Driving Performance and Retention Through Employee Engagement

A Quantitative Analysis of Effective Engagement Strategies
Road Map for the Discussion

A Unique Point in Time

Sizing the Opportunity

The Voice of the Workforce

Reframing the Organization's Response

The Evolving Employment Contract

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
What Is Employee Engagement?

Competing frameworks and definitions...

Sample Engagement Definitions

- Engagement is a positive emotional connection to an employee’s work
- Engagement is affective, normative, and continuance commitment
- Engaged employees are inspired to go above and beyond the call of duty to help meet business goals

...contradicting advice...

Sample Engagement “Advice”

- Become a “great place to work” through building trust in colleagues and ensuring employee pride and enjoyment
- Segmentation is the key to managing employee commitment and productivity
- Great managers are key to achieving an engaged workforce
- To achieve motivation, give the employee a “kick in the pants”

...and widely differing claims for ROI...

Claimed Benefits of Engagements

- Increase total shareholder return by up to 47 percent
- Reduce absenteeism
- Better customer feedback
- Less shrinkage of inventory
- Higher sales

...lead to conceptual confusion and no clear road map for action

And We’re Supposed to Do What…?

“Frankly, we don’t even agree on what it is we’re attempting to change, much less how to go about changing it.”

SVP of Administration
Financial Services Company

**BRINGING IT ALL TOGETHER**

*Engagement is the extent to which employees commit to something or someone in their organization and how hard they work and how long they stay as a result of that commitment*

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**Two Commitment “Types”**

- **Rational Commitment**
  The extent to which employees believe that managers, teams, or organizations are in their self-interest (financial, developmental, or professional).

- **Emotional Commitment**
  The extent to which employees value, enjoy and believe in their jobs, managers, teams, or organizations.

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**Four Focal Points of Commitment**

- **Day-to-Day Work**
- **Team**
- **Direct Manager**
- **Organization**

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**The Outputs of Commitment: Discretionary Effort and Intent to Leave**

- **Discretionary Effort**
  An employee’s willingness to go “above and beyond” the call of duty, such as helping others with heavy workloads, volunteering for additional duties, and looking for ways to perform their jobs more effectively.

- **Intent to Stay**
  An employee’s desire to stay with the organization, based on whether they intend to look for a new job within a year, whether they frequently think of quitting, whether they are actively looking for a job or have begun to take tangible steps like placing phone calls or sending out résumés.

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**Source:** Corporate Leadership Council 2004 Employee Engagement Survey.
The 2004 Employee Engagement Survey

**Measuring Employee Engagement**

**Assessment Methodology**

The Council assessed the engagement level of employees through 47 questions that measured the strength of rational and emotional commitment to day-to-day work, direct manager, team, and organization, along with the level of discretionary effort and intent to stay.

<table>
<thead>
<tr>
<th>Sample Emotional Commitment Questions</th>
</tr>
</thead>
</table>
| • I believe in what I do every day at work
| Strongly Disagree | Strongly Agree |
| • I enjoy working with my team
| Strongly Disagree | Strongly Agree |
| • When speaking to others, I speak highly of my supervisor
| Strongly Disagree | Strongly Agree |
| • I am proud to work for my organization
| Strongly Disagree | Strongly Agree |

<table>
<thead>
<tr>
<th>Sample Rational Commitment Questions*</th>
</tr>
</thead>
</table>
| • The best way for me to develop my skills in my organization right now is to stay with my current team
| Strongly Disagree | Strongly Agree |
| • The best way for me to advance in this organization is to stay with my current supervisor
| Strongly Disagree | Strongly Agree |
| • The best way for me to advance my career is to stay with my current organization
| Strongly Disagree | Strongly Agree |
| • My performance would suffer if I worked with any other team in my organization
| Strongly Disagree | Strongly Agree |

<table>
<thead>
<tr>
<th>Sample Discretionary Effort Questions</th>
</tr>
</thead>
</table>
| • I frequently try to help others who have heavy workloads
| Strongly Disagree | Strongly Agree |
| • There are days when I don’t put much effort into my job
| Strongly Disagree | Strongly Agree |
| • I am constantly looking for ways to do my job better
| Strongly Disagree | Strongly Agree |
| • When needed, I am willing to put in the extra effort to get a job done
| Strongly Disagree | Strongly Agree |

<table>
<thead>
<tr>
<th>Sample Intent to Stay Questions</th>
</tr>
</thead>
</table>
| • I intend to look for a new job with another organization within the next year
| Strongly Disagree | Strongly Agree |
| • I frequently think about quitting my job and leaving this organization
| Strongly Disagree | Strongly Agree |
| • I am actively looking for a job with another organization
| Strongly Disagree | Strongly Agree |
| • I have recently made phone calls or sent out my résumé in order to find a job with another organization
| Strongly Disagree | Strongly Agree |

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

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
With Sincere Thanks...

More than 50,000 employees from 59 organizations, 30 countries, and 14 industries participated in the 2004 survey.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
SURVEY DEMOGRAPHICS

Organizational Level, Function, and Geography of the Survey Participants

Management Level

- Division Head/VP: 2%
- Senior Executive: < 1%
- Department/Unit Manager/Director: 17%
- Supervisor/Administrator: 13%
- Non-Management: 68%

Work Function

- Sales: 6%
- Corporate Admin: 4%
- Customer Services: 15%
- Engineering and Design: 6%
- Finance/Accounting: 8%
- Human Resources: 9%
- Marketing: 3%
- Operations: 9%
- IT: 4%
- Manufacturing: 2%
- Finance/Accounting: 5%
- Other: 1%

Geography

- North America: 75%
- Other: 2%
- Europe: 5%
- Australia/New Zealand: 4%
- South Africa: 14%
- IT: 31%
- Marketing: 16%
- Operations: 32%

Age, Gender, and Tenure of Survey Participants

Age

- 51–60 Years Old: 19%
- 61 Years or Older: 2%
- 18–30 Years Old: 16%
- 31–40 Years Old: 31%

Gender

- Female: 46%
- Male: 54%

Tenure with Company

- 31 Years or More: 14%
- 21–30 Years: 14%
- 11–20 Years: 22%
- 10 Years or Less: 61%

Source: Corporate Leadership Council 2004 Employee Engagement Survey.

Note: Percentage totals may not equal 100 percent due to rounding.
Approximately 13 percent of the overall workforce is highly uncommitted…

The “Disaffected”

- 13%

Characteristics

- Exhibit very strong emotional and rational non-commitment to day-to-day work, the manager, the team, and the organization
- Poorer performers who frequently put in minimal effort
- Four times more likely to leave the organization than the average employee
- Nine times more likely to leave the organization than the “true believers”

…76 percent are “up for grabs,” neither fully committed or uncommitted…

The “Agnostics”

- 20%
- 29%

Characteristics

- Exhibit strong emotional or rational commitment to one focus, but only moderate commitment to remaining foci
- Twenty percent lean toward non-commitment, twenty-seven percent lean toward strong commitment, while twenty-nine percent are truly ambivalent
- Employees neither go to great lengths in their jobs, nor do they shirk their work
- Significant variation in intent to stay

…and the remaining 11 percent are highly committed

The “True Believers”

- 27%
- 11%

Characteristics

- Exhibit very strong emotional and rational commitment to day-to-day work, the manager, the team, and the organization
- Higher performers who frequently help others with heavy workloads, volunteer for other duties, and are constantly looking for ways to do their jobs better
- Half as likely to leave the organization as the average employee
- Nine times more likely to stay with the organization as the “disaffected”

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
No Easy Litmus Tests

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

Engagement Is Not Segment-Specific

Percentage of Employees with Highest Commitment Levels

- Generation X “Slackers”?  
  - Employees Over 40: 11.7%  
  - Employees Under 40: 10.6%

- Single Parents with Children?  
  - Single Parents with Three Children: 10.8%  
  - Single People with No Children: 11.4%

- “Overworked” Managers?  
  - Managers Working Fewer Than 60 Hours per Week: 9.9%  
  - Managers Working More Than 60 Hours per Week: 10.8%

Percentage of Highly Committed and Uncommitted by Employee Demographic Group

<table>
<thead>
<tr>
<th>Demographic/Group</th>
<th>Highly Committed</th>
<th>Highly Uncommitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>10.8%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Single</td>
<td>11.7%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Three Years of Tenure</td>
<td>11.5%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Ten Years of Tenure</td>
<td>10.5%</td>
<td>13.7%</td>
</tr>
<tr>
<td>Sales Function</td>
<td>13.4%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Corporate Administration</td>
<td>12.8%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Telecommunications Industry</td>
<td>10.7%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Financial Services Industry</td>
<td>11.5%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Management</td>
<td>11.1%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Non-Management</td>
<td>11.2%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
THE REAL LITMUS TEST: COMPANIES

While minimal differences in engagement exist among demographic segments, dramatic differences exist across organizations

Percentage of Company Workforce in “True Believer” Category*

- Highest Scoring Company: 23.8%
- Lowest Scoring Company: 2.9%

* The analysis above is based on the percentage of each organization’s workforce that demonstrates the highest level of both emotional and rational commitment to day-to-day work, the manager, the team, and the organization (termed “True Believers” on page 14b).

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
**Some Work (Much) Harder**

*Organizations exhibit drastic differences in the discretionary effort of their employees*

**Percentage of Workforce Exhibiting Highest Effort Levels, by Company**

- Nearly 25 percent of the workforce in this organization exert maximum effort...
- ...while in this organization, less than three percent of the workforce is willing to do the same.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
The Corporate Leadership Council’s Model of Engagement

**Commitment…**

- **Rational Commitment**
  - Team
  - Manager
  - Organization

- **Emotional Commitment**
  - Job
  - Team
  - Manager
  - Organization

**…drives effort and intent to stay…**

- **Discretionary Effort**
- **Intent to Stay**

**…resulting in improved performance and retention**

- **Performance**
- **Retention**

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

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
A Note of Caution: Engagement Is Not a Cure-All

A high-performing workforce first depends on the recruitment of high-quality talent...

Recruiting for High Performance
- Intelligence
- Right Skill Set
- Strong Work Ethic

...once in place, engagement accounts for roughly 40 percent of observed performance improvements

Percentage of Observable Performance Improvement by Category

<table>
<thead>
<tr>
<th>Total Percentage Improvement</th>
<th>0%</th>
<th>50%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruiting for High Performance</td>
<td>57%</td>
<td>43%</td>
<td></td>
</tr>
</tbody>
</table>

1 Using structural equation models, the total effect of more than 100 levers for increasing performance was decomposed into two components: the direct effect of the lever on performance (consisting of job relevant information, experiences, or resources) and the indirect effect of the lever on performance through emotional and rational commitment. The numbers presented are the average across the top 100 levers.

2 The Council’s recent study Building the High Performance Workforce presents an extensive treatment of direct performance inflectors.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
**Commitment Drives Effort and Performance**

*Organizations that improve commitment will see significant returns in discretionary effort...*  

<table>
<thead>
<tr>
<th>Change in Discretionary Effort</th>
<th>Strongly Non-Committed</th>
<th>Strongly Committed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Employees</td>
<td>1.0</td>
<td>1.57</td>
</tr>
</tbody>
</table>

Moving employees from strong non-commitment to strong commitment can result in a 57 percent increase in discretionary effort.

*...resulting in higher performance across the workforce...*  

<table>
<thead>
<tr>
<th>Maximum Impact of Discretionary Effort on Performance Percentile*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moving from low to high effort levels can result in a 20 percent improvement in employee performance.</td>
</tr>
</tbody>
</table>

**The “10:6:2” Rule**

- Every 10 percent improvement in commitment can increase an employee’s effort level by 6 percent.
- Every 6 percent improvement in effort can increase an employee’s performance by 2 percent.

*The analysis above presents a statistical estimate of the maximum total impact on discretionary effort and performance emotional commitment will produce. The maximum total impact is calculated by comparing two statistical estimates: the predicted discretionary effort or performance rank for an employee who scores “high” in emotional commitment, and the predicted discretionary effort or performance rank for an employee who scores “low” in emotional commitment.*

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
COMMITMENT DRIVES RETENTION

Employees with high levels of commitment are significantly less likely to leave

Maximum Impact of Commitment on the Probability of Departure

Moving from strong non-commitment to strong commitment decreases the probability of departure by 87 percent.

The “10:9” Rule

Every 10 percent improvement in commitment can decrease an employee’s probability of departure by 9 percent.

* Analyzing data from the Council’s 2004 employee engagement data and attrition models from CLC Solutions, non-linear regression was used to estimate the rate of departure for employees according to commitment level.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
**What a Difference Engagement Can Make**

*A tale of two companies from the 2004 Employee Engagement Survey*

### Emotional Commitment

#### Percentage of Workforce Strongly Emotionally Committed

<table>
<thead>
<tr>
<th>Organization</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>20.8%</td>
</tr>
<tr>
<td>B</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

### Rational Commitment

#### Percentage of Workforce Strongly Rationally Committed

<table>
<thead>
<tr>
<th>Organization</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>22.9%</td>
</tr>
<tr>
<td>B</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

### Discretionary Effort

#### Percentage of Workforce in Highest Category of Discretionary Effort

<table>
<thead>
<tr>
<th>Organization</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>15.8%</td>
</tr>
<tr>
<td>B</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

### Intent to Stay

#### Percentage of Workforce in Highest Category of Intent to Stay

<table>
<thead>
<tr>
<th>Organization</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>42.9%</td>
</tr>
<tr>
<td>B</td>
<td>13.7%</td>
</tr>
</tbody>
</table>

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
The Connection Between Engagement and Company Performance

Companies with above average employee commitment had greater one-year revenue growth relative to their industry than those with below-average employee commitment.

Percentage of Companies by Economic Performance and Employee Commitment

Companies with Above Average Employee Commitment

- Above Average Company Performance: 71%
- Below Average Company Performance: 29%

Companies with Below Average Employee Commitment

- Above Average Company Performance: 62%
- Below Average Company Performance: 38%

* Company performance is determined by above or below average one-year revenue growth relative to industry peer group. Above average employee commitment is defined as having more than 11 percent of an organization’s workforce fall into the highly committed category. Below average employee commitment is defined as having less than 11 percent of an organization’s workforce fall into the highly committed category.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
ROAD MAP FOR THE DISCUSSION

A Unique Point in Time

Sizing the Opportunity

The Voice of the Workforce

Reframing the Organization’s Response

The Evolving Employment Contract
The Corporate Leadership Council’s Model of Engagement

Commitment...

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- Manager
- Organization

Emotional Commitment
- Job
- Team
- Manager
- Organization

...drives effort and intent to leave...

Discretionary Effort

Intent to Stay

...resulting in improved performance and reduced attrition

Performance

Retention

Engagement Levers

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

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
Assessing the Impact of Engagement Levers

A Four-Step Approach to Testing Levers of Effort

Assessing the impact of general training on employee engagement

Step #1: Measure Presence and Effectiveness of “Engagement Levers”

In the last 12 months, about how many hours of general training have you received from your organization?

- I received no general skills training in the last 12 months
- Less than 1 hour
- 1 to 5 hours
- ...
- 61 to 70 hours
- More than 70 hours of training

Step #2: Measure Attitudes of Engagement

Example:
Question 4 of Engagement Assessment: I believe in what I do every day at work.

- Strongly Agree
- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree
- Strongly Disagree

Step #3: Apply a Structural Equation Model to Estimate Impact of Lever

- Rational Commitment
  - Team
  - Manager
  - Organization

- Emotional Commitment
  - Job
  - Team
  - Manager
  - Organization

Step #4: Calculate the Lever’s Total Impact on Discretionary Effort and Intent to Stay

Change in Effort and Intent to Leave Due to Amount of General Training Received

Effort
Intent to Stay

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
Emotional Commitment Drives Discretionary Effort

**Feel Like Trying Hard?**

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

Maximum Impact of Commitment Type on Discretionary Effort*

- A strong emotional commitment to one’s job and organization has the greatest impact on discretionary effort.
- The impact of rational commitment is much smaller.

* Each bar represents a statistical estimate of the maximum total impact on discretionary effort each type of commitment will produce. The maximum total impact is calculated by comparing two statistical estimates: the predicted discretionary effort level for an employee who is strongly committed, and the predicted discretionary effort level for an employee who is strongly uncommitted. The impact of each commitment type is modeled separately.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
Retention Problems Are Problems of Rational Commitment

**MEET EMPLOYEE NEEDS TO BATTLE ATTRITION**

*Employees leave organizations largely out of self-interest, but emotions still play a pivotal role*

**Maximum Impact of Commitment Type on Intent to Stay***

- A strong rational commitment to the organization leads to the strongest reduction in intent to stay.

![Bar chart showing improvements in intent to stay for different types of commitment](chart)

- Emotional Commitment
- Rational Commitment

* Each bar represents a statistical estimate of the maximum total impact on intent to stay each type of commitment will produce. The maximum total impact is calculated by comparing two statistical estimates: the predicted intent to stay for an employee who is strongly committed, and the predicted intent to stay for an employee who is strongly uncommitted. The impact of each commitment type is modeled separately.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
Identifying Engagement Levers

**How Do We Build Commitment?**

* A wide variety of levers influence the degree to which employees commit to the organization

* The Corporate Leadership Council's Model of Engagement

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

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
### Potential Levers for Driving Engagement

**The 2004 Council survey examined more than 300 potential levers, the top 160 of which are listed below**

<table>
<thead>
<tr>
<th>401(k) Plan</th>
<th>Commission Internal Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to Obtain Necessary Information</td>
<td>Commission Satisfaction</td>
</tr>
<tr>
<td>Manager: Accepts Responsibility for Successes and Failures</td>
<td>Manager: Commitment to Diversity</td>
</tr>
<tr>
<td>Manager: Accurately Evaluates Employee Performance</td>
<td>Community Involvement</td>
</tr>
<tr>
<td>Manager: Accurately Evaluates Employee Potential</td>
<td>Company Performance</td>
</tr>
<tr>
<td>Manager: Adapts to Changing Circumstances</td>
<td>Connection Between Work and Organizational Strategy</td>
</tr>
<tr>
<td>Amount of General Skills Training Received</td>
<td>Manager: Creates Clear Work Plans and Timetables</td>
</tr>
<tr>
<td>Amount of Job-Specific Training Received</td>
<td>Culture of Flexibility</td>
</tr>
<tr>
<td>Amount of Travel (Actual Versus Desired)</td>
<td>Culture of Innovation</td>
</tr>
<tr>
<td>Manager: Analytical Thinking</td>
<td>Culture of Risk Taking</td>
</tr>
<tr>
<td>Manager: Appropriately Handles Crises</td>
<td>Customer Focus</td>
</tr>
<tr>
<td>Manager: Articulates a Long-Term Vision for the Future</td>
<td>Day-Care</td>
</tr>
<tr>
<td>Manager: Aids Information, Resources, and Technology</td>
<td>Manager: Deeply Cares about Employees</td>
</tr>
<tr>
<td>Base Pay External Equity</td>
<td>Manager: Defends Direct Reports</td>
</tr>
<tr>
<td>Base Pay Internal Equity</td>
<td>Manager: Demonstrates Honesty and Integrity</td>
</tr>
<tr>
<td>Base Pay Satisfaction</td>
<td>Manager: Demonstrates Passion to Succeed</td>
</tr>
<tr>
<td>Manager: Breaks Down Projects into Manageable Components</td>
<td>Development Plan: Challenge</td>
</tr>
<tr>
<td>Manager: Cares About Employees</td>
<td>Development Plan: Effectiveness</td>
</tr>
<tr>
<td>Cash Bonus External Equity</td>
<td>Manager: Has a Good Reputation within the Organization</td>
</tr>
<tr>
<td>Cash Bonus Internal Equity</td>
<td>Health Benefits Information</td>
</tr>
<tr>
<td>Cash Bonus Satisfaction</td>
<td>Manager: Helps Find Solutions to Problems</td>
</tr>
<tr>
<td>Manager: Clearly Articulates Organizational Goals</td>
<td>Manager: Holds People Accountable</td>
</tr>
<tr>
<td>Manager: Clearly Communicates Performance Expectations</td>
<td>Importance of Job to Organizational Success</td>
</tr>
<tr>
<td>Onboarding: Clearly Explains Job Importance</td>
<td>Importance of Projects to Employees’ Personal Development</td>
</tr>
<tr>
<td>Onboarding: Clearly Explains Job Responsibilities</td>
<td>Importance of Projects to Employees’ Long-term Career</td>
</tr>
<tr>
<td>Manager: Clearly Explains Performance Objectives</td>
<td>Manager: Inspires Others</td>
</tr>
<tr>
<td>Commission External Equity</td>
<td>Internal Communication</td>
</tr>
<tr>
<td>Development Plan: Emphasis on General Skills Training, Job-Specific Training, Skills and Behaviors, Job Experiences, Leadership Training, and Management Training</td>
<td>Manager: Introduces New Hires to Other New Employees</td>
</tr>
<tr>
<td>Development Plan: Employee Influence in Creating</td>
<td>Senior Executive Team: Is Committed to Creating New Jobs</td>
</tr>
<tr>
<td>Development Plan: Sufficient Time to Complete</td>
<td>Manager: Is Friendly and Approachable</td>
</tr>
<tr>
<td>Development Plan: Use</td>
<td>Manager: Is Intelligent</td>
</tr>
<tr>
<td>Manager: Differential Treatment of Best and Worst Performers</td>
<td>Manager: Is Open to New Ideas</td>
</tr>
<tr>
<td>Diffuse Decision-making Authority</td>
<td>Senior Executive Team: Is Open to New Ideas</td>
</tr>
<tr>
<td>Senior Executive Team Diversity</td>
<td>Senior Executive Team: Job Challenge</td>
</tr>
<tr>
<td>Domestic Partner</td>
<td>Manager: Encourages and Manages Innovation</td>
</tr>
<tr>
<td>Education Assistance</td>
<td>Manager: Encourages Employee Development</td>
</tr>
<tr>
<td>Effectiveness of Career Advisor</td>
<td>Equity and Recognition</td>
</tr>
<tr>
<td>Onboarding: Teaches About Organizational Vision and Strategy</td>
<td>Fitness Program</td>
</tr>
<tr>
<td>Telecommuting</td>
<td>Flexible Work Schedule</td>
</tr>
<tr>
<td>Manager: Values Work—Life Balance of Employees</td>
<td>Freedom from Harassment in the Workplace</td>
</tr>
<tr>
<td>Manager: Sets Realistic Performance Expectations</td>
<td>Future Orientation</td>
</tr>
<tr>
<td>Manager: Treats Direct Reports Equally</td>
<td>Understanding of How to Successfully Complete Work Projects</td>
</tr>
<tr>
<td>Manager: Trusts Employees to Do Their Job</td>
<td>Vacation</td>
</tr>
<tr>
<td>Opportunity to Work with the Senior Executive Team</td>
<td>Perceived Rewards: Opportunity for Promotion</td>
</tr>
<tr>
<td>Job Fit—Better Suited for Another Position</td>
<td>Short-Term Disability</td>
</tr>
<tr>
<td>Job Fit—Type of Work</td>
<td>Health Benefits</td>
</tr>
<tr>
<td>Job Freedom</td>
<td>Manager: Puts People in the Right Roles at the Right Time</td>
</tr>
<tr>
<td>Job Influence</td>
<td>Manager: Possesses Job Skills</td>
</tr>
<tr>
<td>Leave Benefits Information</td>
<td>Prescription Drug Benefit</td>
</tr>
<tr>
<td>Manager: Lets Upper Management Know of Employee Effectiveness</td>
<td>Profit Sharing External Equity</td>
</tr>
<tr>
<td>Manager: Listens Carefully to Views and Opinions</td>
<td>Profit Sharing Internal Equity</td>
</tr>
<tr>
<td>Long-Term Disability</td>
<td>Profit Sharing Satisfaction</td>
</tr>
<tr>
<td>Senior Executive Team: Makes Efforts to Avoid Layoffs</td>
<td>Provides Job Freedom</td>
</tr>
<tr>
<td>Senior Executive Team: Makes Employee Development a Priority</td>
<td>Provides Necessary Tools and Resources</td>
</tr>
<tr>
<td>Manager: Makes Sacrifices for Direct Reports</td>
<td>Onboarding: Provides Work Immediately</td>
</tr>
<tr>
<td>Maternity Leave</td>
<td>Quality of Informal Feedback</td>
</tr>
<tr>
<td>Opportunity Culture</td>
<td>Manager: Recognizes and Rewards Achievement</td>
</tr>
<tr>
<td>Opportunity to be Promoted</td>
<td>Organization’s Reputation of Integrity</td>
</tr>
<tr>
<td>Opportunity to Help Launch a New Business, Initiative, or Program</td>
<td>Manager: Respects Employees as Individuals</td>
</tr>
<tr>
<td>Opportunity to Help Turn Around a Struggling Business</td>
<td>Retirement Information</td>
</tr>
<tr>
<td>Opportunity to Spend Time with a Professional Coach</td>
<td>Manager: Senior Executive Team: Strong in Strategy Selection and Implementation</td>
</tr>
<tr>
<td>Opportunity to Take Breaks</td>
<td>Manager: Senior Executive Team: Strong in Day-to-Day Process Management</td>
</tr>
<tr>
<td>Opportunity to Work in a Different Country</td>
<td>Manager: Employee Stock Ownership Program</td>
</tr>
<tr>
<td>Opportunity to Work in a Variety of Jobs/ Roles</td>
<td>Manager: Encourages and Manages Innovation</td>
</tr>
<tr>
<td>Opportunity to Work in New Divisions or Business Units</td>
<td>Perceived Rewards: Size of Annual Bonus</td>
</tr>
<tr>
<td>Opportunity to Work in New Functional Areas</td>
<td>Perceived Rewards: Size of Average Bonus</td>
</tr>
<tr>
<td>Opportunity to Work on Things You Do Best</td>
<td>Manager: Persuades Employees to Move in a Desired Direction</td>
</tr>
<tr>
<td>Opportunity to Work with a Mentor</td>
<td>Manager: Places Employees’ Interests First</td>
</tr>
<tr>
<td>Opportunity Culture Program</td>
<td>Task Variety</td>
</tr>
<tr>
<td>Employee Assistance Program</td>
<td>Onboarding: Teaches About Group or Division Work-Life Balance Information</td>
</tr>
<tr>
<td>Employee Stock Ownership Program</td>
<td>Manager: Works Harder Than Expected Employees to Work</td>
</tr>
<tr>
<td>Manager: Encourages and Manages Innovation</td>
<td>Total Compensation External Equity</td>
</tr>
<tr>
<td>Perceived Rewards: Size of Annual Bonus</td>
<td>Total Compensation Internal Equity</td>
</tr>
<tr>
<td>Perceived Rewards: Size of Average Bonus</td>
<td>Total Compensation Satisfaction</td>
</tr>
<tr>
<td>Manager: Persuades Employees to Move in a Desired Direction</td>
<td>Senior Executive Team: Strong in Leading and Managing People</td>
</tr>
<tr>
<td>Manager: Puts People in the Right Roles at the Right Time</td>
<td>Senior Executive Team: Strong in Personal Characteristics</td>
</tr>
<tr>
<td>Opportunity to Help Launch a New Business, Initiative, or Program</td>
<td>Safety of Tasks</td>
</tr>
</tbody>
</table>
The Universality of Engagement Levers

**Not So Different After All**

*Most levers impact all employees to the same degree*

Average Difference in Impact of Levers on Discretionary Effort Between Segment and Aggregate Workforce

<table>
<thead>
<tr>
<th>Segment Type</th>
<th>Average Difference in Impact of Lever Across Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>5.04%</td>
</tr>
<tr>
<td>Regional</td>
<td>4.33%</td>
</tr>
<tr>
<td>Organizations</td>
<td>2.93%</td>
</tr>
<tr>
<td>Hourly Workers</td>
<td>2.70%</td>
</tr>
<tr>
<td>Front-Line Employees</td>
<td>2.42%</td>
</tr>
<tr>
<td>Sales People</td>
<td>2.03%</td>
</tr>
<tr>
<td>Generations X and Y</td>
<td>1.69%</td>
</tr>
<tr>
<td>R&amp;D and Engineering</td>
<td>1.68%</td>
</tr>
</tbody>
</table>

* Using structural equation models, the total effect of more than 100 levers for increasing discretionary effort was measured for the aggregate population and the subsets outlined above. The average difference is found by subtracting the total effect for the aggregate dataset from the total effect for the subset and averaging over the 100 levers. The absolute value of the difference is presented.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
Some Engagement Levers Much More Effective Than Others

The Power of Focus on High-Impact Levers

While the majority of levers will improve discretionary effort, a select group of levers produce significantly higher returns

Maximum Impact of Engagement Levers on Discretionary Effort*

* Each bar represents a statistical estimate of the maximum total impact on discretionary effort 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 level for an employee who scores “high” on the lever, and the predicted discretionary effort level for an employee who scores “low” on the lever. The impact of each lever is modeled separately.

The top 50 levers of discretionary effort are 40 times as powerful as the bottom 150 levers.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
## Potential Engagement Levers

### Manager
- Accepts Responsibility for Successes and Failures
- Accurately Evaluates Employee Performance
- Accurately Evaluates Employee Potential
- Adapts to Changing Circumstances
- Analytical Thinking
- Appropriately Handles Crises
- Articulates a Long-Term Vision for the Future
- Attains Information, Resources, and Technology
- Breaks Down Projects into Manageable Components
- Cares About Employees
- Clearly Articulates Organizational Goals
- Clearly Communicates Performance Expectations
- Commitment to Diversity
- Creates Clear Work Plans and Timetables
- Defends Direct Reports
- Demonstrates Honesty and Integrity
- Demonstrates Passion to Succeed
- Encourages and Manages Innovation
- Encourages Employee Development
- Has a Good Reputation Within the Organization

### Manager (Continued)
- Helps Find Solutions to Problems
- Holds People Accountable
- Inspires Others
- Is Friendly and Approachable
- Is Intelligent
- Is Open to New Ideas
- Lets Upper Management Know of Employee Effectiveness
- Listens Carefully to Views and Opinions
- Makes Sacrifices for Direct Reports
- People in the Right Roles at the Right Time
- Persuades Employees to Move in a Desired Direction
- Places Employee Interests First
- Possesses Job Skills
- Provides Job Freedom
- Quality of Informal Feedback
- Recognizes and Rewards Achievement
- Respects Employees as Individuals
- Sets Realistic Performance Expectations
- Treats Direct Reports Equally
- Trusts Employees to Do Their Job
- Values Work–Life Balance of Employees
- Works Harder Than Expects Employees to Work

### Senior Executive Team
- Deeply Cares About Employees
- Is Committed to Creating New Jobs
- Is Open to New Ideas
- Makes Employee Development a Priority
- Provides Necessary Tools and Resources
- Strong in Day-to-Day Process Management
- Strong in Leading and Managing People
- Strong in Personal Characteristics
- Strong in Strategy Selection and Implementation
- Teaches About Organizational Vision and Strategy

### Compensation
- Total Compensation Satisfaction
- Total Compensation External Equity
- Total Compensation Internal Equity
- Base Pay Satisfaction
- Base Pay External Equity
- Base Pay Internal Equity
- Cash Bonus Satisfaction
- Cash Bonus External Equity
- Cash Bonus Internal Equity
- Commission Satisfaction
- Commission External Equity
- Commission Internal Equity
- Profit Sharing Satisfaction
- Profit Sharing External Equity
- Profit Sharing Internal Equity
- Stock Bonus Satisfaction
- Stock Bonus External
- Equity Stock Bonus
- Internal Equity

### Benefits

#### Health Benefits:
- Health Benefits Plan
- Health Benefits Information
- Prescription Drug Benefit

#### Leave Benefits:
- Leave Benefits Information
- Long-Term Disability
- Maternity Leave
- Paid Time-Off Bank
- Short-Term Disability
- Sick Leave
- Vacation

#### Retirement Benefits:
- Retirement Information
- 401(k) Plan
- Employee Stock Ownership Program
- Pension
- Retirement Medical Group Plan

#### Work–Life Benefits:
- Work–Life Balance Information
- Day-Care
- Domestic Partner
- Employee Assistance Program
- Education Assistance
- Fitness Program
- Flexible Work Schedule
- Telecommuting

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
Potential Engagement Levers (Continued)

Onboarding
- Clearly Explains Job Importance
- Clearly Explains Job Responsibilities
- Clearly Explains Performance Objectives
- Introduces New Hires to Other New Employees
- Provides Necessary Tools and Resources
- Provides Work Immediately
- Teaches About Group or Division
- Teaches About Organizational Vision and Strategy

Day-to-Day Work
- Ability to Obtain Necessary Information
- Amount of Travel (Actual Versus Desired)
- Connection Between Work and Organizational Strategy
- Understanding of How to Successfully Complete Work Projects
- Freedom from Harassment in the Workplace
- Importance of Job to Organizational Success
- Importance of Projects to Employees’ Long-Term Career
- Importance of Projects to Employees’ Personal Development
- Job Challenge
- Job Fit—Better Suited for Another Position
- Job Fit—Type of Work
- Job Freedom
- Job Influence
- Opportunity to Take Breaks
- Opportunity to Work on Things You Do Best
- Perceived Rewards: Opportunity for Promotion
- Perceived Rewards: Size of Annual Bonus
- Perceived Rewards: Size of Annual Raise
- Safe Workspace
- Safety of Tasks
- Sufficient People to Complete Tasks
- Sufficient Time to Complete Tasks
- Sufficient Tools and Resources
- Task Variety

Learning and Development
- Development Plan: Challenge
- Development Plan: Effectiveness
- Development Plan: Emphasis on General Skills Training, Job-Specific Training, Skills and Behaviors, Job Experiences, Leadership Training, and Management Training
- Development Plan: Employee Influence in Creating Development Plan
- Development Plan: Sufficient Time to Complete Development Plan
- Development Plan: Use
- Amount of General Skills Training Received
- Amount of Job-Specific Training Received
- Effectiveness of General Skills Training
- Effectiveness of Job-Specific Training
- Effectiveness of Career Advisor Opportunity to Be Promoted
- Opportunity to Help Launch a New Business, Initiative, or Program
- Opportunity to Help Turn Around a Struggling Business
- Opportunity to Spend Time with a Professional Coach
- Opportunity to Work in a Different Country
- Opportunity to Work in a Variety of Jobs/Roles
- Opportunity to Work in New Divisions or Business Units
- Opportunity to Work in New Functional Areas
- Opportunity to Work with a Mentor
- Opportunity to Work with the Senior Executive Team

Organizational Culture
- Community Involvement
- Company Performance
- Customer Focus
- Diffuse Decision-Making Authority
- Diversity
- Culture of Flexibility
- Differential Treatment of Best and Worst Performers
- Equity and Recognition
- Future Orientation
- Culture of Innovation
- Communication
- Opportunity Culture
- Culture of Risk Taking
- Reputation of Integrity

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
Reevaluating Our Tools

**Direct Manager:** The Rule of Three and the challenge of scale

**Senior Executive Team:** The importance of reciprocity

**Compensation Plans:** The power and limitations of financial rewards

**Benefits Plans:** The value of information

**Onboarding:** An important job from day one

**Day to Day Work:** Connecting employees to something larger

**Learning and Development:** Tangible commitment to a personalized approach

**Organizational Culture:** Connection, contribution, and credibility
**Many Things—and No One Thing**

*Almost all manager activities drive employee effort*

<table>
<thead>
<tr>
<th>Manager Characteristics</th>
<th>Impact Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment to Diversity</td>
<td>28.5%</td>
</tr>
<tr>
<td>Demonstrates Honesty and Integrity</td>
<td>27.9%</td>
</tr>
<tr>
<td>Adapts to Changing Circumstances</td>
<td>27.6%</td>
</tr>
<tr>
<td>Clearly Articulates Organizational Goals</td>
<td>27.6%</td>
</tr>
<tr>
<td>Possesses Job Skills</td>
<td>27.2%</td>
</tr>
<tr>
<td>Sets Realistic Performance Expectations</td>
<td>27.1%</td>
</tr>
<tr>
<td>Puts People in the Right Roles at the Right Time</td>
<td>26.9%</td>
</tr>
<tr>
<td>Helps Find Solutions to Problems</td>
<td>26.8%</td>
</tr>
<tr>
<td>Breaks Down Projects into Manageable Components</td>
<td>26.7%</td>
</tr>
<tr>
<td>Accepts Responsibility for Successes and Failures</td>
<td>26.6%</td>
</tr>
<tr>
<td>Encourages and Manages Innovation</td>
<td>26.5%</td>
</tr>
<tr>
<td>Accurately Evaluates Employee Potential</td>
<td>26.3%</td>
</tr>
<tr>
<td>Respects Employees as Individuals</td>
<td>26.1%</td>
</tr>
<tr>
<td>Demonstrates Passion to Succeed</td>
<td>26.0%</td>
</tr>
<tr>
<td>Cares About Employees</td>
<td>26.0%</td>
</tr>
<tr>
<td>Has a Good Reputation Within the Organization</td>
<td>26.0%</td>
</tr>
<tr>
<td>Is Open to New Ideas</td>
<td>25.9%</td>
</tr>
<tr>
<td>Defends Direct Reports</td>
<td>25.8%</td>
</tr>
<tr>
<td>Analytical Thinking</td>
<td>25.7%</td>
</tr>
<tr>
<td>Attains Information, Resources, and Technology</td>
<td>25.7%</td>
</tr>
</tbody>
</table>
### Maximum Impact on Discretionary Effort from Manager Characteristics (Continued)

<table>
<thead>
<tr>
<th>Manager Characteristic</th>
<th>Impact Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Makes Sacrifices for Direct Reports</td>
<td>25.6%</td>
</tr>
<tr>
<td>Quality of Informal Feedback</td>
<td>25.6%</td>
</tr>
<tr>
<td>Encourages Employee Development</td>
<td>25.5%</td>
</tr>
<tr>
<td>Persuades Employees to Move in a Desired Direction</td>
<td>25.4%</td>
</tr>
<tr>
<td>Accurately Evaluates Employee Performance</td>
<td>25.3%</td>
</tr>
<tr>
<td>Articulates a Long-term Vision for the Future</td>
<td>25.3%</td>
</tr>
<tr>
<td>Inspires Others</td>
<td>25.2%</td>
</tr>
<tr>
<td>Places Employee Interests First</td>
<td>24.8%</td>
</tr>
<tr>
<td>Provides Job Freedom</td>
<td>24.7%</td>
</tr>
<tr>
<td>Is Intelligent</td>
<td>24.6%</td>
</tr>
<tr>
<td>Clearly Communicates Performance Expectations</td>
<td>24.6%</td>
</tr>
<tr>
<td>Appropriately Handles Crises</td>
<td>24.4%</td>
</tr>
<tr>
<td>Creates Clear Work Plans and Timetables</td>
<td>24.1%</td>
</tr>
<tr>
<td>Trusts Employees to do their Job</td>
<td>23.8%</td>
</tr>
<tr>
<td>Advertises Employee Effectiveness</td>
<td>23.0%</td>
</tr>
<tr>
<td>Listens Carefully to Views and Opinions</td>
<td>23.0%</td>
</tr>
<tr>
<td>Recognizes and Rewards Achievement</td>
<td>22.7%</td>
</tr>
<tr>
<td>Holds People Accountable</td>
<td>22.6%</td>
</tr>
<tr>
<td>Is Friendly and Approachable</td>
<td>22.2%</td>
</tr>
<tr>
<td>Treats Direct Reports Equally</td>
<td>22.0%</td>
</tr>
<tr>
<td>Values Work-life Balance of Employees</td>
<td>21.7%</td>
</tr>
<tr>
<td>Works Harder than Expects Employees to Work</td>
<td>20.7%</td>
</tr>
</tbody>
</table>

* Each bar represents a statistical estimate of the maximum total impact on discretionary effort 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 level for an employee who scores “high” on the lever, and the predicted discretionary effort level 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.
The Bad News: Limited Manager Scalability

The organizational impact of good managers is limited by narrow spans of control

Manager Spans of Control

46% of Managers: 1 to 5 Direct Reports
25% of Managers: 6 to 10 Direct Reports
29% of Managers: 11 to 100 Direct Reports*

* This group is made up of 17 percent of managers who manage 11 to 20 people, and 21 percent of managers who manage 21 or more people.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
Senior Executive Team Levers

**AN “OPEN DOOR” SENIOR TEAM INSPIRES EFFORT**

*Commit to me, and I’ll commit to you*

Maximum Impact of Senior Executive Team Qualities on Discretionary Effort*

Reciprocity pays: Senior executives who are open to input and commit to their employees receive heightened effort in return.

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Source: Corporate Leadership Council 2004 Employee Engagement Survey.
**Connect Total Compensation to Performance**

*Tying compensation to performance is the most influential lever of discretionary effort*

Maximum Impact of Compensation Levers on Discretionary Effort*

* Each bar represents a statistical estimate of the maximum total impact on discretionary effort 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 level for an employee who scores “high” on the lever, and the predicted discretionary effort level 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.
**Compensation Levers**

**Some More Motivated by Money than Others**

*The salesforce is consistently more motivated by compensation levers than the aggregate workforce*

Maximum Impact of Compensation Levers on Discretionary Effort*

<table>
<thead>
<tr>
<th>Change in Discretionary Effort</th>
<th>Aggregate Workforce</th>
<th>Sales Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Compensation Satisfaction</td>
<td>9.1%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Base Pay Satisfaction</td>
<td>7.6%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Cash Bonus Satisfaction</td>
<td>7.0%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Stock Bonus Satisfaction</td>
<td>5.5%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Profit-Sharing Satisfaction</td>
<td>5.4%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Commission Satisfaction</td>
<td>5.1%</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

* Each bar represents a statistical estimate of the maximum total impact on discretionary effort 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 level for an employee who scores “high” on the lever, and the predicted discretionary effort level 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.
**Understanding the Benefits Plans That Matters Most**

*Brand* your benefits program

Maximum Impact on Discretionary Effort Due to Benefits Programs*

<table>
<thead>
<tr>
<th>Benefit Category</th>
<th>Change in Discretionary Effort</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications</td>
<td>16.4%</td>
</tr>
<tr>
<td>Health Benefits</td>
<td>15.1%</td>
</tr>
<tr>
<td>Retirement Benefits</td>
<td>11.7%</td>
</tr>
<tr>
<td>Leave Benefits</td>
<td>11.5%</td>
</tr>
<tr>
<td>Work-Life Balance Benefits</td>
<td>10.6%</td>
</tr>
<tr>
<td>Prescription Drug Benefit</td>
<td>10.4%</td>
</tr>
<tr>
<td>401(k) ESOP</td>
<td>9.1%</td>
</tr>
<tr>
<td>Retirement, Medical Group Plan</td>
<td>8.2%</td>
</tr>
<tr>
<td>Paid Time Off Bank</td>
<td>7.8%</td>
</tr>
<tr>
<td>Long-Term Disability</td>
<td>7.1%</td>
</tr>
<tr>
<td>Vacation</td>
<td>5.6%</td>
</tr>
<tr>
<td>Short-Term Disability</td>
<td>5.6%</td>
</tr>
<tr>
<td>Sick Leave</td>
<td>5.6%</td>
</tr>
<tr>
<td>Maternity Leave</td>
<td>5.6%</td>
</tr>
<tr>
<td>Flexible Work Schedule</td>
<td>5.6%</td>
</tr>
<tr>
<td>Telecommuting</td>
<td>5.6%</td>
</tr>
<tr>
<td>Fitness Program</td>
<td>5.6%</td>
</tr>
<tr>
<td>EAP</td>
<td>7.0%</td>
</tr>
<tr>
<td>Day Care</td>
<td>7.0%</td>
</tr>
<tr>
<td>Education Assistance</td>
<td>5.8%</td>
</tr>
<tr>
<td>Domestic Partner</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

*Each bar represents a statistical estimate of the maximum total impact on discretionary effort 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 level for an employee who scores “high” on the lever, and the predicted discretionary effort level 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.
Onboarding Levers

**AN IMPORTANT JOB FROM DAY ONE**

"Tell me why my job matters as soon as I walk in the door"

Maximum Impact of Onboarding Levers on Discretionary Effort*

* New hires will try much harder when they understand and believe in their jobs’ importance to the organization.

Change in Discretionary Effort

- 23.4%
- 21.9%
- 21.5%
- 20.9%
- 20.3%
- 19.2%
- 18.8%
- 17.9%

*Each bar presents a statistical estimate of the maximum total impact on discretionary effort 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 level for an employee who scores “high” on the lever, and the predicted discretionary effort level 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.

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Day-to-Day Work Levers

A PURPOSEFUL, INFORMED CONNECTION

“I need to understand not only how to do my job, but why it matters”

Maximum Impact of Job Design Levers on Discretionary Effort*

Understanding how to do one’s job and a belief in the importance of it are most critical…

Job Importance and Understanding = 31%

...job fit and job quality are notably less important…

Job Fit and Personal Goals = 17%

Job Quality = 17%

...as are access to necessary resources and even safety.

Resources = 15%

Safety = 13%

* Each bar presents a statistical estimate of the maximum total impact on discretionary effort 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 level for an employee who scores “high” on the lever, and the predicted discretionary effort level 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.
Learning and Development Levers

INDIVIDUALIZED DEVELOPMENT PAYS OFF IN EFFORT

“Help me build skills to become more effective in my job”

Maximum Impact of Learning and Development on Discretionary Effort*

* Each bar presents a statistical estimate of the maximum total impact on discretionary effort 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 level for an employee who scores “high” on the lever, and the predicted discretionary effort level 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.

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Organizational Culture Levers

A CULTURE OF COMMUNICATION, INTEGRITY, AND INNOVATION

“Give me job-relevant information, the opportunity to innovate, and a sense of pride”

Maximum Impact of Cultural and Performance Traits on Discretionary Effort

<table>
<thead>
<tr>
<th>Cultural and Performance Traits</th>
<th>Change in Discretionary Effort</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>29.2%</td>
</tr>
<tr>
<td>Reputation of Integrity</td>
<td>27.6%</td>
</tr>
<tr>
<td>Innovation</td>
<td>26.0%</td>
</tr>
<tr>
<td>Flexibility</td>
<td>24.7%</td>
</tr>
<tr>
<td>Customer Focus</td>
<td>23.2%</td>
</tr>
<tr>
<td>Future Orientation</td>
<td>21.5%</td>
</tr>
<tr>
<td>Equity and Recognition</td>
<td>20.6%</td>
</tr>
<tr>
<td>Company Success</td>
<td>18.7%</td>
</tr>
<tr>
<td>Opportunity Culture</td>
<td>18.5%</td>
</tr>
<tr>
<td>Risk Taking</td>
<td>18.3%</td>
</tr>
<tr>
<td>Community Involvement</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Success invites greater effort while the perception of failure risks employee shirking.

* Each bar presents a statistical estimate of the maximum total impact on discretionary effort 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 level for an employee who scores “high” on the lever, and the predicted discretionary effort level 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.
Revaluing Your Organizational Culture

Your Culture Is a (Very Valuable) Economic Public Good

*Culture offers scale and impact across thousands of employees*

A New Typology for Human Capital Strategies

**Examples:**

<table>
<thead>
<tr>
<th>Non-Subtractable</th>
<th>Non-Excludable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subtractable</td>
<td></td>
</tr>
<tr>
<td>Excludable</td>
<td></td>
</tr>
</tbody>
</table>

**Private Good Strategies**

- Subtractable—each employee’s use of the strategy reduces the quantity available for others
- Excludable—strategy can be administered to some employees and withheld from others

**Public Good Strategies**

- Non-Subtractable—strategy is never “used up”
- Non-Excludable—strategy affects all employees simultaneously

**Pure Private Good Strategies**

- Compensation Strategies: 2%
- Benefits: 10%
- Learning and Development Opportunities: 12%

**Mixed Strategies**

- Day-to-Day Work Characteristics: 17%
- Senior Executive Team Qualities: 17%
- Areas of Onboarding Focus: 20%

**Pure Public Good Strategies**

- Direct Manager Characteristics: 25%
- Organizational Culture Traits: 21%

---

*Each bar presents an average of the maximum total impact of all the strategies within a category. The maximum total impact for any given strategy is calculated by comparing two statistical estimates: the predicted discretionary effort level for an employee who scores “high” on the strategy, and the predicted discretionary effort level for an employee who scores “low” on the strategy. The impact of each strategy is modeled separately.*

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
# The Top 50 Levers of Engagement

## Summary of Top 50 Levers

## The Top 50 Levers of Engagement

### Top 50 Most Effective Levers of Effort

<table>
<thead>
<tr>
<th>Lever</th>
<th>Impact</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Connection Between Work and Organizational Strategy</td>
<td>32.8</td>
<td>D</td>
</tr>
<tr>
<td>2. Importance of Job to Organizational Success</td>
<td>30.3</td>
<td>D</td>
</tr>
<tr>
<td>3. Understanding of How to Complete Work Projects</td>
<td>29.8</td>
<td>D</td>
</tr>
<tr>
<td>4. Internal Communication</td>
<td>29.2</td>
<td>O</td>
</tr>
<tr>
<td>5. Demonstrates Strong Commitment to Diversity</td>
<td>28.5</td>
<td>M</td>
</tr>
<tr>
<td>6. Demonstrates Honesty and Integrity</td>
<td>27.9</td>
<td>M</td>
</tr>
<tr>
<td>7. Reputation of Integrity</td>
<td>27.6</td>
<td>O</td>
</tr>
<tr>
<td>8. Adapts to Changing Circumstances</td>
<td>27.6</td>
<td>M</td>
</tr>
<tr>
<td>9. Clearly Articulates Organizational Goals</td>
<td>27.6</td>
<td>M</td>
</tr>
<tr>
<td>10. Possesses Job Skills</td>
<td>27.2</td>
<td>M</td>
</tr>
<tr>
<td>11. Sets Realistic Performance Expectations</td>
<td>27.1</td>
<td>M</td>
</tr>
<tr>
<td>12. Puts the Right People in the Right Roles at the Right Time</td>
<td>26.9</td>
<td>M</td>
</tr>
<tr>
<td>13. Helps Find Solutions to Problems</td>
<td>26.8</td>
<td>M</td>
</tr>
<tr>
<td>14. Breaks Down Projects into Manageable Components</td>
<td>26.7</td>
<td>M</td>
</tr>
<tr>
<td>15. Accepts Responsibility for Successes and Failures</td>
<td>26.6</td>
<td>M</td>
</tr>
<tr>
<td>16. Encourages and Manages Innovation</td>
<td>26.5</td>
<td>M</td>
</tr>
<tr>
<td>17. Accurately Evaluates Employee Potential</td>
<td>26.3</td>
<td>M</td>
</tr>
<tr>
<td>18. Respects Employees as Individuals</td>
<td>26.1</td>
<td>M</td>
</tr>
<tr>
<td>19. Demonstrates Passion to Succeed</td>
<td>26.0</td>
<td>M</td>
</tr>
<tr>
<td>20. Cares About Employees</td>
<td>26.0</td>
<td>M</td>
</tr>
<tr>
<td>21. Has a Good Reputation Within the Organization</td>
<td>26.0</td>
<td>M</td>
</tr>
<tr>
<td>22. Innovation</td>
<td>26.0</td>
<td>O</td>
</tr>
<tr>
<td>23. Is Open to New Ideas</td>
<td>25.9</td>
<td>M</td>
</tr>
<tr>
<td>24. Defends Direct Reports</td>
<td>25.8</td>
<td>M</td>
</tr>
<tr>
<td>25. Analytical Thinking</td>
<td>25.7</td>
<td>M</td>
</tr>
<tr>
<td>26. Helps Attain Necessary Information, Resources, and Technology</td>
<td>25.7</td>
<td>M</td>
</tr>
<tr>
<td>27. Makes Sacrifices for Direct Reports</td>
<td>25.6</td>
<td>M</td>
</tr>
<tr>
<td>28. Quality of Informal Feedback</td>
<td>25.6</td>
<td>M</td>
</tr>
<tr>
<td>29. Career Advisor Effectiveness</td>
<td>25.5</td>
<td>L&amp;D</td>
</tr>
<tr>
<td>30. Encourages Employee Development</td>
<td>25.4</td>
<td>M</td>
</tr>
<tr>
<td>31. Persuades Employees to Move in a Desired Direction</td>
<td>25.4</td>
<td>M</td>
</tr>
<tr>
<td>32. Accurately Evaluates Employee Performance</td>
<td>25.3</td>
<td>M</td>
</tr>
<tr>
<td>33. Identifies and Articulates a Long-Term Vision for the Future</td>
<td>25.3</td>
<td>M</td>
</tr>
<tr>
<td>34. Inspires Others</td>
<td>25.2</td>
<td>M</td>
</tr>
<tr>
<td>35. Places Employee Interests First</td>
<td>24.8</td>
<td>M</td>
</tr>
<tr>
<td>36. Flexibility</td>
<td>24.7</td>
<td>O</td>
</tr>
<tr>
<td>37. Provides Job Freedom</td>
<td>24.7</td>
<td>M</td>
</tr>
<tr>
<td>38. Is Intelligent</td>
<td>24.6</td>
<td>M</td>
</tr>
<tr>
<td>39. Clearly Communicates Performance Expectations</td>
<td>24.6</td>
<td>M</td>
</tr>
<tr>
<td>40. Appropriately Handles Crisis</td>
<td>24.4</td>
<td>M</td>
</tr>
<tr>
<td>41. Creates Clear Work Plans and Timelines</td>
<td>24.1</td>
<td>M</td>
</tr>
<tr>
<td>42. Ability to Obtain Necessary Information</td>
<td>23.9</td>
<td>D</td>
</tr>
<tr>
<td>43. Importance of Projects to Employees’ Personal Development</td>
<td>23.8</td>
<td>D</td>
</tr>
<tr>
<td>44. Trusts Employees to do Their Job</td>
<td>23.8</td>
<td>M</td>
</tr>
<tr>
<td>45. Clearly Explains Job Importance</td>
<td>23.4</td>
<td>Onb</td>
</tr>
<tr>
<td>46. Customer Focus</td>
<td>23.2</td>
<td>O</td>
</tr>
<tr>
<td>47. Future Orientation</td>
<td>23.1</td>
<td>O</td>
</tr>
<tr>
<td>48. Lets Upper Management Know of Employee Effectiveness</td>
<td>23.0</td>
<td>M</td>
</tr>
<tr>
<td>49. Listens Carefully to Views and Options</td>
<td>23.0</td>
<td>M</td>
</tr>
<tr>
<td>50. Is Open to New Ideas</td>
<td>22.9</td>
<td>Exec</td>
</tr>
</tbody>
</table>

### Lever Impact Category

- **O**: Organizational Culture and Performance Traits
- **M**: Manager Characteristics
- **D**: Day-to-Day Work Characteristics
- **L&D**: Learning and Development Opportunities
- **Onb**: Areas of Onboarding Focus
- **Exec**: Senior Executive Team Qualities

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
Executive Summary

INSIGHTS INTO EMPLOYEE ENGAGEMENT

1. Taking a business-outcome approach to measuring employee engagement. Engagement is the extent to which employees commit—rationally or emotionally—to something or someone in the organization, how hard they work as a result of this commitment, and how long they intend to stay.

2. Segment-specific “rules of thumb” do not apply. Employee commitment is not a characteristic of group membership but is instead a characteristic of individual employees to be won or lost, created or destroyed by their organizations.

3. Dramatic differences between companies. Engagement is a source of competitive advantage. Some organizations have ten times as many highly committed, high-effort employees as others.

4. Engagement is the key to performance and retention. Highly committed employees try 57 percent harder, perform 20 percent better, and are 87 percent less like to leave than employees with low levels of commitment.

5. Not a cure-all, but still a business imperative. Employee commitment must be managed alongside other important drivers of performance, most importantly the recruitment of high quality talent and providing that talent with the information, experiences and resources they need to perform at their best.

6. Emotional commitment drives effort. Emotional commitment is four times as valuable as rational commitment in producing discretionary effort. Indeed, the search for a high-performing workforce in synonymous with the search for emotional commitment.

7. Rational commitment drives retention. Employees leave organizations when they conclude that the organization no longer meets their self-interest.

8. The “Maslow’s Hierarchy” of engagement. Secure rational commitment from employees first. Employees are more likely to commit emotionally if their self-interested needs are met.

9. Focus on high-impact levers. The top 50 drivers of discretionary effort are 40 times as powerful as the bottom 150 levers.

10. Take a common approach to engaging employees. Most strategies have a common impact on employee segments. Most employees, most of the time, need the same things to commit, exert effort and perform at their best.

11. A means, not an end. The most important role of managers is to serve as a conduit for other, more valuable, forms of employee commitment: organizational, job and team.

12. The Rule of Three. The impact of excellence in additional manager skills diminishes quickly. Build on a limited number of existing manager strengths to maximize ROI.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
Insights into Employee Engagement (Continued)

13. **The problem of scale.** Most managers have very limited spans of control, an inherent limitation which reduces their appeal as an organization-wide engagement lever.

14. **Communicate senior team openness and commitment to development.** Employees try harder when they believe that the senior executive team has committed to them in the form of openness to new ideas and employee development.

15. **Publicize leadership strength.** While less important than employee perception of senior executive commitment, specific executive skill areas—such as leading and managing people and day-to-day process management—still have significant impact on discretionary effort.

16. **You can’t buy (much) effort.** Compensation attracts talent into the organization and plays an important role in retention but has limited impact on employee effort.

17. **Connect pay to performance.** The most important element of a compensation strategy for driving effort is its connection to employee performance.

18. **Brand your benefits programs.** Distributing clear, compelling, actionable information about your benefits programs can have an impact on employee effort and retention that is commensurate with the programs themselves.

19. **Do not overspend on benefits programs.** The impact of benefits programs on effort and retention fall precipitously after a select group of “basic need” (e.g., health, retirement) and “niche” (e.g., domestic partner) programs are implemented.

20. **Start early.** The first priority of onboarding programs should be to instill an understanding of, and a belief in, the job’s importance.

21. **Get two things right about jobs.** Understanding how to do one’s job, and a belief in the importance of it, are more critical in driving effort than access to necessary resources, an opportunity for promotion, or even safety. Employees need to feel connected to be at their best.

22. **Personalize the connection.** Providing sound career advice, a customized development plan, and general training provide a “credible commitment” to the employee.

23. **Create public goods.** The most effective levers of employee effort are organizational public goods, notably cultures of communication, integrity and innovation. Infinitely scalable, non-excludable and non-subtractable, they are capable of (simultaneously) driving effort and retention for thousands of employees at a time.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.
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