Encouraging a sense of belonging among customers is a worthy aspiration for any bank. It should also be part of every bank’s promise to its employees. One wonders, however, if most bank executives place as much emphasis on employee engagement. Do employees feel that there is no better workplace? Are they able to do their best work without barriers? Would they say, “I belong here.”?

The Gallup Organization’s research shows that banks will never reach optimum customer engagement levels without first engaging their employees. Engaged employees are a leading indicator of business outcomes, including customer engagement, and are the keys to a differentiated and defensible competitive advantage (see chart, “Disengaged Employees Depress Performance”).

THE EMOTIONAL ECONOMY
Our research with customers and employees shows an emerging economic era in which emotional experiences are the foundation for economic growth. This shift moves beyond the 4Ps of product, price, place and promotion — and even beyond process. Danny Kahneman, a Nobel Prize winner in economics and Gallup senior scientist, has
written that most of our economic decisions are based on the irrational, i.e., our emotions.

Consider the customer who applies for a home equity loan to build a movie room in his basement. Some of the drivers of that decision will no doubt be the current level of interest rates, repayment terms and the increased value of his home due to the improvement project. But by applying Kahneman’s research here, we should also realize that a considerable amount of the customer’s mental energy is devoted to how it will feel to host the neighborhood Super Bowl party in this magnificent new movie room. Customers in general have an increased willingness and desire to pay for an emotional experience.

The same principle applies to employees. We find that employees are the same emotional beings at work as they are as consumers in the marketplace. Employees want to feel emotionally connected to their workplace.

Many banks try to improve employee satisfaction with pay and benefits. While such rational satisfaction levers are important, they don’t lead to improved business outcomes. Employee engagement expands satisfaction to encompass the emotional attachment of the employee to the company and is a much better predictor of outcomes such as productivity, profitability, customer engagement, turnover, absenteeism and loss. Employees want to bring their whole selves to work, and when they do, the bank benefits.

In the most comprehensive study available on the subject, Gallup research reveals that the companies most adept at engaging their employees are significantly outperforming companies that are not. In fact, the earnings per share (EPS) growth rate of top quartile companies (relative to industry peers) was 2.6 times that of the below-average organizations (see chart, “Engaged Employees Drive Higher Performance”).

This study examined 332 client organizations (4.5 million respondents) of which one-fourth were Fortune 500 companies. Top-quartile employee engagement organizations, as measured by Gallup’s 2005 employment engagement survey, exhibited an upward trend in EPS, exceeding their industry equivalents by 18% between 2004 and 2005, a net difference of 15.6 percentage points from the baseline. Below-average employee engagement organizations — the bottom half of Gallup’s employee engagement database — were 2.9% below their industry equivalents

"ENGAGED EMPLOYEES ARE A LEADING INDICATOR OF BUSINESS OUTCOMES, INCLUDING CUSTOMER ENGAGEMENT, AND ARE THE KEYS TO A DIFFERENTIATED AND DEFENSIBLE COMPETITIVE ADVANTAGE."

### ENGAGED EMPLOYEES DEPRESS PERFORMANCE

A comparison of publicly traded companies in the top 25% of Gallup’s database with those in the lower 50% of the engagement database shows top performers have a ratio of 4.1-to-1 engaged employees to actively disengaged employees. Below-average companies have less actively engaged employees.

<table>
<thead>
<tr>
<th>RATIO</th>
<th>TOP QUARTILE</th>
<th>BELLOW AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1:1</td>
<td>Engaged</td>
<td>Active Disengaged</td>
</tr>
<tr>
<td>0.96:1</td>
<td>Not Engaged</td>
<td>23%</td>
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<tr>
<td>11%</td>
<td></td>
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<tr>
<td>22%</td>
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<tr>
<td>44%</td>
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<td>55%</td>
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<tr>
<td>45%</td>
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<tr>
<td>22%</td>
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</tbody>
</table>

Source: The Gallup Organization
HI HO, HI HO, IT'S OFF TO WORK I GO!

HI DEAR. A LITTLE TRAFFIC BUT NOTHING TO KEEP ME FROM GETTING TO WORK ON TIME!

EMPLOYEE OF THE MONTH PARKING

THAT TRAINING SESSION WAS JUST DYNAMITE!

ISN'T THIS A WONDERFUL PLACE TO WORK?

GOOD MORNING! MAY I HELP YOU, MA'AM?

GOOD AFTERNOON! MAY I HELP YOU, SIR?

YES DEAR, I HAD A MOST SATISFYING AND PRODUCTIVE DAY!
at baseline and 3.1% above their industry equivalents in 2004–2005, a net difference of six percentage points from the baseline. There clearly is profound value in winning in the emotional economy.

The notion of employee engagement has long been relegated by business executives to the category of “soft” and “touchy-feely” issues. Given that reputation, the last group you would expect to embrace the notion is Wall Street analysts. And yet, Wall Street is interested in the value an engaged workforce brings to an organization and companies are sharing employee engagement metrics along with generally accepted accounting principle data. For example, Wells Fargo & Co. chief financial officer Howard Atkins said while discussing the bank’s fourth quarter 2006 earnings, “In 2006, the ratio of engaged to actively disengaged team members in regional banking rose to 7.1-to-1, from 5.8-to-1 in 2005, and the ratio was more than three times the U.S. average of 1.9-to-1.”

A review of the Gallup database in financial services companies shows that 62% of banking workers are not engaged with their employers. Digging deeper, 13% of these employees are actively disengaged and act as a poison to the ecosystem of the bank. This makes it very difficult for even the best customer-service strategy or process-improvement effort to be effectively put into operation in the branch network.

On the flip side, effectively tapping into this discretionary employee effort will unleash strategies and process improvement efforts in a way no Six Sigma project ever could.

**WHat Do World-Class Companies Do?**

Fortunately, there are actionable ways to build employee engagement. World-class companies are creating environments where employees are proud to say they belong. Some techniques for developing such an environment include:

- **Measure Employee Engagement at Local Levels, Where Employees Work.**
  Many times, employee opinions are gathered at an enterprise level and results are aggregated and shared. If the averages improve, then everyone celebrates that the workplace experience has improved. The mathematical calculation of averaging, however, takes the extremes out. It fails to uncover where real improvement needs to happen.

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**Engaged Employees Drive Higher Performance**

When the publicly traded companies in the top 25% of Gallup’s database on employee engagement are compared to those in the bottom half, earnings per share (EPS) growth is much higher for the former. EPS growth is shown for each category between the baseline years of 2001–2003 and 2004–2005.

<table>
<thead>
<tr>
<th>Percentages based on median value within each group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Top-Quartile Employee Engagement Organizations</strong></td>
</tr>
<tr>
<td>+15.6 point net gain</td>
</tr>
<tr>
<td>30%</td>
</tr>
<tr>
<td>20%</td>
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<tr>
<td>10%</td>
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<tr>
<td>-10%</td>
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<tr>
<td>-20%</td>
</tr>
<tr>
<td><strong>Below-Average Employee Engagement Organizations</strong></td>
</tr>
<tr>
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<tr>
<td>30%</td>
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<td>-10%</td>
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<td>-20%</td>
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</tbody>
</table>

Source: The Gallup Organization
and protocol is worth scrutiny. To some degree, banking requires standard operating procedures (SOP) and audit guidelines. Yet some managers are able to foster creativity and fun, while achieving the right audit rating. Coaching a team around standard operating procedures is vastly different than coaching for emotional engagement. The best managers know that SOP compliance can be mandated, but the way the team feels about the workplace can only be influenced and inspired.

Cascade accountability and action to reduce variability and move the bell curve to the right. While the local manager is the acting CEO of the local team, she likely doesn’t have the necessary power to remove every barrier getting in the way of engagement. She needs support from her manager and executives. With such a strong emphasis on local measurement, it may seem that only local manager action is needed. World-class engagement companies know the local manager needs help from others in the organization to make real, and lasting, changes.

Manager action commitments should be made at every level. Executives, mid-level leaders and local levels should all make public and visible the action commitments that will improve the workplace. Total transparency demonstrates the teamwork at play, showing the organization’s commitment to improve.

Sometimes companies are strongest at the top with an air-tight strategic view, but the other levels in the organization...
BUILD MANAGER DEVELOPMENT PROGRAMS WITH A FOCUS ON EMOTIONAL CONNECTIONS.

The development program for a new and highly talented manager should be designed to help him or her be successful with the emotional economy. This should be viewed through the framework of a manager’s lifecycle, from onboarding, through coaching development, through performance evaluations and ultimately through career progression. Developing “soft-skills” drives hard numbers.

At the core of this development program should be a facilitation of team dialogue. World-class engagement companies realize that teams can never have too much conversation on the drivers of engagement. Managers should be adept at hosting these dialogue sessions with regularity and obtaining full participation. Job aids, such as conversation starters for team meetings to enable their success, are a critical component of the company’s support.

Winning in the emotional economy starts with winning the hearts of employees. This requires creating frameworks and cultures where employees feel profoundly connected to the workplace. Those engaged employees will engage customers in return and improve business outcomes. Those employees are the fans who proudly proclaim: “I belong here.”

Mr. Hoffman is a partner and Ms. Tschida is global practice leader for financial services for the Washington, D.C.-based Gallup Organization, a research, training and consulting organization.

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