

Employees need to understand that:



“Panic is Not an Investment Strategy”

By Bob Klefsaas & Marv Gorski

Employee Engagement During These Tough Economic Times is Crucial

If you have read any article on organizational productivity or employee performance over the last seven years, chances are good that you came across the concept of employee engagement. Employee engagement is the first proven method to translate the thoughts and perceptions of staff into a measureable index, or leading indicator that can predict employee productivity, customer satisfaction, retention of top performers, and more. During difficult macro economic times, achieving and maintaining employee engagement presents significant challenges that your business cannot afford to put off until “times are better.”



It is important to understand some facts about the current economic challenge:

- There have been 14 market panics over the last 150 years.
- Even though the market dropped more than 75% from the top in 1929 to the bottom in May of 1932, over the next five years the market rose 367%!!!!
- Most market downturns last 15 months – average loss 36%.
- Most market bottoms go sideways for 5 to 10 months.
- The average market expands for an approximate of 68 months and grows by an average 176%.

Employees need answers about their 401K assets now!

Employee engagement has traditionally been the domain of HR, Training, or organization development. However, as employees are forced to deal with the worst recession since the depression, taking a proactive approach to educating your employees on how to take advantage of this “Panic” will go a long way to keeping your employees engaged. This is where an outside independent Registered Investment Advisor can play a significant role in keeping your employees engaged. This brief article presents a simple outline for employee engagement and suggests how you can partner with an expert to assure yourself that as Benefits Specialists you can effectively help stabilize and, in fact, increase employee engagement regarding their retirement concerns.

What do You Need to Know About Engagement?

Understanding what to do begins with understanding a little more about engagement. Although it is beyond the scope of this paper to present all facets of employee engagement, there are a few things about employee engagement that you need to know:

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1. **What is employee engagement?** Employee engagement is an employee's level of emotional attachment, positive, neutral, or negative, to her/his organization and its goals, manager, position, and co-workers/peers. It is the degree of advocacy, pride, and loyalty felt by and displayed through the employee's behaviors.

2. **Why should I care?** To an organization, the value of engagement lies as a predictor of future behavior and discretionary effort. When correctly measured, engagement provides a statistical method to maximize the return on human capital. Increasing employee engagement enables leaders to increase economic contribution and improve business performance while enhancing quality of work life! In a world of hyper-changing markets and hard-to-measure intellectual work, employee engagement is an essential managerial tool and the direct responsibility of leadership. The organization that masters employee engagement has a fundamental and sustainable competitive advantage over its competitors that do not.

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3. **What is the Business Case for Employee Engagement?** Highly engaged employees perform at higher levels, deal with problems better, respond to change better, and are more cognitively flexible than lower engaged employees. Most significantly, for service and client facing organizations, higher engaged employees are better at creating and maintaining strong customer relationships. Bottom line, higher engagement typically means greater business results. Specific studies have shown that high levels of engagement result in:

- Higher than average individual productivity, applied learning, and innovation
- Greater loyalty (remain with the company longer than less-engaged employees)
- More energetic and enthusiastic employees, which makes them more productive in group efforts and makes them a pleasure to work with
- Greater ownership in solving organization and customer problems
- Higher quality discretionary effort with longer duration and of a more positive intensity than other less-than-fully-engaged employees
- Employee economic contributions to the business that consistently exceed their employment costs

Putting your head in the sand is not the best option at this point. Becoming more knowledgeable and proactive will give the employee a sense of trust and paternalistic assurance they are being taken care of.

4. **How is Employee Engagement Measured?** As a management tool, engagement measures an individual's degree of advocacy, loyalty, commitment, pride, and more, to the organization and its goals. Valid engagement measurement is calculated from employee responses collected through survey questions. Although different survey firms have different engagement models and use different questions, in general, between 4 and 12 survey items provide the results needed to calculate an engagement level or result. Engagement results can be sliced and diced in different ways to determine an organizational level, a strategic business unit level, a unit level, and other levels including results for different demographics. Results can also be compared externally depending on the firms "normative" database. Industry results, regional results, country results, and other subgroups can further enhance the value for comparison and action planning.



It will be easy to measure the effect on your 401K participants. Are they indeed putting more money into the market? Are they truly buying low? Are they sleeping better at night?

What Drives Employee Engagement?

Engagement is based on an understanding of the psychological components of motivation and work performance. Increasing engagement begins with affecting one or more of the things that causes engagement. In its most simple design, engagement is a combination of the:

1. **Employee's Sense of SAFETY and SECURITY** – We all have a strong need to feel physically and emotionally safe and secure in our environment both in the moment and into the future. This need extends to our family, our friends, our community, etc. It is the driving survival instinct present in all people. We often use the word “trust” to describe the condition of being safe and secure with others.
2. **Employee's Sense of BELONGING** – Humans are naturally social (tribal) and have a strong need to be identified or associated with a group that we find desirable or reinforces something important to us. We identify with groups as wide ranging as business organizations, religious groups, social organizations, racial groups, cultural groups and more as a means to “ground” ourselves into a set of values, actions, thoughts and behaviors that we find appealing or desirable.
3. **Employee's Sense of SIGNIFICANCE** – We all have a deep need to feel important, good, smart, unique, special, or different in a way that separates us from others. This is what makes us feel that our life and contributions have purpose and meaning and that we have or will make a difference in some way in this world.

All concepts once considered too “touchy-feely” emerge as a necessary management tool. By modifying one's management approach at the local level and changing the structures and systems at the organizational level, engagement can be increased leading to enhanced performance outcomes (with some delay).

How Does the External Environment Affect Engagement?

In the case of widespread economic challenges, most everyone who is employed is happy to have a job. Some employees who before were moderately engaged, may be so happy for their job that they become highly engaged. However, for most employees, even those who like what they do, are proud of the organization, and go the extra mile to help customers, the current recession will negatively affect their engagement.

There is simply no doubt the current recession affects employee engagement. Past business cycles may have affected only a small number of staff. The current economic downturn has affected nearly everyone's sense of safety and security.

Even if you have a job, your investments have declined; even if your investments are up (which is highly unlikely) the value of your house is down, etc. Even if business at your organization is relatively stable or growing, the affect of daily “doom and gloom” cable pundits and employees who know a friend, family member or neighbor who has lost their job means that your employees are experiencing mental angst and stress that affects their productivity.

What Should Employers Do?

Typically, activities and initiatives aimed at raising employee engagement have been mostly targeted at enhancing an employees' sense of belonging (e.g., team-building, inclusion, etc.) or sense of significance (e.g., communication, rewards and incentives, training, special projects, job rotation, etc). These traditional interventions are still important; however, when your employees are concerned about more fundamental things, these activities do little to temporarily "relieve" anxiety.

Should you guarantee that everyone's job is safe? Absolutely not! Instead, as Benefit Specialist, you can take an active role to stabilize employee's sense of security and safety around financial concerns. You can do this by bringing in an independent, unbiased Registered Investment Advisor to help you focus on a combination of active communication, training, coaching, and advice!

Below are four actions that HR and/or CFO can take to make a difference during this global downturn:

1. Communicate the Positive

When positive financial information that is relevant to employees exists, share it formally, frequently, and fully. This can include corporate financial data, (e.g., revenues, sales, costs of sales, etc.), industry or sector data, (e.g. analysts reports, decrease in material/commodities costs), state or regional data (e.g. decrease in state unemployment), national data, (e.g. inflation rate, consumer confidence) and as appropriate, international data (e.g. increase in GDP in India if you sell in India). If your organization changes plan administrators, communicate the information as a positive. Selecting 12 to 20 relevant economic statistics and communicating positive change at least monthly is helpful.



Can you guess how highly emotional your employees are when they think about their 401K assets dropping perhaps 30 to 50%? You can get a huge amount of loyalty and trust by reducing your employee's fears through education and advice on what to do in this market decline.

2. Communicate Perspective

Regardless of your organization's size and complexity, share the collective thoughts of your senior management team regarding the current downturn. When do you expect sales to change? How about profits/margins? What inflation model do you support? How or will the stimulus package affect your organization? Something as brief as a one page "weekly financial update" sent out each Monday recapping the previous week can highlight the assumptions and perspectives of your senior team. This shows the team is aware of what is happening in the world and has considered this information as part of their planning process. (Note: Some people do not think that is the case).

Individuals will identify with other employees, and the majority of all 401K participants, in knowing they are not alone and it truly is a time to take advantage of the situation – Buying low!

It is truly powerful for the employee to feel smart enough to know how to take advantage of buying bargains. All Star Financial can provide a Weekly Market Update and/or a weekly financial blog on-line at www.allstarfinancial.com.

3. Empower Through Training

Teaching them that if you really want to make money, now is probably the best time in their lifetime to increase your 401K contribution

Few organizations provide financial education or information beyond basic benefits or 401k plan awareness. Now is the time to do more! At a minimum, work with the plan administrator to provide updates of company sponsored benefit plans. Consider providing company sponsored financial training on topics important to employees such as reducing credit card debt, managing a home budget, prioritizing expenses,

making purchasing decisions, understanding investment types, how to invest, etc. This type of training shows employees that the organization is sincerely interested in helping them get through the downturn, while empowering employees around their financial future and reducing anxiety through knowledge and skills. Most importantly, hire All Star to come in and give “advice” to your employees on what to do in this fearful environment.

Empowering your employees with the knowledge that what we are going through economically right now is really nothing new. It is different, but still the same as the depression in many ways. Teaching them why now is probably the best time in their lifetime to increase their 401K contributions. By understanding this concept you will help keep your employees focused on their job, client, or service level and not worrying about the market.

4. Make it Personal

This action is extremely effective at empowering employees, reducing fear, and creating a path forward. On company time, provide a voluntary and confidential personal financial review for all employees interested in the process. Partner with an outside personal financial advisor or firm to provide these reviews and when it is available, use the outside firm’s resources for ongoing phone or internet coaching.

Conclusion

When poor economic times arrive, there is a direct impact on more than just the bottom line. Employees can easily lose trust in leadership and faith in the future of the organization. Leaders that view these times as an opportunity to minimize employee financial anxiety and empower employees with their financial future through knowledge will reap short and long-term benefits. These companies will have greater commitment and effort from employees, in both the good and the bad times.

What Else Can I Do?

For many organizations, the next step is to seek professional assistance. Call Bob (952-896-3820) or Mary (952-322-3330) and:

Option 1: Let’s Talk! We offer a no obligation consultation to review your current activities to stabilize financial concerns and engagement.

Option 2: Let’s Evaluate Them! We can formally review your organization’s current approach to engagement against proven best practices and provide an action plan to revise each.

Option 3: Let’s Deploy Them! We have additional resources that can assist your organization with best practice HR solutions. Whether it is on classification systems, position profiles, recruitment, selection, manager and leadership training, or 401K consulting, our preferred partner network has the capabilities that you need to thrive in today’s HR environment. All Star Financial has a 1-hour presentation that is guaranteed to reduce fear and increase

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productivity! In the last six months All Star has presented this to over 6,000 employees! Call 1-888-809-7901 and ask for Bob.

Get started today ensuring a continued high degree of engagement, productivity, and success during this challenging economic downturn!

About The Authors

All Star Financial:

Founder and President of All Star Financial, Bob Klefsaas began his career in money management in 1983. His first position was at Northwest National Bank, followed by State Bond Mortgage and Trust Company, and then helping build the highly successful partnership of Webb, Markman & Klefsaas, which he left in 1990 to form All Star Financial. In order to offer expanded services to his clients, Bob co-founded BankVista where he serves as Chairman of the Board. He is a graduate of St. Olaf College in Northfield, Minnesota, earning a BA in Economics with a concentration in Finance. Bob is a Certified Financial Planner (CFP®), as well as holding NASD Series 7, 63, 24 (Registered Principal) and Life/Health licenses. Mr. Klefsaas has earned the Accredited Investment Fiduciary TM (or AIF®) professional designation, awarded by the Center for Fiduciary Studies, which is associated with the University of Pittsburgh. He has received formal training in investment fiduciary responsibility. Visit his Web site at www.allstarfinancial.com

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MG Assessments:

Mary Gorski has more than 15 years of corporate human resource management and assessment experience. She has worked with many levels of leadership and understands the needs of a well-run, efficient business. At the same time, she understands the human factor and what motivates people to maximum performance and efficiency.

Employing both her experience and tools from Profiles International, Mary works with business owners to identify their people talent and help them understand how their workers drive results. She begins with diagnosis and then designs a plan for improving workforce effectiveness. As a result of her assistance, businesses profit from a more motivated, engaged and productive workforce. Visit her Web site at www.mgassessments.com

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