

BUILDING PROFITABILITY THROUGH EMPLOYEES

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By Dick Osman

OVERVIEW

As the notion of “economic recovery” starts to creep into news reports and management discussions, experienced executives know that both topline growth and bottom line productivity are the keys to growing profits. After several years of aggressive attention to cost cutting, though, future gains – in both revenue and the productivity of human capital – will come from the positive impact of increased employee commitment. And after

Companies with high employee commitment:

- had 52% higher growth in operating income¹,
- 18% higher growth in net income¹, and
- performed about 20% better than their industry comparison group.²

decades of empirical study, there’s no longer any debate: superior levels of employee commitment drive market premiums in productivity, loyalty, innovation and profits.

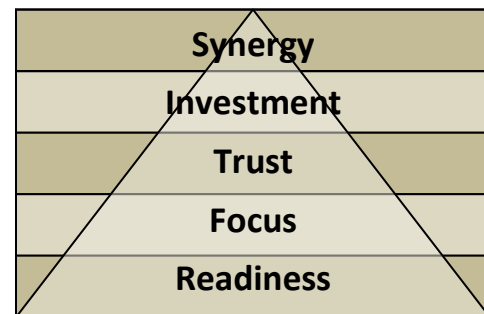
Recognizing the importance of employee commitment, though, does not ensure the ability to define, measure or build it within an enterprise.

BUILDING EMPLOYEE COMMITMENT

Readiness. Employees are only ready to add value when they know what is expected of them and have the tools they need for the job. Imagine the frustration of a ditch digger required to guess where to dig, or the futility of the process in the absence of a shovel. Extrapolate this scenario a few levels up the organizational chart and the issues are the same: What are the goals of this project? Who needs to be involved? Am I empowered to make this decision? If expectations are not clear, and if tools – including “soft” tools like authority and empowerment – are not adequate for the task, employees are not ready to

Employee commitment can be *defined* as the psychological bond of an employee to an organization¹. Other terms like employee satisfaction, loyalty and engagement are sometimes used to describe this bond, but the net intent is the same: a relationship between organization and employee that drives sustained positive performance.

In order to *measure* and *build* employee commitment - executives must focus on its five key dimensions:



Each is a necessary step in the process, with readiness as the baseline condition and synergy as the ultimate alignment of an organization and its people.

move forward and success – both personal and organizational – will be derailed.

It’s worth remembering the relational nature of employee commitment here. Employee readiness and commitment thrive on participation and even partnership. Both corporate paternalism and personal autonomy lead to greater employee isolation, while involvement and interaction are building blocks for the personal satisfaction and success that lead to commitment.

Focus. With necessary tools and clear expectations in place, the next step is enabling a consistent focus on goals by minimizing the multiple issues and factors that can distract employees from performance. This happens when people are given the opportunity to do what they do best every day, are recognized for their contributions, valued for their unique identity, and encouraged to develop their full potential.

In this context, a leader's job is clear. Communicate clearly and honestly with employees. Understand their individual and collective strengths and find ways to harness them effectively. Be sensitive to obstacles and barriers that get in the way of performance, and work to eliminate or overcome them. Cultivate an environment of teamwork, recognition and praise – top-down, bottom-up and peer-to-peer. An honest, timely “thank you” is cheap, easy and extraordinarily powerful. Leaders who model this kind of behavior – by adding focus and removing distractions – will create a climate of performance and commitment.

Trust. In no other dimension is the reciprocal and relational nature of commitment more evident: leaders and employees must trust each other. And just as in all other human relationships, organizational trust is established by the demonstration of integrity – by telling the truth, keeping commitments, and showing respect for others in every circumstance.

Trust starts with two-way communications – as a leader listens to people and treats their opinions as worthy of understanding and consideration. Trust grows when people are given a meaningful part in the success of a worthwhile goal – something that is bigger than themselves, that matters, and that makes their commitment fulfilling.

**“I’m putting a man
on the moon.”**

**-NASA janitor, when asked by President
Kennedy about his job**

Finally, a climate of trust requires mutual respect among co-workers and relational connections throughout the organization.

Investment. Employee commitment is neither cheap nor free. It requires an investment in people that is paid in multiple and mandatory currencies. The most basic, but ultimately least satisfying, is cash. Fair compensation is the ante to get employees in the game. But their ongoing commitment requires more intangible investments, particularly in the following two areas:

- **time** – such as regular two-way performance reviews and conversations about their goals and necessary steps to reach them – and
- **emotional/political energy** – such as creating opportunities for their growth and acknowledging their contributions both up and down the organizational chart.

The cost of this fourth dimension of investment is real – it requires allowing failure as a necessary component of learning and growth – but the return on that investment in people and their success can make all the difference in your competitive and financial performance.

Synergy. This fifth dimension of employee commitment can be defined as the interaction of two things so that their combined effect is greater than the sum of their individual impacts. The most important two things here are clearly *knowledge* and *practice* - “what we say” and “what we do” – particularly as that relates to organizational values and strategic goals.

To gain employee commitment, the values of an organization must be both clearly stated and obviously practiced. Anything less risks employee uncertainty at best – if values remain unclear – or antagonism at worst – if there is a lack of consistency or integrity around keeping those values.

Likewise, organizational strategies and incentives must be aligned in the pursuit of clearly articulated strategic goals. Failure to do so virtually guarantees an obvious waste of precious resources – time, opportunity, goodwill – and may in fact harm on-target efforts elsewhere in the organization. Committed employees rightfully hold their leaders accountable for such failures and may, in the words of Shakespeare, view future strategies as, “...full of sound and fury, signifying nothing.”

THE BOTTOM LINE ON EMPLOYEE COMMITMENT

It doesn't just happen – it must be cultivated.

The five dimensions of **Readiness, Focus, Trust, Investment,** and **Synergy** provide a framework upon which your enterprise can define, measure and build a level of employee commitment that has been proven to promote improved performance.

*Conequity Resources offers the **Enterprise Commitment Index Survey**, a simple and rapidly deployable tool that measures Employee Commitment and gauges leadership capability and effectiveness. For more information on this valuable tool, visit www.Conequity.com or contact the author of this position paper.*

Low employee commitment costs about \$350 billion a year in the US alone – or about \$2,300 per employee – including the costs of turnover, loss in productivity, accidents and theft.³

¹*Closing the Engagement Gap*, Towers Perrin, 2008

²*The Enthusiastic Employee*, Wharton School Publishing, 2005

³ BNET Business Dictionary

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