

A question of leadership

How can business leaders best engage with their employees in the downturn?



Introduction

In the context of the current economic downturn, business leaders are facing significant challenges.

The hardest hit companies have had to implement survival strategies as falling levels of profitability have made over-leveraged balance sheets unsustainable. Faced with falling demand for their products and services, corporate management teams have had to take tough action to cut costs across their businesses. This has often resulted in job losses, hiring freezes, pay freezes and, in some cases, pay cuts.

Business leaders face another equally significant challenge. With the boom years over and the start of a potentially prolonged period of austerity, corporate management has to decide how best to engage with and motivate their employees in the absence of more conventional financial incentives.

Against this backdrop, FD set out to explore how well UK management teams have adjusted to the new economic environment. We chose to capture the views of Britain's white collar workers – a group that has been badly impacted by the financial crisis and subsequent recession, particularly in the financial and professional services industries.

To gauge the mood of this critically important segment of the UK workforce, FD commissioned the respected polling organisation YouGov to conduct a nationwide survey. 524 respondents were polled between 9 and 14 April 2009, representing a broad cross section of white collar workers in the UK private sector.

We sought their views on important issues such as: the leadership and direction shown by their employers during the downturn; the nature of their concerns in their workplace; the way their employers have sought to address these issues; how well they have been kept informed about events and how engaged they feel about their employers' plans to respond to the new economic challenges.

This report analyses the findings of our research and is required reading for Britain's business leaders as they seek to align their employees with their plans to adapt to the new economic reality.

Contents

01 – Summary – what the findings show

02 – What's the plan? – employees looking for leadership

04 – High anxiety – a worrying time for employees

05 – Risky business – the perils of failing to engage your workforce

06 – The burning issues – addressing employee concerns

08 – Most trusted communication – how best to engage with employees

10 – The medium is the message – how employers are communicating in the downturn

12 – Conclusion – difficult times require different messages

13 – About FD

Summary

what the findings show

- Business leaders could be doing more to realign the way they communicate with their employees about actions to tackle the downturn.
- Most white collar workers think their leaders are not being open enough about how the company is performing and the plan for tackling the economic challenges – many don't readily trust what they are being told.
- Business leaders who fail to address their people's concerns do so at their peril – poor employee engagement could damage performance and customer service, as well as store up problems retaining key talent when the economy – and the job market – improves.
- The overwhelming concerns of white collar workers are for their immediate personal futures – job security, financial and career prospects, and having to work harder/under more stress.
- While it is clearly difficult for employers to offer guarantees on jobs in the current market, they need to reassure employees of their continued value while realigning their expectations of the new economic realities.
- Only a minority of respondents felt that their role in helping their organisations weather the recession was well explained or that they had the opportunity to voice their concerns.
- Face-to-face contact with managers and team meetings are the most trusted forums for communicating about their organisation, confirming the view that people want an honest “tell it to me straight” dialogue with their leaders in tough times.
- “Official” channels of communication often lack credibility, with the grapevine and rumour mill trusted in many cases over the company newsletter or intranet.
- A significant number of respondents claim to have had no communication about the challenges of tackling the recession.
- In the downturn, ensuring credible employee engagement is critical to protecting the reputation of corporate brands and value of the businesses.
- It is not surprising that there is a widespread demand among staff for more accessibility and direct dialogue with bosses.
- Explaining candidly the reality of the situation, demonstrating that there is a credible plan and showing what role people have to play, however modest, must be vital priorities for business leaders.



Poor employee engagement could damage performance and customer service

What's the plan?

employees looking for leadership

We asked our sample of the nation's white collar workers to describe how they feel about their employers at the moment.

During this critical time, are Britain's bosses providing strong leadership and direction? A clear picture of how the company is performing? Reassurance about the issues that matter to staff? Do employees believe what they are being told?

Our findings

Our findings indicate that many employees feel varying levels of scepticism about what they are being told about these issues.

When asked if their CEO or MD had shown strong, decisive leadership, less than half agreed (44%), while the remainder disagreed (22%) or were unable to support the statement (34%).

Asked if their leaders have shown clear direction on how the organisation will tackle the recession, 45% agreed, while more than half disagreed (23%) or were unable to agree (32%).

Asked if they had a clear picture of how their company is performing, just under half agreed (48%), while 24% disagreed and 23% were ambivalent.

More significantly, only 28% said they fully trust messages from their bosses, while more than half said they are sceptical (39%) or don't trust them at all (19%).

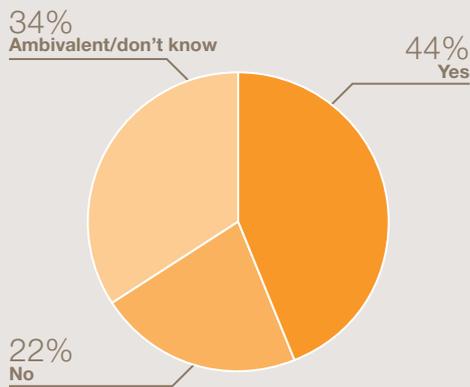
Comment

This survey does not comment on how effectively management teams have realigned their businesses to tackle the current recession. However, it appears that business leaders could be doing more to realign the way in which they communicate with their employees around the actions needed in response to the downturn.

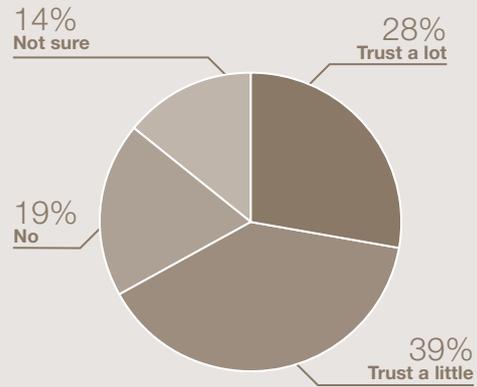
Most white collar workers think their leaders are not doing a good enough job in providing them with a candid picture of how their company is performing in the current market and what the plan is to address what are, in many cases, unprecedented market conditions. In short, many respondents feel that strong leadership and a clear sense of direction and trust is lacking.

While Britain's business leaders have no doubt focused on ensuring the survival and/or readjustment of their enterprises, employees are looking to decision makers to make sense of the uncertainty and show them the way ahead. Our research indicates that employers could be doing more to address this need for leadership in a more plausible manner.

Is your CEO showing strong, decisive leadership?



Do you trust messages from your CEO?



Only 44% of employees thought that their CEO or MD had shown strong, decisive leadership

■ Male white collar workers are less trusting than female colleagues of CEO/MD communications. 61% of men trust them only a little or not at all, compared to 53% of women.



High anxiety

a worrying time for employees

Our sample of Britain's white collar workers was asked to identify the main issues that concern them in the workplace.

Our findings

Not surprisingly, job security topped the list (cited by 39% as their main concern).

The next biggest concern related to worries about cuts to pay and bonuses (31%).

Worries about having to work harder in more stressful situations and the ability of their company to weather the downturn took joint third place (26%).

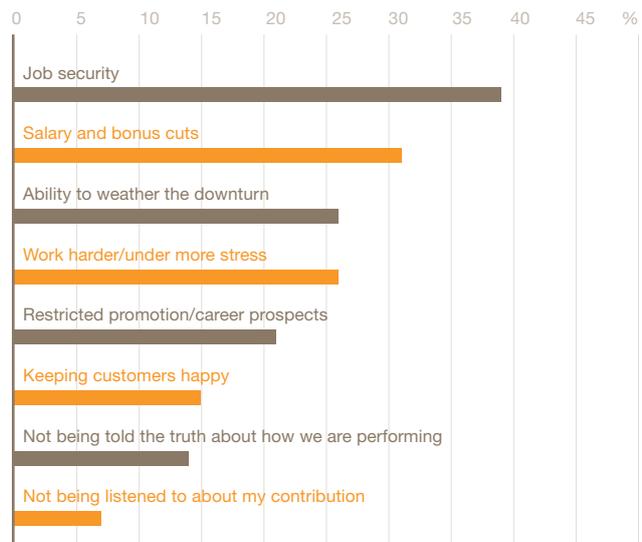
Other concerns included: limited promotion and career development prospects; difficulties in keeping customers happy; not being listened to by their employer and uncertainty whether they were being told the truth about their company's performance.

Comment

Today's continuing economic uncertainty is clearly evident in the overwhelming concern that Britain's white collar workers have for their immediate personal futures. It will be no surprise that the largest single concern was job security, whilst large segments of the workforce are also clearly concerned about the lack of prospects for either financial or personal career development. With such fears prevalent, addressing employee morale and motivation clearly must become a rising priority of senior management teams.

While employers in the current economic environment are in many cases unable to offer guarantees on jobs, they need to reassure employees of their continued value to the organisation while realigning their expectations to the new economic realities. From this platform, morale and motivation can be re-energised, with a focus on making sure employees understand their role in ensuring the organisation's survival and ultimate future prosperity.

Top worries at work



Older employees have different priorities to their younger colleagues.

18-24 years	45-54 years	Recession concerns
18%	33%	Their company's ability to weather the recession
32%	22%	Future cuts to pay and bonuses
39%	10%	Limited promotion prospects

Risky business

the perils of failing to engage your workforce

So what do Britain's businesses risk by failing to address their employees concerns about the current economic climate? Our sample was asked how this has, or would, affect their behaviour at work and the potential impact on commitment, motivation and customer service.

Our findings

The results show that there is a real danger of goodwill in the workplace being eroded:

43% of the sample said they would become de-motivated.

One-third (33%) would look for another job when feasible to do so.

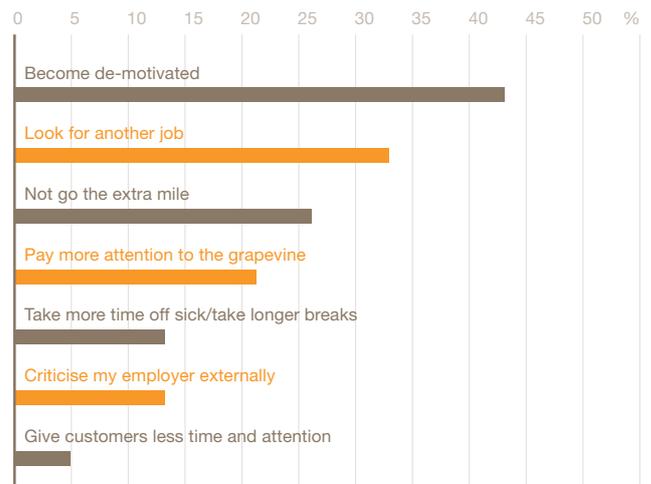
A quarter (26%) simply felt they would not go the extra mile for their employer.

Other areas mentioned included the increased likelihood of paying more attention to the rumour mill and taking more time off work or longer breaks.

Comment

Our findings confirm that business leaders fail to address employee concerns and morale at their peril. Poor employee engagement will potentially endanger the image a company projects to customers and other stakeholders, which could compromise its ability to pull through the recession. It will also store up problems for the future. When economic conditions eventually improve and the employment market reopens, there is a real risk of losing key talent just when businesses should be returning to growth mode. In the current downturn, ensuring credible employee engagement is a crucial factor for corporate management teams in protecting the reputations of their brands and the value of their enterprises.

Reaction if employer fails to answer concerns about recession



Responses are remarkably consistent across all age groups and geographies. However, one-third (32%) of 25 to 34 year-olds say they would pay more attention to rumours and the grapevine if their employer failed to address their concerns.

The burning issues

addressing employee concerns

So what do white collar workers think of employers' efforts to address their issues?

Our findings

On job security, their main concern...

- Just 15% think their employers are communicating very well, 21% say they are doing an explicitly poor job and 16% say there has been no communication.

On communicating their plans to tackle the impact of recession and the true financial position of the business...

- 21% of respondents said their bosses had done very well, but 20% rated them poorly and 15% said they had heard no word from their employer on these key topics.

On explaining the employee's role in helping the company weather the recession...

- Only 17% rated their employer very well, 22% said their employers' efforts were poor and 15% cited a total lack of communication.
- Only a third (36%) explicitly agreed that they were given the opportunity to voice their concerns on how to respond to the recession.

On helping staff to keep customers happy and the need for cost control...

- One in five rated their bosses very well, one in six said that communication had been poor and one in ten said there had been none.

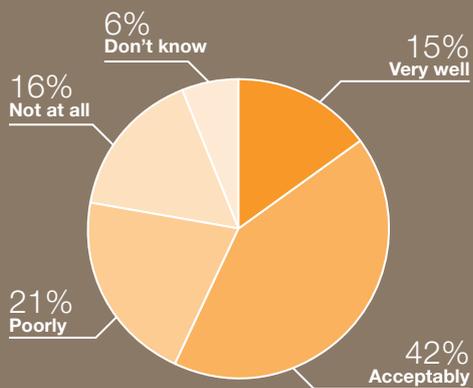
Comment

Employers appear more effective at addressing operational matters, such as keeping customers happy and cost control, than on broader recession-related issues. This is hardly surprising. Management focus up until now has understandably been on taking the immediate steps needed to address the impact of the downturn. But as we enter a new phase of reconstruction and then recovery there is an increasing need to rebuild trust within organisations. It would be difficult to imagine a time when it was more important to acknowledge the concerns of employees. Specifically, colleagues need to understand the true situation their businesses face, the direction in which they are heading and the role that they are expected to play in helping get there.

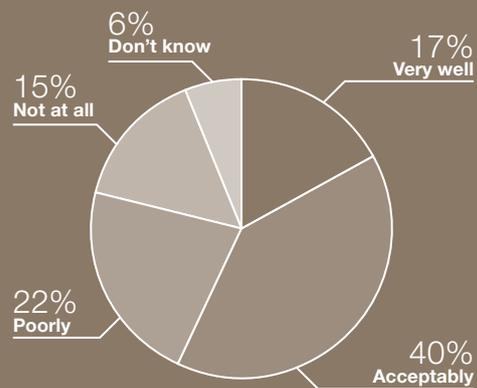


Only a third felt able to voice their concerns about tackling the recession

How well has your employer communicated news about job security?



How well has your employer communicated about your role in tackling recession?



London white collar workers were the most dissatisfied with their employers' efforts. Nearly half (48%) said their employers communicate plans for tackling the recession poorly or not at all. Communication around job security was considered poor by one in four Londoners (24%) and non-existent by one in five (21%).

White collar workers in Wales were the least critical of their employers' communications efforts, scoring the lowest dissatisfaction ratings on five of the six categories.

Most trusted communication

how best to engage with employees

What do Britain's white collar workers consider to be the most credible sources of news about their organisations?

Our findings

Their answer is clear and unequivocal. A resounding 81% stated that face-to-face contact with their line manager is their most trusted means of communication. Just 11% did not trust this at all.

The value of regular team meetings is also clear – 75% of the sample cited this as a trusted means of communication.

However, white collar workers expressed a significant level of distrust for senior management communications. Less than one-third (28%) fully trust direct CEO/MD messages, while more than half said they only trust a little (39%) or don't trust them at all (19%).

There is also cynicism about other forms of internal communications. Only 17% fully trust online communications such as the intranet, just edging the company magazine at 15%.

While our panel sensibly treated the grapevine with a pinch of salt, with only 12% trusting it a lot, overall it was still considered more trustworthy than both the company magazine and intranet.

Finally, respondents' least trusted sources for information about their organisation were external. Just 6% trusted the media, while 36% did not trust it at all. Only 7% trusted the internet, blogs and social networking sites a lot, while 33% did not trust them at all.

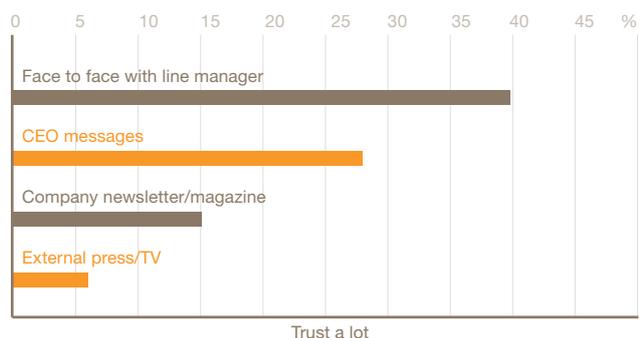
Opinions are remarkably consistent across all age groups and most regions with two exceptions, London and the South, where respondents were more trusting of the press and internet/digital media than elsewhere in the UK.

Comment

The nation's white collar workers are adamant in their preference for face-to-face meetings with management to communicate information about their organisation. There appears to be a widespread view that in difficult times people like to "look each other in the eye" in order to engage in a dialogue based on trust. "Official" company communications are viewed with less credibility and the fact that more people place greater trust in the grapevine than communications channels such as the intranet or company magazine is a very salient finding.

In allocating their time, business leaders need to make themselves more visible, accessible and available to their staff. Time invested in direct communications with employees will enhance loyalty and motivation and so ultimately protect the value of the business.

How much do you trust different sources of information?



In difficult times people like to “look each other in the eye”... to engage in a dialogue based on trust



■ *The gender gap.*

<i>Men</i>	<i>Women</i>	<i>Trust a little or not at all</i>
61%	53%	<i>CEO/MD communication</i>
60%	48%	<i>Company intranet</i>
59%	49%	<i>Company newsletter</i>
81%	72%	<i>The grapevine</i>

The medium is the message

how employers are communicating in the downturn

Respondents were asked to comment on how their employers had most commonly communicated with them about the challenges of operating in the current economic downturn.

Our findings

Not surprisingly, email was cited as the most frequently used means of communication (42%), followed by team meetings/briefings (41%) and face-to-face contact with a line manager (33%).

However, this question also produced some of the most surprising findings of the survey:

Around one in seven (13%) of our respondents said that their employer has not communicated to them at all about this critically important issue.

Two-thirds (67%) did not highlight face-to-face contact with line managers as a common form of communication on the issue.

Three-quarters indicated that their employers are not using company-wide meetings (73%) or the intranet (77%) as a regular forum to discuss ways to tackle the recession.

Comment

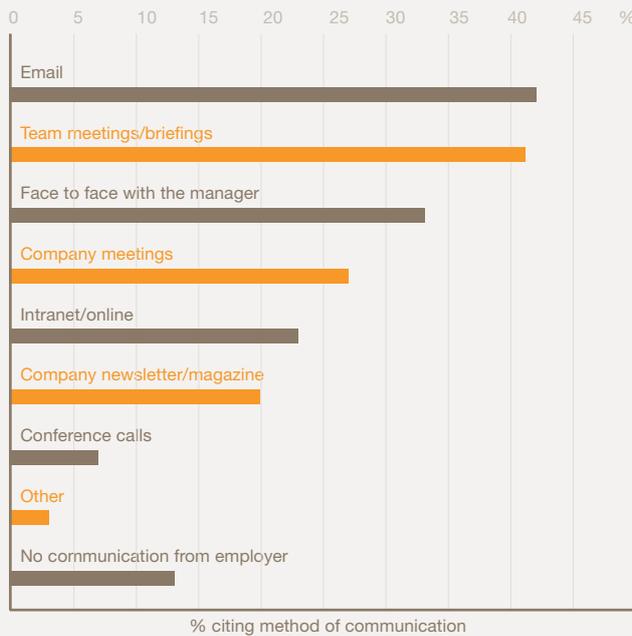
Whatever the type or content of employee communications, it was surprising that many in our sample appeared unaware of any communications from their bosses about the recession and a large proportion had little opportunity to discuss the subject with their managers.

Given the need for rapid delivery of information during these challenging times, it is understandable that email is most commonly used by employers to deliver their messages. But we know from the previous section that employees place their greatest value and trust in personal interaction through company meetings, team briefings and face-to-face contact with managers. And while it is clear that the CEO cannot be everywhere in the organisation, it is possible through effective use of modern technology to be visible and accessible in responding to the issues which matter to employees.



Time invested in direct communications with employees will enhance loyalty and motivation, ultimately protecting the value of the business

Most common forms of communication on tackling recession



Employers in Scotland and the North appear to prefer the personal touch when communicating with their white collar workers. These are the only regions where respondents said email was less commonly used than face-to-face line manager contact in Scotland (35%), and team briefings in the North (52%).

Conclusion

difficult times require different messages

Our research not surprisingly reveals a white collar workforce clearly bruised by the collapse in business confidence, with major concerns prevalent around issues such as job security and the ability to achieve personal and financial advancement.

What is perhaps more surprising is also the demonstrable evidence of a lack of trust in the way in which business leaders are communicating with their employees in the new market environment.

Put simply, in difficult times employees tend to be more cynical and disbelieving of what they are told. Official company communications are broadly mistrusted and much evidence exists that business leaders are not being seen to be giving their colleagues a fully candid picture of the situation their businesses face. In some cases the subject has not even been discussed at all. More worryingly for corporate management, the grapevine is considered to be a more reliable source of information than the official channels of communication.

The findings in this survey present clear evidence that demotivated employees are likely to provide poorer service to customers and are more likely to seek new job opportunities when conditions allow. As soon as the

economy improves, businesses could face a loss of key talent as the bounds of loyalty prove too damaged to retain key staff.

When the content of both the question and the answer is unpalatable, people need to be able to look each other in the eye and establish a sense of trust. It is not surprising therefore that, in these challenging times, there is a widespread demand within businesses by staff for more accessibility and direct dialogue with bosses.

As business leaders devise and implement their critically important remedial plans to sustain their businesses through the recession, it is imperative that a key component of any such plan involves an effective engagement programme with staff. Explaining candidly the reality of the situation, demonstrating that there is a credible plan going forward and showing what role people have to play in implementing this, however modest, must all be vital priorities for business leaders.

About FD

Financial Dynamics International (FD) is one of the world's most highly regarded communications consultancies, employing more than 730 staff and advising more than 1,000 clients worldwide. FD's services span all aspects of stakeholder engagement – from employees, customers and communities, to investors, policymakers and NGOs. Our work is structured around specialist sector teams covering consumer & retail, energy & industrials, financial services, business services, healthcare, real estate, technology, media & telecommunications, and travel & transport. In January 2009, FD launched Europe's first Restructuring and Recapitalisation Communications practice to help companies protect value and manage change in the downturn.

Contact

If you would like to know more about how FD could help improve the effectiveness of employee communication and engagement in your organisation, contact:

Mark Thompson

Managing Director
FD
Holborn Gate
26 Southampton Buildings
London WC2A 1PB

Email: mark.thompson@fd.com

Tel: +44 (0)20 7831 3113

Fax: +44 (0)20 7405 8007

www.fd.com

