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EMPLOYEE ENGAGEMENT & BENEFITS

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EMPLOYEE ENGAGEMENT & BENEFITS

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NEUROSCIENCE

Brains behind science of engagement

Experts in neuroscience and psychology are combining to improve understanding of employee behaviour in a bid to boost engagement

CATH EVERETT

Imagine some day in the future you are sitting at your computer and suddenly it starts playing soothing music to help alleviate your stress levels. Or after a long morning, it advises you to take a break as you are starting to look tired.

Although such ideas will either sound like a great approach to health and wellbeing, or rather creepy, depending on your point of view, much of the technology to transform such notions into reality already exists.

For example, neuromarketers, who study the brain's responses to both marketing and advertising, have for some time been using facial coding software via webcams to read consumers' expressions to understand their emotional reactions.

So it is not a huge leap to think of these systems being reapplied in the workplace to boost employee engagement, which remains a key preoccupation of many leaders. Certainly within the next three or four years, this kind of technology is likely to fall sufficiently in price to make it worth considering on a mass-market basis.

But neuromarketing forms only one branch of the wider discipline of neuroscience. Although still in its infancy, neuroscience has been around since the 1950s and focuses on the study of the nervous system, which includes the brain, and its impact on people's behaviour and cognitive functions.

Indeed, Andre Vermeulen, an international expert in the neuroscience of learning, and consultant to leadership and talent consultancy Full Potential Group, believes it will become increasingly important as the so-called fourth industrial revolution and artificial intelligence (AI) take hold. In his view, as job roles shift, disappear and re-emerge in new forms over the coming years, employees will need to display more and more "neuro-agility" or the mental ability to adapt quickly to change.

"Mankind will need to out-think, out-learn and out-innovate AI," Dr Vermeulen says. "But while AI is good at pattern recognition, it's not good at complex problem-solving. Its memory is big, but it's not good at innovating, and that's where neuroscience comes in, to help optimise our learning and creative practices."

Neuroscience will also play a vital role in wider employee engagement terms too, he believes.

"Neuroscience helps individuals to understand who they are and what they were designed for," Dr Vermeulen explains. "When you get alignment between who someone is and what they bring to the workplace, they understand their value and feel in a position to express who they are and make a difference – and this means they're naturally engaged."

In terms of neuroscience, this is because at least two of the five threat and reward domains that underpin workplace behaviour are activated in the brain. Director of the Neuroleadership Institute David Rock's SCARF model describes these domains as: status – our relative importance to others; certainty – our ability to predict what lies ahead; autonomy – a sense of control over events; relatedness – a sense of connectedness and safety with others; and fairness – a perception of fair exchanges between people.

High levels of engagement occur when people experience rewards from all five of these domains, but they become disengaged when experiencing high levels of threats.

In this context, leaders have a key role to play in learning what motivates their staff and linking it with the organisation's business strategy. Moreover, if they learn to communicate effectively, it can contribute significantly towards employees feeling more connected not just with this strategy, but also with their colleagues too.

If leaders get it wrong, however, the impact can be negative instead. For example, if done badly, performance reviews may unintentionally generate a threat to an individual's status, which not only makes it difficult to encourage behavioural change, but will also lead to disengagement.

Despite such insights though, Alison Maitland, research and product director at performance management consultancy Lane4, believes neuroscience is no panacea and that its findings should always be placed in a broader psychological context.

"Neuroscience is a means of helping you understand what you're doing and why, but it's up to psychology to interpret that by looking at how someone becomes engaged, for example," she says. "In other words, neuroscience is informing psychology and the two disciplines are now coming together to provide a more rounded view."

Rebecca Hutchins, research manager at Walnut Unlimited, a neuroscience consultancy within Unlimited Group, agrees. The organisation has been using a neuroscience-based approach to undertaking its online employee satisfaction survey since 2015, when the decision was made to address staff turnover issues in some parts of the group.

To this end, reaction time (RT) testing was added to understand employee responses in more depth. RT testing is based on the idea that the quicker someone responds to a given question, the more strongly they feel about it.

Ms Hutchins explains the significance: "While 80 per cent of people may give the explicit response that the company behaves fairly, only 40 per cent might say it quickly. So the aim is to ensure they're convinced of it so that the second measure goes up to 80 per cent too."

By using this approach, it became clear that key emotional drivers of engagement at Unlimited were fairness and respect, while another important issue for many was flexible working.

Action on these points led to staff retention rates increasing by 40 per cent, staff turnover dropping to only 10 per cent and the organisation's fairness rating jumping by 15 to 60 per cent.

Danni Findlay, Walnut's talent director, concludes: "Neuroscience doesn't give you the whole picture. It'll shine a light on issues and measure difference, but you still have to ask why. Put another way, it's the difference between reaction and perception and so, while it's very useful, you do have to be careful about making assumptions." ◆

SCARF: The five domains of human social experiment

1 Status
Our relative importance to others

2 Certainty
Our ability to predict what lies ahead

3 Autonomy
A sense of control over events

4 Relatedness
A sense of connectedness and safety with others

5 Fairness
A perception of fair exchanges between people

David Rock, Neuroleadership Institute

HOUSING

Top employers are helping with

Housing shortages and sky-high rents have left employers worried about recruiting and retaining top talent, so now some are taking action

ABOVE
The lack of housing supply in the San Francisco Bay Area has driven up real estate prices and pushed Silicon Valley tech giants to ease the pressure on employees by offering help with accommodation

ADAM FORREST

A dream job in the big city can come with complications. For many ambitious young graduates, the biggest headache attached to landing a role in London, Sydney or New York is finding somewhere affordable to live.

If the lack of cheap accommodation in major cities has become a worry for the millennial workforce, it's also a significant recruitment problem for companies around the world.

Housing pressures have forced the corporate world to rethink the perks used to entice top talent. With bicycle racks, free gym membership and paid volunteering leave now commonplace sweeteners, some leading employers have realised the most lucrative benefit they can offer is help meeting housing costs, whether it be loans, subsidies or mortgage deals.

Facebook and Google have even drawn up plans to construct housing for tech workers struggling with prices in the San Francisco Bay Area, a return to the days when philanthropic industrialists created company towns and model villages with the aim of improving the lives of labourers.

So what exactly can businesses do to ease the housing problems experienced by urban workers worldwide? Could the scale of the crisis push large employers into buying or building homes for staff?

In London the shortage of affordable homes is making business leaders anxious. Some 66 per cent of companies in the city said housing costs and availability were having a negative impact on entry-level recruitment, according to a recent CBI/CBRE survey.

Dozens of leading employers have agreed to a pledge drawn up by the Mayor of London to provide some form of housing help. Professional service giant KPMG has arranged preferential mortgage rates for employees with leading banks. Its rival Deloitte, meanwhile, has set up around 150 new recruits in East Village apartments under terms negotiated by the company, including free superfast broadband, free rent for two weeks, no deposit and no registration fees.

James Ferguson, partner at Deloitte UK, thinks big firms could go further in the years ahead. "In future, employers may want to look at longer-term leases or even decide to buy and own property that could be made available to employees," he says.

> **Leading employers have realised the most lucrative benefit they can offer is help meeting housing costs, whether it be loans, subsidies or mortgage deals**

If UK bosses are gently interceding in the housing market, companies elsewhere are making stronger interventions. Productivity is a motivating factor. A ready supply of accommodation close to the factory or office means employees aren't drained or distracted by long commutes.

Swedish chain IKEA is constructing a 36-unit apartment building for its employees close to its store in the Icelandic capital Reykjavik, offering employees lower-than-average rents and an easy walk to work. In the Danish town of Billund, toy giant LEGO is constructing small apartments for workers as part of its revamped global headquarters, a place where the company hopes staff can "socialise both during and outside working hours".

The company housing complex is already a familiar part of the landscape in South Korea. Electronics giant Samsung maintains a cluster of high-rise apartment buildings for its workers in the capital Seoul and Suwon.

In China, some major tech companies and multinationals are now providing housing assistance to employees faced with rising costs in urban hotspots. Shenzhen-based internet conglomerate Tencent has offered interest-free loans to help employees buy property in the city. Ecommerce company Alibaba has opted to build 380 apartments next to its headquarters in Hangzhou. And Starbucks now offers its full-time workers in China subsidies to cover part of their rent.

"There has been a lot of discussion about young workers who say they want to move back to their hometowns because the cost of housing in big cities is too much for them," says Joe Zhou, head of China research at property group JLL. "But at the moment offering housing or subsidies for housing is not something many companies can afford to do."

Despite the expense, top US companies hope housing subsidies can help them hold on to talent. Evolv research shows people with a commute of five miles or less stay in jobs 20 per cent longer. The need to retain valued workers explains why some employers are incentivising a move closer to the office.

Audiobook company Audible, for example, has encouraged staff to relocate from the hippest neighbourhoods of New York to its base in Newark by offering a $250 rent subsidy. Audible also introduced a housing lottery scheme and the 20 lucky winners had a year's rent in Newark paid for by the company.

Much more grandiose plans can be found in Silicon Valley. The supply

Case study

Silicon Valley

Tech giants of the San Francisco Bay Area are used to puzzle-solving on a global scale. They are now attempting to fix a more local problem – an acute shortage of affordable housing. In March, the median price of a Bay Area home soared to a record high of $820,000 (£610,000), according to research by CoreLogic.

Accepting some of the responsibility for the overheated market, Facebook has committed $20 million (£15 million) to affordable housing projects and housing-related initiatives in the Bay Area. Mark Zuckerberg's company also has plans to build 1,500 homes as part of a new community named Willow Creek, with 225 of the apartments to be offered at below-market rates. Google, meanwhile, has won approval to begin work on a massive mixed-use development featuring almost 10,000 homes near its Googleplex HQ.

"The scale of the housing problem here is so huge that even if Facebook or Apple built 10,000 homes, it would only be a first step," says Allison Arieff, of the Bay Area think tank SPUR. "There is a lack of anything affordable and some very significant commutes going on – people living two or three hours away from their jobs."

Questions about the exclusivity of Willow Creek and the Google development will no doubt be asked if the vast majority of the homes are taken up by company workers. Planners in the region hope the creation of brand-new settlements can at least help ease the housing shortage elsewhere in the Bay Area.

city housing

of homes in the San Francisco Bay Area, home to Facebook, Google and Apple, has come nowhere near meeting the intense demand brought on by the tech boom. Property prices have skyrocketed and rental accommodation is hard to find.

In a bid to ease the pressure, Facebook has come up with a plan to build 1,500 homes next door to its Menlo Park headquarters. Not to be outdone, Google and its partners have won approval for almost 10,000 new homes around its base in Mountain View.

Silicon Valley may have a singular culture as a place where the work-life balance has not been cherished, and coders take their naps, meals and haircuts on campus. Outside the confines of the Bay Area, it's unclear how many people would actually want to live in settlements shaped and dominated by their employer. There's also scepticism about the long-term planning housebuilding requires from whoever commissions it.

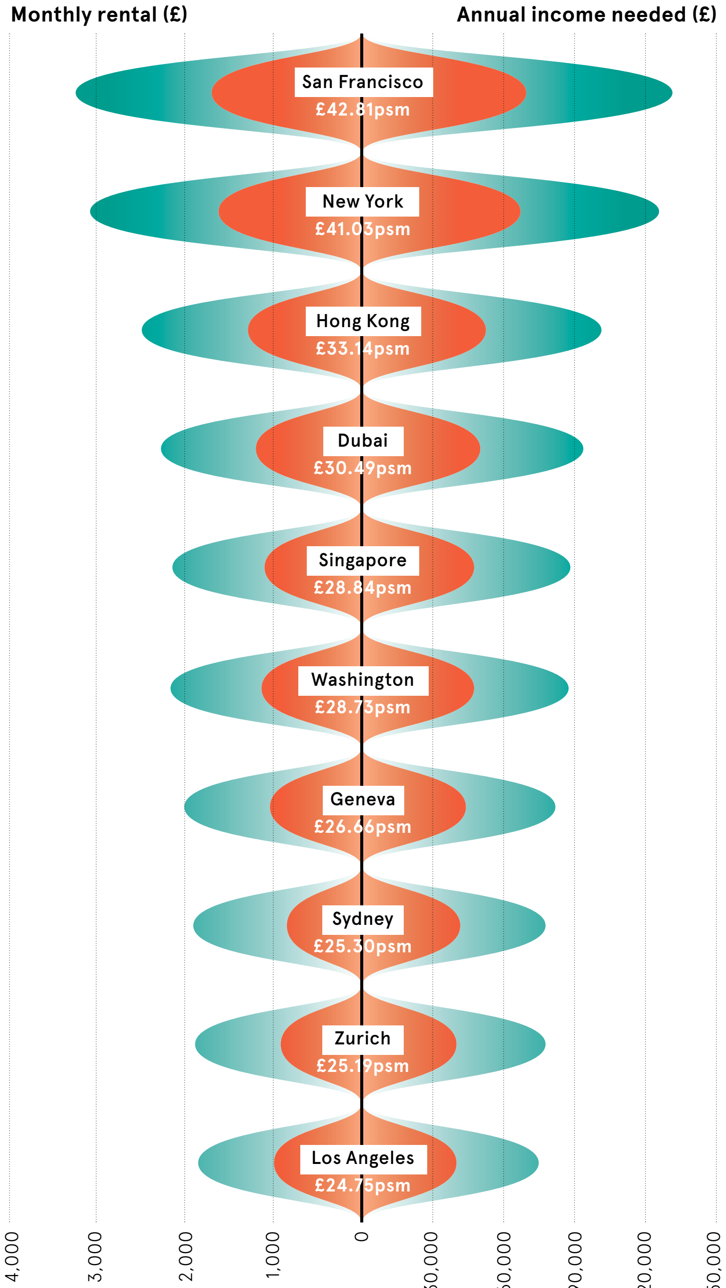
"Corporate culture has changed so dramatically and the whole idea of a job for life has gone," says Allison Arieff, editorial director at the urban policy think tank SPUR. "I'm not sure the company town where all workers are housed together is coming back anytime soon."

No doubt most companies will continue to leave the creation of new communities to the politicians, planners and architects. But ignoring workers' housing struggles is no longer viable. Businesses truly interested in their employees will have to be interested in whether they have a decent place to live. ◆

Top ten costliest cities for workers

Including average per-square-metre (psm) prices for rental properties (£)

◆ Single person ◆ Family



Nested 2017

Commercial feature

Zest for rewards and benefits

If it's not broken, don't fix it – everyone has heard this. But when it comes to employee benefits portals, the market is crying out for a root-and-branch overhaul

Many in the rewards and benefits arena simply aren't aware that employee reward systems have long become outdated and as a result they're failing to even come close to achieving the benefits sold at the onset.

The real concern, however, is that it's become a market where busy human resources directors (HRDs) have largely been dictated to by suppliers. It's a market that has been allowed to continue as is, without challenge. Lengthy implementation times, high project and consultancy costs, paper-based communications rather than digital are all too commonplace. Indeed, in many systems the employees don't even have access to their benefits on their chosen devices.

But while HRDs are tired of their requests falling on deaf ears, the cost of this outdated state of affairs is more than just administrative hassle. The way employers present their benefits says a lot about them. Make it difficult for employees to either access their reward, change or personalise it to their needs – an increasing priority for millennials – and the impression can be that their employers don't care. When people feel uncared for, they feel disengaged, productivity drops and ultimately they will leave.

60%

of HR professionals say that cost is the biggest barrier to investing in benefits technology, followed by justifying return on investment (43 per cent), other HR projects taking priority/lack of time (35 per cent)

7%

face no issues when looking to implement or upgrade a benefits technology

REWARD, Rewarding the workforce of tomorrow, 2018

When people are the number-one investment for any organisation (typically 60 per cent of all their expenses), and the direct and indirect cost of replacing each lost employee can reach upwards of £30,000, according to Oxford Economics, it's effectively a business miss not to have a benefits solution that meet needs and expectations of employees.

What's required now is change. Employers need to use modern technology, which is better and cheaper than the tech they are currently offered, while employees themselves now expect and appreciate the value of a much better experience.

That's why Zest believes the solutions we offer are laying down the gauntlet to the rest of the industry, by showing the old incumbents what HRDs really deserve. A modern solution that instantly presents the data employers need, delivering world-class benefits uptake and an excellent return on investment will consign the old ways to history. All this puts HRDs in complete control of their own system and benefits programme.

But better than all this is the fact that modern, workplace-ready benefits technology enables organisations to really take their benefits offering much further by allowing actual strategic benefits planning. Many companies see spikes in attrition after six months. With Zest they can now help to mitigate this by, for instance, pre-communicating a campaign around a new benefit to ensure advance knowledge about its value and therefore drive early buy-in.

Companies want truly to understand their employees and see which benefits they are engaging with and the ones adding no value to the proposition. With Zest that information is available instantly at the press of a button, avoiding the need for complex and time-wasting support requests.

With all the data suggesting staff who understand their benefits are more engaged and feel more valued as a result, the transformative impact that a good reward system can deliver cannot be underestimated. One company we're working with was spending £2 million a year just to replace their staff due to attrition levels. Re-engaging staff with their benefits, by giving them better visibility of and access to perks they have, has already seen the system paid for many times over.

At a time when HRDs are in an ever-present battle to manage benefits costs – recent research by *Reward* magazine found that 60 per cent of rewards heads say cost is their biggest barrier – we believe the tables need turning. Employers shouldn't need to pay elsewhere for a simple task that could be easily automated.

Zest frees up time, allows trends to be spotted, creates better planning and enables rewards heads to do everything they need by themselves. Ultimately this means freed-up, not tied-up, budgets that allow for bolstering, not scaling back, the reward offerings employees can access. What's not to like about this?

Garry Nelson
Commercial director, Zest

For more information please visit zestbenefits.com

zest.

STRESS

Stress at work is not always a bad thing

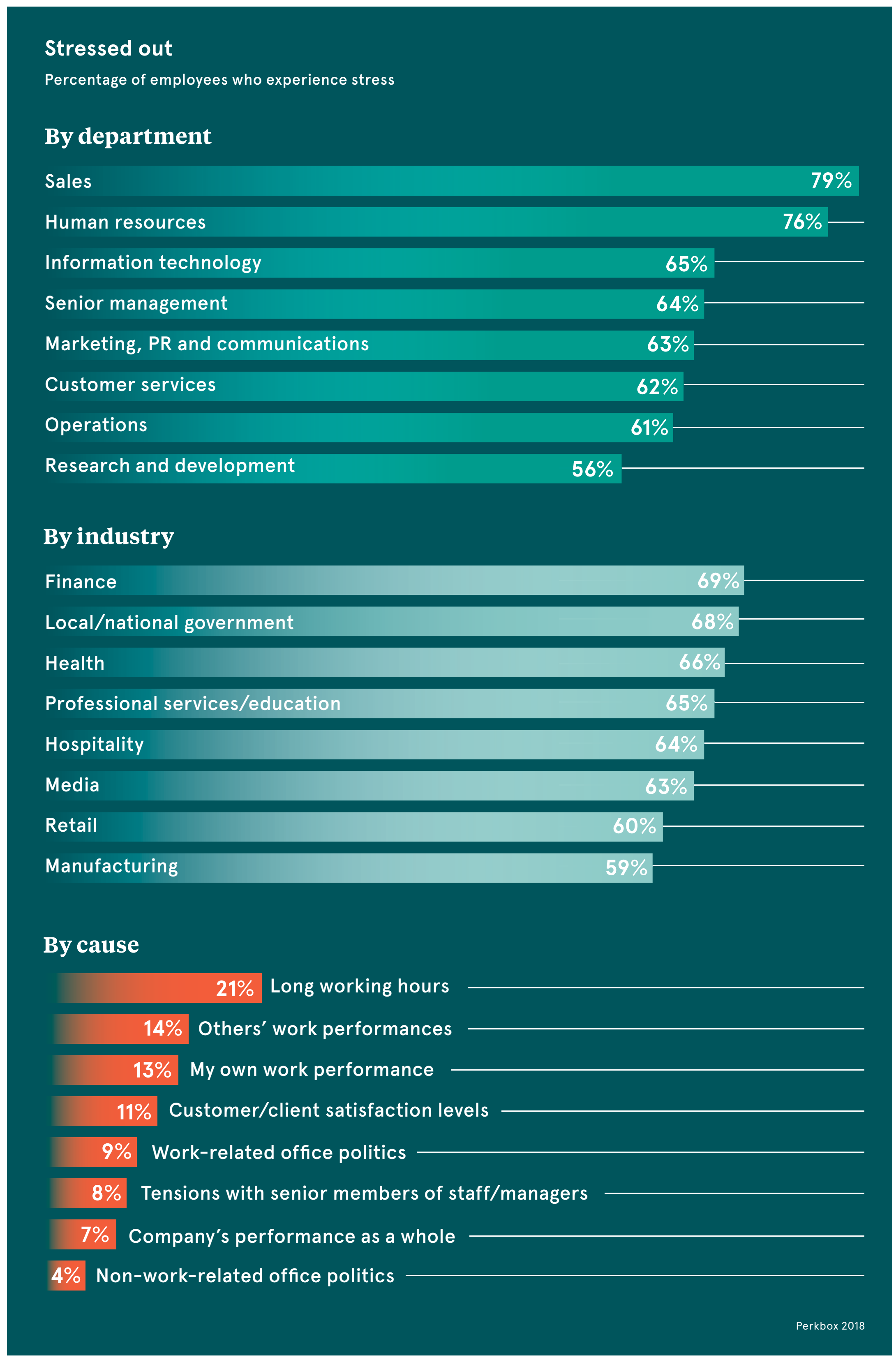
Contrary to enlightened practice, attempting to eliminate all stress from the workplace may not be best for the individual or the organisation

DANIEL THOMAS

People in the UK seem to be increasingly unhappy at work, with surveys suggesting workplace stress and burnout are on the rise. Meanwhile companies complain of the economic costs, through higher rates of illness, lower productivity or staff churn.

But would workers feel any better to learn that moderate stress could actually help them perform better at work? Or that carefully applied "negative thinking" could lead to stronger, more nimble companies?

A large body of research supports these hypotheses and yet the predominate philosophy at



many firms is to focus on boosting morale and employee engagement (a buzz term for wellbeing), says Lewis Garrad, chartered organisational psychologist and head of growth markets at Mercer-Sirota.

"If you look at the research out there, the correlation between engagement and performance outcomes is far from perfect, which means that many 'engaged' individuals and teams are not delivering the results leaders expect. By the same token, some firms will find that their best-performing teams are often among the least satisfied."

In 2016, Mr Garrad wrote an article on the topic for the *Harvard Business Review* with Tomas Chamorro-Premuzic, business psychology professor at University College London and chief talent scientist at Manpower. In it they accept there is a strong link between engagement and productivity, but also argue firms too often overlook the benefits of dissatisfaction and anxiety at work.

Dr Chamorro-Premuzic says that while positive mindsets can bring "openness and creativity" to a workplace, more critical ones can bring "focus and attention". He also cites research suggesting that less-satisfied individuals are often more motivated, better prepared and better critical thinkers.

"They are also more likely to challenge groupthink and the status quo, which is key to driving innovation across a big organisation," he says.

The risk is that by focusing all their attention on boosting morale and tackling stress, leaders will underplay more important drivers of performance such as strong leadership or an open team culture. It could also breed complacency, says Dr Chamorro-Premuzic. He cites Yahoo, Nokia, BlackBerry, Kodak and IBM as examples of firms that despite being proud of their company culture, failed to identify competitive threats and stopped innovating.

"When companies become bigger and dominant, they become a victim of their own success. Employee engagement plays a role in this process because it is often a product of complacency and happiness, both of which follow success," he says.

But if some stress and anxiety can enhance outcomes, too much can be damaging. According to the UK's Health and Safety Executive, 12.5 million working days were lost to work-related stress, depression or anxiety in 2016-17, with factors including workload, lack of support and bullying to blame.

There is also strong research to suggest engaged business units tend to deliver better performance, as measured in terms of revenues and profits, and that organisations with enthusiastic employees tend to have better customer service ratings.

So what is the right level of stress and how can firms reap the benefits? Dr Heather Kappes, assistant professor of marketing at the London School of Economics, says negative thinking can be good for business, but we should be clear about what that means.

"It's not thinking 'This will never work'; it's more 'I can imagine that this is going to be hard and it might not go that smoothly'. When people do the latter, then they often get energised to work hard and make plans to overcome the problems they've imagined. This could potentially help people to find creative breakthroughs," says Professor Kappes.

When putting this into practice, she believes moderation is key, but striking the right balance can be hard. Different people react differently in similar situations and "moderate arousal for one person might be too much or too little for someone else".

Mr Garrad also warns against a blanket approach. Turning up the pressure on an entire department may yield a short-term boost of energy, but be counterproductive in the long run. Instead leaders should know their staff better on an individual level, so they can manage them more effectively.

> **Less-satisfied individuals are often more motivated, better prepared and better critical thinkers**

"Highly anxious people will experience a lot of stress easily, so they need more encouragement and usually more support. Those who are very emotionally adjusted might need a bit more focused and pointed feedback to generate the energy and effort needed to improve," he says.

Stress usually becomes damaging for health and wellbeing when it goes on too long and becomes chronic, so managers should seek to balance out stressful times with periods of relaxation and recovery. They could also try setting clearer goals for their team members, making sure they recognise hard work and providing flexible working conditions.

But Dr Chamorro-Premuzic feels firms and employees need to be realistic about what is possible. Not only could ridding your office of stress and dissatisfaction be undesirable, it might also be impossible.

"In simple terms, stress is a signal about the taxing and threatening properties of our environment, and we are better off reacting to it than ignoring it," he says. "People need to understand that good jobs will elicit stress and they should not try to eliminate their ability to sense it." ◆

Commercial feature

Benefits can counter Brexit

An attractive and well-communicated benefits package can help retain key staff as Brexit triggers the exit of European Union citizens from the UK workforce

More EU residents are leaving or planning to leave the UK due to Brexit, according to increasing evidence. This is exacerbating an already tough talent market and increasing pressure on companies to enhance benefits and keep their best people.

The number of EU citizens leaving the UK is at its highest for a decade, according to the latest Office for National Statistics figures. This has brought net EU migration to its lowest for five years.

Surveys show the UK has become a much less desirable place to live and work among EU workers, and that many are uncertain over their status or no longer feel welcome.

According to research by the Chartered Institute for Personnel and Development, three fifths of organisations anticipate that Brexit will make it even harder for them to recruit senior and skilled technical employees in the next three years.

Employers will therefore face a huge challenge to attract and retain staff in the next few years. Improving benefit packages and communication around them are two important ways to do this.

Thankfully, the benefits market has improved rapidly in the last ten years, making it easier for companies to improve their offerings within a realistic budget.

Sue Pemberton, head of employer services at benefits consultant Premier Companies UK, says Brexit makes it increasingly important for organisations to ensure staff understand their benefits. Employers are facing greater demands from employees and Brexit will only increase this, she adds.

"Some big companies offer eye-catching benefits such as breakfast and gym membership, which contribute to rising expectations," says Ms Pemberton. "Employees have an awareness of what is out there, but do not necessarily understand the value of their own benefits.

"This is triggering greater demand from employers wanting to benchmark their benefits, to ensure they are relevant and appropriate to their workforce, and wanting to ensure their staff understand and value the benefits they get. We can help by analysing their employment strategy and objectives plus factors such as their demographics, what the employees value most, and return on investment."

However, benefits budgets are also reducing, so companies have to become savvier and creative in what they offer, she adds.

"One important trend is towards employers building a brand as an attractive employer," says Ms Pemberton. "Location, flexible working, work environment, values, policies and culture all contribute to this."

Total reward statements are also critical to promoting understanding as they show the total value of pay and benefits, and break them down by cost and value for each, she says.

A comprehensive benefits platform with jargon-free communications is crucial. This should give information about which core or voluntary benefits meet various needs and about other resources available. For example, if the employer has no dental policy, it should show how to get dental help elsewhere. Signposting free trusted resources helps employees manage stress.

Ms Pemberton says there is plenty of room for improvement in these areas for many companies.

"Where support is ad hoc, we suggest upgrading benefits or improving communication to reassure employees and keep them focused on the job," she says.

Companies do not necessarily need extra benefits to improve their offering, providing they ensure existing ones are relevant to staff needs.

Adding relevant voluntary benefits, which employees can choose to pay for at a negotiated discount, is another low-cost or cost-neutral way to enhance the package. Companies can do this with relative ease as the systems and technology available to support flexible and voluntary benefits have improved rapidly in the past decade, says Ms Pemberton.

"Employers are desperate not to lose more important staff, but they can be creative in designing a benefit portfolio that hits the mark. As the skills market retracts, benefits become the differentiator," she concludes.

Sue Pemberton
Head of employer services
Premier Companies UK

82%

of companies already experiencing competition for well-qualified talent over the past year

72%

of companies are anticipating an increase in competition in the next three years

3/5

organisations anticipate that Brexit will make it even harder for them to recruit senior and skilled technical employees in the next three years

CIPD

> **As the skills market retracts and recruitment gets harder, benefits could become the differentiator**

For more information please visit www.premiercompanies.co.uk

premier

WORK-LIFE IMBALANCE IN SEVEN CHARTS

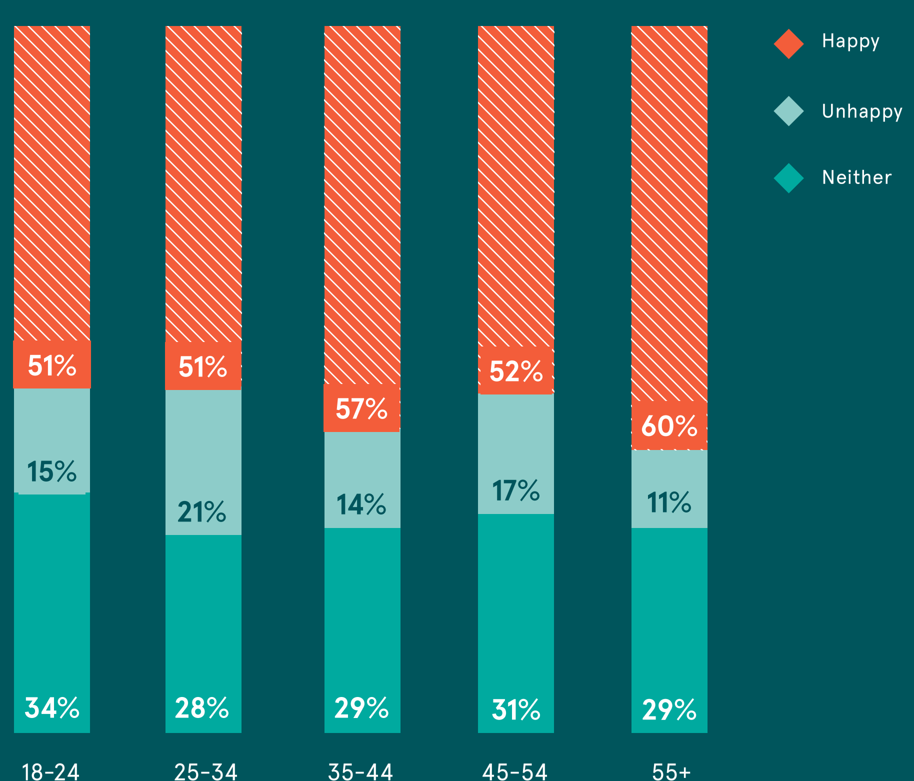
Employee engagement has improved considerably over recent years, and benefits such as remote working and flexi-time are now commonplace. However, changing workplace cultures are putting increasing demands on workers and threatening the work-life balance, with a quarter of employees saying they struggle to relax in their personal time because of work, according to the CIPD. Regular breaks and time off are some of the simplest and most important ways of staying productive at work, and yet UK employees are regularly skipping breaks and not taking their holidays

01

Millennials are more likely to be unhappy with their work-life balance, with employees becoming more content as they get older

Generational opinion of work-life balance

YouGov 2017

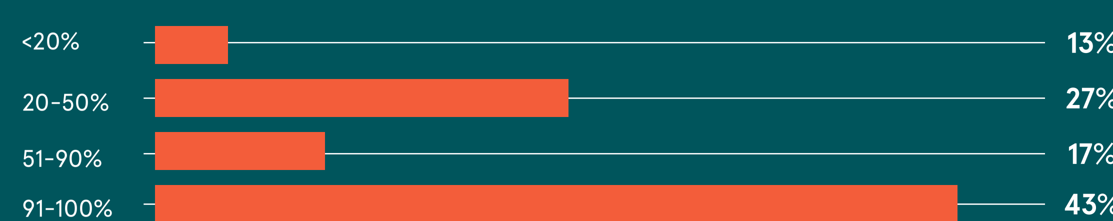


02

UK workers take just 62 per cent of their total holiday allowance on average each year, with four of every ten employees taking less than 50 per cent

Amount of annual leave entitlement taken over the past year

Glassdoor 2018

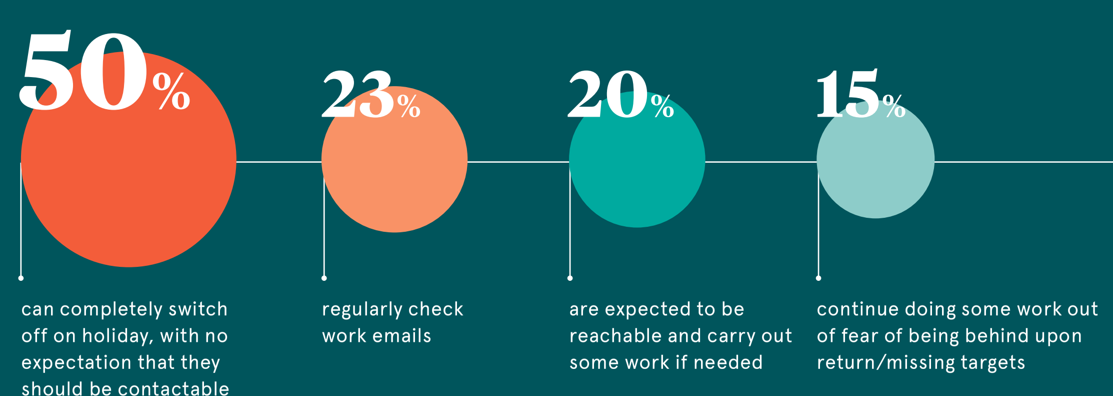


03

Even when workers take their vacation days, only half say they can completely switch off

Working on holiday

Glassdoor 2018



04

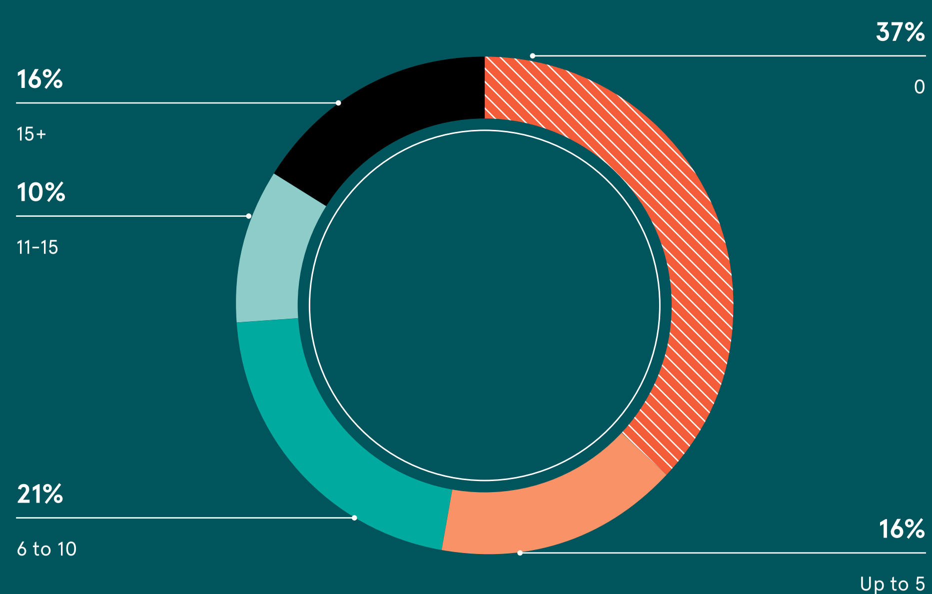
In an average full-time working week,

04

two thirds of employees are working longer than their allotted time

Hours overworked per week

CIPD 2018

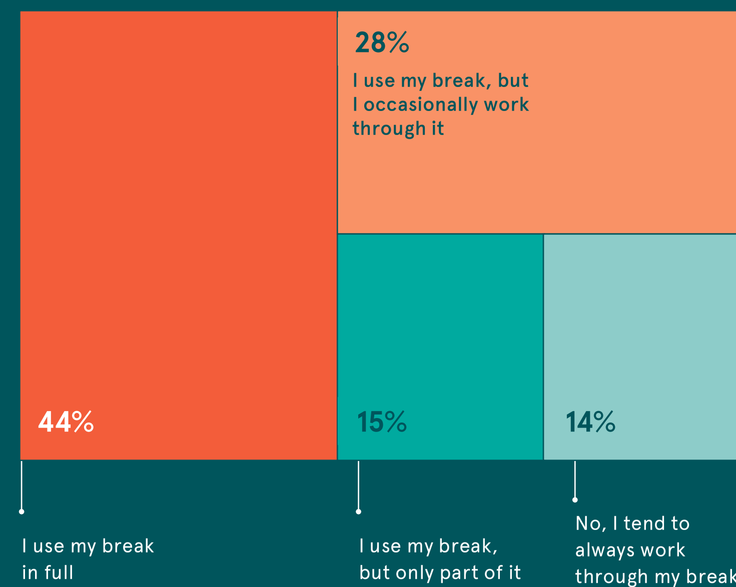


05

According to totaljobs, 56 per cent of employees never take their full lunch break, which equates to more than the average annual wage in owed time over the course of a standard career

Usage of lunch breaks

totaljobs 2017



27mins

average lunch break taken by UK workers, compared with the 40-minute average break allowed

£33.3k

cost to employee in untaken lunch breaks owed over the course of a career

06

Poor workplace policies can create a culture of skipping breaks, but simply having too much work is the most common reason why people work through their lunch

Top reasons why employees skip their lunch breaks

totaljobs 2017

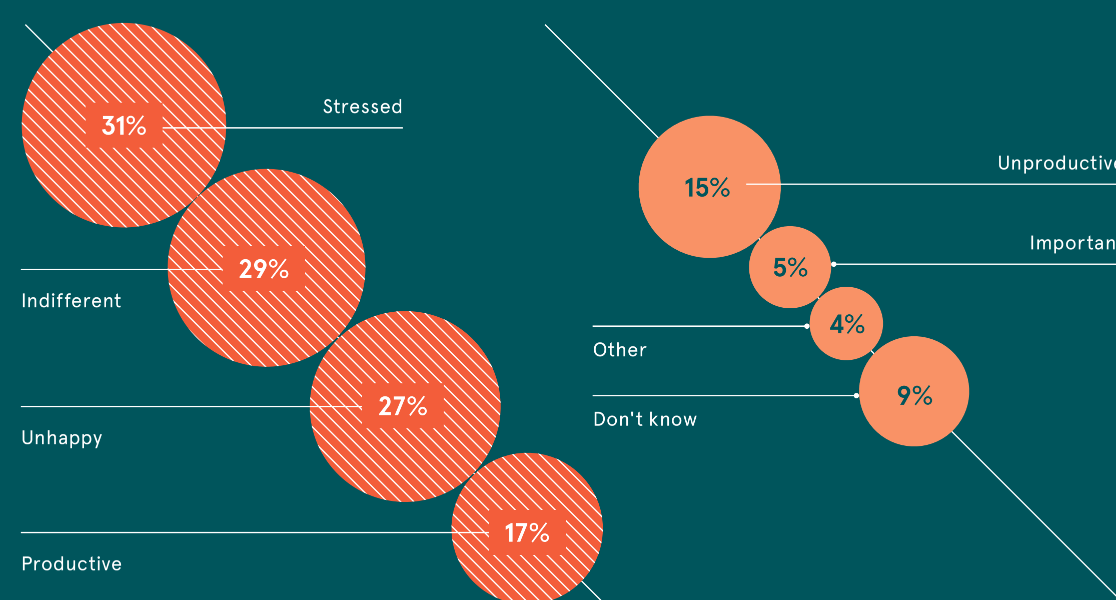
68%	Too much work to do/unexpected tasks
17%	Have to cover for others
13%	I don't really care about my lunch break
10%	I can leave early if I skip lunch
6%	No one takes their lunch break in my team/company
5%	I can't financially afford it
5%	Taking a lunch break is frowned upon
3%	I don't eat lunch
5%	Other

07

The impact of working through lunch is more than just hunger pains...

How workers feel having skipped their break

totaljobs 2017



TIME-BACK INCENTIVE

Giving stars time off lifts performance

Incentivising top performers with time off rather than just cash bonuses is not widespread, but some believe it could boost profitability

JOEL CLARK

Picture the scene. An employee of a company – let's call him Jim – has had a great week at work, exceeding all his targets and bringing in new business for his team. On Friday morning, his boss taps him on the shoulder, thanks him for his hard work and gives him the rest of the day off.

Sceptics might criticise Jim's boss for capping his time in the office when he might have gone even further for the business, but Jim is being rewarded with time back. This could be a valuable incentive for sales teams to go the extra mile if they know they might get some time to themselves at the end of the week. Proponents say it can bring unprecedented gains in productivity.

Such schemes are not yet widespread in the workplace, but some companies are experimenting with offering time back as a reward for hitting targets. It doesn't necessarily replace conventional bonus or commission packages, but it offers a new way to incentivise staff, in line with the broader trend towards flexible working.

"After we started rewarding salespeople with time back as part of a restructure of compensation, we saw productivity increase by 350 per cent from one month to the next. It changes the mindset and motivates the team to push themselves harder every day," says Dave Stapleton, sales director at Ambie, a London-based software company providing music solutions to the retail, leisure and hospitality sectors.

Mr Stapleton rolled the scheme out after joining Ambie earlier this year, having been intrigued by the story of Stephan Aarstol, an American entrepreneur who reduced the standard workday for employees of his paddle boarding company to just five hours and saw a massive boost in productivity.

Mr Aarstol's book, *The Five-Hour Workday: Live Differently, Unlock Productivity and Find Happiness*, inspired Mr Stapleton, who had previously worked as a trader in the financial services industry, to try using time rather than money to boost the productivity of his sales team.

Ambie founder and chief executive Gideon Chain has been impressed with the concept, and believes it should help to attract and retain a higher quality of sales staff. Founded in 2015, Ambie employs 19 staff, and counts fashion brand Karen Millen and restaurant chain Nobu among its clients.

"It's really important to us as a business that staff are given the time to develop their own outside interests, whether that's family, hobbies or sports. If staff have better lives outside work, it follows they will be more productive in work," says Mr Chain.

While some larger companies with much bigger teams than Ambie have embraced flexible working, not many have embedded it into compensation packages in this way. To some extent this may be due to an ingrained management mindset that shies away from formalising time out of the office beyond standard holidays. There is often still a natural tendency to focus on the physical presence of staff in the office rather than on their productivity.

"We need to get managers into the mindset that being flexible is key to maintaining and engaging staff. There is no cost to flexibility; it just needs to be managed properly and can have a direct impact on increasing profitability, rather than reducing revenue as is sometimes assumed," says Dean Hunter, founder of human resources consultancy Hunter Adams.

It is a big transition, however. Many large companies have historically only had to manage a single model of working. Introducing flexible working and time-back incentives requires a cultural shift. But if the anecdotal evidence of Ambie and Mr Aarstol is to be believed, there could be significant productivity gains to be made.

"The shift to flexible working is still in its infancy, yet early data and anecdotal evidence suggests that when flex is adopted properly, it empowers professionals and performance rockets. It works best when the onus is on the employees as much as the business and they understand that it's a reciprocal relationship in which both sides give back," says Romanie Thomas, founder and chief executive of Juggle Jobs, a new company that helps professionals find flexible positions.

Rewarding top performers with a little time to themselves may be a novel concept that has the potential to boost morale and productivity, but some are still wary of a scheme that could reduce the contribution of those with the greatest potential.

> "If staff have better lives outside work, it follows they will be more productive in work

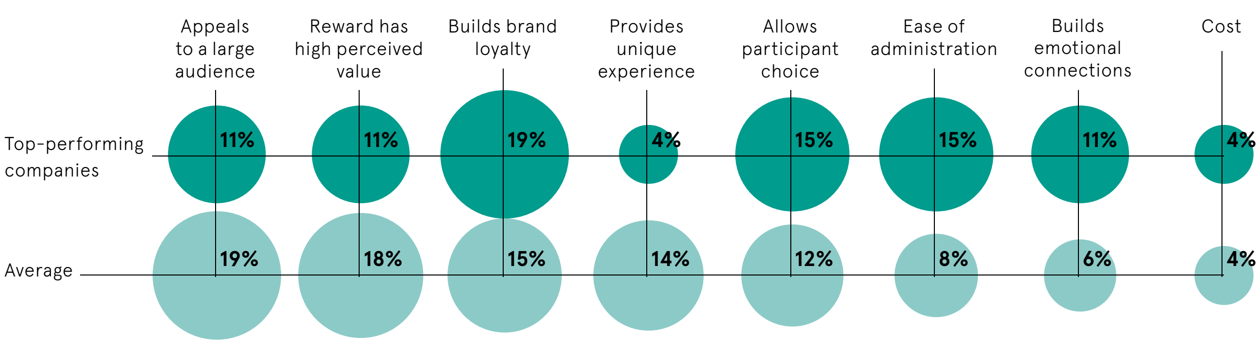
"Most companies will reward staff for hours worked rather than the productivity of those hours, which doesn't really drive results, so this is an innovative idea that could attract better salespeople. My reservation is that I wouldn't necessarily want to curtail the performance of my best salesperson – it would be like taking the best player off the court after he or she scored the most points for the team," says Mike Michalowicz, American entrepreneur and author of *Profit First*.

It's a valid concern, but not one that has prevented Ambie from taking the plunge. Mr Chain believes good salespeople will never miss a business opportunity, even if it means working extra hours at times. He would like to see the scheme extended beyond sales to the rest of the business, though the key performance indicators would naturally need to be tweaked depending on the function.

"Ultimately schemes like this only work if you hire the right people – we know giving time back wouldn't remove our top performers, but rather reward their efforts," he concludes.◆

Most important factors when selecting non-cash rewards for sales incentives

Percentage of US businesses using non-cash sales incentives

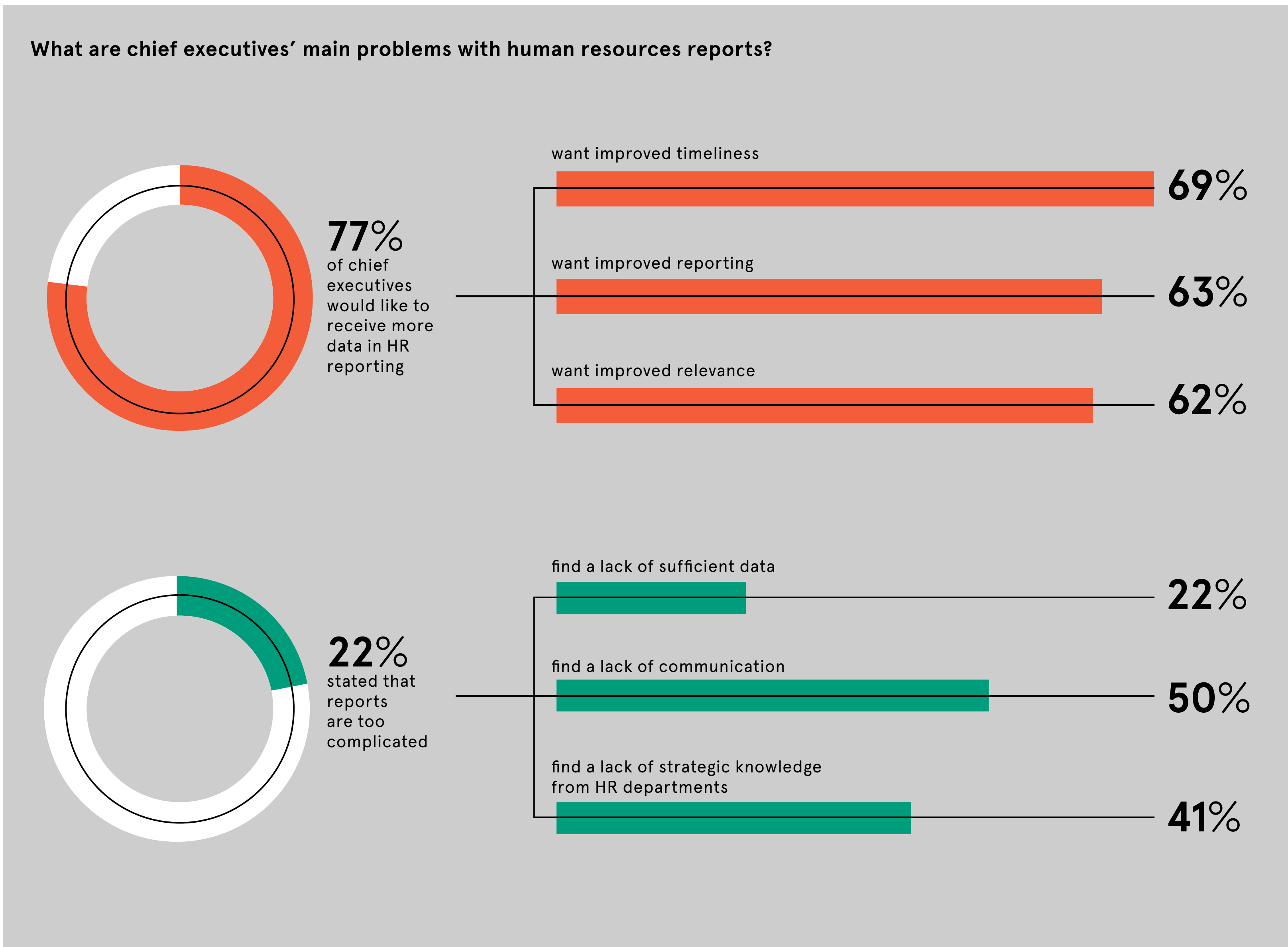


Incentive Research Foundation 2017

Commercial feature

How predictive analytics can help make happier employees and bosses

Predictive analysis is turning employee engagement into a "science"



Sir Richard Branson famously says you should put your staff first and your customers second. The reason being that by doing so your motivated and happy employees will look after customers better and your bottom line will see the results.

The problem for businesses is that employees leave. Sometimes this is for reasons that their employer has no control over; a partner taking a new job in a different location or the arrival of a family, for example. Often, however, there are signs that everything is not well; the challenge for companies is to be able to spot this and to do so in time to make the necessary changes. The science of predictive analytics looks set to help us do just that.

Richard Shinton, product manager for business intelligence and reporting at NGA Human Resources, a leader in helping organisations align their people strategy to their business strategy, sees analytics as a timely and necessary development.

"Traditionally, the human resources function has been very transaction and list-based; things like data checking and making sure you are paying people the right amount," says Mr Shinton. However, forward-looking HR departments want deeper, predictive analysis that enables them to become more strategic.

NGA HR has adopted the use of market leading predictive tools with an array of proven algorithms to make predictions, which are shared with users of the company's flagship ResourceLink platform.

Flight risk is proving to be an area that many HR directors are interested in learning about. "You provide the tool with a list of employees who have already left the organisation. This will include information such as how old they are, when they last had a pay rise, who they worked with, who is their line manager, for example. The tool can then look at those people and spot patterns where these people have common indicators," says Mr Shinton.

"We are not only able to tell our clients that they have these people who are potentially going to leave, but provides them with the information to give line managers on what could be causing that. It helps employers pre-emptively deal with those problems before employees leave the organisation.

"It enables organisations to show a willingness to look after their staff. You also introduce a stability that may not have been there before and that will have a knock-on effect.

HR directors are also interested in using technology to track other areas such as absenteeism and overtime, and ResourceLink provides reporting in these areas among the 200 standard reports that are available.

"Overtime is often a mask for other problems in an organisation," says Mr Shinton. "Employees may be interested in the extra cash, but it may be that they do not have enough time in the day to complete their jobs."

Better analytics also helps when drilling deeper into staff turnover rates. An average turnover rate may look acceptable when benchmarked against other companies in your peer group, but it may mask outliers.

ResourceLink is not just for the C-suite and board either. "Those very same tools can be made available to line managers who could be managing a team of three or three hundred and three. It devolves some of the responsibility down to the local level and helps them spot some of these outliers," says Mr Shinton.

The move towards proper employee engagement is a strong signal that organisations understand that employees are the most valuable resource an organisation has.

> "Forward-looking HR departments want deeper, predictive analysis that enables them to become more strategic

Mr Shinton says: "Companies began to realise that people were their most important asset, and smart organisations absolutely value what their employees bring and will do anything they can to protect them."

To enable this level of employee engagement, the demand for data is only going to grow, but it is not just any data that company leaders are looking for.

A recent survey for NGA HR asked 100 chief executives and 250 HR professionals in the UK and Ireland about their views on human resources data.

Some 77 per cent of chief executives said they would like to receive more data, with just under two thirds saying they would like more accurate and relevant reporting. The survey also found that one in five chief executives said they lacked sufficient data on which to base business decisions.

Compounding the problem is that some HR technology lacks the crucial ability to integrate with other business systems, with a third of HR professionals saying creating reports takes more than a day out of every month. More worryingly, one in ten are spending more than a week every month creating reports.

Whether you are C-suite or a line manager, predictive analytics and powerful reporting can have a positive impact on your business, from staff, to customers, and ultimately the bottom line.

For more information please visit ngahr.co.uk/HRanalytics

NGA Human Resources

FRIENDSHIP

Everett Collection Inc /Alamy

Co-stars Gabriel Macht and Patrick Adams from USA Network drama *Suits*

Friends can bring out the best in each other

Having a best friend at work can make you feel happy, and therefore more engaged and productive

MAGDA IBRAHIM

Business magnate Henry Ford may have captured the power of friendship in the workplace when he said: "My best friend is the one who brings out the best in me", but can that special relationship be the key to employee happiness and productivity?

Research seems to point that way with Gallup finding a link between having a best friend at work and the amount of effort employees put in.

Fewer safety incidents, more engaged customers and a boost in profits are among the benefits when employees have a work best friend, according to the performance management consultancy.

It comes down to trust and bonding, says Harvard Business School Professor Teresa Amabile. "People are more creative and productive when they experience more positive inner work life, including more positive emotions, stronger motivation toward the work itself and more positive perceptions of the organisation," says Professor Amabile, who co-authored *The Progress Principle* after analysing 12,000 daily diary reports from 239 professionals working in innovation teams.

"And one of the things that contributes to positive inner work life is a sense of camaraderie with teammates and close co-workers – a sense of bonding and mutual trust."

But fostering that genuine rapport can be a challenge, especially in companies that may not value close work friendships.

"I've had my share of encounters with leaders and managers who frown at chitchat and shared lunch breaks, and view friendship as detrimental to productivity," says Annamarie Mann, employee engagement and wellbeing practice manager at Gallup.

However, that camaraderie can pay dividends as employees with a best friend at work are up to seven times as engaged as those without, according to Gallup.

Off-site retreats and social events can be a catalyst for friendship, but work-focused activities such as a team project launch that allows people to share a personal story, their preferred work styles and what they can bring to the project can be equally beneficial, says Professor Amabile.

It is an approach that has worked for businesses leading the latest *Sunday Times Best Companies to Work For* report, including the top two firms, Chess ICT and MVF Global.

At telecoms reseller Chess ICT, which has grown to 505 staff and a turnover of £110 million since launching 25 years ago, friendships are seen as crucial to meeting business objectives.

"Friendships and what we term 'work family' are a massive part of what we are trying to achieve," says Chess head of culture Kate Wood. "People who are happier are more engaged and will give a better service to customers."

Teams have a daily 'huddle', with remote workers joining by Skype, while social activities such as yoga and wellbeing classes, pub clubs and company-funded ideas lunches are a chance to forge friendships, along with its annual Chesstival event, and social collaboration tools like Yammer, Microsoft Teams and its own Engage app.

"Having close relationships in which people care and trust each other enables them to work better and have that sense of team, which leads to getting things done in a more productive way," says Ms Wood.

Marketing business MVF Global's chief people officer Andrea Pattico explains: "Our business is fast paced and dynamic, which involves collaboration and communication. We find fostering a social workplace is critical to being able to achieve our goals."

> "Happy teams are productive teams and social interaction is a huge part of this

15%
of employees worldwide are engaged at work

1/5
employees say they have a best friend at work

x2
more likely for employees to be engaged if they have a best friend at work

Gallup

The firm was founded by five friends in 2009, and has grown to more than 350 employees and now has revenue of £54.3 million.

"We spend the majority of our time at work, so why not be in the company of people you'd be happy to call a friend?" says Ms Pattico. "Happy teams are productive teams and social interaction is a huge part of this."

However, fostering valuable friendships isn't as simple as setting up fun activities. If not part of a wider engagement strategy and strong company culture that values employees, provides development opportunities and challenging work enabling everyone to perform to their best, friendships can become a chance for negative discussion, gripe sessions or even harmful cliques.

"Professional boundaries are still necessary," says Ms Pattico. "We've probably all seen instances where there is a downside, for example someone promoted above their peers who might struggle to gain respect as a leader or employees who feel that their manager favours someone over another."

Meanwhile, researchers from Rutgers University in New Jersey highlight the "mixed blessing" of friendships that can sometimes lead to emotional exhaustion, despite enhancing job performance.

Chartered Institute of Personnel and Development employee relations adviser Rachel Suff adds that issues can arise if personal conflict develops in a friendship and has an adverse impact on wider working relationships.

"Social interaction at work is good for our wellbeing, but managers need to set clear expectations of behaviour in the workplace," she says. ◆

OPINION COLUMN

'Chief executives are looking after workers' wellbeing because it ensures their businesses are a valuable, sustainable asset'

When the leader of the world's largest asset manager causes a stir, business leaders sit up and take notice.

In early-2018 Larry Fink, founder, chairman and chief executive of BlackRock, wrote a game-changer letter. His *Annual Letter to CEOs: A Sense of Purpose* calls on corporate leaders to re-examine their business's sense of purpose in order to be sustainable in the long term.

I was delighted to read it. The current business emphasis on short-term profits and quick returns have driven us to a world where a tiny minority have reaped rich rewards, while the majority face low wage growth, inadequate retirement systems and job insecurity.

Mr Fink lays it out clearly: not looking after society, the environment and employees is bad news for asset managers looking for long-term, sustainable growth investments to match the requirements of owners of the capital invested, primarily pension funds wanting decades of stable growth.

I was constantly drawn to his references on the treatment of employees. "Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the licence to operate from key stakeholders. It will succumb to short-term pressures to distribute earnings and, in the process, sacrifice investments in employee development, innovation and capital expenditure that are necessary for long-term growth," he says.

Of course, Mr Fink is not the first, or only, person to say this. Many across the asset management world are starting to raise the alarm that the current system of investing is not sustainable.

Organisations such as the Coalition of Inclusive Capitalism and the United Nation's principles for responsible investment are also pushing for responsible and sustainable investing that takes into account how companies treat societies, the environment and workers. Attending meetings at both organisations over the past year, I can see pressure gathering to get "the money" – trillions of dollars under management – to change behaviours at a corporate level.

While this money could talk loudly, there is common business sense to ensuring your service or product is sustainable, way past your next quarterly or annual reporting season. Inevitably, your product or service is dependent on workers; the value of a typical 2018 corporation is now largely tied up in its brand and its employees. A minority still own enough physical assets for these to be their core value.

As businesses continue to go digital and traditional businesses transform or risk vanishing in an online world, the mental, and therefore physical, impact on the leaders and workers within those organisations is huge. Where management has been able to draw breath and put in programmes to help staff develop the necessary new skills, and aligned these programmes with change and resilience coaching, we have seen success stories. These companies have been able to transition, keep talent while largely maintaining good brand values.

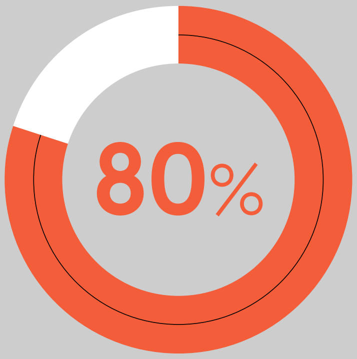
Earlier this year I interviewed chief executives of organisations – Anglian Water, Aviva, Cisco, Swiss Re and Virgin Holidays – which understand the importance of employee wellbeing to the value of the business. At the time of the interviews Mr Fink's letter had not been published, yet each of these CEOs echoed the business imperative of looking after the wellbeing of staff.

Published in *Employee Wellbeing Research 2018*, these interviews describe the practical ways in which each business cares for its workers, including flexible working, resilience coaching, non-screen time, fitness programmes, health clinics and financial health education.

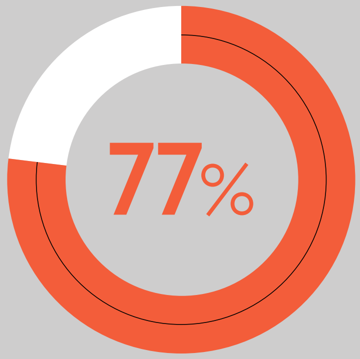
These chief executives are not paying for these benefits and engagement tools to be nice, they are looking after the mental, physical and financial wellbeing of workers because it ensures their businesses are a valuable, sustainable asset to investors.

Debi O'Donovan
Director, Reward & Employee Benefits Association

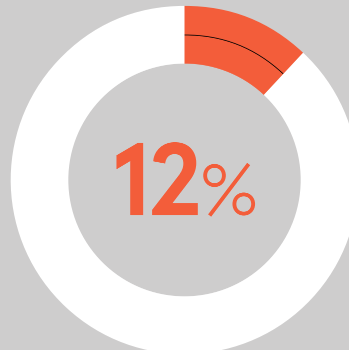
Commercial feature



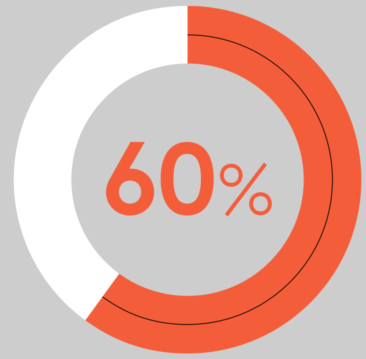
of employees are typically led by frontline managers



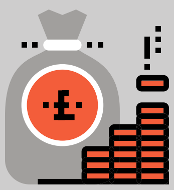
of business leaders agree that having good frontline management is essential for them to achieve their organisation's goals



of these business leaders believe they are already backing this up with the support needed to do a good job



of new frontline managers underperform during their first two years in the role


£39bn

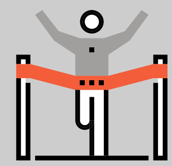
annual cost to businesses from failing to invest in the people skills of frontline managers


$1

spent on frontline management for every $10 spent on senior leaders


2x

more likely for highly engaged staff to be top performers


147%

outperformance by companies with highly engaged workforces

Putting power on the frontline

Organisations should empower frontline managers who can engage staff and drive business growth

If there was a group of people in your company who you knew were mission critical, had the biggest impact on employee engagement, were an important driver of performance and integral to your overall success, would you make them a priority? Would you invest in their development and take steps to ensure they felt valued and empowered to make a difference in your business?

In large multi-site organisations, frontline managers typically lead more than 80 per cent of employees and the majority of people interacting with paying customers. In some places this number is far higher and frontline leaders regularly make up over half a company's management population. Frontline manager performance and engagement is therefore pivotal to your success.

Tim Robson
Managing director, NSU Media

Frontline managers should be the real stars in organisations. They're the day-to-day leaders, tasked with being the conduits between the C-suite and the employees who bring company values to life with customers every day. A recent *Harvard Business Review* poll found that 77 per cent of business leaders agreed that having good frontline management was essential for them achieving their organisational goals.

But this same research also revealed a more startling truth that despite claiming to understand their value, only 12 per cent believed they were backing this up with the support needed to do a good job. This gap is simply too important to ignore.

Frontline managers are too rarely given sufficient tools and support to lead, engage and inspire their people. Most organisations know the benefit of good frontline management and their impact on the performance of their staff, it's just that somehow they're too far from the action to know what their managers' needs are and the worlds in which they're being expected to manage.

Rather than provide ongoing engagement and support, many firms "hit and hope" by providing only basic training to ensure operational delivery, and leaving critical factors such as effective leadership, performance management and communication to chance. Unsurprisingly, a survey by the University of the West of England, Bristol found that 60 per cent of new frontline managers underperformed during their first two years in the role.

Why take this risk? They might be frontline managers in name, but without the right support, they'll be hardly managing at all. A lack of effective engagement can have a hugely damaging impact on managers' own sense of wellbeing and conspires against UK productivity rates, retention and their people's willingness to go the extra mile. It costs businesses dear, to the tune of £39 billion each year, according to Investors in People.

Support the people who spend the most time with staff

For us, it stands to reason that if businesses want to boost the engagement of their workforce as a whole, they need to take a step back, and spend time re-engaging and developing the managers who lead their customer-facing people.

> “Frontline managers are too rarely given sufficient tools and support to lead, engage and inspire their people

Too often, development budgets still head north, aimed at those at the very top. It's a throwback to a still-dominant belief that leadership flows from the top, even though few chief executives are able to engage directly with their frontline staff every day. We say challenge this, dismiss it, and focus instead on supporting frontline teams to bring a brand's values to life in its marketplace and deliver the C-suite's commercial goals through the way they serve their customers.

Great frontline managers "connect" with their people, so what managers really need is bolstering. They need to feel re-energised and reconnected with the organisation again. At the moment far too many organisations rely on line-manager goodwill. But it runs out. Far more sustainable is when managers are tooled with confidence, when they feel valued, in control, and have a deep belief in themselves and their ability to make a difference.

Frontline managers need to find their passion again, their vigour, their verve, because when they do the results can be remarkable. Engaged frontline managers are not only more fun to work with, but they inspire loyalty and their own performance rubs off on those they support.

Research shows getting to know staff on a personal level can help boost employee engagement by as much as 11 per cent. Organisations with highly engaged staff report that these people are twice as likely to be top performers and miss 20 per cent fewer days' work. Numerous studies, especially those by Gallup, reveal the strong link between employee engagement and productivity. Companies with highly engaged workforces outperform their peers by 147 per cent.

With statistics like these, it's seems crazy that many training budgets still focus on executive development rather than the managers leading the most people. Data shows that for every $10 spent on senior leaders, just $1 is spent on frontline management.

In most places, this approach isn't working and to us it really is simple. If your brand really matters to you and you want your employees to be highly engaged brand ambassadors, then the people that matter most are your frontline leaders. Organisations deserve and need something better. They need empowered frontline managers who can create a genuine sense of engagement from their staff that can be felt every day.

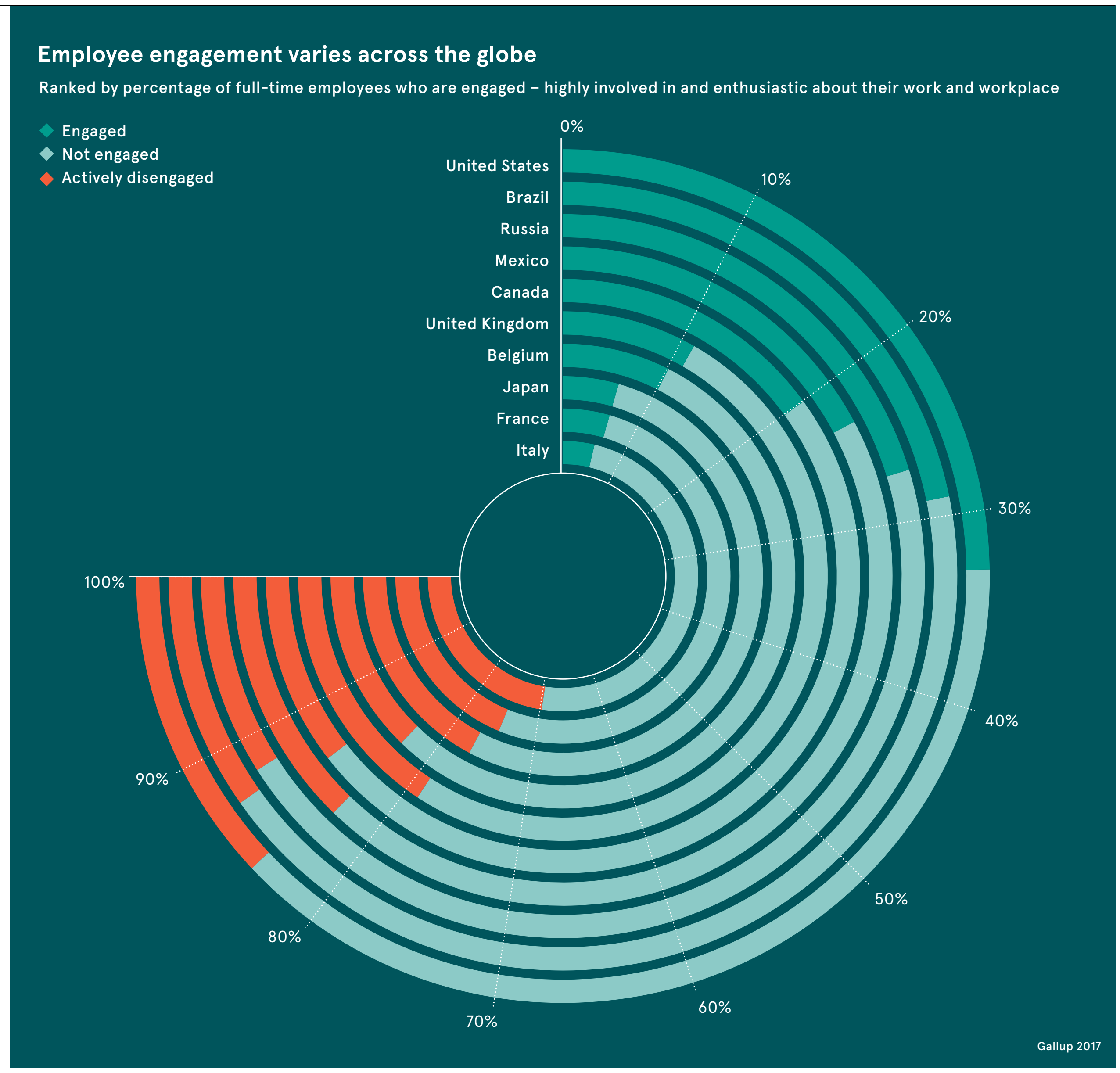
Frontline managers matter. Engage these overworked and often underappreciated people first, and they'll repay you by engaging the rest of your organisation effortlessly and almost by default. And in doing so, your frontline leaders will unlock their own potential, the potential of others and ultimately the potential of your business.

It really shouldn't be such a difficult thing to do, should it?

For more information please visit nsu.media

nsu.

GLOBAL WORKFORCE



Exporting culture with business

Bringing together a global workforce to gel with company culture will result in greater employee engagement and staff retention

PETER CRUSH

It's often said growth is not the primary worry of small businesses, rather it's all the trappings that come with it – larger offices, extra bureaucracy and, perhaps most importantly, the need to grow headcount. But while boosting staff numbers is its own engagement headache, some argue it pails into insignificance when growth becomes an international affair.

"Opening abroad and installing either British or local talent undoubtedly adds an additional layer to engagement," says Chris Dyer author of *The Power of Company Culture*. "Suddenly, small and medium-sized enterprise (SME) chief executives face new questions like 'do we bend to local traits?' Typically, as people spread out, the more macro, rather than micro, goals matter, but regional offices threaten this."

Particular problems, argues Dr Nishat Babu, lecturer in organisational psychology at Aston Business School, include employees working in intercultural teams. She says: "Not only can this cause trust issues, but language issues prevent socialisation and integration."

A criticism leveled at SME bosses, however, is the fact they assume their culture is so obvious it doesn't need extolling and that it will easily transfer. But as Stefan Wissenbach, founder of engagement platform Engagement Multiplier, warns: "It's even more critical SMEs establish what their purpose is and earlier than they think is necessary." Mr Dyer adds: "SMEs expanding abroad tend to ignore this. If they wait until they're there, it's too late."

But even if SMEs have a clearly defined culture, for many chief executives the bigger question appears to be whether they allow a local, parallel culture, in the hope it slots into the overarching one, or whether they duplicate their existing set-up and simply plant it somewhere else.

For answering services firm Moneypenny, belief in the former proved to be the wrong decision but, perhaps surprisingly, adopting the latter solution is a tactic supported by others.

"We've had to work very hard to eliminate local cultures," says Alex Pusco, founder of ActivTrades, Europe's largest independent trading services broker. His preference for his 200 staff spread between London, Milan, Sofia and Dubai is to completely imbue all joiners in the London HQ culture first.

He says: "We onboard everyone there for a minimum of two weeks, but ideally a month, otherwise they'd be completely blind about the company." After this, staff are expected to travel regularly between offices, "even if they're not particularly needed, to reinforce the London culture abroad".

> **People must be brought together with communications and a shared set of values that override local variances**

Claire Jones, associate director of employee engagement at PR firm Weber Shandwick, calls this "establishing where your North Star is". Ms Jones, who advises clients on maintaining engagement levels across borders, says: "Line management in satellite offices becomes critical. What's important is creating a feeling that everyone is connected to where the business is going. People must be brought together with communications and a shared set of values that override local variances."

For some, this can be achieved by technology. Engagement platforms purporting to keep staff connected include Rungway, Loop and Sideways 6, an ideas management platform designed to increase collaboration.

However, for others, demonstrating a set of company values by physically bringing people together is always the preferred option. And few do it better than Greg Secker, founder of Learn to Trade, which has 300 staff worldwide.

Mr Secker decided to ingrain his own desire to give to charity into the company structure. Its mantra is that all global offices pay around 10 per cent of their profits to the Greg Secker Foundation. This is used to support numerous projects, including building 100 homes in Iloilo, Philippines, which nearly all staff have helped build with their own hands.

"Nothing beats having a business so clearly predicated on people working to a shared goal," he says. "It's been tough in our sector, with increased regulation, and I just don't think we'd have pulled through without the strong bonds staff have. When you've sweated together in 40-degree heat, you have a different level of engagement."

Mr Secker says he knows he's created an engagement fulcrum, with 34 per cent of staff saying the foundation influenced their decision to work or stay with the company. And while he admits charity might not be every SME's cup of tea, simply having something that galvanises globally is worth it. "Every SME has to have something staff can gel around," he says. "Get this right though and creating engagement across different global offices becomes significantly easier." ◆

Case study

Moneypenny

In 2016, when answering services firm Moneypenny opened its first office in America, co-founder Ed Reeves assumed its well-regarded have-fun-but-work-hard UK culture, creating high levels of staff engagement, would easily transfer to the United States.

"We couldn't have been more wrong," he admits. "We didn't get it right; the US team interpreted having fun with not turning up and we quickly had a workforce that was unproductive. At the root of the problem was the fact we didn't have confidence to say we need to completely duplicate what we have here in the UK."

So keen was he to bed this in that Mr Reeves contacted Facebook to ask if Moneypenny could be one of the first beta testers of its collaboration product Workplace. It was a good move. Since being rolled out, the platform has 98 per cent engagement rates and 30 per cent of users access it outside official work hours.

While being a painful learning curve, Mr Reeves admits the experience has been worth it. "We depend on our culture, so it makes sense to have exactly the same thing abroad. What we have in America is all the best bits of us, which to local talent is seen to be quite quirky, while we also do things like celebrate the 4th of July, both in the UK and America. It's win-win."