

People and Performance

Key Insights Summary

Employees Bring Consumer Expectations

Economic macro-trends and the consumer experiences of today's workforce are driving employees to expect similar choice, benefits, and access in the workplace, requiring a more strategic approach to motivating performance.

It's About Engagement

Highly engaged employees drive better performance of every type: financial, operational, customer satisfaction, safety, and others. And engagement must start with top leadership.

Create Opportunity and Choice

People want opportunities for growth and advancement, including those outside traditional career ladders. Employees feel empowered by choice and control related to career paths, technology, and working environment.

Feed Your Stars

Top performers drive disproportionate results. They must be compensated in line with their contribution, creating a culture that emphasizes high performance.

Think Outside the Cube

Real estate is not just a cost but an asset that can increase ROI through flexible, activity-based workspaces with an emphasis on collaborative zones.

We Versus Me

Informal networks are crucial growth drivers that must be supported by workspace design and modes of interaction.

New Times, New Workforce

Expectations of today's workforce have changed dramatically, but most of our workspaces and approaches to managing people are still designed for the 1960s. Understanding how to motivate people today means stepping back to understand more fully their expectations, the forces that continue to shape them, and the implications for companies across sectors.

Economics. Though employee incomes haven't risen with corporate profits, it remains difficult to fill jobs at many companies. With the right skills it's a seller's market for labor, meaning that the balance of power has shifted considerably from employers to employees.

Education. We have underinvested in the right kind of education, resulting in too few STEM graduates (especially women) and too little vocational training. This has created an undersupply of qualified employees. More specifically, there is a growing disconnect between the workforce we have and the workforce we need.

Workforce distribution. Today's workforce is very different from that of the 1950s, with many more women and older employees. For example, the big retirement boom that was expected never happened, and people have stayed in their jobs longer than in the past, leaving less space for new employees. But HR programs, often decades-old, have failed to keep up with these changes.

Mobility. About 25% of employees expect to change jobs in the next 1-2 years—it's not just the Millennials. People have new paths to success in a world where the average app developer makes \$90K/year.

Engagement is Critical

Based on shifting trends, today's employees need to be treated more like *consumers*, with a strong focus on engagement. Engaged people drive value on every dimension: innovation, financial performance, market share, operational outcomes, customer satisfaction, safety, and others. But engagement is lacking. Globally, about 60% of employees report feeling engaged; 15-20% are actively disengaged. Even a small number of disengaged people can drag performance down. But many companies measure engagement without doing much about it. They fail to create the control, choice, empowerment, and transparency that many employees expect today.

Boost engagement and performance using several drivers:

Start at the top. Engaging leaders emphasize cultures built on authenticity, trust, and deep connections. Such leaders tend to have had "critical experiences" (like crises) in their early personal lives that have helped them become more resilient and empathetic. They are likely to practice "servant leadership," placing their employees ahead of them, and they engage others with humor, emotionality, and authenticity. While learning such skills may not be easy, the good news is that leaders can be coached to be more engaging through self-examination and other processes.

Offer (and support) choice. One size does not fit all, whether related to cell phones or office furniture. We don't treat our customers as if they were all the same; we must take a similar approach to employees. BYOD (Bring Your Own Device) has become the new norm. Providing targeted options across dimensions enhances employees' sense of control

Employee Engagement Drives Business Performance

Customer Satisfaction

55-percentage-point net promoter score difference for highly engaged employees vs. actively disengaged employees

Retail stores with high engagement have 5 percentage points higher customer satisfaction scores



Financial Performance

5% increase in engagement results in 3% incremental revenue growth

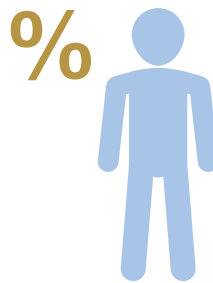
Companies with top quartile engagement experience a 4% point increase in incremental operating margin



Talent Outcomes

Highly engaged employees are 36% more likely to stay at an organization

Employees with higher than average engagement are more likely to achieve the highest performance ratings

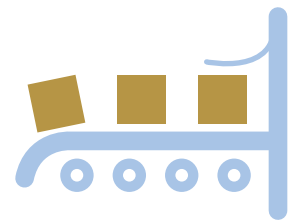


Operational Efficiency

Manufacturing plants with higher engagement have:

75% fewer quality defects

26% fewer safety-related workers compensation claims



Source: Aon Hewitt

and empowerment, as Facebook has done by installing vending machines filled with computer equipment (like wireless keyboards).

Create opportunities. Career opportunities are the top drivers of engagement, especially for younger employees. Provide paths for growth and advancement with an increasing emphasis on career “lattices” (providing enriching lateral opportunities) over traditional career ladders. But don’t forget about pay and recognition, which are also strong drivers of engagement, especially at higher levels.

Differentiate rewards. Research shows the top 5% of performers drive over 25% of business results and that it takes 22 poor performers to equal the impact of one high-performer. The superstars truly make—or break—the organization. But many

companies still distribute financial incentives too equally. Only about a quarter of all companies pay the majority of variable pay to top performers. A more strategic approach to rewards, with transparent “dual-reward” programs that offer greater pay/recognition for stars while compensating lower-level performers appropriately, will boost engagement where it matters most.

Think Outside the Cube

The workspace is a key component of engagement and performance, but only 1 in 5 employees judge their workspace as effective. Most companies continue to view real estate as a “fixed container,” a cost to be minimized, often meaning standardized, outdated workspaces. They also make the mistaken assumption that everyone needs their own seat and

will be in it the majority of the time. Tradition and legacy tend to determine design, not functionality.

More forward-thinking businesses see the workspace as an asset to be maximized, a tool to enhance individual and collaborative work. Creating agile, “hackable” spaces that represent more choices for employees helps align people, processes, and technology with business drivers while creating more density, buzz, and spirit. Silicon Valley certainly has multiple exemplars of more flexible, engaging workspaces, but any business anywhere can create them with the right mindset and tools.

Strategies for developing more engaging workspaces include:

Promote flexibility and choice. The average occupancy of a given office seat is only 35%. Still, companies hold on to all their real estate “just in case” it’s needed. A more flexible approach promotes efficiency and performance. That means developing more agile spaces that employees can customize to their short- and long-term needs. They want much more control about when and where they work, without being constrained to their desks or even the office building. Provide real options for employees wherever possible.

Design by activity. Creating workspaces based on activities—quiet work, conference calls, meetings—rather than org charts or entitlements enables choice and higher-value interactions. It pays to think about what people are actually doing in their workspaces, and how these spaces can help them perform at their best. The best workspaces today offer variety, choice, balance, and flexibility. Aon’s London office recently unveiled its “Workplace of Choice” design to provide more workspace options to employees.

Think “we” versus “me.” It’s not just about individual performance but firm-wide learning and an enterprise mentality. Peer-to-peer networks have become more crucial than ever for performance. The right workspaces can promote informal collaboration and networks, supporting the interaction and social cohesion crucial for growth. Some companies are approaching a close to 50-50 proportion of shared “we space” versus individual spaces, with many more “collaboration zones” than in legacy floor plans.

Cross-Industry Perspectives on Engagement

JLL and KPMG have made wide-ranging, recent efforts to boost engagement and workspace effectiveness on multiple dimensions.

Choice. Both firms seek to bring increasing flexibility to their people. KPMG exposes consultants to multiple practice (such as within tax consulting) and geographic options, including through presentations by senior leadership and a global rotation program. An increasing percentage of interns go global. The firm wants people to feel comfortable moving around within it, with the underlying principle that “We’d rather have you quit inside the firm than outside.”

Rewards. KPMG and JLL emphasize “total rewards”: career opportunities, pay, benefits, recognition, well-being. JLL aims for continuous performance and learning by “sprinkling a little more on the right people,” whether through compensation or access to premium technology, based on the recognition that the top 10% of performers drive about 40% of profits. The firm also rewards its “mighty middle” (middle 50% of performers) proportionately. KPMG has focused on differential pay for top performers, with the first \$25M in incremental profit earmarked

About the Event

On June 16th, 2014, *CEO Perspectives* held its third Company Insights event, to provide the community of Fellows continued access to relevant business and leadership insights as well as ongoing networking opportunities. The event, co-hosted by Aon plc and HNI Corporation at HNI's Allsteel Showroom in the Merchandise Mart in downtown Chicago, focused on how people, their tools, and environment come together to create high performance.

After introductory remarks by Bryan Sansbury (Chief Operating Officer, Aon Hewitt, Aon plc) and Jeff Lorenger (President, Contract Furniture Group, Executive Vice President, HNI Corporation), the program commenced with presentations on the changing expectations of the new corporate workforce, limitations of traditional approaches to people management, and emerging solutions.

To add further cross-industry perspective, a dialogue with Fellows followed, featuring Greg O'Brien (Chief Executive Officer of Americas, JLL) and Pat Canning (Managing Partner Chicago, KPMG LLP) with Cheryl Francis moderating. The program concluded with remarks from Stan Askren (Chairman, President & Chief Executive Officer, HNI Corporation).

We are grateful to Aon plc, HNI Corporation, and their executive teams for hosting the event and to all speakers and participants for sharing their insights.

for "superstars," based on the partnership's growing understanding of top talent's value. The firm also rewards people who strengthen client relationships by connecting them with multiple KPMG service lines, as part of a "One Firm" initiative.

Workspace. JLL has transferred to a more activity-based office design. The CEO's former corner office is now a conference room, and partners share offices in some regions (like London). Leadership helps people understand that such changes will ultimately boost market performance. KPMG has grouped consultants by industry sector and reduced individual office size dramatically (from 12 x 15 feet to 7 x 10 feet, in many cases) through flexible workplace architectures. Both firms revisit their workspace designs continually, with the help of internal and external experts. ■

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Additional Reading

["Just Because You Build It Doesn't Mean They Will Come,"](#) HNI Corporation/AllSteel

["The Engaging Leader: Experiences, Beliefs, and Behavior,"](#) Aon Hewitt, April 2014

["2014 Trends in Global Employee Engagement,"](#) Aon Hewitt