

DRIVING PERFORMANCE AND RETENTION THROUGH EMPLOYEE ENGAGEMENT

Key Questions Addressed

Recognizing an increased need to protect against unwanted attrition and safeguard productivity, senior executives seek renewed understanding of “the voice of the workforce” and its implications for the organization. This executive summary highlights insights to the following concerns:

- **How Engaged Is the Workforce?**
- **What Is the Business Impact of High Engagement?**
- **What Drives Employees’ Decisions to Commit to Staying with the Organization and Volunteer Extra Effort on the Job?**
- **How Does Engagement Differ by Employee Segment and by Organization?**
- **How Can Organizations Establish a High-Performance Relationship with Employees in Support of Business Needs?**

KEY AUDIENCES

Heads of HR
HR Leadership
Senior Executive Team
Line Unit Managers

RESEARCH CONTENT

Survey of more than 50,000 employees at 59 global organizations

Identification of the highest impact drivers of employee engagement

Employee engagement tools and strategies from best practice organizations



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DRIVING PERFORMANCE AND RETENTION THROUGH EMPLOYEE ENGAGEMENT

Top 10 Findings

1. The Corporate Leadership Council has completed a global study of the engagement level of 50,000 employees around the world, based on a new, more precise definition of engagement and its direct impact on both employee performance and retention.
2. Those employees who are most committed perform 20% better and are 87% less likely to leave the organization—indicating the significance of engagement to organizational performance.
3. While the majority of employees are neither highly committed nor uncommitted, more than 1 in 10 employees are fully disengaged—actively opposed to something or someone in their organizations.
4. There is no high-engagement or low-engagement “group”—commonly used segmentation techniques based on tenure, gender, or function do not predict engagement.
5. Instead, dramatic differences between companies suggest that engagement levels are determined more by company strategies and policies than any characteristics regarding the employee segments themselves.
6. An analysis of both rational and emotional forms of engagement reveals that emotional engagement is four times more valuable than rational engagement in driving employee effort.
7. Employee retention, on the other hand, depends more on a balance between rational and emotional engagement—as illustrated by the importance of compensation and benefits in driving employees’ intent to stay.
8. While employees’ commitment to their manager is crucial to engagement, the manager is most important as the enabler of employees’ commitment to their jobs, organizations, and teams.
9. Among the top 25 drivers of employee engagement identified by the Council, the most important driver is a connection between an employee’s job and organizational strategy.
10. To create and sustain a high-engagement workforce, best practice organizations effectively manage four critical leverage points:
 - Leverage Point #1: Business Risks
 - Leverage Point #2: Key Contributors
 - Leverage Point #3: Engagement Barriers
 - Leverage Point #4: Culture

The Corporate Leadership Council Engagement Survey and Analysis Tool (CLC ESAT) allows Council members to survey their staff and receive an automated report defining their levels of engagement.

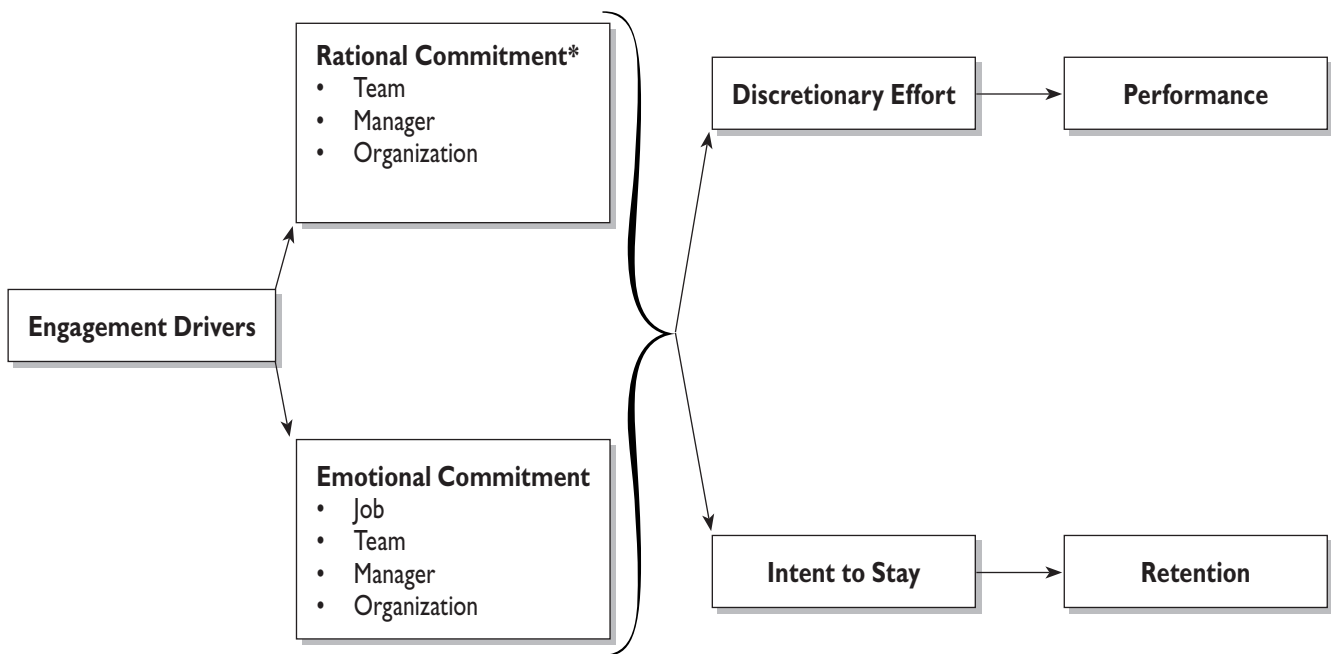
Available at www.corporateleadershipcouncil.com

Finding #1: The Corporate Leadership Council presents a new outcome-focused model of engagement.

The Corporate Leadership Council presents a new model of employee engagement emphasizing business outcomes. The Council defines engagement as the extent to which employees commit to something or someone in their organization, how hard they work, and how long they stay as a result of that commitment. By using this outcomes-focused definition, we can measure the tangible benefits of engagement, as opposed to focusing on “engagement for engagement’s sake.”

THE CORPORATE LEADERSHIP COUNCIL’S MODEL OF ENGAGEMENT

Engagement drivers... ...determine rational and emotional commitment... ...which in turn lead to effort and intent to stay... ...resulting in improved performance and retention



CLC’s Employee Engagement Survey

- 50,000 employees
- 59 Organizations
- 10 industries
- 27 countries

* Rational commitment to the job was not measured due to its similarity to rational commitment to the team, direct manager, and organization.

Source: Corporate Leadership Council research.

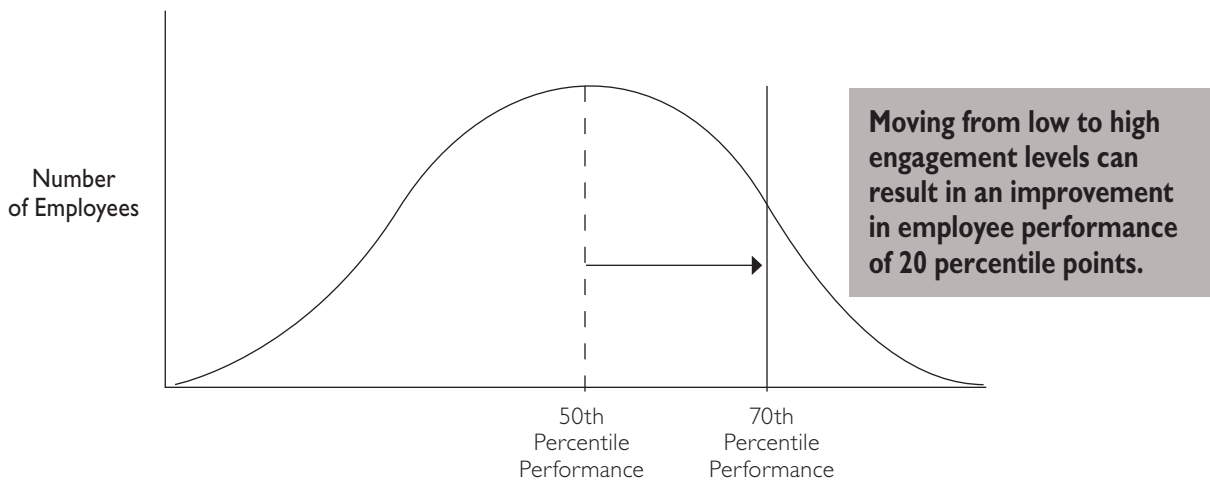
Finding #2: Engagement is critical to performance and retention.

By increasing employees' engagement levels, organizations can expect an increase in performance of up to 20 percentile points and an 87% reduction in employees' probability of departure. The highly engaged outperform the average by two deciles and are dramatically less likely to leave the organization.

THE BUSINESS CASE FOR ENGAGEMENT

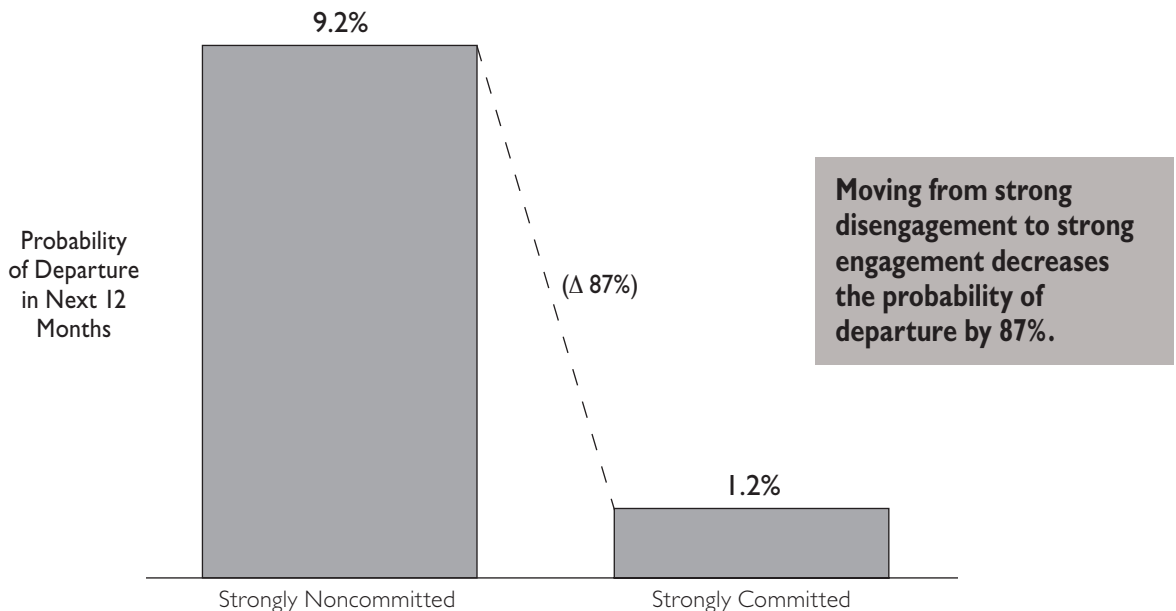
Employee engagement drives performance...

Maximum Impact of Commitment on Performance



...and retention

Maximum Impact of Commitment on Probability of Departure



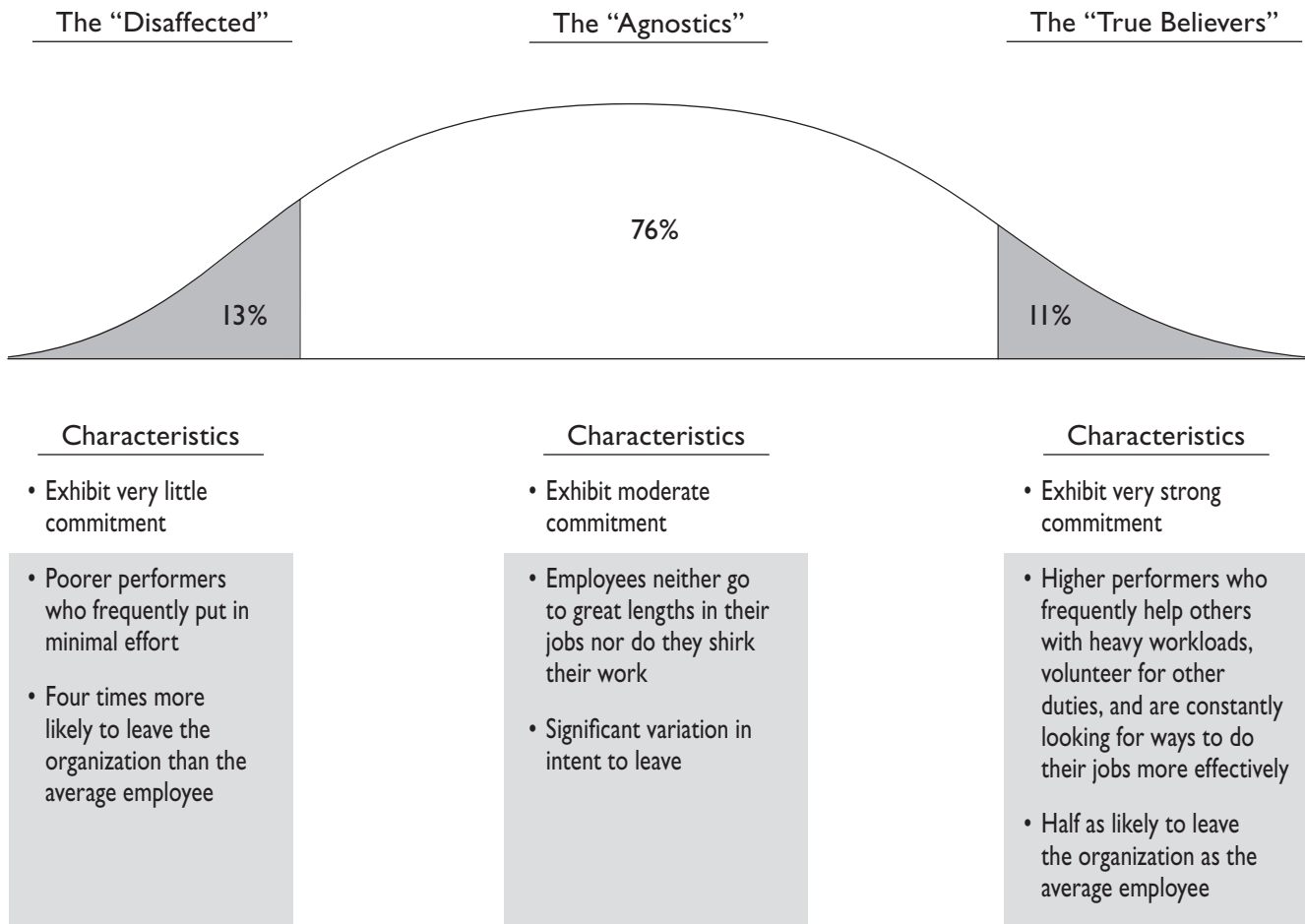
Source: Corporate Leadership Council 2004 Employee Engagement Survey.

Finding #3: More than 1 in 10 employees are fully disengaged.

While 11% of employees (the “True Believers”) demonstrate very strong commitment, 13% (the ”Disaffected”) are actively opposed to someone or something in their organizations. The real opportunity lies with the middle 76% of employees (the “Agnostics”) who are only modestly committed.

THE STATE OF WORKFORCE ENGAGEMENT

Based on a sample of 50,000 employees surveyed in 2004



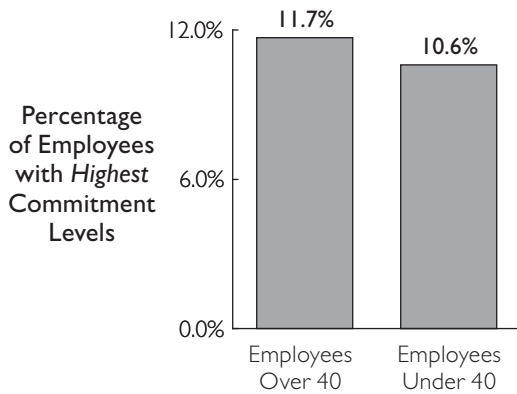
Finding #4: There is no high-engagement or low-engagement “group.”

There is no demographic group whose engagement is always high or always low. Rather, employee engagement is a characteristic not of groups but of individual people to be won or lost, improved or diminished, by their organization.

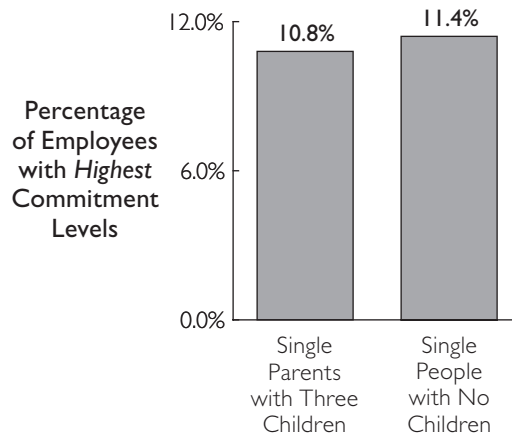
NO EASY LITMUS TESTS

Quick “rules of thumb” will prove inadequate as a means of identifying the committed and uncommitted

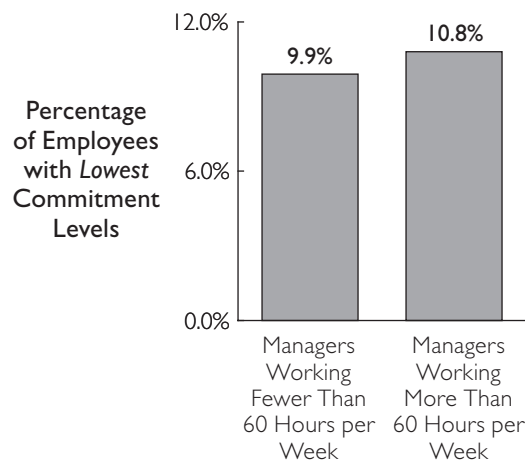
Generation X “Slackers”?



Single Parents with Children?



“Overworked” Managers?



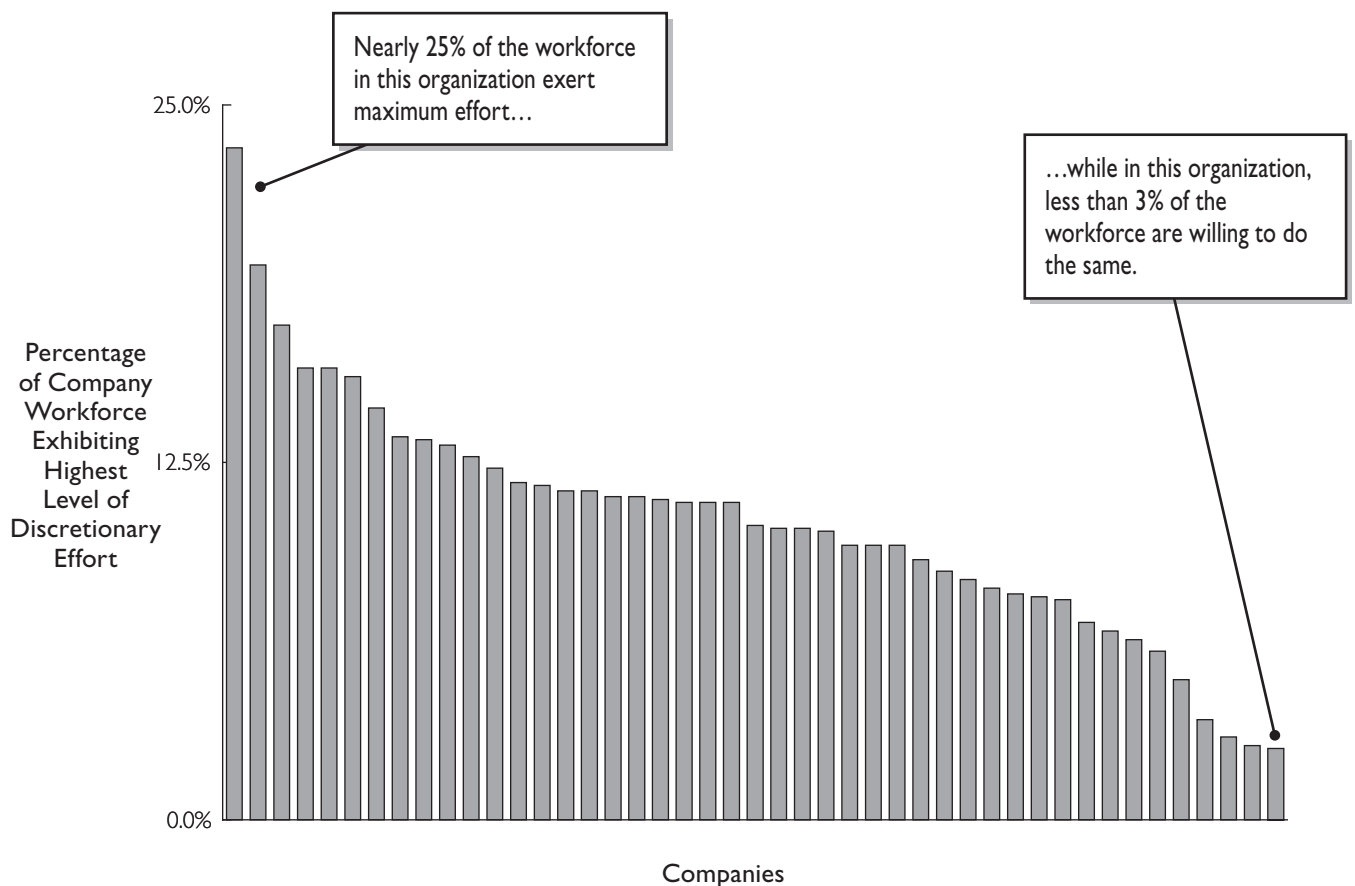
Finding #5: Dramatic differences exist in engagement levels between companies.

While minimal differences in engagement exist across demographic segments, dramatic differences exist across organizations. Organizations with a highly engaged workforce have almost 10 times as many committed, high-effort workers as those with a low-engaged workforce.

WHERE WOULD YOU LIKE YOUR ORGANIZATION TO BE?

Organizations exhibit dramatic differences in the discretionary effort of their employees

Percentage of Workforce Exhibiting Highest Effort Levels by Company



Source: Corporate Leadership Council 2004 Employee Engagement Survey.

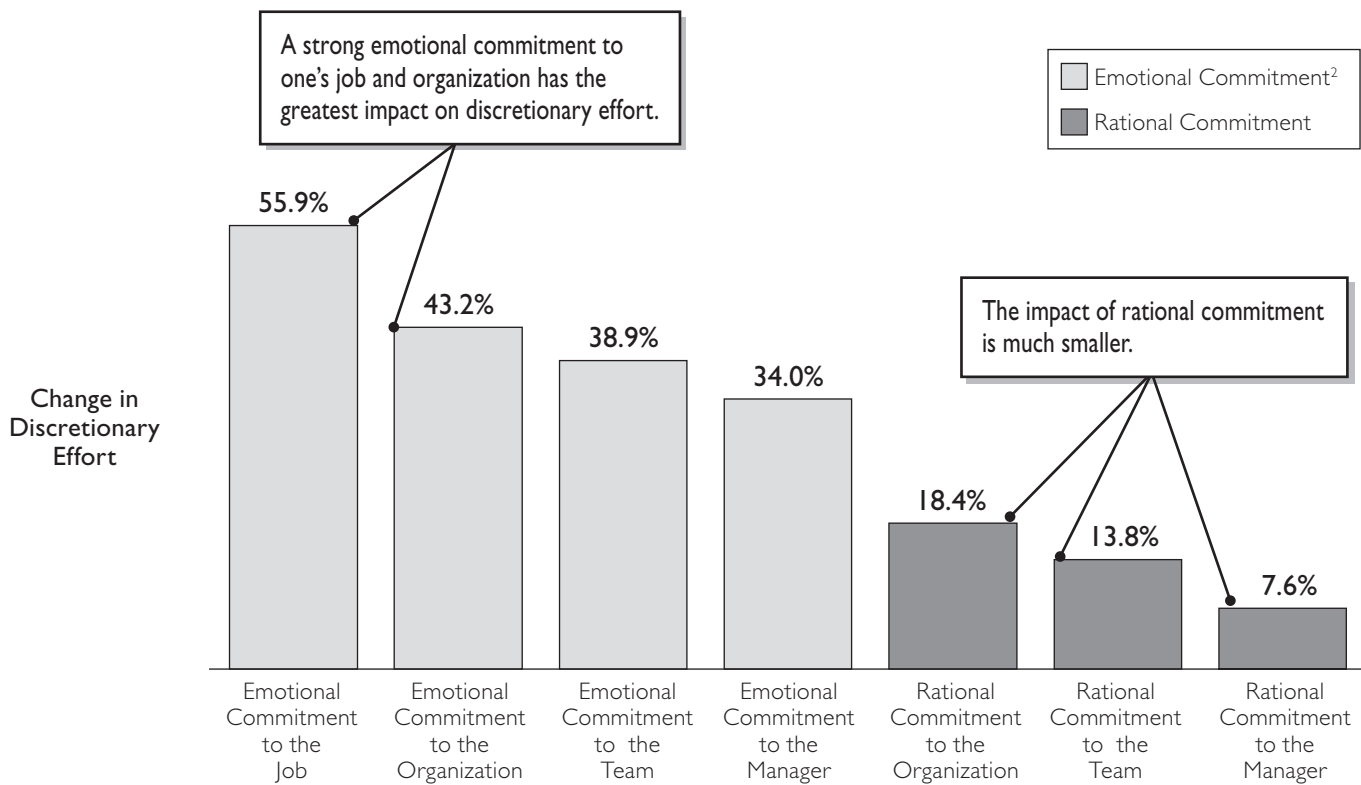
Finding #6: Emotional engagement is four times more valuable than rational engagement in driving employee effort.

Employees stay with their organizations when they believe it is in their self-interest, but they exert discretionary effort when they believe in the value of their job, their team, or their organization. In fact, emotional commitment is four times as valuable as rational commitment in increasing effort levels.

PERFORMANCE DEPENDS ON THE HEART OVER THE MIND

Employees try (or don't try) as a result of emotional commitment, not rational commitment

Maximum Impact of Commitment Type on Discretionary Effort¹



¹ Council research demonstrates that increased discretionary effort is a direct predictor of improved performance.

² Emotional commitment is defined as the extent to which employees derive pride, enjoyment, inspiration, or meaning from something or someone in the organization. While rational commitment is defined as the extent to which employees feel that someone or something within their organizations provides financial, developmental, or professional rewards that are in their best interests.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.

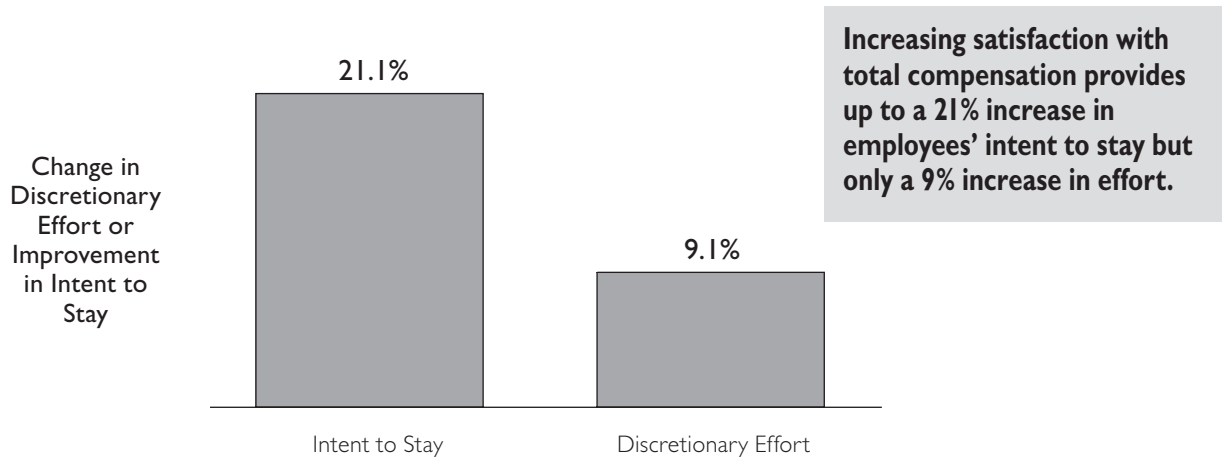
Finding #7: Compensation and benefits matter more to retention than effort.

While competitive compensation and benefits packages are crucial to *attract* and *retain* talent, other drivers of *engagement* are far more effective in driving discretionary effort.

THE IMPACT OF COMPENSATION AND BENEFITS

Compensation has a much larger impact on retention than on performance

Maximum Impact on Discretionary Effort and Retention
Due to Satisfaction with Total Compensation Package*



* Each bar represents a statistical estimate of the maximum total impact on discretionary effort or intent to stay each lever will produce through its impact on rational and emotional commitment. The maximum total impact is calculated by comparing two statistical estimates: the predicted discretionary effort or intent to stay for an employee who scores "high" on the lever and the predicted discretionary effort or intent to stay for an employee who scores "low" on the lever. The impact of each lever is modeled separately.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.

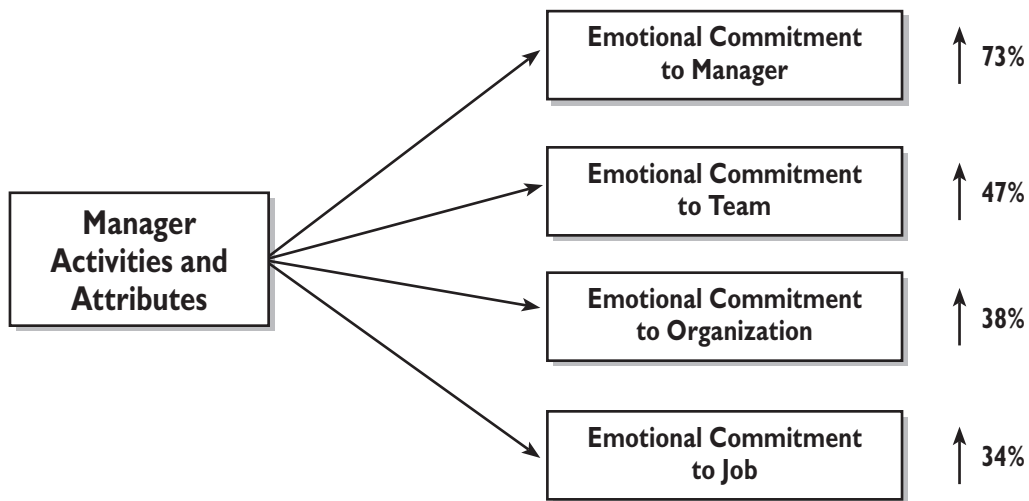
Finding #8: The manager is most important as the *enabler* of employees' commitment to their jobs, organizations, and teams.

While commitment to the manager is often pointed out as the key driver of engagement, Council research finds, surprisingly, that the manager actually plays a more important role as enabler of employee commitment to the job and organization.

MANAGER AS CONDUIT FOR WHAT MATTERS

Managers enable other, more valuable, forms of commitment

Impact of Highest-Scoring Manager Activities and Attributes on Commitment Foci*



A MEANS, NOT AN END

Though commitment to the manager is not itself the most powerful driver of effort, the manager has tremendous impact on employees' level of commitment to the team, organization, and job.

* Each value represents a statistical estimate of the maximum total impact on emotional commitment to the manager, team, organization, or job as a result of the highest-scoring manager attribute. The maximum total impact is calculated by comparing two statistical estimates: the predicted emotional commitment to each foci for an employee who scores "high" on this manager attribute and the predicted emotional commitment to each foci for an employee who scores "low" on this manager attribute. The impact on each foci is modeled separately.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.

Finding #9: The top 25 drivers of engagement point to the importance of employees' connection to the organization.

Most important among the 25 highest-impact drivers of engagement are a connection between employees' job and organizational strategy and employee understanding of how important their job is to organizational success. Also critical for increasing engagement levels are numerous manager characteristics, as well as cultural traits—predominantly, good internal communication, a reputation of integrity, and a culture of innovation.

THE TOP 25 LEVERS OF ENGAGEMENT

Top 25 Most Effective Levers of Effort

	Lever	Impact	Category
1.	Connection Between Work and Organizational Strategy	32.8	D
2.	Importance of Job to Organizational Success	30.3	D
3.	Understanding of How to Complete Work Projects	29.8	D
4.	Internal Communication	29.2	O
5.	Demonstrates Strong Commitment to Diversity	28.5	M
6.	Demonstrates Honesty and Integrity	27.9	M
7.	Reputation of Integrity	27.6	O
8.	Adapts to Changing Circumstances	27.6	M
9.	Clearly Articulates Organizational Goals	27.6	M
10.	Possesses Job Skills	27.2	M
11.	Sets Realistic Performance Expectations	27.1	M
12.	Puts the Right People in the Right Roles at the Right Time	26.9	M
13.	Helps Find Solutions to Problems	26.8	M
14.	Breaks Down Projects into Manageable Components	26.7	M
15.	Accepts Responsibility for Successes and Failures	26.6	M
16.	Encourages and Manages Innovation	26.5	M
17.	Accurately Evaluates Employee Potential	26.3	M
18.	Respects Employees as Individuals	26.1	M
19.	Demonstrates Passion to Succeed	26.0	M
20.	Cares About Employees	26.0	M
21.	Has a Good Reputation Within the Organization	26.0	M
22.	Innovation	26.0	O
23.	Is Open to New Ideas	25.9	M
24.	Defends Direct Reports	25.8	M
25.	Analytical Thinking	25.7	M

- O Organizational Culture and Performance Traits
- D Day-to-Day Work Characteristic
- M Manager Characteristics