

# Rules of employee engagement

**Disengaged employees represent a lost business opportunity, but change is possible through these five action items**

**By Mark Steranka and Susan Mehlman**

Your business may still succeed, but it won't reach its full potential without high employee engagement.

Why is employee engagement so critical to business performance? Engaged employees think more like an owner than an employee, because they understand what the business is trying to accomplish, why their contributions matter, and how the business values them.

But keeping employees fully engaged is no easy task, and the challenge is only becoming greater. Low employee engagement has already cost companies across the nation billions of dollars in lost productivity, a result of shifting workforce demographics and other megatrends very much out of businesses' hands. Add to these concerns routine challenges, such as decreasing time to market, reducing costs, growing your customer base and staying competitive.

The bottom line: all businesses — especially closely held businesses — will need engagement solutions that address changing demographics and employee engagement if they hope to achieve their goals and maximize enterprise value.

So, how exactly do you increase employee engagement? It comes down to four interdependent factors: a clear plan for moving forward, a focus on performance measurement, a solid employee cultivation and compensation strategy, and a commitment to internal and external communication. Let's take a closer look at these four factors.

## 1. Create an actionable plan

Every closely held business should be guided by a strategic plan, which defines a road map for moving from point A to point B. The plan should reflect a long-term vision that guides strategic decisions,

a thorough understanding of what got your business to its current state, and a clear path to your desired future state.

A comprehensive strategic plan should encompass the following list of components:

- Mission and vision
- Historical performance
- Current SWOT analysis (strengths, weaknesses, opportunities and threats)
- Competitive landscape
- Goals and objectives
- Strategies and tactics
- Action plans
- Performance metrics

## 2. Track your performance

Performance metrics should be in place to monitor performance against your plan. These should be developed for each facet of your business, and each metric should tie back to your strategic goals and objectives.

For example, if your strategic goal is to decrease the time it takes to get

your products to market, then the performance metric for your goal may be days to market. On a smaller scale, the performance metrics for contributing objectives may be days to process, days to package, and days to deliver.

Think of performance in three tiers: enterprise, department and individual. Performance at each tier is important to the success of the business and increasing enterprise value. Equal importance should be given to performance at each tier, since they're interrelated. As such, it's important to define performance metrics and targets at each level to evaluate contributions and performance.

## 3. Invest in your talent

In order to attract, retain, develop and incentivize the workforce that will help you meet your goals and objectives, you must determine what resources and competencies will be required at each business level.

Accordingly, you'll need to



Low employee engagement costs companies billions of dollars in lost productivity.

define your recruiting needs for entry-level versus experienced personnel, and design career paths to support the progression of both managerial and technical personnel. The development of training programs to help employees reach their maximum potential will be instrumental to the success of most businesses as they move forward.

With engagement as low as it is today, it's critical that employees understand how to navigate their career path options and what it will take to be successful each step along the way.

Employee compensation is typically the single largest operational expense for organizations large and small, yet businesses tend to struggle to use compensation strategically — something an increasingly competitive employment marketplace is making essential.

To attract and retain key personnel, many businesses focus on the use and application of performance-based compensation programs, which enable employees who drive performance to share in the financial success of the business, meanwhile increasing their engagement.

What makes a compensation program effective? Successful performance-based compensation programs incentivize short- and long-term performance and support recruiting and retention goals. Keys to success include:

- Defining performance;
- Moving away from discretionary bonuses by instituting incentive compensation that's reflective of enterprise, depart-

ment and individual performance; and

- Demonstrating how executives, management and staff win if the business wins.

A comprehensive compensation philosophy and program design may address three types of compensation — cash, equity and deferred compensation. Cash is most commonly used as a short-term compensation tool; that is, it doesn't provide a beneficial impact beyond the immediate award. However, when cash is incorporated into a deferred-compensation plan, it can boost long-term retention.

Similarly, equity plans are often treated as short-term rewards, but they can be modified to achieve long-term incentive and retention goals as well. With regard to both equity and deferred-compensation strategies, it's important to take tax implications into consideration, because they can have a significant financial effect on organizations and individuals.

Depending on the type of entity structure (C corporation, S corporation, partnership, LLC, LLP, not-for-profit or government agency), certain equity designs will be more tax efficient and advantageous to cash flow than others.

Organizations should also think in terms of total rewards and regularly communicate to employees the total value they receive from cash, equity and deferred compensation, along with other benefits, such as retirement plans, health and welfare plans, and fringe benefits. It's through a holistic approach to compensation that organizations can achieve enhanced opera-

tional efficiency, organizational effectiveness and employee engagement.

#### 4. Communicate a clear vision

Planning, performance, cultivation and compensation — together, these elements form the foundation for high employee engagement. Understanding your employee demographics and how each generation communicates will enhance your success; however, without communicating how these three elements work together, you won't achieve the engagement required for your business to reach its full potential.

Communication is the glue that binds the previous three items together and helps your employees understand how they individually and collectively contribute to the success of your business. It needs to be crisp, clear, structured and regular.

#### 5. Take action

Most businesses already have the framework for these concepts in place. From there, it's a matter of focus. Start by clearly articulating your vision, refining your performance markers, reviewing your compensation arrangements, and formalizing how you'll communicate these items to your people on an ongoing basis.

With those items accomplished, you'll already be well on your way to a highly engaged workforce — one that can drive your business onward to achieving its full potential. ☺

---

*Mark Steranka has more than 25 years of experience helping businesses improve performance through a focus on planning, performance, people and communication. Reach him at 206-302-6409 or mark.steranka@mossadams.com.*

*Susan Mehlman has more than 25 years of experience in compensation and benefit plan design, consulting and administration. She has managed newly formed single-employer plans to large plans with more than 70,000 participants and assets in excess of \$1 billion. Reach her at susan.mehlman@mossadams.com or 206-302-6363.*

**Your Full Service, Locally Based Payroll Processing Team.**

Access time and attendance tracking remotely with our mobile and GPS tracking options.  
HR support at your fingertips.

**PORTLAND PAYROLL, INC.**  
Your Hometown Payroll Partner  
8020 SW Cirrus Drive, Beaverton, OR 97008  
503.520.1384, info@pdxpayroll.com  
www.pdxpayroll.com

OREGON ASSOCIATION OF NURSERIES | FARWEST PORTLAND 2016 | OregonGrown