

The Case for Optimism August 13, 2009, 5:00PM EST

Is Optimism a Competitive Advantage

The link between a company's employee engagement and its bottom line is real: the more engaged the workers, the higher the sales and profits

By [Michelle Conlin](#)

Most human resources managers base their motivational policies on a simple psychological premise: that optimistic, engaged employees are more productive and hence can help their employers grow and make more money. Put simply, workplace optimism, if nurtured properly, can be a competitive advantage.



Companies don't directly measure the optimism of their employees. Instead they rely on engagement scores, typically gathered by outside consultants who exhaustively survey the staff. As in: Does your boss support you in getting your job done? Do you have a best friend at work? Then the number crunchers analyze the results. Many companies see a link between employee engagement and the bottom line. Best Buy ([BBY](#)), for example, says a 2% increase in employee engagement at one of its electronics stores corresponds, on average, to a \$100,000 annual rise in sales at that location.

At a time of widespread uncertainty it's understandable that companies are trying to make employees more hopeful. "The more optimistic have better coping mechanisms and can help their organizations recover more quickly," says Binna Kandola, whose British firm, Pearn Kandola, has conducted "happiness audits" for PricewaterhouseCoopers, among others.

HR managers often point to Campbell Soup ([CPB](#)) as the most compelling example of how an all-out assault on pessimism can alter a company's fortunes. When Douglas R. Conant became chief executive in 2001, Campbell had a reputation as an exceedingly pessimistic workplace. Management's engagement scores were the lowest of any big company Gallup had surveyed. Its stock was in the pits. Takeover rumors were rampant. And a leading securities analyst of the food industry likened the company to a "buggy whip" maker.

\$100
thousand

Average annual increase in sales at a Best Buy store when employees' engagement with their jobs rises 2%.

Data: Best Buy

Conant decided that winning in the marketplace meant first winning in the workplace. He gave every employee the equivalent of a user's manual that explained how he himself operated. He replaced nearly all of the company's top 350 leaders, a signal, in part, that he was serious about heeding employee complaints that the place was broken. Then he set about transforming Campbell into a more employee-centric company. Conant created Campbell University, upgraded the recognition program that showers gifts and other awards on high performers, and penned up to 10 handwritten thank-you notes to employees a day. Today, according to Gallup, Campbell's engagement scores are among the highest of any company it measures, and its earnings growth has handily beaten that of its peers.

At J.C. Penney ([JCP](#)), HR boss Michael T. Theilmann knew 2009 would test him because the pullback in consumer spending had the potential to wreak havoc on sales and hammer morale. But he also didn't want to forfeit all the hard work he had put into boosting employee engagement over the previous four years. Theilmann, who totally buys into the correlation between engaged associates and increased sales, is something of an engagement junkie. After Penney's first engagement survey in 2005, he did a complete makeover of benefits. In 2005 only 67% of employees surveyed by the consulting firm Kenexa ([KNXA](#)) were deemed engaged. By last year, according to surveys, 76% were.

LAYOFFS ARE MISMANAGEMENT

In January, Theilmann and other Penney leaders launched a full-bore internal communications campaign. All Penney associates were told that they would not be losing their jobs, their health care, or their 401(k) matches. On the other hand, they were reminded that those whose performance fell into the bottom 10% were, as always, vulnerable. "You have to tell people ahead of time what you are going to do and not going to do," says Theilmann. "The last thing we want is our people walking around in a fog not knowing what's going to happen. We want people focused on our customers." In late July the company got its engagement scores for 2009. They actually went up, to 80%. Penney's earnings per share growth over the past five years is five times the industry average.

There's no better way to stoke pessimism than by firing a lot of people. "From our perspective, any kind of layoff is a sign of mismanagement," says Michael W. Rude, global HR chief at Stryker ([SYK](#)), the Kalamazoo (Mich.) medical technology company. Two months ago one of Stryker's manufacturing units was hit with a steep falloff in orders. Instead of chopping heads, two HR execs from separate Stryker divisions brokered a deal that would transfer 30 engineers from the ailing division to another Stryker unit. Engagement in both departments soared, something Rude attributes to the way the company handled the situation. At Stryker, pay and promotions are based in part on the engagement scores of a manager's direct reports. That, in essence, forces the bosses to double as optimism ministers. Says Rude: "People get jobs and lose jobs because of their ability to engage teams."

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