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Employee Engagement

A key to long-term cost reduction

Healthy Culture, Healthy Company

Creating a company-wide culture of caring can have positive, and surprising, effects on everything from safety to employee wellness to insurance costs.

By Rosie Ward, Ph.D., and Alan Wissbroecker, CSP, OHST

A healthy organizational culture is arguably the most important factor in driving a company's success, but a company's culture is more than just a written mission statement or the image it projects to customers and clients. Culture is made up of an organization's underlying attitudes, norms and values—and it affects every aspect of a company, from growth and development to day-to-day operations.

Recent studies have shown that developing a positive organizational culture is key to a safer and healthier work force, which can lead to cost savings, reduced insurance premiums, and increased productivity and revenue.

A recent Gallup study reports that lack of engagement creates less energized, less ambitious and less effective employees—and costs American businesses more than \$328 billion per year in lost productivity.

Culture and Engagement

A driving factor behind healthy organizational culture is employees who are engaged and dedicated to a company's success.

A recent Gallup study reports that lack of engagement creates less energized, less ambitious and less effective employees—and costs American businesses more than \$328 billion per year in lost productivity. Big-box retailer Best Buy is so convinced that engagement matters that it frequently measures employee engagement and has found that if its engagement score is off by 0.10, it equates to \$100,000 of lost profit per store.

When it comes to creating this level of engagement, leaders set the example by involving others in sharing a common vision and managing expectations. Executives must be committed to engaging every employee and fostering a caring, supportive and empowering work environment, because the strength and health of relationships within a company greatly contribute to a healthy, engaged culture.

INTEGRITY.

PEOPLE.

KNOWLEDGE.

RESOURCES.

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Once management is on board, engagement and culture work hand-in-hand. A healthy culture cannot exist without engaged employees. At the same time, employees who are engaged are rarely found in a company with poor cultural values. Fostering both equally is important in driving a company's success. This results in a culture in which employees are empowered, engaged, listened to and rewarded for a job well done.

This is a culture of caring.

Health and Safety

It seems nearly every company is looking for ways to encourage employees to get healthier in an effort to bring down skyrocketing health care costs. In a 2009 study by *CFO* magazine, American Chief Financial Officers listed health care costs as one of their top five concerns going forward.

Safety is also a chief concern. This is not only for the employees' sake, but also due to the employer's cost of workplace injuries, including increased insurance premiums. According to the U.S. Bureau of Labor Statistics, workplace injuries

cost American businesses \$170 billion in losses each year. In 2005,

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Most companies have focused on driving separate safety and

health management initiatives, with varied results. Some, though, have caught on to the obvious overlapping benefits wherein a successful health management program can have a direct effect on safety initiatives, and vice versa.

While it may seem easiest to search for a quick solution in one-off wellness or safety programs, these are merely Band-Aids and do not fully address the root cause of

what is costing businesses money. In addition, employees—justifiably in

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many cases—may feel management is not concerned with their well-being, only the dollar amount associated with poor health and safety habits.

Whether this is true or not from the executive standpoint, perception is reality, and programs that breed resentment among the staff lead to a disengaged, unhealthy and unsafe workforce. Instead of throwing time, money and resources into implementing safety “programs” or jumping on the current health and wellness bandwagon, invest in a culture that values employees as people first.

Gallup found that positive employee engagement is the key to successfully reducing or stabilizing health care costs, and that engaged employees are more productive, more profitable, safer, create stronger customer relationships and stay longer with their companies than less engaged employees.

This level of employee engagement does not happen instantly. To gauge the difference between employees' current and preferred norms as well as the perception of leadership support and work environment, go to the source and survey

employees about what the company could be doing better. Either build

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your own survey, or hire a quality consultant. If management then acts upon the survey results, employees begin to feel they are being heard, and managers can begin the process of engaging them in healing their company's culture.

When employees feel valued at work, this trickles into their personal lives. They are happier overall, so they take better care of themselves both on and off the job. For employers, this translates into a healthier, happier workforce, and produces tangible cost savings.

Insurance provider Wellmark recently used the Gallup-Healthways Well-Being Index™ (WBI) to look at well-being in relation to health care utilization. One part of the WBI looks at life evaluation (both present and five-year outlook) and classifies people as thriving, struggling or suffering. They found those who are thriving have an average of 20 percent lower medical costs, whereas those who are suffering have an average of 50 percent higher medical costs.

Additionally, a Towers Perrin study of 37 work sites found instances of accident-related absence were almost 74 percent lower at sites where

workers reported higher levels of empowerment. The study concluded, "Work environments with lower rates of work-related injuries are associated with employee cultures where workers have the information and authority they need to perform at a high level and where they are encouraged to develop innovative solutions to work-related problems."

A local example of this comes from

employees at one Minnesota company who, when surveyed, responded that it took too long for equipment repair orders to be processed, making it difficult for them to perform at the highest, safest level. After learning this, owners put out a message to employees giving them the authority to approve up to \$250 in a work order to fix failed equipment.

Instead of implementing a new management-driven "process" to solve the work order problem, the owners empowered their employees to take responsibility for the tools they use every day. This type of management empowerment pays off for

employees—who are healthier, happier and more innovative—and for employers, who see productivity increase, and ultimately save on health and safety costs.

Culture and Costs

Saving money on health care is bigger than just health and wellness programs, and saving money by reducing injuries on the job is bigger than mandating safety training. There is a tangible financial benefit to fostering the more intangible culture of caring. When it comes to hard and soft costs, an employee's level of engagement directly correlates with his or her on-the-job performance.

A Gallup Consulting study found workgroups in the bottom 25 percent of engagement averaged 62 percent more accidents than workgroups in the top 25 percent. In addition, for

every dollar spent on direct costs of a workplace accident, The National Safety Council estimates there are 1.1 to 4.5 additional soft costs, such as the cost of production downtime, decreased quality or productivity, training new or

replacement employees, replacing equipment, increased paper work, and higher insurance premiums.

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Reducing such injuries, then, not only saves money on things like workers' compensation insurance, but greatly reduces soft and long-term costs. Because insurance is priced based on claim or loss history, those companies with fewer claims will pay less going forward. Fostering a culture in which safety is a priority for employees as well as managers directly affects a company's insurance rates. The same can be said for health care. A healthier workforce means fewer claims and increased savings.

While keeping employees healthy, safe, and at work is important, underlying health issues only make up about 20 percent to 25 percent of what actually interferes with employees being fully productive. More often (40 percent to 50 percent of the time) people are unable to be fully productive because of things such as low motivation, poor communication, low morale, negative work environment and not having their personal values supported or their strengths utilized.

Thus, simple savings aren't the only benefit of an engaged workforce.

Employees who feel safe, happy and empowered are proven to work more productively, thus generating revenues.

Today, more than ever, companies need to out-service their competitors. They do this by having engaged and innovative employees. A recent Gallup study looked at the connections between engagement and innovation, and found engaged employees are more likely to find creative ways to solve customer problems, feed off creativity of their colleagues and suggest or develop creative ways to improve management or businesses processes.

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Additionally, Towers Perrin found that organizations in its study that successfully implemented a culture of caring benefitted from a 100 percent return on investment. Every \$1 invested in injury prevention returned

\$2 through increased productivity. Because engaged employees are invested in the ultimate success of the company, they bring better ideas to the table, have better customer relationships, actively collaborate on solutions and care about growing the organization—all because they feel valued at work.

Getting Started

The first step to changing the culture of a company is recognizing that it can be better, and wanting it to change. Secondly, management must be on board. Once the team is aligned toward a common goal, start with four broad steps, and customize them to fit your company's cultural needs.

1. Learn what you don't know.

Who better to diagnose problems on the floor than the employees, who live and work with them every day? Ask employees to evaluate the current company culture. Encourage comments about what could be improved and ask them to outline their vision for a healthy company culture. The wealth of information that comes from such surveys will aid in developing a plan to shift the company's culture.

Keep in mind, it is difficult to establish a "cookie cutter" system of benchmarks because typically no two

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companies are trying to accomplish the same goals, nor are they starting from the same place.

To ensure their effectiveness, benchmarks should be developed according

to your defined goals and based on your own organization. This is an area where it often is worthwhile to enlist the guidance and assistance of a consultant.

2. Communicate. Creating a culture of caring really boils down to communication. Management may have the best intentions, but if they're not communicating, any process they implement—including a shift in culture—can be perceived as just another “program,” or even a personal attack. Start by acknowledging past mis-takes or management missteps, then recruit employees to get involved, take ownership and help managers create a better, more productive work environment. Depending on the current state of the culture, it may take time to win employees' trust, but the rewards are worth the wait.

3. Commit and follow through.

One person committed to creating a healthy company culture is better than 100 with good intentions. Consistent follow through is essential

to gaining employees' trust and looking beyond the day-to-day tasks

that can overshadow the human element so important to developing a culture of caring.

Management

needs to be committed and consistent in caring for people first, then tasks.

After you've collected the data, create a plan and get employees involved in the ground floor planning stages. If inadequate health benefits are a major concern, create an employee-run task force to brainstorm options for better health care. Create a safety committee to do the same, and have the two

communicate regularly to swap ideas and work together to come up with combined solutions for company-wide health and safety

fixes. Giving employees ownership of programs ensures they are invested in their own success.

4. Share the success. “A ‘culture’ that truly values human capital is one that rewards work achievement, shares savings when efficiencies are achieved

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and provides significant opportunity for employee advancement,” writes Dr. Wendy Lynch in a 2009 Health as Human Capital Foundation article. “It values all human capital assets and encourages growth through aligned incentives.”

In this type of culture, employees are empowered and motivated to modify unhealthy behaviors, they are more alert when it comes to safety, and they are motivated to cut costs and increase profits through innovation because they see a direct reward for doing so. Allowing employees to share in the benefits of their hard work is key to developing a culture of caring.

Conclusion

For most small- and mid-sized companies, caring comes naturally,

but it takes more than good intentions to implement a successful culture of caring within an organization. Success—both financial and cultural—comes when executives lead the charge to

empower employees by engaging them in processes that drive their own health and safety practices, and allowing them to share in the tangible rewards that come as a result of their efforts.

An investment in culture, then, is

STEPS TOWARD BUILDING A CULTURE OF CARING:

1. Learn what you don't know.
2. Communicate.
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not only an investment in health and safety. It is an investment in the humans who directly influence health, safety, and ultimately the success of a company. Putting dollars and effort into healing a company's culture and engaging employees may be the most important investment owners can make for the future growth and financial success of their businesses.

Rosie Ward is a health management consultant and Alan Wissbroecker is the director of risk services with RJF

Agencies, a Minneapolis-based risk management and insurance consultancy. Both individuals work with a variety of manufacturing clients throughout Minnesota and Wisconsin.

With a doctorate in organization and management and additional degrees in the health field, Dr. Ward helps employers develop and implement cultural improvements and changes that improve employees' well-being while positively affecting the company's bottom line. She is involved in numerous national, state and local health initiatives, and is a regular speaker at many health, wellness and

organizational development events. Contact Rosie Ward at wardr@rjfacencies.com

Mr. Wissbroecker helps employers reduce risk exposures and their associated costs. His well-rounded approach takes a realistic view of human nature and work environments. He works with clients at the executive level to ensure complete understanding of an employer's long-term strategic needs and to help shape the corporate culture, which is imperative to reducing long-term costs. Contact Alan Wissbroecker at wissbroeckera@rjfacencies.com