

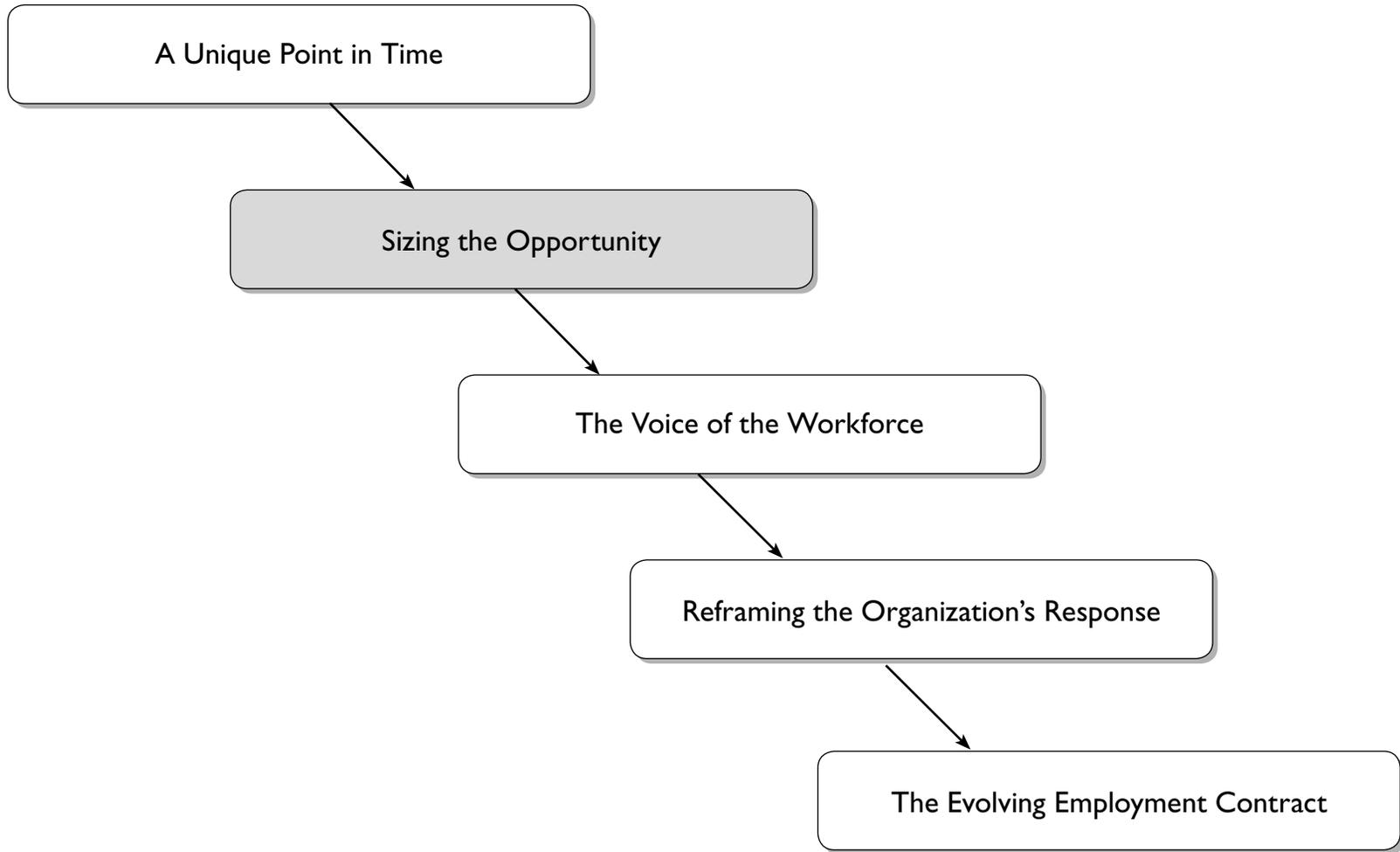
CORPORATE LEADERSHIP COUNCIL

DRIVING PERFORMANCE AND RETENTION THROUGH EMPLOYEE ENGAGEMENT

A Quantitative Analysis of Effective Engagement Strategies



ROAD MAP FOR THE DISCUSSION



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...? —

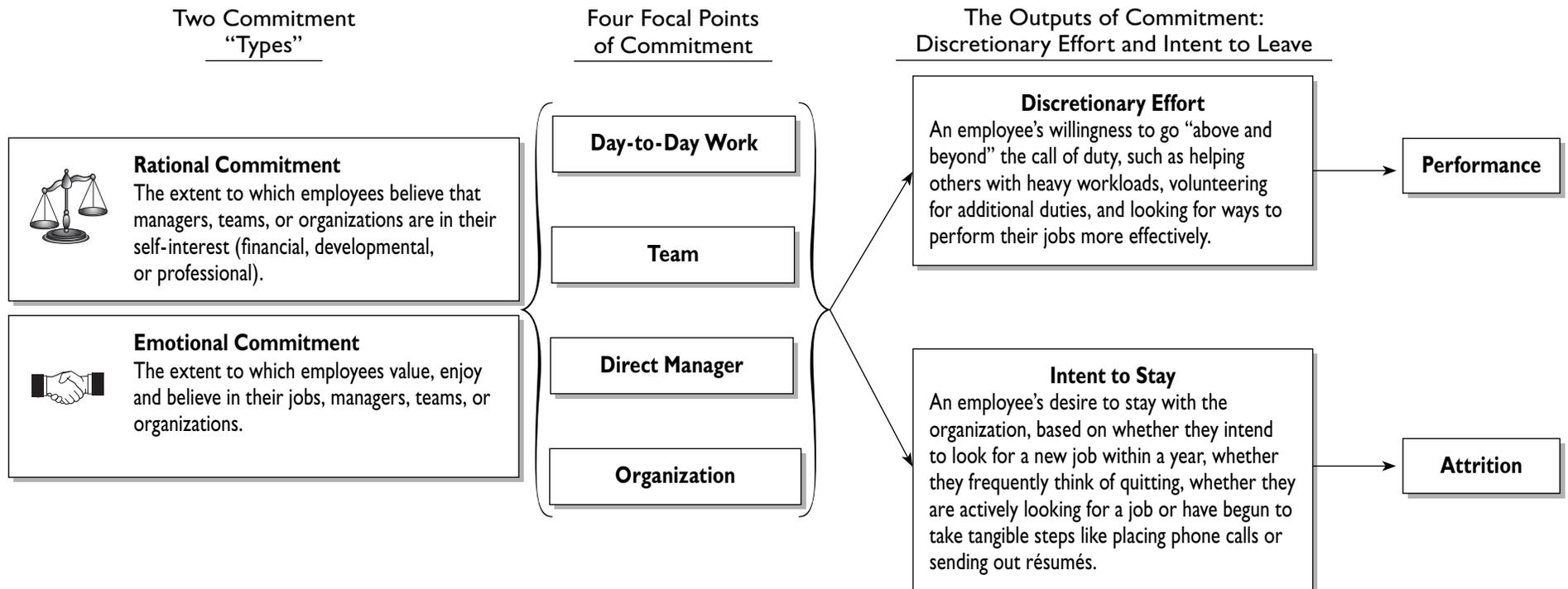
"Frankly, we don't even agree on what it is we're attempting to change, much less how to go about changing it."

SVP of Administration
Financial Services Company

Source: Allen, Natalie, and John Meyer, "Affective, Continuance, and Normative Commitment to the Organization: An Examination of Construct Validity," *Journal of Vocational Behavior*, 1996; Herzberg, Frederick. "One More Time: How do You Motivate Employees?" *Harvard Business Review (Classic)*, January 2003; Coffman, Curt and Gabriel Gonzales-Molina, *Follow This Path: How the World's Greatest Organizations Drive Growth by Unleashing High Potential*, New York: Warner Books, 2002; Towers, Perrin, *Understanding What Drives Employee Engagement*, 2003; Age Wave and Harris Interactive, *The New Employee/Employer Equation*, 2003; Watson Wyatt, *WorkUSA2000: Employee Commitment and the Bottom Line*, 2000; Hay Group, *The Retention Dilemma: Why Productive Workers Leave—Seven Drivers for Keeping Them*; Hewitt Associates, LLC, *Best Employers in Canada*, 2003, <http://www.greatplacetowork.com/>; Corporate Leadership Council research.

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



Source: Corporate Leadership Council 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.

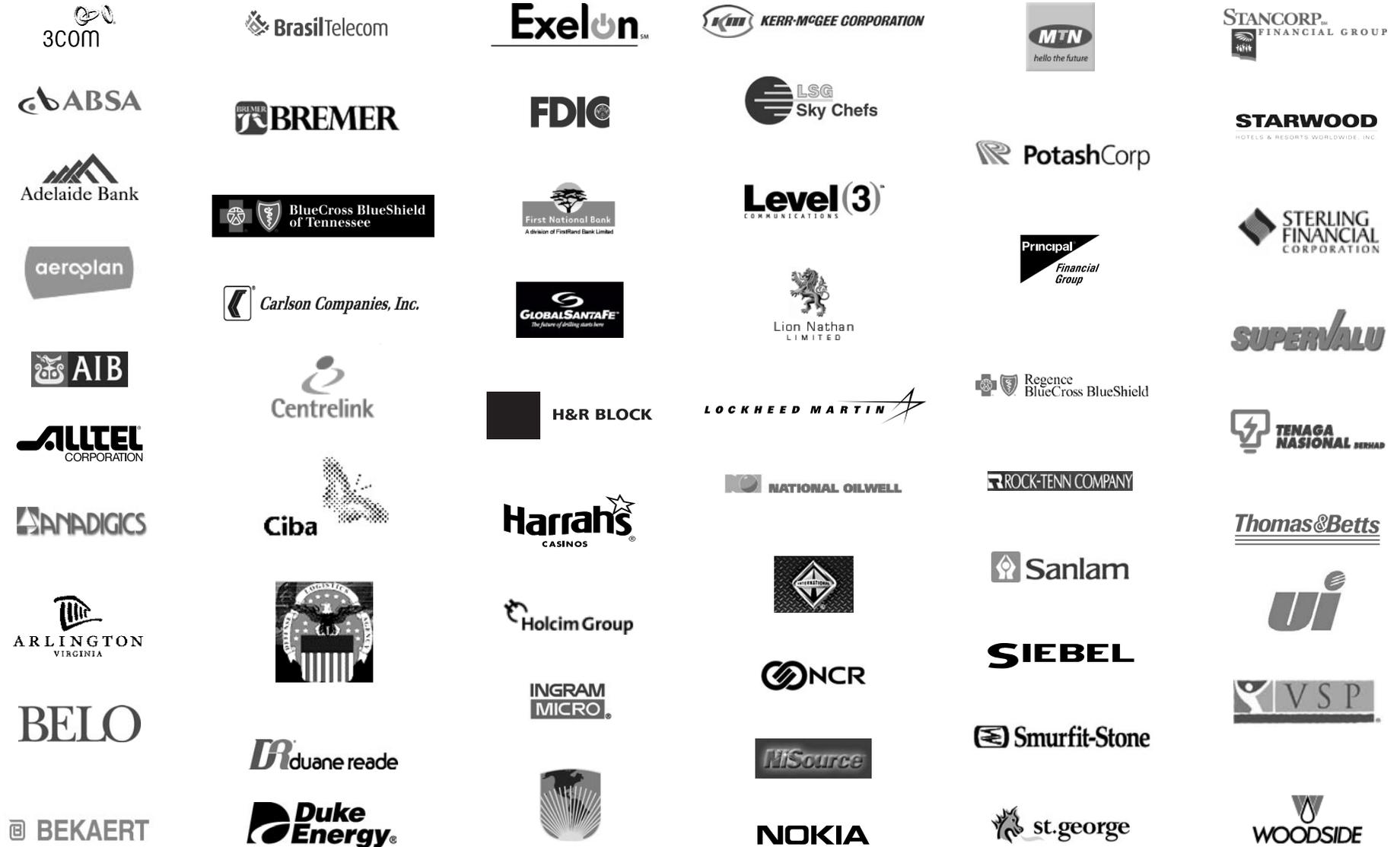
Sample Emotional Commitment Questions	Sample Rational Commitment Questions*	Sample Discretionary Effort Questions	Sample Intent to Stay Questions
<ul style="list-style-type: none"> I believe in what I do every day at work 	<ul style="list-style-type: none"> The best way for me to develop my skills in my organization right now is to stay with my current team 	<ul style="list-style-type: none"> I frequently try to help others who have heavy workloads 	<ul style="list-style-type: none"> I intend to look for a new job with another organization within the next year
<ul style="list-style-type: none"> I enjoy working with my team 	<ul style="list-style-type: none"> The best way for me to advance in this organization is to stay with my current supervisor 	<ul style="list-style-type: none"> There are days when I don't put much effort into my job 	<ul style="list-style-type: none"> I frequently think about quitting my job and leaving this organization
<ul style="list-style-type: none"> When speaking to others, I speak highly of my supervisor 	<ul style="list-style-type: none"> The best way for me to advance my career is to stay with my current organization 	<ul style="list-style-type: none"> I am constantly looking for ways to do my job better 	<ul style="list-style-type: none"> I am actively looking for a job with another organization
<ul style="list-style-type: none"> I am proud to work for my organization 	<ul style="list-style-type: none"> My performance would suffer if I worked with any other team in my organization 	<ul style="list-style-type: none"> When needed, I am willing to put in the extra effort to get a job done 	<ul style="list-style-type: none"> I have recently made phone calls or sent out my résumé in order to find a job with another organization

* 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...

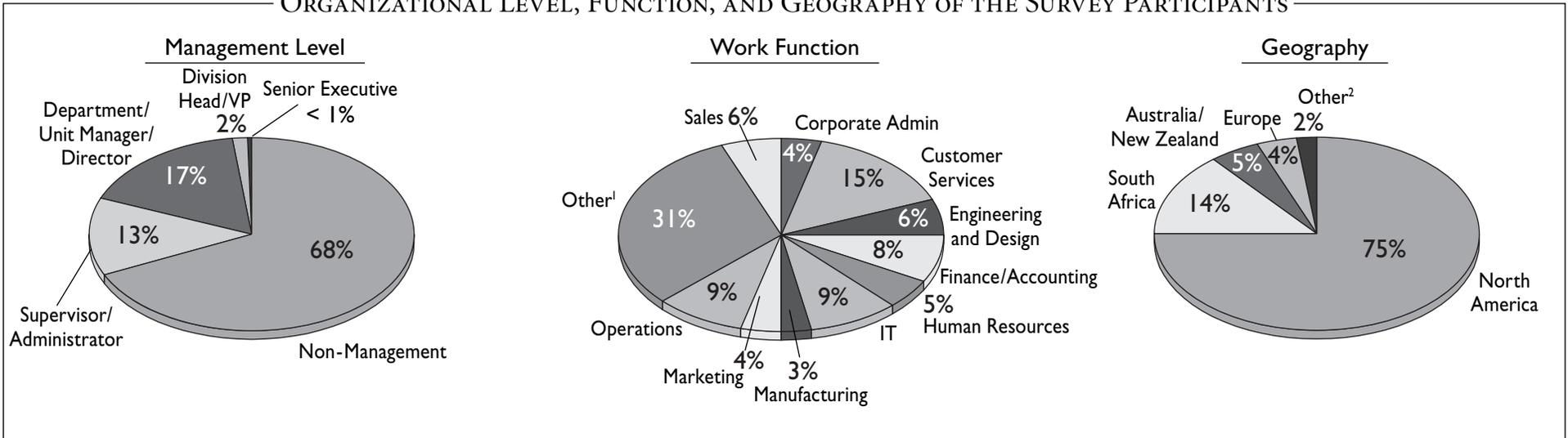
More than 50,000 employees from 59 organizations, 30 countries, and 14 industries participated in the 2004 survey



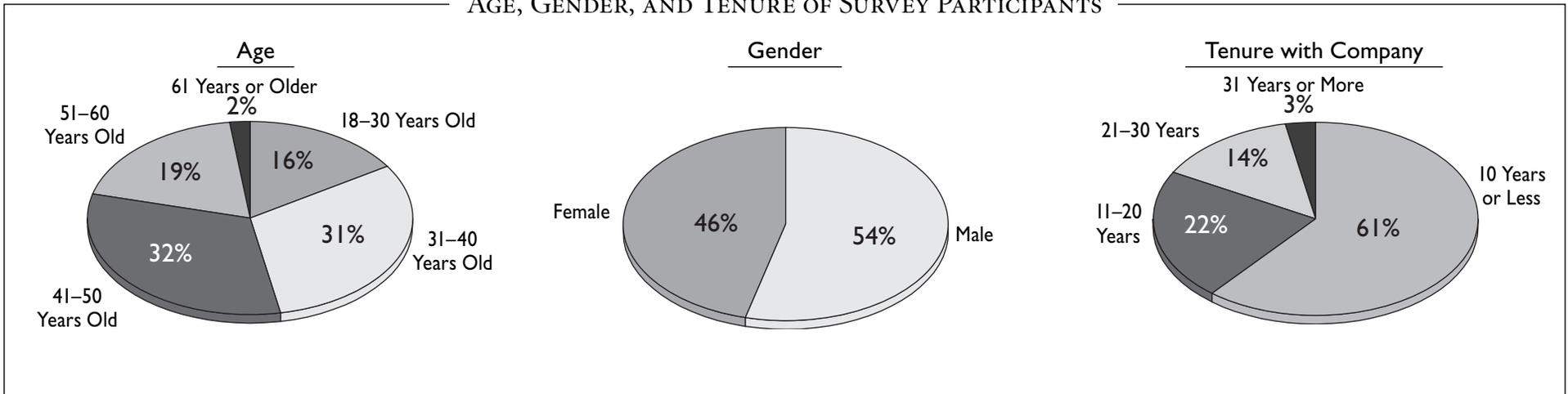
Source: Corporate Leadership Council 2004 Employee Engagement Survey.

SURVEY DEMOGRAPHICS

ORGANIZATIONAL LEVEL, FUNCTION, AND GEOGRAPHY OF THE SURVEY PARTICIPANTS



AGE, GENDER, AND TENURE OF SURVEY PARTICIPANTS



¹ Retail (2%), Strategy/Planning (2%), Research and Development (1%), Quality Control (3%), Purchasing (2%), Legal (2%), Communications (3%), Actuaries (3%), Pharmacists (1%), and Miscellaneous (12%).

² Includes Asia (1%), South America (1%), and Pacific Rim (<1%).

Note: Percentage totals may not equal 100 percent due to rounding.

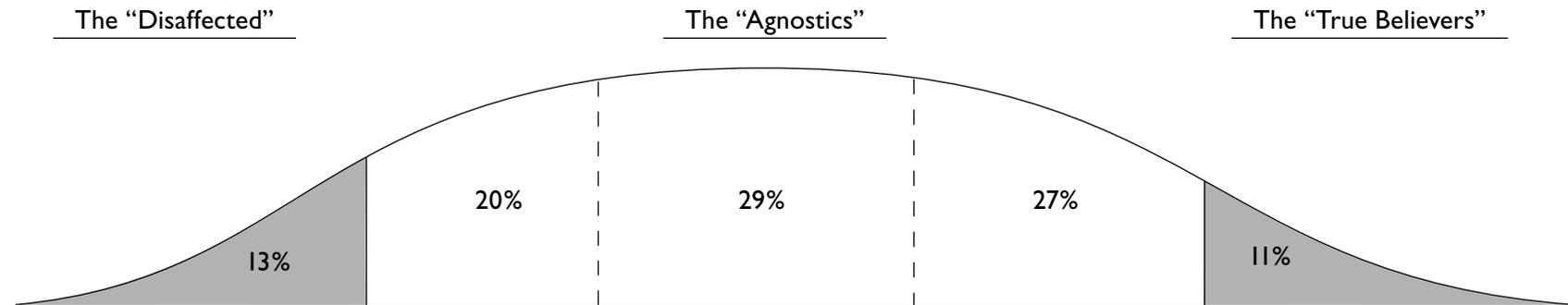
Source: Corporate Leadership Council 2004 Employee Engagement Survey.

GOOD NEWS, BAD NEWS

Approximately 13 percent of the overall workforce is highly uncommitted...

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

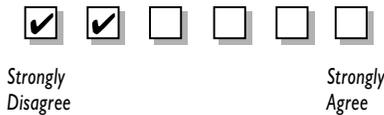
...and the remaining 11 percent are highly committed



The “Disaffected”

The “Agnostics”

The “True Believers”



Characteristics

- Exhibit very strong emotional and rational non-commitment to day-to-day work, the manager, the team, and the organization

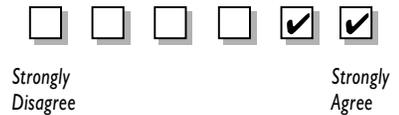
- Poorer performers who frequently put in minimal effort
- Four times more likely to leave the organization than the average employee
- Nine times more likely to leave the organization than the “true believers”



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



Characteristics

- Exhibit very strong emotional and rational commitment to day-to-day work, the manager, the team, and the organization

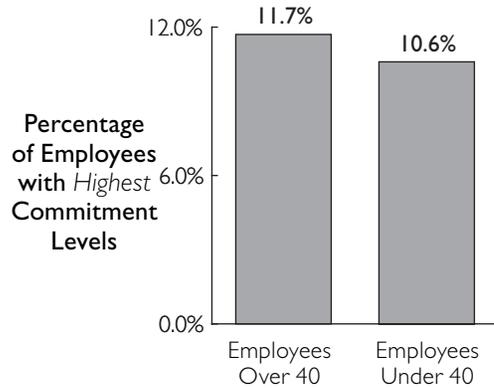
- Higher performers who frequently help others with heavy workloads, volunteer for other duties, and are constantly looking for ways to do their jobs better
- Half as likely to leave the organization as the average employee
- Nine times more likely to stay with the organization as the “disaffected”

Source: Corporate Leadership Council 2004 Employee Engagement Survey.

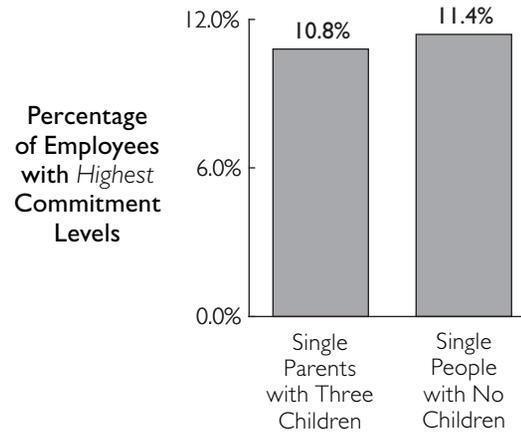
NO EASY LITMUS TESTS

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

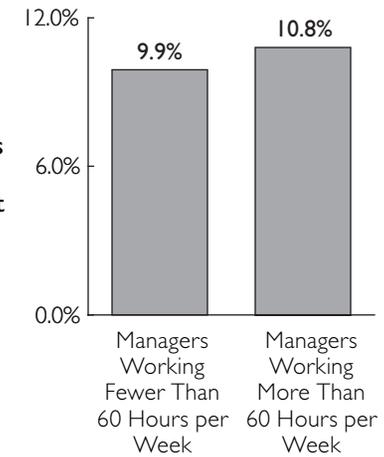
Generation X “Slackers”?



Single Parents with Children?



“Overworked” Managers?



Percentage of Highly Committed and Uncommitted by Employee Demographic Group

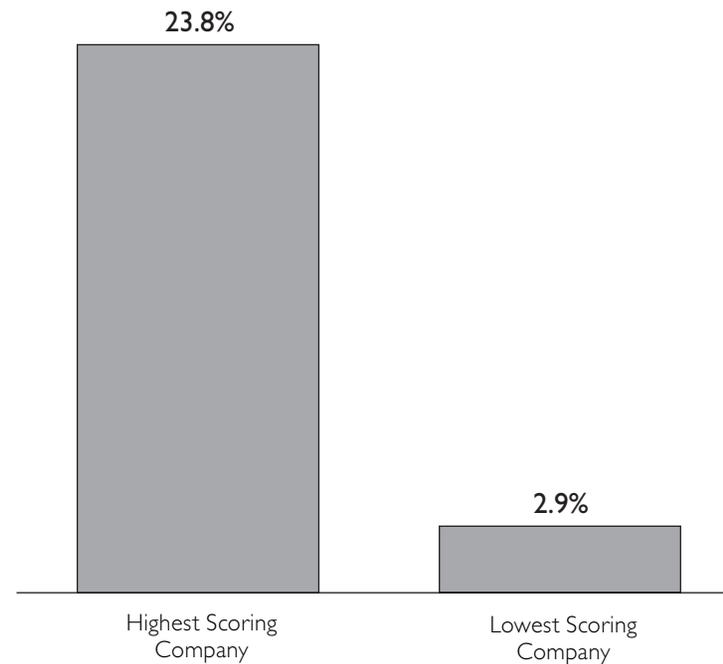
Demographic/Group	Highly Committed	Highly Uncommitted
Married	10.8%	12.2%
Single	11.7%	13.0%
Three Years of Tenure	11.5%	12.9%
Ten Years of Tenure	10.5%	13.7%
Sales Function	13.4%	10.8%
Corporate Administration	12.8%	10.6%
Telecommunications Industry	10.7%	13.3%
Financial Services Industry	11.5%	12.1%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

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*



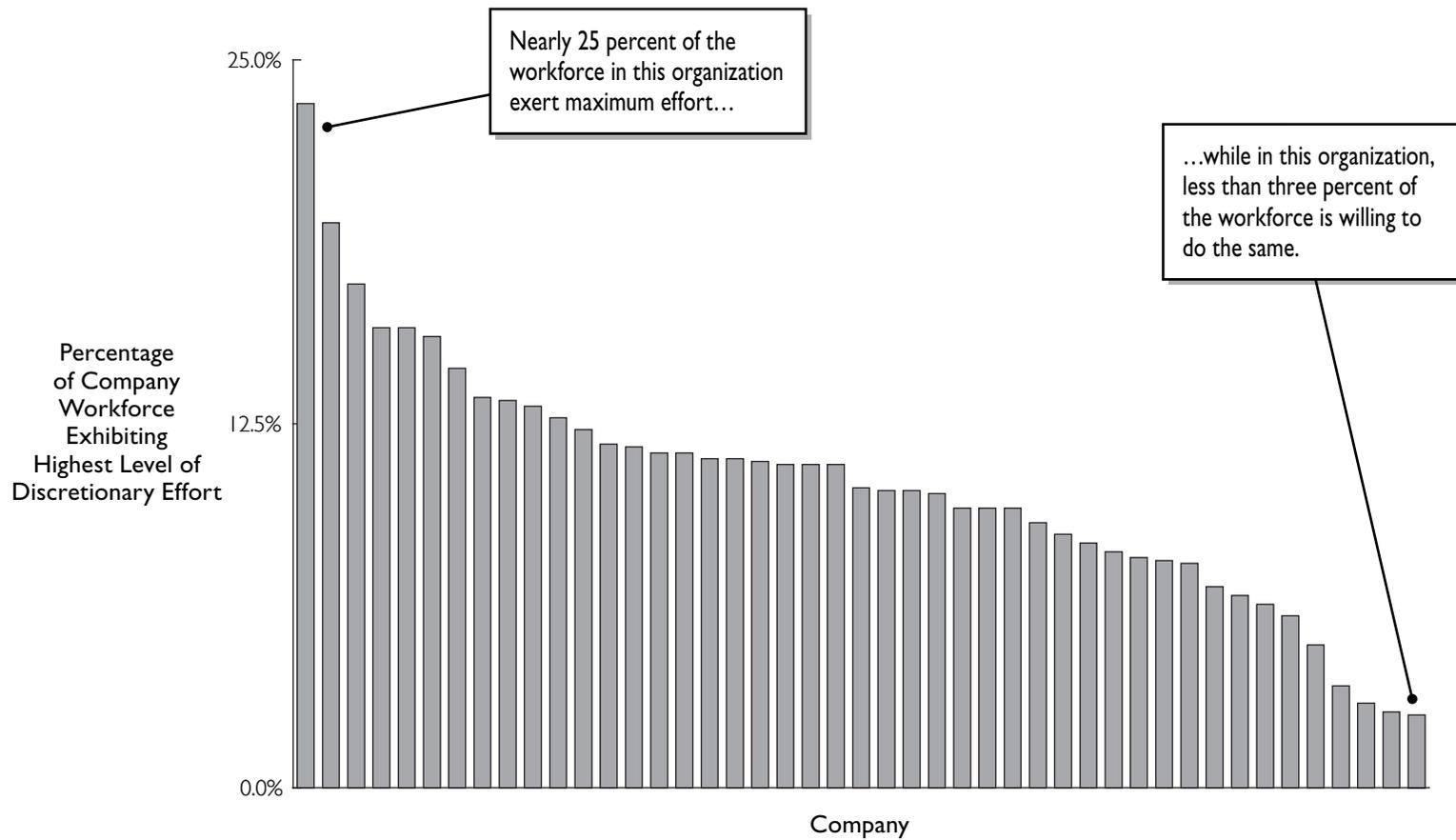
* The analysis above is based on the percentage of each organization's workforce that demonstrates the highest level of both emotional and rational commitment to day-to-day work, the manager, the team, and the organization (termed "True Believers" on page 14b).

Source: Corporate Leadership Council 2004 Employee Engagement Survey.

SOME WORK (MUCH) HARDER

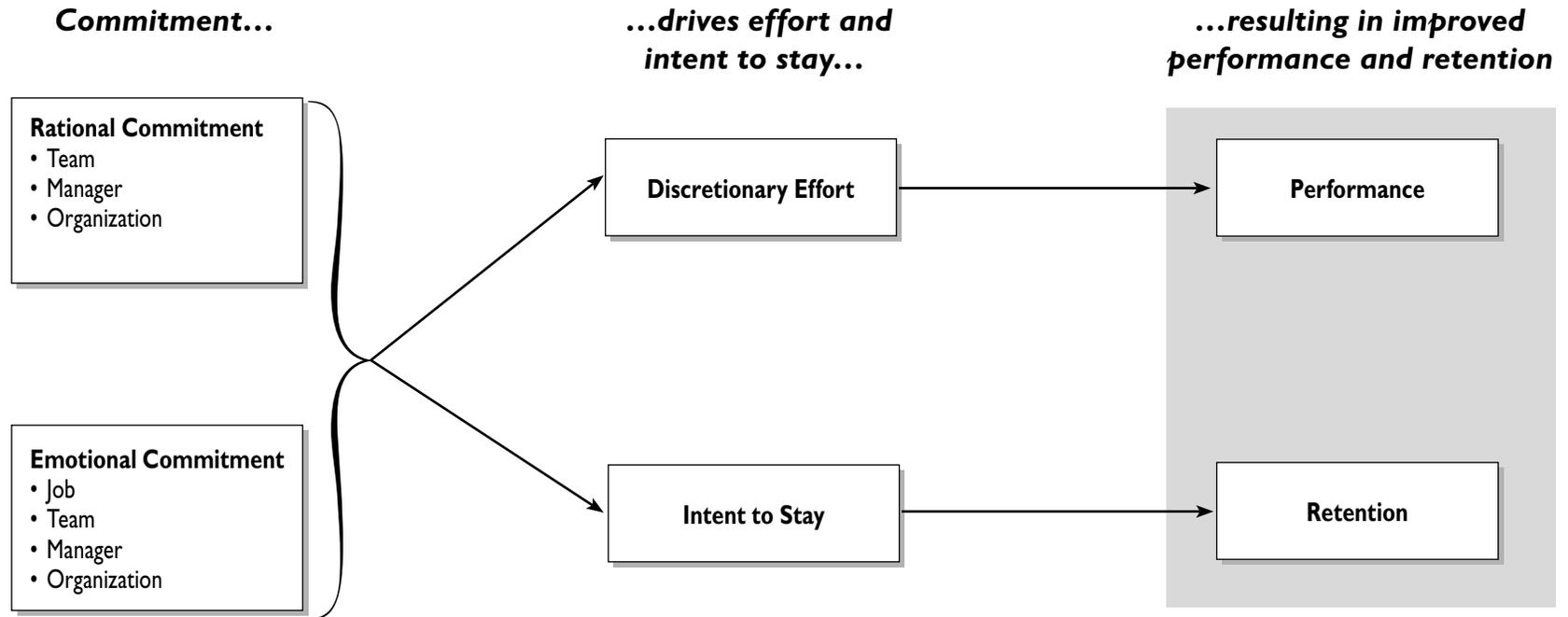
Organizations exhibit drastic differences in the discretionary effort of their employees

Percentage of Workforce Exhibiting Highest Effort Levels, by Company



Source: Corporate Leadership Council 2004 Employee Engagement Survey.

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.

A NOTE OF CAUTION: ENGAGEMENT IS NOT A CURE-ALL

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

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

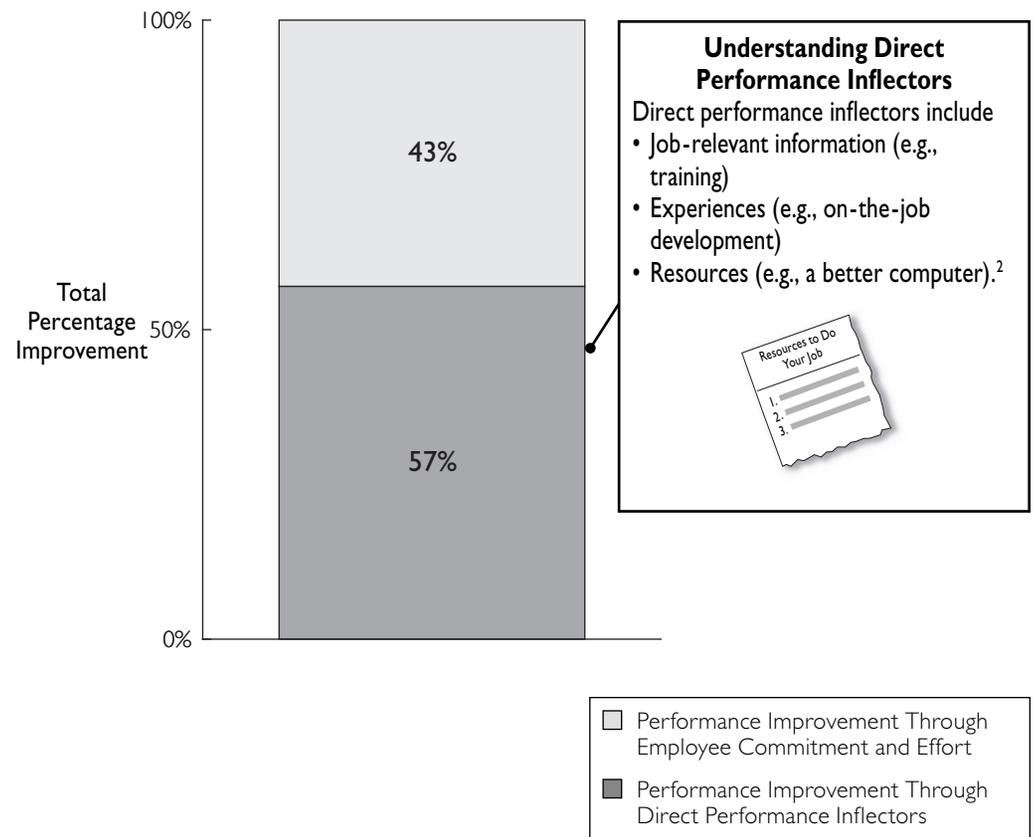
Recruiting High Quality Talent



Recruiting for High Performance

- Intelligence
- Right Skill Set
- Strong Work Ethic

Percentage of Observable Performance Improvement by Category¹



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.

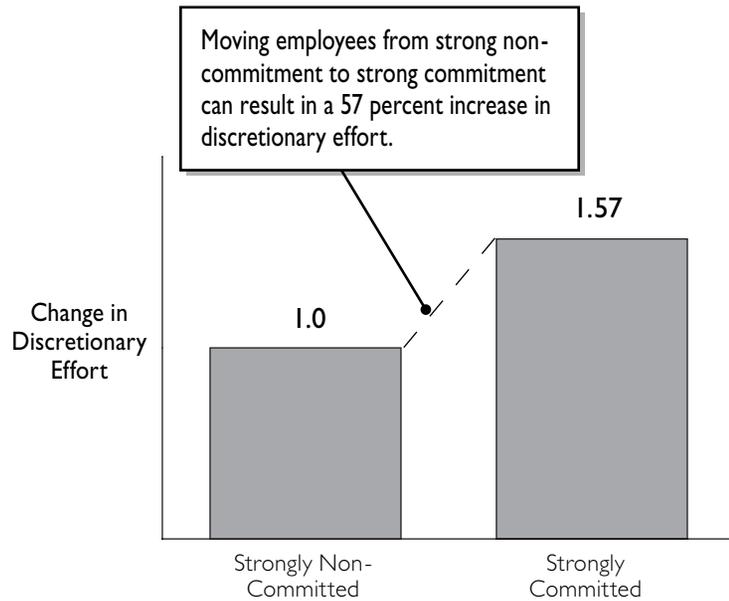
Source: Corporate Leadership Council 2004 Employee Engagement Survey.

COMMITMENT DRIVES EFFORT AND PERFORMANCE

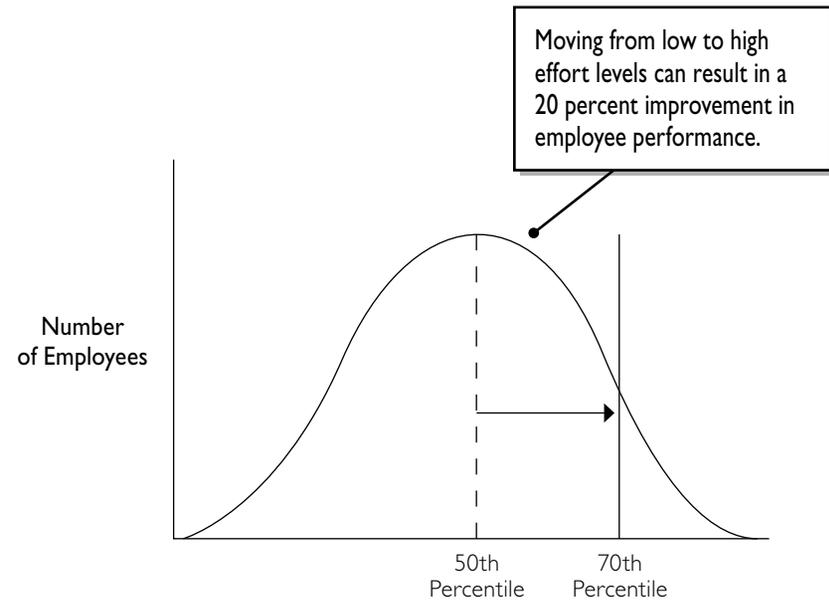
Organizations that improve commitment will see significant returns in discretionary effort...

...resulting in higher performance across the workforce

Maximum Impact of Commitment on Discretionary Effort*



Maximum Impact of Discretionary Effort on Performance Percentile*



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.

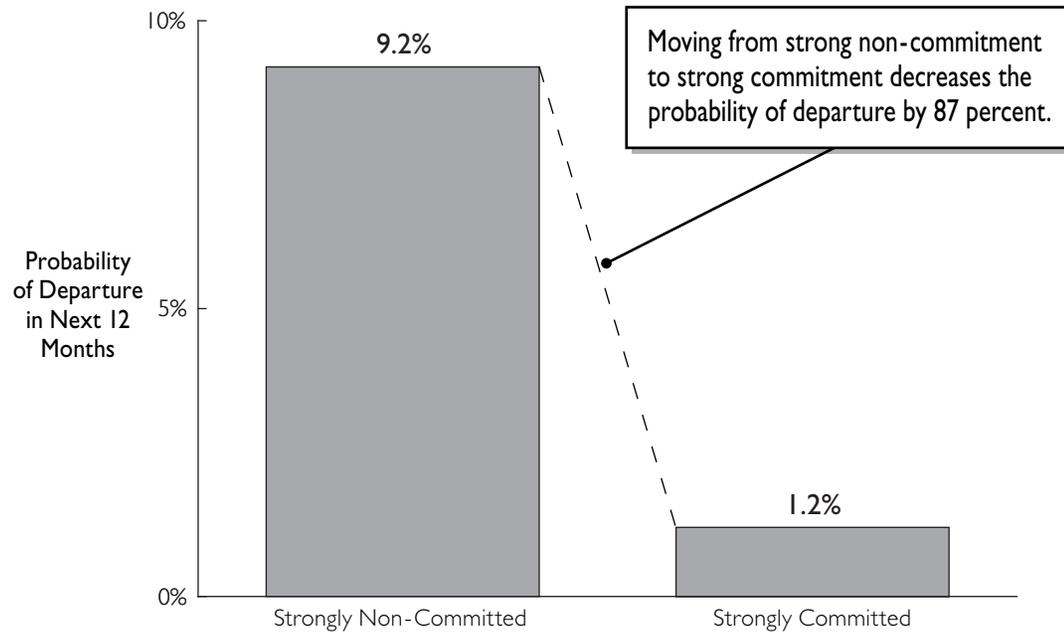
* The analysis above presents a statistical estimate of the maximum total impact on discretionary effort and performance emotional commitment will produce. The maximum total impact is calculated by comparing two statistical estimates: the predicted discretionary effort or performance rank for an employee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



THE “10:9” RULE

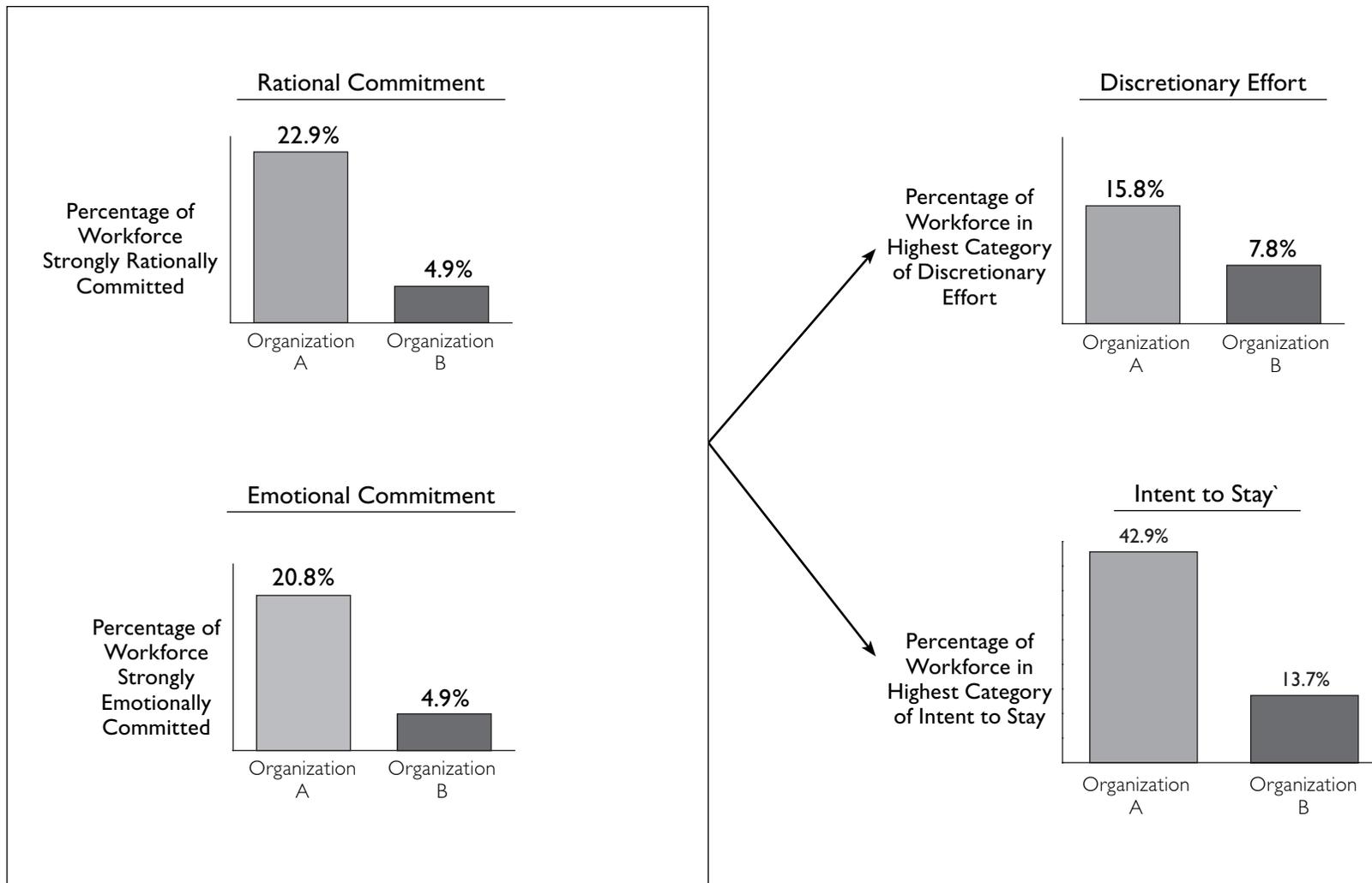
Every 10 percent improvement in commitment can decrease an employee’s probability of departure by 9 percent.

* 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

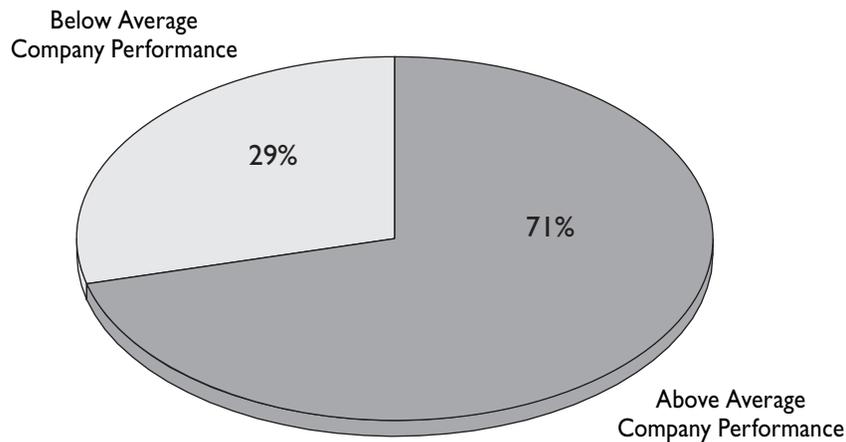


Source: Corporate Leadership Council 2004 Employee Engagement Survey.

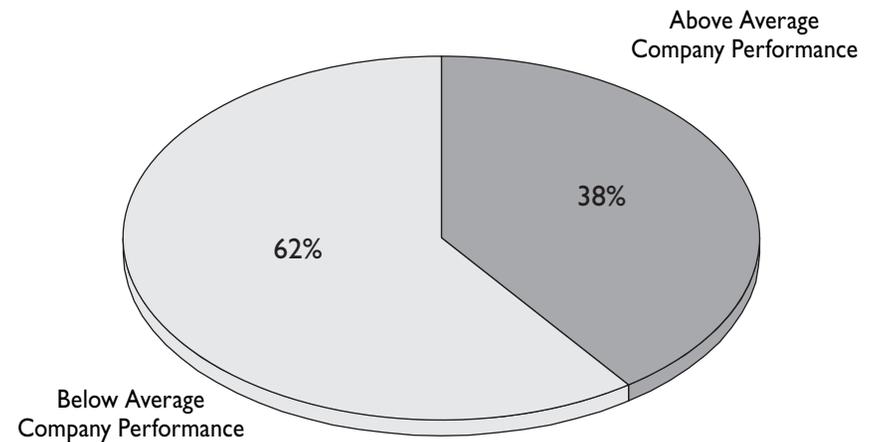
THE CONNECTION BETWEEN ENGAGEMENT AND COMPANY PERFORMANCE

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

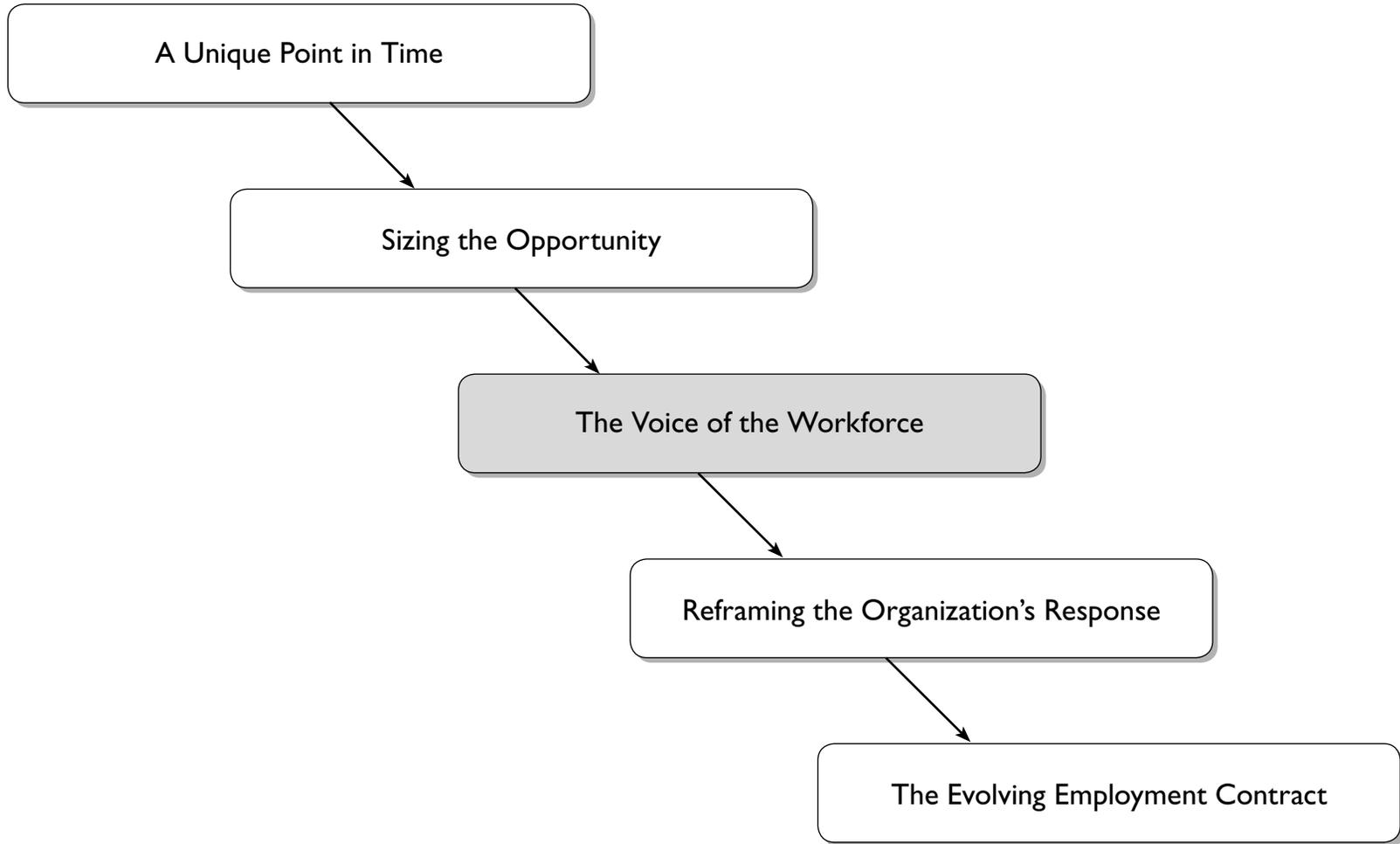


Companies with Below Average Employee Commitment

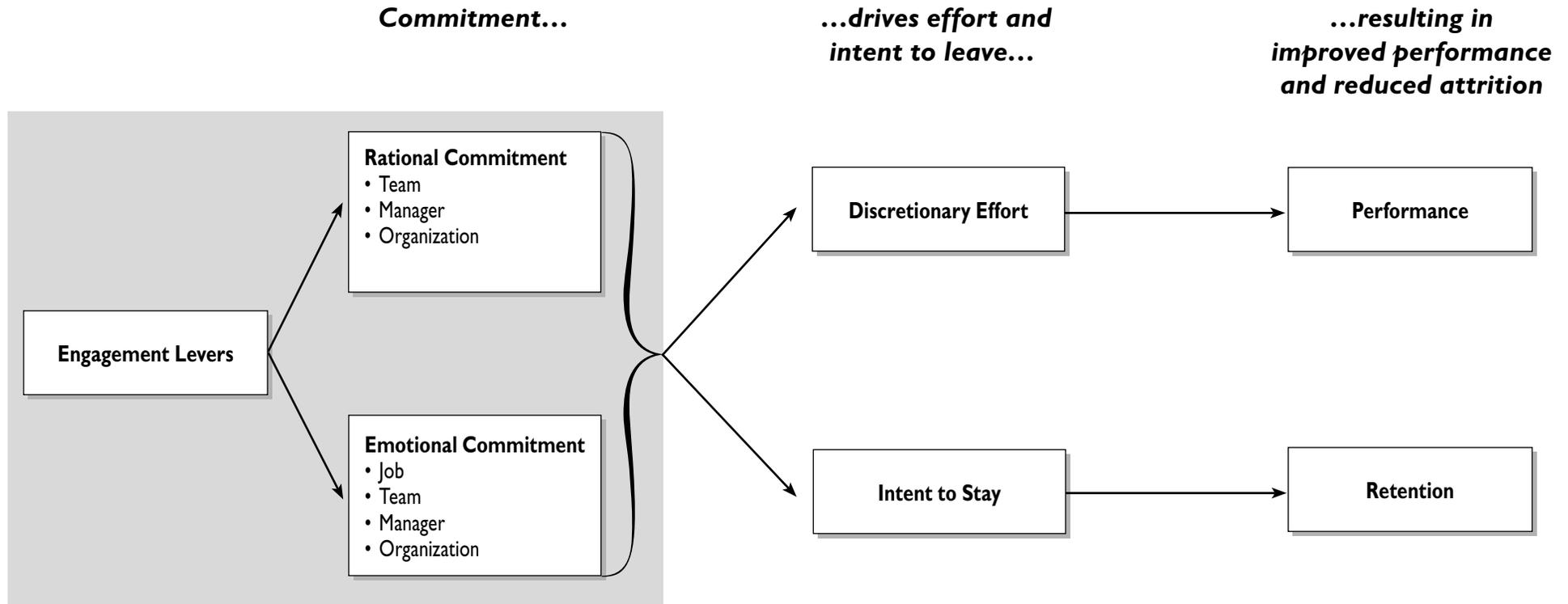
* Company performance is determined by above or below average one-year revenue growth relative to industry peer group. Above average employee commitment is defined as having more than 11 percent of an organization's workforce fall into the highly committed category. Below average employee commitment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



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.

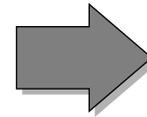
A FOUR-STEP APPROACH TO TESTING LEVERS OF EFFORT

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?

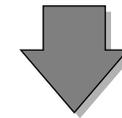
- I received no general skills training in the last 12 months
- Less than 1 hour
- 1 to 5 hours
- ...
- 61 to 70 hours
- More than 70 hours of training



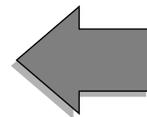
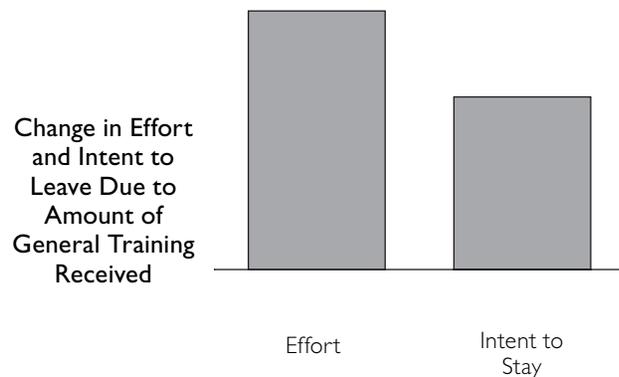
Step #2: Measure Attitudes of Engagement

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

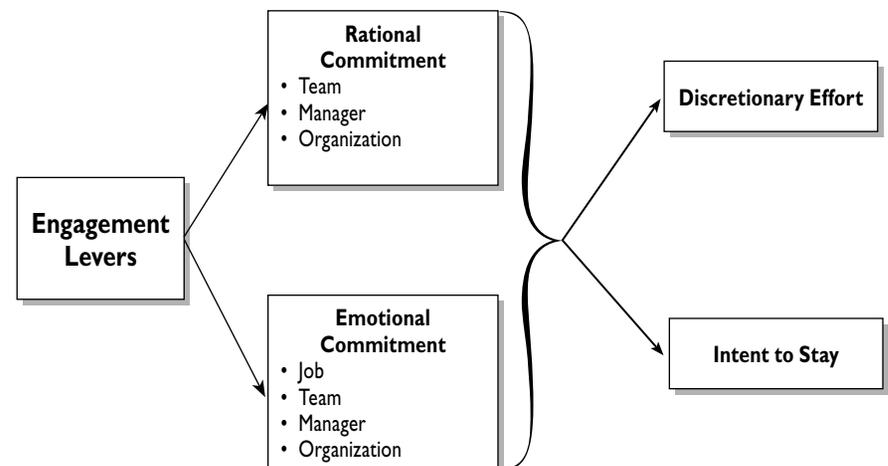
- Strongly Agree
- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree
- Strongly Disagree



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



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

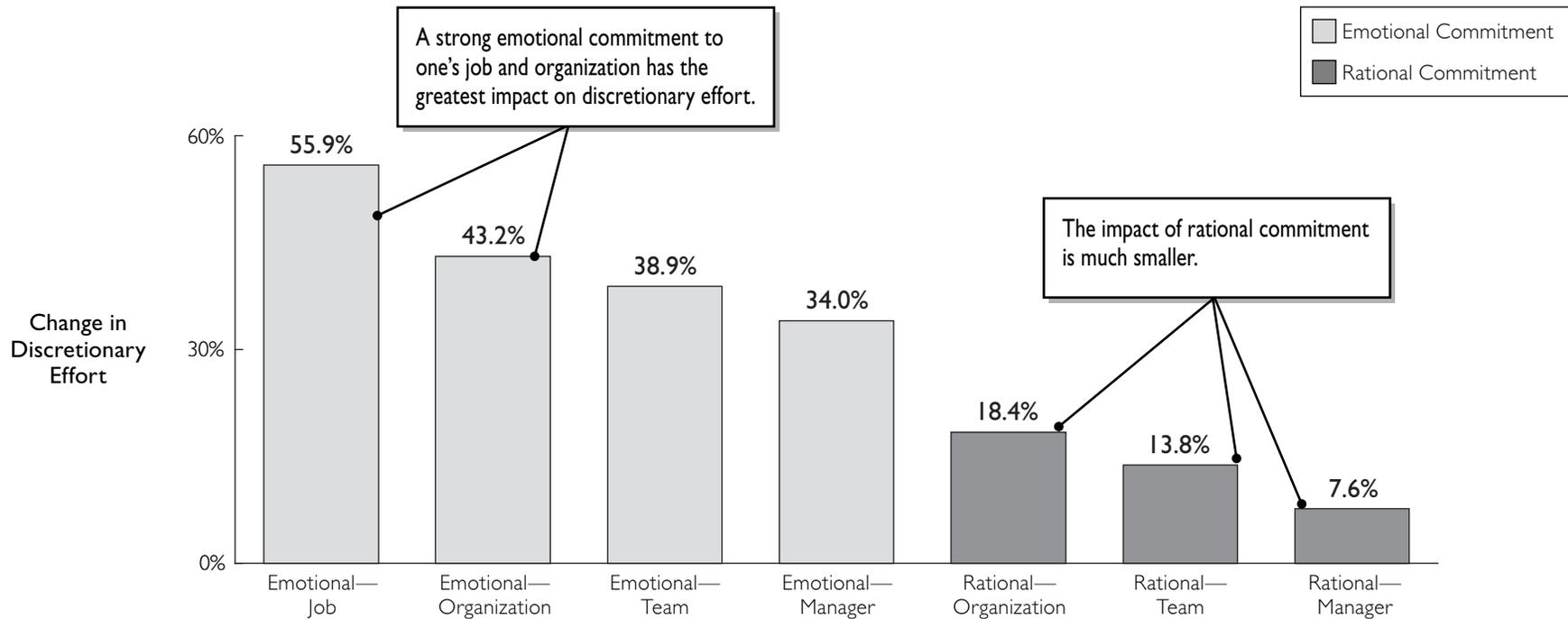


Source: Corporate Leadership Council 2004 Employee Engagement Survey.

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*



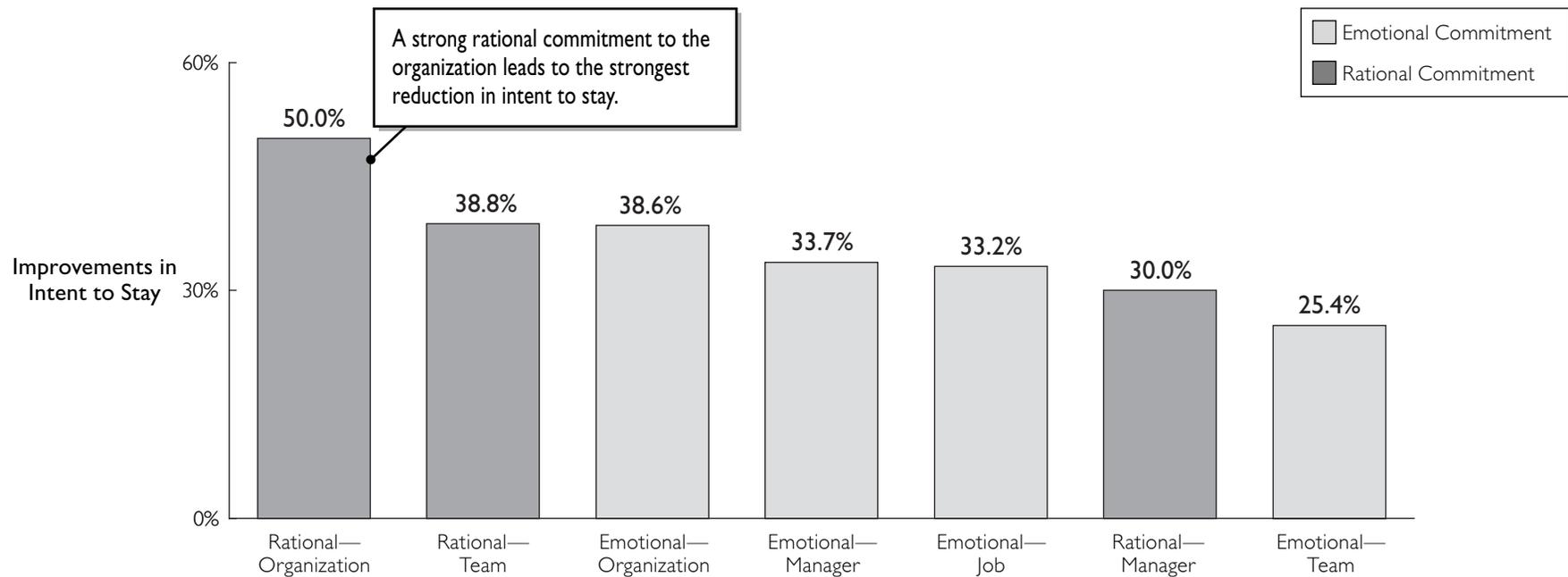
* Each bar represents a statistical estimate of the maximum total impact on discretionary effort each type of commitment will produce. The maximum total impact is calculated by comparing two statistical estimates: the predicted discretionary effort level for an employee who is strongly committed, and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

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*



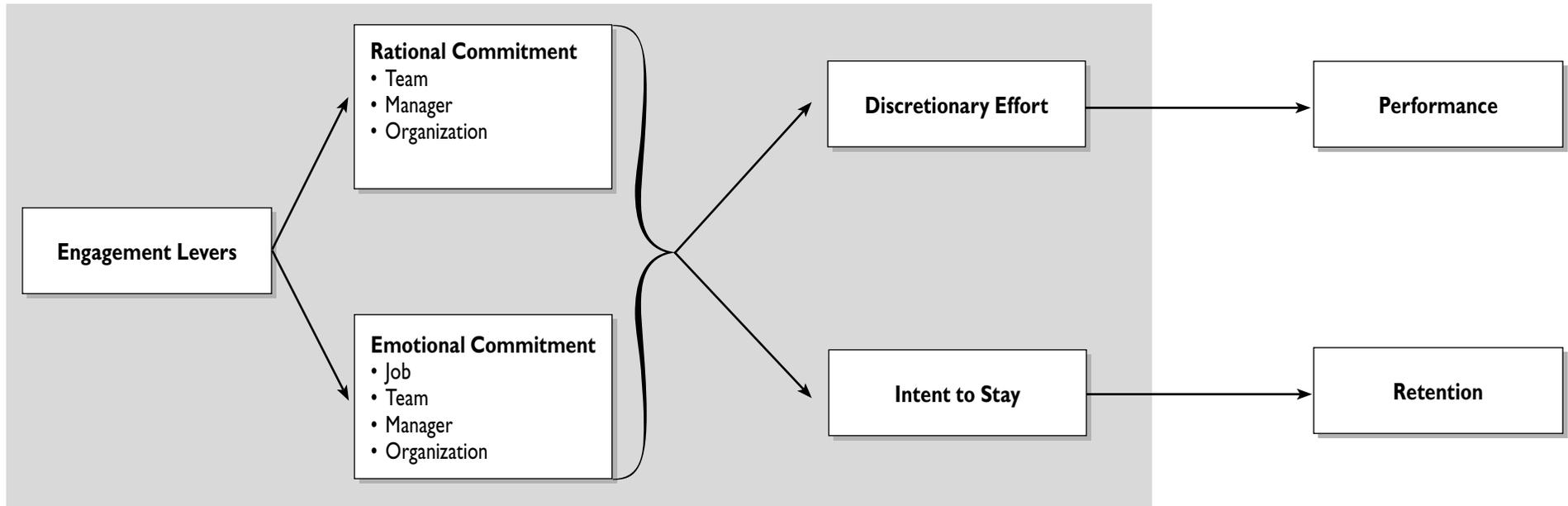
* Each bar represents a statistical estimate of the maximum total impact on intent to stay each type of commitment will produce. The maximum total impact is calculated by comparing two statistical estimates: the predicted intent to stay for an employee who is strongly committed, and the predicted intent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

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.

POTENTIAL LEVERS FOR DRIVING ENGAGEMENT

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

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

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

Segment Type	Average Difference in Impact of Lever Across Segments
Managers 	5.04%
Regional 	4.33%
Organizations 	2.93%
Hourly Workers 	2.70%
Front-Line Employees 	2.42%
Sales People 	2.03%
Generations X and Y 	1.69%
R&D and Engineering 	1.68%

* 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.

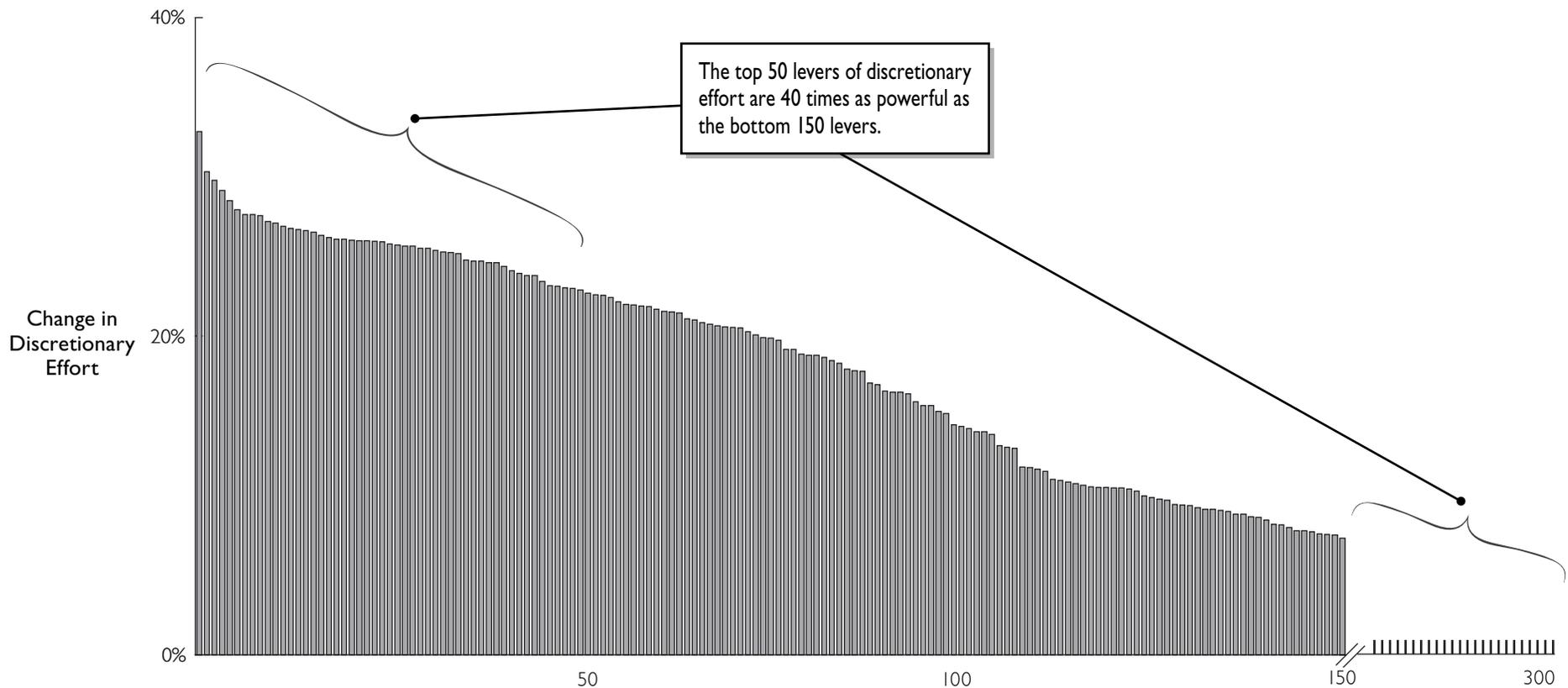
Source: Corporate Leadership Council 2004 Employee Engagement Survey.

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.

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

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: Sufficient Time to Complete
- 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

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

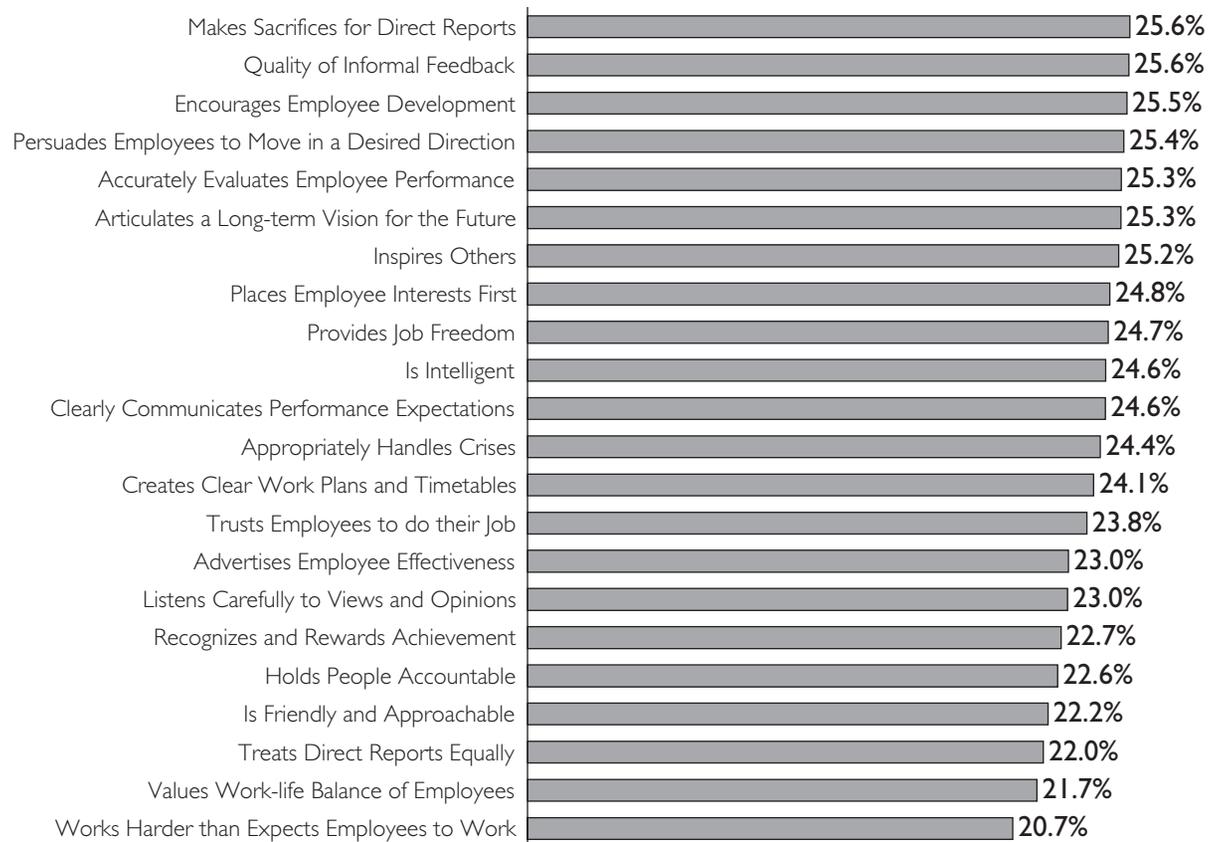
MANY THINGS—AND NO ONE THING

Almost all manager activities drive employee effort

Maximum Impact on Discretionary Effort from Manager Characteristics*



Maximum Impact on Discretionary Effort from Manager Characteristics (Continued)



* 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.

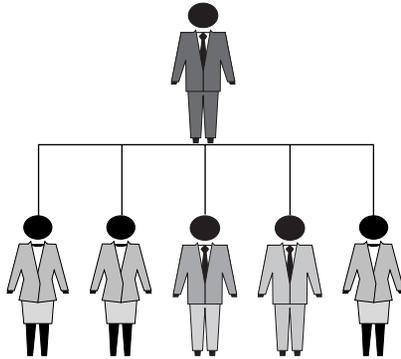
Source: Corporate Leadership Council 2004 Employee Engagement Survey.

THE BAD NEWS: LIMITED MANAGER SCALABILITY

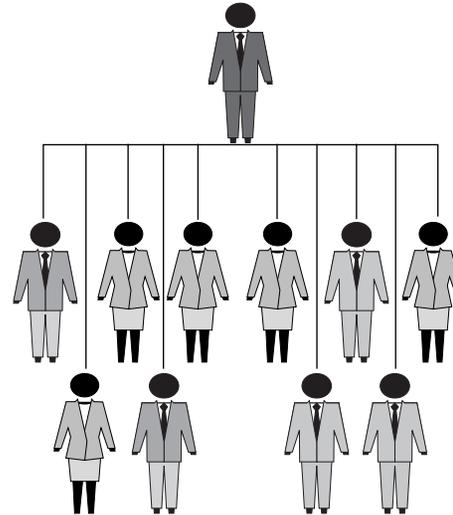
The organizational impact of good managers is limited by narrow spans of control

Manager Spans of Control

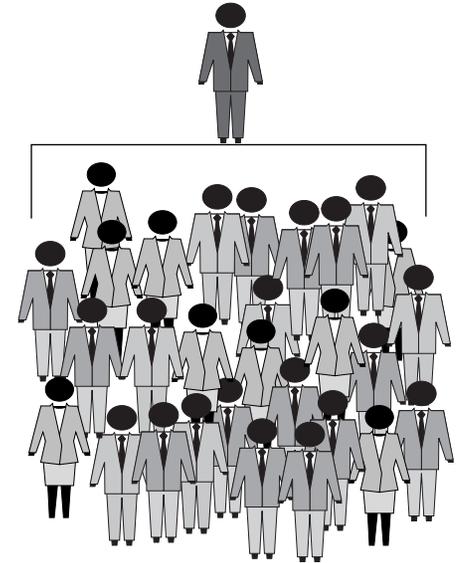
Forty-Six Percent of Managers:
1 to 5 Direct Reports



Twenty-Five Percent of Managers:
6 to 10 Direct Reports



Twenty-Nine Percent of Managers:
11 to 100 Direct Reports*



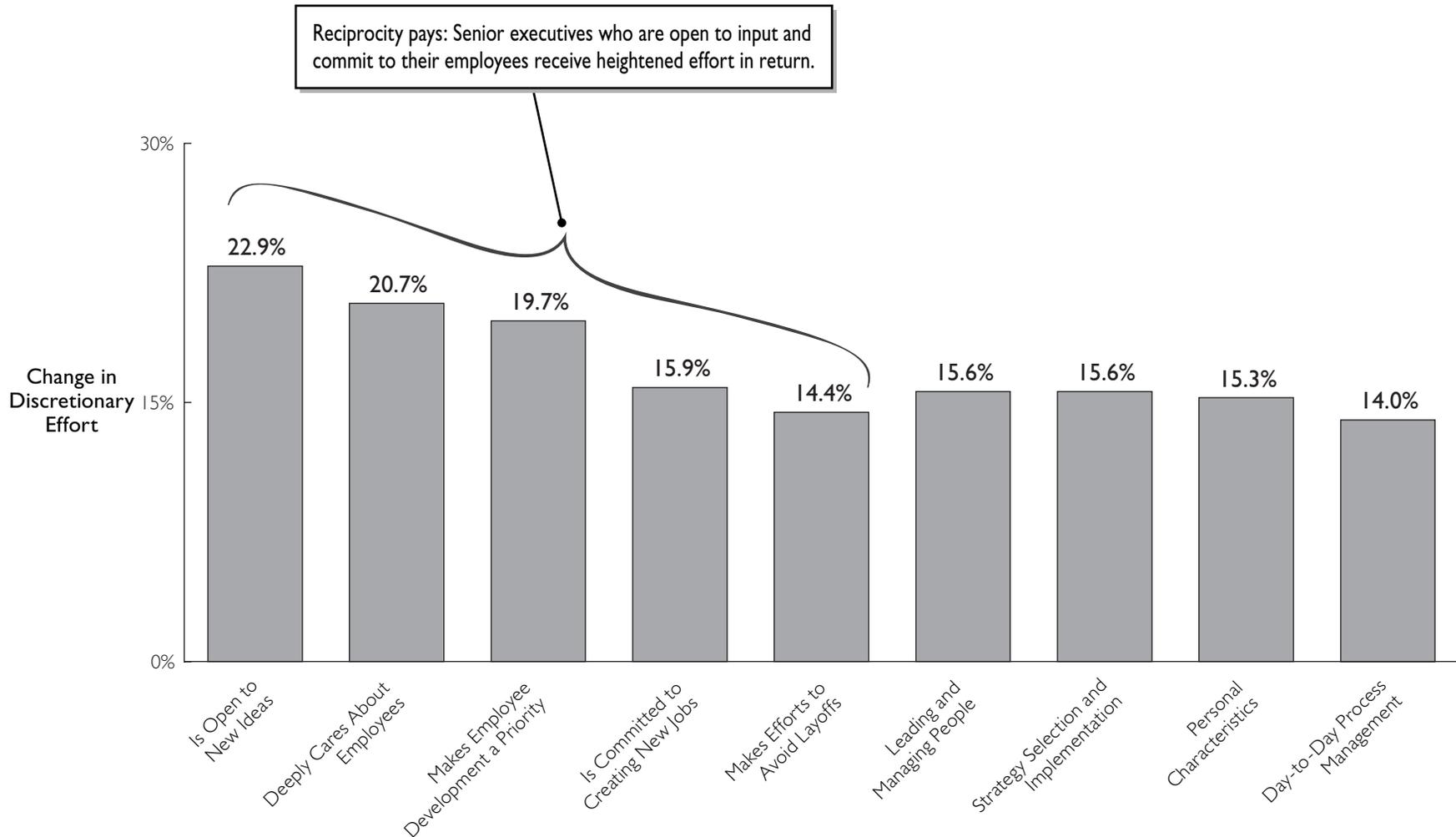
* This group is made up of 17 percent of managers who manage 11 to 20 people, and 21 percent of managers who manage 21 or more people.

Source: Corporate Leadership Council 2004 Employee Engagement Survey.

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*



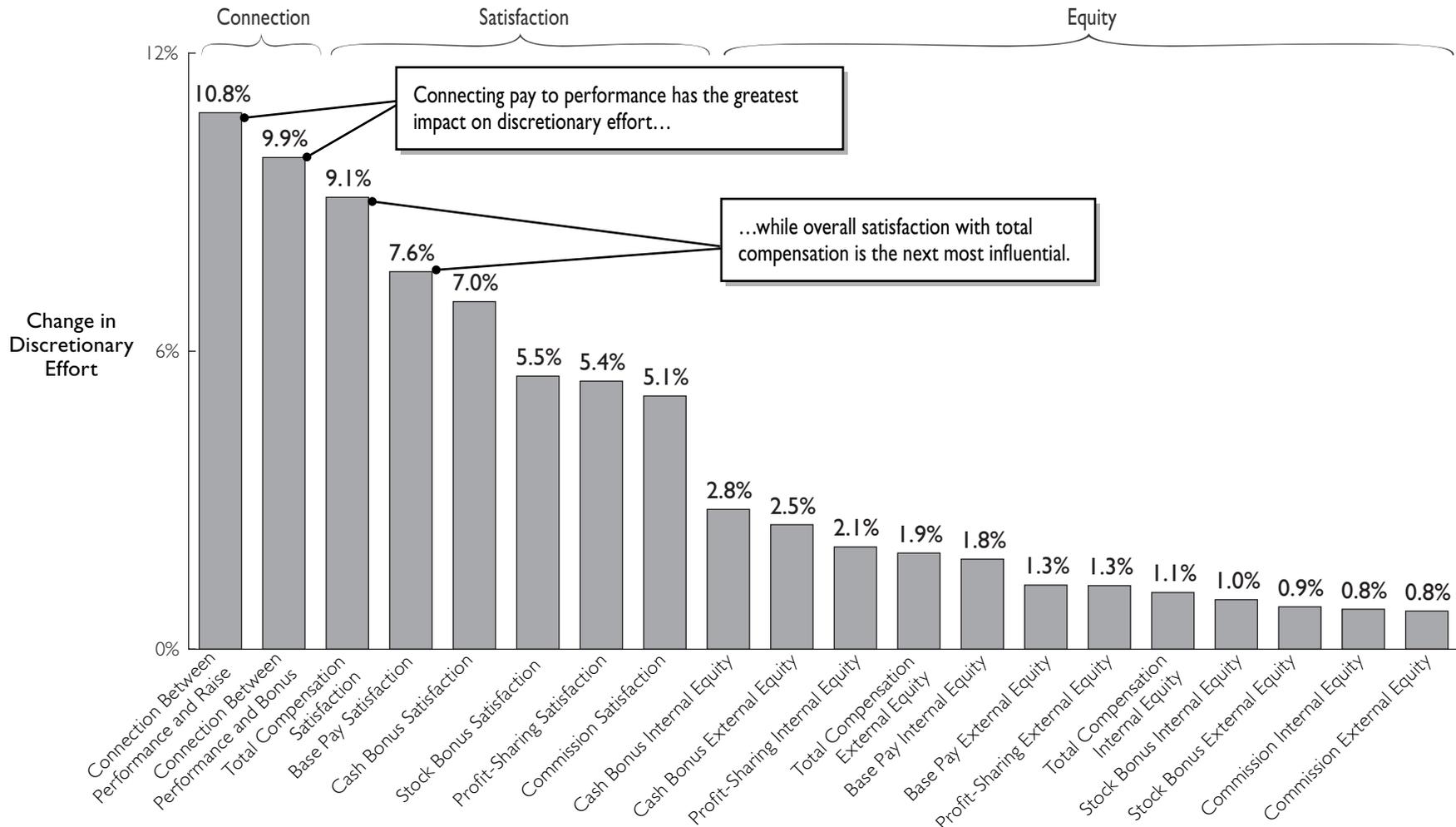
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Source: Corporate Leadership Council 2004 Employee Engagement Survey.

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*



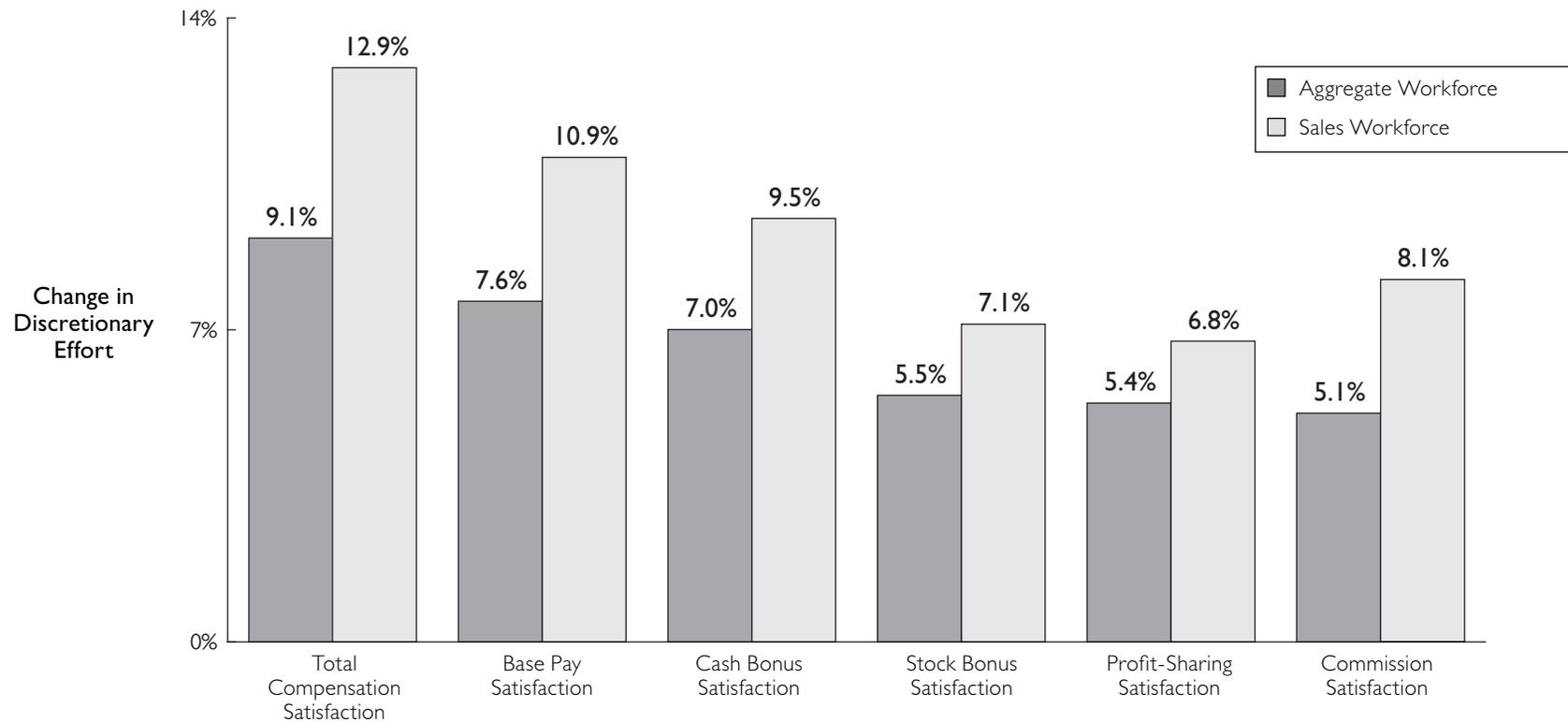
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Source: Corporate Leadership Council 2004 Employee Engagement Survey.

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*



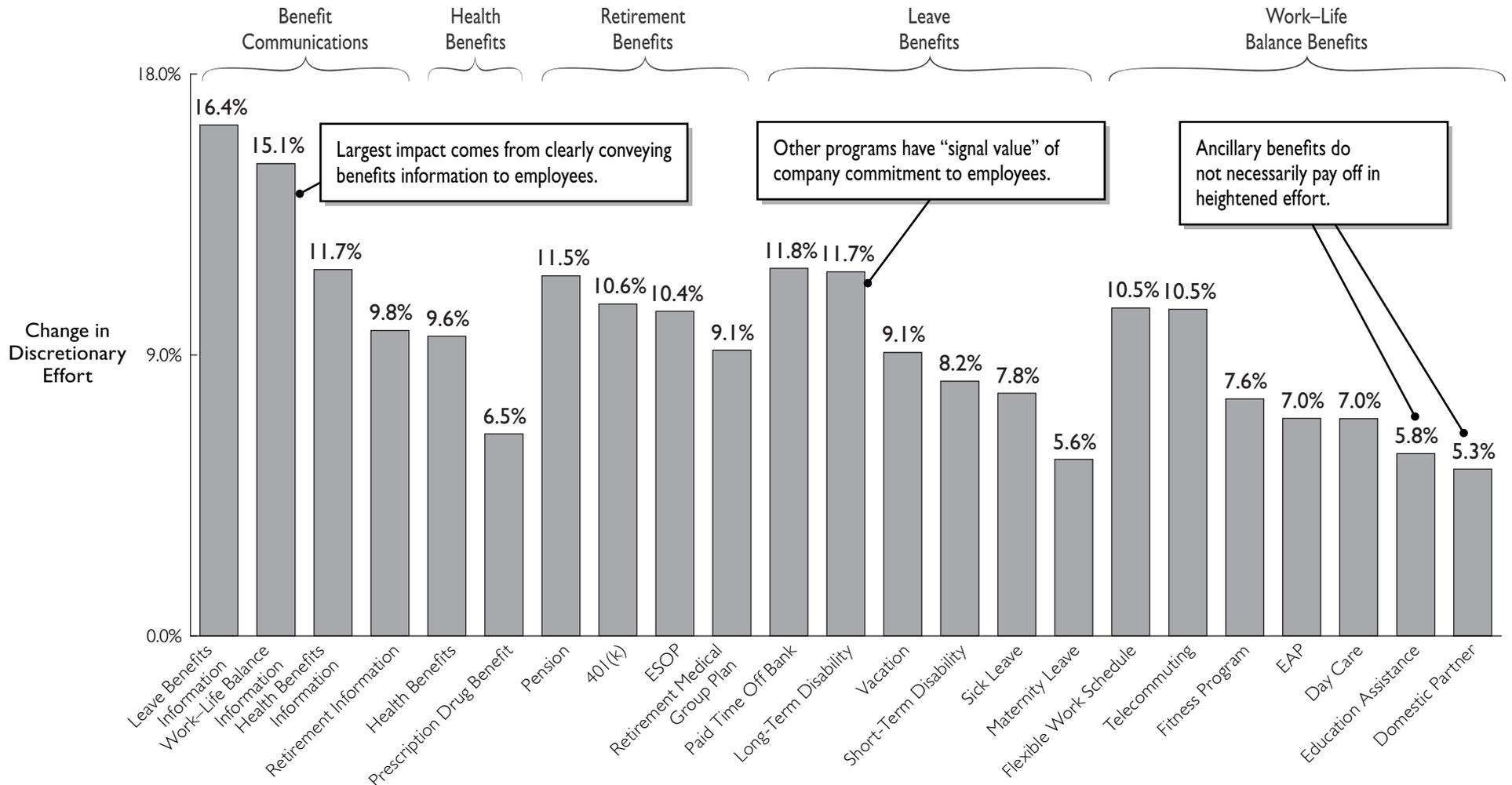
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Source: Corporate Leadership Council 2004 Employee Engagement Survey.

UNDERSTANDING THE BENEFITS PLANS THAT MATTERS MOST

“Brand” your benefits program

Maximum Impact on Discretionary Effort Due to Benefits Programs*



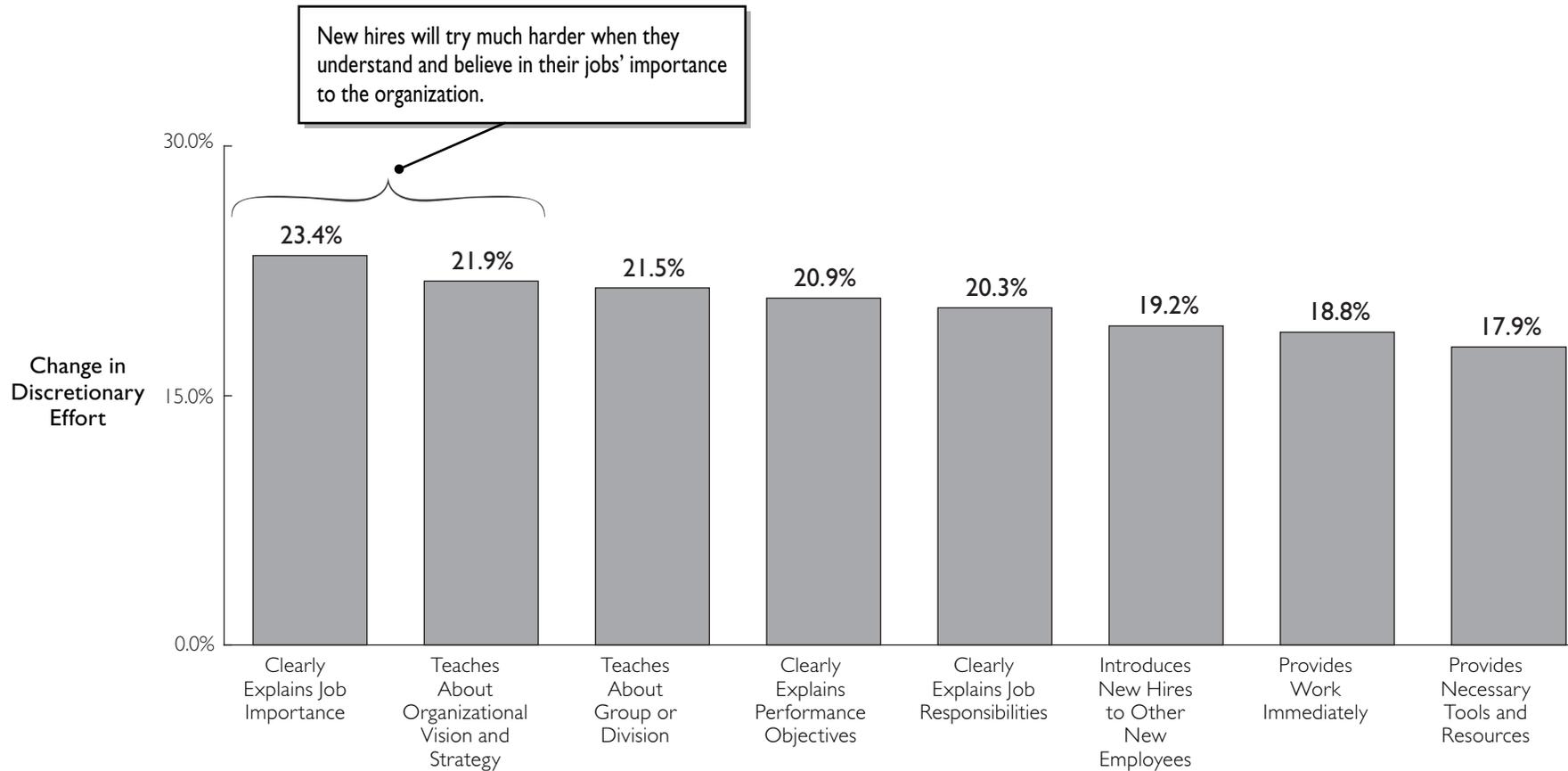
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Source: Corporate Leadership Council 2004 Employee Engagement Survey.

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*



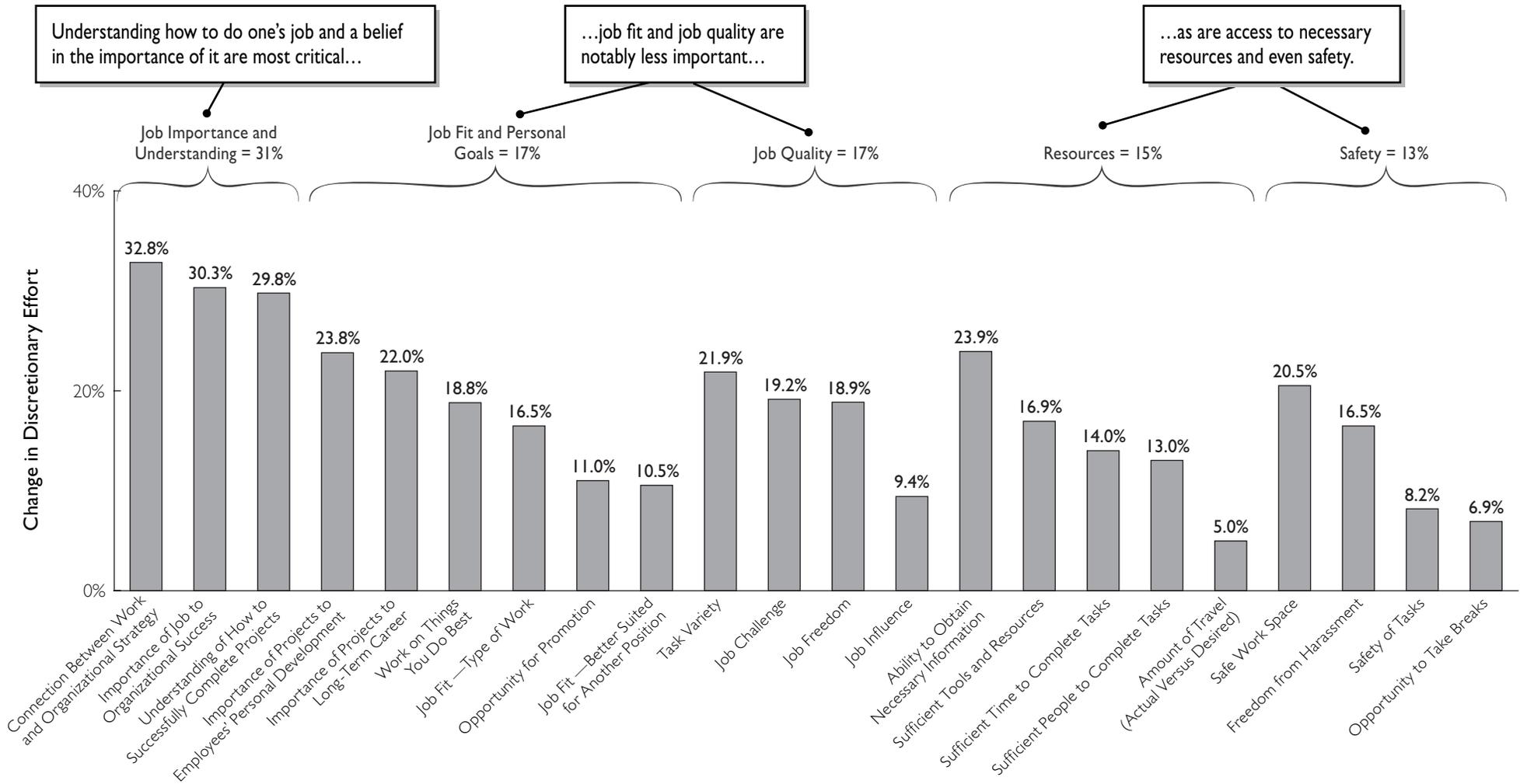
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Source: Corporate Leadership Council 2004 Employee Engagement Survey.

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*



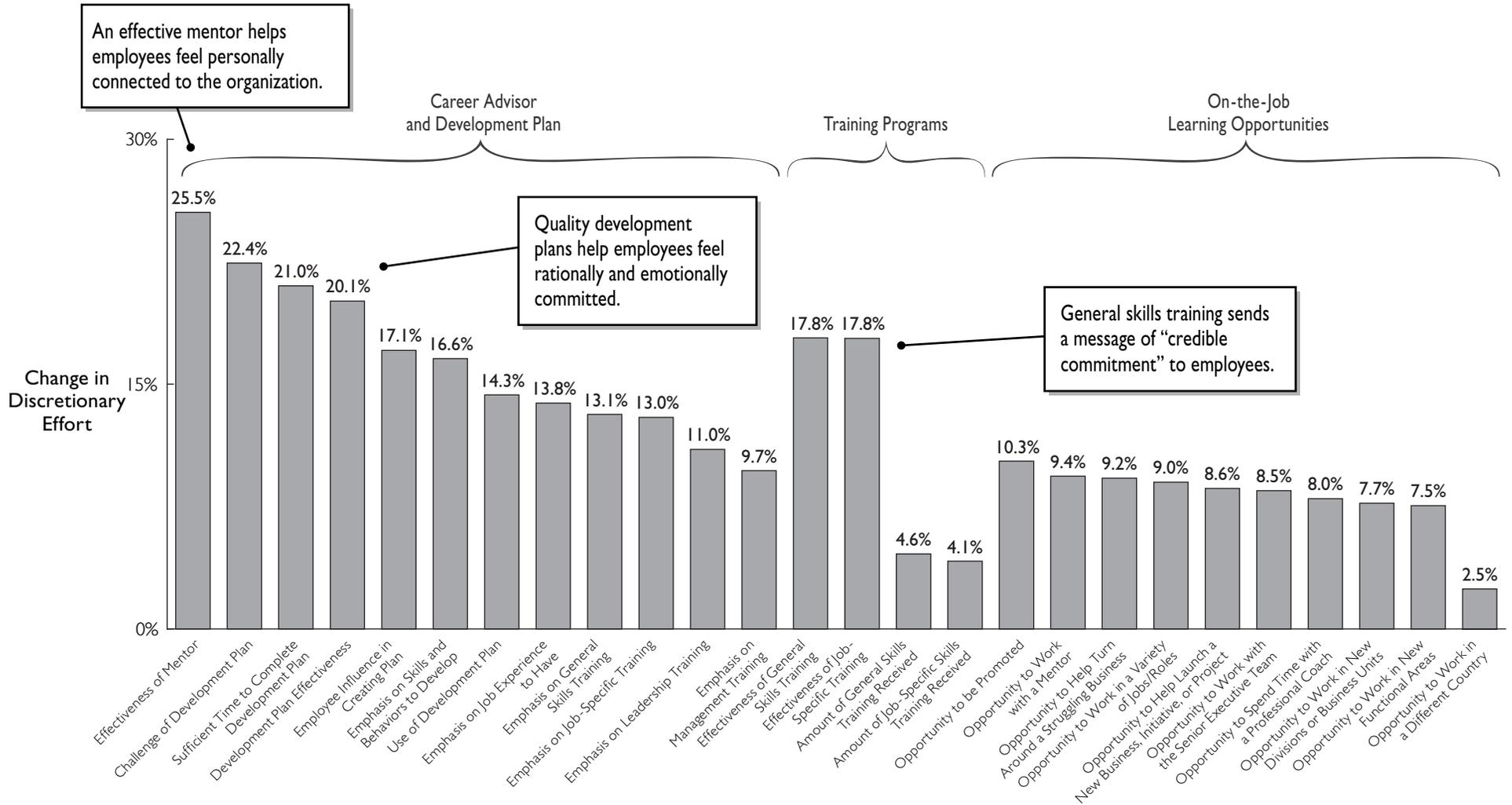
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Source: Corporate Leadership Council 2004 Employee Engagement Survey.

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*



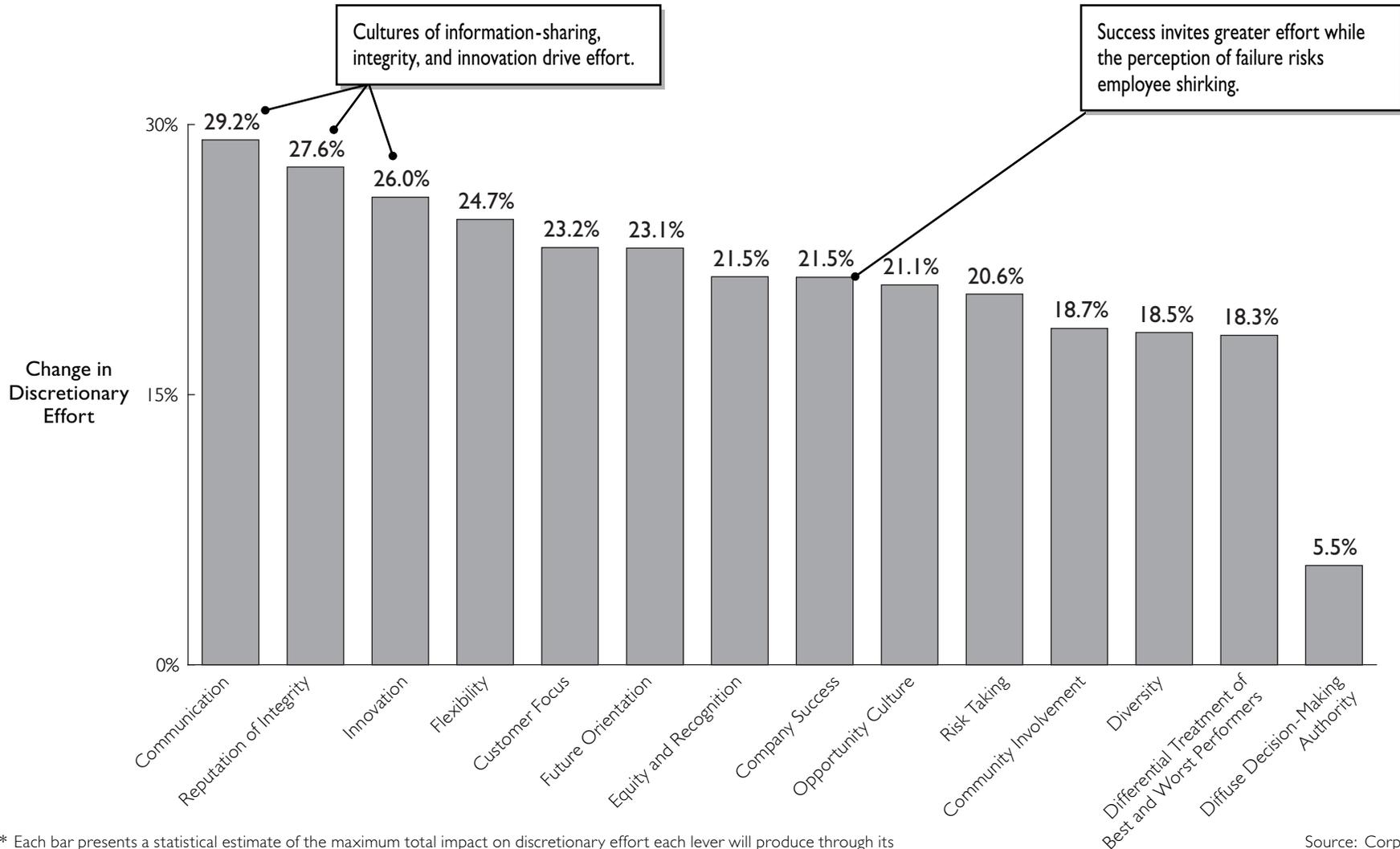
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Source: Corporate Leadership Council 2004 Employee Engagement Survey.

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



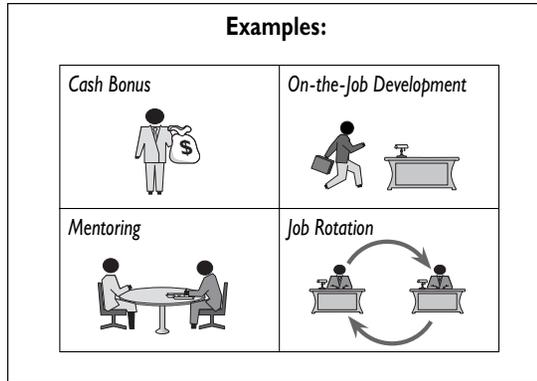
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Source: Corporate Leadership Council 2004 Employee Engagement Survey.

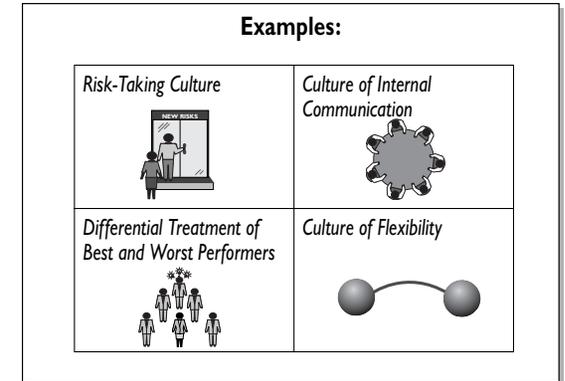
YOUR CULTURE IS A (VERY VALUABLE) ECONOMIC PUBLIC GOOD

Culture offers scale and impact across thousands of employees

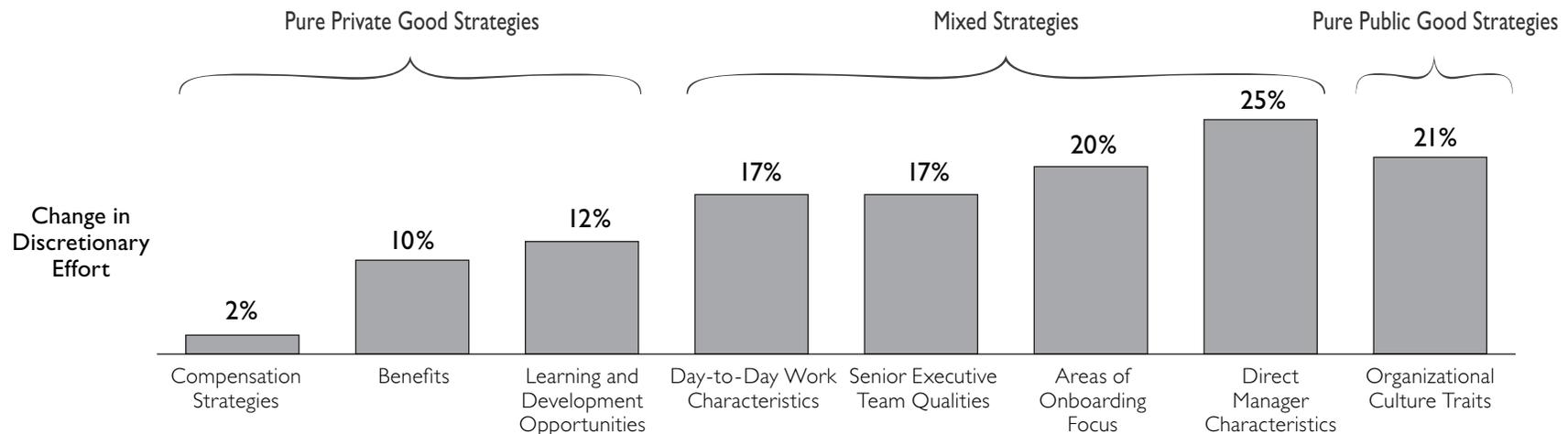
A New Typology for Human Capital Strategies



Private Good Strategies	Public Good Strategies
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Non-Subtractable—strategy is never “used up” • Non-Excludable—strategy affects all employees simultaneously



Average Impact of Public Good Versus Private Good Strategies on Discretionary Effort*



* 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

Top 50 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

	Lever	Impact	Category
26.	Helps Attain Necessary Information, Resources, and Technology	25.7	M
27.	Makes Sacrifices for Direct Reports	25.6	M
28.	Quality of Informal Feedback	25.6	M
29.	Career Advisor Effectiveness	25.5	L&D
30.	Encourages Employee Development	25.4	M
31.	Persuades Employees to Move in a Desired Direction	25.4	M
32.	Accurately Evaluates Employee Performance	25.3	M
33.	Identifies and Articulates a Long-Term Vision for the Future	25.3	M
34.	Inspires Others	25.2	M
35.	Places Employee Interests First	24.8	M
36.	Flexibility	24.7	O
37.	Provides Job Freedom	24.7	M
38.	Is Intelligent	24.6	M
39.	Clearly Communicates Performance Expectations	24.6	M
40.	Appropriately Handles Crisis	24.4	M
41.	Creates Clear Work Plans and Timetables	24.1	M
42.	Ability to Obtain Necessary Information	23.9	D
43.	Importance of Projects to Employees' Personal Development	23.8	D
44.	Trusts Employees to do Their Job	23.8	M
45.	Clearly Explains Job Importance	23.4	Onb
46.	Customer Focus	23.2	O
47.	Future Orientation	23.1	O
48.	Lets Upper Management Know of Employee Effectiveness	23.0	M
49.	Listens Carefully to Views and Options	23.0	M
50.	Is Open to New Ideas	22.9	Exec

O Organizational Culture and Performance Traits
M Manager Characteristics

D Day-to-Day Work Characteristics
Onb Areas of Onboarding Focus

L&D Learning and Development Opportunities
Exec Senior Executive Team Qualities

Source: Corporate Leadership Council 2004 Employee Engagement Survey.

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 likely 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 is 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.

CORPORATE LEADERSHIP COUNCIL

Corporate Executive Board
2000 Pennsylvania Avenue NW
Washington, DC 20006
Telephone: +1-202-777-5000
Fax: +1-202-777-5100

The Corporate Executive Board Company (UK) Ltd.
Victoria House
Fourth Floor
37-63 Southampton Row
Bloomsbury Square
London WC1B 4DR
United Kingdom
Telephone: +44-(0)20-7632-6000
Fax: +44-(0)20-7632-6001

