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RURAL LEADERSHIP
PROGRAMME



Employee Engagement

The key to retaining talent and passion on New Zealand's Dairy Farms.

Kellogg Rural Leadership Programme

Course 41 - 2020

Lucy Moss

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About the Author

The inspiration for this project has come from my involvement on-farm as my partner, and I am currently share milking and employing two staff members. I am also employed as a Commercial Manager at FMG and have been employed with the company for the last five years. This combination of roles has meant that I am an employee in an engaged workforce, as well as being an employer in an industry where engagement can be challenging. As a rural professional, I am also regularly involved in conversations with my clients about the struggle with attracting and retaining passion and talent on-farm, a struggle that I know firsthand. This unique situation of being both an employer and an employee in the rural sector sparked the motivation for this topic. To desensitise myself, I have analysed nationwide survey results on engagement on farm as well as carried out a case study on FMG's employee engagement and the Gallup survey.

This report intends validate the authors views to provide practical recommendations to farmers to help them understand, measure, and improve their employees' engagement and, in turn, retain talent and passion on farm.

Executive Summary

Historically Dairy farming was seen as an attractive career path where hard work and dedication was rewarded with the trophy of farm ownership, but that reward is all but out of the grasp of most; this amongst a plethora of other reasons has led to an ever increasing struggle to attract and retain talented individuals on farm. With 60% of new entrants to the dairy industry leaving within the first twelve months, retention is a very real issue on our dairy farms. Research has shown engaged employees are not only less likely to leave the farm or organisation, but when employees are engaged, the organisation will be both more productive and profitable.

New Zealand is a food producing nation which prides itself on the story we have to tell, often overlooked though is that people are at the heart of that story. Improving employee engagement on farm will help dairy farmers be better employers, and ultimately better equipped to retain employees. The aim of this report is to better understand the concept of employee engagement and how it can be understood, measured, and created. Employee engagement is a concept that is not unique to any specific business type or size, therefore can be applied to any farm situation regardless of the number of employees.

Gallup is an organisation with over thirty years of research on employee engagement. Gallup is used by thousands of organisations globally with the intention of identifying areas where employee engagement is lacking and may be improved. Gallup employee engagement surveys consist of twelve questions which directly relate to twelve basic human needs. Humans are social and psychological beings who must be understood and known as people not just as employees.

An investigation into employee engagement at FMG, has been carried out. FMG is an organisation with a highly engaged workforce and a very apparent focus on people, ranking in the 76th percentile

globally in the Gallup employee engagement survey. FMG uses the service profit chain, a model which puts people at the centre of everything, where happy employees leads to increased productivity and happy clients and happy clients lead to increased profitability of the organisation. Themes and learnings can be taken from this case study and practically applied to an on farm environment.

The recommendations of this report are intended to be able to be easily applied in farm to aid in improving the engagement of employees, recommendations are as follows;

- Communicate.
- Provide development opportunities.
- Give feedback and recognition.
- Share and discuss purpose.
- Give flexibility and autonomy where possible.
- Improving employee engagement takes time.

Introduction

Employee engagement is a measure used to determine the relationship between an employee and their workplace; an "engaged employee" is defined as one who is fully absorbed by and enthusiastic about their work and so takes positive action to further the organisation's reputation and interests. An engaged employee has a positive attitude towards the organisation and its values. (Kahn, 1990) In contrast, a disengaged employee may range from someone doing the bare minimum at work up to an employee who is actively damaging the company's work output and reputation. It is broadly accepted that a workplace where employees are engaged and motivated will be a more productive and profitable one; this is the service profit chain concept.

The issue of attracting and retaining talent and passion on New Zealand dairy farms is widespread and not new. There is a significant difficulty faced by farmers and industry, particularly when attracting and retaining quality employees (Rolfe, 2017). This problem has been researched and analysed in-depth to better understand the underlying issues and how, as an industry, these issues can be overcome. Industry bodies such as Dairy NZ have put significant time and resources into employee attraction and retention and help farmers up-skill in people management.

As a dairy industry, we hear and read daily about our role in "Feeding the world". New Zealand is an exporter, a tiny producer on a global scale, exporting 90% of all food produced and feeding millions globally. We pride ourselves on being producers of high-quality meat and dairy products produced in a clean, green sustainable manner. We pride ourselves on our animal welfare, our environmental credentials, our efficiency, our ingenuity, we pride ourselves as a dairy industry and a food-producing nation on the story we have to tell, and so we should. Consumers are beginning to show more concern about where their foods provenance than yesterday's consumers did, they want to hear the story and have a vested interest and emotional tie to the food they eat, it is likely we will see this

becoming more prevalent in the wake of Covid 19 (Bree, 2020) .However, often overlooked is the place of people within our story. Without people, we will have no dairy industry, and we will have no story to tell our consumers. There are many hurdles in the path of a bright future for New Zealand's dairy industry; these include resource management and environmental issues, alternative proteins, the growing rural-urban divide, traceability, and animal welfare, to name a few. However, all of these issues pale into insignificance if we cannot attract and retain talent and passion on our dairy farms. Without future farmers, there is no future dairy industry.

Employee engagement is at the forefront of the planning and strategy of many successful New Zealand businesses. Quality employers understand that engaged employees who are happy in their workplace and see a clear career path will result in a more profitable business. Successful employers perceive people as their most valuable asset and strive to achieve high employee engagement. (Gallup, 2020) Employee engagement is seldom investigated or focused on by most of New Zealand's dairy farmers. Farming is a career which requires a wide variety of skills, as a farmer must be many things to many people, human resource management is just one of the many attributes of a quality farmer.

This report aims to delve into the topic of employee engagement on farm in order to gain a better understanding of the current state of employee engagement and how it may be understood and improved to help farmers retain employees. The report investigates the current state of employee engagement on New Zealand dairy farms and analyses trends in this data collected from current dairy employees. A case study of FMG's employee engagement has been carried out, with comparisons being drawn between the dairy industry and a highly engaged work environment such as FMG. Literature reviews are focused around the issues surrounding employee engagement on-farm and more specifically, around influencing behaviour change of employers. This report's recommendations are focused on how to improve employee engagement of farm through better understanding the employee and influencing behaviour change in the employer.

Methodology

Part one is focused on the concept of employee engagement and is segmented into understanding, measuring, and improving engagement. A case study on employee engagement at FMG has been carried out with the intention of taking learnings from this, which can be applied on-farm. Themes and findings between analysing FMG's employee engagement and employee engagement on farm have been compared.

Part two is focused on the current state of employee engagement on NZ dairy farms. This involved analysis of survey results gathered through surveying current dairy farm employees, this survey was carried out by Dairy NZ in 2019. This information was collected through emailing the survey to Dairy NZ dairy farm employees at random from Dairy NZ's database. I have gained access to this data through professional networks and contacts. A focus has been given to questions which more directly relate to employee engagement. The limitations of this are that some questions had a response rate of over one thousand, while others only had two hundred. The survey respondents also may not reflect a true cross-section of all dairy farm employees.

Part One – Gallup Employee Engagement

Understanding Engagement

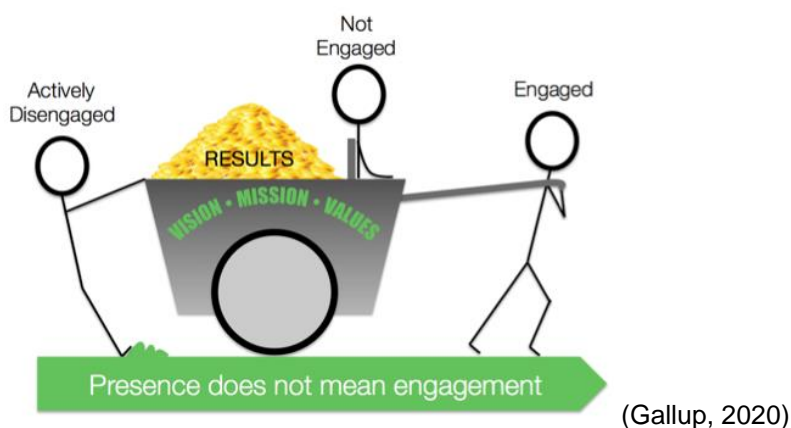
Research suggests that only a third of employees in the general workforce are actively engaged in their work. (Gallup, 2020) Great employers have a much higher percentage of engaged employees (up to 75%). Engaged employees believe that their contribution makes a difference and will invest extra time and effort into making the business a success. Engaged employees are more productive; they are less likely to have accidents and more likely to stay with their employers. (Dairy NZ, 2014)

There are many models and theories for understanding, measuring, and creating and improving engagement in the global workforce. For the purpose of this research, I have investigated the Gallup model. Gallup is used by thousands of organisations worldwide to measure engagement with a survey pool of over five million respondents to their employee engagement survey (Gallup, 2020). Gallup is a global analytics and advice firm that helps leaders and organisations solve their most pressing problems. Gallup's Q12 employee engagement survey enables managers and employees to focus on the workplace elements they can directly improve. The Q12 survey measures actionable issues such as satisfaction, loyalty, and pride. (Gallup, 2020)

"Engaged employees are involved in, enthusiastic about and committed to their work and contribute to their organisation in a positive manner" (Gallup, 2020)

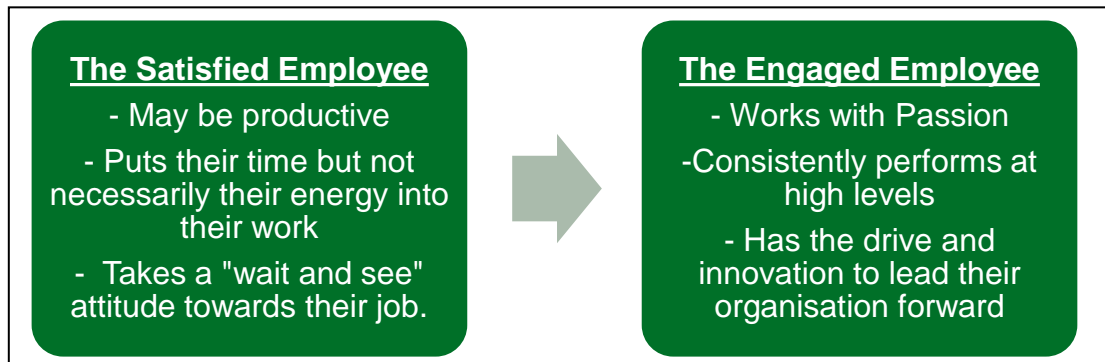
Gallup defines an employee as engaged, not engaged, or actively disengaged. An engaged employee is emotionally invested in and focused on creating value for their team every day; these employees are loyal and committed to their work. They are more productive and more likely to stay with the organisation. An employee who is not engaged may be productive, but they're not truly psychologically connected to the work that they do; they're more likely to miss work or leave the organisation. Finally, an actively disengaged employee is disruptive to production; they are physically present but not psychologically present. They are unhappy with their work situation and spread their unhappiness through the workplace. (Gallup, 2020)

Figure 1 - Presence vs Engagement



Another factor to consider in understanding employee engagement is that there is a distinct difference between a satisfied employee and an engaged employee. An employee can be happy and satisfied while not being engaged.

Figure 2 - Satisfaction vs Engagement



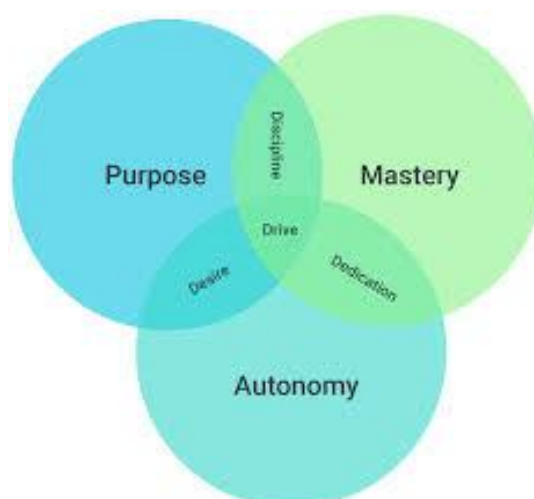
(Gallup, 2020)

A key factor that makes an employee engaged and sets engagement apart from satisfaction is motivation. Motivation, and what motivates us as human beings has evolved through time. There are three phases in the evolution of motivation, as explored by Daniel Pink. Motivation 1.0, We are motivated by survival, being; food, shelter, water and reproduction. This is a biological motivation for survival and instinctively built onto all beings. Motivation 2.0. We are motivated by incentive or reward vs consequence in this model we are motivated by reward or incentive, typically pay for performing or punished for not performing. For many years this is how organisations were run. Science now says that this is not the way to get the best out of somebody. Humans are emotional creatures, and there are psychological components of human nature which affect motivation. Motivation 3.0 Is the idea that people are incentivised by more than money; they want to be immersed in something and be purposeful; this is an underlying human motivator. To motivate employees who work beyond basic tasks, Pink (2012) argues that supporting employees in the following three areas will result in increased performance and engagement;

- Autonomy – people are trusted and encouraged to take ownership of their own work and skill development.
- Mastery – people, see no limits to their potential and are given the tools they need to continue to improve their skills and knowledge.
- Purpose – people are encouraged to use their skills to achieve a "greater" purpose – for instance, getting involved in a "good cause" that they are passionate about.

(Pink, 2012)

Figure 3 - Autonomy, Mastery and Purpose



The above Venn diagram illustrates that when mastery autonomy and purpose are all achieved an employee has "drive" and is actively engaged, resulting in positive outcomes for the employer and the team.

While the Gallup model for measuring employee engagement or Pink's theory above may appear to only apply to corporate environments or large-scale employers, this is not the case. Employee engagement should be understood, measured and improved in any organisation irrespective of whether there are thousands of employees, or just one or two employees. Albeit there are different challenges faced in engaging employees dependent on the size of the team, larger teams tend to have a more diverse array of personality types and larger numbers of direct reports per manager, making "knowing people as people rather than as employees" more challenging. In contrast, smaller teams may be more likely to have personality clashes within the team. Typically farm teams are relatively small with 1 – 6 employees dependent on the farm size. Pink's theory above can be practically applied to a on-farm environment.

Autonomy on-farm could be displayed by giving employees the flexibility to decide when and how a task is carried out. For example, a list of jobs that need to be completed throughout the day, week or month. The employee can then decide when to do which jobs with some direction from the employer; this gives the employee a sense of empowerment.

Mastery is an area which research has shown is challenging in many organisations, in particular smaller workforces such as farms. Farmers typically struggle with letting go of control over responsibility; employees must be given the tools they need to continually improve; this includes the correct training and development. For example, taking the time to show an employee how to measure pasture cover and then allowing them to choose paddocks themselves rather than this task always being carried out by a particular employee or by the farmer himself. The sense of improvement for the employee again gives them a sense of mastery and accomplishment.

The final point of purpose is critical in a on-farm environment. This is around understanding the "why" of a particular task. Suppose an employee, for example understands why they are detecting mastitis

cows. In that case, they will then be more easily able to make the link to producing quality milk, and a see themselves as a food producer with a sense of purpose.

The role of the manager or employer is critical in understanding engagement. It is often overlooked that 70% of engagement is driven by the person reported too (Gallup, 2020). Outstanding managers engage, inspire and encourage their teams to achieve high performance, and create environments that are engines of productivity and profitability. Unfortunately, not all teams are led by great managers and not all managers understand the importance of having engaged employees. Employee engagement is the responsibility of the whole team, but ultimately must be driven by a manager who is himself engaged and focused on creating an engaged environment.

Measuring Engagement

There are many measures of employee engagement, the most critical factor is that employee engagement is measured, regardless of the method of measurement as in order to improve engagement, it must first be measured. The most important factor in any employee engagement framework no matter how informal is communication. Ultimately no matter what framework is used, employee engagement is directly correlated to human nature and basic human needs. Humans are social and emotional beings; therefore communicating and understanding each other is the critical component. When it comes to employee engagement employers must know their people as individuals, not just staff.

Gallup uses a twelve question framework to measure employee engagement. The below seemingly simple twelve questions are essentially thirty years of research by Gallup distilled into twelve questions; each of these questions relates directly to twelve human needs. If all twelve needs are met engagement will be optimal both in a business sense and in a social sense. These human needs depict what matters to people and can be relayed into actionable items. The table below illustrates the basic human need measured by each Gallup question.

Figure 4 - Gallup Twelve Questions

	Q ¹² Framework	Employee Needs
↑ GROWTH	Q12. Opportunities at work to learn and grow	Challenge me
	Q11. Progress in the last six months	Help me review my contribution
TEAMWORK	Q10. Best friend at work	Help me build trust
	Q09. Coworkers committed to quality	Help me feel proud
	Q08. Mission/Purpose of company	Help me see my importance
	Q07. My opinions count	Hear me
INDIVIDUAL	Q06. Encourages development	Help me grow
	Q05. Supervisor/someone at work cares	Care about me
	Q04. Recognition last seven days	Help me see my value
BASIC NEEDS	Q03. Do what I do best everyday	Know me
	Q02. Materials and equipment	Free me from unnecessary stress/equip me
	Q01. I know what is expected of me at work	Focus me

(Gallup, 2020)

Gallup employment engagement surveys are typically carried out every 6 – 12 months with the survey being sent to all employees of an organisation. The survey is not tailored to a specific workplace as survey statements relate to any business irrespective of industry, location or size. This gives organisations the opportunity to gauge not only engagement within their organisation but also how they rank against 1000's of other organisations globally. Gallup is an extremely simple survey method with each question being scored on a five-point scale. The 12 questions are designed to be simple but effective in identifying areas for improvement; this simplicity increases the response rate as the survey is designed to take no longer than 5 minutes. The survey is not compulsory; however a higher response rate to the survey is typically reflective of higher employee engagement. The survey results are 100% confidential, and nobody can see how an individual respondent answered each question.

"If you can't measure it, you can't manage it" (Gallup)

Gallup is internationally recognised and a highly credible means for measuring engagement though it is by no means the only method. Again, the key to measuring employee engagement is communication, this communication can be carried out through various channels whether through surveys, one on one meetings with employees, team meetings or a casual conversation in the workplace. A conversation to gauge employee engagement could be around what the employee enjoys about their job, what their challenges are or what their individual career goals are.

Creating Engagement

Measuring engagement alone does not bring about improvement it's what happens after the survey that will help improve employee engagement, irrespective of the survey or measurement method. The results are just the beginning. They help identify what elements of engagement are working well and opportunities for improvement, but engagement isn't a one-off event, it's a way of working differently. (Black, 2020) It's what is done after the survey, by focusing on engagement in our everyday conversations, that will help to improve employee engagement and outcomes. Employee engagement is also not solely the responsibility of the employer or manager; it is the responsibility of the entire team.

In a workforce where low employee engagement has been identified, the team must work on how engagement can be improved. Creating an engaged workforce is not something that happens overnight it takes months or years and must be intertwined into everyday conversations and often requires behavior changes from the whole team, bearing in mind that employee engagement is really just about meeting the 12 basic human needs. If we look at the question of "I feel recognised to the

contribution I make to my team" Employee engagement can be as simple as an employer acknowledging and recognising when an employee has done a good job. A straightforward display of gratitude by the employer or manager may be all that is required to improve morale and engagement of the employee – this often lacks frequency.

Employers must take the time to understand their people as individuals to really get to know them and understand what drives them, what motivates them, why do they come to work each day what their goals, passions and interests are both within work and outside of work. Many individuals are goal orientated and goal driven therefore setting goals with regards to engagement or setting clear targets so that the whole team is clear on their direction, can be a step in improving engagement of the team this makes individuals feel involved and part of a high performing team with a meaningful purpose.

While there has been extensive research on employee engagement, what it is and how to measure it, there seems to be a lack of literature on **how** to improve engagement. The below points suggested by (Markos, 2020) are useful when thinking about how engagement can be improved.

1. Start it on day one: Most organisations do have clear new talent acquisition strategies. However, they lack employee retention strategies. Effective recruitment and orientation programs are the first building blocks to be laid when taking on a new employee. The newly hired employee should be given both general orientation which is related to the company mission, vision, values, policies and procedures and job-specific direction such as his/her job duties, and responsibilities, goals and current priorities of the department to which the employee belongs in order to enable him/her to develop realistic job expectations and reduce role conflict that might arise in the future. This generates a sense of **purpose** for the employee from the onset.

2. Start it from the top: Employee engagement requires leadership commitment through establishing clear mission, vision and values. Unless the people at the top believe in it, own it, pass it down to managers and employees, and enhance their leadership, employee engagement will never be more than just a "corporate fad" or "another HR thing". Again this builds on the employee feeling a sense of **purpose**.

3. Enhance employee engagement through two-way communication: Managers should promote two-way communication. Employees are not robots to which you pour out your ideas without giving them a chance to have a say on issues that matter to their job and their life. Clear and consistent communication of what is expected of them paves the way for an engaged workforce. Involve your people and always show respect to their input. Share power with your employees through participative decision making so that they would feel a sense of belongingness, thereby increasing their engagement. Further cementing that sense of **purpose**.

4. Give opportunities for development: Encourage independent thinking through giving them more job autonomy so that employees will have a chance to make their own freedom of choosing their own best way of doing their job so long as they are producing the expected result. Manage through results

rather than trying to manage all the processes by which that result is achieved. This is the second point in Pink's theory, explained above – [Autonomy](#).

5. Ensure that employees have everything they need to do their jobs: Managers are expected to make sure that employees have all the resources they need to do their job, this doesn't just relate to physical resources but also financial, information resources and business processes. This aids in achieving [mastery](#).

6. Give employees appropriate training: Help employees upskill themselves, increasing their knowledge and skills through giving appropriate training. Generally, when employees get to know more about their job, their confidence increases, so they are able to work without much supervision from their immediate managers which in turn builds their self-efficacy and commitment and improves [autonomy](#) and [purpose](#)

7. Have a strong feedback system: Companies should develop a performance management system which holds managers and employees accountable for the level of engagement they have shown. Conducting a regular survey of employee engagement level helps make out factors that make employees engaged. After finalising the survey, it is advisable to determine all the factors that are driving engagement in the organisation, then narrow down the list of factors to focus on two or three areas. It is essential that organisations begin with a concentration on the factors that will make the most difference to the employees and put energy around improving these areas as it may be difficult to address all factors at once. Managers should be behind such survey results and develop action-oriented plans that are specific, measurable, and accountable and time-bound. Giving feedback will build on the employees' sense of [purpose](#).

8. Incentives have a part to play: Managers should work out both financial and non-financial benefits for employees who show more engagement in their jobs. While pay is certainly not the main driver of engagement and paying more will not directly correlate to improved engagement - it is a contributing factor. There should be a clear link between performance and incentives given to the employees so that incentives are a direct reward for specific areas of success and are a show of appreciation. Recognition builds a sense of [mastery](#).

9. Build a distinctive culture: Irrespective of size employers should promote a strong work culture in where the goals and values of individuals aligned. Companies that build a culture of mutual respect by keeping success stories alive will not only keep their existing employees engaged but this contagious spirit of work culture will flow on to new employees. This culture will help the employee feel a sense of [purpose](#).

10. Focus on top-performing employees: Rewarding success of top-performing employees who are typically engaged will motivate less engaged and lower-performing employees—inspiring them to achieve [mastery](#).

There are many examples globally and within New Zealand of organisation with a highly engaged workforce. In these organisations' employee engagement is measured, understood and continually a

focus. Such organisations understand the importance of giving employees autonomy, purpose and mastery and have a distinct appreciation for people within their various organisations.

FMG Case Study

FMG is New Zealand's leading rural insurer and has been in existence for one hundred and fifteen years (FMG, 2020) FMG is very much a rural organisation which lives by its values and has a very strong and robust engaged culture, with six hundred and seventy employees geographically spread throughout New Zealand. As an FMG employee, I am able to draw parallels between the FMG team and farm teams. Engagement and the focus on continually improving engagement is apparent throughout the organisation. The theory of "what you focus on expands" is applied with the intention of making engagement part of everyday conversations.

FMG carries out the Gallup Q12 Survey twice a year in February and September. The purpose of the survey is to gauge perceptions of FMG as a place to work, and the feedback received allows the organisation to understand and focus on the areas that are most important to its people. The survey is carried out twice a year because Employee engagement is a very important priority at FMG; completing two surveys per year helps maintain good momentum with changes, improvements, and maintaining what is going well. It also enables us to gauge how employee perceptions of FMG as a place to work change over time and assess the impact of the actions that have been taken since the previous survey.

The following table shows FMG's latest Gallup results, the mean percentile column with the latest ranking being 72% benchmarks FMG against thousands of other organisations who take the Gallup survey globally. The overall grand mean as a reflection of how all the questions scored out of five the closer to five, the mean is the greater the employee engagement. Survey results are captured and shared six-monthly so that the organisation can see trends over time; employee engagement is the responsibility of an entire team, not just of management. FMG strives to continually improve employee engagement. These survey results can be broken down into specific teams within FMG and into specific questions. Every six months, survey results are analysed by individual teams and areas for improvement are identified and focused on by the team. FMG takes the stance that creating a great workplace is not something that happens by chance or overnight but rather the result of a committed team of colleagues working constructively together through thick and thin in the pursuit of something important and worthwhile. (Black, 2020)

Figure 5 - FMG Gallup Survey Results

Survey Date	Total respondents (Response rate in %)	Mean percentile rank (Gallup benchmark)	Q12 overall grand mean	Change	Engaged %	Not Engaged %	Actively Disengaged %	Action Planning Question (current mean)
Sept 2020	659 (94%)	72%	4.37	+0.08	69%	28%	3%	4.16

Feb 2020	611 (91%)	67%	4.29	0.00	62%	33%	5%	4.03
Sep 2019	635 (93%)	67%	4.29	-0.04	64%	31%	5%	4.04
Feb 2019	587 (91%)	72%	4.33	+0.09	64%	34%	2%	-
Sept 2018	572 (93%)	65%	4.24	-	58%	38%	4%	-

(FMG, 2020)

FMG gives autonomy to its employees wherever possible (Black, 2020). Every individual in the organisation is clear on their role and is provided as much flexibility as possible on how that role is completed; this includes catering for individual needs and requirements by getting to know employees personally. Field-based roles are allowed flexibility on the hours they work, and where they work from, the higher performing the individual is, the more autonomy is given as a trust relationship develops. Phone-based roles are also given autonomy with flexibility in start and finish times depending on personal circumstance.

FMG employees have a clear sense of purpose. The vision of "helping to build strong and prosperous rural communities" is very much lived and integrated into FMG's culture, with the client in the middle of strategy and decision making. FMG lives by its four core values, and these are known by all employees and part of everyday conversations. Success is shared within teams in the form of weekly and monthly meetings; this connection builds on purpose and recognises success.

FMG enables Mastery with a continued focus on development; every employee is encouraged to have a development plan detailing their own professional and personal development plans. These are discussed with managers and updated every six months. Wherever possible opportunity to take on additional leadership and responsibility outside a core role and development opportunities such as educational courses and workshops outside the organisation is encouraged and supported.

The Service Profit Chain

The service-profit chain is at the forefront of FMG's Strategy (Black, 2020) The basic principle of the Service Profit Chain theory revolves around the fact that customer satisfaction starts with good staffing and treatment of one's own employees. Committed employees are sociable, engaged and positive and convey this to the customer, resulting in happy customers or clients. The theory establishes relationships between profitability, customer loyalty, and employee satisfaction, loyalty, and productivity. The links in the chain (which should be regarded as propositions) are as follows:

- Profit and growth are stimulated primarily by customer loyalty.
- Loyalty is a direct result of customer satisfaction.
- Satisfaction is largely influenced by the value of services provided to customers.

- Value is created by satisfied, loyal, and productive employees.
- Employee satisfaction, in turn, results primarily from high-quality support services and policies that enable employees to deliver results to customers. (Black, 2020)

The service-profit chain is also defined by a special kind of leadership. Leaders of high achieving service companies emphasise the importance of each employee and client. For these leaders, the focus on customers and employees is paramount and at the centre of their values and mission. (James L. Heskett W. Earle Sasser, 1997) The service profit chain is "people centric" with people, being clients and employees being at the heart of every decision made.

Figure 6 - The Service Profit Chain



Part two – Engagement on Dairy Farms

The Current State

It is generally accepted that attracting and retaining engaged employees is a widespread issue in the dairy sector. Many employers take the stance that 'back in their day' work was done in a certain way, including long unsociable hours and hard physical labour, but times have changed – and people have changed. In order to retain talented and passionate individuals who will be an asset to their farming business, farmers must strive to understand and improve employee engagement on farm.

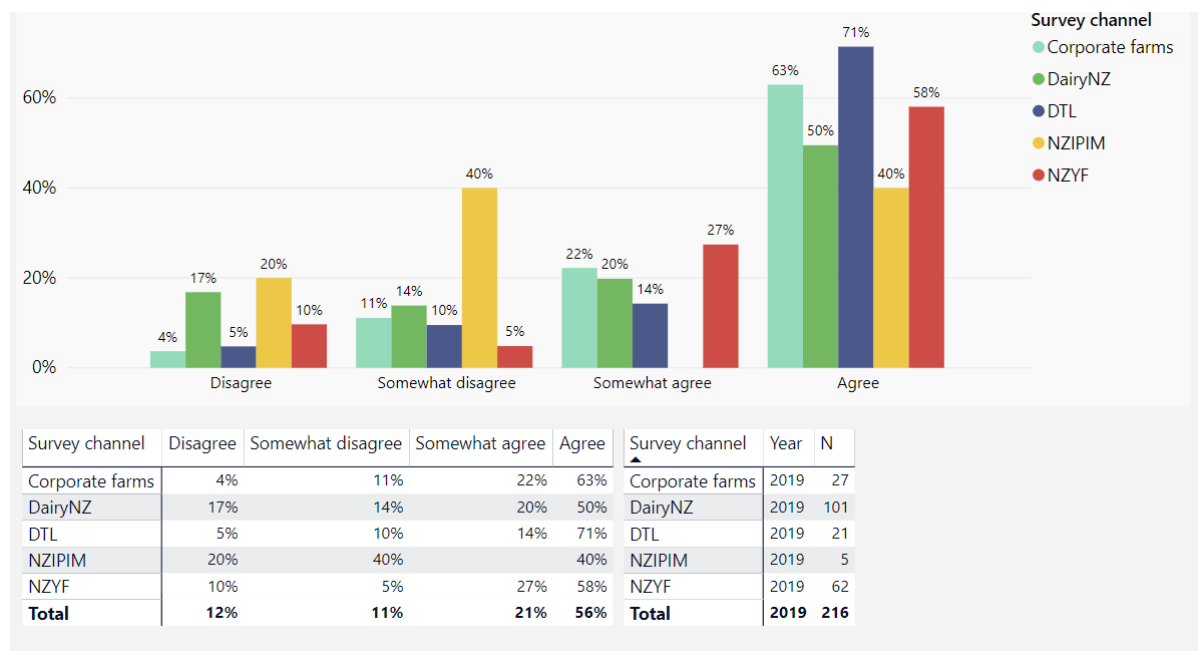
New Zealand agriculture has been built on the idea that if you worked hard, put in the hours as a manager, contract milker or share milker, one day you would reap the rewards of farm ownership. The price of land has risen so sharply in the last forty years that those ideals have all but disappeared and without some help is near impossible (Murray, 2019). Due to the rapid capital appreciation of land values in recent decades, the beacon of hope of dairy farm workers ascending the ladder to farm ownership has seemingly moved beyond their grasp. The industry, from farmers to capital lenders must find a creative solution to display dairy farming as an attractive career proposition. The incentive of farm ownership was once enough to hold people to a job or in a situation they didn't enjoy for longer than they would do now. This is one of the factors contributing to the challenge of employee retention faced by farmers today.

Employee retention is a subsidiary of attraction, while the intention of this report is not to delve into attracting employees, it must be considered that attracting employees and employee turnover for any business comes at a cost. There are various factors which add to the challenge of attracting employees to the dairy industry, such as hours worked, geographical locations, skillset required, social nature of work, remuneration and competition from other industries. Each of these issues individually could be delved into and extensively researched. The purpose of this report, though is to look specifically at retention and how improving employee engagement may improve retention rates of talented and passionate employees. This is of particular importance in the wake of current Covid 19 border closures, with 24% of our national dairy workforce being migrant workers, this is a void which must be filled. (Glass, 2020) Employee turnover comes at a significant cost, keeping good existing staff in a business directly affects the profitability of the business. When good staff move on you are hit with costs such as the cost of recruitment, training, time, as well as the much higher indirect costs of mistakes, loss of experience, loss of farm specific knowledge, loss of team morale etc. Holding onto good quality staff is easier than finding replacement good quality staff. (Dairy NZ, 2020)

Statistics show that 60% of new entrants will leave the dairy industry within the first 12 months. (Dairy NZ, 2018) This is a shocking statistic. Employee turnover comes at a massive cost to dairy farmers and is estimated to be 50 – 100% of the annual wage of the valued employee who is lost. A high emphasis should be placed on retaining quality staff, but simply providing extra wages or salary is unlikely to achieve more than a short term benefit. Managers may emphasise money as an incentive but it is not first on the list for employees (Motivation 2.0) Employers need to work out what motivates each individual employee and put a plan in place to help keep them happy, motivated and engaged. The graph below reflects the information gathered when asking survey participants, the question "do

they plan to remain in the dairy industry in three years' time". The limitations of this data are that the 216 who responded to the survey may not reflect the entire industry; the survey was sent to over 1000 random dairy farm employees. It is noted that those who responded to the survey may be the more motivated or engaged individuals, resulting in skewed data. However, the survey results are still beneficial in providing trends and themes in the survey respondents. Of those employees who responded to the question "I Plan to Still be Working in the Dairy Industry in Three Years" 56% overall agreed. This should be of concern to the dairy industry, particularly with human resource requirement and the issues faced in attracting new employees to the industry.

Figure 7- Response to the statement - I Plan to Still be Working in the Dairy Industry in Three Years;



(Dairy NZ, 2020)

Currently, in New Zealand we have an ageing workforce with the average dairy farm owner being 66 and average dairy farm employee being 41 (Dairy NZ, 2020), this leads to the issue of managing millennials in the workforce. According to a 2016 Gallup survey, only 32% of employees feel "engaged" with their employer (Gallup, 2020) Only 4% of the companies participating in the same study considered themselves very good at engaging young talents from the age group of "Millennials". Employers must adapt their employment style to meet the needs of the millennial. Research has shown that millennials are the generation that is least loyal, least engaged and most likely to switch jobs. Millennials are three times more likely to change jobs than non-millennials with millennial turnover costing billions annually (Gallup 2016). Millennials tend not to view careers as life long investments as their baby-boomer parents did; they are focused on their own career progression more than a commitment to the farmer or organisation they work for. This makes managing Millennials and maintaining their engagement in the workforce fundamentally different and more challenging than previous generations. (Rolfe, 2017) With the ageing Population of our dairy farming

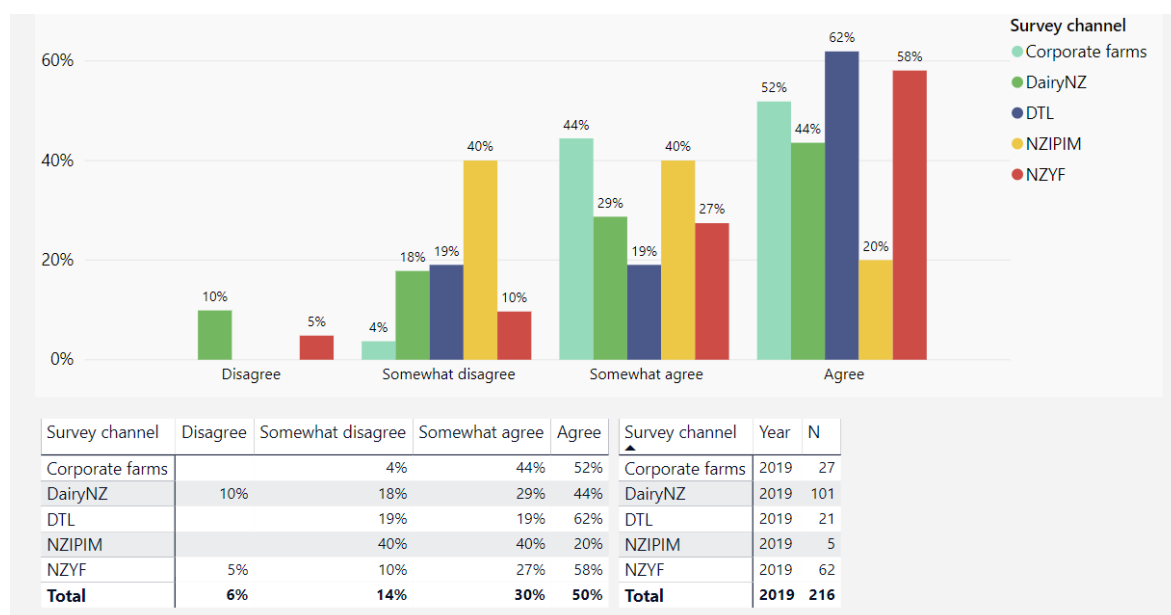
workforce, and an increase in millennials and Generation Z employees entering the workforce that is more important than ever that employers improve the engagement of these individuals in order to aid in retention.

Autonomy

Autonomy in a dairy farming environment is somewhat restricted, as milking is carried out on most farms twice a day at approximately 5:00 AM and 3:00 PM. This is a structured routine with little margin for flexibility without disruption to animal health and ultimately, productivity and profitability of the farm. However, outside of the milking routine, there is scope for more autonomy to be given to farm employees. Autonomy provides the employee with a sense of empowerment and improves their overall engagement and satisfaction.

The graph below reflects the results of the response to the survey question "I have the freedom to choose how to best perform my job" these results are somewhat surprising yet pleasing with only 6% disagreeing with the statement; however only 50% of the survey participants agree, signalling some grey area or uncertainty when responding to the question. 30% of the respondents somewhat agreed while 14% somewhat disagreed. Increased autonomy can be given on farm through improved leadership. Autonomy comes down again to communication, and clear communication with employees as to what is expected of them, most employees will be more satisfied and engaged if they are given the empowerment to decide how specifically to complete a task, with some direction from the employer or manager and additional support when required or asked for. Generally, employees do not like the style of work where they don't know what task is coming up next, this is also not an efficient way for a business to operate where employees have to continually contact the manager and ask for direction on the next task to be completed. Autonomy can be achieved through strategies like having regular farm meetings and communicating tasks that need to be completed and then giving employees the autonomy and freedom to decide when and how to carry out these tasks. Giving autonomy also involves understanding each individual employees' strengths and preferences and tailoring duties where possible.

Figure 8 - Response to the statement - Autonomy - I have the freedom to choose how to best perform my job.



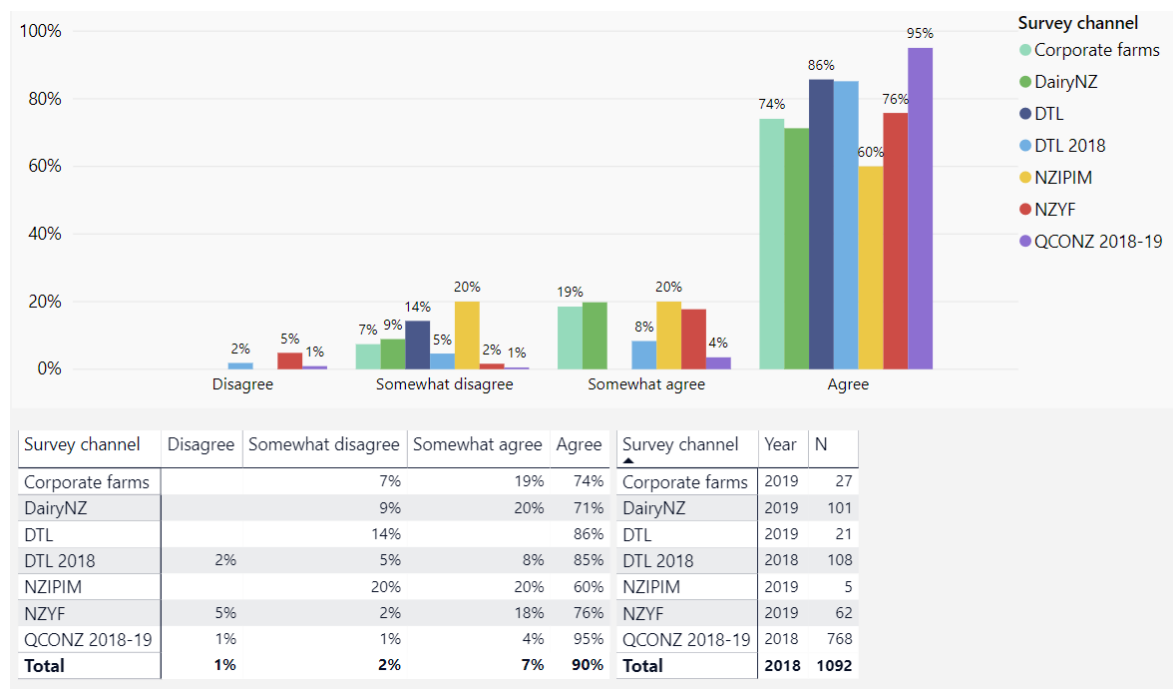
Purpose

Having purpose in any work environment is crucial, purpose is the "why" for doing your job and must correlate with personal values. The graph below depicts the results of the response from the survey question "I know what is expected of me at work" 90% of the respondents agreed with the statement showing that they are clear on what is expected of them at work, while only 1% disagree. While this information is interesting and shows that most dairy farm employees have clarity on what their role involves and what their employer expects of them, the survey question does not directly correlate to the employee's overall sense of purpose. Purpose is bigger than "knowing what is expected of me". A farm employee may understand that the purpose of their role is for example milking cows. They may not, however have clarity on the purpose of the farm as a food producer, and their role in producing food. There is often a disconnect between farmers (farm employees included) and markets. Historically there has been a tendency for dairy farmers to feel detached from their end consumers and markets; having little thought for their product once it leaves their farm gate. However, more recently, with help from processors, marketing and public scrutiny, this is changing. Dairy farm owners or managers need to convey this message to employees to develop a sense of purpose and pride. Improving sense of purpose and helping employees see the value of the part that they're playing and producing a high-quality food product will increase their pride and satisfaction, ultimately making them more engaged.

In order to begin to create a sense of purpose for the employee, the farmer or manager must understand what their personal values are; what is it they like about farming and what motivates them to get up and come to work each day. Research has shown that for many farm employees animals and the outdoor environment are an important part of what employees value in their job (Dairy NZ,

2020). Having a clear vision and goals for the farm and concisely communicating these to employees so that they feel involved and part of something bigger is also important.

Figure 9 – Response to statement - I know what is expected of me at Work



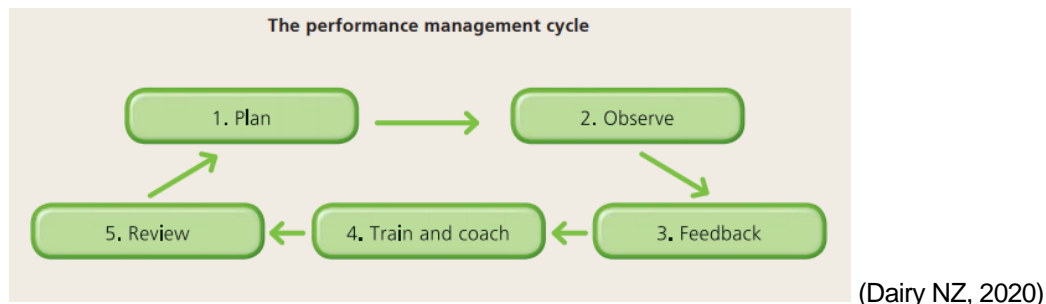
Mastery

Mastery is another crucial element in engaging employees. Mastery is described as the desire to get better at something that matters. Most of us have the desire to get better at the things that we do. In an on-farm environment a very varied skill set is required; employers need to match each of its employees with the right tasks. If you're always asking your team members to complete projects that they aren't skilled at, they'll feel overwhelmed, and their motivation will drop. Young employees entering the dairy industry often feel the pressure of the skillset required in dairy farming, with a lack of enough training and support, resulting in burnout and ultimately leaving the industry. (Dairy NZ, 2020) If you give them tasks that are too easy or repetitive, they'll get bored. Employees should be given the best possible opportunities and training to grow and improve. In the dairy industry in New Zealand there are ample resources available for training and upskilling ranging from on-farm to university level. However, mastery can also be achieved through less formal training and coaching often by the employer or manager. This involves taking the time to explain and demonstrate how to carry out tasks, as well as patience and compassion for employees who are novice and learning. Development plans and performance management is often lacking on farms. For an employee to do their job well and perform to the best of their abilities, they need to clearly understand what is expected of them and receive regular feedback and training on their performance. This is what is meant by "performance management". The benefits of giving people clear tasks and responsibilities and following up with regular feedback are:

- Increased efficiency on farm because people know what to do

- Less mistakes made on farm because people can learn from their mistakes in a non-threatening way
- Increased skills on farm because people receive feedback and can develop themselves and their abilities
- More motivated employees.

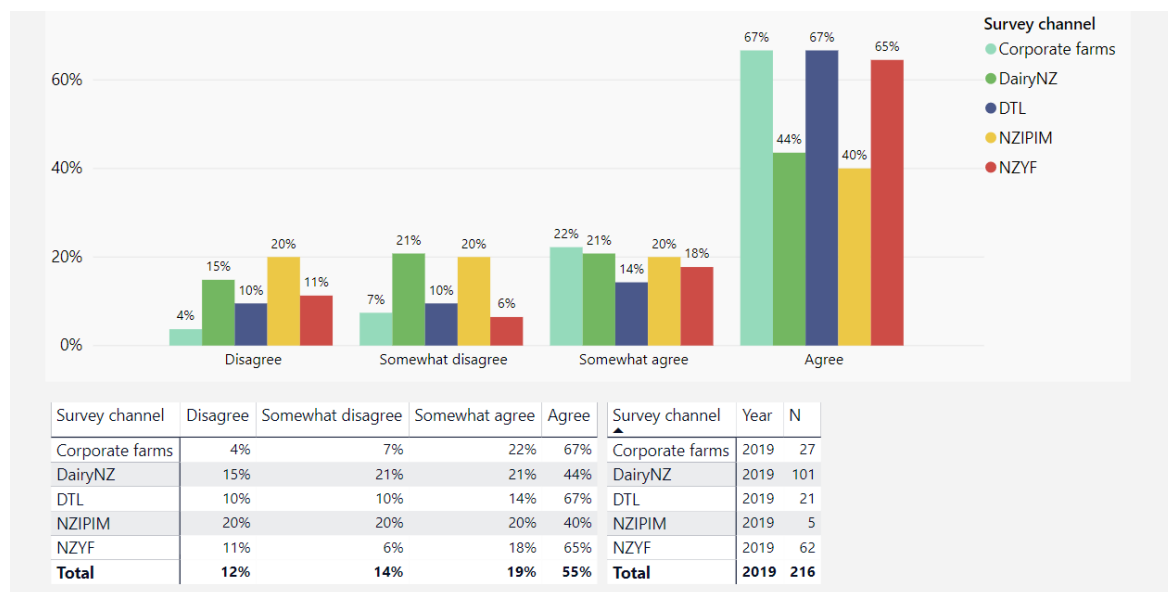
Figure 10 - The Performance Management Cycle



Praise and constructive feedback should be given regularly. Everyone likes to hear they have done a job well and why. People also respect being told how they can improve, however, positive feedback should be given three times as often as criticism (Dairy NZ, 2020) Formal development plans can aid in achieving mastery, these should be reviewed one on one with each employee at least six monthly. A performance measurement or bonus system can incentivise development or performance; however, mastery and self-development will be a greater reward to the employee who is motivated by mastery. For example, an athlete who is motivated by mastery might want to run as fast as she possibly can. Any medals that she receives are less important than the process of continuous improvement. (Pink, 2012)

The following diagram displays the results from the survey statement "There are opportunities for me to take on additional responsibility within my role" 55% of the respondents to the survey agreed that there were opportunities while 12% disagreed. Having the opportunity to learn develop and grow is crucial in achieving a sense of mastery. It is the responsibility of the employer or manager to provide progression opportunities and opportunities to take on additional responsibility for employees; this though requires time and commitment from the employer and training and coaching their people. Employees who feel a sense of mastery, though, will ultimately result in a more engaged workforce and a more profitable farm.

Figure 11 - Response to the Statement - 11 There are opportunities for me to take on additional responsibility within my role



Conclusion

Low employee engagement is an issue face by organisations globally and affects businesses in any industry and of any size. There is extensive research and data showing that improving employee engagement will improve employee retention rates and improve the profitability of the organisation. Retaining talented and passionate individuals on farm is a real issue faced by New Zealand's dairy sector. Improving employee engagement on farm will aid in retaining talent and passion. In order to improve engagement, it must first be understood and measured. There are many theories and methods for measuring and understanding employee engagement, however, the same common trend of communication with employees is apparent throughout.

Gallup is a measure of Employee engagement used globally; Gallup uses a twelve question framework which essentially boils down to twelve basic human needs if these twelve needs are satisfied the employee will be engaged. Daniel Pink's theory looks at autonomy mastery and purpose, and the concept that of all three of these are achieved an employee will be actively engaged, resulting and higher productivity and profitability of the organisation. Each of these theories can be applied to an on-farm work environment.

In reviewing employee engagement at FMG, parallels can be drawn between this highly engaged workforce and a farm work environments work environment and recommendations or learnings can be taken and applied on farm. FMG gives its employees autonomy through flexibility in how they carry out their roles. Mastery, with ongoing development and career progression opportunities and purpose where the core values and purpose of the organisation, are clearly communicated to all employees.

At present, on the majority of dairy farms employee engagement has a low priority resulting in poor outcomes and high employee turnover rates. Below are recommendations which can they practically applied on farm as tools to improve employee engagement an aid in retaining talented and passionate individuals on NZ's dairy farms.

Comparisons can be drawn between the highly engaged workforce culture of FMG, and the apparent lack of employee engagement within much of the current dairy farm employee base. I believe many principles applied by FMG, and other highly engaged and diverse workforces globally, can be transferred to an on-farm environment. The concept of the service profit chain can be applied to a farm environment where if people are engaged and feel a sense of purpose are motivated and driven, the farm itself will be more productive and profitable, with a connection to the food they are producing. Bringing people to the forefront of the story we tell our customers, as without people there is no dairy industry and no story to tell.

Recommendations

- **Communicate.** Communicating with employees regularly in both informal and formal setting. Getting to know them as individuals rather than just employees is the most crucial component an improving employee engagement.

- **Provide development opportunities.** This may involve on farm training or external courses as well as the opportunity to take on additional responsibilities in their current role.
- **Give feedback and recognition.** Recognition and praise should be given three times as often as constructive criticism.
- **Share and discuss purpose.** communicate with employees on why decisions are being made or tasks are being carried out. Help employees feel a sense of purpose and part of something bigger.
- **Give flexibility and autonomy where possible.** This requires putting trust in employees and understanding their individual strengths and skill set.
- **Improving employee engagement takes time.** Engagement can be improved one conversation at a time and is the responsibility of the manager or farmer but also the responsibility of the entire team.

Appendix

Survey Statements

I feel recognised for the contribution I make to the team

I have adequate access to community services

I have not been worried about job security in the last 12 months

I have not felt bullied or harassed at work in the last 12 months

I have the freedom to choose how to best perform my job

I have the tools and equipment I need to do my job well

I know what is expected of me at work

I plan to still be working on a dairy farm in 3 years

I receive the training I need to do my job well

I record the hours I work each week in a timesheet for my employer

I would feel comfortable refusing to carry out a task if I thought it was unsafe

I would recommend working in the dairy sector to a friend

I would recommend working on this farm to a friend

In the last year, I have made progress towards my career goals

My employer cares for me as a person

There are opportunities for me to take on additional responsibility within my role

What is expected of me at work is reasonable

Gallup Q12 Questions;

Q01: I know what is expected of me at work

Q02: I have the materials and equipment I need to do my work right.

Q03: At work, I have the opportunity to do what I do best every day.

Q04: In the last seven days, I have received recognition or praise for doing good work

Q05: My manager, or someone at work, seems to care about me as a person.

Q06: There is someone at work who encourages my development.

Q07: At work, my opinions seem to count

Q08: The mission or purpose of my organisation makes me feel my job is important.

Q09: My colleagues are committed to doing quality work

Q10: I have a best friend at work.

Q11: In the last six months, someone at work has talked to me about my progress.

Q12: This last year, I have had opportunities at work to learn and grow.

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