so upset – my boss is angry and I can't finish my work until Finance gives me that report – they are already 2 weeks late.*"

Again, the root cause is not poor collaboration. There isn't a lack of willingness for colleagues to support each other; there is no innate desire to sabotage co-workers.

Each employee in each department is receiving direction from her or his boss on what is important. Cross functional work is almost always treated as a "nice to do" or a favour, instead of real work.
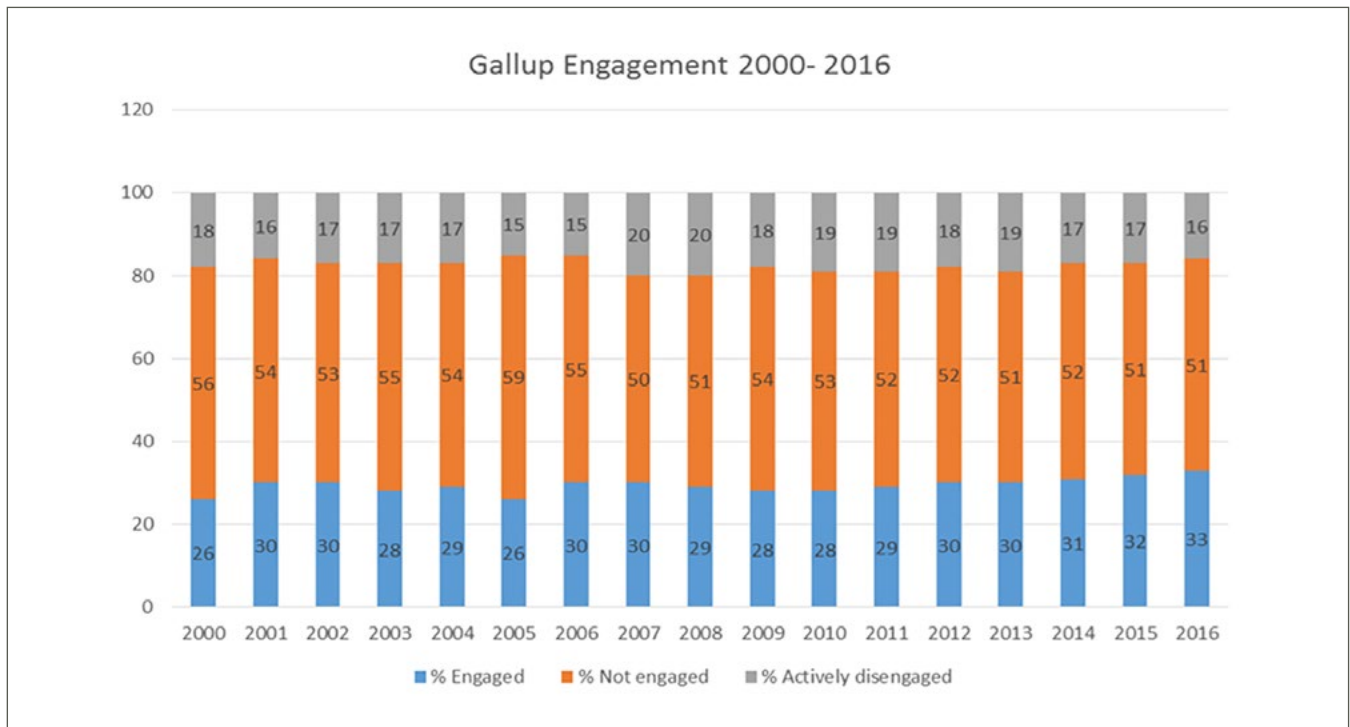
When the executive team sees "poor collaboration" appearing on employee engagement surveys, the root cause lies in the systems for doing work – not necessarily in the employees themselves. The intuitive reaction to these findings is to create team-building exercises for management. But this isn't about team building across functions... it is about the absence of managers in different parts of the organization delegating work in a consistent way, while taking into account the need for collaboration.

An effective manager supports others in the organization, monitors workflow, and ensures that the day-to-day work of his or her staff is improved by working together, rather than by working in silos. This can only happen within a framework that is set by the CEO and within common context throughout the organization.

ARE WE MAKING A DIFFERENCE?

Look at this graph derived from data published in Gallup's State of the American Workplace. Since the Year 2000 employee engagement has hovered around 30%. I don't have access to the original data to be certain, but as a researcher my eye tells me this is a remarkably flat trend line.

Gallup Engagement 2000- 2016

Year	% Engaged	% Not engaged	% Actively disengaged
2000	26	56	18
2001	30	54	16
2002	30	53	17
2003	28	55	17
2004	29	54	17
2005	26	59	15
2006	30	55	15
2007	30	50	20
2008	29	51	20
2009	28	54	18
2010	28	53	19
2011	29	52	19
2012	30	52	18
2013	30	51	19
2014	31	52	17
2015	32	51	17
2016	33	51	16

Only about 30% of the American workforce have been engaged throughout this entire period of time. That means that 5 out of every 10 workers is coasting and 2 out of 10 are actually working against the organization that employs them. **And it has not changed significantly since the turn of the century!**

We know engagement is a good thing. Organizations with higher levels of engagement are higher performing. We have the ability to measure engagement factors. Surely those thousands of organizations doing the measuring are taking action to change things? And yet there is no significant overall improvement – no significant increase in engagement; no significant decrease in active disengagement. No wonder there is disillusionment in the executive offices!

There is only one way to attack the symptoms of employee disengagement in an organization. In most circumstances, the problems staff identify are caused by problems at the management level. **For employees to be engaged, managers need to manage!** And this requires an accountability and authority framework that is clear and implemented down and across the entire organization.

WHAT DOES THIS MEAN FOR YOU?

Our research, in partnership with the Telfer School of Business, has developed a deeper understanding of the effectiveness of managers. Our research shows that managers in a cross section of various sized organizations report spending only 55% of their time on value-added work. Almost half of their time is consumed doing work that is not adding value in the way it should and could. We also found that while 98% of managers agree that they are held to account for their work, only 46% believed that they are delegated clear objectives with statements of quantity, quality and timeliness.

This matters. Organizations in general fail to execute their strategies 70% of the time. In spite of a clear vision and strategy, as work flows down and across the organization efforts become diffused and confused. Most managers and employees are working hard, but they fail to give sufficient attention to the right work.

From Forbes:
According to the research of Dr. Kotter, which has been validated by several other studies, approximately 5% of all organizations implement their strategies successfully, and 70% of strategic initiatives fail to meet their objectives. The remaining 25% have some middling success but do not meet the full potential of the strategy devised.

DOES MANAGER EFFECTIVENESS REALLY DRIVE ENGAGEMENT?

The research is quite clear that managerial leadership practices drive employee engagement, which in turn drives customer satisfaction and ultimately overall organizational performance. This was first published in 1994 in *Harvard Business Review* by James L. Heskett et al in the article: *Putting the Profit Chain to work.* In non-profits, organizational results are not measured by profit, but overall performance is improved. This is demonstrated in the following figure:

Heskett refers to managerial leadership in the body of the article, saying that leadership systems underpin the entire service profit chain.

At Effective Managers™, we are suggesting that managerial leadership is in fact fundamental to the service profit chain. Not only does it underpin employee and customer satisfaction, it drives the entire service profit chain, as shown below:
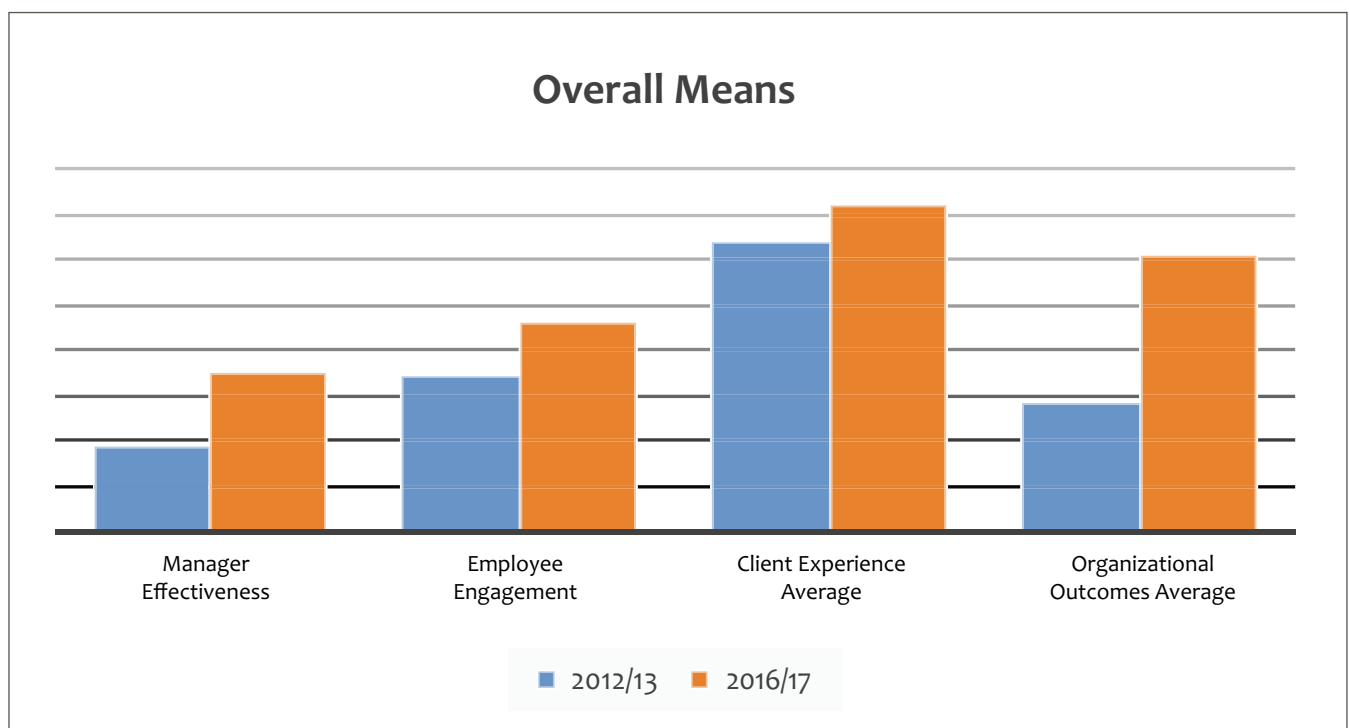
One would therefore expect that if managerial leadership practices are improving, then employee engagement should also be improving. We set out to explore this relationship in a research study with a client organization.

The following figure compares the overall means a Manager Effectiveness Assessment and Employee Engagement surveys two years apart together with the comparative standing of client experience and overall organizational performance.

This research supports the case that implementing a managerial leadership model can positively impact organizational performance measures such as managerial effectiveness, employee engagement and client based organizational outcomes. These results have been published in a peer-reviewed journal, Healthcare Management Forum. The complete journal article can be viewed here.

The effectiveness of your managers is directly tied to increased productivity and profitability. The most important relationship that employees have at work is with their immediate manager. The importance of these roles cannot be understated, but too often, management practices are not supported or structured in a way that allows for optimal results.

Overall Means

Legend: 2012/13 (blue), 2016/17 (orange)

Categories: Manager Effectiveness, Employee Engagement, Client Experience Average, Organizational Outcomes Average

MANAGER EFFECTIVENESS

So what is really going on inside organizations that make it so difficult for managers to be effective in their jobs? Effective Managers™ and the Telfer School of Management at the University of Ottawa partnered to fill this void in the management sciences literature. The research focus was to understand and, more importantly, identify those dynamics that impact on managers being effective in their work. As a result, we hoped to help CEOs understand how they can improve productivity in their organizations.

We realized from a review of the literature that a variety of factors are at play that obstruct manager effectiveness. For our research purposes, we identified the key dimension: accountability. In an organizational context, accountability is "an obligation for which one can be held to account for one's results and actions by a specified other." The phrase specified other is important. To be accountable, there must be someone else involved to hold the manager to account. Thus, a self-held belief cannot be accountability, but is rather a responsibility.

The results are startling: organizations with higher accountability are more effective. The correlation is very high at .74 and highly significant. Our research also shows that manager effectiveness itself is correlated to organizational performance. (Correlation is the relationship between two variables. A correlation of 1 is perfect; a correlation of 0 is random.)

And what is the main driver of manager effectiveness?
Accountability

Accountablity	.74** →	Manager Effectveness	.27** →	Organization Performance

WHY IS ACCOUNTABILITY IMPORTANT?

The most significant finding is that *Accountability* is very highly correlated with manager effectiveness.

Accountability is at the heart of managerial leadership. It is important that employees have a clear understanding of what they are being held accountable for and how their outcomes will contribute to the success of their organization. If they are not aware of this, how do they determine what their most value added work should be, and where they should focus their efforts? When they need to make decisions, how can they be assured that they are making decisions that are consistent with what their managers would want?

Accountability actually has two dimensions. Both need to be understood in order to positively impact manager effectiveness.

To understand the disconnect, and how organizations have gone so wrong, it is important to realize that *Accountability* actually has two dimensions. First, what is the clarity of the accountability and authority that has been delegated to managers? For instance, if I am a manager, am I clear about not only what my manager is holding me accountable for, but also the authority I have for doing my work?

We call this the **Clarity of Accountability** dimension. As an organizational measure, this means thinking about how well the organization can translate accountability for output from the strategic plan, through the CEO, down to each individual manager in the organization. This measure correlates highly with a managers' perceived self-effectiveness.

The second dimension of accountability is **Felt Accountability**. This concept has been written about in management sciences literature. It refers to the degree to which an individual feels he or she is accountable. It could be related to being accountable to a manager for work, or it could be other things that are not real accountabilities, but feel like accountabilities. Examples of *Felt Accountability* include:

- relationships with customers
- relationships with peers
- project work
- self-held beliefs

In all of these examples, these are not real accountabilities because managers are not held to account by a specified other that has the authority to hold them to account. Nevertheless, they can be quite distracting if the managers of managers do not take them into account when setting the context for doing work. *Felt Accountability*, interestingly, scores much higher than *Clarity of Accountability*.

Do people feel accountable for the right things? This is the managers job.

This reinforces the perspective that people care about their work and want to do well.

The question is **not** whether managers feel accountable. They do.

The question is whether they feel accountable for the right things. This is the manager's job – to be clear about those things for which they will hold their subordinates to account.

A very large part of the success of an accountability and authority framework has to do with language. By establishing common terms, and using them precisely, employees are able to communicate with each other in a consistent way.

In the March 2015 issue of *Harvard Business Review*, Sull, Homkes & Sull discuss their research on strategy execution. One of their findings explains why work that is delegated down the organization is not sufficiently focused. In spite of ongoing communications for the CEO about strategic initiative, in their poll fewer than one-third of the CEOs management team could name even two of the five top strategic priorities. Only 55% of the middle managers were able to name even one of their company's top five priorities.

With respect to work flowing across the organization, the same authors found that only 9% of managers say they can rely on colleagues in other functions and units all the time, and just half say they can rely on them most of the time. Moreover, efforts to resolve the resulting conflicts are handled badly two times out of three—resolved after a significant delay (38% of the time), resolved quickly but poorly (14%), or simply left to fester (12%).

By establishing an accountability and authority framework for how work flows down the organization, the CEO helps each manager understand what their role is, what they are accountable for and what resources they have available to them. The right framework also provides measures for quality, quantity, timeliness and available resources, so managers know what authority they have to do the work. They can then use that information to take initiative and make decisions that move the organization forward.

> **If everyone is told exactly what to do at every step, the result is no less dysfunctional, and incredibly inefficient!**

Accountability and authority frameworks have been given a bad rap in the modern organization, because "self-managed teams" and "empowerment" do not fit with what is often misinterpreted as "bureaucratic" or "command-and-control" initiatives. We all know these latter approaches are inappropriate for the fast moving pace of the 21st century organization. However, frameworks for delegating work are critically important. Unless there is a commonly understood way to delegate work down the organization, people will flounder, failing to focus on the right work. On the other hand, if everyone is told exactly what to do at every step, the result is no less dysfunctional, and incredibly inefficient!

The challenge is to find a happy medium between restrictive and counterproductive command-and-control, and systems such as self-managed teams that diffuse resources with inconsistent activity.

The challenge for today's managers is in finding a happy medium: providing appropriate frameworks so that when managers do take initiative and use their judgment in an empowered way, they do it within context, with outcomes that are in line with expectations. This means that one must go against the grain of popular thinking to put a system in place that outlines and identifies the basic accountability and authority each manager needs to appropriately guide decision-making athroughout the organization.

There are two aspects to the establishment of an accountability and authority framework in an organization.

- How work flows down the organization – Managerial Accountability and Authority

- How work flows across the organization – Cross Functional Managerial Accountability and Authority.

Both can be addressed and implemented at the same time, but language becomes very important. Unfortunately, in management sciences, there is very little consistency in how we use words. Unless these are defined, clarity is almost impossible.

Effective Managers™ has worked with a number of organizations to measure manager effectiveness, and to implement programs, using The Effective Point of Accountability® to provide a systematic means of clearly delegating accountability throughout the organization. This applies both to managerial work and cross functional work.

SO WHAT ABOUT EMPOWERMENT?

The sad truth is that Empowerment is not well understood as a concept. How often have you heard a manager brag about how "liberated" their team members are? Or that managing isn't that hard because each team member is *empowered* to make their own decisions. As a management consultant I hear this all the time, and sadly, in most cases these proponents of liberation and empowerment are actually the managers not doing their managerial leadership work. In fact, they are abdicating their authority and leaving their people, for the most part, to work in a vacuum.

Empowerment is a tremendously powerful tool for a manger. It can extend your reach … you can't and shouldn't be looking over each team member's shoulder every day. And it can dramatically improve the performance of your team because it enables each team member to use their full capability to make decisions and take initiatives that are consistent with you vision for your unit. In the most fundamental way, empowerment drives engagement, and we all know that employee engagement is highly correlated to high performance organizations.

So we end up with situations where employees who feel they are capable and want to get on with the job but don't have the information they need from their manager to be able to focus in on the right things.

Empowerment starts with the manager. Managers need to be clear about the direction in which they are taking the department and how that fits into the organization's strategy. And managers need to be clear about their own value-added work – that which they alone can do for success. Then managers can be clear with team members about what they need to accomplish, fully involving them in the process.

Empowerment 4.0 therefore has everything to do with managers doing their managerial leadership work so that team members are fully engaged. That full engagement includes being empowered to take initiatives and make decisions that are consistent with the context set by the manager and the authority that has been delegated to them.

HOW TO TACKLE ROOT CAUSE ISSUES

Our research shows that the root cause of disengagement has everything to do with a lack of managerial leadership. To overcome this, organizations must ensure that managers are doing their managerial leadership work. Without this, it will not be possible to significantly improve employee engagement, and thereby create the dynamic of improving performance over time.

To improve employee engagement, an organization has to change from the top levels. Especially when it comes to accountability, it's crucial for the leadership to recognize what they should be doing to keep the employee turnover rates low. And what they can do is ensure that their organization operates by the principles of clear accountability, set by excellent communication within the organization.

Effective delegation of work ensures that every employee knows their task and that they have the means to complete it. In addition to that, it's essential to improve communication, between different organizational levels as well as between individuals within the same organizational levels. Following these principles can get an organization out of many various problems, employee engagement being only one of them. It's a solution that would fix the cause of the problem as opposed to its consequences.

It is this highly interactive relationship between the manager and the direct report that results in full engagement. And it is this engagement that is, in fact, the empowerment that managers are seeking for their teams, executives are seeking for their departments, and CEOs and Owners are seeking for their organizations.

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ABOUT THE AUTHOR

Dwight Mihalicz helps organisations improve performance. He focuses on manger effectiveness… ensuring that all managers, from the CEO to the front line, are focused on their key strategic priorities and have the accountability and authority required for success.

Dwight has founded and is President of Effective Managers™, a management consulting firm based in Canada, providing services globally. The firm uses the Effective Managers™ Survey to assess manager effectiveness, and The Effective Point of Accountability® to help organizations focus managers on the right work while breaking down silos.

He is currently the Chair of CMC-Global, the International Council of Management Consulting Institutes. To learn more about Dwight's work, visit: www.effectivemanagers.com/

If this White Paper details something that could use work in your organization, please give me a call and we can discuss the concrete steps you can take:

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Engaged employees make the difference! The research is overwhelming.

Improve your team's performance. Empowerment 4.0

Lack of employee engagement can spell serious trouble for any team. High employee turnover rates and low productivity are just two of the potential consequences.

Consider these facts from Gallup when comparing companies with engaged employees in the top quartile vs those in the bottom quartile:

- Engaged employees have **48% FEWER** safety incidents
- There are **41% LESS** quality incidents
- Absenteeism is **43% LOWER**
- Customer ratings are **10% HIGHER**
- Productivity is **21% HIGHER**
- Profitability is **22% HIGHER**

Your effectiveness as a manager is directly tied to increased productivity and profitability. ***The most valuable and influential relationship that employees have at work is with you.*** The importance of managerial roles doing managerial work cannot be understated.

Dwight Mihalicz, President of Effective managers™ has partnered with Flevy Executive Learning to develop a program specifically designed to improve engagement. **Empowerment 4.0** can help you identify and deal with root-cause issues of why you are not getting the team performance they desire and should be able to expect.

3 CORE MODULES

Module 1: The Effective Manager

In this module, we will help you understand your role as a leader and as a manager. You will learn about accountability, and why it is a critically important tool in your toolbox.

Module 2: The 5 Requirements of Effective Managers

Effective Managers™ has distilled managerial best practices into the 5 Requirements of Effective Managers. In this module, you will receive an introduction to these five requirements with practical examples for how you can improve your team's effectiveness today.

Module 3: The 3 Things Managers Do to Kill Performance

People want to do well. So why aren't all organizations top performing? In this module, we will help you understand the three things that managers do to kill performance, and what you should do instead.

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presented in a 30-minute sessions each week: Empowerment 4.0.
https://flevy.com/program/empowerment-4-0