Engaging for Results

How many of your organization’s employees would honestly describe their work environment in the following ways?

• “The people here are enthusiastic and positive.”

• “We’re given a lot of independence and are well rewarded for individual and team accomplishments.”

• “We collaborate well and have a strong, shared sense of purpose.”

If you suspect that the number might be small, you are not alone. Research done by The Boston Consulting Group suggests that many financial institutions have very low levels of staff satisfaction and that few employees would enthusiastically recommend their own organization as a good place to work.

Unhappy employees, of course, rarely perform to their full potential. This is a critical issue for financial services companies because many of the ways in which they differentiate themselves—better overall customer service, well-tailored solutions for individual clients, higher productivity—depend on getting the best from their people. Yet organizations rarely have a well-defined framework for optimizing performance.

In our view, the key to engaging employees to give their best effort is to make them feel like business “owners” who are both highly driven and highly satisfied. Achieving this calls for an approach that focuses on two sets of levers: performance disciplines, which drive and direct efforts through financial targets and
accountability, and personal motivators, which energize people by engaging them in the success of their organization.

**Balancing the Equation**

Financial institutions typically concentrate on one set of levers, usually taking the discipline-based, or “hard,” approach. (See Exhibit 1.) Under this model, an organization seeking to improve staff performance often starts by setting new, companywide financial objectives. Accountabilities are usually redefined and fresh sales targets developed for different products. New collaborative processes are sometimes put in place. Performance against accountabilities is then measured rigorously and reported, and incentives are

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**Exhibit 1. Many Companies Focus on Performance Disciplines...**

- Collective commitment to company objectives
- Sharp individual accountabilities
- Rigorous performance management
- Platforms for collaboration
- Capable work force

*Source: BCG case work and analysis.*
awarded to salespeople who achieve their targets. Employees who are unable to meet the goals to which they have committed miss out on the incentives and, at worst, are asked to leave the institution.

Other organizations, however, tend to emphasize the personal-motivation, or “soft,” approach. (See Exhibit 2.) Under this model, the institution seeking to get more out of its employees focuses primarily on emotional levers. These entail developing a collective sense of purpose and implementing specific measures to ensure that it is embraced by employees. Staff members are often given more autonomy—to empower them and stimulate entrepreneurial behavior—and significant emphasis is placed on developing a work environment of openness, trust, and mutual encouragement. Special attention is given to public recogni-

Exhibit 2. ...While Others Emphasize Personal Motivators

SOURCE: BCG case work and analysis.
tion and rewards, as well as to personal and professional development paths.

Both the hard and soft approaches are valid ways of achieving positive change. Yet our work with financial institutions clearly shows that each, separately, will go only so far even when well executed—which is often not the case. Truly engaging your staff requires a concerted effort to focus on both sets of levers simultaneously. (See Exhibit 3.)

This approach, which is captured by the equation Engagement = Disciplines + Motivators, has proved very useful in designing initiatives to enhance both employee satisfaction and financial results. Moreover, it is equally applicable to large organizational transformations and to smaller-scale projects that address highly specific weaknesses.

![Exhibit 3. Engagement = Disciplines + Motivators](source: BCG case work and analysis.)
Taking Action

We know a large retail bank that was trying to improve its poor penetration of managed investment and insurance products. The staff of the division handling those products had no collective sense of purpose and little room for independent action. What’s more, their incentives were capped at a low level.

To address the problem, the bank rolled out several initiatives based on both disciplines and motivators. First, it adopted a rallying cry for the division: “Become number one in our own market.” Attached to this goal were specific volume and margin targets set out over a number of years. Then the bank enacted a new organizational model based on developing small, cross-functional teams that acted like franchises or independent businesses. A companywide policy of “freedom with collective responsibility” was adopted, and ceilings on incentive bonuses were removed. New emphasis was placed on peer recognition to encourage collaboration—especially within the sales teams—and the institution began focusing on coaching its employees and developing their career paths. All of these initiatives were underscored with the clear message that poor performance would not be tolerated.

The positive results of enacting these measures were striking. Before long, customers were saying that service and performance had markedly improved, and employees were reporting much greater fulfillment in their jobs. Equally important, the division’s net profit more than tripled within two years. This clearly demonstrated the value of addressing both dimensions—disciplines and motivators—simultaneously.

Of course, engaging your staff can be achieved from different angles within the same overall framework.
Take the case of a medium-sized insurance company whose performance had long been deteriorating. The institution lacked clear aspirations or objectives, and this condition was mirrored by the attitude of its employees. Much like the grade inflation that occurs in some universities, internally determined staff ratings were artificially high. Even acknowledged poor performers were tolerated. Moreover, the lines of communication between departments and staff levels had become almost totally dysfunctional. The entire business was at risk.

To respond to the problem, the insurer redefined accountabilities to focus on leadership and delivering results. A stringent performance-management process that included tough but attainable metrics was implemented, and collaboration was jump-started through programs in which performance feedback was given and received by all levels of staff. Rigorous grading systems were introduced and poor performers were let go. The insurer’s human resources function and processes were redesigned.

In addition, all employees were coached to use their own judgment and were assured that they (not just top management) would share in the fruits of success if the company managed to turn itself around. A crucial motivational factor was the renewed collaboration, which led to an “all-in-this-together” feeling and a collective sense of purpose to put things right.

These initiatives helped strengthen both executive leadership and staff commitment. Within three years, the proportion of employees reporting overall job satisfaction increased more than twofold to nearly 75 percent. Profits doubled, providing further evidence of the power of addressing both sets of performance levers at the same time.
In our discussions with banks and insurers about how to optimize staff performance, successful examples from outside the financial services arena have provided useful parallels. One organization that we frequently mention is Flight Centre, an Australian-owned independent travel group with operations in seven countries. Flight Centre has consistently outperformed competitors both pre- and post-9/11 and has been rated the top place to work in a number of countries around the world. Flight Centre’s model includes two underlying tenets that embrace the “disciplines-plus-motivators” framework.

The first tenet is that everything can and must be measured. All decisions are based on quantitative outcomes, and these results are openly shared and discussed throughout the organization. Profitability—both for the individual and for the company—is seen as the sole determinant of success, and the institution believes that “what gets adequately rewarded gets done.”

Flight Centre’s second tenet revolves around the concept of “anthropology in a business setting.” Based on the theory that people inherently desire to live and work in families, the company’s employees are organized into small “teams,” larger “villages,” and still larger “tribes.” This structure has fostered loyalty and communication and led to common values, high performance aspirations, and a self-fulfilling belief in a bright future. Moreover, Flight Centre’s financial results clearly show that this approach has helped it beat the competition—soundly.

**Getting Engaged**

The playing field for competitive advantage in financial services is leveling out. Most institutions have
access to top technology, for example, and products are easily replicated. What increasingly sets organizations apart is the commitment and performance of their employees.

In BCG’s view, the first step toward getting the most from your people is to recognize explicitly the need to address both of the principal drivers of performance—disciplines and motivators. We also urge you to consider the following specific initiatives:

• *Explore ways to develop a shared sense of purpose within your organization.* Employees need to be aligned with the objectives of change. In today’s world, they are hungry for hope and a mission. Financial targets alone rarely motivate everyone.

• *Focus on improving performance-management systems.* New initiatives need to reflect the desired change and must be accurately measured. Rewards should be closely aligned with goals.

• *Identify areas where collaboration is required and create supporting mechanisms.* Breaking down silo-based behaviors is often a requirement for change. Institutions need to target areas where collaboration really adds value. They must also put in place supporting processes, teams, and systems.

• *Articulate and demonstrate the organization’s commitment to delivering attractive opportunities for staff development.* Define career paths and provide relevant and effective training. In particular, increase management’s emphasis on leadership and coaching, as these are key catalysts for change and critical to the personal growth of the staff.

If employees think of themselves as valued contributors with many merit-based career opportunities, then
they are much more likely to behave as business “owners” with a personal stake in helping their organization to succeed.

Now might be a good time to say to them, “Let’s get engaged.”

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